MERCIALYS
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**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) 2022 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 27, 2023*

During its meeting on February 14, 2023, 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 2022:

The Board of Directors set the amount of variable compensation for the Chief Executive Officer and the Deputy Chief Executive Officer for 2022.

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 2022 as follows:

- For the Chief Executive Officer, a gross total of Euro 510,195;
- For the Deputy Chief Executive Officer, a gross total of Euro 279,665.

### *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 23, 2020, 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 137,780 bonus shares (with 86,215 shares awarded to the Chief Executive Officer and 51,565 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 2020 to FY 2022 (inclusive).

For information, the Board of Directors, during its meeting on February 14, 2023, following the opinion issued by the Appointments, Compensation and Governance Committee, acknowledged the vesting of 78,927 bonus shares under this plan, with 49,674 bonus shares for the Chief Executive Officer and 29,253 for the Deputy Chief Executive Officer with effect from April 23, 2023, in accordance with the terms of said plan.



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## II. 2023 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.22-10-8 of the French commercial code (Code de commerce), the 2023 compensation policy for corporate officers was set by the Board of Directors on February 14, 2023, after consulting with the Appointments, Compensation and Governance Committee, and will be submitted for approval at the General Meeting on April 27, 2023.

The Board of Directors' specific report detailing all of these elements will be presented in the 2022 Universal Registration Document and the 2023 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 2023 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**

Mr Vincent Ravat's annual fixed compensation as Chief Executive Officer was increased to Euro 430,000 for 2022.

It is proposed to not modify the amount of his fixed compensation in 2023.

Recommendation 26.3.1 from the AFEP-MEDEF Code indicates that "in principle, fixed compensation may only be reviewed at relatively long intervals".
Note that the Proxinvest ranking of executive pay in SBF 120 companies for FY 2021, published in 2022, shows that Mr Vincent Ravat's total compensation is still in the last quintile of the ranking for compensation levels on the SBF 120, which is the panel's lowest quintile.

The data presented in the Proxinvest report indicate an average fixed compensation for SBF 120 chief executives of Euro 919,000 per year and an average annual variable compensation of Euro 1,141,000 (excluding long-term incentives), which highlights the fact that the level of compensation for Mercialys' Executive Leadership Team is still lower than the level for executives in comparable companies.



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Lastly, this study shows that Mercialys continues to be one of the "best" companies in terms of its equity ratio (7th on the SBF 120 with an equity ratio of 11, versus an average of 88 and median of 53).

The level of annual fixed compensation for the Chief Executive Officer (and more generally the total amount of his compensation) is and will continue to be reasonable in 2023 compared with the level of compensation for executives in comparable companies.

– **Annual variable compensation**

Mr Vincent Ravat's variable compensation package remains unchanged for 2023.

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.

The Company continues to align its compensation policy with the best market standards, with 100% quantitative criteria now structuring the variable compensation component, based on criteria that are clearly defined.

A series of balanced criteria have been retained for 2023, covering financial performance, operational performance and sustainability performance aspects relating to the CSR strategy, including climate stakes and more generally the Company's social and environmental stakes.

The objectives retained reflect the Company's main challenges and stakes for the coming year; they are ambitious and measurable:

1 - Financial criteria
- FFO growth in order to measure the change in Mercialys' funds from operations
- EBITDA margin in order to assess the financial impacts of the strategy implemented

2 - Operational criteria
- Total financial vacancy rate in a context of potential sector-level difficulties due to inflationary pressures
- Operational launch of new projects from the pipeline marking the return to a post-Covid growth strategy
- Continuity of the portfolio's rotation and consolidation through arbitrage operations to improve the teams' operational efficiency, realign the portfolio and reduce overexposure to the Company's leading tenant

3 - CSR sustainability criteria, including environmental and climate aspects
- "Greening" of financing facilities and achievement of the CSR objectives associated with the change in the margins for the bank facilities
- Achievement on a linearized basis of the major objectives from the Company's 4 Fair Impacts strategy in line with the global strategic roadmap looking ahead to 2030



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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.

In the event of the Chief Executive Officer's departure, including in the event of his death and excluding his dismissal for gross or serious misconduct, the variable compensation for the current year will be calculated on a *prorata temporis* basis for his presence as an executive officer of Mercialys. His variable compensation will then be calculated based on performance criteria assessed at the end of the year during which the Chief Executive Officer ceased to hold his office.

– **Long-term incentives**

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.

Vesting will be subject to performance conditions, as indicated in Section 4 of the 2022 Universal Registration Document. One of the objectives is linked to reducing the carbon intensity of the Company's portfolio in order to positively engage the Company in the fight against climate change.

Moreover, 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 a corporate officer.

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.



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In the event of the Chief Executive Officer's departure, including in the event of his death and excluding his dismissal for gross or serious misconduct, his entitlement to the bonus shares awarded to him before his effective departure date would be maintained on a *prorata temporis* basis for his presence as an executive officer of Mercialys during the vesting period, while remaining subject to said plan's performance conditions and noting that the Board of Directors may decide to maintain his entitlement to the plan beyond a *prorata temporis* basis for his presence. It will need to justify its opinion.

