

**English version for information purposes only**

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**GENFIT**

French public limited company (*Société Anonyme*)  
governed by a Board of Directors,  
with share capital of 9,707,855.25 euros  
Registered Office: 885 avenue Eugène Avinée, 59120 Loos - France  
424 341 907 R.C.S Lille Métropole

**REPORT OF BOARD OF DIRECTORS  
TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS MEETING  
OF NOVEMBER 27, 2019**

Ladies and Gentlemen,

Dear Shareholders,

We have convened this Ordinary and Extraordinary Shareholders' Meeting, pursuant to the provisions of the French Commercial Code and the Company's articles of association, to deliberate on the following agenda:

**I. POINTS AND RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY SHAREHOLDERS' MEETING:**

- Reading of the Statutory Auditors' special report on the regulated agreements within the meaning of articles L.225-38 et seq of the French Code de commerce and approval of the regulated agreements referred to in the Statutory Auditors' special report (Resolutions n°1 and 2);
- Approval of regulated agreements within the meaning of article L. 225-42-1 of the French Code de commerce for the benefit of Mr. Pascal PRIGENT, Chief Executive Officer of the Company (Resolution n°3)
- Approval of principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of any kind that may be granted to Mr. Jean-Francois MOUNEY, Chairman of the Board of Directors of the Company for the remaining term of 2019 financial year (Resolution n°4);
- Approval of principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of any kind that may be granted to Mr. Pascal PRIGENT, Chief Executive Officer of the Company for the remaining term of 2019 financial year (Resolution n°5);
- Authorisation for the Company's to repurchase shares (Resolution n°6);

**II. POINTS AND RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING:**

- Delegation of authority granted to the Board of Directors for the purpose of issuing autonomous share subscription warrants reserved for the consultants of the Company (Resolution n°7)
- Authorisation granted to the Board of Directors to allocate options to subscribe and/or purchase shares (Resolution n°8);

- Authorisation granted to the Board of Directors to allocate existing or new free shares (Resolution n°9);
- Delegation of authority granted to the Board of Directors for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company for the benefit of the members of a company savings plan (Resolution n°10);
- Delegation of power granted to the Board of Directors for the purpose of cancelling all or part of the treasury shares of the Company, pursuant to the authorisation to repurchase shares (Resolution n°11); and

### **III. POWERS FOR FORMALITIES**

- Powers to carry out legal formalities (Resolution n°12).

The purpose of this report is to present the draft resolutions submitted by your Board of Directors to your Shareholders' Meeting. It is intended to present to you the important points of the draft resolutions, in accordance with the regulations in force. It does not claim, therefore, to be exhaustive; you are advised to read the text of the draft resolutions carefully before exercising your right to vote. We refer you to the half-year business and financial report available on the Company's website on the Investors page (<https://ir.genfit.com/financial-information/financial-reports>) for a presentation of the activity, financial position, business and results of the Company and its Group since the beginning of the year.

## **SUMMARY**

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## **I. POINTS AND RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY SHAREHOLDERS' MEETING:**

On September 2, 2019, the Board of Directors accepted the resignation of Jean-François Mouney as Chairman and Chief Executive Officer of the Company and decided to separate the functions of Chairman of the Board of Directors and Chief Executive Officer of Genfit SA with effect from September 16, 2019. At that same meeting, the Company decided to appoint Mr. Pascal Prigent as Chief Executive Officer of the Company and confirmed Mr. Jean-François Mouney as Chairman of the Board of Directors and as a member of certain committees of the Board of Directors.

On September 2, 2019 and October 18, 2019, the Board of Directors, after consultation with the Nominations and Compensation Committee, decided the compensation of Mr. Pascal Prigent as Chief Executive Officer and Mr. Jean-François Mouney as Chairman of the Board of Directors, subject to approval by the General Meeting of Shareholders in accordance with Article L-225-37-2 of the French Commercial Code. The Board has thus decided to adopt a new Say-on-Pay report which replaces, for the period beginning September 16, 2019, the report adopted by the Board of Directors on April 29, 2019 and submitted to the Shareholders General Meeting on June 15, 2019. The new Say-on-Pay report is provided on Schedule 1 to this report.

### **1. Related-party transactions related to Mr. Jean-François Mouney, Chairman of the Board of Directors of the Company and Mr. Pascal Prigent, Chief Executive Officer of the Company (Resolutions n°1 to 3)**

Indemnification agreements between the Company and each of its directors (including the current Chairman of the Board of Directors of the Company) and each member of its Executive Committee (including the current Chief Executive Officer of the Company) were authorized by the Board of Directors prior to its decision, on September 2, 2019 to:

- Separate the positions of Chairman and Chief Executive Officer of the Company
- Confirm Mr. Jean-François Mouney as Chairman of the Board of Directors; and
- Appoint Mr. Pascal Prigent as Chief Executive Officer.

These agreements were entered into as part of the Company's initial public offering on the Nasdaq Global Select Market. They are standard under such circumstances and supplement the director and officer liability insurance already taken out by the Company, by providing the beneficiaries supplemental coverage for liabilities and advance costs in connection with any business arising out of the performance of their duties in the service of the Company. Claims based on criminal actions or wilful or gross misconduct or on a fraud or a fraudulent misrepresentation of the beneficiary as well as fines and penalties of any kinds levied against the beneficiary, in particular, are not eligible for indemnification.

The agreements were previously authorized by the Board of Directors on March 13, 2019 and approved by the Shareholders' Meeting of June 15, 2019 with regard to Jean-François Mouney.

