

# Corporate governance

Corporate governance  
at Galapagos in 2019

Pioneering for patients



## Galapagos' corporate governance policies

For the reporting year beginning on 1 January 2019, the Belgian Corporate Governance Code 2009 (the "2009 Code") (which can be consulted on [www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)) was our reference code. Galapagos NV's board of directors approved a corporate governance charter (which is available on our website, [www.glpn.com](http://www.glpn.com)). The corporate governance charter applies in addition to the law, Galapagos NV's articles of association and the corporate governance provisions included in the Belgian Companies Code and the 2009 Code.

For the reporting year beginning on 1 January 2019, the board of directors strove to comply with the rules of the 2009 Code as much as possible. At the same time, the board of directors is of the opinion that certain deviations from the provisions of 2009 Code were justified, in view of our activities, our size and the specific circumstances in which we operate. In such cases, which are mentioned in this corporate governance statement, we apply the "comply or explain" principle. Reference is made to the [Remuneration of non-executive directors of Galapagos NV](#) section below.

### New legal framework for Belgian companies

On 28 February 2019, a new Belgian Companies Code (the "New Belgian Companies Code") was approved by the Belgian Parliament. For existing companies like Galapagos NV, there is a transition regime providing for a staggered applicability of the new provisions. Certain parts of the new code apply to us as of 1 January 2020. The full transition must be completed by the earlier of (i) the next extraordinary shareholders' meeting that amends our articles of association or (ii) 1 January 2024. On the date of this report, our articles of association have not yet been amended. The extraordinary shareholders' meeting, to be held on 28 April 2020, shall decide on such amendment. Each reference in this report to the Belgian Companies Code is still a reference to the Belgian Companies Code of 7 May 1999, except where expressly stated differently.

In light of the New Belgian Companies Code, the Belgian Corporate Governance Committee adopted a new Corporate Governance Code (the "2020 Code") (which can be consulted on [www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)). The 2020 Code was published on 9 May 2019. The 2020 Code applies compulsorily to reporting years beginning on or after 1 January 2020. Our board of directors has adopted the 2020 Code for the reporting period beginning on 1 January 2020. Subject to approval of the new articles of association by the extraordinary shareholders' meeting of 28 April 2020, our board of directors will approve an updated corporate governance charter. Each reference in this report to the Corporate Governance Code is still a reference to the 2009 Code, except where expressly stated differently.

### Proposal to adopt a two-tier governance structure

Under the New Belgian Companies Code, the executive committee in accordance with article 524bis of the Belgian Companies Code has been abolished. The New Belgian Companies Code introduces (among other things) a two-tier system, with two new governance bodies: the supervisory board and the management board. The supervisory board is responsible for the general policy and strategy of the company and has all powers which are specifically reserved for it under the New Belgian Companies Code. The supervisory board also supervises the management board. The management board exercises all powers which are not reserved for the supervisory board in accordance with the New Belgian Companies Code.

The 2020 Code requires companies to make an explicit choice for one of the governance structures provided for in the New Belgian Companies Code. The board of directors invites the shareholders of Galapagos NV to approve the introduction of a two-tier governance structure at the occasion of the extraordinary shareholders' meeting, to be held on 28 April 2020.



In addition to the information set out below, we refer to the [Risk management](#) and [Risk factors](#) sections of this report for a description of the most important characteristics of our internal control and risk management systems. The Risk management and Risk factors sections are incorporated by reference in this corporate governance statement.

## Board of directors of Galapagos NV

### Composition of Galapagos NV's board of directors

**Onno van de Stolpe** – Please refer to the [Composition of Galapagos NV's executive committee](#) for a biography.

**Rajesh Parekh, MA, DPhil** has served as the Chairman of our board of directors since 2004. Dr. Parekh is a General Partner at Advent Life Sciences LLP, which he joined in 2006. During an academic career at Oxford University, he co-founded Oxford GlycoSciences PLC, where he served as Chief Scientific Officer and Chief Executive Officer from 1988 until its sale to Celltech Group PLC (now UCB SA) in 2003. He has founded or served on the boards of several life sciences companies in the United States and Europe including Avila Therapeutics, Inc., EUSA Pharma (Europe) Limited, Biocartis NV, Amsterdam Molecular Therapeutics (AMT) Holding NV (now uniQure), Aura, Inc., Itara Ltd., Cellnovo SA, Artax, Inc., and Project Paradise Limited. He was also a member of the supervisory board of the Novartis Venture Fund. Dr. Parekh currently serves as a member of the board of directors of Advent Venture Partners, Advent Life Sciences LLP, Aleta, Inc., Alpha Anomeric SA, Amphista Therapeutics Ltd., Arrakis, Inc., Aura Biosciences, Capella BioSciences Ltd., Levicept Limited, PE Limited, Pheno Therapeutics Ltd., Tridek-One Therapeutics SAS, and Zikani, Inc. He received his MA in Biochemistry and DPhil in Molecular Medicine from the University of Oxford, where he has also been a Senior Research Fellow and Professor.

**Howard Rowe, JD** has served as a member of our board of directors since 2010. Mr. Rowe is Managing Director at Hayfin Capital Management LLP. Prior to joining Hayfin Capital Management, he was a Managing Director with The Goldman Sachs Group, Inc. where he had multiple healthcare responsibilities over his 12 years at the firm. His most recent roles at Goldman Sachs were as part of the European Special Situations and Principal Strategies teams where he established and led the private healthcare investing effort. During that time he served on the boards of EUSA Pharma (Europe) Limited, Healthcare Brands International Limited, SmallBone Innovations, Inc., MedAvante, Inc. and Ikonisys, Inc. Prior to his investing activities, Mr. Rowe was a senior member of the European Healthcare Investment Banking team, where he advised numerous corporate clients on M&A and corporate finance activities. Before joining Goldman Sachs, he was a corporate lawyer with the law firm Sullivan & Cromwell LLP. Mr. Rowe received his Bachelor of Science in Psychobiology from the University of Southern California and his JD from Harvard Law School. He currently serves as a member of the Board of Managers of Paradigm Spine LLC.

**Katrine Bosley** has served as a member of our board of directors since 2013. Ms. Bosley served as the President, Chief Executive Officer and member of the board of directors of Editas Medicine, Inc. from June 2014 to March 2019. Prior to joining Editas, she was the Entrepreneur-in-Residence at The Broad Institute from 2013 to 2014. From 2009 to 2012, she was President, Chief Executive Officer and member of the board of directors of Avila Therapeutics, Inc., which was acquired by Celgene Corporation in 2012. She served as President, Celgene Avilomics Research at Celgene in 2012. Prior to her time at Avila Therapeutics she was Vice President, Strategic Operations at Adnexus, a Bristol-Myers Squibb R&D Company, and was Vice President, Business Development at Adnexus Therapeutics, Inc. before that. Ms. Bosley joined Adnexus Therapeutics from Biogen Idec, Inc. where she had roles in business development, commercial operations and portfolio strategy in the United States and Europe.



## CORPORATE GOVERNANCE

Ms. Bosley graduated from Cornell University with a B.A. in Biology. She served on the board of the Biotechnology Innovation Organization and currently serves on the boards of Genocera Biosciences, Inc., and of the Massachusetts Eye and Ear Institute. Ms. Bosley also serves as chairman of the board of Arrakis Therapeutics.

**Mary Kerr, Ph.D.**, has served as a member of our board of directors since 26 July 2016. Dr. Kerr, a UK national, is Chief Executive Officer and director at NeRRe Therapeutics and Chief Executive Officer and director at KaNDy Therapeutics. Prior to her appointment at NeRRe, Dr. Kerr held a range of senior leadership roles at GSK over more than 20 years, most recently as Senior Vice President and Global Franchise leader for the Immuno-inflammation and Infectious Diseases franchise. Dr. Kerr was a founding member and on the Corporate Executive team of ViiV Healthcare where she led a turnaround in the performance of the HIV business in Europe. She has spent the majority of her career on the R&D commercial interface in global strategy and regional operational roles, predominantly in the specialty and orphan space. Dr. Kerr gained a Ph.D. in Pharmacology at the University of Bradford, did post-doctoral research at the Michigan Cancer Foundation in Detroit and has an MBA from the University of Kingston.

**Peter Guenter** has served as a member of our board of directors since 30 April 2019. Mr. Guenter has been Chief Executive Officer of Almirall since 1 October 2017. Prior to joining Almirall, he worked at Sanofi for 22 years, most recently as Executive Vice President Diabetes and Cardiovascular Global Business Unit. During his tenure at Sanofi, he held many senior positions including Vice President Eastern Europe and Northern Europe, Vice President Business Management and Support, General Manager Germany, Senior Vice President Europe, Executive Vice President Global Commercial Operations and Executive Vice President General Medicine and Emerging Markets. He was a member of Sanofi's Executive Committee from 2013 till August 2017. Before joining Sanofi, he held different positions in sales and marketing at Smith Kline and Ciba Geigy. Mr. Guenter is currently also a member of the board of the European Federation of Pharmaceutical Industries and Associations (EFPIA). He is a Belgian citizen and holds a Master's Degree in Physical Education from the Faculty of Medicine and Health Sciences, University of Ghent.

**Daniel O'Day** has served as a member of our board of directors since 22 October 2019. Daniel O'Day joined Gilead in 2019 to lead the biopharmaceutical company, which has more than 11,000 employees around the world. Prior to Gilead, Mr. O'Day served as the chief executive officer of Roche Pharmaceuticals. His career at Roche spanned more than three decades, during which he held a number of executive positions in the company's pharmaceutical and diagnostics divisions in North America, Europe and Asia. During his time at Roche, Mr. O'Day demonstrated vision and leadership, helping to engineer the acquisitions of Flatiron Health and Foundation Medicine in 2018. He served as a member of the company's Corporate Executive Committee, as well as on a number of public and private boards, including Genentech. Mr. O'Day is currently the Chairman and Chief Executive Officer of Gilead Sciences, Inc. and a member of the board of directors of Pharmaceutical Research and Manufacturers of America (PhRMA). Mr. O'Day is a U.S. citizen and holds a bachelor's degree in biology from Georgetown University and an MBA from Columbia University in New York.

