



Puteaux, 16<sup>th</sup> May 2016

Subject : Combined General Meeting to be held on May 27, 2016 – Letter to shareholders

Attached: p.19-20, 27-34 and 52-55 of the 2016 Notice of Meeting

Dear Elis Shareholders,

Our Combined General Meeting is to be held on May 27, 2016 and you may have received ISS' analysis and voting recommendations on the resolutions submitted to your votes.

We write to you in order to reiterate your Supervisory Board's recommendation to vote in favor of all the resolutions at the next Combined General Meeting, especially resolutions 9, 10 and 22.

We take great pride to be in line with the strictest standard of compliance. Our 2015 Registration Document describes in length our governance policy, which complies with the best practices (see section 4 of our 2015 Registration Document).

In that respect, we had several exchanges with ISS' analysts to explain our policy in terms of compensation and performance shares program. Taking into account latest ISS proxy voting guidelines, we have in particular amended resolution 22 to include a 3-year vesting period for the Executive Committee's long term incentive plan (*LTIP*).

To the great surprise of the Board, ISS decided to issue a recommendation to vote against resolutions 9 and 10 which relate to the Say on Pay vote concerning Xavier Martiré, Louis Guyot and Matthieu Lecharny and resolution 22 which relates to new performance shares plans.

We would like to provide you with some additional explanations on the rationale of each such resolutions, which are all recommended by the Supervisory Board.

#### **1. Say on Pay (Resolutions 9 and 10)**

ISS' report found the level of disclosure made by your Company as regards the compensation of Xavier Martiré, Louis Guyot and Matthieu Lecharny not satisfactory in comparison with market standards.

The disclosures made by your Company in its 2015 Registration Document are compliant with the applicable legal and regulatory requirements as implemented by the French *Autorité des marchés financiers*.

The Compensation of the Executive Board members for 2015 was set at the time of the IPO based on a benchmark of SBF 120 similar companies and is in line with the compensation policy of such companies. It has not been modified since and the compensation for 2016 will remain stable.

#### **2. New performance shares plans (Resolution 22)**

Your company's LTIP is based on the allocation of performance shares.

- ***Our LTIP program is in line with the best practices***

Despite the acknowledgment by ISS of the fact that the main terms of the LTIP as stated in the 22nd resolution comply with its criteria, ISS recommends to vote against such resolution because of a level

of information on performance criteria and period for evaluating such performance considered as insufficient.

We draw your attention to the following:

- a) Presence and performance conditions are clearly stated in the 22nd resolution

The 22nd resolution clearly provides that the vesting period is 3 years for the Executive Committee (top 9), and explains that the performance and presence conditions will be evaluated on several years. As for previous years, the performance will be determined taking into consideration the entire vesting period (i.e., on a 3-year basis).

- b) The performance conditions are challenging

In compliance with the best corporate governance practice, the Compensation Committee is composed of a majority of independent members.

The 2015 Registration Document (§ 4.5.1) and the 2016 Notice of Meeting (p.20) give details on the 3 criteria for the 2015 LTIP (allocated in 2015):

- Turnover of Elis business plan;
- EBIT of Elis business plan; and
- Elis's stock market performance compared to SBF 120 index.

For the 2016 LTIP, the Compensation Committee has proposed to the Supervisory Board performance criteria, in line with the ones of the 2015 LTIP.

While the 3rd criterion corresponding to stock market performance is by nature public information, ELIS does not provide forecasts to the market with respect to EBIT and turnover for the 3-year period covered by the LTIP and as a result cannot give more information to the market in this respect. This approach is in line with the one retained by the other issuers of the SBF120.

You can be assured that the criteria and the underlying business plan are challenging enough to ensure that all the employees of the ELIS group work towards creating value for its shareholders.

- ***This program is essential to the compensation scheme of the top 180***

The retention rate of Elis top management is high: half of the Executive Committee have started as plant managers 20 years ago in average. The Chairman of the Executive Board himself started 18 years ago as a plant manager. The vast majority of the regional and country managers have been in the Elis group for more than 15 years.

This tremendous track-record have been achieved for the top 180 with the following compensation scheme: fixed + variable + LTIP, the proportion of each varying.

For instance for an Executive Committee member:



Should the resolution be rejected, the Company would be left with two options that would not be satisfactory:

- No grant of 2016 LTIP to the top 180, implying significant HR and management risks and jeopardizing the long story of commitment and retention of the top management,

- Implement the 2016 LTIP under the existing 2014 resolution (available until the end of 2017), which would not benefit from the new Macron law tax scheme. The additional cost for the Company and the managers would be significant, in terms of timing (the Company would pay immediately versus at the time of vesting) and amount (in the range of 5m€).

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Elis has always acted in the best interest of all its shareholders and in the Company's long term perspectives.

With this in mind, the Supervisory Board reiterates its recommendation to all shareholders to vote in favor of all the resolutions, especially resolutions 9, 10 and 22 and we thank you for your trust in the Company.

Thierry Morin  
Chairman of the Supervisory Board



Michel Datchary  
Chairman of the Compensation Committee

