



Hyloris Pharmaceuticals Remuneration Policy 2024



Remuneration Policy - General

1.1.1. Introduction

The remuneration policy of Hyloris Pharmaceuticals SA (Remuneration Policy) has been established in accordance with the Belgian Code of Companies and Associations (BCCA), and with the recommendations of the Belgian Corporate Governance Code (Code 2020). This Remuneration Policy applies as from 1 January 2021. A revised remuneration policy, as part of the remuneration report, was submitted for advisory vote to the General Meeting of Shareholders on June 11, 2024.

The remuneration policy applies to all Non-Executive Directors, Executive Directors of Hyloris and other members of the Executive Committee. The Executive Directors are part of the Executive Committee. At the time of Board approval, Hyloris did not have other persons who hold management positions according to the definition of this term in Article 7:121 of the BCCA.

1.1.2. Objective of the Hyloris' Remuneration Policy

Our remuneration policy rewards contributions to achieving Company objectives and generating stakeholder value. Hyloris wants to be a competitive market player by benchmarking against appropriate peer groups and by incentivizing and rewarding performance at the highest level possible. The objective of the Hyloris Remuneration Policy is to attract, motivate and retain diverse, qualified, and expert individuals whom Hyloris needs to achieve its corporate, strategic and operational objectives. We aim to provide competitive remuneration packages that align with market practices in the key markets where we compete for talent. The Remuneration Policy also aims to ensure consistency between the remuneration of executives and that of all staff members, while soundly and efficiently managing risks and controlling wage-related costs for Hyloris.

The Board requests the Remuneration Committee to evaluate the overall remuneration packages of Executive Directors, Non-Executive Directors, and Hyloris' employees. The Remuneration Committee consults and engages the Board on this subject matter. The Remuneration Committee takes into consideration all the information on its workforce remuneration, its knowledge and research data about the relevant job market to ensure that all Hyloris employees are remunerated in a market-conforming and sufficient manner to motivate and retain its employees.

The Remuneration Policy will evolve and be updated from time to time to align with the development of our company in a competitive environment and is reviewed regularly so that its contents are aligned with market practice. Any proposed amendments will be submitted to the general shareholders meeting for advisory vote.

1.1.3. Reflecting our Mission and Values

Our Remuneration Policy is designed to support our mission, our identity, and our core values. We believe in the intrinsic motivation of our entire team to contribute to our mission and we know that maximum alignment between the interests of our senior leadership team and our stakeholders is supportive of our long-term success.

Our mission is to transform patients' lives by providing them with medicines for unmet needs. To achieve our mission, we will need to be successful across a range of challenging activities in an extremely competitive environment. This includes the discovery, research, and development of highly innovative pharmaceutical product candidates, entering into and maintaining successful collaborations with key industry experts across the globe, managing our limited resources in a disciplined manner to enable us to progress our products all the way through to regulatory approval, and finally to successfully commercialize our products by bringing our innovative therapies to patients in need.

We strongly believe that our long-term success depends on our ability to attract and retain exceptionally talented people focused on the execution of our business objectives while promoting and upholding our identity and core values along the way. Our core values and leadership competencies are:

Core Values:

- Taking initiative - Problem Solving - Courage - Entrepreneurship - Initiative
- Functional Knowledge and Skills - Communication - Decisiveness - Planning & Organisation
- Teamwork & Orientation - Collaboration - Ambition – Energy
- Service to others - Building trust – Integrity

Leadership Competences:

- Coach/Develop others
- Empower/Delegate others
- Lead change
- Strategically focused

This policy should allow us to:

- attract, retain and motivate superior talent by offering market competitive remuneration packages that are strategically aligned in the regions in which we operate;
- promote long-term value creation over short-term success through a combination of co-ownership of our business in the form of ESOP Warrants and both a short-term and long-term variable remuneration scheme;
- offer variable remuneration components to the members of the Executive Committee based on the achievement of challenging short-term goals that are specifically designed to support our long-term business objectives and our core values.

In determining the remuneration packages offered to our team, we strive to ensure that the remuneration offered is competitive and in line with market practice. We are committed to being transparent about our remuneration practices and we strive to have a meaningful dialogue with our stakeholders to help us continually improve the quality of our disclosures.

Any decision that relates to the remuneration level of members of the Executive Committee shall be based on a recommendation from our Remuneration and Nomination committee. The Remuneration and Nomination committee shall justify why its recommendations are competitive, reasonable, and fair, based on the unique talents and expertise of the individual concerned and the value they bring to the Company.