**Linda Higgins, Ph.D.** has served as a member of our board of directors since 22 October 2019. Linda Slanec Higgins, Ph.D., joined Gilead Sciences, Inc. in 2010 and is currently Sr. Vice President Research, External Innovation. In her first nine years at Gilead she led Biology, significantly expanding the therapeutic area scope and capabilities of the department. She previously served as the President & CEO of InteKrin Therapeutics and as Head of Research at Scios, Inc., a Johnson & Johnson company, where she provided leadership for drug discovery, preclinical development, and translational medicine. Dr. Higgins is passionate about biopharmaceutical discovery and development, and has been dedicated to excellence in applied scientific research since 1991. She has led projects and departments in multiple therapeutic areas including CNS, fibrosis, inflammation, cardiovascular, virology, and oncology. Dr. Higgins built many of these as new areas at Scios and Gilead. Dr. Higgins is a U.S. citizen and earned an A.B. in Behavioral Physiology from Kenyon College, a Ph.D. in Neurosciences from the University



of California, San Diego School of Medicine, and completed postdoctoral training in Molecular Genetics at the Howard Hughes Medical Institute at the University of California, Berkeley. She has authored over 50 original peer reviewed scientific papers and invited reviews and is an inventor on over a dozen patents.

## About Galapagos NV's board of directors

Galapagos NV's board of directors consists of minimum five and maximum nine members, including the Chairman and the CEO. The Chairman is a non-executive director and does not hold the office of CEO. At least three directors are independent. On 31 December 2019, the board of directors consisted of eight members, four of whom are independent within the meaning of article 526ter of the Belgian Companies Code (and as from 1 January 2020, article 7:87 of the New Belgian Companies Code).

The directors are appointed by the shareholders' meeting upon the proposal of the board, for a renewable term of up to four years. When a position on the board becomes vacant, the other directors may temporarily fill the mandate until the shareholders' meeting appoints a new director. The nomination and remuneration committee nominates, for the approval of the board, candidates to fill vacancies and advises on proposals for appointment originating from shareholders, in each case taking into account Galapagos' needs and the selection criteria determined by the board.

Except for Mr. Van de Stolpe, all board members are non-executive directors.

In 2019, the following persons were members of the board: Dr. Parekh (Chairman), Mr. Van de Stolpe (CEO), Dr. Cautreels (until 30 April 2019), Mr. Rowe, Ms. Bosley, Dr. Mummery (until 30 April 2019), Dr. Kerr, Mr. Guenter (from 30 April 2019), Mr. O'Day (from 22 October 2019), and Dr. Higgins (from 22 October 2019). Mr. Rowe, Ms. Bosley, Dr. Kerr and Mr. Guenter were appointed as independent directors within the meaning of article 526ter of the Belgian Companies Code (and as from 1 January 2020, article 7:87 of the New Belgian Companies Code).

In 2019, the board thus consisted of (i) three women (except between 30 April 2019 and 22 October 2019 when the board consisted of two women) and (ii) four men until 22 October 2019 and five men from 22 October 2019, representing four different nationalities and different age categories.

Name	Nationality	Year of birth
Onno van de Stolpe	Dutch	1959
Raj Parekh	British	1960
Werner Cautreels <sup>(1)</sup>	Belgian	1952
Howard Rowe	British and U.S.	1969
Katrine Bosley	U.S.	1968
Christine Mummery <sup>(1)</sup>	British and Dutch	1953
Mary Kerr	British	1961
Peter Guenter <sup>(2)</sup>	Belgian	1962
Daniel O'Day <sup>(3)</sup>	U.S.	1964
Linda Higgins <sup>(3)</sup>	U.S.	1962

(1) Until 30 April 2019

(2) From 30 April 2019

(3) From 22 October 2019

During 2019, Galapagos NV complied with the Law of 28 July 2011 with respect to gender diversification in the board of directors, and the board will continue to monitor future compliance. In proposing candidates, particular consideration is given to diversity in gender, age, nationality, educational and professional background, as well as complementary skills, knowledge and experience. The profiles of all board members are included in this report and available on [www.glp.com](http://www.glp.com).



The board's role is to pursue the long-term success of Galapagos. The board does so by assuming the authority and responsibilities assigned to it by Belgian corporate law and by combining entrepreneurial leadership with appropriate risk assessment and management. Each of the directors' expertise and experience is exemplified by the varied professional activities they carry out and offices they hold. During its meetings in 2019, the board dealt with matters pertaining to, among other things, our strategy and growth, the strategic transaction with Gilead, the evaluation of other business development opportunities, convening of the shareholders' meetings and preparation of resolutions to be submitted for approval to the shareholders, and review and approval of our financial reporting.

In 2019, the board of directors held four regular meetings, nine meetings by telephone conference to discuss specific matters and two meetings in the presence of a notary (relating to the issuance of Warrant Plan 2019 and Warrant Plan 2019 RMV and relating to the closing of the Gilead transaction). The first meeting in the presence of a notary was attended by Dr. Cautreels and Mr. Van de Stolpe via telephone conference; all other directors were represented by proxy. The second meeting in the presence of a notary was attended by Mr. Van de Stolpe, Mr. Guenter and Dr. Kerr via telephone conference; all other directors were represented by proxy. The attendance rate for the other meetings was as follows: Dr. Parekh: 92%; Mr. Van de Stolpe: 85%; Dr. Cautreels: 100%; Mr. Rowe: 100%; Ms. Bosley: 85%; Dr. Mummery: 67%; Dr. Kerr: 92%; Mr. Guenter: 80%; Mr. O'Day: 100%; and Dr. Higgins: 100%. The overall attendance rate was 90%. In addition, certain board members also attended a number of review meetings with scientific staff of the group.

The board of directors acts as a collegial body. A formal evaluation of the board and its committees was initiated in December 2017 and was completed in March 2018. Each board member provided feedback through individual assessment forms. The results were presented on an aggregate basis by the secretary of the board and served as a basis for discussion by the full board. This evaluation specifically addressed the functioning of the board, the size and composition of the board, the interaction between the board and the executive management, and the functioning of the audit committee and the nomination and remuneration committee.

## Committees

### Executive committee

#### Composition of Galapagos NV's executive committee



**Onno van de Stolpe** founded our company in 1999 and has served as our Chief Executive Officer and a member of our board of directors from 1999 to the present. From 1998 to 1999, he was the Managing Director of Genomics at IntroGene BV (later Crucell NV, which was acquired by Johnson & Johnson Services, Inc. in 2011). Prior to joining IntroGene in 1998, he was Managing Director of Molecular Probes Europe BV. He established the European headquarters after joining Molecular Probes, Inc. in the United States. Previously, he worked for The Netherlands Foreign Investment Agency in California, where he was responsible for recruiting biotechnology and medical device companies to locate in the Netherlands. Mr. van de Stolpe started his career as Manager of Business Development at MOGEN International NV in Leiden. He received an MSc degree from Wageningen University. Mr. van de Stolpe has previously served as a member of the board of directors of DCPrime BV and as a member of the

supervisory board of the Stichting Institute for Human Organ and Disease Model Technologies.



**Bart Filius, MBA** has served as our Chief Financial Officer since December 2014 and as our Chief Operating Officer since September 2017. Prior to that, Mr. Filius worked over 13 years at Sanofi SA, where he was the Chief Financial Officer of Sanofi Europe during the last three years. Earlier at Sanofi, he was the Country Manager and Chief Financial Officer of Sanofi in the Netherlands. Before that, he was Vice President for Mergers & Acquisitions, during which time he led and completed the divestiture of various franchises. Prior to joining Sanofi, he was a strategy consultant at Arthur D. Little. Mr. Filius has an MBA degree from INSEAD and a bachelor's degree in business from Nyenrode Business University. In May 2019, Mr. Filius was elected as non-executive director in the supervisory board of ProQR NV.



**Piet Wigerinck, Ph.D.** joined us in April 2008 as SVP Development and was appointed Chief Scientific Officer in 2012. Under his leadership, we have developed a large pipeline of novel mechanism of action drug candidates. He has supervised multiple successful proof-of-concept patient studies, including filgotinib, GLPG1690, and MOR106. Prior to his tenure at Galapagos, Dr. Wigerinck was Vice President, Drug Discovery, Early Development and CM&C at Tibotec-Virco Comm. VA (a subsidiary of Johnson & Johnson Services, Inc.). Under his leadership at Tibotec, TMC114 (Prezista™) and TMC435 (Olysio™) were selected and moved forward into clinical trials. Dr. Wigerinck played a key role in Tibotec's expansion into novel diseases such as Hepatitis C and advanced several compounds into Phase 1 and Phase 2 clinical trials. Dr. Wigerinck has over 30 years of R&D experience in the pharmaceutical industry and biotechnology. He holds a Ph.D. from the KU Leuven and is inventor on more than 25 patent applications. In May 2018, Dr. Wigerinck was elected as an independent board member of Ipsen SA in France.



**Andre Hoekema, Ph.D.** is responsible for M&A, licensing and Intellectual Property at Galapagos as our Chief Business Officer. He joined Galapagos in March 2005 from Invitrogen Corporation, where he was Managing Director of Corporate Development Europe. He brings 20 years of biotech experience from positions at Molecular Probes Europe BV (Managing Director), Crucell NV (Director of Business Development), DSM Life Sciences NV and Syngenta MOGEN BV (Research and Project Management) and Genentech, Inc. (R&D). Dr. Hoekema has a Ph.D. degree from Leiden University and is the inventor of over 20 series of patent applications, resulting in 15 patents issued in the United States. Dr. Hoekema currently also serves as a member of the supervisory board of Mimetas BV and has previously served as a member of the supervisory board of VitalNext BV.



**Walid Abi-Saab, MD** joined Galapagos as Chief Medical Officer in March 2017. Dr. Abi-Saab drives Galapagos' overall medical strategy and is responsible for late stage clinical development and operations, medical and regulatory affairs, and safety. Before, Dr. Abi-Saab worked at Shire AG where he held various clinical development leadership roles, most recently as Group Vice President, Global Clinical Development – Therapeutic Area Head, Gastro-intestinal, Endocrinology and Metabolism. Prior to that, he led clinical development activities at Novartis Pharma AG, Abbott Laboratories Inc. and Pfizer Inc., addressing a wide range of therapeutic areas and leading teams throughout the clinical development process. Under his leadership, more than 30 molecules have advanced through clinical development leading to several approvals in the United States, the EU and Canada. Prior to his pharma roles, Dr. Abi-Saab was Assistant Professor of Psychiatry and Neurosurgery at Yale University Medical

School, where he headed their Schizophrenia Research at the Clinical Neuroscience Research Unit and the Neurosurgery Epilepsy Microdialysis Research Program. Dr. Abi-Saab holds an MD degree from Université Saint Joseph in Beirut, Lebanon.



