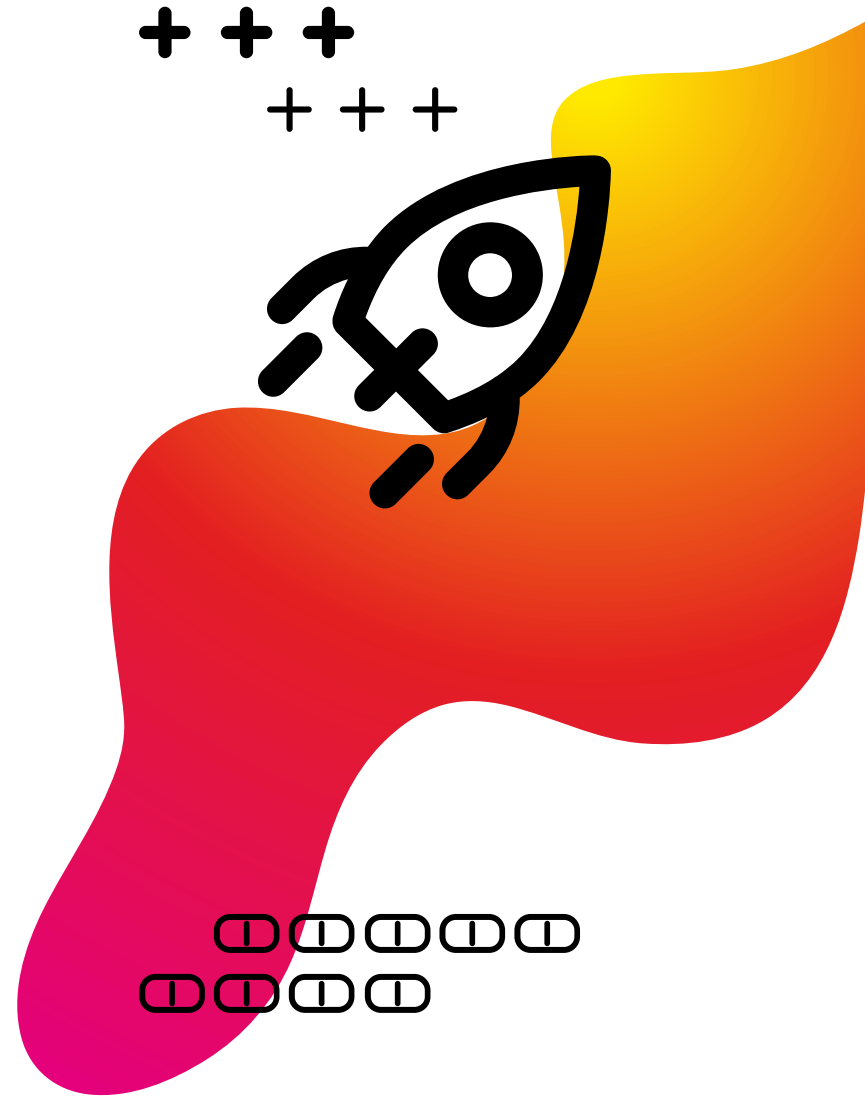


To the Shareholders of Idorsia Ltd

# Invitation to the Annual General Meeting 2019



**idorsia**

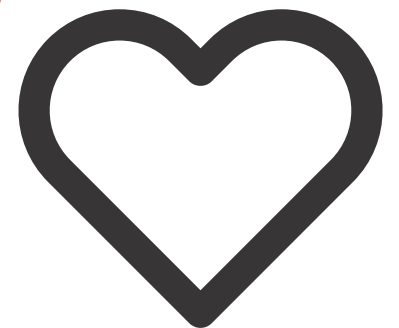
# Invitation

## Date

Friday, May 3, 2019, 11:00  
(Admission from 10:00)

## Venue

Congress Center Basel,  
Messeplatz 21, 4058 Basel



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# Dear Shareholders



“The team at Idorsia has made outstanding progress in 2018. The efforts required to become operationally independent in our highly regulated industry should not be underestimated. To do that in parallel to initiating four Phase 3 studies and progressing the early stage pipeline is an outstanding achievement.”