1.1.4. Deviation from the Remuneration Policy

In exceptional circumstances, the Board may decide to deviate from any rule contained in this Remuneration Policy, if deviation is deemed necessary to serve the long-term interests and sustainability of the company or to safeguard the viability of the company. In case the Board intends to grant any remuneration in deviation from this policy, the following procedural requirements apply:

- (i) the remuneration offered to any individual shall be based on the value that individual brings to the company, shall be competitive in the relevant markets where we compete for talent and shall for executives include a significant variable component linked to specific performance targets aligned with our company strategy;
- (ii) the Remuneration and Nomination Committee will be consulted on the proposed deviation;
- (iii) we will report any deviations from this policy in our annual remuneration report to our shareholders, and such report will include an overview of the key considerations for deviating from the policy and the expected duration of the deviation, and our shareholders will be asked to provide an advisory vote on our remuneration practices for the respective year.

1.1.5. Changes to the Remuneration Policy

This 2024 remuneration policy is based on the principles of the current (2021) policy.

The main difference between the 2021 and 2024 remuneration policy is the implementation of a long-term variable remuneration and the proposal for a new remuneration for the Board of Directors and the various committees (see proposed changes to remuneration policy for non-executive directors).

Hyloris does not expect any material changes to this Remuneration Policy to be made in the next two years.

1.1.6. Evolution of the Evaluation & Performance of Hyloris*

		2020	2021	2022	2023
Remuneration of Excom Members	Fix	199	800	991	1016
	Variable	111	103	100	107
Remuneration of CEO	Fix	162	180	186	191
	Variable	55	30	22	22
Net profit		(7,2)	(11,6)	(11,7)	(15,8)
Adjusted EBITDA		(7)	(10,5)	(11,6)	(16,3)
Average remuneration of employees ¹		84,2	108	90,77	95,28

* In EUR thousand

¹ Including consultants with a service agreement

1.2. Remuneration Policy for Non-Executive Directors

Remuneration of Non-Executive Directors will be adjusted as necessary based on regular benchmarking exercises to ensure that we continue to offer fair and competitive remuneration to attract, retain and motivate the Non-Executive Directors. Fees for being on special committees of the board of directors serve as compensation for the significant additional time commitment and responsibilities that come with fulfilling these duties in addition to those generally required for serving as non-executive director on our board of directors. A non-executive director serving multiple committee positions will receive appropriate additional compensation for each of these committee positions such as the Remuneration Committee and the Audit Committee. The Board submits this proposal for approval to the shareholders at the annual Shareholders' Meeting.

The Remuneration and Nomination committee and the Board share the view that all Non-Executive Directors - including the independent directors within the meaning of Article 7:87 of the BCCA - should be compensated equally as set out hereafter.

The Non-Executive Directors are paid a fixed remuneration per year plus a fixed remuneration per year as a member of a Board committee (such as the Remuneration Committee or the Audit Committee).

As from 2020, the remuneration for Non-Executive Directors was as follows (in EUR thousand):

Board of Directors Chairperson	Board of Directors Member	Audit Committee Member	Remuneration & Nomination Committee Member
12.5	12.5	5	5

The following remuneration structure is proposed by the Board of Directors to the General Shareholders' Meeting on June 11, 2024:

Board of Directors Chairperson	Board of Directors Member	Audit Committee Member	Remuneration & Nomination Committee Member	Product Selection Committee Member
17.5	17.5	5	5	7.5

The Non-Executive Directors do not receive any fringe benefits and do not receive any variable remuneration i.e., performance-related pay such as bonuses. Reasonable out-of-pocket (travel) costs incurred by Non-Executive Directors in their duties are reimbursed.

Hyloris does not grant shares to Non-Executive Directors². It considers that its general policy and modus operandi already meet the objective of recommendation 7.6 of the Code 2020, which is to promote long-term value creation. Taking into account the current remuneration amounts and the independent nature of the non-executive directors, Hyloris is of the view that providing part of the remuneration in shares would not necessarily contribute to the objective of the 2020 Code to have these directors act with the perspective of a long-term shareholder. Since its listing in 2020, Hyloris has always focused on a long-term perspective as reflected in its strategic decision to grow the portfolio of product candidates over the next few years.

The Non-Executive Director mandate can be revoked at any time (ad nutum) without the Non-Executive Director being entitled to an indemnity payment. There are no employment or service agreements that provide for notice periods or indemnities between the Company and the members of the Board of directors, who are not members of the Executive Management Team.

The Remuneration & Nomination Committee also proposes to offer a certain number of shares in order to meet the requirement of principle 7.6 of the Belgian Corporate Governance Code. These shares will have to be held at least one year after the Board member has left the Board of Directors and must be held at least three years after granting.

