

4.2 COMPENSATION AND BENEFITS OF DIRECTORS AND CORPORATE OFFICERS

4.2.1 Compensation and benefits of Directors

4.2.1.1 DIRECTORS' COMPENSATION POLICY

The total amount of directors' fees allocated to the members of the Board of Directors is set by the Annual General Meeting. The Board of Directors sets the rules for the allocation of Directors' directors' fees to Directors and members of the Committees on the basis of the recommendations of the Appointments and Compensation Committee, in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code.

The variable portion of directors' fees payable to Directors or Committee members who have been absent is not reallocated. Individual or additional directors' fees payable to members representing or employed by the majority shareholder or its group of controlled companies are limited to 50% of the aforesaid amounts. The aforesaid individual or additional directors' fees are paid *prorata temporis* depending on the date when the duties began or ended.

The directors' fees and compensation of Committee members are paid in the month following the end of each fiscal year.

The corporate officers of Mercialys benefit from an insurance policy taken out by the Company and covering the civil, personal or joint liability of all its senior executives and corporate officers, including those of its subsidiaries, whether directly or indirectly owned. The tax authorities have ruled that this insurance policy covers the risks inherent in corporate officers' activity and that the insurance premium paid by the Company does not, therefore, constitute a taxable benefit.

The Annual General Meeting of June 20, 2016 set the total amount of directors' fees to be paid to members of the Board of Directors and its Committees at Euro 325,000. This amount was previously Euro 305,000.

On the basis of the recommendations of the Appointments and Compensation Committee, the Board of Directors, at its meeting

of December 14, 2016, set the rules for allocating directors' fees among the members as follows:

- the annual individual amount of directors' fees was set at Euro 15,000 comprising a fixed portion of Euro 5,000 per year and a variable portion of Euro 10,000 per year, awarded on the basis of attendance at meetings of the Board of Directors;
- an additional attendance fee in an annual amount of Euro 20,000 is paid to the Chairman of the Board of Directors;
- members of the specialized Committees receive an additional attendance fee comprising a fixed portion of Euro 4,000 per year and a variable portion of Euro 11,000 per year for members of the Investment Committee, and Euro 6,000 for members of the Audit and Risks Committee, and the Appointments and Compensation Committee, awarded on the basis of attendance at meetings;
- an additional attendance fee of Euro 5,000 per year is paid to the Chairman of each of these Committees.

These rules did not evolve in 2017.

4.2.1.2 COMPENSATION OF DIRECTORS IN RESPECT OF 2017

In accordance with the rules on the allocation of directors' fees as described here above, the total gross amount of directors' fees paid in January 2018, for fiscal 2017, to the members of the Board of Directors and the members of the specialized Committees was Euro 309,098 compared with Euro 307,593 for fiscal 2016.

The tables below detail the directors' fees paid by the Company in 2016, 2017 and 2018 to each director and member of the specialized Committees (excluding Éric Le Gentil, whose information is provided in paragraph 4.2.2.1, B, 2, p. 239). It is specified that no directors' fees or compensation was paid by the companies Mercialys controls and that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code.

Directors' directors' fees paid in 2016 and 2017 (for fiscal 2015 and 2016)

(in euros)	2016	2017
Victoire Boissier ⁽¹⁾	-	9,493
Bernard Bouloc	40,000	41,200
Anne-Marie de Chalambert	44,000	45,000
Élisabeth Cunin-Dieterlé	23,000	24,000
Yves Desjacques	10,250	11,600
Jacques Dumas	12,500	12,500
Antoine Giscard d'Estaing	11,750	13,000
Marie-Christine Levet	30,000	29,000
Ingrid Nappi-Choulet	19,641	21,800
Michel Savart	19,500	20,000
Bruno Servant	29,000	30,000

(1) Appointed on April 20, 2016.

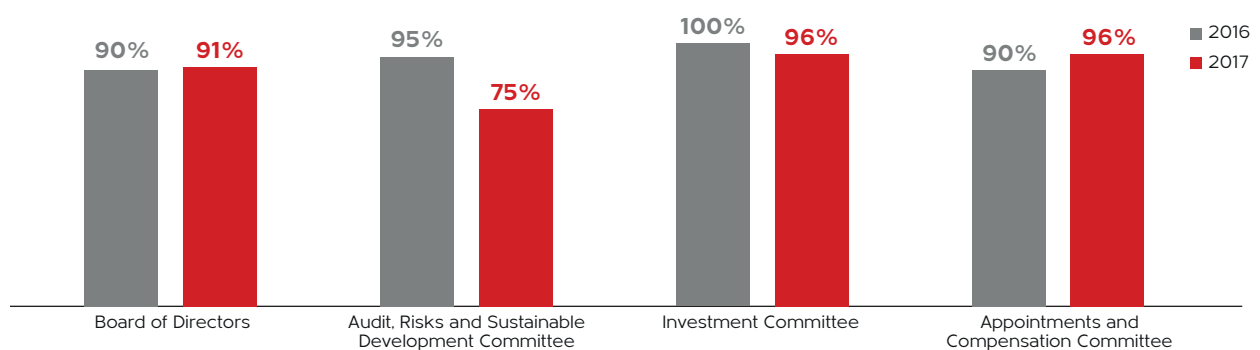
Directors' fees paid in 2018 (for fiscal year 2017)

(in euros)	Directors		Committees		Total
	Fixed component	Variable component	Fixed component	Variable component	
Victoire Boissier	5,000	10,000	2,000	600	17,600
Bernard Bouloc ⁽¹⁾	4,068	7,778	12,055	10,800	34,701
Anne-Marie de Chalambert	5,000	8,889	13,000	17,000	43,889
Élisabeth Cunin-Dieterlé	5,000	10,000	4,945	6,000	25,945
Yves Desjacques ⁽²⁾	2,288	2,778	1,830	2,400	9,296
Jacques Dumas	2,500	5,000	2,000	3,000	12,500
Antoine Giscard d'Estaing	2,500	3,889	2,000	5,500	13,889
Marie-Christine Levet	5,000	8,889	9,000	6,000	28,889
David Lubek ⁽²⁾	212	556	-	-	768
Ingrid Nappi-Choulet	5,000	6,667	4,000	4,500	20,167
Pascale Roque ⁽¹⁾	932	2,222	-	-	3,154
Michel Savart	2,500	5,000	4,000	6,800	18,300
Bruno Servant	5,000	10,000	4,000	11,000	30,000

(1) Resignation of Bernard Bouloc from his duties on October 24, 2017/cooptation of Pascale Roque on October 24, 2017.

(2) David Lubek was appointed permanent representative of La Forézienne de Participations on November 13, 2017, to replace Yves Desjacques.

