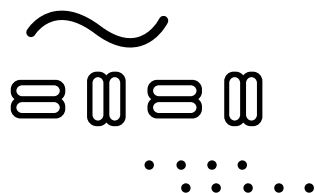
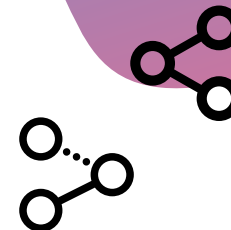
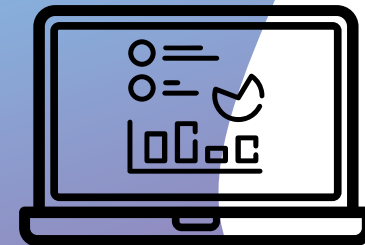
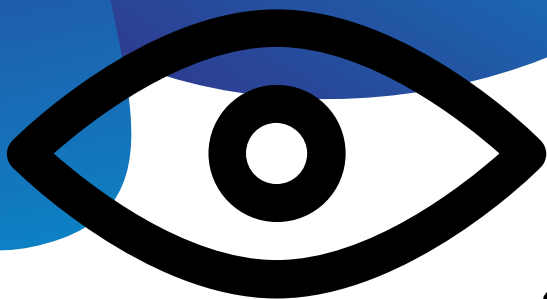


Compensation Report



The purpose of Idorsia is to discover, develop and bring more, innovative medicines to patients.

We have more ideas, we see more opportunities and we want to help more patients.

The Compensation Report describes the compensation principles and programs, as well as the governance framework, for the compensation of members of the Board of Directors (Board) and the Idorsia Executive Committee (IEC) of Idorsia Ltd (Idorsia). The report also provides details of the compensation awarded to the Board and IEC members in the 2018 financial year

The Compensation Report has been prepared in accordance with the Swiss Ordinance against Excessive Remuneration at Listed Companies, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the principles of the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse.

Contents navigation

> Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Contents

4 Introduction

6 Compensation Governance

10 Compensation Principles

12 Compensation Structure: Board

14 Compensation Structure: CEO and IEC

19 Report of the Statutory Auditor

20 Compensation awarded to the Board and IEC

26 Investments held by the Board and IEC

27 Equity Overhang and Dilution in Idorsia Group



Introduction

Contents navigation

Contents

> Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

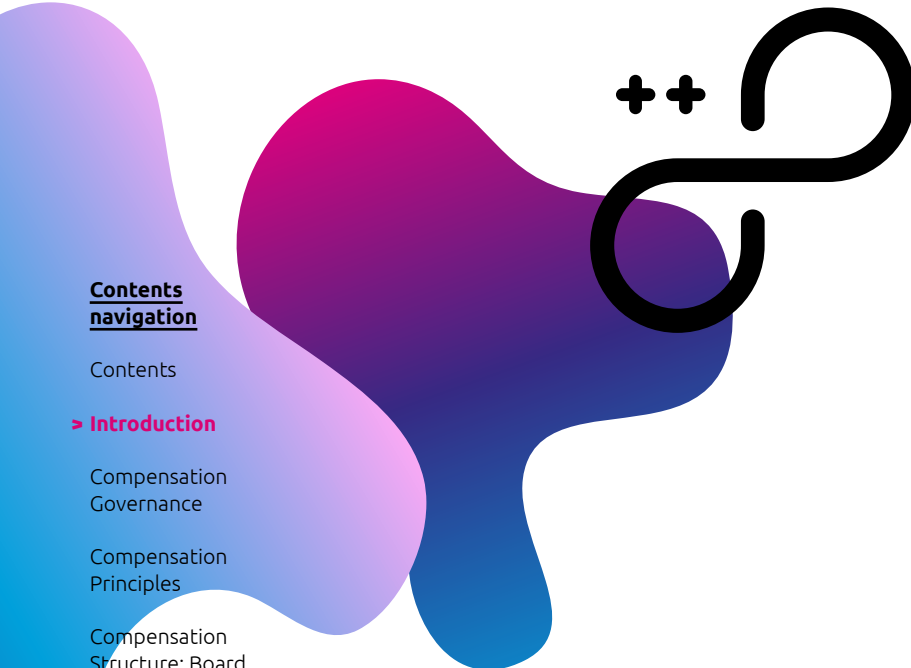
2018 saw Idorsia delivering on all fronts. We aimed to advance our late-stage clinical pipeline – and brought four products into Phase 3 development. To further advance our drug discovery and our early-stage pipeline, we selected preclinical candidates, moved a compound into clinical development, and made progress with key early-stage projects.

We aimed to complete demerger activities, and we are proud to report that all core systems are now running independently of Actelion. We appointed an executive leader to build our commercial organization, thus taking another step forward towards becoming a full-fledged biopharmaceutical company. Lastly, we strengthened our financial position and managed costs effectively, so that all this could be delivered on budget.

Continued success in delivering on our strategic priorities depends directly on the talent of our employees and their willingness to work tirelessly and enthusiastically together at Idorsia. Strong scientific focus, efficiency in execution, enjoyment in working together and continuous learning are at the core of our entrepreneurial culture. To support this, our compensation system is designed to attract, motivate and retain talented people committed to long-term value creation and willing to accept the risks of working in a highly competitive and unpredictable life-science environment.

During the reporting year, the Nominating, Governance & Compensation Committee (NGCC) focused on ensuring that our established compensation principles are being adhered to, and that executive compensation is fully aligned with Idorsia's business strategy and the long-term interests of our shareholders, while maintaining compliance with the various regulations applicable to an international company listed in Switzerland.





Contents navigation

Contents

> Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

In 2018, together with external consultants, we performed a thorough review of our organizational structure and job leveling, as well as an external benchmarking analysis of the compensation structure throughout the organization and, in particular, of compensation for the Board and the IEC. On this basis, compensation levels were determined for 2019. The NGCC's activities in 2018 also included the regular annual process of clearly defining and assessing performance goals, and preparation of the Compensation Report.

