



COMBINED GENERAL MEETING DECEMBER 20, 2023

Supplemental Report on the Corporate Governance

**As adopted by Valneva's Supervisory Board
on November 6, 2023**

Section numbers in this report are those of Valneva's 2022 Universal Registration Document as filed with the *Autorité des Marchés Financiers* on March 30, 2023 (the **2022 URD**).

2.6.1 Compensation policy for corporate officers and Board members

This compensation policy will apply from December 20, 2023, on condition that the Company's shareholders approve the Company's conversion into a European company with a Board of Directors (the **Board**). The Company complies with MiddleNext Recommendation No. 16 on the definition, structure and transparency of compensation of corporate officers. The Company sets out the principles of its compensation policy below. These were determined by the Supervisory Board on the proposal of the Nomination and Compensation Committee. The management of potential conflicts of interest will be based on Article 3 of the new internal rules of the Board of Directors, and on Recommendation No. 2 of the MiddleNext Code.

The Nomination and Compensation Committee and the Board ensure that the compensation policy is in the corporate interest, is relevant to the Company's commercial strategy and contributes to the Company's long-term development, notably through the officer's goals and objectives and the associated variable compensation. Long-term incentive programs facilitate management stability, thus contributing to the Company's sustainability. The Board's Nomination and Compensation Committee verifies the consistency of the corporate officers' compensation with that of the other members of the Executive Committee, and the Human Resources department verifies the consistency of the compensation of the Executive Committee members with that of salaried senior managers. However, the compensation of the corporate officers is not determined on the basis of that of employees.

2.6.1.1 Compensation policy applicable to CEO and Associate Managing Officers (AMO)

The principles set out below in connection with the compensation of the CEO (*Directeur Général*) and AMOs (*Directeurs Généraux Délégués*) in 2023 and 2024 may apply to any new CEO or AMO possibly appointed in the future. The CEO and AMOs have entered into Management Agreements with the Company or its subsidiaries, for the duration of their term of office, and for which the applicable notice period, in case of early termination, is six months with effect at the end of a month.

Fixed, variable and special compensation

	CEO	AMOs
Fixed compensation	<ul style="list-style-type: none"> Gross annual compensation of approximately €500,000 to €600,000. Fixed compensation based on an assessment of the market, the individual performance of the officer and his or her responsibilities (Recommendation No. 16 of the MiddleNext Code). When the CEO's compensation does not undergo market revaluation, it may be adjusted annually on a basis approximately equivalent to the one used to adjust the salaries of the Group's employees in each country. 	<ul style="list-style-type: none"> Gross annual compensation of approximately €220,000 to €450,000. Fixed compensation based on an assessment of the market, the individual performance of the officer and his or her responsibilities (Recommendation No. 16 of the MiddleNext Code). When the AMOs' compensation is not subject to a market reassessment, it may be adjusted annually on a basis approximately equivalent to that used to adjust the salaries of the Group's employees in each country.
Annual variable compensation	<p>Maximum goal-related bonus equal to 75% of gross annual base salary.</p> <ul style="list-style-type: none"> See below the paragraph "Variable or exceptional compensation rules". 	<p>Maximum goal-related bonus equal to 50% of gross annual base salary.</p> <ul style="list-style-type: none"> See below the paragraph "Variable or exceptional compensation rules".
Multi-year variable compensation	The CEO and AMOs do not have any multi-year variable compensation.	