Rate of attendance at meetings of the Board of Directors and Committees



4.2.2 Compensation and benefits of executives and corporate officers

4.2.2.1 COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER IN RESPECT OF 2017

A. Principles and criteria for determining, distributing and awarding the compensation components of the Chairman and Chief Executive Officer and of the Chief Operating Officer adopted in 2017

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable for 2017 to the Chairman and Chief Executive Officer and the Chief Operating Officer for their corporate directorships, were submitted for adoption by the Annual General Meeting on April 27, 2017 (Resolutions 10 and 11).

At the Annual General Meeting of April 27, 2017, the shareholders approved the principles and criteria for determining and awarding the compensation of the Chairman and Chief Executive Officer and of the Chief Operating Officer.

The criteria selected and their weight in determining the variable compensation are as follows:

		% of the fixed compensation		
		Minimum	Target	Maximum
Mercialys quantitative objectives (20% of the total variable compensation)	Organic growth in rental revenues (excluding indexation)	0%	5%	10%
	Growth in FFO 2017 (excluding disposals)	0%	5%	10%
Individual quantitative objectives (50% of the total variable compensation)	EBITDA margin	0%	5%	10%
	Prorated impact of 2017 openings (rental income)	0%	5%	10%
	IRR on projects started in 2017	0%	5%	10%
	Current financial vacancy rate	0%	5%	10%
	Footfall spread between Mercialis centers and the total CNCC market	0%	5%	10%
Managerial objectives (30% of the total variable compensation)		0%	15%	30%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION		0%	50%	100%

For each quantitative criterion, a minimum threshold of achievement is set as well as a target level corresponding to the objectives of Mercialis for a performance that meets objectives, and a level of outperformance of the targets. Variable compensation is calculated in a linear fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of the variable portion of the compensation due for fiscal 2017, after determining the amount on the basis of the achievement of the objectives defined above, depends on the approval of the Company's Annual General Meeting to be held in 2018.

The principles for determining the compensation of executive corporate officers submitted to the Annual General Meeting are those of the AFEP-MEDEF Code: completeness, balance between the compensation components, benchmarking, consistency, and intelligibility of the rules and measurements.

The compensation policy for 2017 is recalled below.

1. Compensation components of the Chairman and Chief Executive Officer approved in 2017

a) Fixed compensation

Set at Euro 450,000 on March 1, 2015, the fixed compensation did not change in 2016 and remains unchanged in 2017.

b) Annual variable compensation

Variable compensation may represent 50% of his fixed annual compensation if the objectives defined are achieved, and may equal up to 100% of his fixed annual compensation if the objectives are exceeded.

It is determined on the basis of the achievement of quantitative objectives at 70% (vs. 50% in 2016) and of managerial objectives at 30% (vs. 50% in 2016).

c) Long-term incentive

In order to permanently associate the Chairman and Chief Executive Officer with the Company's stock performance, the Board of Directors approved the principle of an allotment of bonus shares that would replace the long-term variable compensation mechanisms awarded to the corporate executive officers in the last three years.

This allotment would represent a target of 75% of fixed salary (i.e. Euro 337,500) and could represent up to 112.50% of fixed salary (i.e. Euro 506,250) in the event of outperformance.

The bonus shares allotted would only become fully vested in the Chairman and Chief Executive Officer at the end of a 3-year vesting period and subject to conditions of continued employment and company performance, the latter being assessed for all three years on the basis of the following two criteria and evaluation grids:

- The absolute performance of Mercialys' shares, dividend included (Total Shareholder Return - TSR), measured between January 1, 2017 and December 31, 2019 for 25% of the allotment:

Average of the annual Mercialys TSR over 3 years	Multiplier
]0% to 6%[	0%
]6% to 7%[	33.33%
]7% to 8%[	66.66%
]8% to 9%[	100%
]9% to 10%[	125%
>= 10%	150%

- The relative performance of the Mercialys share, dividend included (Total Shareholder Return - TSR) in relation to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for the remaining 75%:

Mercialys ranking compared with the companies in the index over three years	Multiplier
]0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80% to 100%]	0%

50% of the shares fully vested in the Chairman and Chief Executive Officer should be held in registered form until the end of his appointment, and 50% held for a period of two years.

d) Other compensation components

The Chairman and Chief Executive Officer does not benefit from any additional pension plan. He participates in the mandatory group pension and insurance plan (ARRCO and AGIRC) in effect within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit of any kind.

No severance allowance shall be paid to the Chairman and Chief Executive Officer by reason of the termination of, or change in, his position.

The Chairman and Chief Executive Officer may also benefit from an allowance relating to a non-compete clause. Indeed, in the event of the termination of his position, the Chairman and Chief Executive Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application period. In return, the Chairman and Chief Executive Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

In addition, the Chairman and Chief Executive Officer receives, for his service on the Board of Directors, compensation comprising a fixed and a variable component determined on the basis of attendance at Board meetings. For 2016, this fee totaled Euro 50,000.

2. Compensation components of the Chief Operating Officer approved in 2017

a) Fixed compensation

Given his success in his position, the Board of Directors at its meeting held on February 14, 2017 and on the recommendation of the Appointments and Compensation Committee, decided to raise the annual fixed compensation of the Chief Operating Officer to Euro 300,000 gross as of March 1, 2017. At the time when he was appointed Chief Operating Officer on August 30, 2016, this compensation had been set, after analysis of benchmarking performed by a specialized consulting firm, at Euro 270,000 gross as of September 1, 2016.

The annual fixed and variable compensation of the Chief Operating Officer is divided, as to two-thirds for Mercialys and one-third for Mercialys Gestion, a wholly owned subsidiary of Mercialys, because he maintains his salaried positions as Director of letting within Mercialys Gestion.

b) Annual variable compensation

Variable compensation may represent 40% of his fixed annual compensation if the objectives defined are achieved, and may equal up to 80% of his fixed annual compensation if the objectives are exceeded.

It is determined on the basis of the achievement of quantitative objectives at 70% (vs. 50% in 2016) and of managerial objectives at 30% (vs 50% in 2016).

The criteria selected and their weight in determining the variable compensation are as follows:

		% of the fixed compensation		
		Minimum	Target	Maximum
Mercialys quantitative objectives (20% of the total variable compensation)	Organic growth in rental revenues (excluding indexation)	0%	4%	8%
	Growth in FFO 2017 (excluding disposals)	0%	4%	8%
	EBITDA margin	0%	4%	8%
Individual quantitative objectives (50% of the total variable compensation)	Prorated impact of 2017 openings (rental income)	0%	4%	8%
	IRR on projects started in 2017	0%	4%	8%
	Current financial vacancy rate	0%	4%	8%
	Footfall spread between Mercialis centers and the total CNCC market	0%	4%	8%
Managerial objectives (30% of the total variable compensation)		0%	12%	24%
TOTAL VARIABLE COMPENSATION AS % OF THE FIXED COMPENSATION		0%	40%	80%

For each quantitative criterion, a minimum threshold of achievement is set as well as a target level corresponding to the objectives of Mercialis for a performance that meets objectives, and a level of outperformance of the targets. Variable compensation is calculated in a linear fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of the variable portion of the compensation due for fiscal 2017, after determining the amount on the basis of the achievement of the objectives defined above, depends on the approval of the Company's Annual General Meeting to be held in 2018.

c) Long-term incentive

In order to permanently associate the Chief Operating Officer with the Company's share price performance, the Board of Directors approved the principle of a bonus share award that would replace the long-term variable incentive mechanisms awarded to the corporate executive officers in the last three years.