The purpose of Resolutions n°1 and 2 is to approve these two related party agreements, previously authorized by the Board of Directors on September 2, 2019, as they are now entered into between the Company and Mr. Jean-François Mouney, in his new capacity as Chairman of the Board of Directors of the Company on the one hand, and between the Company and Mr. Pascal Prigent in his new capacity as Chief Executive Officer of the Company on the other.

The Statutory Auditors' report on these two agreements is available on the Company's website ([www.genfit.com](http://www.genfit.com)) and will be submitted for your approval in accordance with the resolutions n ° 1 and n ° 2.

The purpose of Resolution n° 3 is to approve two related party agreements put in place by the decisions of the Board of Directors held on September 2 and October 18, 2019, as part of the appointment of Mr. Pascal Prigent, Chief Executive Officer of the Company.

These agreements cover, on the one hand, severance pay and, on the other hand, a non-compete indemnity granted by the Board of Directors to Mr. Pascal Prigent.

With regard to severance pay, the conditions under which, in accordance with recommendation R16 of the Middledent corporate governance code, this commitment is capped and subject to performance conditions are set out in the Board of Directors' report on the principles and criteria for determining, and allocating the compensation of executive corporate officers (Say on Pay Report - "Sapin II") adopted by the Board of Directors and reproduced in Schedule I to this report.

The Statutory Auditors' report on this point is available on the Company's website, will be submitted for your approval in accordance with Resolution No. 3.

## **2. Compensation of corporate officers (Resolutions n° 4 and 5)**

### **a. Approval of principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits in kind that may be granted to the Chairman of the Board of Directors of the Company for the remainder of the 2019 financial year (Resolution n°4)**

In accordance with the recommendations made by the Nomination and Compensation Committee, the report of which appears in Schedule II, to which the Chairman did not contribute, the Board of Directors has decided on the compensation policy of the Chairman of the Board for the remainder of the 2019 financial year.

In accordance with Article L.225-37-2 of the French Commercial Code, we invite you to approve the policy for the determination, distribution and allocation of fixed, variable and exceptional items, the component and the benefits in kind that would be allocated, as described in the report on Schedule I hereto.

### **b. Approval of principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits in kind that may be granted to the Chief Executive Officer of the Company for the remainder of the 2019 financial year (Resolution n°5)**

In accordance with the recommendations made by the Nomination and Compensation Committee, the reports of which appear in Schedules II and III, the Board of Directors has decided on the compensation policy for the Chief Executive Officer for the remainder of the 2019 financial year.

In accordance with Article L.225-37-2 of the French Commercial Code, we invite you to approve the policy for the determination, distribution and allocation of fixed, variable and exceptional items, the component and the benefits in kind that would be allocated, as described in the report on Schedule I hereto.

## **3. Company share repurchase Programme (Resolution n°6)**

We propose under resolution n°6, in accordance with the provisions of articles L.225-209 *et seq.* of the French Commercial Code, that you authorise the Board of Directors, along with the power to sub-delegate pursuant to the conditions provided for by law, to repurchase the Company's shares as part of the implementation of a share repurchase programme. The Board of Directors proposes that you renew, using the same conditions, the authorization granted by the Shareholder's Meeting of June 15, 2018.

The General Meeting would decide that:

- The maximum purchase price (excluding charges) per share would be set at Euro 125, and
- the maximum amount that the Company would be able to allocate to the repurchase programme of its own shares would not exceed the amount of Euros 1,500,000.

The Company could purchase a number of shares such that:

— the maximum number of shares that could be acquired pursuant to this authorization may not exceed ten percent (10%) of the total number of shares comprising the Company's share capital and five percent (5%) of the total number of shares comprising the Company's share capital for the acquisitions made to retain shares and to subsequently use them as payment or in an exchange in the context of a merger, split or contribution transaction; it being specified that (i) these limits would apply to an amount of the Company's share capital that would be adjusted, if necessary, to take into account those transactions that could affect the share capital subsequent to the Shareholders' Meeting held on 27 November 2019, and (ii) should the shares be bought back to promote liquidity under the conditions set out by the General Regulations of the *Autorité des marchés financiers*, the number of shares taken into account to calculate the above mentioned 10% limit would correspond to the number of shares purchased, minus the number of shares re-sold during the authorization period; and

— the acquisitions carried out by the Company shall not result in the Company holding, at any moment whatsoever, directly or indirectly, more than ten percent (10%) of its share capital.

This authorization would be intended to allow the Company to pursue the following objectives, in compliance with applicable legislative and regulatory provisions:

- (i) to retain the Company's shares that may have been purchased and to use them in exchange or in payment within the context of potential external growth transactions, in accordance with stock market regulations;
- (ii) to deliver shares upon the exercise of rights attached to securities giving access to the share capital of the Company;
- (iii) to allocate shares to employees or corporate officers of the Company or its subsidiaries in accordance with the terms and conditions set forth by law, in particular with respect to the allocation of free shares, the participation in the profits resulting from the expansion of the business, the stock option plans or through a company savings plan;
- (iv) to ensure liquidity and to promote the secondary market for the Company's securities, which would be accomplished by an investment services provider acting under a liquidity contract in compliance with the ethics charter approved by the *Autorité des marchés financiers*;
- (v) to cancel all or part of the repurchased securities, provided resolution n°11 is adopted; and
- (vi) to accomplish all other authorized goals or goals that could become authorized by law or recognized or that would be recognized as a market practice by the *Autorité des Marchés Financiers*, in which case the Company would inform its shareholders by way of a press release.

