

# Compensation Report



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

We have more ideas, we see more opportunities, and we want to transform the horizon of therapeutic options.

The Compensation Report describes the compensation principles and programs, as well as the governance framework, for the compensation of the 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 for the 2023 financial year.

The Compensation Report has been prepared in accordance with the relevant sections of the Swiss Code of Obligations (Swiss CO) applicable to Swiss listed companies, the Directive on Information related to Corporate Governance of SIX Swiss Exchange, as well as the Swiss Code of Best Practice for Corporate Governance issued by *economiesuisse*.

## Further parts of the Idorsia Annual Report 2023



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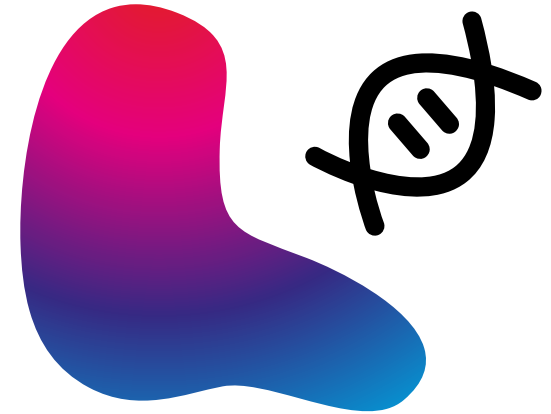
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# Letter from the NGCC Chair



## Dear Shareholders,

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2023 was an eventful year for Idorsia with significant challenges and important achievements. You will find a detailed description of the year's activities in the Business Report. All these achievements would not have been possible without the concerted efforts of our dedicated employees, the management team, the Board, and other important stakeholders.

Our future success is to a large part dependent on employee engagement and loyalty. Our compensation strategy, as outlined in this report, is clearly focused on retaining our workforce – who have remained loyal and resilient throughout a tough period – and on enabling us to attract new talents committed to navigating through the next phase of growth. In 2023 and up to May 2024, the Board held numerous meetings to discuss and review the various strategic initiatives, and the focus of the NGCC has been to support the Board in the formulation and execution of its strategy.

During the year, significant achievements, for instance in R&D, were reached. The

Board is, however, also cognizant of the fact that important business results were only partially realized and of the reduction in our share price. It therefore concluded that this should have an impact on certain compensation elements.

A decision was made to reduce fee levels for the Board by approximately 15% for the term starting from the 2024 AGM. The Board felt that this was an appropriate measure in the current circumstances.

Despite our best efforts, the company did not reach its sales objectives, although R&D, operational, and some financial goals were achieved, which could have resulted in bonus payouts. Bearing in mind the current funding situation, and in line with the cash preservation principle, the NGCC and the Board deemed a zero bonus payout to be most appropriate for the IEC and across the company. As a result, the total amount of compensation awarded to the IEC for the financial year 2023 (excluding social security contributions) amounted to 43.2% of the aggregate maximum compensation amount approved by shareholders at the 2022 AGM.

2023 and the first few months of 2024 also saw some changes in the composition of the IEC. Simon Jose left his position as Chief Commercial Officer in June 2023. He has not been replaced, with the heads of the commercial organizations in the US and EUCAN (Europe and Canada) now reporting directly to the CEO. In March 2024, it was announced that our Chief Medical Officer, Guy Braunstein, was retiring. The CMO role has been assumed by a senior member of the Global Clinical Development and Medical Affairs team and now is not included at the IEC level.

The NGCC has reviewed the 2024 LTI program for the IEC, both in terms of instrument and award levels. The Committee believes that stock options still represent the most appropriate vehicle in the current situation of the company. However, the NGCC and the Board decided that the

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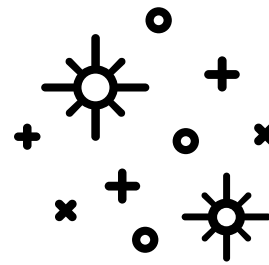
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exercise price for stock options will be set at a 50% premium to the market value. With this approach, the Committee aims to incentivize senior executives' long-term performance, while aligning potential rewards with shareholder interests. The Committee will continue to keep the LTI program under review.

Idorsia continues to strive for better representation of women throughout the company. The Board was pleased to recruit a new female NED, Sophie Kornowski, who was elected as a Board member in May 2023. Sophie Kornowski has extensive commercial experience in the biopharmaceutical sector, across Europe and in the US. In addition,



two senior female scientists were also recently appointed to the Idorsia Leadership Team (ILT), responsible for execution of the company's strategy. Going forward, gender diversity will remain a priority for the NGCC.

At the upcoming AGM, to be held on June 13, 2024, this Compensation Report will be submitted to a non-binding, consultative shareholders' vote. In addition, shareholders' formal approval will be sought for the aggregate maximum compensation of the Board for the term of office from the 2024 to the 2025 AGM, and for the aggregate maximum compensation of the IEC for the 2025 financial year.

We appreciate your confidence and ongoing support, and we look forward to pursuing our dialogue as we optimistically continue to work on Idorsia's future.

With best regards on behalf of the NGCC,

A handwritten signature in black ink that reads "Felix R. Ehrat". The signature is written in a cursive, flowing style.

Felix R. Ehrat  
NGCC Chair

# Compensation Governance

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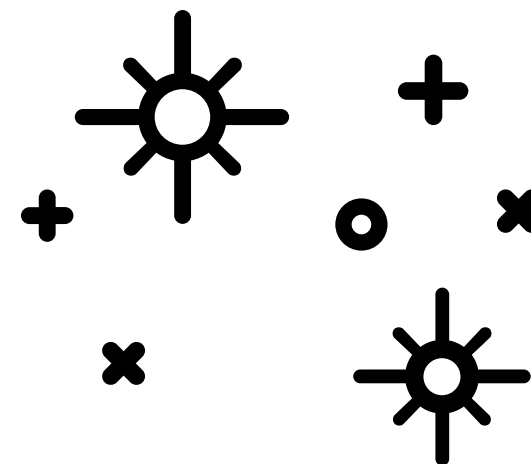
## Role of Shareholders and Articles of Association

Shareholders have an important 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 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](http://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 this table:

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

	Article
Resolutions on compensation	7
Supplementary compensation amount for new members of Executive Management	8
Compensation Committee	20
Permitted additional activities	24
Agreements related to compensation for members of the Board of Directors and the Executive Management	25
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## Nominating, Governance & Compensation Committee

As specified in the Charter of the NGCC, which is Annex 1 to the company's By-Laws (available at [www.idorsia.com/by-laws](http://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 Felix R. Ehrat (Committee Chair), Srishti Gupta, Sophie Kornowski, and Mathieu Simon.

