

## PHITRUST

In response to your written questions of May 24, 2017, the Management Board provides the following answers:

### 1. Shareholder's blocked vote in the 8th resolution

#### Question:

In some European countries, barring a former executive chairman from becoming chairman of the Supervisory Board is considered a good corporate governance practice. This is the case in the UK with the "UK Combined Code", and in Germany, where a minimal cooling-off period is recommended. In France, the AFEF-MEDEF Code does not address this issue. However, there is the risk in governing bodies that a Chairman of the Board could hamper a new leader's ability to take initiatives or question previous decisions.

Despite these reservations, we believe that Maurice Lévy has the legitimacy to be entrusted with this responsibility, which would facilitate the operational transition while maintaining the dual governance structure to which we adhere.

We regret that the vote on Maurice Lévy's appointment is blocked, together with the vote on his remuneration, in a single resolution. Shareholders cannot therefore express their support for the candidate while also expressing reservations with regard to his remuneration. This type of blocked vote amounts to "forcing the shareholders' hand" and to treat two general assembly matters as a single blocked resolution. The Association Française de la Gestion's principles of corporate governance stipulate that, "AFG is opposed to consolidating several decisions in a single resolution, even when they have a similar nature, as they force shareholders to accept or refuse all these decisions at once."<sup>1</sup>

Why can't these two issues be separated into two separate resolutions as they are in other CAC40 companies?

#### Response:

We have chosen to submit to our shareholders Maurice Lévy's appointment to the Supervisory Board and his future compensation in a single resolution.

We believe this choice to be in the shareholders' best interests: we wanted each shareholder to make a complete and perfectly informed decision on Maurice Lévy's appointment to the Supervisory Board and his associated remuneration.

<sup>1</sup> AFC – [http://www.afg.asso.fr/wpcontent/uploads/2017/01/Recommandations\\_GVT\\_entreprise\\_2017.pdf](http://www.afg.asso.fr/wpcontent/uploads/2017/01/Recommandations_GVT_entreprise_2017.pdf)  
Page 13 - 3) Opposition to resolutions which include a blocked vote.



The Supervisory Board would like Maurice Lévy, acting as Chairperson of the Board, to be proactive in accompanying the new Management Board and its Chairperson in this transitional phase. For Maurice Lévy, it is a matter of continuing a decades-long relationship of trust with the Group's major clients, providing advice to members of the Management Board on significant events and strategic issues, and coordinating efforts with public authorities in the countries where Publicis operates. The Board would like the new management team to benefit from Maurice Lévy's 46-year experience.

This will require a deep commitment on Maurice Lévy's part, as much time and effort are required to properly manage this crucial transition in a group such as ours, with some 80,000 employees in over 100 countries, and which has known only two chairpersons in its 90-year history.

We must mention the existence of a non-compete clause in the amount of 1.8 million euros per year for three years that the Board would have to pay in the event Maurice Lévy did not join the Board. Thus, in return for his deep commitment, and the abandonment of this clause, the Board deemed it appropriate to grant Maurice Lévy a remuneration of 2.8 million euros.

## **2. The Chairman of the Supervisory Board's level of remuneration**

### **Question:**

You propose a 2.8 million euro gross annual remuneration for the Chairman of the Supervisory Board beginning in June 2017.

The average remuneration for a non-executive chairman in a CAC 40 company in 2016 was 574,109 euros, and the average fixed remuneration for an executive officer (CEO, CEO or Chairman of the Management Board) in a CAC 40 company was 1 million euros in 2016.<sup>2</sup>

How do you justify that Publicis's Chairman of the Supervisory Board is remunerated 4.9 times more than his CAC40 counterparts and that his fixed remuneration is 2.8 times higher than that of an executive officer at a CAC40 company?

### **Response:**

As you noted, the compensation level and structure depends on the role and responsibilities of each executive.