These purchase, sale, exchange or transfer transactions could be carried out in any manner, that is, either on the regulated market, on a multilateral trading facility, through a systematic internalizer or through an over-the-counter transaction, such as an acquisition or block trades, or by resorting to financial instruments, in particular financial derivatives negotiated on a regulated market, on a multilateral trading facility, through a systematic internalizer or through a private transaction or by resorting to warrants, in compliance with the conditions set forth by the legislative and regulatory provisions that are applicable on the date of the considered transactions and during the periods set by the Company's Board of Directors or by the person to whom the Board of Directors may have delegated its authority. The maximum portion of the share capital acquired or transferred in the form of blocks trades could be the total amount of the repurchase program.

The Shareholders' Meeting would delegate to the Board of Directors, along with the power to sub-delegate pursuant to the conditions set forth in article L. 225-209 of the French Commercial Code, in

the event of a change in the par value of the share, increase in share capital by incorporation of reserves, allocation of free shares, split or reverse stock split, distribution of reserves or of any other assets, redemption of share capital or any other transaction affecting shareholders' equity, powers to adjust the aforementioned maximum purchase price so as to take into account the impact of such transactions on the value of the shares.

Moreover, the Shareholders' Meeting would grant full powers to the Board of Directors, along with the power to sub-delegate pursuant to the conditions set forth in article L. 225-209 of the French Commercial Code, to decide and implement this authorization, to specify, if necessary, its terms and, in particular, to place any on or off-market orders, to allocate or reallocate purchased shares to the various set objectives, in accordance with applicable laws and regulations, to enter into any agreements, particularly for the purpose of maintaining share purchase and sale registries, to complete any formalities or statements with any agencies, particularly the *Autorité des marchés financiers* and, generally speaking, to take any necessary action in order to complete the transactions that could be carried out pursuant to this authorization.

The Shareholders' Meeting would also grant full powers to the Board of Directors, if the law or the *Autorité des marchés financiers* were to extend or supplement to the authorized objectives for share repurchase programs, to inform the public of any changes to the repurchase program concerning the modified objectives, in accordance with applicable laws and regulations.

This authorization would be granted for a period of 18 months from the date of the Shareholders' Meeting held on 27 November 2019. It would void, from this day, any prior authorization having the same purpose, *i.e.* any authorization relating to the repurchase of its own shares by the Company. This authorization would therefore void the authorization granted by the Shareholders' Meeting dated 15 June 2018 pursuant to its 7th resolution.

The description and the assessment of the share repurchase program adopted by the Shareholders' Meeting held on 15 June 2018, are included in the management report of the Board of Directors on the financial statements for the 2018 financial year included in the Registration Document filed with the AMF on 27 February 2019 under n° D.19-078 and show that the authorization granted to the Board of Directors by the Shareholders has been used solely to ensure liquidity and promote the secondary market for the Company's securities, this task having been accomplished by an investment services provider acting under a liquidity contract in compliance with the ethics charter established by the AMAFI and recognised by the *Autorité des Marchés Financiers*.

Please refer to paragraph II.2 of this Report for a description of the resolution n° 11 relating to shares cancellation.

## **II. POINTS AND RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING:**

You are being asked in accordance with the recommendations made by the Nomination and Compensation Committee, the report of which is set out in Appendix III, to which the Chairman of the Board of Directors did not contribute with regard to the provisions concerning him, to approve the setting up of long term incentive plans for the employees, management (stock-options and free shares/ performance shares) and certain consultants of the Company (share warrants).

### **1. Incentive instruments of directors, executive officers, employees and consultants (Resolutions n°7 to 10)**

The maximum number of shares that may be issued in respect of instruments intended for employees, management, and consultants of the Company (resolutions n° 7 to 10) proposed by the Board of Directors represents 1.35% of the current share capital, *i.e.* a maximum dilution (if all the conditions related to these instruments are realized) of 1.33% on a fully diluted basis. This percentage is significantly low as compared to the listed biotechnology firms of equivalent size. Furthermore, these resolutions are essential to continue to motivate and reinforce, through the hiring of new talents, a successful management team and to associate them, as well as all the employees, with the success of the Company and its shareholders.

As in 2018, but with a smaller allocation, we ask (resolution n°7) that you authorize an envelope of 25,000 share warrants (BSA) for:

- consultants of the Company, notably scientific ones. In a highly competitive context and in line with market practices in this sector, in particular in the United States it is also needed to offer a long term compensation element to the consultants of the Company who may not be granted options or free or performance shares. In effect, the Company must be able to encourage highly qualified consultants to stay by its side in the long run on its research and development projects. The allocation of BSA will notably contribute to attract and retain these high level profiles.

Resolutions n°8 (authorization to the Board of Directors to allocate options to subscribe and/or purchase shares) and 9 (authorization to the Board of Directors to allocate existing or new free shares), for their part, are intended to enable you Company to set up two new long-term incentive instruments in order to:

- continue to offer to its collaborators competitive packages as compared to those offered by the other companies of the sector, notably the American ones;
- offer the employee of the Company part of their global compensation in the form of Company shares, so as to contribute to align their interests and the shareholders' ones, involve the teams of the Company on the long run and retain talents by maintaining a direct link between their compensation level and the performance of the Genfit share;
- while maintaining the dilutive impact of these advantages granted to the employees and the executives managers of the Company and its subsidiaries in reasonable proportions and in line with the standards of the sector.

These resolutions are essential for continuing to motivate and reinforce, through the hiring of new talents, a successful management team and to associate them, as well as all the employees, to the success of the Company and its shareholders.

