

Executive Management Board and initiate the necessary measures in coordination with the Executive Management Board. Many guidelines (so-called Standard Operating Procedures or corporate guidelines) have been issued for these areas, and both WILEX and its employees must comply with them; compliance is monitored by the compliance officers. Regular training sessions are also organized related to these requirements.

### **6.2.7 Risk management**

The responsible management of risks is a material part of good corporate governance. WILEX has established a risk management system, which enables the Executive Management Board to detect the relevant risks and market trends and respond to them in a timely manner. Please see chapter 7, “Risk report” for details on the Company’s risk management and for the risk report. The report on the internal control system relevant to the financial reporting process required since the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz) took effect is included in chapter 7.2.

Both of these systems are continuously refined and adjusted to the changing environment. The Executive Management Board discusses the given risk report and any actions that might be required at its meetings and regularly briefs the Supervisory Board on existing risks and their development.

### **6.2.8 Accounting and audit of financial statements**

WILEX regularly informs both its shareholders and third parties by means of its consolidated financial statements and semi-annual interim reports. As a listed corporation located within the European Union, WILEX AG must prepare and publish its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), taking into account Section 315a of the German Commercial Code. Both the consolidated financial statements and the annual financial statements are prepared by the Executive Management Board, audited by the auditor and reviewed by the Supervisory Board. The auditor elected by the Annual General Meeting and commissioned by the Supervisory Board participates in the deliberations of both the Audit Committee and the Supervisory Board regarding the Company’s financial statements and reports on the material findings of its audit. The Audit Committee uses this information for its own assessment of the Company’s financial statements and reports. The combined management report, the annual financial statements of WILEX AG and the consolidated financial statements for the 2016 fiscal year were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte). These audits also review the risk early warning system defined by Section 91 (2) of the German Stock Corporation Act as to its general suitability for the early detection of going-concern risks. Deloitte reports to the Chief Financial Officer and the Audit Committee of the Supervisory Board. The auditor also checks whether the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act has been issued and published.

### **6.3 Remuneration report**

The remuneration report summarizes the principles used to determine the total remuneration of the Executive Management Board of WILEX AG and explains the structure as well as the remuneration received by the Executive Management Board members. The principles and the amount of remuneration received by the members of the Supervisory Board are also described. The remuneration report follows the recommendations of the GCGC and satisfies the requirements in accordance with the applicable provisions of Section 314 (1) no. 6,

---

---

Section 315 (2) no. 4 and Section 289 (2) no. 4 of the German Commercial Code, including the German Act on Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz).

### **6.3.1 Remuneration of the Executive Management Board**

The Supervisory Board is responsible for determining the remuneration of the Executive Management Board in accordance with Section 107 (3) of the German Stock Corporation Act. Remuneration consists of a salary (fixed remuneration), other benefits (non-cash remuneration), a variable remuneration component and a stock option plan with a long-term incentive and risk element.

In the event of the termination of an Executive Management Board member's service for WILEX, there is no contractual entitlement to a settlement.

### **6.3.2 Salary and benefits**

The annual salary of members of the Executive Management Board is determined for the term of office and paid in equal amounts over twelve months. These salaries take into account the financial position of WILEX AG and the level of remuneration paid by competitors. Following the appointment of Professor Pahl to the Executive Management Board effective 2 June 2016, his salary as CSO was calculated proportionally for 2016.

In addition to a salary, Dr. Schmidt-Brand receives the following benefits: Heidelberg Pharma makes payments into a defined-contribution, reinsured pension plan. The amount paid was €10,567 in 2016 (previous year: €10,567). Payments were also made into a pension fund; an amount of €2,688 (previous year: €2,688) was expensed for this in the reporting period.

Prior to Professor Pahl's appointment to the Executive Management Board, €738 was spent on a company pension plan for him that, as agreed, was financed by Heidelberg Pharma (€1,476 for the entire previous year).