**Michele Manto** was appointed Chief Commercial Officer in January 2020. He joined Galapagos in September 2017 as Senior Vice President Commercial Operations to build and lead Galapagos' commercial organization and capabilities. Previously, Mr. Manto held various commercial leadership roles at AbbVie, most recently as General Manager, Global Marketing Rheumatology and as General Manager in the Netherlands. Prior to this, he led AbbVie's commercial activities and launches in rheumatology, gastroenterology and dermatology in Germany and other European countries. He started his professional career as a management and strategy consultant at McKinsey & Company. Mr. Manto holds an MBA from INSEAD and a degree in engineering from the Politecnico of Milan.

### About the executive committee of Galapagos NV

The tasks of the executive committee include the following matters: the research, identification and development of strategic possibilities and proposals which may contribute to our development in general, management of the group, the supervision of the actual performance of the business compared to its strategic goals, plans and budgets, and the support of the CEO with the day-to-day management of Galapagos.

The executive committee meets regularly, and in principle once per month.

On 31 December 2019, the executive committee consisted of five people: Mr. van de Stolpe (CEO, also executive director), Mr. Filius (CFO and COO), Dr. Wigerinck (CSO), Dr. Hoekema (CBO), and Dr. Abi-Saab (CMO), representing four different nationalities and different age categories.



## CORPORATE GOVERNANCE

Name	Nationality	Year of birth
Onno van de Stolpe	Dutch	1959
Bart Filius	Dutch	1970
Piet Wigerinck	Belgian	1964
Andre Hoekema	Dutch	1957
Walid Abi-Saab	U.S. and Lebanese	1965

Furthermore, the members of our executive committee have different educational backgrounds, as can be read in each of their profiles (above).

On 23 January 2020, we announced the appointment of Mr. Michele Manto as Chief Commercial Officer and member of the executive committee, effective 1 January 2020.

In proposing candidates for the executive committee, particular consideration is given to educational and professional background, complementary skills, knowledge and experience, as well as to diversity in age, gender and nationality.

## Audit committee

The role of the audit committee is to follow up on financial reporting and verification of financial data, safeguard the integrity of our financial reporting, verify and follow up on the internal control mechanisms, evaluate and verify the effectiveness of the risk assessment systems, follow up on the internal and external audit activities, review, monitor and evaluate the independence and performance of the external auditor and inform the board on the results of the statutory audit. The audit committee also reviews corporate social responsibility initiatives, as included in the CSR-report, which contains the non-financial information as required by articles 96 § 4 and 119 § 2 of the Belgian Companies Code (and as from 1 January 2020, articles 3:6 § 4 and 3:32 § 2 of the New Belgian Companies Code).

At the end of 2019, the audit committee consisted of the following three directors: Mr. Rowe (chairman), Dr. Kerr and Mr. Guenter. Mr. Guenter replaced Dr. Cautreels on the audit committee as from 18 June 2019. All members of the audit committee are non-executive directors, the majority of whom are independent within the meaning of article 526ter of the Belgian Companies Code (and as from 1 January 2020, article 7:87 of the New Belgian Companies Code). The chairman is an independent non-executive director. All members of the audit committee have extensive experience in the life sciences industry. Mr. Rowe has relevant expertise in financial matters (including general accounting and financial reporting) and in matters of audit, internal control and risk control. The other members have extensive experience in these matters as well.

In 2019, the audit committee held nine meetings, in which it dealt with matters pertaining to, among other things, audit review, risk management, monitoring financial reporting, and the monitoring of Sarbanes-Oxley compliant internal and external audit systems. The audit committee acts as a collegial body. The overall attendance at the audit committee meetings in 2019 was 90%. Dr. Kerr's attendance rate was 78% and Mr. Guenter's attendance rate was 83% whereas the other committee member's attendance rates were all 100%. Some of the meetings were attended by the statutory auditor.

## Nomination and remuneration committee

The nomination and remuneration committee's role is twofold: providing recommendations to the board of directors regarding the remuneration policy of Galapagos and the remuneration of directors and members of the executive committee, and selecting the appropriate candidates and making recommendations to the board of directors in relation to the appointment of directors and members of the executive committee.



At the end of 2019, the nomination and remuneration committee consisted of the following three non-executive directors: Dr. Parekh (chairman), Ms. Bosley and Mr. Rowe, the majority of whom are independent directors. The committee has the necessary expertise in the area of remuneration policy.

The nomination and remuneration committee meets at least twice per year. In 2019, the nomination and remuneration committee held six meetings, dealing with, among other things, matters pertaining to grants of warrants, RSUs and bonuses, the nomination and remuneration of directors, the nomination and remuneration of members of the executive committee, salary increases and the legislative changes to the remuneration rules. The nomination and remuneration committee acts as a collegial body. The overall attendance rate at the nomination and remuneration committee meetings in 2019 was 100%. The CEO attended the meetings of this committee when the remuneration of the other members of the executive committee was discussed.

## Composition of board committees (excluding the executive committee)

	Audit committee	Nomination and remuneration committee
Onno van de Stolpe		
Raj Parekh		*
Howard Rowe <sup>(1)</sup>	*	•
Katrine Bosley <sup>(1)</sup>		•
Mary Kerr <sup>(1)</sup>	•	
Peter Guenter <sup>(1)</sup>	•	
Daniel O'Day		
Linda Higgins		

• denotes committee membership

\* denotes committee chairmanship

(1) denotes qualification as an independent director within the meaning of article 526ter of the Belgian Companies Code (and as of 1 January 2020, article 7:87 of the New Belgian Companies Code)

## Galapagos NV's share capital and shares

### Share capital increases and issue of shares by Galapagos NV in 2019

On 1 January 2019, the share capital of Galapagos NV amounted to €294,599,712.11 represented by 54,465,421 shares. In the course of 2019 there were four capital increases resulting from the exercise of warrants under employee warrant plans, resulting in the issuance of 754,605 new shares, an increase of the share capital by €4,082,413.05 and an increase of the issuance premium account by €13,085,809.23. In addition, on 23 August 2019, Gilead Therapeutics A1 Unlimited Company subscribed to 6,828,985 new shares at a price of €140.59 per share pursuant to the closing of the share subscription agreement of 14 July 2019. This resulted in a share capital increase of €36,944,808.85 and an increase of the issuance premium account by €923,142,192.30. Finally, on 6 November 2019, Gilead Therapeutics A1 Unlimited Company exercised initial warrant A, resulting in the issuance of 2,617,791 new shares at an issuance price of €140.59 per share, an increase in the share capital by €14,162,249.31 and an increase of the issuance premium account by €353,872,987.38.

At the end of 2019, the share capital of Galapagos NV amounted to €349,789,183.32 represented by 64,666,802 shares.



On 10 April 2019, the board of directors issued 1,699,690 warrants (after acceptance by the beneficiaries) within the framework of the authorized capital, for the benefit of the directors and an independent consultant of Galapagos NV, and of employees of the group under new warrant plans ("Warrant Plan 2019" and "Warrant Plan 2019 RMV").

The offer of warrants to the directors and to the members of the executive committee under Warrant Plan 2019 was approved by the annual shareholders' meeting of 30 April 2019. The warrants issued under Warrant Plan 2019 and Warrant Plan 2019 RMV have a term of eight years and an exercise price of €95.11.

On 22 October 2019, the extraordinary shareholders' meeting approved the issuance of two warrants for the benefit of Gilead Therapeutics A1 Unlimited Company, called the initial warrant A and the initial warrant B. These warrants entitle the holder thereof to subscribe, during the entire term of the respective warrant, upon each exercise of a warrant, for a maximum number of shares that is sufficient to bring the shareholding of Gilead and its affiliates to 25.1% and 29.9%, respectively, of the actually issued and outstanding shares after the exercise of the relevant warrant (rounded down to the nearest whole share). The initial warrant A has a term of one year and an exercise price of €140.59 per share. The initial warrant B has a term of five years and an exercise price per share equal to the greater of (i) 120% multiplied by the arithmetic mean of the 30-day daily volume weighted average trading price of Galapagos' shares as traded on Euronext Brussels and Euronext Amsterdam, and (ii) €140.59.

## Number and form of Galapagos shares

Of the 64,666,802 shares of Galapagos NV outstanding at the end of 2019, 9,382,267 were registered shares and 55,284,535 shares were dematerialized shares. All shares are issued and fully paid up and are of the same class.

## Rights attached to Galapagos shares

Each share (i) entitles its holder to one vote at the shareholders' meetings; (ii) represents an identical fraction of the share capital and has the same rights and obligations and shares equally in the profit of Galapagos NV; and (iii) gives its holder a preferential subscription right to subscribe to new shares, convertible bonds or warrants in proportion to the part of the share capital represented by the shares already held. The preferential subscription right can be restricted or cancelled by a resolution approved by the shareholders' meeting, or by the board of directors subject to an authorization of the shareholders' meeting, in accordance with the provisions of the New Belgian Companies Code and Galapagos NV's articles of association.

## Galapagos NV's authorized capital

In accordance with the articles of association, the extraordinary shareholders' meeting of Galapagos NV authorized the board of directors to increase the share capital of Galapagos NV, in one or several times, and under certain conditions set forth *in extenso* in the articles of association of Galapagos NV.

This authorization consists of two parts. A general authorization for capital increases up to 20% of the share capital at the time of convening the shareholders' meeting of 22 October 2019 (i.e. €67,022,402.04) was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 13 November 2019. A specific authorization for capital increases of more than 20% and up to 33% of the share capital at the time of the convening the shareholders' meeting of 25 April 2017 (i.e. € 82,561,764.93), was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 31 May 2017. This specific part of the authorized capital can, however, only be used in a number of specific circumstances and upon a resolution of the board of directors that all independent directors (within the meaning of article 526<sup>ter</sup> of the Belgian Companies Code) approve.

In 2019, Galapagos NV's board of directors made use of the right to increase the capital in the framework of the authorized capital on two occasions: (1) on 10 April 2019, in connection with the issuance of Warrant Plan 2019 and Warrant Plan 2019 RMV, under which a maximum of 1,699,690 new shares could be issued for a total maximum capital increase of €9,195,322.90 (plus issuance premium); and (2) on 23 August 2019, in connection with



the subscription by Gilead Therapeutics A1 Unlimited Company to 6,828,985 new shares, resulting in an increase of the share capital by €36,944,808.85 (plus issuance premium). On 31 December 2019, an amount of €67,022,402.04 still remained available under the general part of the authorized capital and an amount of €13,717,929.80 remained available under the specific part of the authorized capital.

