



A French joint-stock company (*société anonyme*) with share capital of €875,389,008.

Registered office: 58 avenue Emile Zola, 92100 Boulogne-Billancourt

Registered with the Nanterre Trade and Companies Registry under no. 381 844 471

SPECIAL REPORT OF THE BOARD OF DIRECTORS ON THE ALLOCATION OF FREE SHARES DURING 2021

At its meeting on 24 March 2022, the Board of Directors of Carmila (the “**Company**”) approved the terms of this report in order to bring to the attention of the 2022 Annual General Meeting, pursuant to the provisions of Article L. 225-197-4 of the French Commercial Code (*Code de commerce*), information relating to the allocation of free shares to employees and corporate officers during 2021.

During 2021, Carmila (i) converted the class B preference shares vested under the Free Preference Share Plans of 16 May 2018 and 24 October 2018 (**2018 FPSP 1 and 2**), and (ii) allocated free shares through a Free Share Plan (**2021 FSP**), as authorised by the Annual General Meeting of 18 May 2021.

1. Conversion of class B preference shares vested under the 2018 FPSPs of 16 May 2018 and 24 October 2018

Under the 10th resolution of the Extraordinary General Meeting of 16 May 2018, the Board of Directors was authorised, for a period of thirty-eight months, on one or several occasions, to allocate free preference shares (hereinafter “B Shares”) to be issued by the Company, giving entitlement to conversion into ordinary Company shares issued or to be issued, to certain employees and corporate officers of the Company and/or of companies related to it within the meaning of Article L. 225-197-2 of the French Commercial Code.

The B Shares only vested to the beneficiaries after a vesting period of one (1) year, subject to compliance with the conditions and allocation criteria set out in the Company’s By-Laws and determined by the Board of Directors. The B Shares, once vested, had to be held by the beneficiaries for a period of two (2) years from the date of allocation.

The maximum total number of ordinary shares that could be created as a result of the conversion of the preference shares allocated under the two plans could not represent more than 0.09% of the Company’s share capital at the date of the Annual General Meeting of 16 May 2019, and not more than 0.04% for the shares allocated to the corporate officers.

At its meeting on 16 May 2018, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, decided on the terms and conditions of the allocation of B Shares and allocated 125,746 B Shares to 47 beneficiaries, including 22,804 preference shares to Jacques Ehrmann, 7,537 preference shares to Yves Cadelano and 15,073 preference shares to Géry Robert-Ambroix (the “**2018 FPSP 1**”).

As Yves Cadelano forfeited his share allocation rights following his departure from the Company on 31 July 2018,

a new allocation was made based on the total number of shares approved by the Annual General Meeting of 16 May 2018, in favour of a single beneficiary. An additional plan with specific vesting and holding periods was approved on 24 October 2018 by the Board of Directors, which decided to allocate 7,537 preference shares to Sébastien Vanhooove, subject to the same service and performance conditions as those governing the free preference share plan approved on 16 May 2018 (“**2018 FPSP 2**”).

Issue of B Shares at the end of the vesting period

At its meeting on 16 May 2019, the Board of Directors decided to increase the share capital by €675,666 by creating 112,611 B Shares, and to amend the By-Laws accordingly.

At its meeting on 24 May 2019, the Board of Directors decided to increase the share capital by €45,222 by creating 7,537 B Shares, and to amend the By-Laws accordingly.

Conversion of B Shares into A Shares on 16 May 2021 and 24 October 2021

On 18 May 2021, the Board of Directors duly noted the attainment rate of the 2018 FPSP performance conditions as of 16 May 2021 and set the conversion ratio at 35.5% (one of three objectives achieved). The Board of Directors consequently decided, in view of the continued presence of the beneficiaries within the Company, that the 112,611 B Shares allocated under the 2018 FPSP 1 entitled holders to the conversion of 31,850 A Shares, of which 1,619 to Jacques Ehrmann, and 5,351 to Géry Robert-Ambroix.

On 25 October 2021, the Board of Directors duly noted, on the basis of the same ratio, the conversion of 7,537 B Shares into 2,675 A Shares to Sébastien Vanhooove, Deputy Chief Executive Officer of the Company.