In addition, company cars were made available to Dr. Schmidt-Brand (from November 2016) and Professor Pahl (for the entire fiscal year, i.e., including prior to his appointment to the Executive Management Board). The value of this benefit in 2016 was €781 for Dr. Schmidt-Brand and €10,140 for Professor Pahl.

After stepping down from the Executive Management Board of WILEX AG as planned, Dr. Bevan received remuneration of €15,000 for unissued stock options.

No further benefit obligations exist towards the members of the Executive Management Board.

### **6.3.3 Variable remuneration**

Variable remuneration is contingent upon the achievement of personal targets and WILEX's performance targets. The performance-based remuneration of the members of the Company's Executive Management Board is primarily tied to the corporate goals of WILEX and refers to achieving defined milestones, securing additional funding through (e.g.) license agreements and share performance.

Dr. Schmidt-Brand receives a maximum annual bonus of €80 thousand, of which he is entitled to receive a maximum of €40 thousand for his work as a member of the Executive Management Board of WILEX AG and a maximum of €40 thousand as Managing Director of

---

Heidelberg Pharma. This represents 37% of his fixed salary (previous year: 37%). In the fiscal year now ended, Dr. Schmidt-Brand was paid a bonus of €100 thousand for the 2014 and 2015 fiscal years.

Professor Pahl's annual bonus is capped at €75 thousand, or 45% of his fixed salary. Due to Professor Pahl's appointment to the Executive Management Board of WILEX AG during the year, his bonus as CSO was calculated proportionally.

Dr. Paul Bevan's annual bonus was capped at €87 thousand or 63% of his fixed salary (part-time basis) (previous year: 63%). After Dr. Bevan retired from the Executive Management Board during the year, he was paid a bonus of €100 thousand for the 2014, 2015 and 2016 fiscal years. The bonus attributable to 2016 amounted to €14 thousand.

In addition, up until the expiration of the authorization to grant options, the members of the Executive Management Board were entitled to stock options above and beyond their base salary as a component of their bonus, the granting of which depended on the achievement of milestones. For Dr. Schmidt-Brand and Dr. Bevan, this could have yielded a maximum of 8,000 stock options per year. However, no stock options were issued in the 2016 and 2015 fiscal years as a component of bonuses.

#### **6.3.4 Remuneration component with incentive and risk features**

This remuneration component is based on the 2011 Stock Option Plan adopted by the Annual General Meeting on 18 May 2011. Up to 346,924 stock options (30% of the total volume) may be granted to the members of the Executive Management Board thereunder. This authorization remained in effect until 1 July 2016. The stock options may only be exercised when they have vested after four year and the performance target has been achieved. In order for the performance target to be achieved, the price of WILEX's share on the ten trading days preceding the onset of the respective exercise period must exceed the exercise price by a minimum of 20% as well as surpass the gains of the TecDAX during the maturity of the given stock option.

Taking into account a capital reduction completed in 2014 at a ratio of 4:1 for the issue in March 2012 (Tranche 1), four stock options entitle the holder to the acquisition of one no par value bearer share of WILEX AG at an exercise price of €3.53. As a result, the conversion price for one share is  $€3.53 \times 4 = €14.12$ . The reference price is  $€3.53 + 20\% \times €3.53 = €4.24$ . This does not affect this year's issue of Tranche 2 in June 2016 because it took place after the capital reduction. Here one stock option entitles the holder to the acquisition of one new share at an exercise price equal to the conversion price of €1.89. The reference price is  $€1.89 + 20\% = €2.27$ .

A total of 252,000 stock options were issued to members of the Executive Management Board in the reporting period. Davon erhielten die Vorstände Dr. Schmidt-Brand 162.000 Stück und Prof. Dr. Pahl 90.000 Stück.

As of the 30 November 2016 reporting date, the active members of the Executive Management Board held 312,000 options under the 2011 Stock Option Plan (Dr. Schmidt Brandt 222,000 options, Professor Pahl 90,000). At the reporting date 30 November 2016, three former members of the Executive Management Board held a total of 25,500 options under this plan.

