



## REMUNERATION POLICY

**Adopted by the General Meeting of Vivoryon Therapeutics N.V. on June 28, 2021**



## 1 INTRODUCTION

- 1.1 This is the remuneration policy (the **Remuneration Policy**) of the Company as prepared by the Non-Executive Directors and approved by the Board and as adopted by the General Meeting on June 28, 2021 in accordance with Section 2:135a of the Dutch Civil Code and principle 3.1 and best practice provision 3.1.2 of the Code.
- 1.2 This Remuneration Policy shall be posted on the Company's website. In addition, the date of adoption of the Remuneration Policy by the General Meeting and the voting results in relation to the adoption of the Remuneration Policy shall be posted on the Company's website. The information thus published shall remain publicly accessible at least during the period that the Remuneration Policy applies.
- 1.3 The meaning of certain capitalized terms used in this Remuneration Policy is set forth in the List of Definitions attached as **Annex**.

## 2 CONTRIBUTION TO THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

- 2.1 *Strategy and long-term interests.* The Company is focused on improving the lives of patients suffering from diseases with unmet medical needs. Using its scientific key strengths, the Company discovers and develops first-in-class drugs targeting pathologic post-translational modifications.

The strategy is based on three pillars of growth:

- (i) organic growth in treatment for Alzheimer's Disease;
- (ii) organic growth in the treatment of Cancer, fibrotic and inflammatory diseases; and
- (iii) expansion of the pipeline by making use of opportunities to acquire assets within the strategic scope of the Company.

Activities of the Company to execute the growth strategy include:

- (i) commercializing its own products in the major markets, with Varoglutamstat (PQ912) as its lead product/compound at present;
- (ii) where products are partnered, assisting the partner in order to obtain the best value in return, for example by pursuing additional regulatory approvals and additional indications for the product;
- (iii) progress further compounds from its patent portfolio into clinical development stages and thus into tangible value from a capital market perspective; and
- (iv) evaluating external opportunities to enhance the product range and pipeline.

- 2.2 *Sustainability strategy.* The Company, in addition to assuming its basic responsibilities to people and the planet, ensures success and sustainability in a long-term perspective, stimulating innovation, investment and performance, as well as promoting more stable and committed



relationships with its stakeholders, for example by:

- (i) using the Company's and its partners' expertise in technology and innovation to create, develop and implement unique solutions that contribute to the development of companies and to the well-being of citizens, based on a sustainable and integrated vision;
- (ii) creating a culture based on ethical, environmental and social criteria and integrating these criteria into the management and decision-making processes; and
- (iii) promoting the alignment of sustainability principles throughout its entire value chain.

2.3 This Remuneration Policy is consistent with and supports the strategy of the Company. This Remuneration Policy also supports the ongoing efforts of the Company aimed at improving the overall performance, facilitating growth and sustainable success and enhancing the other long-term value and interests of the Company, as it has been designed to provide remuneration packages that are competitive to attract the required executive and non-executive talent and expertise for reaching these objectives in accordance with the Company's long-term strategy. As a result of the foregoing, this Remuneration Policy is aimed to enable the Company to compete in a global market, including the challenging US labor market, to attracting both the required top talent to execute the Company's long-term strategy and the required non-executive Board expertise to effectively supervise such execution, creating long-term value and sustainable growth in the best interest of the Company and all of its stakeholders. The Remuneration Policy will evolve over time, to align with the Company's strategy, market practice and the interests of its stakeholders.

2.4 For Executive Directors the variable part of the remuneration is linked to the performance against a set of financial and non-financial targets that is consistent with and supportive of the aforesaid strategy and long-term interests of the Company. Risk alignment is also embedded in the target setting to promote sound and effective risk management. A consistent and competitive remuneration structure, which applies across the workforce, is another core principle to promote a culture of shared purpose and performance, focusing all Executive Directors and all staff members on delivering on the Company's mission, vision and strategy and creating long-term stakeholder value.

2.5 The fixed remuneration of the Non-Executive Directors is not linked to the performance of the Company to ensure independence in the discharge of their supervisory tasks and responsibilities.

