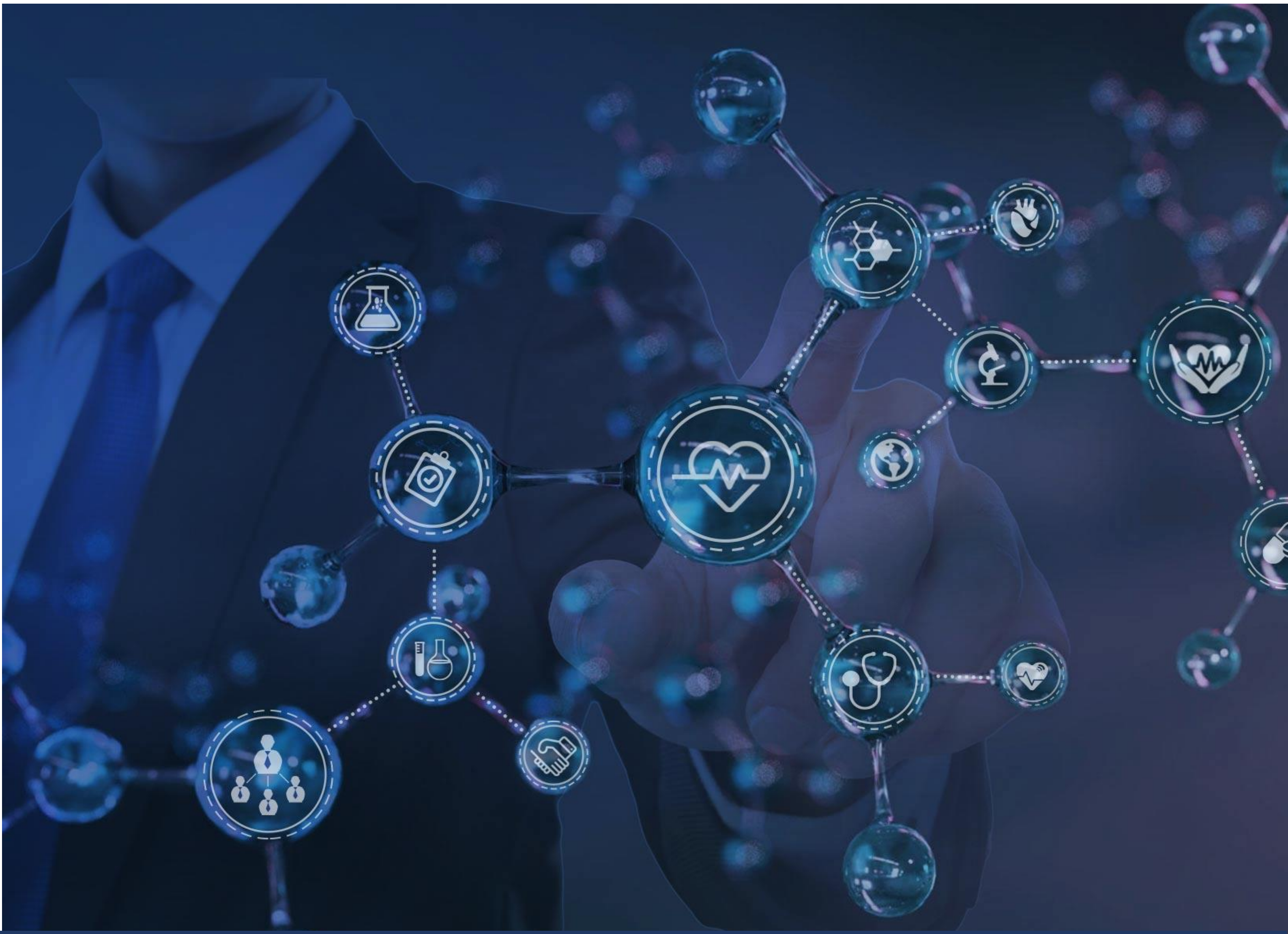

Hyloris Pharmaceuticals Remuneration Policy 2021

Hyloris
PHARMACEUTICALS

Remuneration Policy 2021

1. Introduction

Hyloris Pharmaceuticals SA, a Belgian listed Company, has established a renumeration policy (‘**Remuneration Policy 2021**’) in accordance with the Belgian Code of Companies and Associations (BCCA), and with the recommendations of the Belgian Corporate Governance Code (‘Code 2020’).

