

Azelis Group NV

Remuneration Policy

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Section 1: Introduction to the Remuneration Policy

In accordance with Article 7:89/1 of Belgian Code of Companies and Associations and the 2020 edition of the Belgian Code of Corporate Governance, Azelis Group NV has established a remuneration policy applicable to the remuneration of Board members (executive and non-executive directors) and others designated as members of the Executive Committee.

The remuneration policy was reviewed and validated by the Remuneration Committee on 4 September 2021 and approved by the Board of Directors on 4 September 2021. The policy was submitted at the General Meeting of Shareholders on [] and will be applicable as from the financial year starting on 1 January 2022.

The policy is intended to be applicable for four years from the date on which approved by the Board of Directors, unless the Remuneration Committee seeks approval for material changes before then.

Objectives of the policy

- Support achievement of business strategy by enabling the recruitment, retention and motivation of Directors and Executive Committee members of the calibre necessary to execute strategy for the benefit of all stakeholders.
- Balance the need to create long term sustainable growth in company value while keeping a strong focus on short-term financial results to drive appropriate behaviours.
- Provide remuneration levels that are competitive relative to companies similar in size, sector and complexity and that also reflect the level of responsibility and competency of the individual.
- Provide for higher levels of remuneration only if stretching Group, divisional and personal performance targets are achieved that have a clear link to strategy, and sustainable value creation.
- Align the interests of Directors and Executive Committee members with shareholders by partly rewarding Executive Committee members in shares and requiring both Directors and Executive Committee members to build up and maintain a shareholding.
- Support the achievement of environmental, societal and governance related objectives by linking remuneration policy and levels of remuneration to stakeholder interests.
- Align with both best practices and market practice whilst providing an appropriate level of flexibility to ensure the Remuneration Committee can respond to business needs as they arise.
- Takes account of wider employee pay practices across the Group and the views of shareholders.

Section 2: Remuneration Policy for the Board of Directors

The remuneration of the Non-Executive Directors takes account of their role as a Board Member or Chair of the Board and their associated responsibilities and time commitment.

Only independent Non-Executive Directors are remunerated for their mandate as a Director. Executive Directors are remunerated in accordance with section 3 of this policy.

Each Non-Executive Director receives a fixed annual fee wholly in cash with expenses reasonably associated with attending board meetings reimbursed by the company. There is no automatic adjustment of the fixed fee level. Non-Executive Directors do not receive any variable remuneration linked to results or other performance criteria.

Independent Non-Executive Directors are required to build-up and maintain a shareholding equal to the value of their fixed annual fee within a period of 5 years.

The annual remuneration report will disclose the fixed annual fee payable to each independent Non-Executive Director for the year in question along with detail of the number of shares they hold.

Section 3: Remuneration Policy for the Executive Committee

The Board of Directors, upon recommendation of the Remuneration Committee, determines the level and structure of the remuneration of the CEO, CFO and other Executive Committee members.

Levels of remuneration are reviewed regularly to assess their competitiveness compared to companies similar in size, sector and complexity along with the pay and conditions of Azelis employees. There is no automatic adjustment of remuneration levels and policy seeks to closely align the interests of the CEO, CFO and other Executive Committee members with shareholders by rewarding partly in company shares.

The annual remuneration report will disclose base pay along with all benefits in kind and with short and long-term incentive awards and outcomes and number of shares held.

In line with Belgian legislation, a CEO pay-ratio comparing the highest and lowest employee remuneration will also be provided in the annual remuneration report (in full time equivalent).

The total remuneration packages for CEO, CFO and other Executive Committee members could consist of the following key elements:



3.1. Fixed Remuneration

3.1.1. Base Pay

Base pay is set at a level to attract and retain qualified and competent individuals considering levels of pay for similar roles in similar companies, the responsibilities of the role, the experience of the individual and their performance in role. The Remuneration Committee may propose annually or otherwise to the Board of Directors an increase in base pay along with a reason for the proposal. Any increase shall ordinarily be in line with increases for employees in the country in which the executive is based although may be higher to reflect, for example, a change in role, responsibilities or individual performance.

3.1.2. Benefits

Azelis provides benefits that are consistent with local market practices and that are necessary to recruit and retain qualified and competent individuals. Executive Committee members, apart from those operating via a Management Company or a self-employed basis, are eligible for various benefits. Benefits offered may include, but are not limited to, the following:

- Company car with fuel card or car allowance
- Health or hospitalization insurance
- Representation allowance

3.2. Variable Remuneration

3.2.1. Short-Term Variable Pay

Short-term variable pay supports key annual priorities in line with overall company strategy, with a strong focus on short-term financial performance and rewarding behaviour that supports long-term sustainable value creation.

Short-term variable remuneration is contingent on both collective performance targets (at Group and regional level for positions with a regional scope) and individual performance targets. Group and regional targets are all quantitative and financially orientated.

Actual short-term variable remuneration is determined based on achievement against performance targets set at the beginning of each financial year. Overall Group performance shall determine the total amount of short-term variable remuneration with individual amounts for the CEO, CFO and other Executive Committee members considering regional (where relevant) and individual performance. The Board of Directors is responsible for approving performance targets and reviewing performance against them considering any feedback from the Remuneration Committee and in the case of the CFO and each other member of the Executive Committee the views and recommendations of the CEO.

Should short-term variable remuneration be payable, it will be paid wholly in cash ordinarily before the end of the second quarter of the financial year following the performance year, once audited results are available and subject to final approval of the Remuneration Committee. There is no deferral.

The target opportunity for the CEO, CFO and other Executive Committee members is up to 100% of base pay, with a maximum opportunity of 150% of the target percentage. The pay-out will be zero if threshold performance is not met.