	CEO	AMOs
Free share grants and stock options	<p>The Company implements programs to allocate free ordinary shares or stock options intended to retain the Company's senior executives over the long term. The CEO and AMOs benefit from these programs.</p> <p>For a description of the plans in force: see section 2.6.2.1(c) of the 2022 URD.</p> <p>Per Company practice since 2022, the Company may annually grant corporate officers free shares and stock options (in the proportions of 30% and 70% respectively) representing, on the initial grant date, a fixed value (the Incentive Value) set by the Board for each officer, depending on his/her duties, based on a comparative European study. To calculate the number of free shares and options to be granted, the average closing price on EuroNext Paris during the 20 trading days immediately preceding the initial grant is taken into account (Reference Price), and the value of each option is determined annually by the Board, according to the Black-Scholes model.</p> <p><u>2023 Incentive Value:</u></p> <p>CBO and General Counsel: €480,000 each CMO, CFO and CCO: €620,000 each CEO: €1,450,000</p> <p>Example: for a Reference Price of €7.5 and an option value of 50% of the share value, an incentive value of €480,000 will result in the allocation of 19,200 free shares and 89,600 stock options.</p> <p>Two thirds of the free shares will be vested two years after the initial grant, the last third being vested three years after the initial grant. The stock options are divided into three equal tranches (subject to rounding) and exercisable one year after the grant for tranche 1, two years after the grant for tranche 2 and three years after the grant for tranche 3. The exercise price of the stock options will be at least 100% of the Reference Price. The vesting of free shares and the exercise of stock options are subject to an employment condition but will not be subject to performance conditions (notwithstanding Recommendation 21 of the MiddleNext Code), the Board considering that the high proportion of stock options constitutes an indirect performance condition (via the Reference Price).</p> <p>Free share and stock option plans contribute to the objective of recognizing the Company's value on the markets by involving the corporate officers in improving this value recognition. These plans do not include any lock-up period.</p> <p>In addition, as part of the recruitment of future corporate officers, the Company may be required, in order to be competitive on the market, to grant free shares or stock options as part of the terms and conditions governing the arrival of these officers. The value of these grants is lower than the Incentive Value mentioned above. As a result, additional free shares were allocated to Mr. Peter Bühler in 2022, for a value of €200,000 (i.e. 27,521 shares based on the weighted average price of the ordinary share of Valneva on EuroNext Paris over the period of 90 trading days preceding the initial grant). These free shares will have a vesting period of two years, subject to continued employment but without performance condition.</p>	
Exceptional compensation	See sub-paragraphs "Exceptional compensation in the event of a change of control" in the paragraph "Variable or exceptional compensation rules" below.	
Attendance fees	Valneva SE does not grant attendance fees to the CEO and AMOs.	
Benefits:		
Retirement savings	<p>A long-term life insurance policy as a retirement savings product has been taken out by Valneva Austria GmbH, a subsidiary of Valneva SE, for Mr. Thomas Lingelbach, Mr. Juan Carlos Jaramillo and Mr. Peter Bühler (and will also be taken out for any new corporate officer who will have a Management Agreement with Valneva Austria GmbH), in line with normal practice in Austria.</p> <p>Policy terms: the savings are released when the beneficiary reaches the retirement age in Austria (currently 65) or on his/her death if occurring before reaching this age. The cost of the policy (approximately €1,500 per month or €18,000 per year) is incurred by the subsidiary Valneva Austria GmbH.</p> <p>Valneva UK Ltd contributes 7.5% of Ms. Patel's fixed compensation to a British pension fund.</p>	
Unemployment insurance	<p>The Company has taken out an unemployment insurance policy (<i>Garantie Sociale des Chefs et Dirigeants d'Entreprises</i> or GSC) for the corporate officers contractually attached to Valneva SE and having their tax residence in France, in accordance with normal market practice in France.</p> <p>The purpose of this insurance contract is to guarantee the payment of compensation in case of unemployment up to 70% of the last professional net income filed with the tax authorities. The cost of the policy (approximately €8,000 to €12,000 per year and per person) is paid by Valneva SE.</p> <p>Holders of a Management Agreement with Valneva Austria GmbH or Valneva UK Ltd benefit from contractual unemployment benefits under the same legal and financial conditions as GSC insurance, less local unemployment insurance.</p>	
Car rental	<p>Each corporate officer is provided with a vehicle. The maximum leasing fee is €1,500 per month or €18,000 for the year for each corporate officer. The leasing of a car can be replaced with a "car allowance" of the same amount, paid to the corporate officer.</p> <p>Car insurance and other car-related expenses are incurred by the Company or by the subsidiary to which the officer is contractually linked.</p>	

