

# MERCIALYS

16-18 rue du Quatre-Septembre  
CS 36812 - 75082 Paris Cedex 02 - France

## Executive compensation

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

### I. Variable compensation for the Chief Executive Officer and Deputy Chief Executive Officer

#### a. **2021 variable compensation to be paid to the Chief Executive Officer and the Deputy Chief Executive Officer, subject to approval at the General Meeting on April 28, 2022:**

During its meeting on February 14, 2022, and after consulting with the Appointments, Compensation and Governance Committee, the Company's Board of Directors approved the following items of compensation for the Chief Executive Officer and the Deputy Chief Executive Officer for 2021:

The Board of Directors set the amount of variable compensation for the Chief Executive Officer and the Deputy Chief Executive Officer for 2021.

For reference, the target represented 70% of annual fixed compensation for the Chief Executive Officer, with a maximum of 140%, and 55% for the Deputy Chief Executive Officer, with a maximum of 110%.

It was based on the achievement of quantitative targets for 80% and two targets combining both quantitative and qualitative criteria for 20%.

The Board of Directors acknowledged the levels of performance achieved and set the amount of variable compensation for 2021 as follows:

- For the Chief Executive Officer, a gross total of Euro 478,800;
- For the Deputy Chief Executive Officer, a gross total of Euro 265,994.

#### b. ***Long-term compensation definitively awarded to the Chief Executive Officer and Deputy Chief Executive Officer***

For reference, in accordance with the compensation policies approved during the General Meeting on April 25, 2019, the Board of Directors decided, during its meeting on the same day, to award the Chief Executive Officer and Deputy Chief Executive Officer, as part of their long-term compensation, a maximum of 45,621 bonus shares (with 31,994 shares awarded to the Chief Executive Officer and 13,627 awarded to the Deputy Chief Executive Officer), subject in full to a condition for being present (as a corporate officer) on the vesting date for the shares, as well as compliance with three performance criteria over FY 2019 to FY 2021 (inclusive).

For information, the Board of Directors, during its meeting on February 14, 2022, following the opinion issued by the Appointments, Compensation and Governance Committee, acknowledged the vesting of 6,083 bonus shares under this plan, with 4,266 bonus shares for the Chief Executive Officer and 1,817 for the Deputy Chief Executive Officer with effect from April 25, 2022, in accordance with the terms of said plan.



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## II. 2022 compensation policy for the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer:

In accordance with Article L.225-37-2 of the French commercial code (Code de commerce), the 2022 compensation policy for corporate officers was set by the Board of Directors on February 14, 2022, after consulting with the Appointments, Compensation and Governance Committee, and will be submitted for approval at the General Meeting on April 28, 2022.

The Board of Directors' specific report detailing all of these elements will be presented in the 2021 Universal Registration Document and the 2022 General Meeting brochure.

### ***a) Compensation for the Chairman of the Board of Directors:***

The annual fixed compensation for Mr Éric Le Gentil, as Chairman of the Board of Directors, will remain unchanged in 2022 at Euro 225,000, for the specific missions assigned to him as Chairman of the Board: (i) relations with key shareholders, as well as key financial and/or industrial partners, (ii) participation in drawing up the strategy and monitoring its implementation, and (iii) liaising between the Board and the Executive Leadership Team.

Mr Éric Le Gentil, as Chairman of the Board of Directors, will not receive any annual variable compensation, any long-term variable compensation or any bonus shares.

As a director, a member of the Strategy and Transformation Committee and a member of the Appointments, Compensation and Governance Committee, Mr Éric Le Gentil will receive compensation for this activity in accordance with the Company's rules.

### ***b) Compensation for the Chief Executive Officer:***

#### **– Fixed compensation**

From February 13, 2019, Mr Vincent Ravat's annual fixed compensation in his capacity as Chief Executive Officer is Euro 360,000 and has remained unchanged for the last three years.

For 2022, it is proposed to increase the Chief Executive Officer's annual fixed compensation by 19.5% to Euro 430,000.

In addition to the fact that the Chief Executive Officer's annual fixed compensation has not been increased since the start of his term of office, this proposal is notably justified by the elements presented hereafter.