The performance metrics, weightings and short-term variable remuneration paid will be disclosed retrospectively in the annual remuneration report.

3.2.2. Long-Term Variable Remuneration

Long-term variable pay supports the policy objective of creating long term sustainable growth in value by rewarding for achievement of long-term performance goals and aligning the interests of the CEO, CFO and other Executive Committee members with those of shareholders by rewarding in Azelis shares.

The CEO, CFO and other Executive Committee members are each eligible to participate in a Long-term Incentive (LTI) Plan which involves the grant of an award of a specified number of Azelis shares. The shares will only be delivered if performance targets are met which are measured over a three-year performance period. The targets and assessment of performance against them is determined by the Board, on recommendation from the Remuneration Committee.

Although a target number of shares (performance shares) is awarded at grant, at the end of the three-year performance period the target number of performance shares to be delivered may be adjusted up or down depending on the actual level of performance achieved.

Should long-term variable remuneration be payable, vesting date for the awards is expected to be before the end of the second quarter of the financial year following the end of the performance period, once audited results are available and subject to final approval of the Board, on recommendation from the Remuneration Committee.

The target opportunity for the CEO, CFO and other Executive Committee members is up to 100% of base pay whereas the maximum is 150% of the target award.

Performance shares shall be subject to objectively measurable performance criteria (both financial and non-financial), which will include at least one metric related to sustainability. The performance metrics, and associated weightings will be disclosed in the annual remuneration report.

During the performance period participants will have no right to receive dividends in respect of the performance shares. However, should the relevant performance targets be achieved then the Board, on recommendation from the Remuneration Committee may determine that the number of shares due to the participant is increased by an amount equivalent to the dividends the performance shares would have received during the performance period. This may also be made as a cash payment.

3.2.3. Clawback Provisions

The Company has the right to claim, during a period of three years from the date of the payment, the reimbursement of undue amounts paid on the basis of erroneous results that were subsequently adjusted or corrected.

3.3. Pension

Azelis provides market competitive pension plans in line with local market practice and those available to employees. Executive Committee members, apart from those operating via a Management Company or on a self-employed basis, are entitled to receive pension benefits.

3.4. Contractual Arrangements

3.4.1. Share ownership guidelines

In line with provision 7.9 of the 2020 Belgian Code on Corporate Governance, the Board has set a minimum threshold of shares to be held by the CEO, CFO and each other member of the Executive Committee as follows:

- The CEO is required to build and maintain a holding of shares equal in value to 200% of base pay,
- Each other member of the Executive Committee is required to build and maintain a holding of shares equal in value to 100% of base pay.

The requirement must be reached over a period of 5 years and this element of policy will apply to all current and future appointments to the Executive Committee.

3.4.2. Termination Arrangements

All agreements with the CEO, CFO and other Executive Committee members are for an indefinite period.

On termination of the employment of the CEO, CFO or another member of the Executive Committee, the termination terms are determined as follows:

- For the CEO, one monthly base pay will be paid for each completed year of employment upon the effective termination date provided the employee has not been terminated for cause.
- For the other members of the Executive Committee, termination terms are set on an individual basis as part of the employment or service agreements.

In the case that any termination payments are made, further details (*i.e.* the justification and the decision by the Board of Directors, upon proposal by the Remuneration Committee, as to whether the persons involved are eligible for a severance payment, and the basis of the calculation thereof) will be disclosed in the annual remuneration report.

In respect of variable pay, to receive short-term variable pay participants must provide services to the Group and not be serving notice. Good and bad leaver vesting provisions consistent with market practice are in place for the LTI plan.

Section 4: Governance

Procedure

The remuneration policy will be submitted for shareholders' approval at least once every four years.

The Remuneration Committee regularly discusses and reviews remuneration policy considering developments in the company's strategy, changes in legislation, best practice, market practice, employee pay across the Group and shareholder feedback. In this context, the Remuneration Committee may propose changes to the remuneration policy to the Board of Directors, for final submission to the Annual General Meeting of Shareholders.

The Board of Directors determines the remuneration (both in terms of structure and levels) of the Directors based on recommendations of the Remuneration Committee. The remuneration of the Directors is approved by the Annual General Shareholders' Meeting.

The remuneration of the CEO is determined based on an evaluation by the Remuneration Committee, which then makes a proposal for approval to the Board of Directors. For the other Executive Committee Members, the evaluation is conducted by the CEO and discussed with the Remuneration Committee before making a proposal for approval to the Board of Directors.

Deviations from the Remuneration policy

The Board of Directors, upon recommendation of the Remuneration Committee, may temporarily deviate from any sections of the Policy. Such deviation shall be by exception and will be explained in the annual remuneration report covering the period during which such deviation occurred.

New Hire Policy

Azelis aims at offering remuneration packages that allow it to attract, retain and motivate qualified and competent individuals. Where an individual is recruited externally (for an Executive Committee position), the Board of Directors will seek to align the new member's remuneration package with this remuneration policy. The company may offer compensation to buy out awards or other lost compensation which the candidate held prior to joining Azelis, but which lapses upon leaving the previous employer. Any buy out along with the terms of appointment will be disclosed in the relevant annual remuneration report.

Policy in the context of employee pay

The remuneration policy for CEO, CFO and members of the Executive Committee is designed to be broadly aligned with the remuneration framework for employees of the wider Group. However, typically, the CEO, CFO and members of the Executive Committee receive a higher proportion of their remuneration in performance-related pay (short-term and long-term incentives).

Consideration of Shareholders' views

Azelis endeavours to consider the votes and the views of the shareholders on the remuneration policy and remuneration reports. The Remuneration Committee engages in regular dialogue with shareholders and investors to discuss and take feedback on remuneration and governance matters.