When increasing the share capital within the limits of the authorized capital, the board of directors may, in Galapagos NV's interest, restrict or cancel the shareholders' preferential subscription rights, even if such restriction or cancellation is made for the benefit of one or more specific persons other than the employees of the group.

## Procedure for changes in Galapagos NV's share capital

In accordance with the New Belgian Companies Code, Galapagos NV may increase or decrease its share capital by decision of the extraordinary shareholders' meeting approved by a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of Galapagos NV is present or represented. If the attendance quorum of 50% is not met, a new extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting. In this respect, there are no conditions imposed by Galapagos NV's articles of association that are more stringent than those required by law.

Within the framework of the powers granted to it under the authorized capital, the board of directors may also increase Galapagos NV's capital as specified in its articles of association.

## Purchase and sale of Galapagos treasury shares

In accordance with the New Belgian Companies Code, Galapagos NV may purchase, subject to the provisions of the New Belgian Companies Code, Galapagos NV's own shares and dispose thereof by decision of the extraordinary shareholders' meeting approved by a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of Galapagos NV is present or represented. If the attendance quorum of 50% is not met, a new extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting. The aforementioned rules are also applicable to the acquisition of shares of Galapagos NV by its subsidiaries.

The board of directors has currently not been authorized by an extraordinary shareholders' meeting to purchase or sell its own shares.

On 31 December 2019, neither Galapagos NV nor any subsidiary of Galapagos NV held any shares in Galapagos NV, nor did any third party hold any shares in Galapagos NV on behalf of Galapagos NV or any of its subsidiaries either.

## Anti-takeover provisions in Galapagos NV's articles of association

Galapagos NV's articles of association currently do not contain any anti-takeover provisions.

## Anti-takeover provisions under Belgian law

Under Belgian law, public takeover bids for all outstanding voting securities of the issuer are subject to the supervision of the FSMA. If the latter determines that a takeover violates Belgian law, it may lead to suspension of the exercise of the rights attached to any shares that were acquired in connection with the envisaged takeover. Pursuant to the Belgian Law of 1 April 2007 on public takeovers, a mandatory takeover bid must be made when, as a result of its own acquisition or the acquisition by persons acting in concert with it, a person owns, directly or indirectly, more than 30% of the securities with voting rights in a company with registered office in Belgium whose securities are admitted to trading on a regulated or recognized market. The acquirer must offer to all other



shareholders the opportunity to sell their shares at the higher of (i) the highest price offered by the acquirer for shares of the issuer during the 12 months preceding the announcement of the bid or (ii) the weighted average price of the shares on the most liquid market of the last 30 calendar days prior to the date on which it became mandatory for the acquirer to launch a mandatory takeover bid for the shares of all other shareholders.

## Material contracts containing change of control clauses

The amended and restated license and collaboration agreement between Galapagos NV and Gilead Sciences, Inc. ("Gilead") dated 23 August 2019 contains provisions granting certain rights to Gilead upon the occurrence of a public takeover bid on our shares or a change of control in respect of Galapagos NV, including clause 15.6 (*Assignment; Industry Transaction; Acquired Programs*), entitling Gilead in the event of an industry transaction involving Galapagos, as a result of which a drug company of a certain minimum size acquires control over Galapagos, to terminate our co-promotion rights, to disband all joint committees and undertake exclusive control of their activities.

The product development, license and commercialization agreement between Galapagos NV, Les Laboratoires Servier and Institut de Recherches Servier ("Servier") as amended and restated on 8 May 2018 contains provisions granting certain rights to Servier upon the occurrence of a public takeover bid on our shares or a change of control in respect of Galapagos NV including, but not limited to, clause 13.4 (*Termination by Servier Without Cause or Due to Galapagos Change of Control*), clause 13.5 (*Rights on Termination*) and clause 13.7 (*Change of Control*), entitling Servier, in the event of a change of control of Galapagos NV, to elect to terminate the agreement subject to an option for Galapagos NV to choose from two contractual termination regimes, both including the termination of the licenses granted by Galapagos NV to Servier and the freedom for Galapagos NV to conduct research and development activities on terminated licensed products, or to have the licenses granted to Servier continue, with all payment obligations remaining in place, but with Servier having full control over the further development and patent strategies for the licensed product in Servier's territory.

The second amended and restated collaboration agreement between Galapagos NV and AbbVie S.à r.l. ("AbbVie") dated 24 October 2018 contains provisions granting certain rights to AbbVie upon the occurrence of a public takeover bid on our shares or a change of control in respect of Galapagos NV, including, but not limited to clause 11.2 (*Change in Control of Galapagos*), entitling AbbVie, to oblige Galapagos NV to take appropriate measures to avoid the disclosure of confidential information, to limit AbbVie's reporting obligations to Galapagos NV, or, depending on the stage in which the change of control occurs, to terminate the agreement.

## Procedure for amendments to Galapagos NV's articles of association

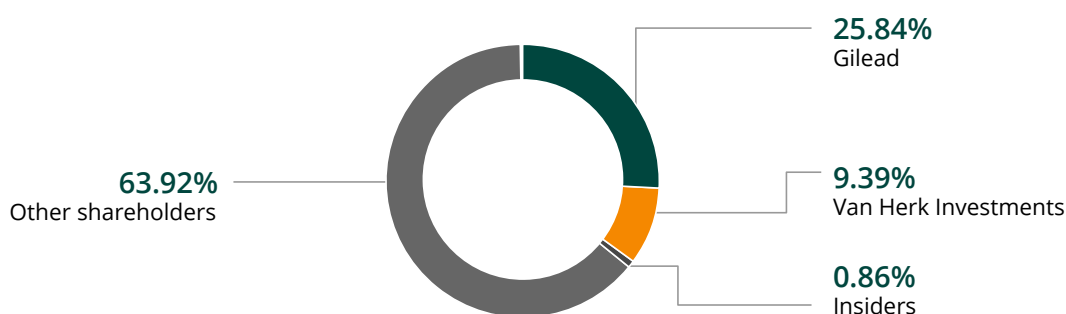
Pursuant to the New Belgian Companies Code, any amendment to the articles of association, such as an increase or decrease in the share capital of Galapagos NV, and certain other matters, such as the approval of the dissolution, merger or de-merger of Galapagos NV may only be authorized with the approval of at least 75% of the votes validly cast at an extraordinary shareholders' meeting where at least 50% of Galapagos NV's share capital is present or represented. If the attendance quorum of 50% is not met, a new extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting.

## Shareholders

### Major shareholders of Galapagos NV

Based on the transparency notifications received by Galapagos NV under Belgian law and the statements of acquisition of beneficial ownership filed with the U.S. Securities and Exchange Commission under U.S. securities law, the shareholders owning 5% or more of Galapagos NV's shares on 31 December 2019 were Gilead Therapeutics A1 Unlimited Company (16,707,477 shares or 25.84%) and Van Herk Investments B.V. (6,071,472 shares or 9.39%).

#### Major shareholders on 31 December 2019



At the end of 2019, our CEO owned 478,289 shares of Galapagos NV and 826,874 warrants. The other members of our executive committee held an aggregate of 75,357 shares and 1,345,000 warrants. The other members of our board held an aggregate of 177,600 warrants. Each warrant entitles its holder to subscribe to one share of Galapagos NV. While the other board members did not personally hold any shares at the end of 2019, board members Daniel O'Day and Linda Higgins are representatives of our major shareholder Gilead.

### Agreements between Galapagos NV shareholders

On the date of this report, Galapagos NV had no knowledge of the existence of any shareholders' agreements between its shareholders.

### Agreements with major Galapagos NV shareholders

On 14 July 2019, we and Gilead announced that we entered into a 10-year global research and development collaboration. In the context of the transaction, Gilead also made an equity investment in Galapagos. Finally, we amended and restated the license agreement for filgotinib that we originally entered into with Gilead on 16 December 2015.

On 23 August 2019, the closing of the transaction took place and we received an upfront payment of €3,569.8 million (\$3.95 billion) and a €960.1 million (\$1.1 billion) equity investment from Gilead.

#### Terms of the equity investment

As part of the research and development collaboration, Gilead entered into a share subscription agreement with us. On 23 August 2019, Gilead Therapeutics A1 Unlimited Company subscribed to 6,828,985 new Galapagos shares at a price of €140.59 per share, including issuance premium.



Subject to the approval of Galapagos' shareholders and certain other conditions, Gilead has the right under the terms of the share subscription agreement to have two designees appointed to our board of directors. The special shareholders' meeting of 22 October 2019 approved the appointment of Daniel O'Day and Linda Higgins as directors of Galapagos NV.

On 22 October 2019, our extraordinary shareholders' meeting further issued a warrant to Gilead Therapeutics A1 Unlimited Company, known as warrant A, that confers the right to subscribe for a number of new shares sufficient to bring the number of shares owned by Gilead and its affiliates to 25.1% of the issued and outstanding shares. Warrant A expires one year after the issue date and the exercise price per share is €140.59. On 6 November 2019, Gilead exercised warrant A and increased its ownership in Galapagos to 25.10% of the then outstanding shares.

On 22 October 2019, Gilead Therapeutics A1 Unlimited Company was also issued another warrant, known as the initial warrant B, that confers the right to subscribe for a number of new shares sufficient to bring the number of shares owned by Gilead and its affiliates to 29.9% of the issued and outstanding shares. The warrant will expire on 23 August 2024. The exercise price per share will be the greater of (i) 120% multiplied by the arithmetic mean of the 30-day daily volume weighted average trading price of the Galapagos shares preceding the date of the exercise notice with respect to such exercise, and (ii) €140.59. Between 57 and 59 months of 23 August 2019, subject to and upon approval by the shareholders' meeting, Gilead Therapeutics A1 Unlimited Company will be issued a warrant with substantially similar terms, including as to exercise price, to the initial warrant B. This subsequent warrant B will expire on the earlier of the date that is five years after the fifth anniversary of the closing and the date that the warrant is issued.

Gilead and Gilead Therapeutics A1 Unlimited Company are subject to certain standstill restrictions until the date that is 10 years following the closing (23 August 2019). Among other things, during this time Gilead and its affiliates and any party acting in concert with them may not, without our consent, acquire voting securities of Galapagos exceeding more than 29.9% of the then issued and outstanding voting securities, and Gilead and Gilead Therapeutics A1 Unlimited Company may not propose a business combination with or acquisition of Galapagos. The standstill restrictions are subject to certain exceptions as provided in the share subscription agreement.