Firstly, the increase in compensation is intended to reflect Mr Vincent Ravat's successful performance of his duties since taking office. During the meeting on October 21, 2021, the Independent Directors from the Company's Board of Directors praised the successful management of the crisis by the Executive Leadership Team and their ability to maintain an objective approach under all circumstances. They also highlighted the accessibility and high level of availability shown by the Executive Leadership



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Team, as well as the fluidity and quality of exchanges and the Executive Leadership Team's willingness to take into account and implement suggestions from the Independent Directors (particularly in relation to the quality of the Company's ESG approach and the creation of a new Strategy and Transformation Committee, in line with the expectations expressed).

The proposal also takes into consideration the change in the Company's profile, resulting in more extensive responsibilities and missions for the Executive Leadership Team. This change is illustrated in particular by the gradual process to bring support functions back in-house in 2020 and 2021: on the one hand, the divestment, acquisition and fund management activities, and on the other hand, the core functions, such as human resources management (HR and payroll) and IT, followed in 2022 by the Board Secretariat, accounting and corporate finance.

The level of annual fixed compensation for the Chief Executive Officer following the proposed increase would continue to be reasonable and coherent in relation to the level of annual fixed compensation for executives in comparable companies. As recommended by the AMF in its 2020 report on corporate governance and executive compensation in listed companies, the company AON carried out a benchmark in January 2022 on the level of executive compensation across a panel of around 20 companies with comparable features to Mercialys. Two methodologies were applied: an analysis based on a constant methodology (used in the previous AON benchmarks from 2019 and 2020) with a Pricing approach, comparing the Chief Executive Officer's compensation with that of executives in similarly sized or smaller companies or that of executives directly below the chief executive in larger companies, and a Proxies analysis, comparing the Chief Executive Officer's compensation with that of executives of the same level in these same companies from the panel selected.

Based on the Pricing analysis, this benchmark shows that the Chief Executive Officer's annual fixed compensation is 21% lower than the average and 11% lower than the median observed for the sample of 19 comparable companies for Mercialys. Based on the Proxies analysis, the Chief Executive Officer's annual fixed compensation is 43% lower than the average and 28% lower than the median for the same panel.

This differential could therefore be reduced with the proposal to increase the Chief Executive Officer's annual fixed compensation by 19.5%.

In addition, the Proxinvest ranking of executive pay in SBF 120 companies for 2020 shows that Mercialys is in the first quartile of the ranking for compensation levels, which is the lowest quartile for the panel.

The data presented in the Proxinvest report indicate an average fixed compensation for SBF 120 chief executives of Euro 865,197 per year, while the last two benchmarks carried out by AON show that the level of compensation for Mercialys' Executive Leadership Team is still significantly lower than the level for executives in comparable companies.

Lastly, this proposal is in line with the interests of the Group's stakeholders and particularly its employees. The Proxinvest study on executive pay in French companies in 2020 shows that Mercialys is one of the "best" companies in terms of its equity ratio (8th on the SBF 120). The pay gap between



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the Executive Leadership Team and employees is one of the lowest on the panel of SBF 120 companies, significantly lower than the average and median.

## – Annual variable compensation

Mr Vincent Ravat's variable compensation package remains unchanged for 2022. It is proposed to maintain Mr Vincent Ravat's target annual compensation at 70% of his annual fixed compensation if the targets are achieved. The maximum achievement rate for each target could reach 200%. If performance levels exceed these targets, the annual variable compensation would remain capped at 140% of his annual fixed compensation.

If he leaves the Group, Mr Vincent Ravat's variable component will be calculated on a *prorata temporis* basis for his presence in this capacity.

Variable compensation is still structured around two types of targets:

- 1/ Quantitative targets, with an 80% weighting, and
- 2/ Two targets combining both quantitative and qualitative criteria, with a 20% weighting.

A series of balanced criteria have been retained for 2022, covering financial performance, operational performance and sustainability performance aspects, as well as balance sheet position criteria. To ensure a balanced approach, two criteria have been retained for each category.

For each quantitative criterion, 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.

The Board of Directors, as recommended by the Compensation, Appointments and Governance Committee, may adjust the objectives and take into account exceptional national-level events, such as a health crisis, when assessing the achievement of the performance objectives in order to keep, in accordance with the Company's interests, the implementation of the compensation policy in line with performance.

The Board of Directors may, by the same reasoning, adjust trigger thresholds, objectives and targets in the event of changes in accounting standards and methods.