This award represents a target of 50% of fixed salary (Euro 150,000) and could represent up to 75% of fixed salary (Euro 225,000) in the event of outperformance.

The bonus shares allotted would only become fully vested in the Chief Operating Officer at the end of a 3-year vesting period and subject to conditions of continued employment and company performance, the latter being assessed for all three years on the basis of the following two criteria and evaluation grids:

- The absolute performance of Mercialis' shares, dividend included (Total Shareholder Return - TSR), measured between January 1, 2017 and December 31, 2019 for 25% of the allotment:

Average of the annual Mercialis TSR over 3 years	Multiplier
]0% to 6%[	0%
]6% to 7%[	33.33%
]7% to 8%[	66.66%
]8% to 9%[	100%
]9% to 10%[	125%
>= 10%	150%

- The relative performance of the Mercialis share, dividend included (Total Shareholder Return - TSR) in relation to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for the remaining 75%.

Mercialys ranking compared with the companies in the index over three years	Multiplier
]0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80% to 100%]	0%

50% of the shares fully vested in the Chief Operating Officer should be held in registered form until the end of his appointment, and 50% held for a period of two years.

d) Other compensation components

The Chief Operating Officer does not benefit from any additional pension plan. He participates in the mandatory group pension and insurance plan (ARRCO and AGIRC) in effect within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit, except a company car.

No severance allowance shall be paid to the Chief Operating Officer due to the termination of, or change in, his position.

The Chief Operating Officer may also benefit from an allowance relating to a non-compete clause. Indeed, in the event of the termination of his position, the Chief Operating Officer would be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application period. In return, the Chief Operating Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

B. Compensation of Éric Le Gentil, Chairman and Chief Executive Officer

1. Summary of compensation payable by Mercialys and the companies it controls or which control it

The compensation, directors' fees and benefits of any kind payable by Mercialys to Éric Le Gentil for fiscal 2016 and 2017 are as follows, given that he receives no compensation in the form of attendance or other fees from the companies controlled by Mercialys and that Mercialys is not controlled as defined by Article L. 233-16 of the French Commercial Code:

Table 1 – Position – AMF recommendation number 2009-16

(in euros)	Fiscal year 2017	Fiscal year 2016
Compensation due for the fiscal year (see paragraph 2 below)	1,043,554	1,337,671
Valuation of multi-year variable incentive awarded during the year	-	-
Valuation of options awarded during the year	-	-
Valuation of bonus shares awarded	97,116	-
TOTAL	1,140,670	1,337,671

2. Compensation paid by Mercialys and the companies it controls

Éric Le Gentil received the following compensation, directors' fees and benefits from Mercialys in his capacity as Chairman of the Board of Directors and Chief Executive Officer in fiscal 2016 and 2017:

Table 2 – Position – AMF recommendation number 2009-16

(in euros)	Fiscal year 2017		Fiscal year 2016	
	Amount due ⁽⁹⁾	Amount paid ⁽¹⁰⁾	Amount due ⁽⁹⁾	Amount paid ⁽¹⁰⁾
Fixed compensation ⁽¹⁾⁽²⁾	452,191	452,191	453,446	453,446
Annual variable compensation ⁽¹⁾⁽³⁾	344,250 ⁽³⁾	320,625	320,625	382,500
Multi-year variable compensation ⁽¹⁾⁽⁴⁾	182,812	326,188 ⁽⁵⁾	325,000	-
Exceptional compensation ⁽⁶⁾	-	150,000	175,000	175,000
Appointment allowances	-	-	-	105,000 ⁽⁷⁾
Directors' fees	50,000	50,000	50,000	50,000
Benefits in kind ⁽⁸⁾	14,301	14,301	13,600	13,600
TOTAL	1,043,554	1,313,305	1,337,671	1,179,546

(1) Gross compensation before social security contributions and tax.

(2) The amounts indicated also include paid leave.

(3) The methods for determining variable compensation are restated in the 2017 compensation policy, as approved at the Ordinary Shareholders' Meeting of April 26, 2017, under paragraph 4.2.2.1, A, 1, b, p. 236, and clarifications are provided in table 3 below. It should be noted that the payment of this amount will be subject to the approval of the fourth resolution presented to the Ordinary Shareholders' Meeting of April 26, 2018.

(4) Éric Le Gentil will receive Euro 182,812, this compensation must gain the approval of the Resolution 4 by the Company's shareholders at the Company's Annual General Meeting, under the 2015 long-term incentive facility according to the terms and provisions set out by the Board Meeting of March 23, 2015 (see paragraph 4 below).

(5) In March 2017, Éric Le Gentil received the sum of Euro 325,000, in addition to Euro 1,188 corresponding to banking costs in connection with the reinvestment of this sum in shares, i.e. Euro 326,188.

(6) See paragraph 5 below.

(7) Having appointed him at their meeting of July 17, 2013 as Chief Executive Officer of the Company, the Board of Directors decided, on the advice of the Appointments and Compensation Committee, to award Éric Le Gentil an exceptional deferred and conditional bonus in the amount of Euro 105,000 vesting after a period of three years. This indemnity was paid in July 2016.

(8) Senior executive unemployment insurance and benefit plan covering all the Company's employees.

(9) Compensation paid in respect of the fiscal year, regardless of the payment date.

(10) All compensation paid during the fiscal year.

Éric Le Gentil does not receive any compensation, directors' fees or other benefits from companies controlled by Mercialys.

3. Annual variable compensation

The variable compensation of Éric Le Gentil for fiscal year 2017 was determined by the Board of Directors at its meeting of March 07, 2018, on the recommendation of the proposal of the Appointments and Compensation Committee, applying the criteria in the table below:

		Minimum	Target	Maximum	Actual	
Mercialys quantitative objectives (20% of total variable compensation)	Organic growth of rental revenues (excluding indexation)	<i>% of the fixed compensation</i>	0%	5%	10%	7.5%
		Value of the indicator		2.4%		2.6%
	Growth of 2017 FFO (excluding disposals)	<i>As % of fixed compensation</i>	0%	5%	10%	10%
		Value of the indicator		4.5%		6.1%
Individual quantitative objectives (50% of total variable compensation)	EBITDA margin	<i>As % of the fixed compensation</i>	0%	5%	10%	0%
		Value of the indicator		84.5%		83.7%
	Prorated impact of 2017 openings (rental income)	<i>As % of fixed compensation</i>	0%	5%	10%	10%
		Value of the indicator		Euro 3.3 M		Euro 3.6 M
IRR on projects started in 2017	<i>As % of fixed compensation</i>	0%	5%	10%	9%	
	Value of the indicator		9%		9.8%	
Current financial vacancy rate	<i>As % of fixed compensation</i>	0%	5%	10%	0%	
	Value of the indicator		2.2%		2.5%	
Footfall spread in Mercialis centers as compared to the total CNCC market	<i>% of the fixed compensation</i>	0%	5%	10%	10%	
	Value of the indicator		240 bps		390 bps	
Managerial objectives (30% of total variable compensation)	<i>% of the fixed compensation</i>	0%	15%	30%	30%	
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION		0%	50%	100%	76.5%	

Before payment, this compensation has to be approved by the Company's shareholders at the Company's Annual General Meeting held on April 26, 2018 (see resolution 4, p. 312).