**Jean-Pierre Garnier**  
Chairman of the Board of Directors

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It is with great pleasure that I invite you to Idorsia’s Annual General Meeting 2019 where we will review the progress made by your company in 2018.

In 2018, Idorsia saw advances on all fronts:

- We advanced our pipeline, bringing four products into Phase 3 development.
- We completed demerger activities, with all core systems now running independently of Actelion.

- We appointed a leader to build our commercial organization, thus taking another step forward towards financial sustainability.
- We strengthened our cash position so as to be able to run our Phase 3 clinical trials and then take strategic decisions on how best to commercialize our assets.

At the upcoming Annual General Meeting, you will have the opportunity to hear more about these achievements and put them into the context of our strategic priorities for building Idorsia into a one of Europe’s

leading biopharmaceutical companies. You can also find a description of our activities in our Annual Report 2018 at: [www.idorsia.com/annual-report](http://www.idorsia.com/annual-report).

In preparation for the AGM, I would like to give you some context and background on a few of the items we will be discussing and voting on.

There are going to be some changes to the Board of Directors. David Stout will not be standing for re-election this year, and I would like to take this opportunity to thank David for his valuable contributions to Idorsia. In his place, the Board of Directors proposes Dr. Mathieu Simon for election to the Board. Dr. Simon is a Senior Advisor at Messier Maris & Associés, an advisory M&A firm and a Venture Partner at BB Pureos Bioventures. Dr. Simon has spent his career in the pharmaceuticals industry, serving increasingly senior roles up to CEO and Chairman of the Board. I am sure Dr. Simon will be an important addition to our Board, as we prepare the company for the successful conclusion of the late-stage clinical development of key assets and move closer to bringing our innovation to patients.

Of course, this preparation requires investment. For every Phase 3 program that is in clinical development there are activities on-going across the company to prepare the comprehensive dossier required by health authorities. Preclinical work, such as toxicology studies, clinical pharmacology work, pharmaceutical development and supply chain management to ensure market launch readiness, not to mention the preparation of the scientific material to explain the unique properties of each product to the prescribers.

We are very lucky to have a several assets worthy of our investment and a great team of professionals who know exactly what it takes to register a drug and market it successfully. We must also ensure financial and strategic flexibility, to this end we will be asking you to approve returning our authorized capital to the same level as before we raised additional capital in 2018.

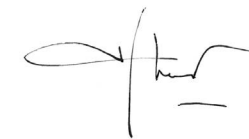
You will also be voting on the 2018 Compensation Report and on the proposed aggregate maximum amounts of compensation for the Board and for Executive Management. More information

on this topic is available in the Appendix to this invitation, where you will see that our approach is fully aligned with Idorsia's business strategy and our established compensation principles.

Idorsia really did achieve a lot in 2018, and 2019 will be another exciting year as we move closer to the key results and creating long-term value.

I look forward to welcoming you to Idorsia's Annual General Meeting of Shareholders in May.

Best regards,



**Jean-Pierre Garnier**  
Chairman of the Board of Directors

# Overview

1. **Annual Report 2018, Consolidated Financial Statements 2018, Statutory Financial Statements 2018, and Compensation Report 2018**
  - 1.1 **Approval of Annual Report 2018, Consolidated Financial Statements 2018, and Statutory Financial Statements 2018**
  - 1.2 **Consultative vote on the Compensation Report 2018**
2. **Appropriation of available earnings**
3. **Discharge of the Board of Directors and of the Executive Committee**
4. **Extension and increase of existing authorized share capital**
5. **Board elections**
  - 5.1 **Re-election of the Board of Directors**
  - 5.2 **Election of a new Director**
  - 5.3 **Election of the Chairperson of the Board of Directors**
  - 5.4 **Election of the Nominating, Governance & Compensation Committee**
6. **Approval of Board compensation and Executive Committee compensation**
  - 6.1 **Approval of Board compensation (Non-Executive Directors) for the 2019–2020 term of office**
  - 6.2 **Approval of Executive Committee compensation 2020**
7. **Election of the Independent Proxy**
8. **Election of the statutory auditors**

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# Agenda and proposals

## 1. Annual Report 2018, Consolidated Financial Statements 2018, Statutory Financial Statements 2018, and Compensation Report 2018

### 1.1 Approval of Annual Report 2018, Consolidated Financial Statements 2018, Statutory Financial Statements 2018

#### Proposal of the Board of Directors:

The Board of Directors proposes that the Annual Report 2018, the Consolidated Financial Statements 2018 and the Statutory Financial Statements 2018 be approved.