This Compensation Report, providing details of Idorsia's compensation system, governance and compensation awarded to the members of the Board and the IEC for 2018, will be submitted to a non-binding, consultative shareholders' vote at the upcoming AGM in 2019. In addition, shareholder approval will be requested for the maximum total compensation of the Board for the period until the next AGM in 2020, and of the IEC for the 2020 financial year.

Compensation Governance

Contents navigation

Contents

Introduction

> Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

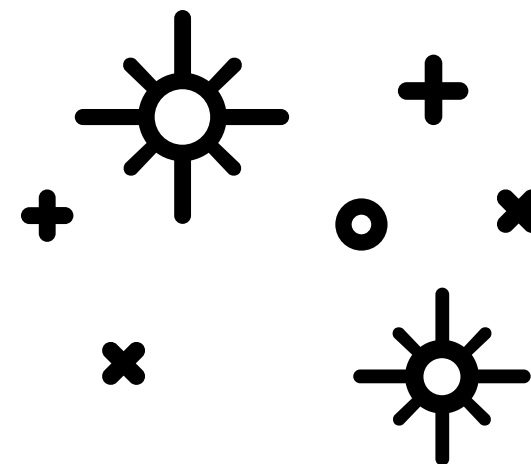
Equity Overhang and Dilution in Idorsia Group

Role of Shareholders and Articles of Association

Shareholders have a say in compensation matters, with their formal approval being required for the aggregate maximum amounts of compensation for the Board and for the IEC through binding votes at each AGM, and with their informal approval being sought for the company's remuneration policy through the non-binding, consultative vote on the Compensation Report. In addition, the principles of compensation for the Board and for the IEC are governed by the Articles of Association, which are also approved by the shareholders. The Articles of Association are available at www.idorsia.com/AoA. The compensation provisions in the Articles of Association include the principles of compensation applicable to the Board and the IEC, the structure of the shareholders' vote on compensation, and provisions on credit and loans, as summarized in the table:

Overview of compensation-related provisions in Idorsia's Articles of Association

	Article
Resolutions on compensation	7
Supplementary compensation amount for new members of the executive management	8
Permitted additional activities	24
Agreements related to compensation for members of the Board of Directors and the executive management	25
Principles relating to the compensation of the members of the Board of Directors	26
Principles of compensation relating to the members of the executive management	27
Credit and pension schemes	28



Contents navigation

Contents

Introduction

> **Compensation Governance**

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Nominating, Governance & Compensation Committee

As specified in the Charter of the NGCC, which can be found in the company's By-Laws at www.idorsia.com/by-laws, the NGCC consists of at least three, but no more than five, Non Executive Directors (NEDs). The NGCC members are individually elected, for a one-year term, by the shareholders at the AGM. Current members of the NGCC are John J. Greisch (Committee Chair), Jean-Pierre Garnier, Viviane Monges and David Stout.

The NGCC supports the Board in questions relating to nomination and governance as well as compensation. With regard to compensation-related matters, the duties of the NGCC include:

- determining the compensation strategy of the company;
- recommending and reviewing compensation policies and plans for approval by the full Board;

- reviewing and assessing the adequacy of the provisions in the Articles of Association relating to compensation, as well as the adequacy of the NGCC Charter;
- proposing and recommending to the Board for approval by the AGM the aggregate maximum compensation of the Board for the term of office until the next ordinary AGM and the aggregate maximum compensation of the IEC for the next financial year;
- recommending to the Board for approval the compensation of the Board members within the limits approved by the AGM;
- recommending to the Board for approval the compensation of the CEO, as well as setting the annual performance targets and determining target achievement of the CEO under the relevant compensation schemes;
- approving, upon recommendation of the CEO, the compensation of the CEO's direct reports and their annual performance targets and target achievement within the framework of the compensation schemes;
- preparing the Compensation Report for approval by the Board.

Additional information on the responsibilities of the NGCC is provided in the "Board of Directors" section of the Governance Report.

Contents navigation

- Contents
- Introduction
- > **Compensation Governance**
- Compensation Principles
- Compensation Structure: Board
- Compensation Structure: CEO and IEC
- Report of the Statutory Auditor
- Compensation awarded to the Board and IEC
- Investments held by the Board and IEC
- Equity Overhang and Dilution in Idorsia Group

The responsibilities of the various bodies involved in compensation matters are summarized in the table:

Annual process and responsibilities for compensation of the Board and IEC

	August – September	October – December	January – February	April – May
Compensation policy review and compensation principles for next financial year	• NGCC ⊙ Board			
Compensation incentive plans (design, performance targets) for the next financial year		• NGCC ⊙ Board		
Aggregate maximum amounts of compensation for the Board and the IEC			• NGCC ⊙ Board	⊙ AGM (binding)
Compensation structure and levels for the Board			• NGCC ⊙ Board	
Target compensation of the CEO		• NGCC	⊙ Board	
Target compensation of individual IEC members		• CEO	⊙ NGCC	
Short-term incentive plan (STIP) payouts for IEC members*			• CEO ⊙ NGCC	
Long-term incentive plan (LTIP) grants for IEC members*			• CEO ⊙ NGCC	
Compensation Report			• NGCC ⊙ Board	⊙ AGM (consultative)

* Proposals related to CEO compensation are prepared by the NGCC Chair and approved by the Board.

- **Recommending body**
- ⊙ **Reviewing body**
- ⊙ **Approving body**

Contents navigation

Contents

Introduction

> Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

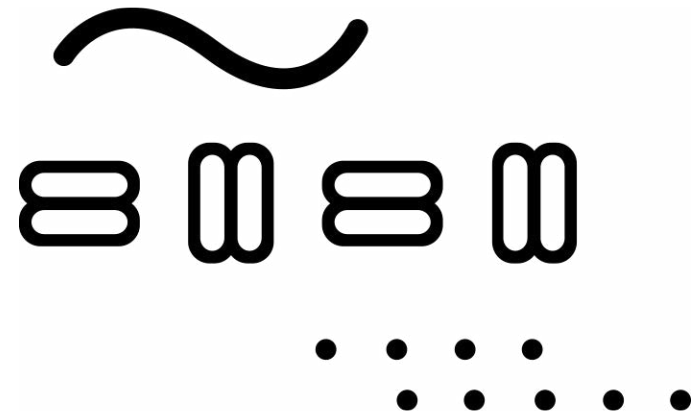
Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

The NGCC meets as often as business requires, but at least four times a year. In 2018, the NGCC held three meetings and one video conference, with all members being present in each case. The NGCC Chair may decide to invite executives to attend meetings as appropriate. Executives do not attend meetings when their own compensation and/or performance is being discussed.

