REMUNERATION REPORT

Remuneration Policy

Introduction

The remuneration policy of Hyloris Pharmaceuticals SA (Remuneration Policy) has been established in accordance with the Belgian Code of Companies and Associations (BCCA), and with the recommendations of the Belgian Corporate Governance Code (Code 2020). This Remuneration Policy applies retroactively as from 1 January 2021 and was approved by the annual Shareholders' Meeting held on 8 June 2021.

The Remuneration Policy applies to all Non-Executive Directors, Executive Directors of Hyloris and other members of the Executive Committee. The Executive Directors are part of the Executive 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.

Executive Committee

The Remuneration Committee meeting of 11 April, 2023 has performed the appraisal of the Board of Directors and of the members of the Executive Committee and has also approved the bonuses of the members the Executive Committee, in line with the principles as outlined in the Remuneration Policy.

Objective of the Hyloris' Remuneration Policy

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 objective of the Hyloris Remuneration Policy is to attract, motivate and retain diverse, qualified and expert individuals whom Hyloris needs to achieve its corporate, strategic and operational objectives. 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 Committee evaluates the overall remuneration packages of Executive Directors, Non-Executive Directors, and Hyloris' employees. The Remuneration Committee consults and engages the Board on this subject matter. The Remuneration Committee takes into consideration all the information on its workforce remuneration, its knowledge and research data about 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.

Remuneration Policy for Non-Executive Directors

Remuneration of Non-Executive Directors will be benchmarked regularly 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 Shareholders' Meeting.

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 and do not receive any variable remuneration i.e., performance-related pay such as bonuses.

Hyloris does not grant shares to Non-Executive Directors11[13]. 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.

Remuneration Policy for Executive Committee members Introduction

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.

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 Fixed remuneration) (i.e., a base annual remuneration in cash) and a variable part (please see Variable remuneration) (cash bonus). As for the long-term remuneration elements, the Executive Committee members can receive Stock options (please see Stock options, p. 66).

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

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 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.

Variable remuneration

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 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." 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.

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

Granting is driven by the individual's merits and based on the performance-rating system at Hyloris, being the achievement of Hyloris' corporate targets (Corporate Targets) as they are cascaded down as much as possible by translating them and/or reflected into their individual targets (Personal Targets), hence aligning these Personal Targets with the Hyloris corporate targets and the overall Hyloris' strategy. 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. This results in the Personal Targets being aligned optimally to the Corporate Targets of Hyloris, the Shareholders and other stakeholders.

The goal setting and variable remuneration for all members of the Executive Committee (except for the CEO) is based on the following principles:

- *40% of their goals will be based on the Corporate Targets, as these Corporate Targets will also be cascaded down as much as possible into the Personal Targets;*
- *60% of their goals will be based on Personal Targets, which will be in line with and/or reflect the Corporate Targets and which will also include objectives with respect to leadership competencies.*

For the CEO, the goal setting and variable remuneration is construed along the following principles:

13 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.

- *75% of his goals will be based on the Corporate Targets;*
- *25% of his goals will be based on the average of the Personal Targets and performance of the other members of the Executive Committee and which will also include objectives with respect to leadership competencies.*

The Targets are set annually. The Board sets the Corporate Targets. The Personal Targets of the Executive Committee (other than the CEO) members are set by the CEO.

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.

The variable remuneration is based on a weighted average of the achievement rate of the Personal Targets and the Corporate Targets.

The extent to which the Corporate Targets have been achieved at the end of the year, is evaluated by the Remuneration Committee. The extent to which the Executive Committee members (other than the CEO) have achieved their Personal Targets is evaluated by the CEO at the end of the year. The evaluation is subject to deliberation by the Remuneration Committee and finally decided by the Board.

Variable remuneration, if any, is paid only after approval by the Board of Directors upon proposal of the Remuneration Committee.

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, in- solvency, 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.

Stijn Van Rompay (CEO) and Thomas Jacobsen (CBDO)

Mr. Thomas Jacobsen (CBDO)

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, in- solvency, 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. Jean-Luc Vandebroek (CFO)

The current services agreement with Mr. Jean-Luc Vandebroek has been entered into between Mr. Vandebroek's Belgian incorporated management company Finsys Management BV and the Company effective as from 23 September 2021, for an indefinite period. It can be terminated by the Company upon three months' notice or payment of a compensation equivalent to the fixed remuneration of a three-month period. It can be terminated by Finsys 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, in- solvency, 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, Finsys 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 Finsys Management BV.

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 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.

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	ESOP Scheme 2022
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	Employees, directors or consultants of Hyloris Pharmaceuticals and/or its subsidiaries
Term	5 years	10 years	7 years
Vesting Period	The 2019 plan is subject to services conditions so that it will vest gradually over the subsequent 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 subsequent four years (25% after 1 year, and 1/48 for every additional month).	The 2022 plan is subject to services conditions so that it will vest gradually over the subsequent 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.	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.