4. Long-term variable incentive - Obligation to hold Mercialis shares

Éric Le Gentil is the beneficiary of two long-term variable incentives set up, on the advice of the Appointments and Compensation Committee, by the Board of Directors' meetings of March 23, 2015 and March 11, 2016, as the arrangements made by the Board meeting of March 11, 2014 expired at the end of 2017. In this respect, Éric Le Gentil received the sum of Euro 326,188 in March 2017 and, in accordance with the obligation to reinvest, acquired 17,400 shares (Euro 289,000, i.e., the allotted amount, net of payroll taxes) corresponding to an amount exceeding the obligation set by the Board of Directors' meeting of March 11, 2014 (Euro 162,000).

It should be noted that these long-term variable incentive plans will be paid to him only at the end of a three-year period provided that he fulfills the condition of continued employment, and subject to the following two performance conditions, which are assessed annually on the basis of three consecutive years, with each of them applying to half of the target incentive:

- absolute performance of the Company's shares, dividend included (Total Shareholder Return - TSR), corresponding to the total return for the shareholder;
- relative performance of the Company's share, dividend included (Total Shareholder Return - TSR) in relation to the performance of the companies making up the EPRA/NAREIT Eurozone index, with the percentage of the incentive actually vested varying according to the Company's position in the rankings.

The assessment of the achievement of performance conditions for 2015 and 2016, carried out by an external third party, shows the following elements:

Long-term variable incentive plan dated March 23, 2015

	2015	2016	2017
Absolute performance of Mercialis shares, dividend included			
Annual Mercialis TSR	15%	5.2%	2.19%
Multiplier	150%	0%	0%
Performance of Mercialis shares, dividend included, relative to that of companies making up the EPRA/NAREIT Eurozone index			
Mercialis ranking	23 rd	14 th	30 th
Position as a percentile	59 th	36 th	83 rd
Multiplier	100%	125%	0%
Overall performance	125%	62.5%	0%
Amount vested (payment made in 2018 subject to the condition of continued employment)	Euro 112,500	Euro 70,312	Euro 0

Éric Le Gentil is required to reinvest in shares 75% of the incentive thus acquired in shares, after deducting social security contributions and income tax at the maximum marginal rate, and to hold the corresponding shares throughout the term of his directorship.

Long-term variable incentive plan dated March 11, 2016

	2016	2017
Absolute performance of Mercialis shares, dividend included		
Annual Mercialis TSR	5.2%	2.19%
Multiplier	0%	0%
Performance of Mercialis shares, dividend included, relative to that of companies making up the EPRA/NAREIT Eurozone index		
Mercialis ranking	16 th	39 th
Position as a percentile	33 rd	86 th
Multiplier	125%	0%
Overall performance	62.5%	0%
Amount vested (payment made in 2019 subject to the condition of continued employment)	Euro 70,312	Euro 0

Éric Le Gentil is required to reinvest in shares 50% of the incentive thus acquired in shares, after deducting social security contributions and income tax at the maximum marginal rate, and to hold the corresponding shares throughout the term of his directorship.

5. One-off compensation

To recognize his decisive contribution to the profound reorganization of the Company and the success of Mercialis' new strategy, marked by a return to growth in a difficult climate, the Board of Directors, at its meeting of February 11, 2015 and following the recommendation of the Appointments and Compensation Committee, decided to award Éric Le Gentil an exceptional bonus of Euro 300,000, 50% of which was paid in cash in March 2015. The remaining 50%, which is subject to his continued service with the company, was paid to him in March 2017.

The Board of Directors, at its meeting of February 10, 2016, decided, on the recommendation of the Appointments and

Compensation Committee, to recognize his contribution to the exceeding if the objectives set for 2015 - particularly: (i) in terms of investments, the acquisition of 10 hypermarkets from Casino and five sites to be transformed from Monoprix; (ii) three disposals made with an investor in connection with asset allocation and preserving the financial profile; (iii) on the commercial side, the signature of global transactions with international brands and new innovative retailers; (iv) in terms of marketing, the complete overhaul of the internal and external concept, its fast deployment onto facades and the creation of a new corporate identity - to award him an exceptional bonus of Euro 350,000, half of which was paid in cash in February 2016 and half of which will be paid in February 2018 subject to the condition of continued presence.

6. Stock warrants or stock options and bonus shares awarded by the Company and/or the companies it controls

No stock warrants or stock options were awarded by the Company and/or companies that it controls to Eric Le Gentil.

Following the approval of the 2017 compensation policy (26th resolution of the Extraordinary Shareholders' Meeting of April 27, 2017), authorizing the award of bonus shares to corporate officers, Éric Le Gentil received a bonus share award according to the criteria and terms below:

Table 6 - Position - AMF recommendation number 2009-16

No. and date of the plan	Number of shares awarded in the year	Bonus shares awarded to Éric Le Gentil			Performance conditions ⁽³⁾
		Valuation of the shares according to the method adopted for the consolidated financial statements	Vesting date	Availability date ⁽²⁾	
Plan 24, of 04/27/2017	19,269 ⁽¹⁾	Euro 97,116	04/27/2020	04/28/2022	YES
TOTAL	19,269⁽¹⁾	Euro 97,116	04/27/2020	04/28/2022	YES

(1) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Éric Le Gentil will amount to 28,904 shares corresponding to a value of Euro 145,676.

(2) The Board of Directors has set at 50% the number of bonus shares definitively awarded which the beneficiary is required to hold in registered form until the end of his term as Chairman and Chief Executive Officer of Mercialis.

(3) Bonus shares become vested only if the beneficiary is still employed by the Company at the vesting date of the shares, and subject to fulfillment of two business performance criteria: the absolute performance of the Company's share price, including dividends, corresponding to the total shareholder return (TSR), assessed annually between January 1, 2017 and January 31, 2019 for 25% of the initial award; and the relative performance of the Company's share price dividends included (Total Shareholder Return - TSR) with respect to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for 75% of the initial award.

Moreover, no share became available in fiscal year 2017.