### 1.2 Consultative vote on the Compensation Report 2018

#### Proposal of the Board of Directors:

The Board of Directors proposes that the Compensation Report 2018 be endorsed (non-binding consultative vote).

#### Explanation by the Board of Directors:

The Compensation Report has been made available to shareholders and can be downloaded from the company's website: [www.idorsia.com](http://www.idorsia.com). It explains the governance framework and the principles underlying the compensation structure at Idorsia. In addition, the Compensation Report sets out the remuneration of the Board of Directors and the Idorsia Executive Committee in 2018, as required under the Ordinance against Excessive Remuneration at Listed Companies.

## 2. Appropriation of available earnings

#### Proposal of the Board of Directors:

The Board of Directors proposes the following appropriation:

(in CHF thousands)	
<b>Accumulated profit (loss) at January 1, 2018</b>	<b>(13,322)</b>
Net profit (loss) for the year 2018	<b>(10,846)</b>
<b>Balance to be carried forward</b>	<b>(24,168)</b>

#### Explanation by the Board of Directors:

The net loss for the year 2018 is carried forward.

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### 3. Discharge of the Board of Directors and of the Executive Committee

**Proposal of the Board of Directors:**  
 The Board of Directors proposes that all members of the Board of Directors and of the Executive Committee be granted discharge for the financial year 2018.

### 4. Extension and increase of authorized share capital

**Proposal of the Board of Directors:**  
 The Board of Directors proposes that the existing authorized share capital be increased to CHF 2,650,000, that the exercise period of the authorized share capital be extended until May 3, 2021, and that Article 3B para 1 of the company's Articles of Association be amended as follows (changes underlined):

The Board of Directors is authorized to increase the Share Capital of the Company at any time until 3 May 2021, by an amount

not exceeding CHF 2,650,000 through the issuance of up to 53,000,000 fully paid-in registered Shares with a nominal value of CHF 0.05 each. [...] [Rest of this paragraph remains unchanged]

**Explanation by the Board of Directors:**  
 In order to support the company's growth plan, and to be able to fund the company's research and clinical development programs as well as other strategic projects, the company requires the flexibility provided by further authorized capital.

### 5. Board elections

#### 5.1 Re-election of the Board of Directors

**Proposal of the Board of Directors:**  
 The Board of Directors proposes that each of the following persons be re-elected for a term of office until the conclusion of the Annual General Meeting 2020:

- Jean-Pierre Garnier
- Jean-Paul Clozel
- Robert Bertolini
- John J. Greisch
- Viviane Monges

#### **Explanation by the Board of Directors:**

The elections will be conducted on an individual basis. For further information on the proposed candidates, please refer to the Corporate Governance Report 2018, which can be downloaded from the company's website.

#### 5.2 Election of a new Director

The Board of Directors proposes that Dr. Mathieu Simon be elected for a term of office until the conclusion of the Annual General Meeting 2020.



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## Biography of proposed new Director



### **Dr. Mathieu Simon**

Dr. Mathieu Simon currently serves as Senior Advisor at Messier Maris & Associés, an advisory M&A firm located in Paris, New York, and London. In addition to this role,

Dr. Simon is a Venture Partner at BB Pureos Bioventures (Bellevue Venture Capital) in Zurich, Switzerland, an independent director at the Board of VAXIMM AG (CH) and LNC SA (FR), and a member of the Affimed supervisory board (AFMD NASDAQ).

Dr. Simon began his pharmaceuticals career at Wyeth Pharmaceuticals, where he spent 18 years in both senior corporate and regional roles in the US and Europe (Head of International Marketing and Medical Affairs and Managing Director of several Wyeth affiliates, including ten years as President of Wyeth Italy).

Dr. Simon then joined as Senior Vice President Head of Global Pharmaceutical Operations at Pierre Fabre SA, the third largest French Pharma Company.

