

Annex 1: Remuneration policy

1. Introduction

This remuneration policy sets out the principles of the remuneration of the Directors and the Executive Management of Melexis NV (the **Company**). The Company has drawn up this remuneration policy and will apply it in accordance with the provisions of the Belgian Company and Association Code (**BCAC**), the Second Shareholders rights Directive (**SRD II**) as implemented into the BCAC, and the Belgian Corporate Governance Code 2020 (**Code 2020**).

2. Procedure to develop the remuneration policy and determine individual remuneration

2.1 Remuneration policy

The Board of Directors determined, upon recommendation of the Nomination and Remuneration Committee this remuneration policy. It will submit the policy to the annual General Meeting in 2021. If approved, this policy will apply to the remuneration of Directors and Executive Management from the financial year 2021 onwards.

This remuneration policy is intended to be applied for several years. The policy shall, however, be analysed on an annual basis by the Nomination and Remuneration Committee in close cooperation with the HR department, thereby taking into account the market pay levels. The remuneration packages are granted with the purpose to attract and to retain the best team and management talent in each part of the world where Melexis is present.

The Nomination and Remuneration Committee advises the Board of Directors concerning the way in which the achievement of the Company's strategic objectives may be promoted. Any material amendment to this policy will be subject to approval of the shareholders' meeting. When a significant number of votes has been cast against the remuneration policy, the Board of Directors will take the necessary steps to take into account the concerns of the votes against. Even without material amendments, this policy shall be submitted at least every four year to the vote by the General Meeting.

2.2 Individual remuneration

The Board of Directors determines, upon recommendation by the Nomination and Remuneration Committee, the individual remuneration of the Executive Management in accordance with this remuneration policy.

The Nomination and Remuneration Committee evaluates the performance of the CEO and discusses with the CEO the performance of the other members of the Executive Management based on the guidelines of this remuneration policy.

Every year the Board of Directors, upon advice of the Nomination and Remuneration Committee, determines the objectives the CEO and other members of the Executive Management must reach in the coming year in view of the performance criteria in this remuneration policy.

The Nomination and Remuneration Committee will supervise and advise on the development of the remuneration, allocation of variable pay, awarding of shares and additional benefits for the Executive Management.

2.3 General remuneration framework in the Melexis Group

This remuneration policy for Directors and members of the Executive Management is embedded in the general remuneration framework of the Melexis Group. To establish this remuneration policy, the Company uses a similar methodology as for its employees to ensure that compensation within Melexis is established in such a way that it enables the Company to attract and motivate its talent:

- (i) salaries are marked to the high-tech market using internationally renowned benchmarks;
- (ii) business performance criteria to determine the variable remuneration are similar for members of the Executive Management and the employees.

2.4 Conflicts of interest

In accordance with the Corporate Governance Charter of Melexis, the Directors and members of the Executive Management place the interests of the Company before their own interests and represent the interests of all shareholders on an equal basis. They are aware of the fact that conflicts of interest may arise at all levels of the Company.

The Directors and members of the Executive Management must not pursue their personal interests and must not use business opportunities intended for the Company for their own benefit.

All Directors and members of the Executive Management are expected to avoid acts, opinions or interests in conflict with or that may create the impression of being in conflict with the interests of the Melexis Group.

When confronted with a possible conflict of interests, Directors and members of the Executive Management must inform the Chair of the Board of Directors or the CEO thereof as soon as possible. Directors must abstain from any discussion or decision of the Board of Directors that involves their personal, business or professional interests, in accordance with the applicable provisions of company law.

The members of the Executive Management do not participate in meetings where their remuneration is determined.

3. Remuneration of Directors

Only the independent and non-executive Directors receive a compensation for their mandate as director. Such compensation consists of a fixed annual amount subject to the approval of the shareholders' meeting.

The other Directors are not remunerated for their mandate and do not receive any fringe benefits. Executive Directors may receive remuneration dependent on their executive roles and responsibilities within the Company. No distinction is made between the different roles a Director may take up. Such remuneration must be compliant with the policy set out under paragraph 4.

All Directors are entitled to compensation of their reasonable costs, subject to the submission of suitable justification.

The Directors do not receive shares in the Company as part of their remuneration. The latter deviates from recommendation 7.6 of the Code 2020 for non-executive Directors. The purpose of the recommendation is to better align the interests of non-executive directors with regard to the long-term shareholder interest. At Melexis, that long-term shareholder perspective is sufficiently represented on the Board of Directors since 2 directors, one of whom is Chairperson, are important (indirect) shareholders of the Company.

4. Remuneration of the members of the Executive Management

The compensation of the Executive Management combines three integrated elements: (i) base salary, (ii) incentives and (iii) other benefits.

4.1 Base salary

The base salaries of the Executive Management are negotiated with the relevant individuals before starting their mandate and are set in their individual agreements with the Melexis Group.

When negotiating base salary, the Company uses market information to come to a competitive salary package. In order to be able to do so, the Company undertakes a regular benchmark survey. Upon the advice of the Nomination and Remuneration Committee, the Board of Directors determines the base salary levels based on the result of the benchmark.

4.2 Incentives

The incentive part of the Executive Management's remuneration is limited to a cash bonus system expressed as a percentage of the base salary of the individual. Variable remuneration is dependent on the Company's performance and the individual/team performance measured through the achievement of pre-established targets that translate the Company's strategic priorities.

4.2.1 CEO

The variable remuneration of the CEO is a cash bonus that is capped at 50% of the annual base salary. It contains a short, medium and long term element:

- (i) Short term: 50 % is based on performance criteria measured over one financial year;
- (ii) Medium term: 25% is based on performance criteria measured over two financial years;
- (iii) Long term: 25% is based on performance criteria measured over three financial years.