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 as outlined in the NGCC charter 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 executive management, i.e., the CEO and the IEC for the next financial year;
  - recommending to the Board for approval the compensation of the members of the Board 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 achievement against these targets of the CEO under the relevant compensation schemes;
  - approving, upon recommendation of the CEO, the compensation of the CEO's direct reports, as well as setting their annual performance targets and determining achievement against these targets within the framework of the relevant compensation schemes; and
  - 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.

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The responsibilities of the AGM, Board, NGCC, and CEO on compensation matters are summarized in this 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 all other 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 relating to CEO compensation are prepared by the NGCC and approved by the Board.

\*\* In 2024, the AGM will be held exceptionally in June. As a result certain compensation matters were reviewed or approved with a slightly different schedule compared to the standard timeline.

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



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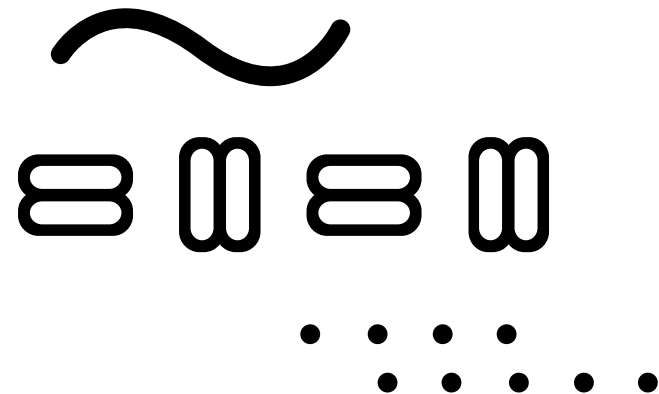
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The NGCC meets as often as business requires, but at least four times a year. In 2023, the NGCC held four meetings: one hybrid (with one member present by video conference) and three in person. Each meeting took on average around two hours, and all members were present at every meeting. In addition, the NGCC Chair interacts regularly (normally every two or three weeks) with Idorsia’s Head of Global Human Resources.

The NGCC Chair may, at his discretion, invite executives to attend meetings in full, or in part, depending on the topics: the CEO, the Head of Human Resources, and the Head of Rewards. 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 independent external advisors for general and specific compensation matters. In 2023, Alvarez & Marsal (London office) provided services on compensation matters and related topics and participated in all the NGCC meetings. Alvarez & Marsal did not provide any other services to Idorsia.



# Compensation Principles

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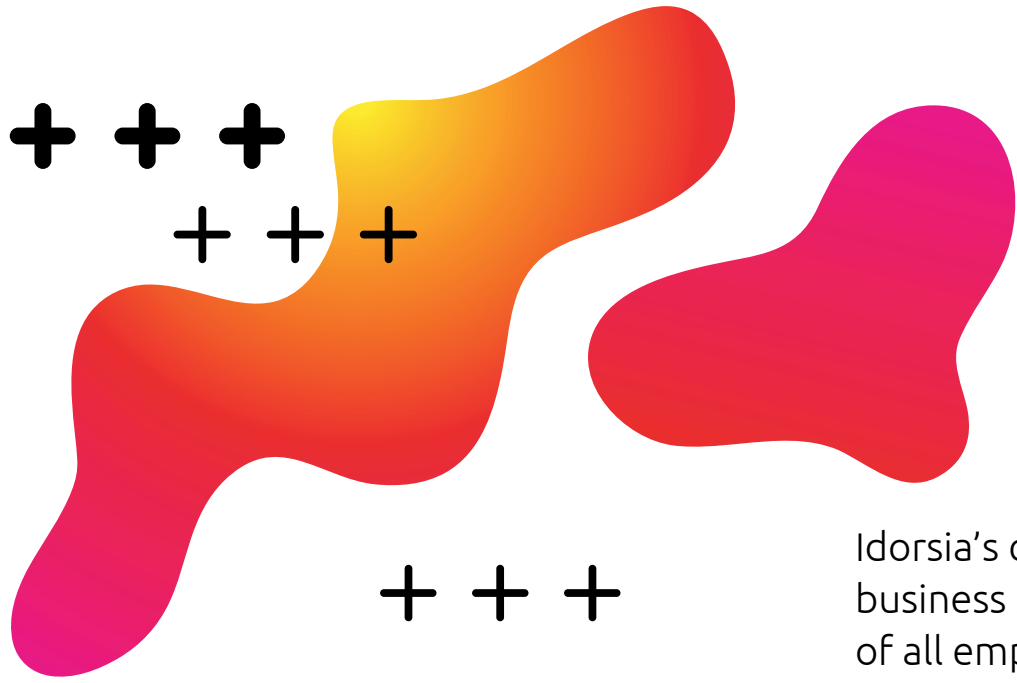
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Idorsia's compensation principles support the business strategy and foster the commitment of all employees to the company's key strategic priorities. They also support the ongoing development of Idorsia's business and organizational culture:

## Talent Attraction and Retention

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

## Pay for Performance

Compensation programs reward concrete results and have a high level of performance differentiation. At the same time, behaviors in line with Idorsia's culture are also considered relevant for performance and are therefore taken into account.

## Team & Individual Recognition

Compensation programs recognize team deliverables and individual contributions.