In 2012, Dr. Simon served as Chief Executive Officer and Chairman of the Board of Cellartis AB, a pioneer in regenerative medicine in Sweden until its acquisition in 2014 by Takara Bio Inc. During his tenure as the head of Collectis Therapeutics

(2012-2014), with Andrew Scharenberg, MD (Seattle Children's Hospital) serving as CSO, Dr. Simon and Dr. Scharenberg were instrumental in the development of Collectis' first in class allogenic CAR T cells targeting haematological malignancies which is now in clinical development in the United States of America.

Following the integration of Collectis Therapeutics within Collectis group parent company, Dr. Simon served, in whole from 2012 to 2018, as Executive Vice President and Chief Operating Officer of Collectis (NASDAQ: CLLS). He also was a member of Collectis' Board of Directors from 2014 to 2018, when he retired from Collectis.

Dr Mathieu Simon is also an advisor at the European Commission (Horizon 2020 Programme).

Dr. Simon was certified in internal medicine at the Faculty of Medicine, Paris Diderot University (Paris VII). He is a Graduate of the Paris Faculte de medecine in 1982.

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### 5.3 Election of the Chairperson of the Board of Directors

#### **Proposal of the Board of Directors:**

The Board of Directors proposes that Dr. Jean-Pierre Garnier be elected as Chairman of the Board of Directors for a term of office until the conclusion of the Annual General Meeting 2020.

### 5.4 Election of the Nominating, Governance & Compensation Committee

#### **Proposal of the Board of Directors:**

The Board of Directors proposes that Dr. Jean-Pierre Garnier, Mr. John J. Greisch, Ms Viviane Monges, and – should he be elected to the Board of Directors under item 5.2 – Dr. Mathieu Simon be elected as members of the Nominating, Governance & Compensation Committee for a term of office until the conclusion of the Annual General Meeting 2020.

#### **Explanation by the Board of Directors:**

The elections will be conducted on an individual basis. If elected, Mr. John J. Greisch will be appointed as Chairman of the Nominating, Governance & Compensation Committee.

## 6. Approval of Board compensation and Executive Committee compensation

### 6.1 Approval of Board compensation (Non-Executive Directors) for the 2019–2020 term of office

#### **Proposal of the Board of Directors:**

The Board of Directors proposes the approval of the aggregate maximum amount of compensation for the Board of Directors (Non-Executive Directors) of CHF 1.3 million (excluding employer social security contributions) for the term of office until the Annual General Meeting 2020.

#### **Explanation by the Board of Directors:**

Each year, in accordance with Article 7 Section 1 (a) of the Articles of Association, the Board of Directors submits to the Annual General Meeting for approval the aggregate maximum amount of compensation for the Board of Directors for the period until the next Annual General Meeting. The Board decides upon the allocation of compensation to individual members. In addition, the company pays compulsory social security

contributions when required by law.

More detailed information on the proposal can be found in the Appendix to this invitation.

The actual compensation paid to each member of the Board of Directors (Non-Executive Directors) will be disclosed per calendar year in the Compensation Report. As required by the company's Articles of Association, the Compensation Report will also be submitted to the Annual General Meeting for a non-binding consultative vote.

### 6.2 Approval of Executive Committee compensation 2020

#### **Proposal of the Board of Directors:**

The Board of Directors proposes the approval of the aggregate maximum amount of compensation for the Idorsia Executive Committee (IEC) of CHF 10.7 million for the financial year 2020 (excluding employer social security contributions).

#### **Explanation by the Board of Directors:**

Each year, in accordance with Article 7 Section 1 (b) of the Articles of Association, the Board of Directors submits to the Annual General Meeting for approval the aggregate

maximum amount of compensation for the IEC for the next financial year. This amount includes the base salary, benefits, and allowances payable in 2020, the variable short-term compensation payable in respect of 2020, as well as the variable long-term compensation to be awarded in 2020.

The aggregate maximum compensation amount represents a budget and is based on the assumption that each member of the IEC will have fully achieved all the targets under the company's variable short-term compensation plans (bonus) and all criteria under the company's allocation grid for the variable long-term compensation. It should not be regarded as the compensation amount that will actually be paid or awarded. The actual compensation will depend on the company performance and individual achievements.