The NGCC Chair reports to the Board on the activities of the committee after each meeting. The NGCC meeting minutes are available to the Board.

The NGCC may decide to consult external advisors for specific compensation matters. In 2018, Aon was mandated to provide services on compensation matters and related topics and did not provide any other services to Idorsia.

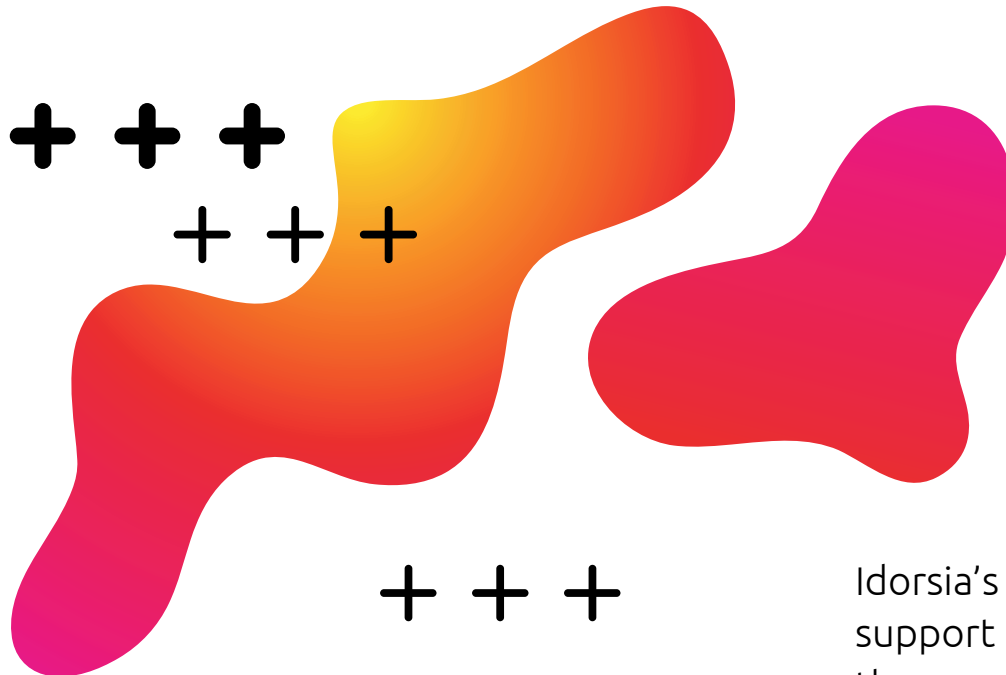


Compensation Principles



Contents navigation

- Contents
- Introduction
- Compensation Governance
- > **Compensation Principles**
- Compensation Structure: Board
- Compensation Structure: CEO and IEC
- Report of the Statutory Auditor
- Compensation awarded to the Board and IEC
- Investments held by the Board and IEC
- Equity Overhang and Dilution in Idorsia Group



Idorsia's compensation principles support the business strategy and foster the commitment of all employees to the company's key strategic priorities. They also support building Idorsia's business and organizational culture:

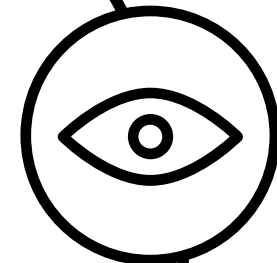


Supporting
Idorsia's Key
Strategic
Priorities



Talent Attraction and Retention

The compensation system is attractive for performance-oriented individuals with an entrepreneurial mindset and focused on long-term value creation



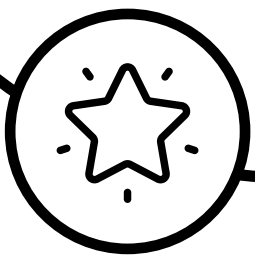
Simplicity and Transparency

Compensation programs are straightforward, transparent and thus easily understood by all participants



Impact and Cash Preservation

The compensation system is impactful yet cash preserving



Recognition

Compensation programs recognize team deliverables and, for employees below the IEC level, individual contributions as well



Pay for Performance

Compensation programs have a high level of performance differentiation, rewarding not only results but also demonstration of behaviors in line with Idorsia's culture