1.3. Remuneration Policy for Executive Committee members

1.3.1. Introduction

Hyloris wants to offer market-competitive compensation to be able to recruit, retain and motivate expert and qualified professionals, while considering the scope of their responsibilities.

The remuneration scheme that applies to the Chief Executive Officer (CEO) and other Executive Committee members is designed to balance short-term operational performance with the long-term objective of creating sustainable value, while at the same time also considering the interests of all stakeholders.

The remuneration scheme for Executive Committee members has a fixed part (i.e., a base annual remuneration in cash) and a variable part that comprises of a short-term variable remuneration (cash bonus) and a long-term variable remuneration that is construed as a retention bonus based on reaching certain EBITDA levels by the Company. As for the long-term remuneration elements, the Executive Committee members may receive ESOP Warrants (please see Warrants and Other Share-Convertible Securities).

Article 7:91 of the BCCA reads: “Unless otherwise provided for in the articles of association or expressly approved by the shareholders’ meeting, at least one-quarter of the variable

² Only the Chair of the Board, Stefan Yee, holds 100,000 warrants, which were granted prior the date of the IPO – the Company does not consider these warrants to be variable remuneration.

remuneration of an executive director in a public-listed company must be based on predetermined and objectively measurable performance criteria over a period of at least two years, and another quarter must be based on predetermined and objectively measurable criteria over a period of at least three years.” The Articles of Association of a company can deviate from Article 7:91 of the BCCA, which is what Hyloris has done. Article 7:91 also states that the above principles do not apply if the variable part of the remuneration does not exceed 25% of the total yearly remuneration. Therefore, the rules on variable remuneration laid down in Article 7:91 of the BCCA do not apply.

Furthermore, our board of directors may decide to adjust the total amount of variable remuneration payable upward or downward if the remuneration payable would otherwise not be fair or reasonable. This means also that our board of directors may decide to award an amount of the variable pay also if the corresponding performance target was not (fully) met, for example if the Board of Directors concludes that unforeseen external circumstances prevented the targets from being (fully) achieved.

In case of significant overachievement, the Board of Directors may decide to award a higher variable remuneration to fairly reflect the individual's value contribution to the Company.

1.3.2. Fixed Remuneration

The fixed annual remuneration consists of a fee paid in cash. The amount of this fee is determined by the Board, upon the recommendation by the Remuneration Committee. The fee is paid in monthly installments. Some Executive Committee members receive compensation for costs they incurred in the performance of their duties. Hyloris will conduct external salary-benchmarking exercises regularly to ensure that the remuneration of Executive Committee members are in line with market practices and is sufficiently fair and reasonable to attract, retain and motivate individuals with the most appropriate profile.

1.3.3. Short-Term Variable Remuneration

Short-term variable cash incentives are granted for achieving predetermined specific performance targets. At the start of each financial year, the board of directors will determine the company's key priorities and will set specific, challenging performance targets in line with these priorities. The board of directors will determine the relative weight of each target and the metrics used for measuring their achievement.

The principles that apply to granting any short-term variable remuneration are the following:

1. Granting allows for a certain part of the remuneration to be linked to an individual's performance and to the performance of Hyloris over the past calendar year. It also allows for the individual's interest to be aligned optimally to that of Hyloris, the Shareholders and other stakeholders.
2. Granting is driven by the individual's merits and based on the performance-rating system at Hyloris, that is the achievement of individual targets (Personal Targets) and the overall performance of Hyloris (Corporate Targets) over the past calendar year.
3. Corporate Targets include factors related to progress in Hyloris' research activities (OPS), business development (BD) and finance. The Corporate Targets focus on company growth and value creation for all shareholders.:
4. For the Executive Committee members (except for the CEO), the short-term variable remuneration consists of two components:
 - the first component represents 60% of the short-term variable remuneration and is determined based on Personal Targets achieved;
 - the second component represents 40% of the short-term variable remuneration and is determined based on the Corporate Targets achieved by Hyloris;
5. For the CEO, the short-term variable remuneration also consists of two components:
 - the first component represents 25% of the short-term variable remuneration and is based on the average of the Personal Targets achieved by the other members of the Executive Committee.
 - the second component represents 75% of the short-term variable remuneration and is determined based on the Corporate Targets achieved by Hyloris;
6. Both the Corporate and Personal Targets are set annually. The Board sets the Corporate Targets for all Executive Committee members and considers the recommendations made by the Remuneration Committee. The CEO's Personal Targets are set by the Board upon the Remuneration Committee's recommendation, which are made based on the Chairman's proposal. The Personal Targets of other Executive Committee members are set by the CEO. The total target short-term variable remuneration amount for an Executive Committee member (i.e., the sum of the first and second components described above)

may exceed 25% of the total fixed annual remuneration of an Executive Committee member. However, the Remuneration and Nomination Committee has currently set the total target short-term variable remuneration amount for the Executive Committee members at 17% of the total fixed annual remuneration.