In addition, the company pays compulsory social security insurance contributions when required by law.

More detailed information on the proposal can be found in the Appendix to this invitation.

The aggregate compensation paid to the IEC in 2019, as well as the compensation of its highest paid member, will be disclosed in the Compensation Report 2019 and submitted to the Annual General Meeting 2020 for a non-binding consultative vote

## 7. Election of the Independent Proxy

### **Proposal of the Board of Directors:**

The Board of Directors proposes that BDO AG, represented by Mr Marc Schaffner, be elected as Independent Proxy for a term of office until the conclusion of the Annual General Meeting 2020.

## 8. Election of the statutory auditors

### **Proposal of the Board of Directors:**

The Board of Directors proposes that Ernst & Young AG, Basel, be re-elected as statutory auditors for the business year 2019.

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## Agenda item requests

On February 8, 2019, following an announcement in the media on February 7, 2019, Idorsia Ltd published a notice in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt), inviting qualifying shareholders to submit their requests for the inclusion of individual items on the agenda by March 14, 2019. No such requests have been received.

## Location

This Annual General Meeting will take place at the Congress Center Basel, Messeplatz 21, 4058 Basel.

## Annual Report and Compensation Report

The Annual Report with Consolidated and Statutory Financial Statements, the Auditors' Reports for 2018 and the Compensation Report 2018 can be consulted by the Shareholders at the premises of Idorsia Ltd, Hegenheimermattweg 91, 4123 Allschwil. Registered Shareholders may request a copy of these documents.

All documents are also available online at [www.idorsia.com/annual-report](http://www.idorsia.com/annual-report).

## Tickets of admission

Shareholders are kindly requested to return to the company (c/o areg.ch ag, Fabrikstrasse 10, 4614 Hägendorf, Switzerland) the enclosed form regarding the exercise of voting rights and the appointment of proxy by no later than April 30, 2019, so that admission tickets and voting documents can be dispatched in good time. Admission tickets and voting documents will be sent out from April 25, 2019, onwards.

## Exercise of voting rights and representation

Shares only qualify for voting if entered in the Share Register with voting rights on April 24, 2019.

The form attached to this invitation may be used as follows: (i) to order the admission ticket and voting documents so as to attend the Annual General Meeting in person; (ii) to appoint in writing another shareholder of the company as proxy; or (iii) to appoint the Independent Proxy, BDO AG, Entfelderstrasse 1, 5001 Aarau, using the enclosed envelope.

## Electronic authorizations and instructions to the Independent Proxy

Shareholders may issue electronic authorizations and instructions to the Independent Proxy at [www.netvote.ch/idorsia](http://www.netvote.ch/idorsia). The requisite login data is enclosed in the meeting materials supplied to the shareholders. Shareholders may change any instructions they may have communicated electronically up to, but no later than, 12.00 on April 30, 2019.

## Translation service

The Annual General Meeting will be held in English, and simultaneous translation into German will be available. Headsets will be provided in the foyer.

## Speakers' desk

Shareholders who wish to speak are kindly asked to notify the speakers' desk (Wortmeldeschalter) situated near the registration desk before the Annual General Meeting begins.

### Shareholder motions

Motions from shareholders with regard to agenda items are only permissible if they are submitted to the Annual General Meeting by the respective shareholders or by an individual proxy acting on their behalf. The Independent Proxy will not act as an individual proxy for this purpose.

Allschwil, March 29, 2019



For the Board of Directors:  
**Dr Jean-Pierre Garnier**  
Chairman of the Board



# Appendix to the Annual General Meeting Invitation

## Vote on Board compensation (Non-Executive Directors) AGM 2019–AGM 2020, and the Executive Committee compensation 2020 (aggregate maximum amounts)

### 1. Introduction

Following approval of an initiative by Swiss voters on March 3, 2013, the Ordinance against Excessive Remuneration at Listed Companies (“Ordinance”) came into effect on January 1, 2014.

Under the Ordinance, the compensation of the Board of Directors and the Executive Management (Idorsia Executive Committee or IEC) has to be submitted to a binding shareholder vote for approval at the AGM of shareholders.

