

**PHITRUST**

In response to your written questions of May 23, 2018, the Management Board provides the following answers.

**I. Governance**

Question:

1/. Article 8.3 of the AFEP-MEDEF corporate governance code states that “The independent directors should account for half the members of the Board in widely-held corporations without controlling shareholders”. If Ms. Nursalim is elected, the Supervisory Board will be comprised, following the general shareholders’ meeting, of only five members qualified as independent, which, without taking into account the employees’ representative (Mr. Pénicaud), will represent a board independence rate of 45 %. Why does the Supervisory Board not comply with this provision of the AFEP-MEDEF code regarding the independence of the Board?

Response:

The Board is determined to continue to enrich and diversify its composition and to increase the number of independent members. An ongoing effort has been made for several years to renew composition of the Publicis’ Supervisory Board while maintaining gender parity and increasing the independence rate.

The independence rate of 50% is an objective to which we adhere, and due to the withdrawal of a candidate chosen by the Nominating Committee, the Supervisory Board has proposed only one appointment this year, the one of Ms. Cherie Nursalim. Publicis has confirmed, on May 11, 2018, its commitment to reach the level of 50 % of independent Supervisory Board members at the shareholders’ meeting of 2019.

Question:

2/. At the 2017 shareholders’ meeting, the potential severance indemnities of MM. Sadoun and Etienne were contested respectively by 32 % and 38 % of the votes, which represent a very high level of opposition by the minority shareholders considering that Ms. Badinter, who has double voting rights, voted in favor of these severance indemnities.

Has the Supervisory Board taken into consideration the minority shareholders votes and is it envisaged, when renewing the terms of office of members of the Management Board in September 2018, to modify the amounts of these severance payments?

Response:

The severance payments were approved by the shareholders’ meeting of Publicis.

- The shareholders’ meeting of May 31, 2017 approved the severance payment of M. Arthur Sadoun under the related agreements by 68.1% (resolution 21).
- The shareholders’ meeting of May 27, 2015 approved the severance payment of M. Jean-Michel Etienne under the related agreements by 61.8% (resolution 8).



It is further reminded that the elements of compensation of the Chairman and the members of the Management Board, including the severance payments from which they could benefit, are fully compliant with the legislation in force and with the Afep-Medef code. In particular, the severance payments can be paid only under certain limited circumstances, are subject to strict performance conditions and cannot exceed, in any case, two years of remuneration.

The Supervisory Board, upon recommendation of the Nominating Committee and the Compensation Committee, will examine the composition of the Management Board and the remuneration conditions of its Chairman and its members at the expiry of the terms of the Chairman and Management Board members on September 14, 2018.

In order to determine the compensation components of the Chairman and members of the Management Board, the Supervisory Board relies on an in-depth analysis (which led in particular, in 2017, to the use of services of an external consultant) of the fairness equity, the respective scope of responsibility and market practices observed in France and abroad, both in major international companies in general and, more specifically, the companies competing with Publicis Groupe. Publicis' executive compensation is much lower than that of our international competitors.

Question:

3/. The compensation of the Chairman of the Supervisory Board appears excessive both in comparison with the compensation of other non-executive chairs of CAC 40 companies and in comparison with that of Ms Badinter when she chaired the Board.

Could the Supervisory Board consider realigning Mr. Lévy's compensation to bring it into line with that of CAC 40 non-executives performing the same function, by adding an agreement which would remunerate the additional specific assignments requested from him (in accordance with the provisions of Article L225-84 of the French Commercial Code)?

Response:

Mr. Maurice Lévy has specific responsibilities that are difficult to compare to other directors who would perform the same duties.

He has made the managerial transition with the new Management Board and forms a tandem of exceptional quality with the new Chairman of the Management Board, Arthur Sadoun.

We can also underline the extreme sensitivity and importance of the succession at the head of Publicis, a group that is operating in the advertising industry, which is undergoing major changes and relies extensively on talent (80,000 employees in some 100 countries), and which has known only two CEOs in its 90 years of existence.

In such a context, stability at the head of Publicis appeared essential to ensure the implementation of the transformation of the Group and achieve good results for our shareholders.





One only has to look at the situation of our competitors to see how complex succession in our industry is. Publicis' succession plan is a success and the interests of our shareholders have been undeniably protected by the plan put in place.

Since joining the Supervisory Board, Maurice Lévy provides active, but not operational, support to the Management Board as needed, answers questions from the Management Board about any significant events for the Company, continues the trusted relationship with major clients of the Group that began several decades ago, coordinates efforts with public authorities in the countries where Publicis operates and provides the Group with the benefits of his 47 years of experience. He participates in three Supervisory Board Committees: Nominating Committee, Remuneration Committee and Strategy and Risk Committee. During this first year, he has been dedicated full-time to the Group.

In consideration of this investment and waiving the gross annual non-compete compensation of 1,800,000 euro for three years from which he benefited under his non-compete agreement authorized by the Supervisory Board on March 17, 2008 and approved by the General Shareholders' Meeting of June 3, 2008, the Supervisory Board set the gross annual compensation of Maurice Lévy as Chairman of the Supervisory Board beginning June 1, 2017 at a fixed amount of 2,800,000 euro gross per year.