The Remuneration Policy applies to all Non-Executive Directors, Executive Directors and other members of the Executive Committee of Hyloris. The Executive Directors are part of the Executive Committee. The Remuneration Policy was approved by the Board of Directors on April 21, 2021, following the recommendation by the Remuneration Committee. At the time of Board approval, Hyloris does not have other persons who hold management positions according to the definition of this term in Article 7:89/1§2,1°of the BCCA.

The Remuneration Policy 2021 is to be submitted to the Annual General Meeting of Shareholders on June 8, 2021 and will be retroactively applicable as from the financial year starting on January 1, 2021.

For the period prior January 1, 2021, the remuneration package for the members of the Executive Management was approved at the Annual General Shareholders Meeting of June 8, 2020 and is fully disclosed in the IPO prospectus, available on the Hyloris website. In addition, the Remuneration Committee meeting of February 23, 2021 has performed the appraisal of the Board of Directors and of the members of the Executive Management and has also approved the bonuses of the members of the Executive Management, in line with the principles as outlined in the Remuneration Policy 2021.

The Remuneration Policy will be submitted to the Shareholders' Meeting for approval at every material change and at least every four years. The Policy is available on the Hyloris website.

2. Objective of the Hyloris' Remuneration Policy

The objective of the Remuneration Policy is to attract, motivate and retain diverse, qualified, and expert individuals whom Hyloris needs to achieve its corporate, strategic and operational objectives.

Hyloris wants to be a competitive market player by benchmarking against appropriate peer groups and by incentivising and rewarding performance at the highest level possible.

The Remuneration Policy also aims to ensure consistency between the remuneration of executives and that of all staff members, while soundly and efficiently managing risks and controlling wage-related costs for Hyloris.

The Remuneration Policy is developed as follows: the Board of Directors requests the Remuneration Committee to evaluate the overall remuneration packages of Executive Directors, Non-Executive Directors, and Hyloris’ employees. The Remuneration Committee consults and engages with the Board of Directors on this subject matter.

The Remuneration Committee takes into consideration all remuneration information of the employees and its knowledge of the relevant job market to ensure that all Hyloris employees are remunerated in a market-conform and sufficient manner to motivate and retain its employees.

The Remuneration Policy is reviewed regularly so that its contents are aligned with market practice.

3. Remuneration policy for Non-Executive Directors

The Board makes a remuneration scheme proposal for the Non-Executive Directors, considering the recommendations made by the Remuneration Committee. Remuneration of Non-Executive Directors is regularly benchmarked with peers to ensure that the remuneration scheme is sufficiently fair, reasonable, and competitive to attract, retain and motivate the Non-Executive Directors.

Remuneration is linked to the amount of time the individual is expected to commit to the Board and its various committees such as the Remuneration Committee and the Audit Committee. The Board submits this proposal for approval to the shareholders at the Annual General Meeting of Shareholders.

The Remuneration Committee and the Board share the view that all Non-Executive Directors - also the Independent Directors - within the meaning of Article 7:87 of the BCCA - should be compensated equally as set out hereafter.

The Non-Executive Directors are paid a fixed remuneration per year plus a fixed remuneration per year as a member of a Board committee (such as the Remuneration Committee and the Audit Committee).

The Non-Executive Directors do not receive any fringe benefits.

The Non-Executive Directors do not receive any variable remuneration i.e., performance-related pay such as bonuses.

As of the date of the IPO in June 2020, Hyloris no longer grants Non-Executive Directors a fixed number of Stock Options (warrants) as part of their remuneration package[1] to comply with the new Belgian Corporate Governance Code ('Code 2020'). Hyloris does not grant shares to Non-Executive Directors. It considers that its general policy and *modus operandi* already meet the objective of recommendation 7.6 of the Code 2020, which is to promote long-term value creation.

The Non-Executive Director mandate can be revoked at any time (*at nutum*) without the Non-Executive Director being entitled to any indemnity payment.