Compensation Structure: Board

Contents navigation

Contents

Introduction

Compensation
Governance

Compensation
Principles

> Compensation Structure: Board

Compensation
Structure:
CEO and IEC

Report of the
Statutory
Auditor

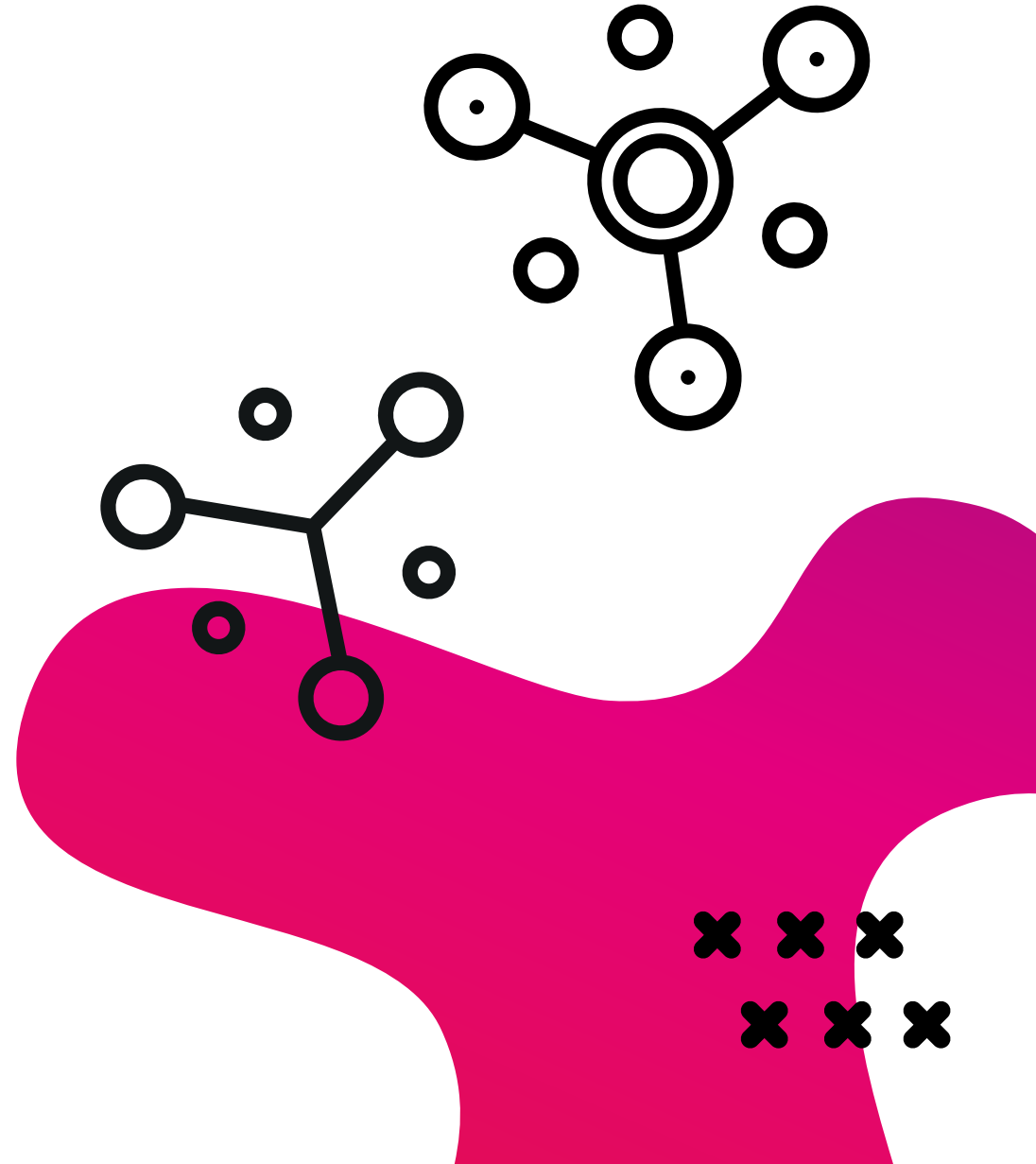
Compensation
awarded to the
Board and IEC

Investments
held by the
Board and IEC

Equity Overhang and
Dilution in Idorsia Group

The Board of Directors' compensation period generally relates to the term of office, which starts with election of its members at the AGM and ends at the subsequent AGM.

In order to strengthen their independence in exercising their supervisory duties, the NEDs receive fixed compensation only and do not participate in the occupational pension plans of Idorsia. Of the total compensation, 25% is paid in cash and 75% in shares blocked for one year. The allocation of shares strengthens the link between the interests of the Board members and those of shareholders. The cash payments and allocations of shares are made quarterly, starting from each year's AGM. The number of shares is determined by dividing 75% of each NED's quarterly compensation by the average share price for the five trading days prior to the allocation date.

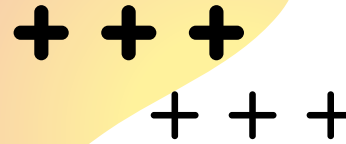
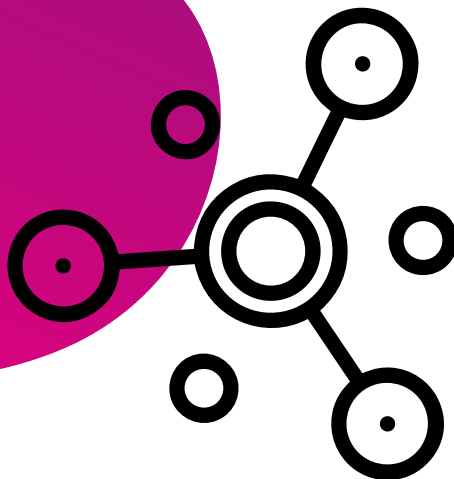


Contents navigation

- Contents
- Introduction
- Compensation Governance
- Compensation Principles

> Compensation Structure: Board

- Compensation Structure: CEO and IEC
- Report of the Statutory Auditor
- Compensation awarded to the Board and IEC
- Investments held by the Board and IEC
- Equity Overhang and Dilution in Idorsia Group



NEDs' compensation per term of office

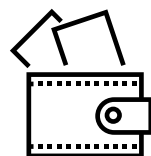
	In CHF
Board Chair	350,000
Board member	150,000
Additional fee for Committee Chairs	15,000

In addition, there is a fixed fee of CHF 70,000 in cash per term of office for the Board Chair of Vaxxilon (a majority-owned company of Idorsia), as disclosed in the compensation tables in the "Compensation awarded to the Board and IEC" section of this report.

In 2018, a benchmarking analysis of NEDs compensation was performed on the basis of Swiss listed companies with a market capitalization between CHF 2.6 and 5.2 billion from all sectors excluding financial services. The results of this analysis showed that compensation structure and levels are broadly in line with market practice. As a result, the decision was made to keep the Board compensation structure and levels unchanged for the next term of office, starting from the AGM in 2019.