One former Executive Management Board member still holds 150,000 options under a previous plan (2005 Stock Option Plan).

---

Overall, the following fixed and variable remuneration components as well as non-cash remuneration for Executive Management Board members were recognized as an expense in the 2016 fiscal year:

Executive Management Board member	Fixed remuneration		Variable remuneration <sup>1)</sup>		Other remuneration (non-cash remuneration)		Total remuneration <sup>1) 2) 3)</sup>	
	2016	2015	2016	2015	2016	2015	2016	2015
Dr. Jan Schmidt-Brand <sup>2)</sup>	217,242	217,242	70,000	70,000	14,036	13,255	301,278	300,497
Professor Andreas Pahl <sup>3)</sup>	145,227	0	54,840	0	10,608	0	210,675	0
Dr. Paul Bevan <sup>4) 5)</sup>	46,083	138,250	14,286	65,464	15,000	0	75,369	203,714
<b>Total</b>	<b>408,552</b>	<b>355,492</b>	<b>139,126</b>	<b>135,464</b>	<b>39,644</b>	<b>13,255</b>	<b>587,322</b>	<b>504,211</b>

<sup>1)</sup> The exact variable remuneration is usually determined and paid in the following fiscal year. The figures shown here for the 2016 fiscal year are based on provisions that were determined on the basis of assumptions and historical data.

<sup>2)</sup> The remuneration of Dr. Schmidt-Brand refers to his work as Chief Executive Officer and Chief Financial Officer of WILEX AG and as Managing Director of Heidelberg Pharma GmbH. A portion of €157 thousand of the total remuneration is attributable to his work as a member of the Executive Management Board of WILEX AG.

<sup>3)</sup> All of Professor Pahl's remuneration relates to the full fiscal year, i.e. including the period in which he served as Chief Scientific Officer at Heidelberg Pharma prior to being appointed to the Executive Management Board of WILEX AG. A portion of €116 thousand of the total remuneration is attributable to his work as a member of the Executive Management Board of WILEX AG.

<sup>4)</sup> Dr. Bevan left the Executive Management Board of WILEX AG effective at the end of 31 March 2016.

<sup>5)</sup> After the expiration of his director's contract, Dr. Bevan was available to the Company as an advisor in the 2016 fiscal year. In this capacity, he received remuneration of GBP 3,000 thousand.

The following overview shows the stock options held by members of the Executive Management Board during the year under review and changes in these holdings, as well as the portion of staff costs per beneficiary attributable to these stock options:

<b>Executive Management Board member</b>	<b>1 Dec. 2015</b>	<b>Additions</b>	<b>Expiry / Return</b>	<b>Exercise</b>	<b>30 Nov. 2016</b>
	Number	Number	Number	Number	Number
Dr. Jan Schmidt-Brand	60,000	162,000	0	0	222,000
Professor Pahl	0	90,000	0	0	90,000
Dr. Paul Bevan	183,180	0	175,180	0	8,000
<b>Total</b>	<b>243,180</b>	<b>252,000</b>	<b>175,180</b>	<b>0</b>	<b>320,000</b>

<b>Executive Management Board member</b>	<b>Expense in the IFRS statement of comprehensive income</b>	<b>Fair value of the options<sup>1)</sup> held on 30.11.2016</b>
	in €	in €
Dr. Jan Schmidt-Brand	35,018	323,611
Professor Pahl	16,012	126,864
Dr. Paul Bevan	835	12,700
<b>Total</b>	<b>51,865</b>	<b>463,175</b>

<sup>1)</sup> As of the respective issue date.

As in the previous year, no expense was recognized for former members of the Executive Management Board.