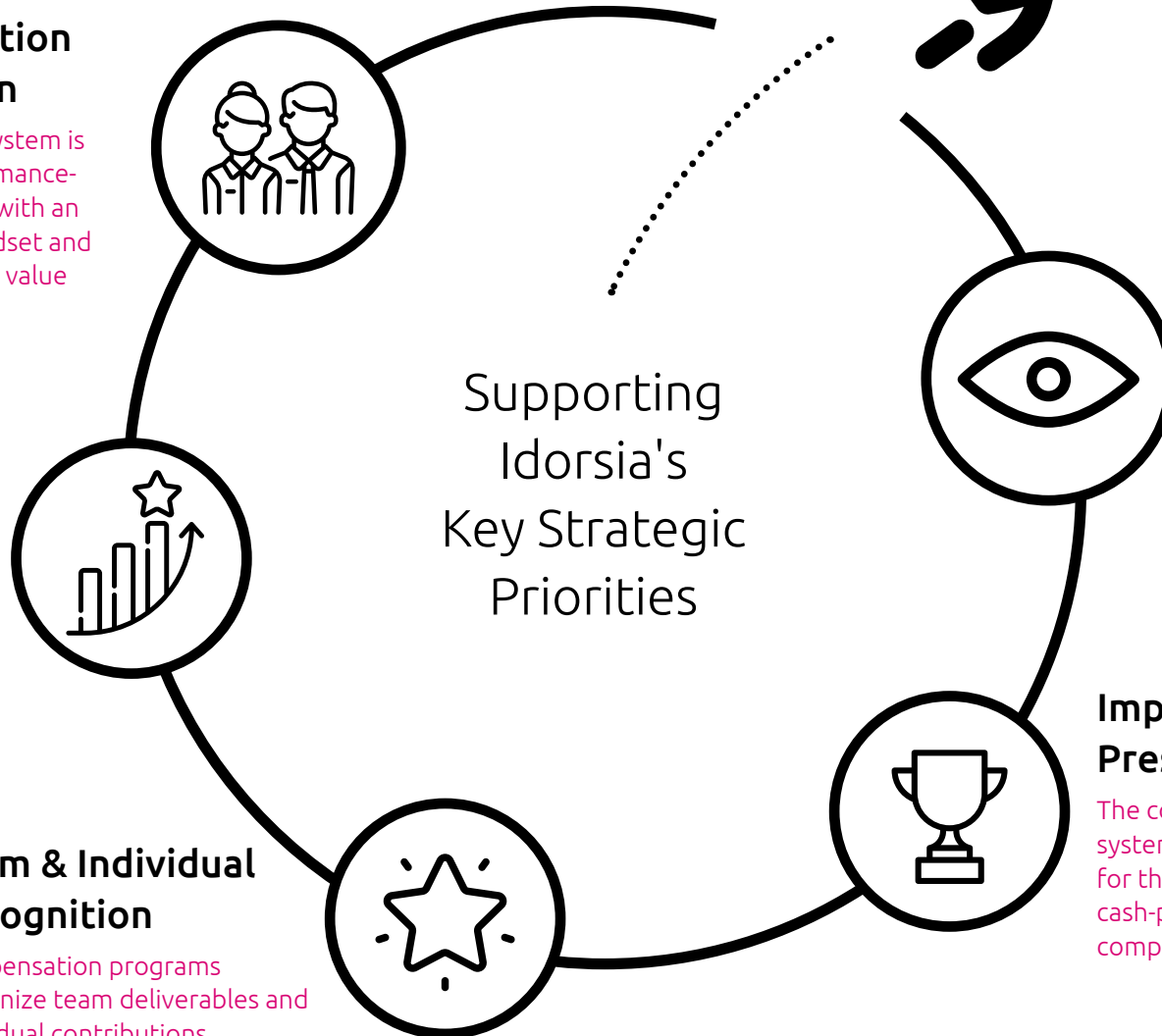
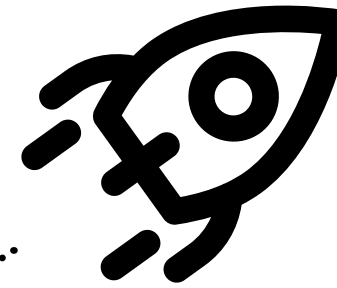
Supporting  
Idorsia's  
Key Strategic  
Priorities

## Simplicity and Transparency

Compensation programs are straightforward, transparent, and readily comprehensible for all participants.

## Impact and Cash Preservation

The compensation system is both impactful for the participants and cash-preserving for the company.



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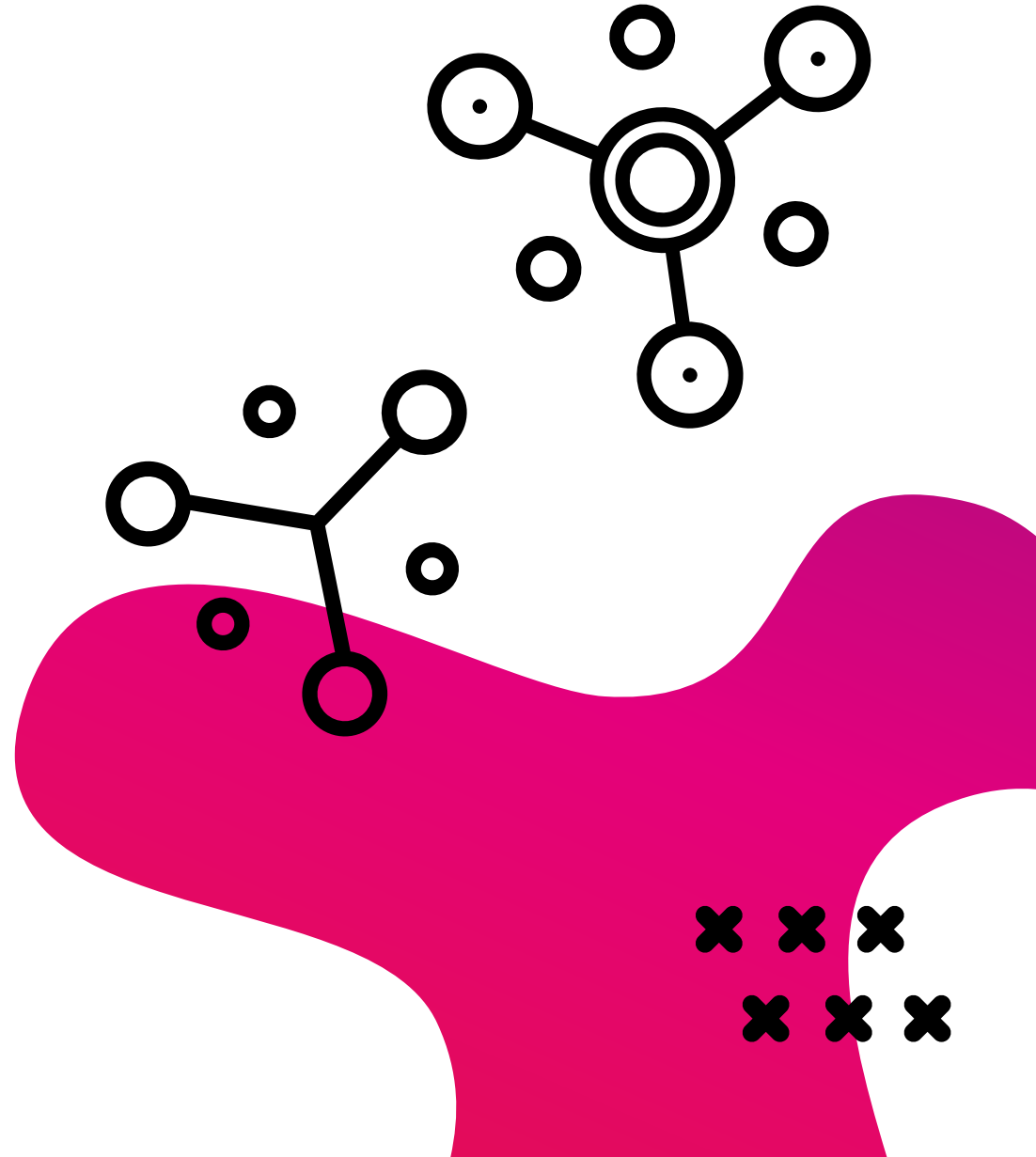
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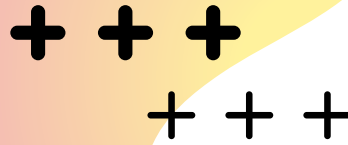
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During the reporting period, the Board consisted of seven members from January 1, 2023, until the 2023 AGM on May 4, 2023, and eight members from the 2023 AGM onwards, of which seven (including the Board Chair) were NEDs and one was an executive member (i.e., the CEO). The Board's compensation period relates to the term of office, which starts with the election of its members at the AGM and ends at the subsequent AGM.