7. Employment contract, special pension plans, severance pay and non-compete compensation

Table 11 - Position - recommendation AMF number 2009-16

Employment contract		Supplementary pension plan		Compensation or benefits due, based on termination of, or change in, duties		Compensation linked to a non-compete clause ⁽³⁾	
Yes	No ⁽¹⁾	Yes	No ⁽²⁾	Yes	No	Yes	No
	X		X		X	X	

(1) In accordance with the provisions of the Corporate Governance Code, the Chairman and Chief Executive Officer, Éric Le Gentil does not have an employment contract with the Mercialis Group.

(2) Éric Le Gentil does not benefit from any supplementary pension plan. He is included in the mandatory group pension plan (ARRCO and ARGIC) and the benefit plan covering all the Company's employees.

(3) Éric Le Gentil may benefit from a payment linked to a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application period. In exchange, he would be paid a monthly sum equivalent to one-twelfth of 50% of his annual fixed compensation.

Note that none of the AMF tables (Position-recommendation no. 2009-16) which do not appear in the foregoing pages apply to Eric Le Gentil, namely:

- table 3, on directors' fees and other compensations received by non-executive corporate officers;
- table 4, on the stock warrants or stock options awarded in the fiscal year to each executive corporate officer by the issuer and by any Group company;
- table 5, on the stock warrants, stock options or purchases of shares exercised in the fiscal year by each executive corporate officer;

- table 7, on awarded bonus shares that have vested in favor of each corporate officer;
- table 8, on the history of grants of stock warrants and stock options;
- table 9, on the stock warrants or stock options granted to the top ten employees who are not corporate officers and the options they have exercised;
- table 10, on the history of grants of bonus shares.

C. Details of the compensation of Vincent Ravat, Chief Operating Officer

Vincent Ravat, Chief Operating Officer, currently holds the position of Director in charge of operations, letting and marketing at Mercialys Gestion, a company controlled by Mercialys and is in this respect, an employee of that company. The fixed and variable compensation of Vincent Ravat is divided into two parts, with two thirds paid by Mercialys and one third paid by Mercialys Gestion.

1. Summary of compensation payable by Mercialys and the companies it controls or which control it

The compensation, directors' fees and benefits of any kind payable to Vincent Ravat for fiscal year 2017 by Mercialys and the companies it controls were established as follows. It should be noted that Mercialys is not controlled within the meaning of Article L. 233-16 of the French Commercial Code:

Table 1 – Position – AMF recommendation number 2009-16

(in euros)	Fiscal year 2017	Fiscal year 2016
Compensation due for the fiscal year (see paragraph 2, below)	486,149	216,338
Valuation of multi-year variable incentive awarded during the year	-	-
Valuation of options awarded during the year	-	-
Valuation of bonus shares awarded	43,163	-
TOTAL	529,312	216,338

2. Compensation paid by Mercialys and the companies it controls

Vincent Ravat was appointed Chief Operating Officer on August 30, 2016 and therefore the compensation received for 2016 does not correspond to a full fiscal year and is therefore not comparable with 2017.

Vincent Ravat received the following compensation, directors' fees and benefits of all kinds from Mercialys in his capacity as Chief Operating Officer during 2017:

Table 2 – Position – AMF recommendation number 2009-16

(in euros)	Fiscal year 2017		Fiscal year 2016	
	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾
Fixed compensation ⁽¹⁾⁽²⁾	197,233	194,156	69,231	41,538
Annual variable compensation ⁽¹⁾⁽³⁾	115,200 ⁽³⁾	33,240	33,240	-
Multi-year variable compensation ⁽¹⁾⁽⁴⁾	-	-	-	-
Exceptional compensation ⁽⁵⁾	-	33,340	33,340	-
Directors' fees	-	-	-	-
Benefits in kind ⁽⁶⁾	9,569	9,569	4,219	4,219
TOTAL	322,002	270,305	140,030	45,757

(1) Gross compensation before social security contributions and tax. On the recommendation of the Appointments and Compensation Committee, the Board of Directors decided, on the basis of a benchmark created by a specialized consulting firm, to increase Vincent Ravat's gross fixed annual compensation to Euro 300,000 as of March 1, 2017.

(2) The amounts indicated also include paid leave.

(3) The methods for determining variable compensation are restated in the 2017 compensation policy, as approved at the Ordinary Shareholders' Meeting of April 26, 2017, under paragraph 4.2.2.1. A. 2. b, page 237, and clarifications are provided in table 3 below. It should be noted that the payment of this amount will be subject to the approval of the fifth resolution presented to the Ordinary Shareholders' Meeting of April 26, 2018.

(4) Vincent Ravat does not receive multi-year compensation.

(5) See paragraph 4 below.

(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees.

(7) Compensation paid in respect of the fiscal year, regardless of the date of payment.

(8) All compensation paid during the fiscal year.

In addition, Vincent Ravat also performs the duties of Director in charge of letting at Mercialys Gestion. For this reason, the amounts of the compensation and benefits of all kinds due for 2017 were as follows:

Table 2 - Position - recommendation AMF number 2009-16

(in euros)	Fiscal year 2017		Fiscal year 2016	
	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾	Amount due ⁽⁷⁾	Amount paid ⁽⁸⁾
Fixed compensation ⁽¹⁾⁽²⁾	102,779	101,277	40,191	23,249
Annual variable compensation ⁽¹⁾⁽³⁾	57,600 ⁽³⁾	16,620	16,620	-
Multi-year variable compensation ⁽¹⁾⁽⁴⁾	-	-	-	-
Exceptional compensation ⁽⁵⁾	-	16,660	16,660	-
Directors' fees	-	-	-	-
Benefits in kind ⁽⁶⁾	3,768	3,768	2,837	2,837
TOTAL	164,147	138,325	76,308	26,086

(1) Gross compensation before social security contributions and tax. On the recommendation of the Appointments and Compensation Committee, the Board of Directors decided, on the basis of a benchmark created by a specialized consulting firm, to increase Vincent Ravat's gross fixed annual compensation to Euro 300,000 as of March 1, 2017.

(2) The amounts indicated also include paid leave.

(3) The methods for determining variable compensation are restated in paragraph 4.2.2.1. A. 2. b. page 237, and clarifications are provided in table 3 below. It should be noted that the payment of this amount will be subject to the approval of the fifth resolution presented to the Ordinary Shareholders' Meeting of April 26, 2018.

(4) Vincent Ravat does not receive multi-year compensation.

(5) See paragraph 4 below.

(6) Senior executive unemployment insurance and benefit plan covering all the Company's employees and company car.

(7) Compensation paid in respect of the fiscal year, regardless of the date of payment.

(8) All compensation paid during the fiscal year.