The remuneration levels for the Hyloris Non-Executive Directors are set from the date of the IPO, June 26, 2020, as follows:

	Annual fixed fees		
	Board of Directors	Audit Committee	Remuneration Committee
Chair	€12,500	€5,000	€5,000
Member	€12,500	€5,000	€5,000

[1] Only the Chair of the Board, Stefan Yee, holds 100,000 warrants, which were granted prior the date of the IPO – the Company does not consider these warrants to be variable compensation

4. Remuneration Policy for Executive Committee members

The remuneration scheme that applies to the Chief Executive Officer (CEO) and other Executive Committee members is designed to balance short-term operational performance with the long-term objective of creating sustainable value, while considering the interests of all stakeholders.

The remuneration scheme for Executive Committee members consists of short-term and long-term remuneration elements. The short-term remuneration elements have a fixed part (please see Section 4.1) (i.e., a base annual remuneration in cash) and a variable part (please see Section 4.2) (cash bonus). As for the long-term remuneration elements, the Executive Committee members can receive Stock options (please see Section 4.40).

Variable remuneration can be granted if the criteria set out in Section 4.2 are met.

Hyloris wants to offer market-competitive compensation to be able to recruit, retain and motivate expert and qualified professionals, while considering the scope of their responsibilities.

4.1 Fixed remuneration

The fixed annual remuneration consists of a fee paid in cash. The amount of this fee is determined by the Board, upon the recommendation of if by the Remuneration Committee. The fee is paid in monthly instalments. Some Executive Committee members receive compensation for costs they incurred in performance of their duties. Executive Committee members do not receive any fringe benefits. Hyloris will conduct external salary-benchmarking exercises regularly to ensure that the remuneration of Executive Directors is in line with market practices and is sufficiently fair, reasonable to attract, retain and motivate individuals with the most appropriate profile.

4.2 Variable remuneration

The principles that apply to the granting of any variable remuneration are the following:

1. Granting allows for a certain part of the remuneration to be linked to an individual's performance and to the performance of Hyloris. It also allows for the individual's interest to be aligned optimally to that of Hyloris, the Shareholders and other stakeholders.
2. Granting is driven by the individual's merits and based on the performance-rating system at Hyloris, that is, the achievement of individual targets (Personal Targets) and the overall performance of Hyloris (Corporate Targets).
3. Corporate Targets include factors related to progress in Hyloris' research activities, corporate development and budgetary requirements. The Corporate Targets focus on company growth and value creation for all shareholders.
4. For the Executive Committee members (but not the CEO), the variable remuneration consists of two components:
   - the first component represents 60% of the variable remuneration and is determined based on Personal Targets achieved;
   - the second component represents 40% of the variable remuneration and is determined based on the Corporate Targets achieved by Hyloris.
5. For the CEO, the variable remuneration also consists of two components:
   - the first component represents 25% of the variable remuneration and is determined based on the average of the Personal Targets achieved by the other members of the Executive Committee.

- the second component represents 75% of the variable remuneration and is determined based on the Corporate Targets achieved by Hyloris.

6. The Targets are set annually. The Board sets the Corporate Targets for all Executive Committee members and considers the recommendations made by the Remuneration Committee. The CEO's Personal Targets are set by the Board upon the Remuneration Committee's recommendation, which are made based on the Chairman's proposal. The Personal Targets of other Executive Committee members are set by the CEO.
7. The total target variable remuneration amount for an Executive Committee member (i.e., the sum of the first and second components described above) represents maximum 25% of the total fixed annual remuneration of an Executive Committee member.
8. The variable remuneration is paid only if the Personal and Corporate Targets are effectively met. The extent to which the CEO has achieved his or her Personal Targets is evaluated by the Remuneration Committee at the end of the year. The evaluation is subject to deliberation and final decision by the Board. The extent to which the other Executive Committee members have achieved their Personal Targets is evaluated by the CEO at the end of the year, which is deliberated by the Remuneration Committee and finally decided by the Board. Appraisal is based on a weighted average of the achievement rate of the Personal Targets.
9. Variable remuneration, if any, is paid after approval by the Board of Directors.