In order to maintain their independence in exercising their supervisory duties, the NEDs receive only fixed compensation. No pension contributions were made for the NEDs, except for Srishti Gupta, to whom Idorsia made the minimum required employer contributions (both savings and risk components) as mandated by Swiss law. 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, as well as helping to preserve cash. 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





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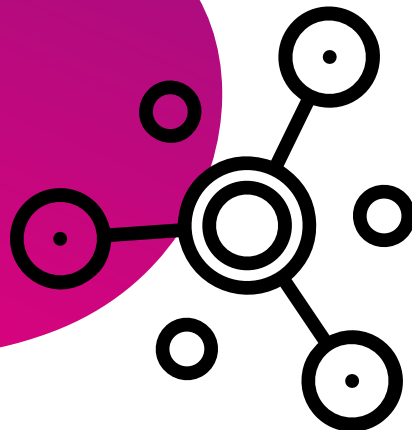
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quarterly compensation by the average of the opening and closing share prices for the five trading days prior to the allocation date. In cases where the cash portion of the total compensation is not expected to be sufficient to cover withholding tax and social security obligations, Idorsia is allowed to increase the cash portion accordingly, so as to meet the above-mentioned obligations. The share portion will then be correspondingly decreased for the NED concerned.

For the term of office from the 2023 AGM to the 2024 AGM, the compensation structure and levels remained unchanged for all NEDs.

### NEDs' compensation per term of office

	In CHF
Board Chair	350,000
Board member	150,000
Additional fee for Committee Chairs	20,000

In 2022, a benchmarking analysis for the NEDs' compensation was performed by Alvarez & Marsal. The comparator group consisted of 27 companies and covered a broad range of sectors, excluding financial services and real estate. Considering the relative position of Idorsia within this comparator group (just below the lower quartile), the results of the analysis showed that the Idorsia Board compensation structure and levels remained broadly aligned with those of the other companies. As a result, a decision was made in early 2023 to keep the Board compensation structure and levels unchanged for the term of office starting from the 2023 AGM and expiring at the 2024 AGM. This was approved by the shareholders at the 2023 AGM. In the context of Idorsia's cost saving and business initiatives, and being cognizant of the reduction in share price, the NEDs compensation levels will be decreased by approximately 15% for one term, starting from the 2024 AGM. The compensation structure will remain identical.

# Compensation Structure: CEO and all other IEC members

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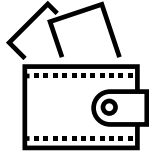
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The compensation structure for the CEO and all other members of the IEC for 2023 included the following elements:



	<b>Base salary</b>	<b>Short-term incentive plan (STIP)</b>	<b>Long-term incentive plan (LTIP)</b>	<b>Benefits and allowances</b>
<b>Vehicle</b>	Monthly cash	Annual bonus, payable in restricted shares blocked for two years (65%) and cash (35%)	Stock options with three-year cliff vesting	Pension Insurances Allowances
<b>Purpose</b>	Pay for the job function	Pay for the achievement of company milestones and recognizing individual contributions and demonstration of Idorsia behaviors	Attract and retain Share long-term success Align interests of participants with shareholders' interests	Protect against risks Attract and retain
<b>Determinants</b>	Position, internal relativity, market practice, competencies and skills	Annual performance of the company, individual contributions and demonstration of Idorsia behaviors	Long-term value creation Share price evolution Market practice Individual contributions	Compliance Market practice

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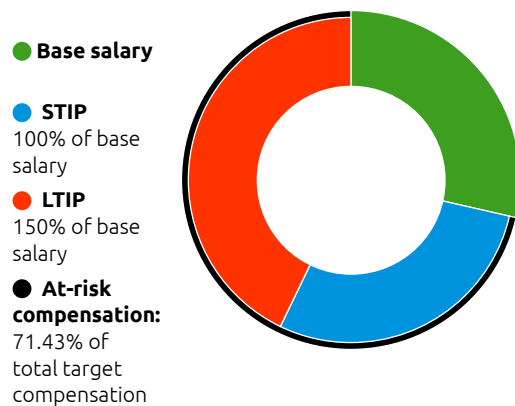
Idorsia recognizes that talented executives accept substantial risk with their high proportion of “at-risk” compensation, while contributing significant efforts and long-term commitment when working for a fast-paced and entrepreneurial company such as Idorsia. Therefore, the total compensation package, structured in accordance with the company’s compensation principles, is designed to attract and retain high

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

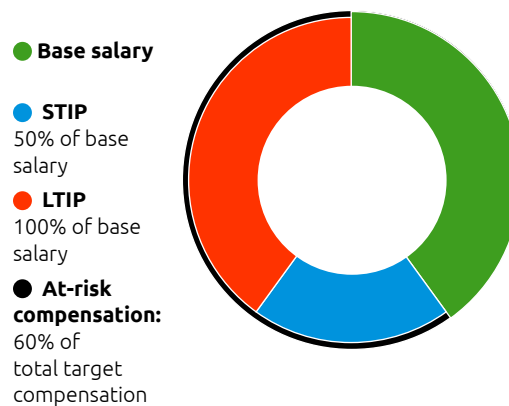
The pay mix at target and actual (excluding social security contributions) in relation to total compensation for the CEO and all other members of the IEC for 2023 is shown below:

**Executive pay mix at target and actual**

**CEO target compensation**



**All other IEC members target compensation**



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For the 2023 financial year, the actual total compensation paid to the CEO represented 71.43% of his total target compensation (base salary, target STIP and target LTIP), and for all other IEC members, on average, the actual total compensation paid represented 79.4% of their total target compensation. The reason for the actual total compensation being lower than the target compensation is due to the decision of the Board, supported by the NGCC, not to pay any bonus, either to the CEO or the IEC.

In the 2023 financial year, the compensation structure, levels of fixed compensation, and target levels of variable (at-risk) compensation for the CEO and all other members of the IEC remained unchanged from 2022, except for a minor adjustment to the LTIP target levels of IEC members, excluding the CEO, to bring the LTIP target

levels up to 100% of base salary (rather than a fixed monetary value). The CEO's LTIP target remained at 150% of his base salary.

