



Remuneration Policy

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1. Introduction

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

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

2.1 Remuneration policy

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

This remuneration policy is intended to be applied for several years. The policy shall, however, be analysed on an annual basis by the Remuneration and Nomination Committee in close cooperation with the HR department. This evaluation among others takes into account the local market developments to ensure that compensation within the Company is established in such a way that it enables the Company to attract and motivate its talent.

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

2.2 Individual remuneration

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

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

Every year the Board of Directors, upon advice of the Remuneration and Nomination Committee, determines the objectives the CEO as well as the group objectives (EBIT Target) the other members of the Executive Management must reach in the coming year in view of the performance criteria in this remuneration policy. The individual objectives of the Executive Management are determined by the CEO.

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

2.3 General remuneration framework in the X-FAB Group

This remuneration policy for Directors and members of the Executive Management is embedded in the general remuneration framework of the X-FAB Group.

The Company takes into account the local market developments to ensure that compensation within the Company is established in such a way that it enables the Company to attract and motivate its talent. On a regular basis, the Company undertakes a benchmark on the salary and the working conditions based on local and global standards. The remuneration packages are granted with the purpose to attract and to retain the best team and management talent in all locations where X-FAB is present. This holds true for Directors and members of the Executive Management but also for the employees.

With this remuneration policy the Company also aims to align the interests of the members of the Executive Management with the employees by for example using the same group objective as basis for the calculation of the variable pay.

2.4 Conflicts of interest

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

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

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

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

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

3. Remuneration of Directors

The non-executive and independent Directors receive a compensation for their mandate as director. Such compensation consists of a fixed annual amount subject to the approval of the shareholders' meeting. The remuneration of Directors takes into account their membership(s) in any of the board committees; for each membership in a board committee directors receive an additional fixed amount.

Executive Directors may receive remuneration dependent on their executive roles and responsibilities within the Company. Such remuneration must be compliant with the policy set out under paragraph 4.

All Directors are entitled to compensation of their reasonable costs incurred.

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

4. Remuneration of the members of the Executive Management

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

4.1. Base salary

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

When negotiating base salary, the Company takes into account the local market developments to attract and motivate the right people. In order to be able to do so, the Remuneration and Nomination Committee regularly commissions a market assessment.

4.2. Incentives

The incentive part of the Executive Management's remuneration consists of a short-term fixed amount cash bonus (STI). Variable remuneration is dependent on the Company's performance and the individual/team performance measured through the achievement of pre-established targets that translate the Company's strategic priorities.

4.2.1 CEO

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

- (i) For 50% based on the achievement of the yearly established target EBIT of the Company measured over the performance year in order to link the bonus to the operational result of the Company; the pay-out starts at a yearly defined minimum EBIT level, increases linearly and is capped when the EBIT target is achieved;
- (ii) For 25% based on a global business performance measured through the outperformance of the company's revenue growth over the last year relative to the industry average; whereby the industry reference growth is coming from the IC insights report (<https://www.icinsights.com/>);
- (iii) For 25% based on a global business performance measured through the outperformance of the company's revenue growth over the last two years relative to the industry average; whereby the industry reference growth is coming from the IC insights report.

The performance criteria are measured on an X-FAB Group consolidated basis, financial indicators based on IFRS accounting figures.

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

X-FAB retained the outperformance of the company's revenue growth relative to the industry average as performance criteria in order to show the companies' commitment and strategic objective to outperform the market consistently.

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

4.2.2 Other members of the Executive Management

The variable remuneration for the other members of the Executive Management consists of a short-term cash bonus expressed as a fixed amount. Currently no long term incentives are foreseen for members of the Executive Management.

4.2.2.1 Short-term Cash bonus

The cash bonus is calculated on yearly established targets on the basis of the following performance criteria, which are all measured on an X-FAB Group consolidated basis, financial indicators based on IFRS accounting figures:

- (i) 50% is based on a global business performance measured through the achievement of the target EBIT of the Company in order to link the bonus to the operational result of the Company;
- (ii) 50% is based on an assessment of individual, department or site performance measured through achievement of pre-established targets within the criteria determined by the CEO.

After the establishment of the annual accounts by the Board of Directors, the CEO evaluates and assesses the achievement of the individual performance targets for the performance year as well as the achievement of the yearly established target EBIT of the Company (The pay-out starts at a yearly defined minimum EBIT level, increases linearly and is capped when the EBIT target is achieved). Based on the conclusions, the Board of Directors determines the total amount of the cash bonus for performance year, which is paid out immediately to the individual members of the Executive Management.

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

4.2.2.2 Long-term incentives

The Executive Management variable pay scheme does not include a multi-year pay-out horizon so far.

X-FAB also does not grant shares, options or other rights to acquire shares to its members of the Executive Management. Contrary to recommendation 7.9 of the Code 2020, the members of the Executive Management are thus not required to hold a minimum threshold of shares in the Company. Important to note is however that the CEO is an important shareholder of the Company.

The Board of Directors believes that the stock price of a company does not always reflect correctly the performance of that company since there are many external factors also influencing the price of a financial instrument. The financial numbers which impact the level of the business component of the variable remuneration, i.e. the EBIT target, are a more important element driving the valuation of the Company. As such, the Directors believe there is a clear alignment between shareholders on the one hand and management on the other.

4.3. Other benefits

In accordance with the applicable employment laws in each jurisdiction, members of the Executive Management benefit from contributions by the X-FAB Group to a pension scheme.

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

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

5. Contractual terms & conditions

All members of the Executive Management have entered into a formal contract with the Company.

5.1. Duration

The agreements are concluded for an undefined term.

5.2. Severance provisions

The severance payment provided in each of the agreements is determined in accordance with the relevant legislation. Severance payment is in any case capped at 18 months.

5.3. Claw-back and malus provisions

In the event that variable remuneration would be paid based on incorrect financial data, such miscalculation could be compensated with the payment of future remuneration. Such a claim needs to be made by the Company within 3 months.

6. Deviations

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

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