In addition, in the event of a material change in the Group's strategy or scope (particularly following a merger or disposal, a change of control, the acquisition or creation of a new significant activity or the discontinuation of an existing significant activity), the Board of Directors, as recommended by the Compensation, Appointments and Governance Committee, may, at its discretion, adjust one or more performance criteria-related parameters upwards or downwards (weighting, trigger thresholds, objectives, targets, etc.) for the Chief Executive Officer's annual variable compensation, in order to ensure that the application of these criteria reflect both his performance and that of the Group.

## – Long-term incentives



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To align the Chief Executive Officer's interests with the Company's shareholder performance over the long term, the Board of Directors, subject to Article L.22-10-60 of the French commercial code, has decided to maintain the principle for awarding bonus shares.

This award would represent a target based on 125% of his annual fixed compensation (i.e. Euro 537,500) if the targets set are achieved, potentially rising to 187.5% of his annual fixed compensation if each performance criteria is exceeded. In any event, the combination of the three criteria would be capped at 160% of his annual fixed compensation (i.e. Euro 688,000), in order to comply with market best practices.

Bonus shares will only be fully vested by the Chief Executive Officer at the end of a three-year vesting period, subject to conditions of presence (in his capacity as corporate officer), it being specified that in the case that his term of corporate office is not renewed (excluding resignation or dismissal), the Board of Directors may decide to maintain the benefit of the plan.

In the event of the Chief Executive Officer's forced departure (except in the event of resignation or dismissal for gross or serious misconduct) following a change of control or change of strategy, his entitlement to the bonus shares awarded to him before his effective departure date would be maintained on a *pro rata temporis* basis for his presence as an executive officer of Mercialys during the vesting period, while remaining subject to said plan's performance conditions. The performance conditions are then calculated, based on the plan's performance criteria, assessed at the end of the year during which the Chief Executive Officer ceased to hold his office (without taking into account the impact of the year(s) following the year when he ceased to hold his office). In such a case, the Chief Executive Officer would also be discharged from any holding requirement following the aforementioned vesting period.

Vesting will also be subject to performance conditions, as indicated in Section 4 of the 2021 Universal Registration Document.

Following this three-year vesting period, the Chief Executive Officer would be required to hold 100% of his shares for a minimum period of two years after they are fully vested, and then to hold 50% on a registered basis until the end of his appointment as a corporate officer.

Furthermore, in accordance with the final paragraph of Article 25.3.3 of the AFEP-MEDEF Code, the Chief Executive Officer undertakes to not use risk hedging operations until the end of the lock-up period for his shares.

## – **Non-compete clause**

The Chief Executive Officer is also entitled to compensation under a non-compete clause. If his position was terminated, the Chief Executive Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed his time of employment with the Company, up to a maximum of one year, while noting that the Company may reduce or waive the application period.

In exchange, the Chief Executive Officer would be paid monthly compensation equivalent to one twelfth of 50% of his annual fixed compensation.



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It is decided to expand the basis for calculating the non-compete benefits to a monthly basis equivalent to 50% of Mr Vincent Ravat's total annual compensation (including both fixed and variable compensation) by applying the average total compensation paid for the two years prior to his departure.

This level is still below the recommendation from Article 24.6 of the AFEP-MEDEF Code, which refers to a maximum limit of two years of total compensation, comprising the annual fixed and variable components.



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## ***c) Compensation for the Deputy Chief Executive Officer:***

### **– Fixed compensation**

Ms Elizabeth Blaise's compensation in her capacity as Deputy Chief Executive Officer was set at Euro 265,000 from January 1, 2020.

The Deputy Chief Executive Officer has until now continued to have an employment contract in her capacity as Chief Financial Officer. In this respect, her annual fixed and variable compensation is split based on half for her corporate office and half for her employment contract.

If her term of office is renewed, all of the Deputy Chief Executive Officer's compensation would be transferred to her corporate office, and her employment contract as Chief Financial Officer would be terminated, without any compensation being awarded for this termination of her contract. It is also important to note that Ms Elizabeth Blaise is not entitled to severance benefits following the end of her appointment as Deputy Chief Executive Officer. Moreover, this termination would lead to the calculation of a final settlement payment.

The end of her employment contract, the waiving of any contractual compensation in this respect, and the fact that no severance benefits will be awarded in connection with her corporate office are among other factors justifying a proposed increase in her annual fixed compensation.

