

# MERCIALYS

148, rue de l'Université 75007 Paris France +33 1 53 10 23 30

## Compensation for executive officers

*(published in accordance with the AFEP-MEDEF corporate governance code)*

During its meeting on March 20, 2017, and after consulting with the Appointments and Compensation Committee, the Company's Board of Directors approved the following items of compensation for the Chairman and Chief Executive Officer and the Chief Operating Officer:

### . **Fiscal year 2016:**

The Board of Directors set the amount of variable compensation for the Chairman and Chief Executive Officer and the Chief Operating Officer for 2016.

For reference, the target represented 50% of fixed annual compensation for the Chairman and Chief Executive Officer, with a maximum of 100%, and 40% for the Chief Operating Officer, with a maximum of 80%.

It was based on the achievement of quantitative targets for Mercialys for 20%, individual quantitative targets for 30%, individual qualitative targets for 20% and managerial targets for 30%.

The Board of Directors acknowledged the levels of performance achieved and set the amount of variable compensation for 2016 as follows:

- . For the Chairman and Chief Executive Officer, a gross total of Euro 320,625;
- . For the Chief Operating Officer, a gross total of Euro 49,860.

### . **Fiscal year 2017:**

In accordance with Article L.225-37-2 of the French commercial code (Code de commerce), the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional elements from the overall pay package and the benefits of any kind awarded for 2017 to the Chairman and Chief Executive Officer and the Chief Operating Officer for their corporate offices were set by the Board of Directors on March 20, 2017 after consulting with the Appointments and Compensation Committee, and will be submitted for approval at the General Meeting on April 27, 2017.

The Board of Directors' specific report detailing all of these elements is presented in the 2016 registration document and the brochure for the General Meeting presenting the resolutions.



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## **Fixed compensation**

Set at Euro 450,000 on March 1, 2015, the Chairman and Chief Executive Officer's fixed compensation did not change in 2016 and will remain unchanged in 2017.

Considering the success achieved following the Chief Operating Officer's appointment, during its meeting on February 14, 2017, and after consulting with the Appointments and Compensation Committee, the Board of Directors decided to increase his annual fixed compensation to Euro 300,000 gross from March 1, 2017.

The Chief Operating Officer's fixed and variable annual compensation is split between Mercialys for two thirds and Mercialys Gestion, a fully-owned Mercialys subsidiary, for one third, since he is still employed by Mercialys Gestion as Director of Lettings.

## **Annual variable compensation**

The Board of Directors also set the conditions for determining the variable compensation for the Chairman and Chief Executive Officer and the Chief Operating Officer for 2017.

The amount of variable compensation may represent:

- For the Chairman and Chief Executive Officer, 50% of his fixed annual compensation if the targets set are achieved, and up to 100% of his fixed annual compensation if the targets are exceeded;
- For the Chief Operating Officer, 40% of his fixed annual compensation if the targets set are achieved, and up to 80% of his fixed annual compensation if the targets are exceeded.

This compensation is determined based on the achievement of quantitative targets for 70% (versus 50% in 2016) and managerial targets for 30%.

For each quantitative criteria, a minimum achievement limit is defined beforehand, along with a target level corresponding to Mercialys' targets for performance in line with the objectives, and a level of outperformance in relation to the target. Variable compensation is calculated on a straight-line basis between the minimum and maximum limits.



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## Long-term incentives

To align the interests of the Chairman and Chief Executive Officer and the Chief Operating Officer with the company's shareholder performance over the long term, the Board of Directors, subject to the 26th resolution being approved at the General Shareholders' Meeting on April 27, 2017 and compliance with Article L.225-197-6 of the French commercial code, has decided on the principle of awarding bonus shares that would replace the long-term variable compensation arrangements awarded to executive officers over the past three years.

This award would represent a target based on:

- 75% of the Chairman and Chief Executive Officer's fixed pay (i.e. Euro 337,500) and could represent up to 112.50% of his fixed pay (i.e. Euro 506,250) if the performance conditions are exceeded;
- 50% of the Chief Operating Officer's fixed pay (i.e. Euro 150,000) and could represent up to 75% of his fixed pay (i.e. Euro 225,000) if the performance conditions are exceeded.

The bonus shares awarded would only be vested by the Chairman and Chief Executive Officer and the Chief Operating Officer after a three-year vesting period, subject to attendance and company performance requirements, with this performance assessed over the full three-year period based on the following two criteria:

- Absolute performance of Mercialys shares, dividends included, measured between January 1, 2017 and December 31, 2019 for 25% of the award;
- Relative performance of Mercialys shares, dividends included, in relation to the performance of companies making up the EPRA Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019 for the remaining 75%.

50% of the shares vested by the Chairman and Chief Executive Officer and the Chief Operating Officer would be required to be held on a registered basis until the end of their time in office, with 50% to be held for two years.

Paris, March 24, 2017



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