Article 7:91 of the BCCA reads*: "Unless otherwise provided for in the articles of association or expressly approved by the shareholders' meeting, at least one-quarter of the variable remuneration of an executive director in a public-listed company must be based on predetermined and objectively measurable performance criteria over a period of at least two years, and another quarter must be based on predetermined and objectively measurable criteria over a period of at least three years."*

The Articles of Association of a company can deviate from Article 7:91 of the BCCA, which is what Hyloris has done. Article 7:91 also states that the above principles do not apply if the variable part of the remuneration does not exceed 25% of the total yearly remuneration. Therefore, the rules on variable remuneration laid down in Article 7:91 of the BCCA do not apply.

4.3 Contract term and severance payment

All Executive Committee members provide their services under a Belgian-law-governed management agreement with Hyloris. The terms, notice periods and severance payments are described hereunder.

Mr. Stijn Van Rompay (CEO)
The current services agreement with Mr. Stijn Van Rompay has been entered into between Mr. Stijn Van Rompay's Belgian incorporated management company SVR Management BV and the Company effective as from 1 September 2019, for an indefinite period. It can be terminated by both the Company upon six months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by SVR Management BV upon three months' notice or payment of a compensation equivalent to the fixed remuneration of such three-month period. The agreement also provides for reasons for immediate termination because of a breach by either party (e.g., serious contractual breach, bankruptcy, insolvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period (subject to certain exceptions) of 18 months after termination, against a payment of 100% of the fixed fee over such 18 months' period. However, SVR Management BV will not be entitled to this payment if it terminates the services agreement at its own initiative or if the Company terminates the services agreement for breach of contract imputable to SVR Management BV.

Mr. Thomas Jacobsen (Executive Director[2])

The current services agreement with Mr. Thomas Jacobsen has been entered into between Mr. Thomas Jacobsen's Belgian incorporated management company Jacobsen Management BV and the Company effective as from 1 November 2019, for an indefinite period. It can be terminated by the Company upon six months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by Jacobsen Management BV upon three months' notice or payment of a compensation equivalent to the fixed remuneration of such three-month period. The agreement also provides for reasons for immediate termination because of breach of either party (e.g., serious contractual breach, bankruptcy, insolvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period of 18 months after termination, against a payment of 100% of the fixed fee over that 18 months' period. However, Jacobsen Management BV will not be entitled to this payment if it terminates the services agreement at its own initiative or if the Company terminates the services agreement for breach of contract imputable to Jacobsen Management BV.

Mr. Edward Maloney (CBDO)

The services agreement with Mr. Maloney was ended on 28 February 2021 upon mutual agreement as Mr. Maloney reached the retirement age.

Mr. Dietmar Aichhorn (COO)

The current services agreement with Mr. Dietmar Aichhorn has been entered into as from 1 October 2020, for an indefinite period. During the first 3 years, it can be terminated by the Company and Mr. Aichhorn upon three months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. After 3 years, it can be terminated by the Company and Mr. Aichhorn upon six months' notice period or payment of a compensation equivalent to the fixed remuneration of such six-month period. The agreement also provides for reasons for immediate termination because of a breach by either party (e.g. serious contractual breach, bankruptcy, insolvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period of 12 months after termination against a payment of 50% of the fixed fee over such 12 months' period. However, the Company is entitled to waive this non-compete payment if the services agreement is terminated at the initiative of Mr. Aichhorn. The non-compete payment will not be due if the Company terminates the services agreement for breach of contract imputable to Mr. Aichhorn.

Mr. Koenraad Van der Elst (CLO)

The current services agreement with Mr. Koenraad Van der Elst has been entered into between Mr. Koenraad Van der Elst's Belgian incorporated management company Herault BV and the Company effective as from 1 January 2020, for an indefinite period. It can be terminated by the Company upon six months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by Herault BV upon three months' notice period or payment of a compensation equivalent to the fixed remuneration of such three-month period. The agreement also provides for reasons for immediate termination because of a breach by either party (e.g. serious

[2] Chief Business Development Officer as of 28 February 2021 following the retirement of Edward Maloney

contractual breach, bankruptcy, insolvency, non-performance of the consultancy services for 25 consecutive days, etc.).