As announced on May 30, 2023, Simon Jose stepped down from his position as Chief Commercial Officer and member of the IEC, respecting his contractual notice period and other restrictive covenants, and this position was not backfilled.

In the 2023 reporting year, no "one-off" awards were granted to any members of the IEC outside of the incentive plans, including new-hire and/or retention awards of cash or stock buy-out awards to IEC members.

In 2022, Aon was appointed to conduct a pan-European pharmaceutical benchmarking analysis, while Alvarez & Marsal and Mercer performed a general industry market

assessment for the CEO and CFO positions. The analysis against the primary pan-European biopharmaceutical group showed that the CEO's total direct compensation (base salary, short-term incentives, and long-term incentives at target) was below the lower quartile of Idorsia's pan-European biopharmaceutical comparator group, while the total direct compensation of all other IEC members was broadly aligned with the market. Given current challenges faced by Idorsia, no benchmarking was carried out in 2023. A review of the compensation structure and levels will be carried out in 2024.



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## 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 set and periodically reviewed 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.

In line with our cash preservation principle and considering the early commercial stage of the company and the business challenges during the reporting period, the base salary levels of executive management for the 2023 financial year remained unchanged from 2022.

## Short-term incentive plan

The short-term incentive plan (STIP) is primarily 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 the CEO and all other IEC members, relate entirely to company performance; however, the NGCC retains the discretion to adjust the bonus outcome to reflect individual performance and demonstration of Idorsia behaviors, by applying a (positive or negative) bonus modifier. Performance objectives are proposed by the NGCC and approved by the Board at the beginning of the financial year. The achievement thereof is assessed after year-end, forming the primary basis for the determination of the bonus payout under the STIP.

The 2023 annual Group performance objectives (global company goals) were structured into four goal groups. The table on the next page provides details for each goal group, including the relative weight accorded to each group.

The descriptions given are subject to disclosure constraints based on considerations of confidentiality, competition, and commercial sensitivity. The goals are typically quantitative, with precise milestones.

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Goal group	Description of 2023 company goals	Relative weight
<b>Commercial</b>	Quantitative sales targets were set for QUVIVIQ in the US and in Europe, as well as PIVLAZ in Japan.	55%
<b>Research &amp; Development (R&amp;D)</b>	These goals relate to compounds disclosed in our pipeline, with determined timeline targets for subject recruitment, database closure dates, and deadlines for read-outs and filing. The early research goals are concerned with selection of preclinical candidate compounds and identification of compounds for entry into human testing.	20%
<b>Financial/Operational</b>	The company goals in this group include financial metrics, such as non-GAAP EBIT and quantitative parameters of the long-term funding strategy.	20%
<b>Environmental, Social &amp; Governance (ESG)</b>	This goal group focuses on further progressing Idorsia's ESG reporting framework on the impacts identified across its value chain. In 2023, efforts were directed towards fulfilling non-financial reporting requirements as defined by new Swiss regulations.	5%

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As the company was predominantly focusing on generating sales for its recently launched products, the highest relative weight was accorded to the commercial goal group. At this early stage of Idorsia's development, the ESG goals have a lower relative weighting; however, we continue to prioritize sustainability, and a reporting roadmap has been defined in line with evolving global standards and newly enacted Swiss legislation.

As a minimum, the global company goals have to be achieved within the set timelines for a bonus payout at 100% of the target for the CEO and all other IEC members. Payouts above target would only be made for achievements of stretch performance targets or beyond the set expectations, or to reward exceptional individual contributions by applying an individual bonus modifier.

In 2023, Idorsia achieved most of its Research & Development (R&D) targets and some of its Financial / Operational goals (e.g., non-GAAP EBIT target was exceeded).

However, Idorsia did not reach its QUVIVIQ sales targets in the US and Europe and its funding objectives. Regarding ESG goals, the company has prepared a sustainability report in accordance with the GRI 2021 standards, fulfilling non-financial reporting requirements as defined by new Swiss regulations. The Sustainability Report will be submitted for a non-binding shareholder vote at the 2024 AGM.

Given the higher relative weight of the commercial goal group, the company focus on ensuring sufficient funding as well as the significant transformation taking place in the course of 2023 with the sales of the Asia Pacific (excluding China) operations and the cost reduction initiative, the Board decided, based on the recommendation of the NGCC, not to pay out any bonus to the CEO and all other members of the IEC as well as to all eligible employees of Idorsia. The NGCC and the Board deemed zero bonus payout was the most appropriate approach in the current circumstances of the company, even though, including the achievements of

Idorsia in Japan during the first six months of 2023 (prior to the sale of the operations), the comprehensive assessment of all goals could have resulted in a potential bonus payout in the range of around 40% of target.

The Board recognizes however the significant efforts and achievements of Idorsia employees throughout 2023 as the company engaged in major changes impacting all.

The NGCC intends to keep the present target levels of annual bonus under the STIP in 2024 for the CEO and all other members of the IEC.

## Long-term incentive plan

In 2023, the long-term incentive plan (LTIP) remained unchanged compared to 2022 and consisted of stock options. A replacement of the stock options with PSUs was considered by the NGCC and the Board but not further pursued for the time being due to the actual circumstances of the company.

In 2023, the stock options, which are subject to a three-year cliff-vesting period, were granted to the CEO and all other IEC members on March 1. The exercise price was 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) performed by 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

awards are subject to clawback provisions. The company's Articles of Association provide for the possibility of making awards under the LTIP at up to 200% of the target amount set by the NGCC (and approved by the Board) on an annual basis. The NGCC continued to cap awards at 150% of the target award level in respect of 2023, and the target level for the CEO remained

unchanged at 150% of annual base salary, but for all other (five) members of the IEC the LTIP target levels in respect of 2023 were set at 100% of their respective annual base salary (rather than a fixed monetary value as in previous years).

The approach adopted for 2023 is set out in the following table:

Role	Target value of 2023 LTIP awards (in CHF)	Maximum possible value (200% of target) of 2023 LTIP awards (in CHF)	Board-approved value of 2023 LTIP awards (in CHF) subject to final valuation at grant date
CEO	1,125,000	2,250,000	1,125,000
All other (five) IEC members (in the aggregate)	2,649,942	5,299,884	2,649,942

In 2023 and 2022 respectively, stock options were granted under the conditions described below:

Stock option data	2023	2022
Grant date	March 1, 2023	March 1, 2022
Vesting date	March 1, 2026	March 1, 2025
Date of expiry	February 28, 2033	February 29, 2032
Exercise price <sup>1</sup>	CHF 12.59	CHF 18.185
Grant date fair value <sup>2</sup>	CHF 4.68	CHF 5.50
Total number of stock options granted <sup>3</sup>	806,640	818,230
Total fair value of stock options granted	CHF 3,775,076	CHF 4,500,265

<sup>1</sup> Average of the opening and closing price of Idorsia shares on the grant date. If the grant date falls on weekends or public holidays, the values are taken from the preceding trading day.