The shareholders' approval of the aggregate maximum amount of compensation for the Board of Directors relates to the one-year period from the AGM 2019 to the AGM 2020. The shareholders' approval of the aggregate maximum amount of compensation amount for the IEC relates to the financial year 2020.

Important information with regard to these votes can be found on the following pages.

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## 2. Approval of Board compensation (Non-Executive Directors or NEDs)

### a) NEDs compensation structure for the AGM 2019–AGM 2020 term of office

The proposed NEDs compensation structure for the period from the AGM 2019 to the AGM 2020 remains unchanged compared to the previous term of office and is set out in the following table:

#### NEDs' compensation per term of office\*

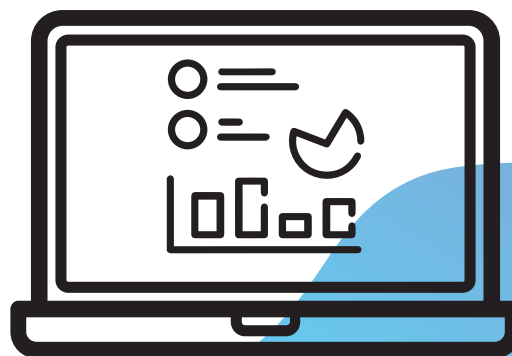
	CHF
Board Chair	<b>350,000</b>
Board member	<b>150,000</b>
Additional fee for Committee Chairs	<b>15,000</b>

\* In connection with the payment of the Board fees, Idorsia Ltd is responsible for paying the company-related portion of contributions to social security systems in line with applicable law. Any such contributions are not part of the aggregate maximum amount of compensation for approval.

Of the total compensation, 25% is paid in cash and 75% in shares blocked for one year.

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).

No additional fees are payable for membership of a Committee of the Board.



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**b) Explanation of the calculation of NEDs compensation for the AGM 2019–AGM 2020 term of office**

The aggregate maximum amount of compensation for NEDs for the AGM 2019–AGM 2020 term of office proposed for approval at the AGM 2019 is CHF 1.3 million, which is the same level as was approved by the shareholders for the AGM 2018–AGM 2019. These figures exclude compensation for the CEO and social security contributions.

The aggregate maximum amount of CHF 1.3 million is based on the expected fees payable to the Board, currently composed of five members, and includes an allowance for the possibility of an additional Board member if required.

For information, the actual aggregate compensation for NEDs for the 2018–2019 term of office is expected to be CHF 1.03 million, or 79% of the approved maximum (assuming no changes to the Board membership prior to the AGM 2019).

**3. Approval of IEC compensation for 2020**

**a) Overview of standard compensation elements for IEC members**

**1. Base salary, benefits, and allowances**

- Based on scope and level of responsibility of the position, and the knowledge and experience required to fulfill the role.
- Statutory benefits such as pension contributions and insurances and other allowances (e.g. car, relocation).

**2. Short-Term Incentive Plan (STIP)**

- This plan incentivizes the achievement of annual Idorsia company goals.
- The target award is a percentage of base salary.
- The bonus payout is in the form of a bonus payable in shares (65%; subject to a two-year blocking period) and in cash (35%) during the year following the performance year. It can range between 0 and 200% but the current maximum set by the Nominating, Governance & Compensation

Committee is 150% of the target level, based on actual achievement of goals versus predetermined targets.

**3. Long-Term Incentive Plan (LTIP)**

- This aligns IEC compensation with shareholder returns.
- Annual grant currently consists of stock options which vest after three years, subject to continued employment.
- A grid of target award size is set annually and actual awards can, under the company's Articles of Association, be up to 200% of the target level but the current maximum set by the Nominating, Governance & Compensation Committee is 150%.