### **3 PAY RATIO**

The Board values internal consistency and has taken into account internal pay ratios when preparing this Remuneration Policy. The remuneration of Executive Directors is aligned with the remuneration of senior executives of the Company by applying a similar design of the remuneration elements and policies.

### **4 REMUNERATION PHILOSOPHY**

4.1 This Remuneration Policy is designed to:

- (i) support the Company's strategic and business objectives by providing a remuneration package that:



- attracts, motivates and retains candidates with the knowledge, expertise and experience required for leading the Company to achieve its strategic, business and sustainability objectives;
- is geared towards pay-for-performance, with an appropriate proportion of the overall package of the Executive Directors being delivered through variable remuneration elements linked to performance over both the short and long term;

(ii) contribute to the long-term performance of the Company by:

- encouraging performance that will lead to long-term value creation through the performance criteria geared for variable remuneration;
- discouraging Executive Directors to take unjustified risks that could have a positive effect on the short term but may not be beneficial for the Company on the long term; and
- aligning the interests of the Executive Directors with the Company's long-term development.

4.2 The level of support in society for the Remuneration Policy is important and is taken into account when formulating the various elements of this Remuneration Policy. The Board has considered the external environment in which the Company operates, the relevant statutory provisions and provisions of the Code as well as any guidance issued by organizations representing institutional investors.

## **5 REMUNERATION EXECUTIVE DIRECTORS**

5.1 With due observance of this Remuneration Policy, the authority to establish remuneration according to clause 5.3 and other conditions of employment for Executive Directors is vested in the Board. The Executive Directors shall not take part in the discussions and decision-making by the Board in relation to the establishment of the remuneration and other conditions of employment of the Executive Directors.

5.2 A Share option plan concerning remuneration in the form of Share awards or Share options shall be submitted by the Board to the General Meeting for approval. The Board will propose Share option plans that will govern the number of Shares or Share options that may be granted and the criteria that apply to the making or amending of such grant of Share awards or Share options.

5.3 The remuneration package of individual Executive Directors comprises the following elements:

- (i) fixed remuneration, comprising an annual base salary and possibly also (optional) benefits for the capacity of Executive Director, such as medical insurance, life insurance, retirement benefits, travel expenses and/or representation allowances;
- (ii) variable remuneration, comprising an annual success-based payment (depending on achievement of individual management corporate / management goals as defined on an annual base respectively, according to clause 5.7); and may also comprise:
- (iii) Share-based remuneration in accordance with the provisions of clause 5.8.

- 5.4 The Board (whereby the Executive Directors will not take part in the discussions and decision-making by the Board) will review the annual base salary every year and may increase the base salary levels for the Executive Directors on an annual basis, effective from May, 1st each year. A number of factors are taken into account during the review process, including personal performance, the scope and nature of the role, relevant companies in the pharmaceutical sector and local economic indicators such as inflation, cost-of-living changes and the relevant labor market, to ensure remuneration is fair, responsible and market competitive. In preparation of the annual review process, the Board will consider data from comparator companies, bearing in mind the size of the business, its complexity and its geographic footprint and may also view data from several benchmarking providers, reviewing benchmarks as well as publicly disclosed data for similar companies. It should be noted, however, that varying disclosure requirements by jurisdiction makes this publicly disclosed data less reliable as a benchmark, in the opinion of the Board. In making its determination, however, the Non-Executive Directors will apply their judgment and consider a number of factors, principally the performance of Executive Directors, the results achieved and the affordability of packages and external benchmarks. Pay increases are not granted in the absence of a satisfactory level of performance.
- 5.5 The remuneration package of the Executive Directors is designed to be weighted towards fixed pay and benefits. The packages are structured so that the variable compensation of clause 5.6 is between 15 and 25 % of the fixed remuneration. In addition, the Executive Directors are granted stock options in accordance with the provisions of clause 5.2 and 5.8.
- 5.6 Variable remuneration elements are intended to motivate the Executive Directors towards the achievement of Company objectives and personal objectives which ultimately promote delivery of the strategic and business objectives of the Company. This will contribute to the creation of long-term value and support sustainability. The form and structure of variable remuneration elements are reviewed at regular intervals to ensure they continue to meet these intentions.
- 5.7 The variable remuneration is linked to the performance against a set of financial and non-financial targets that is consistent with and supportive of the strategy and long-term interests of the Company. These targets shall include, among other topics, performance, business development, strategy, investor relations and general management. Risk alignment shall also be embedded in the target setting to promote sound and effective risk management. The variable remuneration shall be paid out according to how the Company's business develops, the scope of the individual Executive Director's achievement, as well as the realization of the Company's general objectives.