The following figures applied to the previous period:

<b>Executive Management Board member</b>	<b>1 Dec. 2014</b>	<b>Additions</b>	<b>Expiry / Return</b>	<b>Exercise</b>	<b>30 Nov. 2015</b>
	Number	Number	Number	Number	Number
Dr. Jan Schmidt-Brand	60,000	0	0	0	60,000
Dr. Paul Bevan	183,180	0	0	0	183,180
<b>Total</b>	<b>243,180</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>243,180</b>

<b>Executive Management Board member</b>	<b>Expense in the IFRS statement of comprehensive income</b>	<b>Fair value of the options<sup>1)</sup></b>
	in €	in €
Dr. Jan Schmidt-Brand	18,691	95,256
Dr. Paul Bevan	2,521	433,767
Professor Olaf G. Wilhelm	0	676,052
Dr. Thomas Borcholte	0	440,528
<b>Total</b>	<b>21,212</b>	<b>1,645,602</b>

<sup>1)</sup> As of the respective issue date.

### 6.3.5 Remuneration of the Supervisory Board

In accordance with the Company's Articles of Association, the members of the Supervisory Board receive a fixed remuneration of €15,000 for each full fiscal year of service on the Supervisory Board. The Chairman of the Supervisory Board receives a fixed remuneration of €35,000 and the Deputy Chairman receives €25,000. Supervisory Board remuneration is paid in four equal installments on the last day of February and on 31 May, 31 August and 30 November of each fiscal year.

Members of a Supervisory Board committee are paid a flat fee of €3,000, while chairpersons of such committees are paid €7,000 per fiscal year and committee. In each case, remuneration is limited to activities on a maximum of two committees. Over and above this individual limit, WILEX AG does not pay more than €39,000 per fiscal year for committee activities of all Supervisory Board members combined. If this cap is not sufficient to cover all memberships and chairmanships of Supervisory Board committees, it is distributed proportionally among all committee members and chairpersons in line with the above provisions, unless the Supervisory Board unanimously resolves a different regulation.

An additional allowance is paid for attendance at a maximum of six Supervisory Board meetings in each fiscal year. Meeting chairpersons are paid a flat fee of €3,000 and all other members €1,500 each per meeting. Supervisory Board members who attend meetings by telephone receive only half of the allowance. This allowance must be paid with the Supervisory Board member's fixed remuneration. Members of Supervisory Board committees do not receive an attendance allowance for committee meetings.

The remuneration paid to Supervisory Board members who were not in service for a full fiscal year is pro rated in accordance with the duration of their membership on the Supervisory Board.

Supervisory Board members do not receive variable remuneration, nor are they granted options or similar rights. Supervisory Board members are not entitled to a settlement if their membership ends.

In the 2016 fiscal year, the members of the Supervisory Board were paid remuneration of €196,524 (previous year: €196,331) without accounting for reimbursement of travel expenses. The table below shows the individual remuneration.

Supervisory member	Board	Fixed remuneration		Attendance allowance		Committee fee		Total remuneration <sup>1)</sup>	
		2016	2015	2016	2015	2016	2015	2016	2015
Professor Christof Hettich		35,000	35,000	18,000	18,000	7,000	7,000	60,000	60,000
Dr. Georg F. Baur		25,000	25,000	8,250	8,250	8,500	7,000	41,750	40,250
Dr. Friedrich von Bohlen und Halbach		15,000	15,000	6,000	7,500	10,000	10,000	31,000	32,500
Dr. Birgit Kudlek		15,000	15,000	8,250	8,250	6,000	6,000	29,250	29,250
Dr. Mathias Hothum		15,000	5,081	9,000	1,500	0	0	24,000	6,581
Andreas R. Krebs <sup>1)</sup>		6,774	15,000	750	6,750	3,000	6,000	10,524	27,750
<b>Total</b>		<b>111,774</b>	<b>110,081</b>	<b>50,250</b>	<b>50,250</b>	<b>34,500</b>	<b>36,000</b>	<b>196,524</b>	<b>196,331</b>

<sup>1)</sup> Andreas R. Krebs left the Supervisory Board effective at the end of the Annual General Meeting on 13 May 2016.