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.

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 Committee.

Pension Scheme

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

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.

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.

Changes to the Remuneration Policy

Hyloris does not expect any material changes to this Remuneration Policy to be made in the next two years but will review the Remuneration Policy regularly in order to reflect market conditions and optimise and - as the case may be - improve the objective of the Remuneration Policy to attract, motivate and retain diverse, qualified and expert individuals.

Remuneration

Remuneration of Non-Executive Directors

The remuneration package for the Non-Executive Directors was revised and approved by the Shareholders' Meeting of the Company held on June 14, 2021 and consists of a fixed annual fee of €12,500 for the Non-Executive Directors and €5,000 for the members of the various Committees. Any changes to these fees will be submitted to the Shareholders' Meeting for approval. The Executive Directors will not receive any specific remuneration in consideration for their membership in the Board of Directors.

For the remuneration of the Independent Directors the total remuneration amounted to € 110,000. The table below provides an overview of the remuneration per Non-Executive Director.

Name	Remuneration
Mr. Stefan Yee	22,500
Mr. Leon Van Rompay[14]	12,500
Mr. Marc Foidart[15]	22,500
Mrs Carolyn Myers	17,500
Mr. James Gale	17,500
Mr. Chris Buyse	17,500
TOTAL	**110,000**

The table below provides an overview of significant positions of warrants held directly or indirectly by the Non-Executive Members of the Board of Directors at December 31, 2022.

	Warrants[16]	
Name	Number	%
Mr. Stefan Yee	100,000	15.76%
Mr. Leon Van Rompay[14]	0	0%
Mr. Marc Foidart[15]	0	0%
Mrs. Carolyn Myers	0	0%
Mr. James Gale	0	0%
Mr. Chris Buyse	0	0%
TOTAL	**100,000**	**15.76%**

The Non-Executive Members of the Board of Directors do not hold any shares of the Company.

Remuneration of Executive Directors and Members of the Executive Committee

In 2022, the following remuneration and compensation was paid or accrued to the CEO (i.e., Mr. Stijn Van Rompay) and the other members of the Executive Committee of Hyloris:

In €	CEO	Other members of the Executive Comittee [16]
Annual base salary	185,738	805,050
Annual variable salary	22,323.14	77,997.42
Supplementary pension plan (defined contribution)	n.a.	n.a.
Car lease / transport allowance	n.a.	n.a.
Medical plan	n.a.	n.a.

14 Acting through Van Rompay Management BV.
15 Acting through Noshaq Partners SCRL.
16 Calculated as % of all outstanding warrants: 634,625 accepted warrants as of December 31, 2022. 80.000 accepted warrants early 2023 - the remainder has lapsed.

The 2022 ratio between the highest remuneration of the members of the Executive Committee and the lowest remuneration (in full-time equivalent) of Hyloris' employees amounted to 5-to-1. Share options (warrants) are excluded from the calculations.

Shares and Share Options - Warrants

Appraisals

Board of Directors and Committees of the Board of Directors

The Board is responsible for a periodic assessment of its own effectiveness to ensure continuous improvement in the governance of the Company.

The contribution of each director is evaluated periodically. The Chairman of the Board and the performance of his role within the Board are also carefully evaluated.

Furthermore, the Board will assess the operation of the Committees at least every two to three years. For this assessment, the results of the individual evaluation of the Directors are taken into consideration.

The Non-Executive Directors regularly (and preferably once a year) assess their interaction with the Executive Directors and the Executive Committee and reflect on how to streamline the interactions between both the Non-Executive Directors and Executive.

The Board may request the Remuneration Committee, where appropriate and if necessary, in consultation with external experts, to submit a report commenting on the strengths and weaknesses to the Board and make proposals to appoint new Directors or to not re-elect Directors. A Director who did not attend 50% of the Board meetings will not be considered for re-election at the occasion of the renewal of the mandate.

The evaluation of the operation of the Board of Directors in terms of its scope, composition, operation, and that of its Committees, as well as of its interaction with the Executive Committee, took place on April 11, 2023 under the leadership of the Chairman of the Board of Directors. This evaluation resulted in a positive assessment and also indicating a few recommendations to improve the performance of the Board of Directors, of the Executive Committee and of its interaction between the Board of Directors and the Executive Committee.

Executive Committee

The CEO and the Remuneration Committee formally assess the operation as well as the performance of the Executive Committee annually. The evaluation of the Executive Committee occurs in the context of determining the variable remuneration of the Executive Committee members.

In accordance with the relevant Corporate Governance principles, the Remuneration Committee has assessed the performance and contributions of the CEO and the other members of the Executive Committee on April 11 2023.

The Remuneration Committee determined that the Corporate Targets for 2022, had not always been fully achieved, especially for business development. Not meeting these objectives however has not had a material impact on the operations of the company. The variable remuneration for 2022 has considered the contributions of the members of the Executive Committee made to these achievements.