

# MERCIALYS

16-18 rue du Quatre-Septembre 75002 Paris France +33 1 53 70 23 30

## Executive compensation

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

### **I. 2019 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 23, 2020:**

During its meeting on February 12, 2020, and after consulting with the Appointments and Compensation 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 2019:

- The Board of Directors set the amount of variable compensation for the Chief Executive Officer and the Deputy Chief Executive Officer for 2019.

For reference, the target represented 70% of fixed annual compensation for the Chief Executive Officer, with a maximum of 140%, and 40% for the Deputy Chief Executive Officer, with a maximum of 80%.

It was based on the achievement of quantitative targets for Mercialys for 80% and managerial targets for 20%.

The Board of Directors acknowledged the levels of performance achieved and set the amount of variable compensation for 2019 as follows:

- For the Chief Executive Officer, a gross total of Euro 412,650;
- For the Deputy Chief Executive Officer, a gross total of Euro 145,728.

### **II. 2020 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 2020 compensation policy for corporate officers was set by the Board of Directors on February 12, 2020, after consulting with the Appointments and Compensation Committee, and will be submitted for approval at the General Meeting on April 23, 2020.

The Board of Directors' specific report detailing all of these elements will be presented in the 2019 Universal Registration Document and the 2020 General Meeting brochure.

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

The fixed annual compensation for the Chairman of the Board of Directors was set 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



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monitoring its implementation, and (iii) liaising between the Board and the Executive Management team.

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

With regard to the bonus share plans from 2017 and 2018, Mr Éric Le Gentil will continue to be entitled to these awards, with the presence conditions for each of these two plans concerning a position as a “corporate officer” with Mercialys. These conditions will therefore be met if Mr Éric Le Gentil is still a corporate officer at the end of the vesting period, i.e. April 27, 2020 for the first plan and April 26, 2021 for the second.

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

Lastly, considering his previous executive positions, the Chairman of the Board of Directors is subject to a non-compete clause, which will end on December 31, 2020. In return for this clause, he is entitled to monthly compensation equivalent to one twelfth of 50% of his fixed annual compensation as Chairman of the Board of Directors, while noting that the Company may waive the application of the non-compete clause or reduce the period covered. If the clause is applied by the Company, the payment of the compensation would be staggered over the duration of the non-compete obligation and would apply for a maximum period of one year. This allowance would not be paid if Mr Éric Le Gentil exercised his entitlement to retire.

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

### **– Fixed compensation**

From February 13, 2019, Mr Vincent Ravat’s compensation in his capacity as Chief Executive Officer is set at Euro 360,000 and will remain unchanged in 2020.

### **– Variable annual compensation**

With regard to the variable annual compensation, it is proposed to maintain the variable compensation arrangements in force in 2019, which include a CSR target. To ensure Mercialys’ continued alignment with market best practices, it is however proposed to continue reducing the proportion of qualitative criteria, from 20% to 15%.

Variable compensation is therefore structured around two types of targets:

- 1/ Quantifiable targets, with an 85% weighting, including two CSR targets for 15%, and
- 2/ Qualitative targets, with a 15% weighting, focused on Human Resources.

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



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The Chief Executive Officer's target variable annual compensation would continue to be set at 70% of his fixed annual compensation if the targets set are achieved. It could reach 140% of his fixed annual compensation if these performance targets are exceeded.

## – 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.225-197-6 of the French commercial code, has decided on the principle for awarding bonus shares.

This award would represent a target based on 125% of his fixed annual compensation (i.e. Euro 450,000) if the targets set are achieved, potentially rising to 187.5% of his fixed annual compensation if each performance criteria is exceeded. In any event, the combination of the three criteria would be capped at 160% of his fixed annual compensation (i.e. Euro 576,000), in order to comply with market best practices.

The bonus shares awarded would only be vested by the Chief Executive Officer after a three-year vesting period, subject to the Company's performance and presence conditions, with this performance assessed over the full three-year period based on the following criteria:

- Relative performance of Mercialys' share, dividends included (Total Shareholder Return - TSR), in relation to the performance of companies making up the EPRA/NAREIT Eurozone index at January 1, 2020, measured between January 1, 2020 and December 31, 2022, for 35% of the initial allocation;
- Sustainability performance criteria, i.e. the Company's CDP (Carbon Disclosure Project) rating, for 20% of the initial allocation;
- FFO growth measured based on an annual average over three years between January 1, 2020 and December 31, 2022, for the remaining 45% of the initial allocation.

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. If his corporate office is not renewed (excluding cases of resignation or dismissal), the Board of Directors may decide to maintain his entitlement to the plan.

Furthermore, in accordance with the final paragraph of Article 24.3.3 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.



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## – **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 fixed annual compensation, with payment staggered over the period concerned.

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

### – **Fixed compensation**

Following the benchmark research carried out by the Appointments and Compensation Committee, it has been decided to increase the fixed compensation of the Deputy Chief Executive Officer, Ms Elizabeth Blaise, to Euro 265,000.

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

### – **Variable annual compensation**

With regard to the variable annual compensation, it is proposed to maintain the variable compensation arrangements in force in 2019, which include a CSR target. To ensure Mercialys' continued alignment with market best practices, it is however proposed to continue reducing the proportion of qualitative criteria, from 20% to 15%.

Variable compensation is therefore structured around two types of targets:

- 1/ Quantifiable targets, with an 85% weighting, including two CSR and sustainability reporting targets for 15%, and
- 2/ Qualitative targets, with a 15% weighting, linked to the gradual reintegration of support functions and the corresponding human organization.

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

The Deputy Chief Executive Officer's target variable annual compensation would continue to be set at 40% of her fixed annual compensation if the targets set are achieved. It could reach 80% of her fixed annual compensation if these performance targets are exceeded.



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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.225-197-6 of the French commercial code, has decided on the principle for awarding bonus shares.

This award would represent a target based on 100% of her fixed annual compensation (i.e. Euro 265,000) if the targets set are achieved, potentially rising to 150% of her fixed annual compensation if each performance criteria is exceeded. In any event, the combination of the three criteria would be capped at 130% of her fixed annual compensation (i.e. Euro 344,500), in order to comply with market best practices.

The bonus shares awarded would only be vested by the Deputy Chief Executive Officer after a three-year vesting period, subject to company performance and presence conditions, with this performance assessed over the full three-year period based on the following criteria for assessment:

- Relative performance of Mercialys' share, dividends included (Total Shareholder Return - TSR), in relation to the performance of companies making up the EPRA/NAREIT Eurozone index at January 1, 2020, measured between January 1, 2020 and December 31, 2022, for 35% of the initial allocation;
- Sustainability performance criteria, i.e. the Company's CDP (Carbon Disclosure Project) rating, for 20% of the initial allocation;
- FFO growth measured based on an annual average over three years between January 1, 2020 and December 31, 2022, for the remaining 45% of the initial allocation.

Following this three-year vesting period, the Deputy Chief Executive Officer would be required to hold 100% of her 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 appointment with the Company.

Furthermore, in accordance with the final paragraph of Article 24.3.3 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 application period. In exchange, the Deputy Chief Executive Officer would be paid monthly compensation equivalent to one twelfth of 50% of her fixed annual compensation, with payment staggered over the period concerned.

Paris, March 6, 2020



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