For 2022, it is proposed to increase the Deputy Chief Executive Officer's annual fixed compensation by 20% to Euro 318,000.

In addition to the fact that the Deputy Chief Executive Officer's annual fixed compensation has not been increased for two years, this proposal is notably justified by the elements presented hereafter.

Firstly, the increase in compensation is intended to reflect the Deputy Chief Executive Officer's successful performance of her duties since taking office. During the meeting on October 21, 2021, the Independent Directors from the Company's Board of Directors highlighted the accessibility and high level of availability shown by the Executive Leadership Team, as well as the fluidity and quality of exchanges and the Executive Leadership Team's willingness to take into account and implement suggestions from the Independent Directors (particularly in relation to the quality of the Company's ESG approach and the creation of a new Strategy and Transformation Committee, in line with the expectations expressed).

The proposal also takes into consideration the change in the Company's profile, resulting in more extensive responsibilities and missions for the Executive Leadership Team, as well as a strong level of engagement. This change is illustrated in particular by the gradual process to bring support functions back in-house in 2020 and 2021, with a significant percentage of them overseen by Ms Elizabeth Blaise: the real estate management control and insurance activities, followed by accounting and tax in 2022, reflected in a 25% increase in Mercialys' headcount between 2019 and 2021.

The level of annual fixed compensation for the Deputy Chief Executive Officer following the proposed increase would continue to be reasonable and coherent in relation to the level of annual fixed



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compensation for executives in comparable companies. As recommended by the AMF in its 2020 report on corporate governance and executive compensation in listed companies, the company AON carried out a benchmark in January 2022 on the level of executive compensation across a panel of around 20 companies with comparable features to Mercialys. Two methodologies were applied: an analysis based on a constant methodology (used in the previous AON benchmarks from 2019 and 2020) with a Pricing approach, comparing the Deputy Chief Executive Officer's compensation with that of Deputy Chief Executive Officers in similarly sized or smaller companies or that of executives in charge of business lines in larger companies, and a Proxies analysis, comparing the Deputy Chief Executive Officer's compensation with that of executives of the same level in these same companies from the panel selected.

Based on the Pricing analysis, this benchmark shows that the Deputy Chief Executive Officer's annual fixed compensation is 11% lower than the average and 12% lower than the median observed for the sample of 19 comparable companies for Mercialys. Based on the Proxies analysis, the Deputy Chief Executive Officer's annual fixed compensation is 31% lower than the average and 20% lower than the median for the same panel.

This differential could therefore be reduced with the proposed 20% increase in her annual fixed compensation.

With regard to the Deputy Chief Executive Officer, the proposed increase in her annual fixed compensation is also in line with a commitment to ensure alignment in terms of parity with the compensation of a male Deputy Chief Executive Officer over an equivalent time in office. The annual fixed compensation of the Company's previous male Deputy Chief Executive Officer at the end of his time in office in 2019 was Euro 300,000. This approach is therefore fully in line with the Group's efforts in terms of workplace equality.

In addition, the Proxinvest ranking of executive pay in SBF 120 companies for 2020 shows that the level of compensation for Mercialys' Executive Leadership Team is still significantly lower than the level for executives in comparable companies.

Lastly, this proposal is in line with the interests of the Group's stakeholders and particularly its employees. The Proxinvest study on executive pay in French companies in 2020 shows that Mercialys is one of the "best" companies in terms of its equity ratio. The pay gap between the Executive Leadership Team and employees is one of the lowest on the panel of SBF 120 companies, significantly lower than the average and median; only semi-public companies offer a better ratio.

The Deputy Chief Executive Officer would not retain her employment contract as Chief Financial Officer beyond the Board of Directors meeting following the Ordinary General Meeting. Until this date, her fixed and annual variable compensation will continue to be split based on half for her corporate office and half for her employment contract.



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## – Annual variable compensation

Ms Elizabeth Blaise's variable compensation package remains unchanged for 2022.

For reference, Ms Elizabeth Blaise's target variable compensation in 2021 represented 55% of her annual fixed compensation.

The maximum achievement rate for each target could reach 200%. In the event of outperformance, this annual variable compensation could therefore reach up to 110% of her annual fixed compensation.

If she leaves the Group, the Deputy Chief Executive Officer's variable component will be calculated on a *prorata temporis* basis for her presence in this capacity.