In the event of termination of the services agreement, the agreement provides for a non-compete period of 12 months after termination against a payment of 50% of the fixed fee over such 12 months' period. However, Herault BV will not be entitled to this payment if it terminates the services agreement at its own initiative or if the Company terminates the services agreement for breach of contract imputable to Herault BV.

4.4 Stock Options and other share-convertible securities

The members of the Executive Committee can be granted Stock Options or other instruments that allow the holder to acquire shares through schemes that need to be pre-approved by the annual Shareholder's Meeting.

Hyloris has put in place the following warrant schemes (which are called *inschrijvingsrechten/droits de souscription under the BCCA*) of which the details (i.e., conditions for the granting, term, vesting period, exercise) are set out in the below table. The conditions for the granting of these warrants and the vesting period help to align the interests of the Executive Committee members with the long-term interests of Hyloris, its shareholders and other stakeholders.

	ESOP Scheme 2019	**ESOP Scheme 2020**
Conditions for Granting	Employees, Directors or consultants of Hyloris Pharmaceuticals and/or its subsidiaries	Employees, directors or consultants of Hyloris Pharmaceuticals and/or its subsidiaries
Term	5 years	10 years
Vesting Period	The 2019 plan is subject to services conditions so that it will vest gradually over the next four years (25% after 1 year, and 1/48 for every additional month).	The 2020 plan is subject to services conditions so that it will vest gradually over the next four years (25% after 1 year, and 1/48 for every additional month).
Exercise	Warrants which are definitively acquired ("vested") may be exercised from the first (1) of January of the fourth (4th) calendar year following that of the Date of the Offer and this, only during the first fortnight. (the first fifteen (15) days) of each quarter. The first fortnight (the first fifteen (15) days) of the last quarter of the validity period of the Stock Option Warrants constitutes the last possible exercise period. Each fiscal period will end on the last business day of the relevant fiscal period.	Warrants which are definitively acquired ("vested") may be exercised from the first (1) of January of the fourth (4th) calendar year following that of the Date of the Offer and this, only during the first fortnight. (the first fifteen (15) days) of each quarter. The first fortnight (the first fifteen (15) days) of the last quarter of the validity period of the Stock Option Warrants constitutes the last possible exercise period. Each fiscal period will end on the last business day of the relevant fiscal period.

Article 7:91, first paragraph of the BCCA states that a director—within three years from the date of the grant—may not definitively acquire shares by way of remuneration or exercise share options or any other right to acquire shares. The company's articles of association may deviate from this rule. Article 3 of the Articles of Association of Hyloris explicitly allows the Board to deviate from this rule when proposing the variable remuneration scheme.

5. Minimum Shareholding

Considering the shareholders' structure and the remuneration package of the members of the Executive Committee, Hyloris already meets the objective of recommendation 7.9 of the Code 2020, which is to promote long-term value creation.

6. Clawback

No claw-back rights have been provided to the benefit of the company in respect of variable remuneration granted to the members of the executive management.

7. Pension Scheme

Hyloris does not have a complementary pension scheme for any Non-Executive Director or any Executive Committee member.

8. Decision-Making and Conflict of Interest

The Remuneration Committee is composed exclusively of Non-Executive Directors, and most of its members are also independent directors within the meaning of Article 7:87 of the Belgian Code of Companies and Associations. This composition helps to avoid conflicts of interest regarding the structure design, adjustment, and implementation of the Remuneration Policy towards Executive Committee members. The CEO and Executive Committee members are not invited to participate in the Remuneration Committee's deliberations of their own individual compensation. Regarding the remuneration of Non-Executive Directors, all decisions are approved by the Shareholders' Meeting.

9. Deviations from the Remuneration Policy

In exceptional circumstances, the Board may decide to deviate from any rule contained in this Remuneration Policy if it is required for the long-term interests and sustainability of Hyloris. Any such deviation must be discussed within the Remuneration Committee, which will provide a substantiated recommendation to the Board. Any deviation from this Remuneration Policy will be described and explained in any Hyloris remuneration report.

10. Changes to the Remuneration Policy

Hyloris does not expect any material changes to this Remuneration Policy to be made in the next two years.