The terms and conditions for the allocation and/or exercise of these two new instruments shall be set by the Board of Directors. When the beneficiaries are corporate officers, the Nominations and Remunerations Committee will advise the Board of Directors. However, we can tell you that the main terms of stock options and free shares that would be the following:

*Granting of share subscription and/or purchase options (resolution n°8)*

- Beneficiaries: the Board of Directors requests your authorization to grant these options for the benefit of the employees and the corporate officers of the Company or the companies and groupings mentioned in article L.225-180 of the French Commercial Code, or to some of them.
- Exercise / transfer of the acquired shares: the Board of Directors shall determine the exercise price in accordance with resolution n°8 as indicated below, provided that, with respect to allocations to corporate officers, the Board of Directors may not apply a discount to the reference stock price in order to determine the exercise price. The Board of Directors shall also determine a period during which the options granted may not be exercised and/or a period during which the shares acquired may not be transferred. This time period should be of at least three years from the day the options are granted to the beneficiaries.
- Performance conditions: in line with the best compensation practices, the exercise of the options granted to the executive officers shall be subject to performance conditions. The same principle shall apply to allocations to some middle managers of the Company and its subsidiaries. It is expected that the performance conditions will be measured over a period of at least three years from their allocation. The business of the Company making it hard to assess its performance in the medium term or on the long run from a merely financial



perspective, as is the case for other companies, and to assess the individual performance of each beneficiary, the performance criteria should be linked:

- Meeting clinical milestones in current clinical trials or trials that are set to begin;
- Meeting regulatory milestones in obtaining authorizations or approvals for products in development;
- Signing new strategic commercial agreements in relation to the Company's therapeutic or diagnostic programs;
- Stock price performance.

*Free/ performance shares allocations proposed (resolution n°9)*

- Beneficiaries: the allocation of free / performance shares is intended for all the employees of the Company and the eligible executive officers pursuant to articles L.225-197-1 *et seq.* of the French Commercial Code, or to some of them.
- Acquisition and retention periods: pursuant to applicable legal provisions, the Board of Directors shall determine an acquisition period of at least one year, upon the expiry of which the allocation shall become definitive, followed, if deemed useful or necessary by the Board of Directors, by a retention period of a duration to be set, that will start from the definitive acquisition of the shares. It is specified that, in order to align these instruments with the shareholders' long term interests and the retention by the employees, the cumulative duration of the acquisition and, as the case may be, retention periods, shall not be less than three years, and the definitive acquisition of these instruments shall be subject to a presence condition of the beneficiaries within the Company or its subsidiaries.
- Performance conditions: the definitive acquisition of the shares granted to the executive officers as well as to some middle managers of the Company and its subsidiaries shall be subject to performance conditions set by the Board of Directors. It is expected that the performance conditions will be measured over a period of at least three years from their allocation. Once more, the business of the Company making it hard to assess its performance in the medium term or on the long run from a merely financial perspective, as is the case for other companies, and to assess the individual performance of each beneficiary, the determination of the performance criteria for the definitive acquisition of these actions is expected to follow the same principles as those used for the shares subscription/purchase options.
- Continued employment condition: the beneficiaries must be present in the Company or its subsidiaries on the date the Board of Directors evaluates whether the performance conditions have been met.

Lastly, Resolution n°10 is an ordinary resolution intended to authorize the Board of Directors to implement capital increases for the benefit of the employees who are part of a company savings plan; it being specified that the Board of Directors recommends to vote against this resolution as employees already benefit from the free share plans put in place in 2016, 2017, 2018 and 2019 and could benefit from a new plan if resolution n°9 is approved and implemented.

As of the day of the present Report, the potential dilution represented by the securities giving access to the share capital of the Company held by the employees, the corporate officers and some members of the Board of Directors and consultants of the Company represents approximately 1.56% of the share capital on a fully diluted basis (not including OCEANE bonds).

A favourable vote on the resolutions n°7 to 10 proposed to the Shareholders' Meeting of November 27, 2019 would, for its part, authorize the subscription of 575,000 new shares, representing approximately 1.48% of the current share capital and 1.46% on a fully diluted basis (not including OCEANE bonds).

If, as recommended by the Board of Directors, only the resolutions n°7 to 9 submitted to the Shareholders' Meeting of November 27, 2019 were approved, a maximum of 525,000 new shares could be subscribed, representing 1.35% of the current capital and a maximum dilution of 1.33% on a fully diluted basis (not including OCEANE bonds).

Assuming that both the totality of the current instruments and the totality of the new instruments covered by the three resolutions n°7 to 9 (within the limits of the ceilings provided for by these resolutions) were attributed and exercised, the total dilution would be increased to approximately 2.8% on a fully diluted basis (not including OCEANE bonds).

In any case, these percentages are within the low range of those in listed biotechnology companies of comparable size.

**a. Delegation of authority to the Board of Directors for the purpose of issuing autonomous share subscription warrants reserved for consultants of the Company (Resolution n°7)**

The Board of Directors wishes to be able to continue to motivate, recruit and retain certain consultants of the Company, in particular scientific consultants. As such, the Company wishes to continue with the granting of autonomous share subscription warrants for the benefit of this category of persons.