Variable compensation is structured around two types of targets:

- 1/ Quantitative targets, with an 80% weighting, and
- 2/ Two targets combining both qualitative and quantitative criteria, with a 20% weighting.

A series of balanced criteria have been retained for 2022, covering financial performance, operational performance and sustainability performance aspects, as well as balance sheet position criteria.

For each quantitative criterion, 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.

The Board of Directors, as recommended by the Compensation, Appointments and Governance Committee, may adjust the objectives and take into account exceptional national-level events, such as a health crisis, when assessing the achievement of the performance objectives in order to keep, in accordance with the Company's interests, the implementation of the compensation policy in line with performance.

The Board of Directors may, by the same reasoning, adjust trigger thresholds, objectives and targets in the event of changes in accounting standards and methods.

In addition, in the event of a material change in the Group's strategy or scope (particularly following a merger or disposal, a change of control, the acquisition or creation of a new significant activity or the discontinuation of an existing significant activity), the Board of Directors, as recommended by the Compensation, Appointments and Governance Committee, may, at its discretion, adjust one or more performance criteria-related parameters upwards or downwards (weighting, trigger thresholds, objectives, targets, etc.) for the Deputy Chief Executive Officer's annual variable compensation, in order to ensure that the application of these criteria reflect both her performance and that of the Group.



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## – Long-term incentives

To align the Deputy Chief Executive Officer's interests with the Company's shareholder performance over the long term, the Board of Directors, subject to Article L.22-10-60 of the French commercial code, has decided to maintain the principle for awarding bonus shares.

Ms Elizabeth Blaise's target percentage has been kept, expressed as a percentage, at the level from the 2021 plan, with a target based on 100% of her annual fixed compensation (i.e. Euro 318,000) if the targets set are achieved, potentially rising to 150% of her annual fixed compensation if each performance criteria is exceeded. In any event, the combination of the three criteria would be capped at 130% of her annual fixed compensation (i.e. Euro 413,400), in order to comply with market best practices.

The bonus shares awarded would only be fully vested by the Deputy Chief Executive Officer at the end of a three-year vesting period, subject to presence conditions (in her capacity as a corporate officer), while noting that if her corporate office is not renewed (excluding cases of resignation or dismissal), the Board of Directors may decide to maintain her entitlement to the plan.

In the event of the Deputy Chief Executive Officer's forced departure (except in the event of resignation or dismissal for gross or serious misconduct) following a change of control or change of strategy, her entitlement to the bonus shares awarded to her before her effective departure date would be maintained on a *pro rata temporis* basis for her presence as an executive officer of Mercialys during the vesting period, while remaining subject to said plan's performance conditions. The performance conditions are then calculated, based on the plan's performance criteria, assessed at the end of the year during which the Deputy Chief Executive Officer ceased to hold her corporate office (without taking into account the impact of the year(s) following the year when she ceased to hold her office). In such a case, the Deputy Chief Executive Officer would also be discharged from any holding requirement following the aforementioned vesting period.

Vesting will also be subject to performance conditions, as indicated in Section 4 of the 2021 Universal Registration Document.

Following this three-year vesting period, the Deputy Chief Executive Officer would be required to hold 100% of her bonus shares for a minimum period of two years after they are fully vested, and then to hold 50% on a registered basis until the end of her corporate office with the Company.

Furthermore, in accordance with the final paragraph of Article 25.3.3 of the AFEP-MEDEF Code, the Deputy Chief Executive Officer undertakes to not use risk hedging operations until the end of the lock-up period for her shares.

## – Non-compete clause

The Deputy Chief Executive Officer is also entitled to compensation under a non-compete clause. If her position was terminated, the Deputy Chief Executive Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed her time of employment with the Company, up to a maximum of one year, while noting that the Company may reduce or waive the



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application period. In exchange, the Deputy Chief Executive Officer would be paid monthly compensation equivalent to one twelfth of 50% of her annual fixed compensation.

It is decided to expand the basis for calculating the non-compete benefits to a monthly basis equivalent to 50% of Ms Elizabeth Blaise's total annual compensation (including both fixed and variable compensation) by applying the average total compensation paid for the two years prior to her departure.

This level is still significantly lower than the recommendation from Article 24.6 of the AFEP-MEDEF Code, which refers to a maximum limit of two years of total compensation, comprising the annual fixed and variable components.

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updated on April 7, 2022



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