Pursuant to the terms of the share subscription agreement, Gilead and Gilead Therapeutics A1 Unlimited Company also agreed to certain lock-up provisions. They shall not, and shall cause their affiliates not to, without our prior consent, dispose of any equity securities of Galapagos prior to the second anniversary of the closing (23 August 2019). During the period running from the date that is two years following the closing until the date that is five years following the closing, Gilead and its affiliates shall not, without our prior consent, dispose of any equity securities of Galapagos if after such disposal they would own less than 20.1% of the then issued and outstanding voting securities of Galapagos. The lock-up restrictions are subject to certain exceptions as provided in the share subscription agreement and may terminate upon certain events.

### Terms of the global research and development collaboration

We will fund and lead all discovery and development autonomously until the end of Phase 2. After the completion of a qualifying Phase 2 study (or, in certain circumstances, the first Phase 3 study), Gilead will have the option to acquire a license to the compound outside Europe. If the option is exercised, we and Gilead will co-develop the compound and share costs equally. Gilead will maintain option rights to our programs through the 10-year term of the collaboration. This term can be extended, at the discretion of Gilead, for up to an additional three years thereafter for those programs, if any, that have entered clinical development prior to the end of the collaboration term. On top, a final term extension can be granted in certain circumstances.

If GLPG1690 is approved in the United States, Gilead will pay us an additional \$325 million regulatory milestone fee. For GLPG1972, after the completion of the ongoing Phase 2b study in osteoarthritis, Gilead has the option to pay a \$250 million fee to license the compound in the United States. If certain secondary efficacy endpoints



for GLPG1972 are met, Gilead will pay us up to an additional \$200 million. Following opt-in on GLPG1972, we are eligible to receive up to \$550 million in regulatory and sales based milestones. For all other programs resulting from the collaboration, Gilead will make a \$150 million opt-in payment per program and will owe no subsequent milestones. We will receive tiered royalties ranging from 20-24% on net sales of all our products licensed by Gilead in all countries outside Europe as part of the agreement.

### Filgotinib collaboration

Under the revised agreement, we will have greater involvement in filgotinib's global strategy and participate more broadly in the commercialization of the product in Europe, providing the opportunity to build a commercial presence on an accelerated timeline. We and Gilead will co-commercialize filgotinib in France, Germany, Italy, Spain and the United Kingdom and retain the 50/50 profit share in these countries that was part of the original filgotinib license agreement, and under the revised agreement, we will have an expanded commercial role. We will be the lead commercialization party for filgotinib in France, Italy and Spain for rheumatology indications and Gilead will be the lead commercialization party for gastro indications. In Germany and the United Kingdom, Gilead will lead the rheumatology indications and Galapagos will lead the gastro indications. We retain exclusive commercialization responsibility in Belgium, the Netherlands and Luxembourg, where the 50/50 profit share also applies. The companies will share future global development costs for filgotinib equally until a predetermined level, in lieu of the 80/20 cost split provided by the original agreement.

Other terms of the original license agreement remain in effect, including the remaining \$640 million in development and regulatory milestones, sales-based milestone payments of up to \$600 million and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom. In addition, we achieved two milestones in December 2019 totaling \$30 million.



## Our remuneration policy

The objective of our remuneration policy is to attract, motivate and retain the diverse qualified and expert individuals that we need in order to achieve our strategic and operational objectives. Our further goals are to be competitive in the appropriate market by benchmarking against appropriate peer groups, incentivize performance at the highest possible level, allow for differential rewards according to individual performance, not to discriminate on any grounds other than performance and to reinforce an open, fair, consistent and equitable culture. In light of the remuneration policy, the structure of the remuneration package for the executive committee is designed to balance short-term operational performance with the long-term objective of creating sustainable value, while taking into account the interests of all stakeholders.

The nomination and remuneration committee also develops the company's global remuneration framework, which applies to all employees. The nomination and remuneration committee has taken into account the remuneration of the employees when preparing this policy.

The policy is effective as of 1 January 2020. It has been approved by the board of directors on 24 March 2020, upon recommendation of the nomination and remuneration committee. It will be submitted to the annual shareholders' meeting on 28 April 2020.

Subject to the approval of our shareholders' meeting to be held on 28 April 2020 of the amendments to our articles of association to opt for a dual governance structure under the New Belgian Companies Code, the rules described in this remuneration policy for members of the board of directors will apply to members of the supervisory board and the arrangements described in this remuneration policy for members of the executive committee will apply to members of the management board.

### Determination of remuneration of directors and executive committee members of Galapagos NV

The remuneration for members of the board of directors and of the executive committee (including the CEO) is determined by the board of directors on the basis of proposals from the nomination and remuneration committee. It is subject to the approval of the shareholders' meeting where required, and takes into account the feedback received from shareholders. It also takes into account relevant benchmarks with appropriate peer companies and, for the members of the executive committee, also the group's performance rating system. For the benchmarking exercise, the nomination and remuneration committee works with reputable external advisors. The peer group that is taken into consideration consists of publicly listed peer companies in the U.S. and Europe in the biopharmaceutical industry with a comparable market capitalization. Further details on the identity of the external advisors for a given year are included in our remuneration report for that year.

The group's performance rating system assesses the performance of individual employees and managers over the calendar year against a set of objectives determined at the start of the year, resulting in a rating between 1 (unacceptable performance) and 5 (outstanding performance). In addition, the achievement of pre-determined annual corporate objectives is also taken into account to determine remuneration increases and bonuses. This also applies to the members of the executive committee (including the CEO).

The nomination and remuneration committee is composed exclusively of non-executive board members and a majority of its members qualify as independent directors. This helps prevent the occurrence of conflicts of interest regarding the setting up, amendments and implementation of the remuneration policy in relation to the executive committee members of Galapagos NV. The CEO and the other members of the executive committee



are not invited to take part in any discussions of the nomination and remuneration committee related to their own individual remuneration. As regards the remuneration of the non-executive board members, all decisions are adopted by the shareholders' meeting.

## Remuneration policy for directors

The remuneration of the non-executive directors consists of a fixed annual cash amount, irrespective of the number of board meetings that are held during the year. The remuneration of the non-executive directors does not contain a variable part. The board fees are paid in quarterly installments at the end of each calendar quarter.

As Galapagos does not own treasury shares and has not been authorized by its shareholders to acquire treasury shares, it is currently unable to grant shares directly to the non-executive directors as part of their remuneration in accordance with provision 7.6 of the 2020 Code. However, as from financial year 2020 and subject to approval by the shareholders' meeting, the non-executive directors will receive an additional cash compensation equal to the amount of their fixed annual cash remuneration (not taking into account fees for committee membership and chairmanship) subject to the commitment by each non-executive director to use the net portion (after taxation) of such cash remuneration to purchase shares of Galapagos in the open market within a set period of time after receipt of such cash remuneration. The shares that each non-executive director so acquires are to be held until at least one year after the non-executive director leaves the board and at least three years after the time of acquisition.

As from 1 January 2020, Galapagos will no longer grant any warrants to non-executive directors.

## Remuneration policy for executive committee members

The remuneration of the CEO and of the other members of the executive committee consists of short-term and long-term remuneration. The short-term remuneration includes a fixed part, i.e. a base annual remuneration in cash, and a variable part, i.e. a cash bonus. The long-term incentives include the grant of warrants and restricted stock units. In accordance with the rules of the New Belgian Companies Code, the grant of all variable remuneration is dependent on the achievement of certain criteria and at least 50% of the variable remuneration consists of long-term incentives. The vesting scheme of the restricted stock units takes into account the requirement that at least one fourth of the variable remuneration is determined on the basis of objective criteria measured over at least two years and at least one fourth of the variable remuneration is determined on the basis of objective criteria measured over at least three years.

### Short-term remuneration

#### Fixed remuneration

The fixed annual remuneration in cash of the members of the executive committee is determined by the board upon the recommendation of the nomination and remuneration committee. External benchmarking exercises are conducted to ensure the remuneration remains competitive and in line with market practice for our peer group.

#### Variable remuneration – general rules

Variable remuneration is merit-driven and based on our performance rating system that is based on individual performance (including exceptional deliverables) in combination with our overall performance, compared to individual and corporate objectives that are established annually. The corporate objectives and the CEO's objectives are established annually by the board of directors upon recommendation of the nomination and remuneration committee, and the objectives of the other members of the executive committee are established annually by the CEO and are in relation to the corporate objectives set by the board. These objectives are designed to be challenging to achieve.



The corporate objectives include elements of research progress, clinical trial progression, cash position, corporate development and commercial development; all of which are considered to be of equal importance. Our ambition is to become a fully integrated biopharmaceutical company focused on the development and commercialization of novel medicines in areas of unmet medical needs to improve the lives of people suffering from serious diseases. In order to achieve this long term goal, we want to ensure we keep innovation in our research efforts while also making sound progress in our clinical trials each year and maintaining a healthy cash position. In addition, our corporate development goals aim to foster the growth of the company and the creation of value for all shareholders. Finally, our commercial development goal is intended to bring us closer to becoming a fully integrated biopharmaceutical company that can (subject to having obtained governmental approvals) bring novel medicines to market.

The level of achievement of the objectives for the CEO is assessed at the end of each year by the nomination and remuneration committee and discussed and finally established by the board of directors. The level of achievement of the objectives of the other members of the executive committee is assessed by the CEO at the end of the year, discussed by the nomination and remuneration committee and finally established by the board of directors.

The variable remuneration takes the form of a short term cash bonus and a grant of long term RSUs. In addition, the members of the executive committee are granted warrants.

### **Cash bonus**

The CEO's cash bonus can be maximum 75% of the fixed part of his annual remuneration of the year for which the bonus is awarded. The aggregate cash bonuses of the other members of the executive committee can be maximum 50% of the total amount of the fixed part of their aggregate annual remuneration of the year for which the bonus is awarded.

The level of the achieved bonus is established annually by the board of directors upon recommendation of the nomination and remuneration committee (with respect to the other members of the executive committee, such recommendation is based on proposals from the CEO).

For bonuses granted prior to 2019, pursuant to the rules of the then applicable Senior Management Bonus Scheme, 50% of the bonus was paid immediately around year-end and the payment of the other 50% was deferred for three years. Therefore, the following mechanism still applies for the deferred portion of the bonuses relating to financial year 2016, 2017 and 2018. The deferred 50% component is dependent on the change in the price of Galapagos NV's share relative to the Next Biotech Index (which tracks Euronext-listed biotech companies) over a period of three years. Depending on whether our share price change is better or worse than the Next Biotech Index, the deferred bonus will be adjusted up to take into account the relative share price change if it is better, adjusted down if the relative share price change is up to 10% worse or forfeited entirely if the relative share price change is more than 10% worse than the index.