It is therefore proposed, in resolution n°7, that the Shareholders' Meeting, pursuant to the provisions of articles L. 225-129 to L. 225-129-6, L. 225-138 and L. 228-91 *et seq.* of the French Commercial Code:

1. Delegates its authority to the Board of Directors for the purpose of deciding to increase the share capital, either once in full or in a number of instalments, in the proportions and at the times it shall determine, through the issuance of share subscription warrants (*bons de souscription d'actions*, or "BSA"), it being specified that the Board of Directors may delegate to the CEO or, with the CEO's approval, to one or more Deputy CEOs, under the conditions set forth by law, all the necessary powers to decide on the share capital increase;
2. Decides that the nominal amount of the share capital increases that could potentially be carried out pursuant to this delegation would not exceed a maximum nominal amount of EUR 6,250 (or, on the basis of the current nominal value of the Company's shares, equal to EUR 0.25, a maximum amount of 25,000 shares), it being specified that this amount does not take into account any adjustments that may potentially be carried out in accordance with applicable legal and regulatory provisions and, as the case may be, with contractual stipulations providing for other cases of adjustment, in order to preserve the rights of holders of securities or other rights giving access to the share capital;
3. Decides to suppress the preferential subscription right of shareholders to the BSA referred to in this resolution and to reserve the right to assign such rights to any natural person or legal entity that is a consultant of the Company able to prove an existing contractual relationship with the Company as of the date of use of this delegation by the Board of Directors;
4. Acknowledges that, for the benefit of holders of the BSA issued pursuant to this resolution and giving access to the share capital of the Company, this delegation of authority automatically implies shareholders' renunciation of their preferential subscription right to shares that these BSA grant rights over;
5. Decides that the Board of Directors would determine the precise list of beneficiaries within the category of beneficiaries previously mentioned for whose benefit the preferential subscription right was suppressed and will determine the characteristics, amounts and terms and conditions of any issuance, as well as the terms and conditions for paying up the issued shares, being specified that one share subscription warrant would give the right to subscribe to one Company's share. In particular, it would determine the number of the BSA to be issued for the benefit of each beneficiary and will set, taking into account the guidelines included in its report, the subscription price and the exercise price of such BSA, their dividend entitlement date (*date de jouissance*), it being specified that the amount paid or that should be paid to the Company for each share issued within the context of

this delegation, would be at least equal to the volume-weighted average trading prices of the share noted during a period of a minimum of five consecutive trading days to a maximum of thirty consecutive trading days among the last thirty trading days preceding the date upon which the issuance price is set, and potentially be discounted by a maximum amount of 5% at the time of allocation of the BSA, it being specified that the subscription price of the BSA shall be equal to 10% of the thus-determined exercise price of the BSA and that the amount thus disbursed at the moment of subscription can be deducted from the amount due at the time of exercise;

6. Acknowledges that this resolution would void, from this day forward, any prior delegation of authority having the same purpose, i.e., any delegation for the purpose of issuing autonomous BSA reserved for a specific category of persons. This delegation would therefore void the delegation granted by the Shareholders' Meeting held on June 15, 2018 pursuant to its resolution n°22; and

9. Acknowledges that, in the event of the use by the Board of Directors of the delegation of authority granted by this resolution, the Board of Directors would report to the following Ordinary Shareholders' Meeting, in accordance with the law and regulations, regarding the use made of the delegation of authority granted by this resolution.

The delegation of authority thus granted to the Board of Directors would be valid for a term of 18 months as from the date of this Shareholders' Meeting.

**b. Authorization granted to the Board of Directors to allocate options to subscribe and/or purchase shares (Resolution n°8)**

Your Company wishes to be able to continue to motivate, hire and retain the employees and corporate officers of the Company and its subsidiaries. As such, the Company wishes to be able to grant options to subscribe and/or purchase shares. The exercise of the instruments granted to the executive officers of the Company, as well as to some of its middle managers and of middle managers of its subsidiaries, shall be subject to performance conditions and service conditions, in compliance with the best governance practices, and like the conditions that led to the implementation of such plans since 2016.

It is therefore proposed, in resolution n°8, that the Shareholders' Meeting, pursuant to the provisions of articles L. 225-177 to L. 225-185 of the French Commercial Code:

1. Authorizes the Board of Directors to grant, on one or more occasions, subject to the abstention periods provided for by law, options granting entitlement to the subscription of new shares of the Company to be issued by means of a share capital increase or to the purchase of existing Company's shares resulting from buy-backs realized pursuant to applicable law, to the benefit of employees and executive officers of the Company or of the groups targeted in article L. 225-180 of the French Commercial Code, or of some of them, and thus approves the putting in place by the Board of Directors of one or more share subscription and/or purchase options plans within the framework set out below;

2. Decides that the options that may be granted pursuant to this authorization would not give rights, upon exercise, to the subscription or purchase of a total number of shares exceeding 400,000 shares, that is, a maximum share capital increase of EUR 100,000; it being specified that this cap: (i) does not take into account any adjustment that may be made in accordance with applicable legal and regulatory provisions and, as the case may be, with the contractual provisions providing for other adjustment cases to preserve the rights of the holders of securities or other rights giving access to the share capital; and (ii) shall be adjusted to account for all transactions lowering the nominal value of the shares or increasing the number of shares that could take place before the allocation of the options;

3. Decides that the time period for exercising the options shall not exceed 10 years from the date of grant;

4. Decides that the exercise price of the options granted pursuant to this delegation would be set on the day the options are allocated by the Board of Directors, it being specified that the exercise price of the options shall not be (i) lower than 80% of the average of the stock price during the twenty stock market trading days preceding the date upon which the options are granted regarding the options to subscribe for shares or to purchase shares; and, (ii) lower than 80% of the average purchase price of

the shares held by the Company, pursuant to articles L. 225-208 and L. 225-209 of the French commercial Code. With regard to corporate officers, it is specified that this exercise price may not be lower (i) in the case of stock options or the purchase of shares, than the average of the prices quoted at the twenty trading sessions prior to the day the options are granted; (ii) and, but only for stock options, than the average purchase price of the shares held by the Company under Articles L.225-208 and L.225-209 of the French Commercial Code;