Compensation Structure: CEO and IEC

The compensation structure for the CEO and all other members of the IEC includes the following elements:



Contents navigation

- Contents
- Introduction
- Compensation Governance
- Compensation Principles
- Compensation Structure: Board
- > Compensation Structure: CEO and IEC**
- Report of the Statutory Auditor
- Compensation awarded to the Board and IEC
- Investments held by the Board and IEC
- Equity Overhang and Dilution in Idorsia Group

Base salary	Short-term incentive plan (STIP)	Long-term incentive plan (LTIP)	Benefits and allowances
Vehicle Monthly cash	Vehicle Annual bonus, payable in restricted shares blocked for two years (65%) and cash (35%)	Vehicle Stock options	Vehicle Pension and insurances Allowances
Purpose Pay for the job function	Purpose Pay for the achievement of company milestones	Purpose Attract and retain Share long-term success Align with shareholders' interests	Purpose Protect against risks Attract and retain
Determinants Position, internal relativity, market practice, competencies and skills	Determinants Annual performance of the company	Determinants Long-term value creation Share price evolution Market practice	Determinants Market practice

Contents navigation

- Contents
- Introduction
- Compensation Governance
- Compensation Principles
- Compensation Structure: Board

> Compensation Structure: CEO and IEC

- Report of the Statutory Auditor
- Compensation awarded to the Board and IEC
- Investments held by the Board and IEC
- Equity Overhang and Dilution in Idorsia Group

Idorsia recognizes that talented executives accept substantial risk, while contributing significant efforts and long-term commitment when working for a fast-paced, highly ambitious and entrepreneurial R&D company such as Idorsia. Therefore, the total compensation package – structured in accordance with the company’s compensation principles – is designed to

attract high performers with an innovative mindset and to recognize performance and long-term company success through incentive plans.

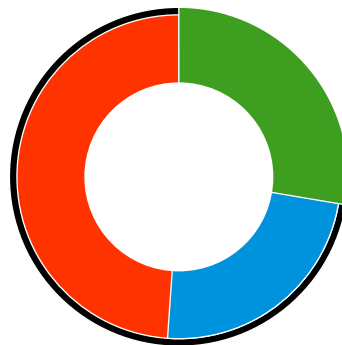
The actual pay mix for the CEO and all other members of the IEC for 2018 is shown below:

Idorsia’s unique position as an R&D biopharmaceutical company without any marketed compounds, but with a fully established drug discovery function, a robust development pipeline and very experienced talent, makes it challenging to select a list of comparable companies that can be taken as a direct peer group. In 2018, therefore, Aon was mandated to perform a thorough benchmarking analysis of target compensation for the CEO and IEC members against compensation for similar roles at various groups of companies that Idorsia competes for talent with. In particular, when analyzing top corporate function jobs and the role of CEO, we looked at Swiss listed companies with a market capitalization between CHF 2.6 and 5.2 billion from all sectors excluding financial services. In addition, target compensation for IEC members was benchmarked against publicly listed European and US companies in the biotechnology and pharmaceutical sectors. This analysis will serve as a basis for setting target compensation levels of the CEO and IEC for 2019.

Executive pay mix

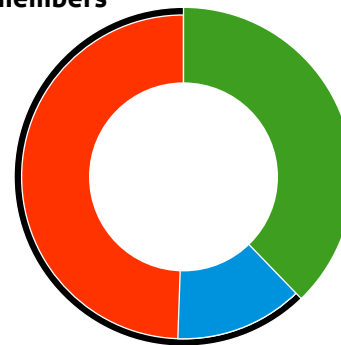
CEO

- **26%** Base Salary, Benefits and Allowances
- **25%** STIP
- **49%** LTIP
- **At Risk Compensation (74%)**



All other IEC members

- **38%** Base Salary, Benefits and Allowances
- **13%** STIP
- **49%** LTIP
- **At Risk Compensation (62%)**



Contents navigation

Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

> Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Base salary

The base salary is a fixed component of compensation paid in cash, typically monthly. It reflects the scope and key responsibilities of the role, as well as the qualifications, competencies and skills required to perform the role.

Generally, base salaries are reviewed periodically on the basis of the following factors:

- internal benchmark: internal pay structure and internal peer comparison,
- individual profile and past performance of the employee,
- financial considerations such as budget and affordability, and
- broad external benchmark: market value of the role.

The base salary levels of the CEO and IEC members in the 2018 financial year remained unchanged from 2017, given the very early stage of our organization and in anticipation of the job leveling and external benchmarking analysis performed in the course of 2018.

Short-term incentive plan

The STIP is based on the achievement of performance objectives over a time horizon of one year. Annual performance objectives are set in line with company strategy and, for IEC members, relate entirely to company performance. They are proposed by the NGCC and approved by the Board at the beginning of the financial year. Their achievement is assessed after year-end, which forms the basis for the determination of the STIP payout.

Performance objectives for the company are centered around a set of R&D pipeline milestones and overall financial performance in terms of meeting the annual budget. For 2018, clear, ambitious milestones were specified for the clinical pipeline, early development programs and preclinical development, as well as targets for raising additional funding and staying within the 2018 annual budget.

As Idorsia fully met the above-mentioned objectives in 2018, the Board has set the level of STIP payout at 100%.

The STIP is paid out by March 31 of the following year. The STIP relating to the 2018 financial year will be paid out as follows: 65% in restricted shares (in line with the principle of cash preservation) and 35% in cash, so that the recipients can cover tax and social security obligations. Restricted shares are subject to a two-year blocking period, with no risk of forfeiture.

Long-term incentive plan

The LTIP is designed in the form of stock options. As Idorsia is an R&D company lacking a commercial organization at this stage, stock options – which are cash preserving, focused on long-term value creation and ensure strong alignment with shareholders' interests – have been identified as the most appropriate vehicle for the LTIP.

In 2018, the stock options were granted to existing IEC members on March 1, and to the newly appointed IEC member (Chief Commercial Officer) on December 3. They are subject to a three-year vesting period.

Contents navigation

Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

> Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

The exercise price is the average of the opening and closing price of Idorsia shares on the grant date. The fair value of the award is based on a valuation (Black Scholes model) from a third-party provider.