For bonuses granted as from 2019, bonuses consist of both a short-term cash component and a long-term RSU component.

### **Long-term incentives**

#### **Restricted stock units**

Each RSU represents the right to receive one Galapagos share or a payment in cash of an amount equivalent to the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the relevant vesting date, in accordance with these terms and conditions of the relevant RSU program.



There are three restricted stock unit (RSU) programs:

1. the Annual Long-Term Incentive Plan, under which the grants are intended to be made every year, subject to a decision of the board of directors. This plan is intended to provide a long-term incentive to certain of our employees and executive committee members and replaces the deferred portion of the bonus under the old Senior Management Bonus Scheme;
2. the RSU Retention Plan. This plan was introduced in conjunction with the Gilead transaction. It is aimed at retaining a specific set of our employees and executive committee members whose retention is deemed so important for the future performance of Galapagos that an additional incentive is desired. The beneficiaries are nominated by the nomination and remuneration committee and the board approves the list of beneficiaries. The four-year vesting period is designed to be aligned with long-term shareholder interests; and
3. the RSU Discretionary Plan. This plan was granted at the discretion of the board of directors, as announced in our remuneration policy included in the annual report relating to financial year 2018 under the header "Information on the remuneration policy for the next two years".

In general, the RSU plans are intended to provide certain members of the executive committee and certain employees of Galapagos the opportunity to receive Restricted Stock Units as an incentive. Their purpose is to retain and encourage participants to contribute to the performance of Galapagos and its affiliates by aligning their financial interests with those of the shareholders.

The main characteristics of these plans are as follows:

1. the RSUs are offered for no consideration
2. four-year vesting period, with 25% vesting each year, except for the RSUs granted under the RSU Discretionary Plan and, solely for beneficiaries who are executive committee members, the Annual Long-Term Incentive Plan, that will all vest at the same time three years after the offer date;
3. payout will be in cash or shares, at Galapagos' discretion, it being understood that in respect of members of the executive committee, any vesting prior to the third anniversary of the offer date will always give rise to a payment in cash rather than a delivery of shares as an incentive; and
4. in case of termination of service before the vesting date, forfeiture rules apply.

Under the Annual Long-Term Incentive Plan, the CEO is eligible to receive RSUs up to the equivalent of 75% of the fixed part of his annual remuneration, and the other members of the executive committee are eligible to receive RSUs up to the equivalent of 50% of the total amount of the fixed part of their aggregate annual remuneration, as an equity-based long-term bonus.

### **Warrant plan**

Galapagos grants warrants to the members of the executive committee as part of discretionary warrant plans for the benefit of our staff. Under the New Belgian Companies Code, warrants are called subscription rights.

The main characteristics of these plans are as follows:

1. The warrants are offered for no consideration;
2. The warrants typically have a lifetime of eight years and a vesting period of three years after the year of grant; and
3. Forfeiture rules apply in case of termination prior to the end of the vesting period.

The exercise price of the warrants is determined by the board but amounts to at least (i) the average of the price of the Galapagos share on Euronext during the last thirty days preceding the date of the warrant offer or (ii) the closing price of the Galapagos share on Euronext on the last trading day preceding the date of the warrant offer.



## Exceptional bonus schemes

Exceptional special bonuses, outside the scope of the regular bonus schemes, can be considered by the board upon recommendation of the nomination and remuneration committee in the event of and for exceptional achievements. They may take the form of a payment in cash and/or a grant of RSUs.

For example, an exceptional grant of a cash bonus and RSU grant took place in 2019 under an RSU Transaction Bonus Plan for the successful closing of the Gilead transaction. The main characteristics of such plan are the same as described above regarding the other RSU plans, except that 50% of the RSUs granted under the RSU Transaction Bonus Plan will vest after two years and 50% will vest after three years.

## Benefits in kind

In addition, the CEO and/or the other members of the executive committee enjoy a number of benefits such as a retirement plan, insurance programs (covering life insurance, disability, travel insurance and health), company cars and the provision of tax advisory services. The aforementioned retirement plan is set up as a defined contribution type and is in line with market practice in Belgium.

## Main contractual terms and conditions of employment of members of the executive committee

As from 1 January 2020, all members of the executive committee will provide their services under a management agreement with Galapagos NV, subject to Belgian law, that contains a notice period of six months and no other severance payments. Galapagos NV also entered into undertakings with the CEO and the other members of the executive committee providing that in case their contract with the group is terminated as a result of a change of control of Galapagos, they would be entitled to a severance compensation of 12 months' base salary for the CEO and 9 months' base salary for the other members of the executive committee.

The paragraphs below set forth the main terms of the agreements that applied until 31 December 2019.

### Onno van de Stolpe

Until 31 December 2019, Mr. Van de Stolpe provided his services as managing director and CEO under a management agreement for an indefinite period dated 1 March 2002, subject to Belgian law, with Galapagos NV for approximately 40% of his time. In addition, effective 1 March 2011 he entered into (1) an employment agreement, subject to Dutch law, with Galapagos B.V. on a part-time basis, for approximately 35% of his time, and (2) a management agreement, subject to French law, with Galapagos SASU for approximately 25% of his time. The notice period under such agreements amounts to six months.

### Bart Filius

Until 31 December 2019, Mr. Filius provided his services as Chief Financial Officer and Chief Operating Officer under an employment agreement for an indefinite period starting from 1 December 2014, subject to Dutch law, with Galapagos B.V., for approximately 60% of his time. In addition, Mr. Filius entered into a management agreement, subject to Belgian law, with Galapagos NV for approximately 40% of his time. The notice period under such agreements amounts to six months.

### Andre Hoekema

Until 31 December 2019, Dr. Hoekema provided his services as Chief Business Officer under an employment agreement for an indefinite period with Galapagos B.V., subject to Dutch law. The notice period under such agreement amounts to six months for Galapagos B.V. and three months for Dr. Hoekema.



### **Piet Wigerinck**

On 28 February 2008, we entered into a management agreement, subject to Belgian law, with Dr. Wigerinck, for an indefinite period. Dr. Wigerinck was appointed Chief Scientific Officer effective 1 March 2012. The management agreement stipulates that Dr. Wigerinck shall perform his duties thereunder on an independent basis. The notice period under such agreement amounts to six months.

### **Walid Abi-Saab**

Until 31 December 2019, Dr. Abi-Saab performed his duties as Chief Medical Officer under an employment agreement for an indefinite period dated 16 January 2018 with Galapagos GmbH, subject to Swiss law. The notice period under such agreement amounts to six months.

### **Reclaim of variable remuneration**

The RSU plans and warrant plans contain bad leaver provisions that can result in forfeiture of any unvested RSU and/or warrant grants in case the beneficiary leaves Galapagos prior to the relevant vesting date. No other provisions entitling Galapagos to reclaim variable remuneration were in place.

However, starting from financial year 2020, contractual provisions will apply to ensure that Galapagos has the right to have each executive committee member forfeit any unvested RSUs, deferred portion of previous cash bonus or unvested warrants in the event of a restatement of the financial statements that has a material negative effect on Galapagos or a material breach of our Code of Business Conduct and Ethics.

### **Minimum share ownership**

Starting from financial year 2020, the board has set a minimum threshold of shares to be held at any time by the CEO to the number of shares equivalent to one year of the CEO's fixed remuneration and by the other members of the executive committee to the number of shares equivalent to six months' of the relevant executive committee member's fixed remuneration. The threshold will be re-calculated on an annual basis. To determine the equivalent number of shares for a given calendar year, the closing price of the Galapagos share on Euronext Amsterdam of the last trading day of the preceding calendar year and the fixed remuneration granted for such preceding calendar year will be taken into account. Thresholds need to be reached within four years. Such deadlines start to run from the date of adoption of this remuneration policy for executive committee members already in office or from the date of the appointment for future members of the executive committee.

### **Deviations from this policy**

In exceptional circumstances, the board of directors may decide to deviate from any items of this policy if necessary to serve the long-term interests and sustainability of the Company. Any such deviation must be discussed at the nomination and remuneration committee, which will provide a substantiated recommendation to the board of directors. Any deviation from this policy will be described and explained in the Company's [remuneration report](#).

We do not expect material changes to this remuneration policy to be made in the next two years.



## Remuneration report

**This remuneration report must be read together with the remuneration policy which, to the extent necessary, should be regarded as forming part of this remuneration report.**

The nomination and remuneration committee and the board of directors were assisted by Willis Towers Watson as external consultants for the conduct of benchmarking exercises regarding remuneration matters.

### Remuneration of non-executive directors of Galapagos NV

Upon recommendation of the nomination and remuneration committee, and upon the proposal of the board of directors, the annual shareholders' meeting of 30 April 2019 resolved that the compensation (excluding expenses) of the non-executive directors for the exercise of their mandate during the financial year ending 31 December 2019 was established as follows: (i) chairman of the board (Dr. Parekh): €80,000; (ii) other non-executive board members (Mr. Rowe, Ms. Bosley, Dr. Kerr and Mr. Guenter, and until 30 April 2019, Dr. Cautreels and Dr. Mummery): €40,000 each; (iii) annual additional compensation for membership of a board committee (audit committee: Dr. Kerr and Dr. Cautreels, replaced by Mr. Guenter as from 18 June 2019; nomination and remuneration committee: Mr. Rowe and Ms. Bosley): €5,000; (iv) annual additional compensation for the chairmanship of a board committee (audit committee: Mr. Rowe; nomination and remuneration committee: Dr. Parekh): €10,000.

Upon recommendation of the nomination and remuneration committee, the special shareholders' meeting of 22 October 2019 resolved that Mr. O'Day and Dr. Higgins would not receive any remuneration for their mandate as non-executive directors.

Subject to the approval of the shareholders' meeting to be held on 28 April 2020, the annual remuneration for the non-executive directors will be increased, in line with the median of our peer group, to €100,000 in cash for the chairman of the board and €50,000 in cash for the other non-executive board members (other than Mr. O'Day and Dr. Higgins). Committee membership would entitle the board member to an additional €15,000 in cash and committee chairmanship to €20,000 in cash.