Summary of A Shares vested in 2021

Date of the Annual General Meeting	Date of the Board of Directors' meeting/Date of allocation	Category of shares allocated	Number of shares originally allocated under the plan	Vesting date of free shares	Number of shares issued	Date of conversion into A Shares	Number of unconverted shares/cancelled share rights	Number of A Shares vested in 2021
16/05/2018	16/05/2018	B Shares	125,746	16/05/2019	112,611	16/05/2021	80,761	31,850
24/10/2018	24/10/2018	B Shares	7,537	24/10/2019	7,537	24/10/2021	4,862	2,675
TOTAL			133,283		120,148		85,623	34,525

2. Overview of the 2021 FSP

Under the 32nd resolution of the Extraordinary General Meeting of 18 May 2021, the Board of Directors was authorised, for a period of twenty-six months, to allocate free shares to certain employees and corporate officers of the Company and/or of companies related to it within the meaning of Article L. 225-197-2 of the French Commercial Code.

Under the 32nd resolution of the Annual General Meeting of 18 May 2021, the total number of free shares allocated may not represent more than 0.20% of the Company's share capital on the date of the Board of Directors' decision, it being specified that the allocation to the Group's corporate officers may not represent more than 0.05% of the share capital at the same date.

Accordingly, and on the recommendation of the Nomination and Compensation Committee, the Board of Directors allocated free shares on 18 May 2021, in order to reward performance in view of the achievement of the Company's strategic objectives, and designated the beneficiaries.

Below is an overview of the main characteristics of the 2021 FSP, under which free shares were allocated during the year:

Plan beneficiaries

On 18 May 2021, the Board of Directors allocated 238,938 free shares subject to performance conditions, including 44,248 free shares to the Chair and Chief Executive Officer, 11,625 free shares to the Deputy Chief Executive

Officer, and 183,075 free shares to key employees, making a total of 51 beneficiaries.

Vesting period

The free shares allocated under the 2021 FSP will vest on 18 May 2024, at the end of the vesting period.

Performance conditions

The shares allocated to the plan beneficiaries will only vest to said beneficiaries if certain performance conditions are met by the Company during the vesting period.

The number of shares that vest to each beneficiary out of the total number of performance shares allocated under the 2021 FSP decided by the Board of Directors on 16 February 2021 will depend on the following four performance conditions, each of which accounts for 25% of the final allocation:

- **Performance condition 1: Carmila’s total shareholder return (TSR) corresponding to the change in EPRA Net Tangible Assets (NTA) over three years compared to a Panel (25% of the allocation)**

For the purposes hereof:

The “**Panel**” refers to the panel of the following companies: Unibail-Rodamco-Westfield, Klépierre, CityCon OYJ, Eurocommercial Properties, Deutsche Euroshop, Wereldhave, Mercialis, Vastned Retail, Immobiliare Grande and Atrium European Real Estate.

“**Carmila’s TSR**” means the ratio between (i) the Company’s EPRA NTA¹ at 31 December 2023, plus any distributions made in the 2021-2023 period; and (ii) the Company’s EPRA NTA at 31 December 2020.

The “**Panel’s TSR**” means, for the companies on the Panel, the ratio between (i) EPRA NTA at 31 December 2023, plus any distributions made in the 2021-2023 period; and (ii) EPRA NTA at 31 December 2020.

Difference between Carmila’s TSR and the Panel’s TSR (<i>point(s)</i>)	Attainment rate (%)
-1	0
0 (on target)	50
+1	75
+2	100
+3	120

- **Performance condition 2: average recurring earnings per share (25% of the allocation)**

- If the average recurring earnings per share over the 2021-2023 period is less than or equal to €0.80 per share, performance condition 2 will be deemed to have been met at 0%.
- If the average recurring earnings per share over the 2021-2023 period is greater than or equal to €1.20 per share, performance condition 2 will be deemed to have been met at 100%.

¹ Determined in accordance with the latest EPRA Best Practices Recommendations, applicable from 2020.

- If the average recurring earnings per share over the 2021-2023 period is greater than or equal to €1.60 per share, performance condition 2 will be deemed to have been met at 120%.