7. The short-term variable remuneration for Personal and Corporate Targets is paid only when these targets are effectively wholly or partially met. The extent to which the CEO has achieved his Personal Targets is evaluated by the Remuneration Committee when the annual financial results are validated by the Audit Committee and published. The evaluation is subject to deliberation and a final decision by the Board. The extent to which the other Executive Committee members have achieved their Personal Targets is evaluated by the CEO at the same time, which is deliberated by the Remuneration Committee and finally decided by the Board. Appraisal is based on a weighted average of the achievement rate of the Personal Targets.
8. Short-term variable remuneration, if any, is paid after approval by the Board of Directors. Usually during the first calendar quarter following the year for which the targets were set, the board of directors will determine the extent to which the targets were met. Pay-out of the variable cash incentive will usually occur also in the first calendar quarter following the year for which the targets were set.

1.3.4. Long-Term Variable Remuneration

A long-term variable remuneration is based on the achievement by the Company of certain pre-set cash-based financial results. For each Member of the Executive Committee, a fixed amount will be paid the first time a tranche of EUR 20 Mio EBITDA (calculated on a recurring basis) will be achieved by the Company and this up to EUR 80 Mio or 4 tranches of EUR 20 Mio.

The total target short-term variable remuneration amount for an Executive Committee member (i.e., the sum of the first and second components described above) together with the long-term variable remuneration may exceed 25% of the total fixed annual remuneration of an Executive Committee member.

THE 2024 CORPORATE TARGETS

Defined by the Board of Directors and used as a strong guidance for defining the Personal Targets of the entire Hyloris team

Operations/R&D: 30%

Business Development: 30%

Finance: 30%

Corporate: 10%

1.3.5. Fringe Benefits

Executive Committee members do not receive any fringe benefits.

1.3.6. Contract Term and Severance Payment

All Executive Committee members provide their services under a Belgian-law-governed management agreement with Hyloris. The terms, notice periods and severance payments are described hereunder.

We will prevent 'pay for failure' and will therefore not pay a severance arrangement in the event of seriously culpable or negligent behavior on the part of an Executive Committee member being dismissed. We will also not pay severance if the agreement is terminated at the initiative of Executive Committee member, other than due to serious culpable conduct or neglect on the part of the Company.

Mr. Stijn Van Rompay (CEO)

The current services agreement with Mr. Stijn Van Rompay has been entered into between Mr. Van Rompay's Belgian incorporated management company SVR Management BV and the Company effective as from 1 September 2019, for an indefinite period. It can be terminated by both the Company upon six months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by SVR Management BV upon three months' notice or payment of a compensation equivalent to the fixed remuneration of such three-month period. The agreement also provides for reasons for immediate termination

because of a breach by either party (e.g., serious contractual breach, bankruptcy, in- solvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period (subject to certain exceptions) of 18 months after termination, against a payment of 100% of the fixed fee over such 18 months' period. However, SVR Management BV will not be entitled to this payment if it terminates the services agreement at its own initiative or if the Company terminates the services agreement for breach of contract imputable to SVR Management BV.

Mr. Thomas Jacobsen (CBDO)

The current services agreement with Mr. Thomas Jacobsen has been entered into between Mr. Thomas Jacobsen's Belgian incorporated management company Jacobsen Management BV and the Company effective as from 1 November 2019, for an indefinite period. It can be terminated by the Company upon six months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by Jacobsen Management BV upon three months' notice or payment of a compensation equivalent to the fixed remuneration of such three- month period. The agreement also provides for reasons for immediate termination because of breach of either party (e.g., serious contractual breach, bankruptcy, in- solvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period of 18 months after termination, against a payment of 100% of the fixed fee over that 18 months' period. However, Jacobsen Management BV will not be entitled to this payment if it terminates the services agreement at its own initiative or if the Company terminates the services agreement for breach of contract imputable to Jacobsen Management BV.