The performance conditions will then be 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.

Furthermore, in accordance with the final paragraph of Article 26.3.3 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 entitled to compensation if his position was terminated, in return for 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 two years, 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 total annual compensation (fixed and variable), with this total annual compensation calculated as the average of the total compensation paid for the two years prior to his departure.

This level is still below the recommendation from Article 25.6 of the AFEP-MEDEF Code, which refers to a maximum limit of two years of total compensation, comprising the annual fixed and variable components.

Payment of the non-compete benefits is excluded if the Chief Executive Officer exercises his entitlement to retire. In any event, no non-compete benefits will be payable to him after the age of 65.

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

– **Fixed compensation**

Ms Elizabeth Blaise's annual fixed compensation for 2022 was Euro 318,000.



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It is proposed to not modify the amount of Ms Elizabeth Blaise's fixed compensation in 2023.

Recommendation 26.3.1 from the AFEP-MEDEF Code indicates that "in principle, fixed compensation may only be reviewed at relatively long intervals".

Note that the Proxinvest ranking of executive pay in SBF 120 companies for FY 2021, published in 2022, indicates an average fixed compensation for SBF 120 chief executives of Euro 919,000 per year and an average annual variable compensation of Euro 1,141,000 (excluding long-term incentives), which highlights the fact that the level of compensation for Mercialys' Executive Leadership Team is still lower than the level for executives in comparable companies.

This study also shows that Mercialys continues to be one of the "best" companies in terms of its equity ratio (7$^{th}$ on the SBF 120 with an equity ratio of 11, versus an average of 88 and median of 53).

The level of annual fixed compensation for the Deputy Chief Executive Officer (and more generally the total amount of her compensation) is and will continue to be reasonable in 2023 compared with the level of compensation for executives in comparable companies.

– **Annual variable compensation**

Ms Elizabeth Blaise's variable compensation package remains unchanged for 2023.

For reference, Ms Elizabeth Blaise's target variable compensation in 2022 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.

The Company continues to align its compensation policy with the best market standards, with 100% quantitative criteria now structuring the variable compensation component, based on criteria that are clearly defined.

A series of balanced criteria have been retained for 2023, covering financial performance, operational performance and sustainability performance aspects relating to the CSR strategy, including climate stakes and more generally the Company's social and environmental stakes.

The objectives retained reflect the Company's main challenges and stakes for the coming year; they are ambitious and measurable:

1 - Financial criteria
- FFO growth in order to measure the change in Mercialys' funds from operations
- EBITDA margin in order to assess the financial impacts of the strategy implemented

2 - Operational criteria
- Control over the change in the rate of expenses (excluding fees) not charged back to tenants on a like-for-like basis (as % of rental revenues) in a context of rising operating costs



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- Normalization of collection rates for 2023 rents and charges
- Total financial vacancy rate in a context of potential sector-level difficulties due to inflationary pressures

3 - CSR sustainability criteria, including environmental and climate aspects
- "Greening" of financing facilities and achievement of the CSR objectives associated with the change in the margins for the bank facilities
- Achievement on a linearized basis of the major objectives from the Company's 4 Fair Impacts strategy in line with the global strategic roadmap looking ahead to 2030

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.

In the event of the Deputy Chief Executive Officer's departure, including in the event of her death and excluding her dismissal for gross or serious misconduct, the variable compensation for the current year will be calculated on a prorata temporis basis for her presence as an executive officer of Mercialys. Her variable compensation will then be calculated based on performance criteria assessed at the end of the year during which the Deputy Chief Executive Officer ceased to hold her office.

– **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 2022 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.



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Vesting will be subject to performance conditions, as indicated in Section 4 of the 2022 Universal Registration Document. One of the objectives is linked to reducing the carbon intensity of the Company's portfolio in order to positively engage the Company in the fight against climate change.

Moreover, 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.

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.

In the event of the Deputy Chief Executive Officer's departure, including in the event of her death and excluding her dismissal for gross or serious misconduct, her entitlement to the bonus shares awarded to her before her effective departure date would be maintained on a *prorata temporis* basis for her presence as an executive officer of Mercialys during the vesting period, while remaining subject to said plan's performance conditions and noting that the Board of Directors may decide to maintain her entitlement to the plan beyond a *prorata temporis* basis for her presence. It will need to justify its opinion.

The performance conditions will then be 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 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.

Furthermore, in accordance with the final paragraph of Article 26.3.3 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 entitled to compensation if her position was terminated, in return for 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 two years, while noting that the Company may reduce or waive the application period.

In exchange, the Deputy Chief Executive Officer would be paid monthly compensation equivalent to one twelfth of 50% of her total annual compensation (fixed and variable), with this total annual compensation calculated as the average of the total compensation paid for the two years prior to her departure.



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This level is still significantly lower than the recommendation from Article 25.6 of the AFEP-MEDEF Code, which refers to a maximum limit of two years of total compensation, comprising the annual fixed and variable components.

Payment of the non-compete benefits is excluded if the Deputy Chief Executive Officer exercises her entitlement to retire. In any event, no compensation will be payable to her after the age of 65.

Paris, February 24, 2023



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