- **Performance condition 3: CSR criteria (25% of the allocation)**

Performance condition 3 comprises three cumulative CSR criteria:

(i) Carbon Disclosure Project criterion (1 rating per year)

Criterion	Attainment rate (%)
First-time rating > B at constant standard level	0
Second-time rating > B at constant standard level	33
Third-time rating > B at constant standard level	40

(ii) Gender Equality Index – 2023 objective

Index (%)	Attainment rate (%)
75	0
90	33
95	40

(iii) GRESB – 2023 rating

Rating (out of 100)	Attainment rate (%)
80	0
90	33
95	40

- **Performance condition 4: Carmila’s total shareholder return (TSR) corresponding to the change in the Company’s share price over three years compared to a Panel (25% of the allocation)**

For the purposes hereof:

The “**Panel**” refers to the panel of the following companies: Unibail-Rodamco-Westfield, Klépierre, CityCon OYJ, Eurocommercial Properties, Deutsche Euroshop, Wereldhave, Mercialis, Vastned Retail, Immobiliare Grande and Atrium European Real Estate.

Carmila’s TSR means the ratio between (i) the average closing price over the last 40 trading days in 2023, plus any distributions between 1 January 2021 and 31 December 2023, and (ii) the average closing price over the last 40 trading days in 2020.

The “**Panel’s TSR**” means the ratio between (i) the average closing price of the Company’s shares over the last 40 trading days in 2023, plus any distributions made between 1 January 2021 and 31 December 2023, and (ii) the average closing price of the Company’s shares over the last 40 trading days in 2020.

Difference between Carmila's TSR and the Panel's TSR (point(s))	Attainment rate (%)
-1	0
0 (on target)	50
+1	75
+2	100
+3	120

On the recommendation of the Nomination and Compensation Committee, the Board of Directors may, however, adjust these performance conditions in exceptional circumstances, i.e., in the event of a significant change in the Company's scope of consolidation, accounting method, competitive environment or any other circumstance justifying, in the opinion of the Board of Directors, such an adjustment, in order to neutralise, to the extent possible, the consequences of such events on the objectives set at the time of the initial allocation and to uphold the spirit of the original performance conditions. If no adjustment decision is made, the beneficiaries will not be entitled to any compensation.

The table below shows the free share allocations under the authorisation granted in the 32nd resolution of the Company's Extraordinary Annual General Meeting of 18 May 2021.

Date of Board meeting	Total number of shares allocated	Vesting period	Holding period	Total number of beneficiaries	Performance conditions	Origin of the A Shares to be allocated
18/05/2021	238,938	3 years	2 years	51	Performance conditions 1, 2, 3 & 4 (see above)	New or existing shares

3. Number and value of the free shares allocated during 2021 to each of the corporate officers by the Company and companies related to it within the meaning of Article L. 225-197-2 of the French Commercial Code, by virtue of their officers and the duties performed within the Company

Corporate officer concerned	No. of shares allocated	Value ⁽¹⁾
Marie Cheval	44,248	€500,000
Sébastien Vanhoove	11,625	€131,249.50

(1) Maximum amount calculated on the assumption that performance conditions are fully achieved, and based on a share price of €11.30 corresponding to the average closing price over the last 40 trading days in 2020.

4. Number and value of the free shares allocated during 2021 to each of the Company's corporate officers by companies controlled within the meaning of Article L. 233-16 of the French Commercial Code, by virtue of their offices and the duties performed within said controlled companies

Corporate officer concerned	No. of shares allocated	Value
None	None	None

5. **Number and value of the free shares allocated during 2021 by the Company and companies or groups related to it within the meaning of Article L. 225-197-2 of the French Commercial Code to each of the ten employees of the Company who are not corporate officers and who were allocated the greatest number of free shares**

Employees	No. of shares allocated	Value ⁽¹⁾
10 employees who are not corporate officers and were allocated the greatest number of free shares	86,000	971,800

(1) Maximum amount calculated on the assumption that performance conditions are fully achieved, and based on a share price of €11.30 corresponding to the average closing price over the last 40 trading days in 2020.

6. **Number and value of the free shares allocated during 2021 by the Company and companies or groups related to it within the meaning of Article L. 225-197-2 of the French Commercial Code to all employee beneficiaries, as well as the number of such beneficiaries and the breakdown of the shares allocated among the categories of such beneficiaries**

No. of free shares allocated	Value ⁽¹⁾	Number of beneficiary employees	Breakdown of shares between beneficiary categories
55,873	€631,249.50	2	Corporate officers
86,000	€971,800	10	10 employees who are not corporate officers and who were allocated the greatest number of free shares
97,065	€1,096,834.50	39	Other key employees

(1) Maximum amount calculated on the assumption that performance conditions are fully achieved, and based on a share price of €11.30 corresponding to the average closing price over the last 40 trading days in 2020.

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The Board of Directors.