



## **Remuneration Policy**

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# 1. Introduction

The Melexis Board of Directors (the “**Board**”), a public limited liability company organized under the laws of the Kingdom of Belgium (the “**Company**”), supervises the remuneration of both the members of the Non – Executive Management and the members of the Executive Management upon the recommendation of the Remuneration Committee (the “**Committee**”).

The Committee operates under terms and reference adopted and approved by the Board, which are included in clause IV.2 of the Company’s Corporate Governance Charter.

# 2. Remuneration of the members of the Board of Directors

The remuneration policy for the Directors of the Board is determined by the Annual General Meeting of Shareholders upon reasoned recommendations of the Board.

The Company’s independent Directors are remunerated for their services with a fixed annual compensation for attending Board meetings, as well as meetings of the Nomination and Remuneration Committee and the Audit Committee in which they are appointed.

The other Directors of the Board are not compensated for their mandate.

The amounts of the compensation of the independent directors are reviewed on an annual basis. They are published in the annual report of the Board.

# 3. Remuneration of the Executive Management

The members of the Executive Management consist of the CEO and the Other Managers.

The remuneration policy applicable to the Executive Management is set by the Committee and approved by the Board. The Committee ensures that the contracts between the Executive Management and the Company are optimally reflected in the remuneration policy.

If members of the Executive Management are appointed as director in the Board, their director mandate will not be remunerated, but they will receive a remuneration for their executive duties within the Company.

The remuneration of the Executive Management is designed to:

- ensure that the Company can continuously attract, motivate and retain high calibre and high potential executive talent for which the company competes internationally;
- promote the achievement of Board approved performance goals and targets, aligned with building stakeholder value over the short and longer term;
- stimulate, recognize and reward strong individual contribution and team performance.

Both the amount and the structure of the Executive Management members’ compensation are analysed on an annual basis.

The compensation package for the Executive Management members combines three integrated elements that are collectively referred to as Total Remuneration. These three elements are base salary, variable pay and other benefits.

In fixing compensation levels for the Executive Management, both the market pay levels and internal equity practices are considered. The objective is to establish target remuneration levels in such a way that it enables the Company to attract, engage and retain its talent.

### 3.1. Base salary

Base salary levels are designed to compensate the Executive Management for their specific skill set, their position accountabilities and experience. Market conform levels for comparable positions are targeted for the base pay and the levels are reviewed on an annual basis. Automatic cost of living adjustments only apply if they are imposed by law.

### 3.2. Variable Pay

The variable pay component of the Total Remuneration recognizes and rewards both global Company and individual / team performance.

The funding levels for the annual variable pay payments are dependent on:

- the Company's performance against approved financial targets regarding revenue growth and EBIT growth. Company performance must at least achieve a significant growth in either revenue or EBIT growth for funding to reach a minimum threshold;
- individual / team performance through achievement of pre-established targets, derived from the annual corporate / functional goals formulated at the beginning of the budget year. In determining the variable pay levels for the individual members of the Executive Management, the individual member's performance is discussed through an annual performance review process.

As a result of the global Company and individual / team performance achievements, variable payouts for Other Managers may vary up to 20% (for 1 position Global Sales Manager up to 30%) of the annual base salary and are paid in cash.

The variable pay for the CEO may vary up to 50% of the annual base salary and consists of three components:

- 50% of the variable pay is based on performance criteria are measured over the performance year itself;
- 25% of the variable pay is based on performance criteria measured over two financial years;
- 25% of the variable pay is based on performance criteria measured over three financial years;

The Board retains the discretion to vary from these guidelines in exceptional circumstances.

### 3.3. Other Benefits

Each of the members of the Executive Management participates in the retirement plans in effect in their home country.

The plans provide for retirement benefits at levels that are in line with competitive practices in the respective home country markets.

Members of the Executive Management have contractual agreements with the Company or a subsidiary of the Company that provide for severance payments in line with the applicable laws.

## 4. Evaluation of the Executive Management

The Committee evaluates the performance of the Chief Executive Officer, in consultation with the Chairman of the Board, and discusses with the Chief Executive Officer the performance of the other members of the Executive Committee based on the guidelines of the Company's Total Remuneration Policy.

It makes recommendations to the Board with respect to the compensation level of the Chief Executive Officer and the other members of the Executive Management based on the outputs of the performance evaluation discussions and a review of compensation levels for similar positions at comparable companies.