3. Annual variable incentive

Vincent Ravat's variable compensation for fiscal year 2017 was determined by the Board of Directors at its meeting of March 07, 2018, on the proposal of the Appointments and Compensation Committee, applying the criteria in the table below:

		Minimum	Target	Maximum	Actual	
Mercialys quantitative objectives (20% of total variable compensation)	Organic growth of rental revenues (excluding indexation)	% of the fixed compensation	0%	4%	8%	6%
		Value of the indicator		2.4%		2.6%
	Growth of 2017 FFO (excluding disposals)	As % of the fixed compensation	0%	4%	8%	8%
		Value of the indicator		4.5%		6.1%
Individual quantitative objectives (50% of total variable compensation)	EBITDA margin	As % of the fixed compensation	0%	4%	8%	0%
		Value of the indicator		84.5%		83.7%
	Prorated impact of 2017 openings (rental income)	As % of the fixed compensation	0%	4%	8%	8%
		Value of the indicator		Euro 3.3 M		Euro 3.6 M
Managerial objectives (30% of total variable compensation)	IRR on projects started in 2017	As % of the fixed compensation	0%	4%	8%	7.2%
		Value of the indicator		9%		9.8%
	Current financial vacancy rate	As % of the fixed compensation	0%	4%	8%	0%
		Value of the indicator		2.2%		2.5%
Footfall spread in Mercialys centers as compared to the total CNCC market	% of the fixed compensation	0%	4%	8%	8%	
	Value of the indicator		240 bps		390 bps	
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION			0%	40%	80%	57.6%

Before payout, this compensation must gain the approval of the Company's shareholders at the Company's Ordinary General Meeting on April 26, 2018 (see resolution 5, p. 313).

4. One-off compensation

At its meeting of February 14, 2017 and on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to recognize Vincent Ravat's exceptional contribution to the success of the implementation of the Toulouse Fenouillet project, opened on November 8, 2016, by giving him an extraordinary bonus of Euro 100,000 in cash, half of it paid in February 2017 and the other half to be paid in February 2019, subject to his continued employment.

In accordance with the provisions governing the distribution of Vincent Ravat's compensation package, Mercialys paid Vincent Ravat the sum of Euro 33,340 and Mercialys Gestion paid him the sum of Euro 16,660 in February 2017. This distribution will be identical for the amount to be received in February 2019, subject to the condition of continued employment.

5. Stock warrants or stock options and bonus shares awarded by the Company and/or the companies it controls

No stock warrants or stock options were awarded to Vincent Ravat in 2017.

It is, however, specified that in 2014 and 2016 Vincent Ravat benefited from bonus share allotment plans, which were made in the context of his salaried duties and before his appointment as Chief Operating Officer (see paragraph 7.2.5.3, p. 306).

Following the approval of the 2017 compensation policy (26th resolution of the Extraordinary Shareholders' Meeting of April 27, 2017), authorizing the award of bonus shares to corporate officers, Vincent Ravat received a bonus share award according to the criteria and terms below:

Table 6 – Position – AMF recommendation number 2009-16

No. and date of the plan	Number of shares awarded in the year	Bonus shares awarded to Vincent Ravat				Performance conditions ⁽³⁾
		Valuation of the shares according to the method adopted for the consolidated financial statements	Vesting date	Availability date ⁽²⁾		
Plan 24, of 04/27/2017	8,564 ⁽¹⁾	Euro 43,163	04/27/2020	04/28/2022	YES	
TOTAL	8,564⁽¹⁾	Euro 43,163	04/27/2020	04/28/2022	YES	

- (1) If the performance criteria are exceeded, the maximum number of shares that can be awarded to Vincent Ravat will be 12,846 shares corresponding to a value of Euro 64,744.
- (2) The Board of Directors has set at 50% the number of bonus shares definitively awarded which the beneficiary is required to hold in registered form until the end of his term as Chief Operating Officer of Mercialys.
- (3) Bonus shares become vested only if the beneficiary is still employed by the Company at the vesting date of the shares, and subject to fulfillment of two business performance criteria: the absolute performance of the Company's share price, including dividends, corresponding to the total shareholder return (TSR), assessed annually between January 1, 2017 and January 31, 2019 for 25% of the initial award; and the relative performance of the Company's share price dividends included (Total Shareholder Return - TSR) with respect to the performance of the companies in the EPRA/NAREIT Eurozone index at January 1, 2017, measured between January 1, 2017 and December 31, 2019, for 75% of the initial award.

Moreover, no share became available in 2017.

6. Employment contract, special pension plans, severance pay and non-compete compensation

Table 11 – Position – recommendation AMF number 2009-16

Employment contract		Supplementary pension plan		Compensation or benefits due, based on termination of, or change in, duties		Compensation linked to a non-compete clause ⁽³⁾	
Yes	No ⁽¹⁾	Yes	No ⁽²⁾	Yes	No	Yes	No
	X		X		X	X	

- (1) Vincent Ravat has an employment contract with Mercialys Gestion. He holds the position of Director in charge of the operations, letting and marketing.
- (2) Vincent Ravat does not benefit from any additional pension plan. He is included in the mandatory group pension plan (ARRCO and ARGIC) and the benefit plan covering all the Company's employees.
- (3) Vincent Ravat may benefit from a payment linked to a non-compete clause and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application period. In exchange, he would be paid a monthly sum equivalent to one-twelfth of 50% of his annual fixed compensation.

As mentioned for Éric Le Gentil on page 238, note that none of the AMF tables (Position-recommendation no. 2009-16) which do not appear in the foregoing pages apply to Vincent Ravat.

Pursuant to the provisions of Article L. 225-100, II, of the French Commercial Code, the Ordinary Shareholders' Meeting of April 26, 2018 is called to approve the fixed, variable and exceptional

components of the compensation package and the benefits of any kind paid or awarded in respect of 2017 to the Chairman and Chief Executive Officer and to the Chief Operating Officer for their mandate. Details and comments about these components can be found in the table attached in annex 1, page 320 and following.

4.2.3 Principles and criteria for determining, distributing and awarding the compensation components of the Chairman and Chief Executive Officer and of the Chief Operating Officer adopted for fiscal year 2018

BOARD OF DIRECTORS' REPORT ON THE PRINCIPLES AND CRITERIA FOR DETERMINING, DISTRIBUTING AND AWARDING THE COMPENSATION COMPONENTS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND OF THE CHIEF OPERATING OFFICER FOR FISCAL YEAR 2018.

(Sixth and seventh resolutions to be submitted to the Ordinary Shareholders' Meeting of April 26, 2018)

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the compensation package and the benefits of any kind, attributable for 2018 to the Chairman and Chief Executive Officer and the Chief Operating Officer for their corporate positions, are subject to the approval of the Ordinary Shareholders' Meeting of April 26, 2018.

In this connection, the Board of Directors, at its meeting on March 7, 2018, established, on the basis of the recommendations of the Appointments and Compensation Committee, the principles for determining the structure of the compensation of the Chairman and Chief Executive Officer and the Chief Operating Officer for 2018.

I. Principles

The Board of Directors refers to the principles of the AFEP-MEDEF code for determining the compensation of the corporate executive officers: completeness, balance among the compensation components, benchmark, consistency, intelligibility of the rules and measurements.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, the Board of Directors deliberates without the interested parties being present.

The Board of Directors ensures that the compensation policy is aligned with the corporate interests and with the interests of the shareholders and stakeholders. The performance indicator selected for the variable compensation component must be in line with the Mercialis strategy.