Compared with other non-executive presidents, Maurice Lévy will have the task, as explained in the answer to your question 1, of accompanying the managerial transition in a group that has known only two chairmen in its 90-year history, and which is, furthermore, in the process of complete transformation. We are counting on Maurice Lévy's deep commitment. This non-

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<sup>2</sup> Rapport de Proxinvest "La rémunération des Présidents et administrateurs non dirigeants des sociétés cotées françaises" (Remuneration of Chairpersons and administrators in French listed companies) (page 10)





operational but highly active role justifies a remuneration in line with the commitment expected of the person to whom it is entrusted. Other board chairpersons have significantly higher remunerations than the average figure you quote, also compensating for a greater role in benefitting the companies they chair.

As for the executive officers you mention, their remuneration is not limited to a salary but also includes other types of remuneration, including bonuses and long-term share compensation plans. Any comparison based on fixed salary alone is therefore not pertinent.

### **3. Double payment of Maurice Lévy's non-compete financial compensation**

#### **Question:**

You state that in exchange for continuing to assist us with our clients, and for relinquishing the 1.8 million euros gross annual non-compete indemnity for the three years compensation Mr. Lévy could have benefited from with the non-compete indemnity approved in 2008 (see the Registration Document page 78), the Supervisory Board will set Mr. Lévy's remuneration as Chairman of the Supervisory Board at 2.8 million euros gross per annum from June 1, 2017 (8th resolution).

However, it appears that Mr. Lévy has already been compensated for this three-year non-compete commitment: from 2003, Mr. Lévy was already benefiting from a conditional deferred remuneration "paid upon termination of his duties as Chairman of the Management Board of the company and in exchange for a commitment of at least seven and a half years, as of January 1, 2003, and a three-year non-compete obligation"<sup>3</sup> (a commitment subsequently extended to nine years). At the end of 2011, his 2008-2011 term as Chairman of the Management Board expired and was renewed.

In 2012, the shareholders were therefore bearing the cost of this indemnity in excess of 16 million euros, which included payment of Mr. Lévy's three-year non-compete commitment. From June 1, 2017, shareholders will bear an annual remuneration of 2.8 million euros, including compensation for Mr. Lévy's non-compete commitment.

Why should shareholders pay twice for Maurice Lévy's three-year non-compete commitment?

Is there a real non-compete risk on the part of a chairman who has devoted his life to Publicis's success?

#### **Response:**

It is incorrect to state that Maurice Lévy has already benefited from payment of a non-compete indemnity.

This error stems from the fact that you refer to Maurice Lévy's remuneration mechanism established in 2003, which included two separate obligations in a deferred contingent

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<sup>3</sup> Source: 2006 Reference Document regarding fiscal year 2005



remuneration: a period of at least seven and a half years from 2003 and a non-compete commitment.

The package was revised in 2008 to conform with the August 21, 2007 law, and the non-compete commitment was separated from the contingent deferred remuneration, which included new conditions, such as the obligation of a duration of presence extended from seven and a half to nine years.

The payment to which you refer concerns this deferred compensation related to Maurice Lévy's performance and presence over a nine-year period, paid in 2012. The amount resulted from the accrued fractions of variable remunerations due to Maurice Lévy over the entire period. The objective pursued by the Supervisory Board was to retain Maurice Lévy until the end of his term. A completely different remuneration mechanism was implemented in 2012, which no longer included a loyalty scheme. Naturally, the non-compete agreement, approved in 2008 with 99.85% of the votes, remained in force for the Group's best interest.

The non-compete commitment imposed on Maurice Lévy, and the resulting 5.4 million euro compensation over three years, i.e., 1.8 million euros per year, was determined by the Supervisory Board and voted on by the Publicis Groupe shareholders at the Annual General Meeting of June 2008.

If Maurice Lévy were now to leave the Management Board without joining the Supervisory Board, this non-compete commitment would come into effect thus obligating Publicis Groupe to pay 1.8 million euros a year in compensation for having prohibited Mr. Lévy from working directly or indirectly for a competitor or creating a competing operation.