

MERCIALYS

16-18 rue du Quatre-Septembre 75002 Paris France
CS 36812 - 75082 Paris Cedex 02

Executive compensation

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

I. 2020 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 22, 2021:

During its meeting on February 15, 2021, 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 2020:

- The Board of Directors set the amount of variable compensation for the Chief Executive Officer and the Deputy Chief Executive Officer for 2020.

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 quantifiable targets for 85% and qualitative targets for 15%.

The Board of Directors acknowledged the levels of performance achieved and set the amount of variable compensation for 2020 as follows:

- For the Chief Executive Officer, a gross total of Euro 252,000;
- For the Deputy Chief Executive Officer, a gross total of Euro 106,000.

II. 2021 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 2021 compensation policy for corporate officers was set by the Board of Directors on February 15, 2021, after consulting with the Appointments, Compensation and Governance Committee, and will be submitted for approval at the General Meeting on April 22, 2021.

The Board of Directors' specific report detailing all of these elements will be presented in the 2020 Universal Registration Document and the 2021 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 monitoring its implementation, and (iii) liaising between the Board and the Executive Management team.



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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 plan from 2018, Mr Éric Le Gentil will continue to be entitled to these awards, with the presence conditions for this plan 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 26, 2021.

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

b) Compensation for the Chief Executive Officer:

– Fixed compensation

From February 13, 2019, Mr Vincent Ravat’s compensation in his capacity as Chief Executive Officer is set at Euro 360,000 and will remain unchanged in 2021.

– Variable annual compensation

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

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

Variable compensation is therefore structured around two types of targets:

- 1/ Quantifiable targets, with an 80% weighting, and
- 2/ Qualitative targets, with a 20% weighting.

The proposed variable annual compensation is intended to reflect the Company’s major stakes in 2021, while taking into account the specific context linked to the health and economic crisis in 2020. It would therefore cover financial performance, operational performance, sustainability performance and balance sheet position aspects. To ensure a balanced approach, two criteria have been retained for each category.

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



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– Long-term incentives

To align the 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 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.

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

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

Performance will also be subject to performance conditions, as indicated in Section 4 of the 2020 Universal Registration Document.

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

Furthermore, in accordance with the final paragraph of Article 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**

Ms Élizab eth Blaise’s compensation in her capacity as Deputy Chief Executive Officer was set at Euro 265,000 from January 1, 2020, and will remain unchanged in 2021.

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**

Following benchmark studies carried out by the Appointments, Compensation and Governance Committee, it was decided to increase Ms Élizab eth Blaise’s variable annual compensation to 55% of her fixed annual compensation if the targets set are achieved. Within a specific market panel of 18 companies drawn up by a specialist consultancy in January 2021, the Deputy Chief Executive Officer’s position was compared with either the leading executive of companies with a smaller scale, revenues and market capitalization, or the Deputy Chief Executive Officer or Business Line Director of companies with a similar or larger scale, revenues and market capitalization. It was found that the target variable amount for 2020 (40% of fixed compensation if 100% of the targets are achieved, representing Euro 106,000) is 45% lower than the panel’s average target variable amount and 37% lower than the panel’s median target variable amount. The proposed change would reduce the 12% gap observed between Ms Élizab eth Blaise’s fixed and variable target compensation (excluding LTIs) and the average fixed and variable target compensation for the market analyzed.

The maximum achievement rate for each target could reach 200%. In the event of outperformance, the variable annual compensation would be capped at 110% of her fixed annual compensation.

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

Variable compensation is therefore structured around two types of targets:

- 1/ Quantifiable targets, with an 80% weighting, and
- 2/ Qualitative targets, with a 20% weighting.



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The proposed variable annual compensation is intended to reflect the Company's major stakes in 2021, while taking into account the specific context linked to the health and economic crisis in 2020. It would therefore cover financial performance, operational performance, sustainability performance and balance sheet position aspects. To ensure a balanced approach, two criteria have been retained for each category.

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

– 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 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 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 and/or employee), while noting that if her corporate office is not renewed (excluding cases of resignation or dismissal), the Board of Directors may decide to maintain her entitlement to the plan.

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

Performance will also be subject to performance conditions, as indicated in Section 4 of the 2020 Universal Registration Document.

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 corporate office with the Company.



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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.

In accordance with the terms of Articles 24.6 and 25.5.1 of the AFEP-MEDEF Code, the aggregate amount of any severance allowances (including compensation relating to the termination of her employment contract) and compensation for the non-compete clause potentially paid by the Company cannot exceed 24 months.

Paris, March 8, 2021



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