II. Compensation components of the Chairman and Chief Executive Officer

Fixed compensation

Fixed at Euro 450,000 on March 1, 2015, this compensation will remain unchanged in 2018.

Annual variable compensation

In order to firmly place Corporate Social Responsibility (CSR) at the core of the Group's strategic priorities, it is proposed to change the mechanism for the 2018 variable compensation paid in 2019 to the corporate officers.

This change involves incorporating a quantifiable CSR target and reducing the percentage for managerial targets, taking out the measurement of the social and societal criterion.

The variable compensation will therefore be structured around two types of objectives:

- 1/ quantitative objectives, weighted at 80% (*versus* 70% in 2017) of which 1 CSR objective at 10%; and
- 2/ managerial objectives, which is reduced to 20% (*versus* 30% in 2017).

The results of the compensation benchmarking performed in 2017 with the Mercer consultancy firm show that:

- the fixed compensation for the Chairman and Chief Executive Officer ranks between the 1st quartile and the median of the market;
- the target bonus is less competitive, as it ranks below the 1st quartile of the market.

In order to reduce the difference in level with respect to market practices, and to motivate and retain the Chairman and Chief Executive Officer, it was decided that the target variable compensation of the Chairman and Chief Executive Officer would be changed and would be raised to the level of the 1st quartile, that is 70% *versus* the current 50%.

The variable compensation may therefore represent 70% of his fixed annual compensation if the fixed objectives are achieved and may be up to 140% (*versus* 100% in 2017) of his fixed annual compensation if the objectives are exceeded.

It is determined on the basis of having achieved 80% (*versus* 70% in 2017) of the quantitative objectives and of having achieved 20% (*versus* 30% in 2017) of the managerial objectives.

The selected criteria, and their weighting in determining the variable compensation, are as follows:

		% of the fixed compensation		
		Minimum	Target	Maximum
Mercialys quantitative objectives (80% of the total variable compensation)	FFO growth excluding the carrying cost of the 2019 debt refinancing	0%	14%	28%
	Organic growth in rental revenues (excluding indexation)	0%	7%	14%
	EBITDA margin	0%	7%	14%
	Improvement in CSR classifications: GRESB and EPRA	0%	7%	14%
	Footfall spread in Mercialis centers as compared to the total CNCC market	0%	7%	14%
	Current financial vacancy rate	0%	7%	14%
	Annualized rental income from 2018 openings	0%	7%	14%
Managerial objectives (20% of the total variable compensation)		0%	14%	28%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION		0%	70%	140%

For each quantitative criterion, a minimum threshold of achievement is set, as is a target level corresponding to the objectives of Mercialis for a performance that meets objectives, and a performance level that exceeds the target. Variable compensation is calculated in a linear fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, payment of the variable portion of the compensation due for the 2018 financial year, after determining its amount based on the achievement of the objectives defined above, is conditional on approval by the Company's Ordinary General Meeting to be held in 2019.

Long term compensation

Remember that Éric Le Gentil benefits from a long term variable incentive plan, established on the advice of Appointments and Compensation Committee, by the Board of Directors' meeting of March 11, 2016. This compensation will only be paid to Mr. Le Gentil after a period of three years, i.e. in 2019, subject to his continuing employment in the company, and to two performance conditions, as described in paragraph 4, page 240 and following. In 2017, the Board resolved to adopt the principle of a bonus share award in order to associate the Chairman and Chief Executive Officer over the long term with the Company's performance, subject to compliance with the provisions of Article L. 225-197-6 of the French Commercial Code. This award would replace the previously granted long term variable incentive plan. This principle of awarding bonus shares has been renewed for 2018.

So, that bonus shares may only be awarded to corporate officers if the Company grants to its employees, and to at least 90% of the employees of its subsidiaries, one of the following benefits:

- stock options and/or stock warrants;
- bonus shares;

- the introduction of a profit sharing arrangement or of an exceptional participation agreement. For companies that already have such agreements, the first allocation authorized by the Ordinary General Meeting held after the Law of December 3, 2018, assumes that each of them (the listed company, and its concerned subsidiaries) changes the manner of calculating one of these agreements or pays an additional profit share or profit sharing supplement.

This award would represent a target of 75% of his fixed salary (i.e. Euro 337,500) and could represent up to 112.50% of his fixed salary (i.e. Euro 506,250) in the event of outperformance.

The bonus shares awarded would only be fully vested by the Chairman and Chief Executive Officer at the end of a three-year vesting period, subject to conditions of continued employment and of company performance, the latter being assessed on all three years, on the basis of the following criteria and evaluation grids:

- Relative performance of the Mercialis share, dividend included (Total Shareholder Return - TSR), compared to the performance of the companies composing the EPRA/NAREIT Eurozone index at January 1, 2018, measured between January 1, 2018 and December 31, 2020, for 50% of the allotted shares:

Ranking of the three-year average annual TSR of Mercialis compared with the companies comprising the index	Multiplier
[0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80% to 100%]	0%

- Organic growth of rental revenues, including casual leasing, excluding indexation, measured as the three-year annual average between January 1, 2018 and December 31, 2020, for 25% of the initial allocation.

At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year annual average of organic growth in rental revenues	Multiplier
2.00%	0%
2.30%	100%
2.60% or more	150%

The multiplier moves in a straight line between the defined limits.

- FFO growth (excluding the carrying costs of the 2019 debt financing, for fiscal year 2018) measured as the three-year annual average between January 1, 2018 and December 31, 2020, for the remaining 25% of the initial allocation.

At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year annual average of organic growth in FFO	Multiplier
2.00%	0%
3.00%	100%
4.00% or more	150%

The multiplier moves in a straight line between the defined limits.

The bonus shares awarded in 2018 will become the property of the beneficiary after a vesting period of at least three years which will end in 2021.

At the end of this three-year vesting period, the Chairman and Chief Executive Officer will be required to hold 50% of his shares for a period of at least two years after they are fully vested, and to hold the remaining 50% until the termination of his position.

Furthermore, in accordance with the provisions of the final subparagraph of Article 24.3.3 of the AFEP-MEDEF Code, revised in November 2016, the Chairman and Chief Executive Officer undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Other compensation components

The Chairman and Chief Executive Officer does not benefit from any additional pension plan. He participates in the mandatory group supplementary pension plan (ARRCO and AGIRC) in the pension plan in force within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit of any kind.

No severance allowance shall be paid to the Chairman and Chief Executive Officer as a result of the termination of, or change in, his position.

The Chairman and Chief Executive Officer may also benefit from an allowance relating to a non-compete clause. Indeed, if his position is terminated, the Chairman and Chief Executive Officer will be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year, it being specified that the Company may reduce or waive the application period. In return, the Chairman and Chief Executive Officer will be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.

In addition, the Chairman and Chief Executive Officer receives, for his service on the Board of Directors, directors' fees comprising a fixed and a variable component determined on the basis of attendance at Board meetings. For 2017, these fees totaled Euro 50,000.