Mr. Jean-Luc Vandebroek (CFO)

The current services agreement with Mr. Jean-Luc Vandebroek has been entered into between Mr. Vandebroek's Belgian incorporated management company Finsys Management BV and the Company effective as from 23 September 2021, for an indefinite period. It can be terminated by the Company upon three months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by Finsys Management BV upon three months' notice or payment of a compensation equivalent to the fixed remuneration of such three- month period. The agreement also provides for reasons for immediate termination because of breach of either party (e.g., serious contractual breach, bankruptcy, in- solvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period of 12 months after termination against a payment of 50% of the fixed fee over such 12 months' period. However, Finsys Management BV will not be entitled to this payment if it terminates the services agreement at its own initiative or if the Company terminates the services agreement for breach of contract imputable to Finsys Management BV.

Mr. Dietmar Aichhorn (COO)

The current services agreement with Mr. Dietmar Aichhorn has been entered into as from 1 October 2020, for an indefinite period. As from December 2023, the services agreement was transferred to Mr. Aichhorn's management company DDA Management GmbH. During the first 3 years, this services agreement can be terminated by the Company and DDA Management GmbH upon three months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. After 3 years, it can be terminated by the Company and DDA Management GmbH six months' notice period or payment of a compensation equivalent to the fixed remuneration of such six-month period. The agreement also provides for reasons for immediate termination because of a breach by either party (e.g. serious contractual breach, bankruptcy, insolvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period of 12 months after termination against a payment of 50% of the fixed fee over such 12 months' period. However, the Company is entitled to waive this non-compete payment if the services agreement is terminated at the initiative of DDA Management GmbH. The non-compete payment will not be due if the Company terminates the services agreement for breach of contract imputable to DDA Management GmbH.

Mr. Koenraad Van der Elst (CLO)

The current services agreement with Mr. Koenraad Van der Elst has been entered into between Mr. Koenraad Van der Elst's Belgian incorporated management company Herault BV and the Company effective as from 1 January 2020, for an indefinite period. It can be terminated by the Company upon six months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by Herault BV upon three months' notice period or payment of a compensation equivalent to the fixed remuneration of such three-month period. The agreement also provides for reasons for immediate termination because of a breach by either party (e.g. serious contractual breach, bankruptcy, insolvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period of 12 months after termination against a payment of 50% of the fixed fee over such 12 months' period. However, Herault BV will not be entitled to this payment if it terminates the services agreement at its own initiative or if the Company terminates the services agreement for breach of contract imputable to Herault BV.

1.3.7. Warrants and Other Share-Convertible Securities

Upon recruiting new Executive Committee members, the board of directors may decide to make an additional one-time sign-on grant of equity incentives if the board of directors deems this necessary to attract a specific highly qualified individual.

The Board of Directors may decide to grant the members of the Executive Committee new (annual) grants of equity incentives, consisting of Warrants. Equity incentives will always be subject to a multi-year vesting scheme. As a result, the overall value for the members of the Executive Committee will be directly related to the value created for the Company's shareholders over the course of the vesting period. Vesting is subject to the Executive Committee members' continued involvement with the Company.

The members of the Executive Committee (as well as other colleagues of Hyloris) can be granted Warrants or other instruments that allow the holder to acquire shares through schemes that need to be pre-approved by the annual Shareholder's Meeting.

Article 7:91, first paragraph of the BCCA states that a director—within three years from the date of the grant—may not definitively acquire shares by way of remuneration or exercise share options or any other right to acquire shares. The company's articles of association may deviate from this rule. Article 3 of the Articles of Association of Hyloris explicitly allows the Board to deviate from this rule when proposing the variable remuneration scheme. In any event, the ESOP warrants can only be exercised the 4th year following the year of the offer. No lock-up period applies to any shares acquired after the exercise of such ESOP warrants.

1.4. Minimum Shareholding

No minimum threshold has been set for shares to be held by the Members of the Executive Committee, as the remuneration package for the Executive Committee is already sufficiently geared towards sustainable long-term value creation and, moreover, because two of the 5 Members of the Executive Committee already hold a significant block of shares in the Company as co-founder of the Company.

1.5. Clawback

No specific claw-back rights have been provided to the benefit of the Company in respect of variable remuneration granted to the members of the Executive Management allowing the Company to partially or fully claim back any variable cash compensation paid to the members of the Executive Management, based on incorrect information about meeting the performance targets on which the variable remuneration is based, or about the circumstances on which the variable remuneration was made dependent, or if such incorrect information was also due to fraud on the part of the beneficiary.

The Company believes that there are sufficient contractual rights and rights under common law available that allow it to claim back such amounts. In any event, over the past 4 years, since its initial listing on Euronext Brussels, there have been no circumstances that would have given rise to a full or partial claw-back of the variable remuneration of any of the members of the Executive Committee, if such claw back provisions would have been provided.

1.6. Pension Scheme

Hyloris does not have a complementary pension scheme for any Non-Executive Director or any Executive Committee member.