5. Decides that the exercise price may be modified during the duration of the options only in case of implementation of the measures required to protect the interests of the beneficiaries of the options, pursuant to article L. 225-181 of the French Commercial Code;

6. Acknowledges that, for the benefit of the beneficiaries of the options, the Shareholders' Meeting's decision automatically implies shareholders' renunciation of their preferential subscription rights to shares that shall be issued as the options to subscribe are exercised;

7. Decides to grant full powers to the Board of Directors, with the option to delegate and sub-delegate under the conditions set forth by law, notably:

- to determine the number of beneficiaries and the number of options granted to each of them;
- to set the conditions for the allocation of the options;
- to set, within the above-specified limits, the options exercise price and the time period during which the options may be exercised, and set the conditions under which they shall be adjusted, in the circumstances provided for by law;
- to set the exercise conditions and notably the performance conditions to which the exercise of the options allocated to the executive officers of the Company and to some of the managing directors of the company and of its subsidiaries shall be subject to;
- to impose, as the case may be, a time period during which the options shall not be exercised and/or a time period during which the acquired shares may not be transferred;
- to temporarily suspend the exercise of the options in given circumstances;
- when determining the features of each plan, to take into account legal requirements, notably tax ones, applicable depending on the jurisdiction where the beneficiaries are located, notably, as far as the United States are concerned, article 422 of the Federal Tax Code;
- on its sole initiative, charge the capital increase expenses against the amount of the premium relating to these issuances and to deduct from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each increase; and
- to record the completion of the increase(s) in the share capital resulting from the exercise of the options, complete any acts and formalities in order to finalize the increase(s) in share capital realized pursuant to this authorization, amend the bylaws accordingly and more generally take all decisions required in the context of this authorization, grant all delegations, and do all that is needed.

The Board of Directors will notify the shareholders each year during the Shareholders' Meeting, under the conditions set forth by law, of the transactions carried out in pursuant to this resolution.

It is also proposed that:

- the Shareholders' Meeting would take note of the fact that this resolution cancels with effect from the date hereof, any previous delegation having the same purpose, e.g., any previous delegation of authority relating to share subscription and / or purchase options. It would therefore cancel the authorization granted by the Shareholders' Meeting of June 15, 2018 under Resolution n°23.
- this authorization is granted for a period of 38 months from the date of this Shareholders' Meeting.

**c. Authorization granted to the Board of Directors to allocate existing or new free shares (Resolution n°9)**

Your Company wishes to be able to continue to motivate, hire and retain the employees and executive officers of the Company and its subsidiaries. The Company also wishes to continue to grant existing or new free shares to employees and/or executive officers. In compliance with the best governance practices, the definitive acquisition of the shares granted to the corporate officers of the Company, as well as to some of its middle managers and of middle managers of its subsidiaries, or all of its employees, shall be subject to performance conditions and service conditions, similar to the conditions that led to the implementation of such plans since 2016.

It is therefore proposed, in resolution n°9, that the Shareholders' Meeting, pursuant to the provisions of articles L. 225-197-1 et seq. of the French Commercial Code, authorizes the Board of Directors to proceed with the free allocation of 100,000 ordinary shares, existing or to be issued, with a nominal value of EUR 0.25 each (the "**Free Shares**"), for the benefit of the employees and the corporate officers of the Company and its consolidated subsidiaries as at 31 December 2018 eligible under the above mentioned texts, or for the benefit of some of them.

This authorization could be used within 38 months from the date of this Shareholders' Meeting.

**(1) Share capital increase**

The allotment of the totality of the Free Shares, in the case of new shares, will result in a capital increase of EUR 25,000, authorized by this Shareholders' Meeting, it being specified that this amount does not take into account any adjustments that may potentially be carried out in accordance with applicable legal and regulatory provisions and, as the case may be, with contractual stipulations providing for other cases of adjustment, in order to preserve the rights of holders of securities or other rights giving access to the share capital.

The capital increase that would result from the creation of the Free Shares would be implemented by way of special incorporation of all or part of the reserve accounts available and, in particular, of the "premium account". The Shareholders' Meeting would acknowledge that this decision implies shareholders' renunciation of their rights, for the benefit of holders of Free Shares, to the said reserves.

**(2) Allocation and retention periods**

The Board of Directors would determine, for each allocation, a vesting period of at least one year after which the allocation of existing or new shares will become definitive, followed, if deemed useful or necessary by the Board of Directors, by a retention period of a duration it would determine and which shall run from the definitive acquisition of the existing or new shares; it being specified that the cumulated duration of the vesting period and, as the case may be, of the retention period, shall be of at least three years.

The definitive acquisition of the Free Shares would have to be subject to the condition of the beneficiary's presence in the Company or its consolidated subsidiaries as employee and/or executive officer or member of the administrative or supervisory bodies and, as the case may be, to the fulfilment of performance conditions that the Board of Directors may determine upon allocation, as is specified below.

However, in the event of disability of the beneficiary corresponding to the classification in the second or third categories provided for in article 341-4 of the French Social Security Code (or its equivalent in foreign law), the Free Shares would be definitively allocated before the end of the remaining vesting period, said shares being then freely transferable.