III. Compensation components of the Chief Operating Officer

Fixed compensation

The annual fixed compensation of the Chief Operating Officer was set at Euro 270,000 on his appointment on August 30, 2016, with effect from September 1, 2016, on the basis of the benchmarking conducted by a specialized firm. At the Appointments and Compensation Committee meeting of August 30, 2016, it was duly recorded that the Chief Operating Officer's compensation would change in time to reflect the successful assumption of his position. Given the successful assumption of his position, the Board of Directors, at its meeting held on February 14, 2017 and on the recommendation of the Appointments and Compensation Committee, decided to raise his annual fixed compensation to Euro 300,000 with effect from March 1, 2017, i.e. an increase of 11%. This amount will remain unchanged in 2018.

The annual fixed and variable compensation of the Chief Operating Officer is divided in two: two-thirds paid by Mercialys and one-third by Mercialys Gestion, a wholly owned subsidiary of Mercialys, because he keeps his salaried positions as Director in charge of letting within Mercialys Gestion.

Annual variable compensation

In order to firmly place Corporate Social Responsibility (CSR) at the core of the Group's strategic priorities, it is proposed to change the mechanism for the 2018 variable compensation paid in 2019 to the corporate officers.

This change involves incorporating a quantifiable CSR target and reducing the percentage for managerial targets, taking out the measurement of the social and societal criterion.

The variable compensation will therefore be structured around two types of objectives:

1/ quantitative objectives, weighted at 80% (versus 70% in 2017) of which 1 CSR objective at 10%; and

2/ managerial objectives, which is reduced to 20% (versus 30% in 2017).

The variable compensation of the Chief Operating Officer may represent 40% of his fixed annual compensation if the defined objectives are achieved and may equal up to 80% of his fixed annual compensation if these objectives are exceeded.

It is determined on the basis of having achieved 80% (versus 70% in 2017) of the quantitative objectives and of having achieved 20% (versus 30% in 2017) of the managerial objectives.

The selected criteria, and their weighting in determining the variable compensation, are as follows:

		% of the fixed compensation		
		Minimum	Target	Maximum
Mercialys quantitative objectives (80% of the total variable compensation)	FFO growth excluding carrying cost of 2019 debt refinancing	0%	4%	8%
	Organic growth in rental revenues (excluding indexation)	0%	4%	8%
	EBITDA margin	0%	4%	8%
	Improvement in CSR rankings: GRESB and EPRA	0%	4%	8%
	Footfall spread in Mercialis centers as compared to the total CNCC market	0%	4%	8%
	Current financial vacancy rate	0%	4%	8%
	Annualized rental income from 2018 openings	0%	4%	8%
	Number of qualified customers in the Mercialis databases	0%	4%	8%
Managerial targets (20% of the total variable compensation)		0%	8%	16%
TOTAL VARIABLE COMPENSATION AS % OF FIXED COMPENSATION		0%	40%	80%

For each quantitative criterion, a minimum threshold of achievement is set, as is a target level corresponding to the objectives of Mercialis for a performance that meets objectives, and a performance level that exceeds the target. Variable compensation is calculated in a linear fashion between the minimum threshold and the maximum threshold.

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, payment of the variable portion of the compensation due for the 2018 financial year, after determining its amount based on the achievement of the objectives defined above, is conditional on approval by the Company's Ordinary General Meeting to be held in 2019.

Long term compensation

In order to permanently associate the Chief Operating Officer with the Company's shareholding performance, the Board of Directors has decided, subject to compliance with the provisions of Article L. 225-197-6 of the French Commercial Code, on the principle of bonus share awards.

This allotment would represent a target of 50% of his fixed salary (i.e. Euro 150,000) and could represent up to 75% of his fixed salary (i.e. Euro 225,000) in the event of outperformance.

The awarded bonus shares will only be fully vested by the Chief Operating Officer at the end of a three-year vesting period, subject to conditions of employment and company performance, the latter being assessed on all three years on the basis of the following criteria and evaluation grids:

- Relative performance of the Mercialis share, dividend included (Total Shareholder Return - TSR), compared to the performance of the companies composing the EPRA/NAREIT

Eurozone index at January 1, 2018, measured between January 1, 2018 and December 31, 2020, for 50% of the allotted shares:

Ranking of the three-year average annual TSR of Mercialis compared with the companies comprising the index	Multiplier
]0 to 20%]	150%
]20 to 40%]	125%
]40 to 50%]	100%
]50 to 60%]	75%
]60 to 80%]	50%
]80% to 100%]	0%

- Organic growth of rental revenues, including casual leasing, excluding indexation, measured as the three-year annual average between January 1, 2018 and December 31, 2020, for 25% of the initial allocation.

At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in rental revenues	Multiplier
2.00%	0%
2.30%	100%
2.60% or more	150%

The multiplier moves in a straight line between the defined limits.

- FFO growth (excluding the carrying cost of the 2019 debt financing, for fiscal year 2018) measured as the three-year annual average between January 1, 2018 and December 31, 2020, for the remaining 25% of the initial allocation.

At the end of the three-year period, the number of shares vested under this performance criterion will be determined in accordance with the average obtained, based on the grid presented below:

Three-year average annual organic growth in FFO	Multiplier
2.00%	0%
3.00%	100%
4.00% or more	150%

The multiplier moves in a straight line between the defined limits.

The bonus shares awarded in 2018 will become the property of the beneficiary after a vesting period of at least three years which will end in 2021.

At the end of this three-year vesting period, the Chief Operating Officer will be required to keep 50% of his shares for a period of at least two years after they are fully vested, and to hold the remaining 50% until the termination of his position.

Furthermore, in accordance with the provisions of the final paragraph of Article 24.3.3 of the AFEP-MEDEF Code, revised in November 2016, the Chief Operating Officer undertakes not to make use of risk hedging transactions until the end of the period for holding the shares.

Moreover, remember that Vincent Ravat is the beneficiary of bonus share plans which were awarded to him as a Mercialys employee, prior to his appointment as Chief Operating Officer.

Other compensation components

The Chief Operating Officer does not benefit from any additional pension plan. He participates in the mandatory group supplementary pension plan (ARRCO and AGIRC) and in the pension plan in force within the Company for all employees. He also benefits from senior executive unemployment insurance. He does not receive any other benefit of any kind, except a company car.

No severance allowance shall be paid to the Chief Operating Officer resulting from the termination of, or change in, his position.

The Chief Operating Officer may also benefit from an indemnity relating to a non-compete clause. In effect, in the event of the termination of his position, the Chief Operating Officer will be bound by a non-compete and non-solicitation obligation that would apply for a period not to exceed the time of his employment in the Company, up to a maximum of one year; it is specified that the Company may reduce or waive the application period. In return, the Chief Operating Officer would be paid a monthly compensation equivalent to one-twelfth of 50% of his annual fixed compensation.