<sup>2</sup> Valuation by Alvarez & Marsal (Black-Scholes model).

<sup>3</sup> Rounded to the nearest ten stock options.

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The level of stock option awards granted to the IEC members in 2023 as a vehicle to align their interests with those of shareholders and as a long-term retention instrument was determined based on the performance of the company and IEC members, and on the demonstration of behaviors in line with Idorsia's culture. Notwithstanding the CEO's significant shareholding in Idorsia, he continues to receive grants under the LTIP, as the Board believes that it is important to ensure that his total compensation remains broadly aligned with the market. The CEO's total direct target compensation remains below the lower quartile of Idorsia's pan-European biopharmaceutical comparator group, as assessed in the 2022 benchmarking analysis.

On March 1, 2023, 420,690 stock options vested that were granted to the IEC on March 1, 2020. The exercise price was CHF 25.35. As of the date of publication of this compensation report, none of these stock options had been exercised.

The vehicle in 2024 will remain options. The NGCC considered whether it was appropriate to include performance conditions at this time, and it was deemed too difficult to set meaningful and measurable performance criteria in the current context. However, the exercise price will be set at a 50% premium to the average of the opening and closing share prices on the date of grant, recognizing the current low share price. In light of the company current situation, award levels will also be reviewed for the 2024 grant.

## Benefits and allowances

Benefits consist mainly of pension contributions and insurances 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 may include car, transportation, and relocation related benefits. All members of the IEC participate in the benefits plan available in the country of their employment contract.

The current members of the IEC are all employed under Swiss employment contracts. They participate in Idorsia's pension plan, benefiting from the same provisions offered to all employees in Switzerland. 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 highly qualified employees and offer competitive pension benefits, aligned with the business practice of other leading multinational companies in Switzerland.

## Share ownership guidelines

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

Role	Minimum share ownership requirement
CEO	300% of annual base salary
All other IEC members	200% of annual base salary

To calculate whether the minimum ownership requirement is met, all shares held by the IEC members are considered, including those held by their spouses (with the exception of Jean-Paul Clozel and Martine Clozel, where shares are only counted once for themselves and not for their spouses), and by their children under 18 years of age. Additionally, vested shares from compensation programs (regardless of any applicable blocking period) and the net-of-tax value of vested unexercised stock options are included in the calculation of share ownership. The NGCC reviews and confirms compliance with the share ownership guidelines on an annual basis.

Current share ownership by the members of the IEC is outlined in the table below. Year-to-year decreases in share ownership percentages are explained by the share price development.

	Share ownership as a percentage of annual base salary	
	2023	2022
<b>Jean-Paul Clozel</b> CEO	34,757%	74,712%
<b>Guy Braunstein</b> Chief Medical Officer	282%	580%
<b>Martine Clozel</b> Chief Scientific Officer	18,421%	39,603%
<b>Alberto Gimona</b> Head of Global Clinical Development	19%	15%
<b>Simon Jose</b> Chief Commercial Officer	52%	97%
<b>André C. Muller</b> Chief Financial Officer	127%	247%

– 2023 average share price applied = CHF 7.27  
 – 2022 average share price applied = CHF 15.64  
 – Tax rate applied for stock options = 40%

At present, all but two IEC members (excluding Simon Jose) comfortably exceed the minimum share ownership requirement. Alberto Gimona was appointed as a member of the IEC in January 2022 and has to meet the share ownership requirements within five years. Under the shareholding requirement policy, in the event of a substantial rise or drop in the share price, the Board may, at its discretion, amend the specified time period accordingly.

André Muller previously met the required target. However, due to the significant drop in the Idorsia share price during 2023, his share ownership has now fallen below the required level. The Board has approved an exception from the shareholding requirements for 2023 for André Muller. Simon Jose stepped down from his IEC position in 2023, and therefore the shareholding requirements no longer apply to him.

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## 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 twelve months.

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## Clawback provisions

In order to ensure good corporate governance, Idorsia has implemented a clawback policy on variable incentive payments made under the STIP and LTIP, covering situations where the incentive payout was predicated on the achievement of certain financial results, which were subsequently subject to a material financial restatement due to intentional misconduct, as well as any other situations involving serious misconduct on the part of the recipient. In such cases, the Board is empowered either to recover the totality of the incentive 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 on the audit of the compensation report

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## Opinion

We have audited the compensation report of Idorsia Ltd. (Idorsia, the Company) for the year ended December 31, 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked “audited” on page 27 and pages 30 to 34 of the compensation report.

In our opinion, the information pursuant to Art. 734a-734f CO in the accompanying compensation report complies with Swiss law and the Company’s articles of incorporation.

## Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the compensation report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements

of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing

so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Board of Directors’ responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the compensation system and defining individual compensation packages.



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## Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

/s/Frederik Schmachtenberg

Licensed audit expert  
Auditor in charge)

/s/Michaela Held

Licensed audit expert

Basel, May 20, 2024

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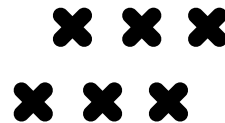
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## Compensation awarded to the Board for 2023

For 2023, NEDs received total compensation of CHF 1,276,867 (2022: CHF 1,163,621) in the form of cash fees of CHF 337,765 (2022: CHF 302,550), shares with a fair value at grant of CHF 894,507 (2022: CHF 828,324), and social security and pension contributions of CHF 44,594 (2022: CHF 32,747). The total compensation for the Board in 2023 has increased slightly compared with the previous financial year, as the Board has had one additional member since May 2023. The compensation structure and levels remained unchanged for all NEDs.



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## Board compensation (in CHF) – AUDITED