The cash bonus for the CEO is dependent on the achievement of the target revenue growth and target EBIT growth over the reference period, which are measured on a Melexis Group consolidated basis, based on IFRS accounting standards. The same targets are used for the short, medium and long term bonus.

	X-3	X-2	X-1	Performance year X	X+1
Short			Reference year	EBIT + revenue growth compared to X-1	<i>Payout year</i>
Medium		Reference year		EBIT + revenue growth compared to X-2	<i>Payout year</i>
Long	Reference year			EBIT + revenue growth compared to X-3	<i>Payout year</i>

Melexis uses the above performance criteria in order to show the Companies' commitment and strategic objective to outperform the market consistently.

After the establishment of the annual accounts by the Board of Directors, the Nomination and Remuneration Committee evaluates and assesses the achievement of the performance targets for the short, medium and/or long term cash bonus and determines the amount to be paid out.

The cash bonus of the CEO is to be considered as variable remuneration as defined in the BCAC.

4.2.2 Other members of the Executive Management

The variable remuneration of the other members of the Executive Management is a cash bonus that is capped at 50% of the annual base salary. For members of the Executive Management involved in business creation the cash bonus is capped at 55% of the annual base salary. It contains a short, medium and a long term element:

- (i) Short term: 25 % to 30% (depending on whether a certain member of the Executive Management is involved in business creation or not) is based on performance criteria measured over one financial year;
- (ii) Medium term: 10% is based on performance criteria measured over two financial years;
- (iii) Long term: 10% is based on performance criteria measured over three financial years.

The **short term cash bonus** is calculated on yearly established targets on the basis of the following performance criteria, which are all measured on a Melexis Group consolidated basis, based on IFRS accounting figures:

- (i) 50% based on the global business performance measured through the achievement of the target revenue growth and target EBIT growth of the Company over the performance year in order to link the bonus to the recurring operational result of the Company;
- (ii) 50% based on the individual/team performance measured through achievement of pre-established targets;

Discretionary bonus: the short term cash bonus can be increased with an additional 20% (corresponds to max 5% (no business creation) or 6% (business creation) of annual base salary) at the discretion of the Board of Directors upon recommendation of the Nomination and Remuneration Committee.

For the **medium and long term cash bonus** the Company's performance against approved financial targets regarding revenue growth and EBIT growth is taken into consideration. The considerations for the long term cash bonus are fixed for a three year period. Changes for a following period can be implemented after board approval.

	X-3	X-2	X-1	Performance year X	X+1
Short			Reference year	- EBIT + revenue growth compared to X-1 - Individual/team performance in year X	<i>Payout year</i>
Medium		Reference year		EBIT + revenue growth compared to X-2	<i>Payout year</i>
Long	Reference year			EBIT + revenue growth compared to X-3	<i>Payout year</i>

After the establishment of the annual accounts by the Board of Directors, the Nomination and Remuneration Committee evaluates and assesses the achievement of the performance targets for the short, medium and/or long term cash bonus and determines the amount to be paid out.

The cash bonus of the Executive Management is to be considered as variable remuneration as defined in the BCAC.

4.2.3 Long-term incentives in shares

Melexis does not grant shares, options or other rights to acquire shares to its members of the Executive Management.

Contrary to recommendation 7.9 of the Code 2020, the members of the Executive Management are not required to hold a minimum threshold of shares in the Company. Melexis strongly believes in the Self-Determination Theory (Edward L. Deci and Richard M. Ryan, psychologists at the University of Rochester) arguing that contingent rewards can have detrimental effects on intrinsic motivation, creativity and innovation. Within Melexis we focus on intrinsic value creation for the Company; the share price follows as a result thereof. The financial numbers which impact the level of the business component of the variable remuneration, i.e. revenue growth and EBIT growth, are important elements driving the valuation of the Company. As such, we believe there is a clear alignment between shareholders on the one hand and management and the Melexis community on the other.

4.3 Other benefits

Some Members of the Executive Management have an employment contract and benefit from contributions by the Melexis Group to a pension scheme. For Members of the Executive Management who represent their own management company, such other benefits are taken into account when determining their fee.

The other benefits concern only a smaller part of the total compensation of the Executive Management. They can comprise extra-legal arrangements through a group insurance that is in effect in Executive Managers' respective home countries i.e. life insurance, disability and medical insurance, etc. All these group insurance elements are in line with home country market practices and only represent a minor portion of their remuneration.

The CEO does not benefit from contributions in a pension scheme, nor does he/she have any extra-legal arrangements through an individual/group insurance paid for by the company or receive any other fringe benefits.

5. Contractual terms & conditions

All members of the Executive Management have entered into a formal contract (management contract or employment contract) with the Company (hereinafter the **Management Agreements**).

5.1 Duration

The Management Agreements are concluded for an undefined term.

5.2 Severance provisions

The severance payment provided in each of the Management Agreements is set at three months remuneration (average monthly base salary calculated over the 12 months preceding the termination). An exception is foreseen in each individual agreement in case a contract would be terminated due to a change of control in Melexis. In such a case, the severance payment shall be up to 12 months remuneration (average monthly base salary calculated over the 12 months preceding the termination). Severance payments for Members of the Executive Management working under an

employment contract are determined by the applicable legislation.

5.3 Claw-back and malus provisions

In the event that any variable remuneration would be paid based on incorrect financial data, such miscalculation could be compensated with the payment of future remuneration.

6. Deviations

The Company may temporarily deviate from this remuneration policy, provided that:

- (i) the deviation is justified by exceptional circumstances, in which such a deviation is necessary to serve the long-term interests and sustainability of the Company as a whole or to guarantee its viability; and
- (ii) the deviation is permitted by the Board of Directors on the basis of reasoned advice from the Nomination and Remuneration Committee.