The stock options have a term of 10 years from the grant date, after which they expire.

The award is forfeited if employment ceases before the vesting date for any reason other than death, disability or retirement, in which case the award is subject to prorated vesting, normally at the regular vesting date. In case of change of control, the award is subject to accelerated full vesting.

The company's Articles of Association provide for the possibility of making awards at up to 200% of the target level set by the NGCC (and approved by the Board) on an annual basis. The approach adopted for 2018 is set out in the following table:

	Target fair value of 2018 LTIP awards (in CHF)	Maximum possible fair value (200% of target) of 2018 LTIP awards (in CHF)	Approved fair value of 2018 LTIP awards (in CHF) subject to final valuation at grant date
CEO	1,125,000	2,250,000	1,500,000
All other IEC members, including Chief Commercial Officer	1,860,000	3,720,000	2,350,000

The level of stock option awards granted to the IEC members in 2018 was determined based on their outstanding performance during the challenging demerger process and also considering the fact that their fixed compensation was unchanged. This approach is aligned with our cash-preserving compensation principle and with the focus on the long-term value creation.

Benefits and allowances

All members of the IEC participate in the benefits plan available in the country of their employment contract—Switzerland. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to

provide a reasonable level of protection for the employees and their dependents with respect to retirement, risk of disability, death and illness/accident. Allowances typically include car- and relocation-related benefits. The current members of the IEC are all employed under a Swiss employment contract. They participate in Idorsia's pension plan, offered to all employees in Switzerland, in which a base salary and STIP are insured up to the maximum amount permitted by law. Idorsia's pension benefits exceed the minimum legal requirements of the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) in order to retain our key long-standing leaders, which is in line with business practice of other international companies in Switzerland.

Contents navigation

Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

> Compensation Structure: CEO and IEC

Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Share ownership guidelines

Under the share ownership guidelines introduced in 2018, IEC members are required to hold Idorsia shares amounting at least to a minimally specified multiple of their annual base salary within five years of their appointment to the IEC (or the introduction of the guidelines), as set out in the table below:

Role	Minimum ownership requirement
CEO	300% of annual base salary
Other IEC members	200% of annual base salary

In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend the specified time period accordingly.

To calculate whether the minimum ownership requirement is met, all shares held by the IEC members are considered, as well as vested shares from compensation programs regardless of any applicable blocking period, and the net-of-tax value of vested unexercised stock options. The NGCC reviews compliance with the share ownership guidelines on an annual basis.

Employment contracts

All members of the IEC are employed under unlimited-term employment contracts with a notice period of twelve months. Members of the IEC are not contractually entitled to termination payments or any change-of-control provisions, other than the special vesting provisions of the LTIP awards mentioned above. Employment contracts of IEC members may include a non-competition clause, with a maximum duration of 12 months.

Clawback provisions

In order to ensure good corporate governance, Idorsia has implemented a clawback policy on variable incentive payments made under the STI and LTI plans, covering situations where the incentive payout was predicated on the achievement of certain financial results, which were subsequently subject to a material financial restatement. In such cases, the Board of Directors is empowered to either recover the totality of the incentive (in cases where the financial restatement was caused, or substantially caused, by intentional misconduct) or to recalculate the payout, taking into account the restated financial results, and to seek reimbursement of any amount paid in excess of the newly calculated amount.

Report of the Statutory Auditor to the Annual General Meeting of Idorsia Ltd, Allschwil

Contents navigation

Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

> Report of the Statutory Auditor

Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Report of the Statutory Auditor on the Compensation Report

We have audited the compensation report of Idorsia Ltd for the year ended December 31, 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on pages 20 to 26 of the compensation report.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended December 31, 2018, of Idorsia Ltd complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

/s/Robin Errico

Robin Errico
Licensed audit expert
(Auditor in charge)

/s/Siro Bonetti

Siro Bonetti
Licensed audit expert

Basel, February 5, 2019

Compensation awarded to the Board and IEC

Contents navigation

Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

> Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Compensation awarded to the Board for 2018

For 2018, NEDs received total compensation of CHF 794,988 (2017: CHF 2,872,917) in the form of cash fees of CHF 253,751 (2017: CHF 37,917), shares with fair value at grant of CHF 534,702 (2017: CHF 0) and social security contributions of CHF 6,535 (2017: CHF 0). In 2018 no stock options had been granted (2017: CHF 2,835,000). The decrease in total compensation compared to the previous year is due to changes in the compensation structure and reduced compensation levels.

For the period from the 2017 AGM to the 2018 AGM, Actelion as sole shareholder of Idorsia approved an aggregate maximum compensation amount of CHF 3.0 million for NEDs. The compensation actually paid for this period amounts to CHF 2.9 million and is therefore within the limit approved by the shareholders.

At the 2018 AGM, shareholders approved an aggregate maximum compensation amount of CHF 1.3 million for the Board of Directors for the term of office from the 2018 AGM until the 2019 AGM. The compensation actually paid for the portion of this term of office included in this Compensation Report (April 24 to December 31, 2018) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2019.

In the year under review, no compensation was paid to former members of the Board of Directors or to closely related parties of current or former members of the Board of Directors (2017: none).

No current or former members of the Board of Directors, or closely related parties were granted a loan during the reporting year (2017: none). No loans were outstanding at the end of the year under review (2017: none).