In addition, the chairman would receive a payment of €100,000 and each board member (other than Mr. O'Day and Dr. Higgins) would receive a payment of €50,000, in each case subject to the requirement to use the net amount (after taxes) to acquire Galapagos shares. These latter payments make up the equivalent of an equity component of the directors' remuneration, as recommended by the 2020 Code. Further details can be found in the [Remuneration policy for directors](#) section of our remuneration policy.

The remuneration of the non-executive directors does not contain a variable part; hence no performance criteria apply to the remuneration of the non-executive directors.

In 2019, we issued two warrant plans for the benefit of employees of the group and of the directors and one independent consultant of Galapagos NV: Warrant Plan 2019 and Warrant Plan 2019 RMV. In accordance with the resolution of the annual shareholders' meeting of 30 April 2019, the following number of warrants were offered under Warrant Plan 2019 to the non-executive directors: Dr. Parekh: 15,000 warrants; and Mr. Guenter, Ms. Bosley, Mr. Rowe and Dr. Kerr: each 7,500 warrants. All directors accepted the warrants offered. These warrants have a term of eight years. The exercise price of the warrants is €95.11. As regards the directors, the warrants vest over a period of 36 months at a rate of 1/36th per month. The warrants cannot be transferred and cannot be exercised prior to the end of the third calendar year following the year of the grant. No warrants were offered to directors under Warrant Plan 2019 RMV. The board of directors did not consider the above warrants as variable remuneration as defined by the Belgian Companies Code as they are not subject to any performance-related criteria.



Provision 7.7 of the 2009 Code recommended that non-executive directors should not be entitled to stock-related long-term incentive schemes. In deviation from this provision, the board of directors decided to grant warrants to non-executive directors. This way, Galapagos had additional possibilities to attract competent non-executive directors and to offer them an attractive additional remuneration that does not affect Galapagos' cash position. Furthermore, the grant of warrants has been a commonly used method in the sector in which Galapagos operates. Without this possibility, Galapagos was confronted with a considerable disadvantage compared to competitors and peer companies that do offer stock-related incentive schemes to their non-executive directors. The board of directors is of the opinion that the granting of warrants had no negative impact on the functioning of the non-executive directors.

Nevertheless, as from 1 January 2020, Galapagos NV will no longer grant any warrants to non-executive directors, taking into account the stricter rules of the New Belgian Companies Code. Going forward, Galapagos will thus comply with provision 7.6 of the 2020 Code.

## Remuneration of executive directors of Galapagos NV

Mr. Van de Stolpe is an executive member of the board of directors. As managing director and CEO, he acts as chairman of the executive committee. Mr. Van de Stolpe does not receive any specific or additional remuneration for his work on the board of directors, as this is part of his total remuneration package as member of the executive committee.

## Criteria and methods to evaluate the performance of Galapagos NV's CEO and other executive committee members in connection with their performance-based remuneration

For 2019, the performance criteria include elements of research progress (number of targets identified and pre-clinical candidates nominated), clinical trial progression (target number of clinical trials initiated and completed), cash position (actual cash burn versus guidance), corporate development (achievement of business development transaction, organizational growth and quality goals) and commercial development (filgotinib commercialization plan). Each of the corporate objectives is clear and measurable so that it is easy to determine whether or not a specific objective has been achieved or not.

The board determined that the corporate objectives for 2019, which were aimed at fostering the company's long-term performance, had been achieved and on some aspects overachieved. The remuneration for 2019 takes into account the contributions the members of the executive committee made to these achievements. The nomination and remuneration committee and board of directors used their ability to award an exceptional special bonus for the successful closing of the Gilead transaction, with the conviction that the Gilead alliance secured substantial capital and put other conditions in place for independent R&D innovation and value creation in the longer term, in line with shareholder interests.

The total remuneration complies with the adopted remuneration policy which applied at the time the remuneration was granted. The remuneration policy that was in place during the previous financial year can be found in the remuneration report included in our annual report relating to the year ended 31 December 2018.



## Gross remuneration of our CEO for financial year 2019

1. Base salary (fixed): €600,000 (including €18,859.44 in the form of pension contributions).
2. Variable remuneration (bonus): given the level of achievement of the performance criteria to be entitled to a bonus (i.e. the corporate objectives for 2019), a cash bonus equal to 75% of the 2019 base salary (i.e. €450,000) was awarded over 2019 and will be paid in April 2020, and an equivalent number of RSUs (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2020) will be granted under the Annual Long-Term Incentive Plan. The value of the 50% deferred part of the bonus awarded over 2016 was established at the end of 2019 and resulted in a payment in early January 2020 of an amount of €772,104.57 (a multiple of 3.3 of the deferred bonus, as a result of the share price performance over the period 2016-2019 as per the provisions of the Senior Management Bonus Scheme). In addition, an amount of €2,500,000 was paid and 16,922 RSUs were granted in October 2019, both as an exceptional special bonus awarded for the successful closing of the Gilead alliance transaction in 2019.

The proportion of fixed remuneration to variable remuneration thus amounted to 1:6.

3. Pension: €67,661.36 (of which €18,859.44 is part of the base salary).
4. Other components of the remuneration: company car, tax advisory services, and payments for invalidity and healthcare cover, totaling €42,564.45.

The table below further summarizes the information concerning the compensation earned by our CEO during the year ended 31 December 2019:

(€)	Onno van de Stolpe
Fixed remuneration (gross)	600,000.00
Variable remuneration (short-term)	2,950,000.00
Variable remuneration (long-term)	772,104.57
Pension/life	48,801.92
Other benefits	42,564.45
<b>Total</b>	<b>4,413,470.94</b>



## Gross remuneration of the other executive committee members for financial year 2019

### COO & CFO

1. Base salary (fixed): €400,000.00.
2. Variable remuneration (bonus): given the level of achievement of the performance criteria to be entitled to a bonus (i.e. the corporate objectives for 2019), a cash bonus equal to €273,000 was awarded over 2019 and will be paid in April 2020, and an equivalent number of RSUs (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2020) will be granted under the Annual Long-Term Incentive Plan. The value of the 50% deferred part of the bonus awarded over 2016 was established at the end of 2019 and resulted in a payment in early January 2020 of an amount of €385,570.81 (a multiple of 3.3 of the deferred bonus, as a result of the share price performance over the period 2016-2019 as per the provisions of the Senior Management Bonus Scheme). In addition, an amount of €2,500,000 was paid and 16,922 RSUs were granted in October 2019, both as an exceptional special bonus awarded for the successful closing of the Gilead alliance transaction in 2019.

The proportion of fixed remuneration to variable remuneration thus amounted to 1:8.

3. Pension: €44,158.88.
4. Other components of the remuneration: company car, tax advisory services, and payments for invalidity cover, totaling €29,938.24.

### CSO

1. Base salary (fixed): €400,000 (including €20,000 in the form of pension contributions).
2. Variable remuneration (bonus): given the level of achievement of the performance criteria to be entitled to a bonus (i.e. the corporate objectives for 2019), a cash bonus equal to €175,500 was awarded over 2019 and will be paid in April 2020, and an equivalent number of RSUs (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2020) will be granted under the Annual Long-Term Incentive Plan. The value of the 50% deferred part of the bonus awarded over 2016 was established at the end of 2019 and resulted in a payment in early January 2020 of an amount of €385,570.81 (a multiple of 3.3 of the deferred bonus, as a result of the share price performance over the period 2016-2019 as per the provisions of the Senior Management Bonus Scheme). In addition, an amount of €1,500,000 was paid and 10,153 RSUs were granted in October 2019, both as an exceptional special bonus awarded for the successful closing of the Gilead alliance transaction in 2019.

The proportion of fixed remuneration to variable remuneration thus amounted to 1:5.

3. Pension: €60,000 (of which €20,000 are part of the fixed base salary).
4. Other components of the remuneration: healthcare cover, totaling €203.76.

**CBO**

1. Base salary (fixed): €360,000.
2. Variable remuneration (bonus): given the level of achievement of the performance criteria to be entitled to a bonus (i.e. the corporate objectives for 2019), a cash bonus of €156,000 was awarded over 2019 and will be paid in April 2020, and an equivalent number of RSUs (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2020) will be granted under the Annual Long-Term Incentive Plan. The value of the 50% deferred part of the bonus awarded over 2016 was established at the end of 2019 and resulted in a payment in early January 2020 of an amount of €385,570.81 (a multiple of 3.3 of the deferred bonus, as a result of the share price performance over the period 2016-2019 as per the provisions of the Senior Management Bonus Scheme). In addition, an amount of €2,500,000 was paid and 16,922 RSUs were granted in October 2019, both as an exceptional special bonus awarded for the successful closing of the Gilead alliance transaction in 2019.

The proportion of fixed remuneration to variable remuneration thus amounted to 1:8.

3. Pension: €77,333.59.
4. Other components of the remuneration: company car and payments for invalidity cover, totaling €21,141.70.

**CMO**

1. Base salary (fixed): €400,000.00.
2. Variable remuneration (bonus): given the level of achievement of the performance criteria to be entitled to a bonus (i.e. the corporate objectives for 2019), a cash bonus equal to €175,500 was awarded over 2019 and will be paid in April 2020, and an equivalent number of RSUs (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2020) will be granted under the Annual Long-Term Incentive Plan. In addition, an amount of €1,500,000 was paid and 10,153 RSUs were granted in October 2019, both as an exceptional special bonus awarded for the successful closing of the Gilead alliance transaction in 2019.

The proportion of fixed remuneration to variable remuneration thus amounted to 1:4.

3. Pension: €73,412.60.
4. Other components of the remuneration: tax advisory services, and payments for invalidity cover, totaling €15,058.53.

The table below further summarizes the information concerning the compensation earned by the members of our executive committee during the year ended 31 December 2019:

(€)	Bart Filius	Piet Wigerinck	Andre Hoekema	Walid Abi-Saab
Fixed remuneration (gross)	400,000.00	400,000.00	360,000.00	400,000.00
Variable remuneration (short-term)	2,773,000.00	1,675,500.00	2,656,000.00	1,675,500.00
Variable remuneration (long-term)	385,570.81	385,570.81	330,489.73	–
Pension/life	44,158.88	40,000.00	77,333.59	73,412.60
Other benefits	29,938.24	203.76	21,141.70	15,058.53
<b>Total</b>	<b>3,632,667.93</b>	<b>2,501,274.57</b>	<b>3,444,965.02</b>	<b>2,163,971.13</b>



## Warrants awarded to, exercised by or expired for the executive committee members during financial year 2019

The following number of warrants were offered to and accepted by members of the executive committee in 2019 under Warrant Plan 2019, issued by the board of directors under the authorized capital on 10 April 2019: to Mr. Van de Stolpe: 100,000 warrants, to Mr. Filius: 65,000 warrants, to each of Dr. Hoekema, Dr. Wigerinck and Dr. Abi-Saab: 50,000 warrants.