At the beginning of each financial year, the Board shall assess to what extent in the previous financial year the financial and non-financial targets have been met and shall determine the amounts of the variable remuneration of each of the Executive Directors. The variable remuneration will be paid out within three months after the end of the financial year.

- 5.8 Where the Company awards Share-based remuneration, the following will apply:
- (i) such Share-based remuneration will have the form of options for Shares or other awards like SARs (stock appreciation rights), restricted stock, RSUs (restricted stock units), performance awards or other share-based awards (each an **Award**);
  - (ii) options for Shares or other Awards may not be transferred, pledged or otherwise encumbered;

- (iii) any Award granted may only be exercised within ten years after their grant and will vest in equal parts over a period of two, three, four or five years, as determined by the Board. Any awards (other than replacement awards) shall not vest in full prior to the one-year anniversary of the applicable grant date;
- (iv) no additional holding periods apply to options for Shares or Shares acquired upon exercise of options for Shares, unless determined differently upon the grant of the options for Shares in accordance with the provisions of the respective Share Option Plan; and
- (v) the Share based remuneration contributes to the matters referred to under Clause 2 by creating an alignment of long-term interests between the Company and its Directors.

5.9 *No personal loans.* The Company shall not grant its Executive Directors any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Board. No remission of loans should be granted.

5.10 *D&O insurance.* The Company maintains D&O insurance where all the Executive Directors are included.

5.11 *Indemnity.* Pursuant to article 23 of the Company's articles of association, Executive Directors are indemnified, held harmless and reimbursed by the Company for all expenses, financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by him in connection with an action, suit, proceeding or investigation against him in his capacity as Executive Director.

## 6 ADJUSTMENTS TO VARIABLE REMUNERATION

In line with Dutch law, the variable remuneration of the Executive Directors may be adjusted, (partly) recovered or reduced if certain circumstances apply:

- (i) test of reasonableness and fairness - any variable remuneration payable to an Executive Director may be adjusted by the Board to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness;
- (ii) claw back - in addition, the Board will have the authority to recover from an Executive Director any variable remuneration paid on the basis of incorrect financial or other data. The Company can in this respect also be represented by the Non-Executive Directors or by a special representative designated for that purpose by the General Meeting.

## 7 MANAGEMENT AGREEMENTS

The Executive Directors will each have a management agreement with the Company, in principle with a term of (approximately) three years, ending immediately after the closing of the annual General Meeting to be held in the third year of the term (equaling the term of appointment). These management agreements may stipulate that the Company shall bear (part of) the contributions of an Executive Director to health insurance, life insurance (direct insurance) and/or pension. These management agreements may be terminated by both the Company and the Executive Director for good cause without notice period. Ordinary termination is excluded. These management



agreements may contain severance provisions, provided that any severance payments shall not exceed one year's salary (the 'fixed' remuneration component, i.e. annual base salary and benefits). Severance payments will not be made if a management agreement is terminated early at the initiative of an Executive Director, or in the event of seriously culpable or negligent behavior on the part of an Executive Director.