**Contents
navigation**

Contents

Introduction

Compensation
Governance

Compensation
Principles

Compensation
Structure: Board

Compensation
Structure:
CEO and IEC

Report of the
Statutory
Auditor

**> Compensation
awarded to the
Board and IEC**

Investments
held by the
Board and IEC

Equity Overhang and
Dilution in Idorsia Group

Board compensation (in CHF)

	2018					2017				
	Cash	Shares, fair value	Stock Options, fair value	Social Security Contributions	Total	Cash	Shares, fair value	Stock Options, fair value	Social Security Contributions	Total
Jean-Pierre Garnier Board Chair Member of NGCC	65,625	190,954	–	–	256,579	–	–	1,134,000	–	1,134,000
Robert Bertolini Finance & Audit Committee (FAC) Chair	30,938	90,030	–	–	120,968	–	–	425,250	–	425,250
John J. Greisch NGCC Chair	30,938	90,030	–	–	120,968	–	–	425,250	–	425,250
David Stout Member of FAC and NGCC	98,125 ¹	81,844	–	–	179,969	37,917 ¹	–	425,250	–	463,167
Viviane Monges Member of FAC and NGCC (since April 24, 2018)	28,125	81,844	–	6,535	116,504	–	–	–	–	–
Herna Verhagen Member of FAC and NGCC (until April 24, 2018)	–	–	–	–	–	–	–	425,250	–	425,250
Jean-Paul Clozel CEO and executive member of the Board	Jean-Paul Clozel received no additional compensation for his Board membership. See table “Compensation for the CEO and other members of the IEC for 2018” for his compensation as CEO									
Total	253,751	534,702	–	6,535	794,988	37,917	–	2,835,000	–	2,872,917

¹ Fees for Vaxxilon Board Chair amounted to CHF 70,000 for each full term of office.

Contents navigation

Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

> **Compensation awarded to the Board and IEC**

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Compensation awarded to the CEO and other members of the IEC for 2018

The following table provides details of compensation for all members of the IEC (including the individual compensation of the CEO). For 2018, the IEC members received a total compensation of CHF 8,053,796 (2017: CHF 6,445,958) in the form of base salaries of CHF 2,340,375 (2017: CHF 1,250,611), short-term incentives of CHF 1,370,314 (2017: CHF 820,666), stock options granted under the LTIP with a fair value at grant of CHF 3,850,229 (2017: CHF 4,190,200), and other benefits, pension and social security contributions of CHF 492,878 (2017: CHF 184,481).

Compensation for the CEO and other members of the IEC for 2018

In CHF (gross) ¹	Base salary	Short-term incentive ²	Long-term incentive ³	Other benefits ⁴	Pension ⁵	Social security contributions ⁶	Total amount
Jean-Paul Clozel CEO and highest-paid member of the IEC	750,000	750,000	1,500,073	–	61,050	99,091	3,160,214
All other IEC members (4) including Chief Commercial Officer	1,590,375	620,314	2,350,156	49,006	151,982	131,749	4,893,582
Total	2,340,375	1,370,314	3,850,229	49,006	213,032	230,840	8,053,796

¹ From January 1 to December 31, 2018

² STIP for financial year 2018 (accrual principle)

³ Fair value at grant date

⁴ Car allowance & relocation benefits

⁵ Includes employer contributions to company pension plan

⁶ Includes employer contributions to social security. The social security contributions for LTIP awards are not included as they are only due at exercise; they are expected to trigger employer social security costs up to 7% of the gain at exercise.

Contents navigation

Contents
Introduction
Compensation Governance
Compensation Principles
Compensation Structure: Board
Compensation Structure: CEO and IEC
Report of the Statutory Auditor

> Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Stock options were granted in 2018 under the conditions described below:

Stock option data		
Grant date	March 1, 2018	December 3, 2018 ³
Vesting date	March 1, 2021	December 3, 2021
Date of expiry	February 29, 2028	December 2, 2028
Exercise price ¹	CHF 25.41	CHF 19.43
Grant date fair value ²	CHF 7.62	CHF 6.24
Total number of stock options granted	452,780	64,110
Total fair value of stock options granted	CHF 3,450,183	CHF 400,046

¹ Average of the opening and closing price of Idorsia shares on the grant date

² Valuation by Aon (Black-Scholes model)

³ Equity grant to the new member of IEC Chief Commercial Officer.

Contents navigation

Contents
Introduction
Compensation Governance
Compensation Principles
Compensation Structure: Board
Compensation Structure: CEO and IEC
Report of the Statutory Auditor

> Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

Compensation for the CEO and other members of the IEC for 2017

In CHF (gross) ¹	Base salary	Short-term incentive ²	Long-term incentive ³	Other benefits ⁴	Pension ⁵	Social security contributions ⁶	Total amount
Jean-Paul Clozel CEO and highest-paid member of the IEC	408,333	449,167	1,435,000	–	30,625	23,453	2,346,578
All other IEC members (3)	842,278	371,499	2,755,200	17,422	63,171	49,810	4,099,380
Total	1,250,611	820,666	4,190,200	17,422	93,796	73,263	6,445,958

¹ From June 16 to December 31, 2017

² STIP for financial year 2017 (accrual principle)

³ Fair value at grant date

⁴ Car allowance

⁵ Includes employer contributions to company pension plan

⁶ Includes employer contributions to social security. The social security contributions for LTIP awards are not included as they are only due at exercise; they are expected to trigger employer social security costs up to 7% of the gain at exercise.

Stock options were granted under the conditions described below:

Stock option data

Grant date	July 1, 2017
Vesting date	July 1, 2020
Date of expiry	June 30, 2027
Exercise price ¹	CHF 17.73
Grant date fair value ²	CHF 5.74
Total number of stock options granted	730,000
Total fair value of stock options granted	CHF 4,190,200

¹ Average of the opening and closing price of Idorsia shares on the trading day before the grant date

² Valuation by Aon (Black-Scholes model)

Contents navigation

Contents

Introduction

Compensation Governance

Compensation Principles

Compensation Structure: Board

Compensation Structure: CEO and IEC

Report of the Statutory Auditor

> Compensation awarded to the Board and IEC

Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

The changes in compensation for 2018 compared to 2017 can be explained as follows:

- There was a change in the composition of the IEC, with the appointment of a new member (Chief Commercial Officer) on December 1, 2018.
- Base salaries of the IEC members were unchanged.
- Target levels of STIP awards for CEO and all other IEC members were unchanged compared to the previous year. Performance achievement under the STIP was 100% in 2018, which is lower than in 2017 when it was 110%.
- The value of the options granted under the LTIP for 2018 to those IEC members who were already in office as of December 31, 2017, decreased by 17.66% compared with the prior year.
- As a result, the ratio of fixed to variable compensation is 26% vs 74% for the CEO and 38% vs 62% for the other IEC members on average.