**b) Explanation of the calculation of IEC compensation for 2020**

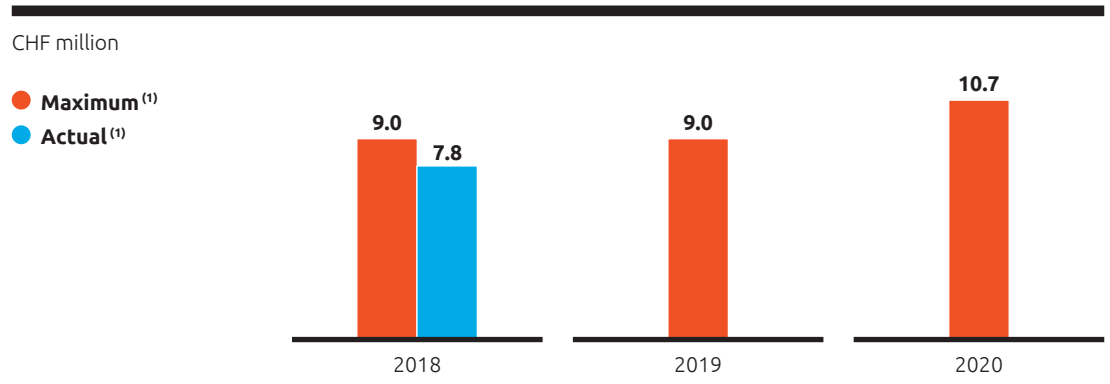
The aggregate maximum amount of IEC compensation for 2020 proposed for approval at the AGM 2019 is CHF 10.7 million, as compared to CHF 9.0 million approved for 2019. This difference is almost entirely due to the addition of a new member to the IEC (Chief Commercial Officer).



This figure assumes no change in IEC headcount between 2019 and 2020. The IEC currently consists of five members, including the CEO, an increase of one member (Chief Commercial Officer) compared to the first eleven months of 2018.

The 2020 budget is calculated on the basis of 150% payout under the STIP awards and awards at 150% of target level under the LTIP, in accordance with the remuneration policy and the relevant plan rules described in Section 3 (a), so as to accommodate any level of performance in 2020, and to enable the company to fulfill its legal obligations. This compares with the maximum awards of 200% permissible under the Company's Articles in both cases.

The following chart shows the progression in the aggregate maximum amount of IEC compensation from 2018 to 2020, and compares the actual amount for 2018 to the maximum previously approved by Actelion Ltd as sole shareholder of Idorsia prior to Idorsia's listing:



<sup>(1)</sup> In connection with IEC compensation, Idorsia Ltd pays the company-related portion of social security contributions in line with applicable law. These contributions are not included in the aggregate maximum total amount or in actuals in the graph. The social security contributions for LTIP awards are not included either as they are only due at exercise of the stock options; they are expected to trigger employer social security costs up to 7% of the gain at exercise.

The following table shows the breakdown of the aggregate maximum IEC compensation. This is indicative and subject to change; however, the total for 2020 will not exceed CHF 10.7 million (excluding employer social security contributions and assuming no increase in the number of members of the IEC compared to the current number).

### Compensation elements

	Maximum amount in CHF million
Base salary, benefits, and allowances	3.3
Short-Term Incentive Plan (STIP)	2.7
Long-Term Incentive Plan (LTIP)	4.7
<b>Total 2019</b>	<b>10.7</b>

### c) Calculation methodology for compensation elements

#### 1. Base salary, allowances and benefits:

Represents the aggregate salaries of the IEC in 2020 – increased by 3% – benefits, allowances, and employer pension contributions, calculated in accordance with Idorsia's compensation policies and Pension Plan provisions (7.5% contribution on base salary and 5% on the STIP).

#### 2. Short-Term Incentive Plan:

Represents 150% of the aggregate IEC bonus targets for 2020. This compares with a maximum of 200% permitted under the company's Articles.

#### 3. Long-Term Incentive Plan:

Represents the fair value of awards at 150% of the aggregate IEC target levels for 2020. This compares with a maximum of 200% permitted under the company's Articles.



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**Idorsia Annual Report 2018,  
available on the Idorsia website:  
[www.idorsia.com](http://www.idorsia.com)**



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Curious to learn more?  
Reach out to us.

Investor Relations  
Idorsia Pharmaceuticals Ltd  
Hegenheimermattweg 91  
4123 Allschwil  
Switzerland

Phone +41 (0) 58 844 10 10  
[investor.relations@idorsia.com](mailto:investor.relations@idorsia.com)  
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