## **8 REMUNERATION NON-EXECUTIVE DIRECTORS**

- 8.1 With due observance of this Remuneration Policy, the remuneration of Non-Executive Directors is determined by the General Meeting on a proposal of the Board. The remuneration of the Non-Executive Directors should reflect the time spent and the responsibilities of their role.
- 8.2 The remuneration package of individual Non-Executive Directors comprises a fixed remuneration, comprising an annual fixed fee, and may also comprise Share-based remuneration according to clause 5.8. In addition, the Non-Executive Directors are entitled to reimbursement for their travel expenses.
- 8.3 The fixed remuneration of Non-Executive Directors is reviewed annually and is not linked to the Share price or the Company's performance.
- 8.4 *Share-based remuneration.* Non-Executive Directors may be awarded remuneration in the form of Shares and/or rights to Shares. The principles set out under Clause 5.8. for Share-based remuneration for Executive Directors will apply equally.
- 8.5 *Share ownership.* Shares held by a Non-Executive Director in the Company should be long-term investments.
- 8.6 *No personal loans.* The Company shall not grant its Non-Executive Directors any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Board. No remission of loans should be granted.
- 8.7 *D&O insurance.* The company maintains D&O insurance where all the Non-Executive Directors are included.
- 8.8 *Indemnity.* Pursuant to article 23 of the Company's articles of association, Non-Executive Directors are indemnified, held harmless and reimbursed by the Company for all expenses, financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by him in connection with an action, suit, proceeding or investigation against him in his capacity as Non-Executive Director.

## **9 DECISION-MAKING PROCESS FOR DETERMINING, REVISING AND IMPLEMENTING THE REMUNERATION POLICY**

- 9.1 At least every four years, the Company will submit the remuneration policy for a vote to the General Meeting upon the proposal of the Board as prepared by the Non-Executive Directors. A resolution by the General Meeting to adopt the remuneration policy shall be adopted by a simple majority of the votes cast, without a quorum being required. The Non-Executive Directors are responsible for the execution of the Remuneration Policy.



9.2 If the Remuneration Policy is revised, a description and explanation is presented of all significant changes, the decision making process followed for the revised remuneration policy's determination, review and implementation, measures taken to avoid conflicts of interests, manage pay ratios and, where applicable, the role of the Board and the Non-Executive Directors. An explanation is also required of how the revised remuneration policy takes into account the votes and views of shareholders of the Company on the Remuneration Policy and on the Company's remuneration reports since the most recent vote on the Remuneration Policy by the General Meeting. When the General Meeting does not approve the proposed amendments to the Remuneration Policy, the Company shall continue to pay remuneration to the Executive Directors and the Non-Executive Directors in accordance with the existing practice or the Remuneration Policy as last adopted and shall submit a revised remuneration policy for adoption at the following General Meeting.

## **10 DEROGATION FROM THE REMUNERATION POLICY**

In exceptional circumstances only, the Company may decide, further to a resolution by the Board, to temporarily derogate from this Remuneration Policy. Exceptional circumstances cover only situations in which the derogation from the Remuneration Policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. This may concern all aspects of the Remuneration Policy.

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## ANNEX LIST OF DEFINITIONS

1. In this Remuneration Policy, the following terms shall have the following meaning:

**Board** means the board of directors of the Company.

**Code** means the Dutch corporate governance code.

**Company** means Vivoryon Therapeutics N.V., a public company incorporated under the laws of the Netherlands (*naamloze vennootschap*), having its official seat in Amsterdam, the Netherlands.

**Director** means a member of the Board. Unless the contrary is apparent, this shall include each Executive Director and each Non-Executive Director.

**Executive Director** means an executive member of the Board.

**General Meeting** means the general meeting of the Company.

**Non-Executive Director** means a non-executive member of the Board.

**Share** means a share in the capital of the Company.

2. Save where the context dictates otherwise, in this Remuneration Policy:

- (a) words and expressions expressed in the singular form also include the plural form, and vice versa;
- (b) words and expressions expressed in the masculine form also include the feminine form; and
- (c) a reference to a statutory provision counts as a reference to this statutory provision including all amendments, additions and replacing legislation that may apply from time to time.

Headings of clauses and other headings in the Remuneration Policy are inserted for ease of reference and do not form part of the Remuneration Policy for the purpose of interpretation.