The total amount of compensation awarded to the IEC for the financial year 2018 (CHF 7,822,956 excluding employer social security contributions) is in line with the aggregate maximum compensation amount of CHF 9 million (excluding employer social security contributions) approved, before the IPO, by Actelion as sole shareholder of Idorsia for the financial year 2018.

In the year under review, no compensation was paid to former members of the IEC or to closely related parties of current or former members of the IEC.

No current or former members of the IEC, or closely related parties were granted a loan during the reporting year (2017: none). No loans were outstanding at the end of the year under review (2017: none).

Investments held by the Board and IEC

Contents navigation

Contents
Introduction
Compensation Governance
Compensation Principles
Compensation Structure: Board
Compensation Structure: CEO and IEC
Report of the Statutory Auditor
Compensation awarded to the Board and IEC

> Investments held by the Board and IEC

Equity Overhang and Dilution in Idorsia Group

As of December 31, 2018, the NEDs held a total of 68,310 registered shares and a total of 425,000 stock options on shares of Idorsia Ltd.

	Number of shares		Number of options	
	2018	2017	2018	2017
Jean-Pierre Garnier Board Chair Member of NGCC	29,972	21,225	200,000	200,000
Robert Bertolini FAC Chair	19,221	15,097	75,000	75,000
John J. Greisch NGCC Chair	10,242	6,118	75,000	75,000
David Stout Member of FAC and NGCC	5,126	1,377	75,000	75,000
Viviane Monges Member of FAC and NGCC (since April 24, 2018)	3,749	–	–	–
Herna Verhagen Member of FAC and NGCC (until April 24, 2018)	N/A	1,279	N/A	75,000
Jean-Paul Clozel CEO and executive member of the Board	See adjacent table			
Total	68,310	45,096	425,000	500,000

As of December 31, 2018, the IEC members held a total of 37,483,402 registered shares and a total of 1,246,890 stock options on shares of Idorsia Ltd.

	Number of shares		Number of options	
	2018	2017	2018	2017
Jean-Paul Clozel CEO	27,472,813	24,975,307	446,860	250,000
Guy Braunstein EVP, Head of Global Clinical Development	162,437	162,437	251,870	160,000
Martine Clozel EVP, Chief Scientific Officer	9,795,691	8,905,182	232,180	160,000
Simon Jose EVP, Chief Commercial Officer	–	N/A	64,110	N/A
André C. Muller EVP, Chief Financial Officer	52,461	52,461	251,870	160,000
Total	37,483,402	34,095,387	1,246,890	730,000

Not included in the table above are conversion rights from the convertible bonds. As of December 31, 2018, Jean-Paul Clozel held 1,231,222 conversion rights and Martine Clozel held 441,826 conversion rights from the convertible bonds.

Equity Overhang and Dilution in Idorsia Group

Contents navigation

Contents

Introduction

Compensation
Governance

Compensation
Principles

Compensation
Structure: Board

Compensation
Structure:
CEO and IEC

Report of the
Statutory
Auditor

Compensation
awarded to the
Board and IEC

Investments
held by the
Board and IEC

In total, as of December 31, 2018, the Group equity overhang, defined as the total number of stock options outstanding (5,533,560) and restricted stock units (263,700) divided by the total number of issued shares as registered in the commercial register (131,035,430) amounts to 4.42%.

The company's "burn rate", defined as the number of equities (stock options and restricted stock units) granted in 2018 (887,450 stock options and 263,700 restricted stock units) divided by the total number of issued shares as registered in the commercial register, amounts to 0.88%.

> **Equity Overhang and
Dilution in Idorsia Group**

Contents
navigation

Contents

Introduction

Compensation
Governance

Compensation
Principles

Compensation
Structure: Board

Compensation
Structure:
CEO and IEC

Report of the
Statutory
Auditor

Compensation
awarded to the
Board and IEC

Investments
held by the
Board and IEC

Equity Overhang and
Dilution in Idorsia Group

Be prepared
for more

Contents navigation

Contents

Introduction

Compensation
Governance

Compensation
Principles

Compensation
Structure: Board

Compensation
Structure:
CEO and IEC

Report of the
Statutory
Auditor

Compensation
awarded to the
Board and IEC

Investments
held by the
Board and IEC

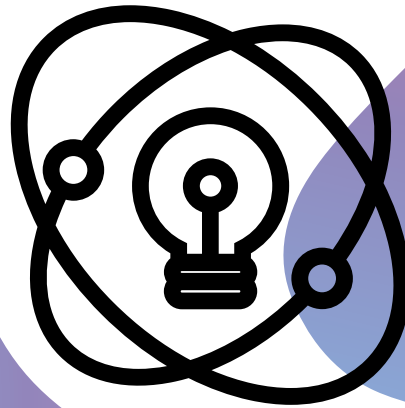
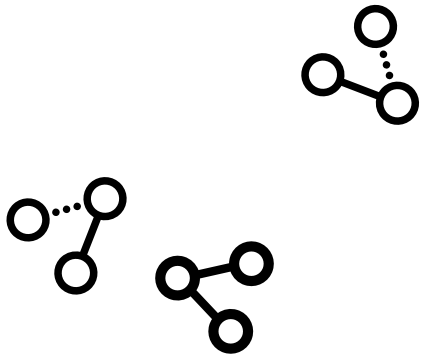
Equity Overhang and
Dilution in Idorsia Group

**Further parts of the
Idorsia Annual Report
2018**



All trademarks are legally protected.
Concept and design: Markenfels AG

Curious to learn more?
Reach out to us.



Investor Relations
Idorsia Pharmaceuticals Ltd
Hegenheimermattweg 91
4123 Allschwil
Switzerland

Phone +41 58 844 10 10
investor.relations@idorsia.com
© Idorsia Pharmaceuticals Ltd 2019
www.idorsia.com