	2023				2022			
	Cash	Shares, fair value at grant date	Social security & pension contributions <sup>1</sup>	Total <sup>2</sup>	Cash	Shares, fair value at grant date	Social security & pension contributions	Total <sup>2</sup>
Mathieu Simon Board Chair (since May 13, 2020) and Member of NGCC (since May 3, 2019)	87,500	256,689	–	<b>344,189</b>	87,500	259,621	–	<b>347,121</b>
Jörn Aldag Member of FAC (since May 13, 2020) and NGCC (May 13, 2020 – April 14, 2022)	47,100	100,628	9,090	<b>156,818</b>	47,100	101,776	9,159	<b>158,035</b>
Felix R. Ehrat NGCC Chair (since May 12, 2021) and Member of FAC and NGCC (May 13, 2020 – May 12, 2021)	42,500	124,680	7,596	<b>174,776</b>	42,500	126,113	8,119	<b>176,732</b>
Srishti Gupta Member of NGCC (since May 12, 2021)	37,500	110,015	14,362	<b>161,877</b>	37,500	111,275	15,469	<b>164,244</b>
Peter Kellogg Member of FAC (since May 12, 2021)	39,900	107,812	1,655	<b>149,367</b>	45,450	103,426	–	<b>148,876</b>
Sophie Kornowski Member of NGCC (since May 4, 2023)	35,325	75,495	6,720	<b>117,541</b>	N/A	N/A	N/A	<b>N/A</b>
Sandy Mahatme FAC Chair (since May 13, 2020)	47,940	119,188	5,172	<b>172,300</b>	42,500	126,113	–	<b>168,613</b>
Jean-Paul Clozel CEO and executive member of the Board	Jean-Paul Clozel received no additional compensation for his Board membership in 2022 and 2023. For his compensation as CEO, see the table "Compensation for the CEO and all other members of the IEC for 2023".							
<b>Total</b>	<b>337,765</b>	<b>894,507</b>	<b>44,594</b>	<b>1,276,867</b>	<b>302,550</b>	<b>828,324</b>	<b>32,747</b>	<b>1,163,621</b>

<sup>1</sup> There are additional social security contributions in 2023, in particular due to the increase in the number of NEDs.

<sup>2</sup> The difference between the nominal retainer level for NEDs and the actual total compensation payout is due to share price fluctuation, fair market value calculations, as well as social security and pension contributions.

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For the period from the 2022 AGM to the 2023 AGM, shareholders approved an aggregate maximum compensation amount of CHF 1.3 million (excluding employer social security contributions) for NEDs. In the adjacent table, actual NED compensation from the 2022 AGM to the 2023 AGM is reconciled with the amount approved.

## Reconciliation between the reported NED compensation awarded for the financial year 2022 and the aggregate maximum compensation amount approved by shareholders at the 2022 AGM for the term of office from the 2022 AGM to the 2023 AGM\*

	Compensation awarded for 2022 (A)	Compensation awarded from 1.1.2022 to 2022 AGM (B)	Compensation awarded from 1.1.2023 to 2023 AGM (C)	Total compensation awarded from 2022 AGM to 2023 AGM (A-B+C)	Aggregate maximum compensation approved at the 2022 AGM	Total compensation awarded from 2022 AGM to 2023 AGM as a percentage of aggregate maximum compensation approved at the 2022 AGM
<b>CHF</b>	1,130,874	288,976	280,090	<b>1,121,988</b>	<b>1,300,000</b>	<b>86.3%</b>

\* For reconciliation purposes, all of these numbers exclude social security contributions.

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The compensation actually paid for the term of office from the 2022 AGM to the 2023 AGM amounted to CHF 1.12 million (excluding employer social security contributions) and was therefore within the aggregate maximum compensation limit amount of CHF 1.3 million approved by the shareholders.

At the 2023 AGM, shareholders approved an aggregate maximum compensation amount, excluding social security contributions, of CHF 1.45 million for the Board for the term of office from the 2023 AGM to the 2024 AGM. The compensation actually paid for the portion of this term of office included in this Compensation Report is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Compensation Report 2024.

In the year under review, no compensation was paid to former members of the Board or to related parties of current or former members of the Board (2022: none).

No current or former members of the Board or closely related parties were granted a loan during the reporting year (2022: none). No loans were outstanding at the end of the year under review (2022: none).

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# Compensation awarded to the CEO and all other members of the IEC for 2023

In line with statutory requirements and the practice of the majority of Swiss listed companies, Idorsia discloses compensation of the IEC in aggregate, except for the individual compensation of the CEO (highest-paid member of the IEC).

For 2023, the IEC members received a total compensation of CHF 7,691,833 (2022: CHF 9,829,981) in the form of base salaries of CHF 3,360,802 (2022: CHF 3,386,609), short-term incentives of CHF 0 (2022: CHF 1,266,400), stock options granted under the LTIP with a fair value at grant of CHF 3,775,076 (2022: CHF 4,500,265), and other benefits, pension contributions, and social security contributions of CHF 555,955 (2022: CHF 676,707).

## Compensation for the CEO and all other members of the IEC for 2023 – AUDITED

In CHF (gross) <sup>1</sup>	Annual base salary	Short-term incentive <sup>2</sup>	Long-term incentive <sup>3</sup>	Other benefits <sup>4</sup>	Pension <sup>5</sup>	Social security contributions & risk premiums to pension fund <sup>6</sup>	Total amount
Jean-Paul Clozel, CEO and highest-paid member of the IEC	750,000	–	1,125,025	–	56,250	50,519	1,981,794
All other IEC members (five)	2,610,802	–	2,650,051	35,977	219,536	193,673	5,710,040
<b>Total</b>	<b>3,360,802</b>	<b>–</b>	<b>3,775,076</b>	<b>35,977</b>	<b>275,786</b>	<b>244,192</b>	<b>7,691,833</b>

<sup>1</sup> From January 1 to December 31, 2023

<sup>2</sup> Payout under the STIP for financial year 2023 (accrual principle)

<sup>3</sup> Fair value at grant date

<sup>4</sup> Car and transportation allowances & relocation benefits (accrual principle)

<sup>5</sup> Employer contributions to company pension plan (accrual principle)

<sup>6</sup> 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.

The decrease in total compensation compared to the previous financial year is due to lower STIP payout and LTIP grants. In 2023, the Board did not approve a STIP payout for members of the IEC (versus a payout of 65% of target for the previous year).

For the financial year 2023, stock options have been granted at 100% of the target level to all members of the IEC; for the financial year 2022, the stock options grant was 120% of the target for all but one member of the IEC, whose award was 150% of the target.

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## Compensation for the CEO and all other members of the IEC for 2022 – AUDITED

In CHF (gross) <sup>1</sup>	Base salary	Short-term incentive <sup>2</sup>	Long-term incentive <sup>3</sup>	Other benefits <sup>4</sup>	Pension <sup>5</sup>	Social security contributions & risk premiums to pension fund <sup>6</sup>	Total amount
Jean-Paul Clozel CEO and highest-paid member of the IEC	750,000	487,500	1,350,030	–	62,850	74,891	2,725,271
All other IEC members (five)	2,636,609	778,900	3,150,235	33,928	260,790	244,248	7,104,710
<b>Total</b>	<b>3,386,609</b>	<b>1,266,400</b>	<b>4,500,265</b>	<b>33,928</b>	<b>323,640</b>	<b>319,139</b>	<b>9,829,981</b>

<sup>1</sup> From January 1 to December 31, 2022

<sup>2</sup> Payout under the STIP for financial year 2022 (accrual principle)

<sup>3</sup> Fair value at grant date

<sup>4</sup> Car and transportation allowances & relocation benefits (accrual principle)

<sup>5</sup> Employer contributions to company pension plan (accrual principle)

<sup>6</sup> 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.