CEO	AMOs
Reimbursement of the costs of travel from the place of residence to the place of work by plane and associated costs	The Company or its subsidiaries reimburse corporate officers for the cost of weekend trips by plane between their place of residence and the sites of Valneva Group, including transportation to and from the airport.
Foreign tax residents	With respect to those corporate officers who are tax residents of a country other than France and Austria, the Company or its subsidiaries bear charges for local pension plans and assistance from tax advisors. Tax assistance is also provided in the event of relocation.
Other miscellaneous benefits	Other miscellaneous benefits such as, though not limited to, the provision of a cell phone or laptop computer, the leasing of a parking place, relocation expenses, etc.) may be granted to corporate officers by the Company or its subsidiary to which the officer is contractually linked.

Variable or exceptional compensation rules

The **Bonus** represents the variable part of the CEO's and AMO's annual compensation. The process applicable to the Bonus complies with the best practices in terms of performance management. The main steps in this process are as follows:

- the CEO and AMOs receive goals for a new business year from the Board;
- these goals are set according to the recommendations of the Nomination and Compensation Committee;
- the goals are linked to key strategic and operational objectives necessary to develop the Company according to its published strategy and financial guidance;
- the goals are SMART (Specific, Measurable, Achievable and Ambitious, Realistic, Time-bound);
- performance against agreed goals is reviewed throughout each business year;
- the goals may be adjusted during the year in case of major changes in the business environment or priorities;
- performance against the agreed goals is assessed upon completion of a business year (the **Appraisal**);
- Bonus pay-out is linked to the Appraisal and based on the individual Target Bonus. The **Target Bonus** is the Bonus assuming a 100% Appraisal;
- the Appraisal is made by the Board upon the recommendation of the Nomination and Compensation Committee.

The Target Bonus may represent up to 50% (AMOs) or 75% (CEO) of the yearly base salary. The achievement of one or more specific targets may exceed 100% but that the assessment of the total of the objectives remains limited to 100%.

A majority of the goals are of a quantitative nature and split between operational and strategic objectives.

For the 2023 financial year (Bonus payable in 2024), the Supervisory Board decided to reintroduce individual objectives (for 15% of the total) in addition to the collective objectives (85% of the total). The collective objectives for 2023 are broken down into the following areas: commercial and financial performance (20%), progress of R&D programs (25%), preparation for the Company's growth (financing, portfolio of product candidates) (25%), regulatory compliance (SOX, quality assurance objectives) (10%), HR strategy (5%). Individual objectives are linked to the functional responsibilities of each officer or, for the CEO, to the strategic plans and organization of the Company.

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For 2024, as a result of the change in the governance model, each corporate officer will be given a set of goals and objectives. Some of these goals and objectives may be the same as those given to other corporate officers or Executive Committee members, while other goals and objectives will be specific to the officer concerned.

Exceptional compensation in the event of a change of control:

In the event of a change of control of the Company after the full vesting of the second tranche of free ordinary shares granted in December 2019, if the number of shares granted on an accelerated basis at the time of the change of control is less than the maximum theoretical number due to the application of the performance condition provided for in the plan (achievement of goals), the Company or its subsidiaries will pay the officers concerned an indemnity intended to compensate for the reduction in the number of shares fully vested as a result of the application of the performance condition provided for in the plan. This indemnity will be calculated on the basis of the Valneva share price at the time of the change of control and will be increased by 45% in order to cover, on a flat-rate basis, the major part of the social security contributions and income tax due by the beneficiaries.

As Mr. Jaramillo is not a beneficiary of the 2019 plan, he would in such a case receive an amount equivalent to what he would have received if he had been granted 188,342 ordinary free shares under the remaining tranches of this plan, plus the aforementioned 45% increase.

As Mr. Bühler is not a beneficiary of the 2019 plan, he would in such a case receive an amount equivalent to what he would have received if he had been granted 71,204 ordinary free shares under the remaining tranches of this plan, plus the aforementioned 45% increase.