**(3) Delegation of powers to the Board of Directors**

The Shareholders' Meeting, would grant full powers to the Board of Directors, with the option to sub-delegate under the conditions set forth by law, to implement the allocation of Free Shares, including:

- to determine the eligibility of the employees of the Company or of its subsidiaries, as referred to in the first paragraph, eligible for such allocation;

- — to determine the identity of the beneficiaries and the number of Free Shares granted to each of them;
- to determine, in particular for the corporate officers and certain managing directors of the Company and its subsidiaries, as the case may be, the performance conditions subject to which the Free Shares will be definitively acquired;
- to establish the rules for the allocation plan of the Free Shares;
- to set, in accordance with the conditions and limits set forth by applicable legal provisions, the dates on which the Free Shares will be allocated;
- to take all necessary measures in order to reserve the rights of the holders of Free Shares pursuant to any legal or regulatory provision;
- to acknowledge the completion of the capital increase resulting from such allocation after the allocation period or, if applicable, as a result of the exercise of all other conditions subordinating the definitive allocation of Free Shares;
- to set the dividend entitlement date (date de jouissance), even retroactively, of the Free Shares to be issued; and
- to take any action required by the implementation of this authorization, in accordance with the legislation currently in force.

It is also proposed that:

- the Shareholders' Meeting would take note of the fact this resolution cancels with effect herefrom, any previous delegation having the same purpose, that is to say any previous delegation of authority relating to allocation of free shares. It would therefore cancel the authorization granted by the Shareholders' Meeting of June 15, 2018 under Resolution n°24.
- this authorization is given for a period of 38 months from the date of this Shareholders' Meeting.

**d. Delegation of authority granted to the Board of Directors for the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company for the benefit of the members of a company savings plan (Resolution n°10)**

You are reminded that, pursuant to the provisions of article L.225-129-6 of the French Commercial Code, it is mandatory to submit to a shareholders' meeting called to vote on resolutions contemplating a share capital increase a resolution for the realization of a share capital increase under the conditions set forth at articles L.3332-18 *et seq.* of the French Labour Code and of article L.225-138-1 of the French Commercial Code, that is in the context of a company employees savings plan.

You have been asked to vote on various resolutions to authorize increases in the share capital.

Accordingly, subject to these authorizations to be void, it is proposed under resolution n°10, that the Shareholders' Meeting, in the context of the provisions of articles L. 3332-18 *et seq.* of the French Labour Code and of article L. 225-138-1 of the French Commercial Code, and pursuant to the provisions of article L. 225-129-6 of that same Code:

1. Delegates all powers to the Board of Directors for the purpose of increasing the Company's share capital, either once in full or in a number of instalments, in the proportions and at the times it shall determine, by a maximum nominal amount of EUR 12,500 (or, on the basis of the current nominal value of the Company's shares, equal to EUR 0.25, a maximum amount of 50,000 shares), through the issuance of shares or other securities giving access to the share capital, reserved to members of a company savings plan of the Company and of French or foreign companies that are related to the Company under the conditions set forth in article L. 225-180 of the French Commercial Code and article L. 3344-1 of the French Labor Code;

2. Decides that the Board of Directors will set the subscription price of the new shares, that will be equal to 80% of the average of the first listed prices of the Company's share on the Euronext Paris stock exchange during the twenty stock market trading days preceding the date of the decision setting the opening date for subscription when the duration of the lock-up period stipulated by the savings plan pursuant to articles L. 3332-25 *et seq.* of the French Labor Code is less than 10 years, and to 70% of this average when said lock-up period is greater than or equal to 10 years. Nevertheless, the Shareholders' Meeting would expressly authorize the Board of Directors, if it thinks it appropriate, to reduce or cancel the above-mentioned discounts, within legal and regulatory limits, in order to take

into account, among others, the applicable legal, accounting, tax and social security considerations in the countries where the members of a company savings plan benefiting from the capital increase reside;

3. Decides that Board of Directors will also have the power to substitute all or part of the discount with an allocation of free shares or other securities giving access to the Company's share capital, either existing or to be issued, it being specified that the total benefit resulting from the allocation and, as applicable, the discount mentioned above, may not exceed the total benefit that members of the savings plan would have received if that shortfall had been 20% or 30% when the lock-up period stipulated by the plan pursuant to articles L. 3332-25 *et seq.* of the French Labor Code is greater than or equal to 10 years;

4. Decides, pursuant to article L. 3332-21 of the French Labor Code, that the Board of Directors may also provide for the allocation, free of charge, of new or existing shares or other new or existing securities giving access to the Company's share capital, as an employer matching contribution, provided that their equivalent monetary value, valued at the subscription price, will not have the effect of exceeding the limits provided for in articles L. 3332-10 *et seq.* of the French Labor Code;

5. Decides to suppress, in favor of members of a company savings plan, the shareholders' preferential subscription rights to the new shares to be issued or to other securities giving access to the share capital, and to the securities to which such securities issued pursuant to this resolution give access to;

6. Decides that the characteristics of the other securities giving access to the share capital will be decided by the Board of Directors, under the conditions set forth by applicable regulations;

7. Decides that the Board of Directors shall have all powers, with the power to delegate or sub-delegate pursuant to applicable legal and regulatory provisions, to implement this resolution and, in particular, with respect to determining the terms and conditions of the transactions and deciding on the dates and terms of the issuances to be carried out pursuant to this delegation, setting the opening and closing dates of the subscription periods, the dividend entitlement dates (*dates de jouissance*) of the issued securities, determining the terms and conditions for paying up the shares and other securities giving access to the Company's share capital, determining the timeframe for such paying up of shares and, as applicable, of the securities giving access to the Company's share capital, requesting the created securities' admission to trading on the stock market wherever appropriate, announcing the completion of the share capital increases in the amount of the shares that will actually be subscribed, completing, directly or through an agent, any transactions and formalities in connection with share capital increases and, at its sole discretion and if it sees fit, deducting the costs of the share capital increases from the amount of premiums associated with those increases and withholding from that amount the sums necessary to increase the legal reserve to one-tenth of the new share capital after each share capital increase.