The total amount of compensation awarded to the IEC for the financial year 2023 (CHF 7,447,641 excluding employer social security contributions) is below the aggregate maximum compensation amount of CHF 17.22 million (excluding employer social security contributions) approved at the 2022 AGM for the financial year 2023.

In the year under review, no compensation was paid to former members of the IEC or to related parties of current or former members of the IEC (2022: none).

No current or former members of the IEC or related parties were granted a loan during the reporting year (2022: none). No loans were outstanding at the end of the year under review (2022: none).

# Mandates of Board and IEC members outside Idorsia

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The following tables include external mandates, at other companies and organizations, of the Board of Directors and IEC, in line with the disclosure requirement in the compensation report under article 734e of the Swiss Code of Obligations.

### Board of Directors – Mandates outside Idorsia – AUDITED

	Listed companies	Private companies	Not-for-profit organizations	Position
Matthieu Simon	Affimed Inc.			Member of the Board
		Aileens Pharma S.r.l.		Chair
Jörn Aldag		Messier & Associés SAS		Senior Advisor
	Hookipa Pharma Inc.			CEO
		Genespire S.r.l.		Chair
Felix R. Ehrat	Geberit AG			Member of the Board
		Globalance Bank AG		Chair
		Hyos Invest Holding AG		Member of the Board
		Swiss Fintech AG (Loanbox)		Chair
Srishti Gupta			Law and Economics Foundation St Gallen University	Member of the Board
			UZH Foundation (University of Zurich)	Member of the Board
			BackPack Foundation	Member of the Board
			Norrskan Foundation	Member of the Board
			American Swiss Foundation	Member of the Board
		Partners in Health Condominium Association, Inc.	Member of the Board	



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Board of Directors	Listed companies	Private companies	Not-for-profit organizations	Position
Peter Kellogg	Alnylam Pharmaceuticals, Inc.			Member of the Board
		Boston Pharmaceuticals Inc.		CEO
Sophie Kornowski		Gurnet Point Capital LLC		Senior Partner
		Teal Bio Inc.		Member of the Board
		Fairtility Ltd		Member of the Board
		Mahana Therapeutics Inc.		Member of the Board
Sandy Mahatme		National Resilience Inc.		President, COO, and CFO
		Epirium Bio Inc.		Member of the Board
Jean-Paul Clozel	See the table "IEC – Mandates outside Idorsia"			

## IEC – Mandates outside Idorsia – AUDITED

	Listed companies	Private companies	Not-for-profit organizations	Position
Jean-Paul Clozel	N/A	N/A	N/A	None
Guy Braunstein	N/A	N/A	N/A	None
Martine Clozel			Marcel Benoist Foundation	Vice Chair of Board of Trustees
Alberto Gimona	N/A	N/A	N/A	None
Simon Jose	N/A	N/A	N/A	None
	Carmat SA			Member of the Board
André C. Muller		Chiron Investments AG		Member of the Board

# Investments held by Board and IEC members

As of December 31, 2023, the NEDs held a total of 425,575 registered shares (2022: 206,285) and no stock options (2022: none) on shares of Idorsia Ltd.

As of December 31, 2023, the IEC members held a total of 48,993,400 (2022: 48,923,397) registered shares and a total of 4,397,960 (2022: 3,897,950) stock options on shares of Idorsia Ltd.

Contents	Number of shares	
	2023	2022
Letter from the NGCC Chair	Mathieu Simon Board Chair (since May 13, 2020) and Member of NGCC (since May 3, 2019)	129,652    65,452
Compensation Governance	Jörn Aldag Member of FAC (since May 13, 2020) and NGCC (May 13, 2020 – April 14, 2022)	39,760    14,593
Compensation Principles	Felix R. Ehrat NGCC Chair (since May 12, 2021) and Member of FAC and NGCC (May 13, 2020 – May 12, 2021)	101,711    70,527
Compensation Structure: Board	Srishti Gupta Member of NGCC (since May 12, 2021)	46,318    18,803
Compensation Structure: CEO and all other IEC members	Peter Kellogg Member of FAC (since May 12, 2021)	38,175    10,969
Report of the Statutory Auditor	Sophie Kornowski Member of NGCC (since May 4, 2023)	22,892    –
Compensation awarded to the Board and to the IEC	Sandy Mahatme FAC Chair (since May 13, 2020)	47,067    25,941
Mandates of Board and IEC members outside Idorsia	Jean-Paul Clozel CEO and executive member of the Board	See adjacent table
	<b>Total</b>	<b>425,575    206,285</b>

**AUDITED**

## > Investments held by Board and IEC members

Equity Overhang and Dilution in Idorsia Group

	Number of shares		Number of options	
	2023	2022	2023	2022
Jean-Paul Clozel CEO	35,856,266	35,827,293	1,566,940	1,326,550
Guy Braunstein Chief Medical Officer	203,957	194,958	740,910	628,590
Martine Clozel Chief Scientific Officer	12,778,112	12,769,479	690,710	582,950
Alberto Gimona Head of Global Clinical Development	13,303	4,743	404,610	297,770
Simon Jose* Chief Commercial Officer	37,011	32,217	210,720	406,230
André C. Muller Chief Financial Officer	104,751	94,707	784,070	655,860
<b>Total</b>	<b>48,993,400</b>	<b>48,923,397</b>	<b>4,397,960</b>	<b>3,897,950</b>

**AUDITED**

\* Simon Jose's last day of employment with Idorsia was on December 3, 2023. His unvested stock options were forfeited.

Not included in the table above are conversion rights from the convertible bonds. As of December 31, 2023, Jean-Paul Clozel held 5,295,901 conversion rights (of which 1,231,222 conversion rights due in 2024 and 4,064,680 due in 2028) and Martine Clozel held 1,893,950 conversion rights (of which 441,826 conversion rights due in 2024 and 1,452,124 due in 2028). On May 6, 2024, a bondholders' meeting approved to extend the maturity date of the 2024 convertible bonds by six months to January 17, 2025.

# Equity Overhang and Dilution in Idorsia Group

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

In total, as of December 31, 2023, the Group equity overhang – defined as the total number of stock options outstanding (9,669,426), restricted stock units (3,787,800), and performance share units (1,221,892) divided by the total number of issued shares as registered in the share register (188,480,626) on December 31, 2023 – amounted to 7.79% (2022: 8.05%).

The company's "burn rate" – defined as the number of stock options (1,122,870), shares (488,325), restricted stock units (2,146,446), and performance share units (147,315) granted in 2023 divided by the total number of issued shares as registered in the share register (188,480,626) on December 31, 2023 – amounted to 2.07% (2022: 3.51%).

# Be prepared for more

**Curious to learn more?  
Reach out to us.**

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