As Ms. Patel is not a beneficiary of the 2019 plan, she would in such a case receive an amount equivalent to what she would have received if she had been granted 28,716 ordinary free shares under the remaining tranches of this plan, plus the aforementioned 45% increase.

In the event of a change of control of the Company after the initial grant of the free ordinary shares allocated under the 2022-2025 Free Share Plan and before the vesting of the first tranche of these shares, the Company or its subsidiaries will pay the corporate officers an indemnity representing the value of these shares at the time of the change of control (without any increase in this case). The Company may grant a similar indemnity under any subsequent free share plan.

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The payment of Bonuses (and, as the case may be, of the exceptional remuneration in the event of a change of control) in respect of the fiscal years 2023 and 2024, which constitute elements of variable and exceptional compensation, will be subject to the approval, by the Company's Ordinary General Meeting called to approve the financial statements for the fiscal year in question, of the elements of compensation of the person concerned, under the conditions provided for in Article L. 22-10-34, of the French Commercial Code.

Compensation or benefits due to corporate officers on starting, stopping or changing their duties

Certain financial benefits are granted to corporate officers in certain scenarios involving the termination or change of duties.

These benefits and their conditions for 2023 are described in the Section "Indemnities or benefits granted to the corporate officers in case of appointment, termination or change of duties" of the 2022 URD and will not be affected by the change in the governance model, noting that the benefits stated for the Chair of the Management Board will be for the CEO, and that the benefits stated for the other Management Board members will be for the AMOs.

Recommendation No. 19 of the MiddleNext Code provides guidelines for severance payments for executives. This recommendation is complied with.

Clawback policy

Prior to December 2, 2023, the Company's Supervisory Board will adopt a « clawback policy » by which the Company will, within a reasonable period and subject to applicable law, recoup the variable compensation (in cash or shares) paid or granted to (or otherwise acquired by) corporate officers in the three years immediately preceding a decision to restate previously issued financial statements, to the extent that such variable compensation should not have been paid, acquired or granted if the restatement had been taken into account. "Restatement" means any accounting restatement resulting in a recovery obligation pursuant to Section 10D-1 of the Securities Exchange Act 1934, the rules of the New York Stock Exchange and the applicable implementation guidelines.

2.6.1.2 Compensation policy applicable to the members of the Board of Directors

The principles set out below in connection with the compensation of the Board members for 2023 and 2024 may apply to any new member of the Board of Directors possibly appointed in the future (including the Chair of the Board).

Compensation granted to the Board members

The Company grants compensation to all members of the Board in consideration of their office.

The compensation for activity includes a base compensation (made up of basic fees and supplements depending on the role on the Board, except for the Chair) and an additional compensation.

Annual base compensation:

- Chair of the Board: €90,000 per year;
- Other Board members: €45,000 per year as basic fees, plus the supplements listed below, as the case may be;
- Vice-Chair supplement: €15,000 per year;
- Lead Independent Member supplement: €15,000 per year;
- Committee Chair supplement: €15,000 per year (this includes membership of the chaired committee);
- Committee membership supplement: €7,500 per committee and per year;

For Board members other than the Chair, the supplements can be added together if a person has multiple roles.

The above amounts may be increased by up to 30% if necessary to attract qualified persons in the context of the renewal or replacement of certain offices.

Additional compensation (for each Board member):

- €13,300 to be paid approximately one year after the Annual General Meeting of June 2022 (or after the date of appointment of the member concerned, if later);
- €26,600 to be paid approximately two years after the Annual General Meeting of June 2022 (or after the date of appointment of the member concerned, if later);
- €39,900 to be paid approximately three years after the Annual General Meeting of June 2022 (or after the date of appointment of the member concerned, if later) and again annually thereafter.

The new internal rules of the Board of Directors have kept in force the obligation for Board members to gradually acquire Valneva shares which had been stated in the Supervisory Board's internal rules since 2022.

In accordance with Recommendation No. 12 of the MiddleNext Code, the payment of the compensation granted to Board members is linked to certain meeting attendance conditions.