The warrants issued under Warrant Plan 2019 have an exercise price of €95.11, a life time of 8 years, and vest only and fully at the end of the third calendar year after the year of the grant, except for Mr. Van de Stolpe, whose warrants vest over a period of 36 months at a rate of 1/36th per month. The warrants cannot be exercised prior to the end of the third calendar year after the year of the grant; they are not transferable, and each warrant gives the right to subscribe to one share of Galapagos NV.

At the end of 2019, Mr. Van de Stolpe owned 478,289 shares of Galapagos NV and 826,874 warrants. The other members of the executive committee held an aggregate of 75,357 shares and 1,345,000 warrants. More specifically, Dr. Abi-Saab held 305,000 warrants, Mr. Filius held 10,000 shares and 315,000 warrants, Dr. Hoekema held 22,357 shares and 365,000 warrants and Dr. Wigerinck held 43,000 shares and 360,000 warrants. Each warrant entitles its holder to subscribe to one share of Galapagos NV.

No warrants expired for members of the executive committee in 2019 and, in aggregate, 282,500 warrants were exercised by members of the executive committee in 2019 (60,000 warrants were exercised by Mr. Van de Stolpe, 75,000 warrants by Mr. Filius, 100,000 warrants by Dr. Wigerinck and 47,500 warrants by Dr. Hoekema).

## RSUs awarded to, vested or expired for the executive committee members during financial year 2019

The following number of RSUs were offered to and accepted by members of the executive committee in 2019 under the RSU Discretionary Plan 2019: 15,000 RSUs to Mr. Van de Stolpe; 5,000 RSUs to each of Mr. Filius, Dr. Wigerinck and Dr. Abi-Saab and 3,000 RSUs to Dr. Hoekema. The RSUs have a vesting period of three years.

Under the RSU Retention Plan, the following number of RSUs were offered to and accepted by members of the executive committee in 2019: 25,606 RSUs to Mr. Van de Stolpe and 17,924 RSUs to each of Mr. Filius, Dr. Wigerinck and Dr. Abi-Saab. The RSUs have a vesting period of four years, with 25% of the RSUs vesting each year.

Under the RSU Transaction Bonus Plan 2019, the following number of RSUs were offered to and accepted by members of the executive committee in 2019: 16,922 RSUs to each of Mr. Van de Stolpe, Mr. Filius and Dr. Hoekema and 10,153 RSUs to each of Dr. Wigerinck and Dr. Abi-Saab. 50% of the RSUs have a vesting period of two years and 50% of the RSUs have a vesting period of three years.

Each RSU reflects the value of one Galapagos share and will be payable, at the company's discretion in cash or in shares, upon vesting. However, in respect of members of the executive committee, any vesting prior to the third anniversary of the offer date will always give rise to a payment in cash rather than a delivery of shares as an incentive.

No RSUs vested or expired during financial year 2019.



## **Contractual provisions regarding compensation for severance for the Galapagos NV executive committee members**

The contracts between Galapagos NV (or its relevant affiliates) and the CEO and other members of the executive committee do not provide for severance compensation. They do not contain notice periods that exceed six months. However, Galapagos NV entered into undertakings with the CEO and the other members of the executive committee, providing that in case their contract with the group is terminated as a result of a change of control of Galapagos, they would be entitled to a severance compensation of 12 months' base salary for the CEO and 9 months' base salary for the other members of the executive committee.

## **Severance payments for departing executive committee members during financial year 2019**

Not applicable; in 2019 no members of the executive committee (including the CEO) left Galapagos.

## **Claw-back right of Galapagos relating to variable remuneration**

In 2019, there were no contractual provisions in place between Galapagos and the CEO or the other members of the executive committee that give Galapagos a contractual right to reclaim from said executives the variable remuneration that would be awarded based on erroneous financial information.

As from 2020, contractual provisions will apply to ensure that Galapagos has the right to have the CEO or the other members of the executive committee forfeit any deferred or unvested portion of their variable remuneration in case of (i) a material breach of Galapagos' code of business conduct and ethics or (ii) a restatement of Galapagos' financial statements that has a material negative impact on the company.



## Conflict of interests and related parties

We consider that Gilead became a related party of Galapagos in 2019 because of Gilead's 25.84% shareholding in Galapagos and the fact that Gilead is entitled to propose two candidates to be appointed to our board of directors under the share subscription agreement. A detailed explanation of our transactions with Gilead in 2019 can be found in the section titled [Agreements with major Galapagos NV shareholders](#). We further refer to [note 29](#).

In the event of a transaction where a director's interest conflicts with the interest of Galapagos NV, the director shall notify the board of directors in advance of the conflict and will act in accordance with the relevant rules of the Belgian Companies Code (i.e. article 523 of the Belgian Companies Code and as of 1 January 2020, article 7:96 of the New Belgian Companies Code). In addition, Galapagos' Corporate Governance Charter and Galapagos' Related Person Transaction Policy contain procedures for transactions between Galapagos and its directors, members of its executive committee, major shareholders or any of their immediate family members and affiliates. Without prejudice to the procedure defined in article 523 of the Belgian Companies Code (and as of 1 January 2020, article 7:96 of the New Belgian Companies Code), these policies provide that all transactions between Galapagos and its directors, its members of the executive committee or its representatives need the approval of the audit committee and the board of directors, which approval can only be provided for transactions at normal market conditions. Moreover, conflicts of interest, even in the event they are not a conflict of interest within the meaning of article 523 of the Belgian Companies Code (and as of 1 January 2020, article 7:96 of the New Belgian Companies Code), are enacted in the meeting minutes, and the director or member of the executive committee cannot participate in the voting.

In 2019, the following conflicts of interests between Galapagos NV and a director within the meaning of article 523 of the Belgian Companies Code were noted:

- in a meeting of the board of directors held on 18 February 2019, the following was reported in accordance with article 523 of the Belgian Companies Code in connection with the proposed compensation review of the CEO: the chairman declared that Mr. Onno van de Stolpe had informed the board of directors of a conflict of interest, concerning the proposed compensation review of the CEO. The board considered that said compensation review was based on a benchmark exercise performed by an external advisor, and that the proposed amendments aim to align the compensation with the median of the peer group's compensation level. The update of the compensation structure will have no material impact on the financial position of the company. The board shared the opinion of the remuneration committee that the proposed amendments are justified and reasonable. Mr. Van de Stolpe did not take part in the deliberation and the vote concerning this decision.
- in a meeting of the board of directors held on 24 September 2019, the following was reported in accordance with article 523 of the Belgian Companies Code in connection with the proposed bonus for the CEO for the successful closing of the Gilead transaction: the chairman declared that Mr. Onno van de Stolpe had informed the board of directors of a conflict of interest, concerning the proposed award to him of a bonus. Given the contributions by the CEO to the successful completion of the transaction with Gilead, Mr. Van de Stolpe is granted a total bonus of EUR 5 million (of which 50% payable in cash and 50% through the grant of RSUs, with half of the RSUs vesting after 2 years and the other half of the RSUs vesting after 3 years). The board considered that said bonus is a justified reward for the results achieved by Mr. Van de Stolpe. The bonus will have no material impact on the financial position of the company. The board shared the opinion of the remuneration committee that the proposed bonus is justified and reasonable. Mr. Van de Stolpe did not take part in the deliberation and the vote concerning this decision.



- in a meeting of the board of directors held on 17 December 2019, the following was reported in accordance with article 523 of the Belgian Companies Code in connection with the proposed salary increase, bonus and grant of RSUs to the CEO: the chairman declared that Onno van de Stolpe had informed the board of directors of a conflict of interest, concerning the proposed salary increase and award to him of a bonus and RSUs. Given the actual level of achievement of the performance criteria to be entitled to a salary increase and a bonus (i.e. the corporate objectives for 2019) a bonus equal to 75% of his 2019 salary was awarded to Mr. Van de Stolpe in cash and for 2019 and an equivalent number of RSUs (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of March 2020) to be granted under the Annual Long-Term Incentive Plan. Mr. Van de Stolpe's salary was increased with 4% as of 2020. In addition, the grant of 25,000 RSUs under the RSU Retention Plan and 15,000 RSUs under the RSU Discretionary Plan to Mr. Van de Stolpe was ratified by the board. The board considered that said salary increase, bonus and RSU grants are a justified reward for the results achieved by Mr. Van de Stolpe in 2019. Furthermore, the board deemed the grant of RSUs to be an important tool in the retention of Mr. Van de Stolpe as CEO of the company. The salary increase, bonus and RSU grants will have no material impact on the financial position of the company. The board shared the opinion of the remuneration committee that the salary increase, proposed bonus and RSU grants are justified and reasonable. Mr. Van de Stolpe did not take part in the deliberation and the vote concerning this decision.



## Code of Business Conduct and Ethics

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We have established a Code of Business Conduct and Ethics to ensure that our directors, officers and employees are making ethical and legal decisions when conducting Galapagos' business and performing their day-to-day duties. We expect our directors, officers and employees to conduct business with integrity, ethics and respect for human rights. We expect them to turn away from conflicts of interest, corruption and fraud. To this end, we give trainings on this Code to our employees. So far, 92% of our employees from Galapagos R&D have completed the training.

The Code of Business Conduct and Ethics is available at [www.glp.com/charters-and-codes](http://www.glp.com/charters-and-codes).

We were not informed of any breaches of our Code of Business Conduct and Ethics in 2019.

## Statement by the board of directors

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The board of directors of Galapagos NV, represented by all its members, declares that, as far as it is aware, the statutory accounts and consolidated financial statements, prepared according to the applicable standards for financial statements, give a true and fair view of the equity, financial position and the results of Galapagos as of 31 December 2019.

The board of directors of Galapagos NV, represented by all its members, further declares that, as far as it is aware, this report to the shareholders for the financial year ending on 31 December 2019, gives a true and fair view on the development, results and position of Galapagos and on the most important risks and uncertainties with which Galapagos is confronted.

The board of directors will submit proposed resolutions to the shareholders' meeting to approve the annual accounts for the financial year 2019, and to release the directors and the statutory auditor from liability for the performance of their mandate during the financial year ended 31 December 2019.

Mechelen, 27 March 2020

On behalf of the board of directors

**Onno van de Stolpe**  
CEO

**Raj Parekh**  
Chairman