Article L. 225-84 of the French Commercial Code covers the remuneration of special and exceptional duties. This is not the case for us, the remuneration attributed to Maurice Lévy corresponds to the fundamental duty attributed to him by the Supervisory Board in his capacity as Chairman of the Board in the context of the succession at the head of Publicis.

**Question :**

4/. While the number of employees decreases (-1 146 individuals) as did personnel expenses (-82M€), Mr. Etienne's annual variable remuneration was partly based on personnel expenses. Can the Supervisory Board explain the choice of this criterion relating to personnel expenses, which does not seem fully in conformity with the Group's social and corporate responsibility commitments?

**Answer :**

One of the objectives of Jean-Michel Etienne's 20% variable compensation is based on the control of personnel expenses. The Supervisory Board, on the recommendation of the Compensation Committee, considered this objective achieved for 2017.

The qualitative evolution and quantitative control of personnel costs are major challenges for Publicis in order to face the massive transformation that our industry is undergoing. We are witnessing reorganisations with the new "Power of One" organisation and the new country-specific approach, the restructuring linked to the evolution of clients and professions, and recruitment in new fields, such as digital, data, consulting, as many professions in which our customers need us to strengthen our skills in order to better serve them. When agencies make adjustments, internal reclassification solutions are always preferred.

In a market where the pressure of advertisers on costs is pressing, it is essential to control our own costs to ensure the operation of the group.



Investing in new talents is a priority for the Group. The control of personnel expenses is essential to preserve Publicis' development and investment capacity; the choice of an objective relating to personnel costs does not contradict with the Group's social and corporate responsibility commitments insofar as Publicis is committed to serving its clients' needs as well as possible and to providing itself with the means for profitable, sustainable and viable growth.

**Question :**

5/. Why is the employees' representative on the Supervisory Board not a member of the Compensation Committee as required by the AFEP-MEDEF code (17.1)?

**Answer :**

Mr. Pierre Pénicaut was appointed member of the Supervisory Board representing employees by the Group Committee of Publicis Groupe SA on June 20, 2017.

At his request, Mr. Pierre Pénicaut, who has extensive operational experience in a Group agency, joined the Strategy and Risk Committee. The Supervisory Board supported this request, considering that his significant experience and operational knowledge are assets for this Committee.

As a member of the Supervisory Board, Mr. Pierre Pénicaut naturally participates in meetings for reviewing the remuneration of corporate officers, which allows him to express his views on these matters.

**II. On the "Science Based Targets" initiative:**

**Question:**

As a socially responsible investor and shareholder, we believe that it is essential for the Group to contribute to the commitments given within the framework of the Paris Agreement signed in 2015 following COP21, by undertaking to define greenhouse gas emission reduction targets that are ambitious, significant, consistent with its activities and at least aligned with the "2 degree" goal recognized as essential by the international community.

However, your company is not currently part of the "Science Based Targets" initiative, which establishes scientific monitoring of the compliance of a company's greenhouse gas emission reduction scenario, depending on its business, in line with the objectives of the Paris Agreement to limit global warming to 2°.

Among the companies in the CAC40 index, eighteen have already joined this initiative.

Can you explain the reasons why the company has not joined this initiative and if it is contemplating to do so during the 2018 financial year?

**Answer :**

Publicis was one of the very first French groups to sign the Global Impact. In the wake of this, the Group became actively involved in the fight against global warming and joined the "Caring for Climate" pledge in 2007. The Group has therefore set a target for reducing greenhouse gas emissions by aligning its environmental policy with the 2020 European climate package Strategy and then, for the past two years,





with the new European Energy and Climate Strategy for 2030. These objectives are clearly set out in the Registration Document and in the Group's "Consume Less & Better" environmental policy.

The CSR department annually monitors the Group's carbon trajectory in order to adjust the efforts to be taken by agencies. The Group publishes environmental indicators, their evolution over several years and the quantified objectives of its environmental action (Summary table of environmental indicators, page 134 of the 2017 Registration Document). The Group has consistently reduced its carbon intensity for several years. In line with European targets for reducing greenhouse gas emissions, the Group's target is set at 40% reduction in emissions compared to 2009.

Publicis Group has reviewed the "Science Based Targets" initiative and the three proposed methodological choices, and considered that this approach was not appropriate given the Group's intellectual services activities.

The company has been committed to the Carbon Disclosure Project since 2009, and has chosen to follow the recommendations proposed by the Task Force on Climate-Related Financial Disclosure: this translates into the economical use of resources (energy, raw materials, water, waste management, etc.); a determination to move towards more renewable energy sources wherever possible; the attention paid to reducing the direct impacts of the Group's activities and services (e.g. IT servers) and the involvement of our suppliers and partners.

Publicis Groupe is consistent in its commitments in this area: at the One Planet Summit in Paris in December 2017, the Group remained a signatory to the French Business Climate Pledge, reaffirming the commitment of French companies to the energy transition and the fight against global warming, reaffirming its commitments made in 2015 at COP21. In addition to these global commitments, there have been strong actions launched by certain agencies, for example Leo Burnett alongside WWF over the past 10 years for the Earth Hour global mobilisation campaign (the monuments were extinguished at 8 p.m. for one hour on March 24) or the Women's Forum (a subsidiary of the group), which launched an "Engage for the Climate" Manifesto in 2017 in support of the Paris Agreements.