The Shareholders' Meeting would take note of the fact that resolution n°10 cancels with effect from the date of the Meeting of November 27, 2019, any previous delegation having the same purpose, that is to say any previous delegation of authority relating to the purpose of issuing ordinary shares and/or securities giving access to the share capital of the Company for the benefit of the members of a company savings plan. As a reminder, the Shareholders' Meeting of June 15, 2018 rejected Resolution n°25 relating to the same authorization.

The delegation thus granted to the Board of Directors would valid for a term of 26 months as from the date of the Shareholders' Meeting held on November 27, 2019.

The Board of Directors recommends voting against this resolution insofar as employees already benefit from the free share plans put in place since 2016 and that they could benefit from a new plan if Resolution No. 9 is approved and implemented.

## **2. Cancellation of shares under the share repurchase programme (Resolution n°11)**

It is proposed, in resolution n°11, that the Shareholders' Meeting of November 27, 2019, subject to the adoption of the authorization allowing the Company to repurchase its own shares as detailed in resolution n°6 above, authorizes the Board of Directors, pursuant to the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, to cancel, in the proportions and at the times it shall determine, once in full or in several instalments, all or part of the Company's shares that the Company holds pursuant to the authorization granted by the Shareholders' Meeting to repurchase the

Company's shares, and to reduce the share capital by the overall nominal amount of the shares thus cancelled, within the limit of 10% of the share capital over a period of 24 months; it being reminded that this 10% limit applies to the Company's share capital, which may, if applicable, be adjusted according to transactions affecting the share capital that may occur subsequent to the Shareholders' Meeting of November 27, 2019.

The Shareholders' Meeting of November 27, 2019 would grant full power to the Board of Directors, with the power to sub-delegate under the conditions set forth by law, for the purpose of proceeding with said capital reduction, acknowledging its successful completion, adding the difference between the cancelled share repurchase price and their par value to all items relating to reserves or premiums, carrying out the corresponding amendments to the by-laws, as well as making any declarations to the *Autorité des Marchés Financiers*, complete any other formalities and, generally speaking, take any necessary action.

This authorization would be granted for a term of 18 months as from the date of the Shareholders' Meeting held on November 27, 2019. It would void, as from the day of the Shareholders' Meeting held on November 27, 2019, any prior delegation of authority granted to the Board of Directors, having the same purpose, i.e., any delegation relating to the reducing of the share capital by cancellation of treasury shares. This delegation would therefore void the delegation granted by the Shareholders' Meeting held on June 15, 2018 pursuant to its resolution n°26.

### **III. POWERS TO COMPLETE FORMALITIES**

It is proposed, in resolution n°12, that the Shareholders' Meeting of November 27, 2019 grants full powers to the holder of an original, a copy, or an excerpt of the minutes of the Shareholders' Meeting of November 27, 2019 for the purpose of completing legal formalities

\* \* \*

Should you approve these various proposals, please confirm with your vote by adopting these resolutions which shall be read to you and have been kept available at the registered office during fifteen days preceding the Shareholders' Meeting of November 27, 2019, in accordance with law.

**The Chairman of the Board of Directors**



## SCHEDULE I

### **PRINCIPLES AND CRITERIA FOR DETERMINING AND ALLOCATING FIXED, VARIABLE AND EXCEPTIONAL COMPENSATION AND BENEFITS OF ANY KIND TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER OF THE COMPANY**

2019 Ex ante Say on Pay Report adopted by the Board of Directors on October 18, 2019, in accordance with the recommendations of the Nomination and Compensation Committee, on principles and criteria for determining and allocating the compensation of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.<sup>1</sup>

On September 2, 2019, the Board of Directors accepted the resignation of Jean-François Mouney as Chairman and Chief Executive Officer of the Company and decided to separate the functions of Chairman of the Board of Directors and Chief Executive Officer of Genfit SA (the "Company") with effect from September 16, 2019. At that same meeting, the Company decided to appoint Mr. Pascal Prigent as Chief Executive Officer of the Company and confirmed Mr. Jean-François Mouney as Chairman of the Board of Directors and as a member of certain committees of the Board of Directors.

On September 2, 2019 and October 18, 2019, the Board of Directors, after consultation with the Nominations and Compensation Committee, decided the compensation of Mr. Pascal Prigent as Chief Executive Officer and Mr. Jean-François Mouney as Chairman of the Board of Directors, subject to approval by the General Meeting of Shareholders in accordance with Article L-225-37-2 of the French Commercial Code. The Board has thus decided to adopt a new Say-on-Pay report which replaces, for the period beginning September 16, 2019, the report adopted by the Board of Directors on April 29, 2019 and submitted to the Shareholders General Meeting on June 15, 2019.

#### **I. Compensation policy – general principles**

The Company's compensation policy seeks consistency with market and industry practices to ensure (i) competitive compensation levels, (ii) a strong correlation between the Company's performance and executive compensation, in particular, a balance between short-term and medium / long-term performance and (iii) compliance with the corporate governance standards that the Company follows.

As part of determining the overall compensation of its corporate officers, the Board of Directors takes into account the following principles, in accordance with recommendation R13 of the Middlednext Corporate Governance Code of September 2016:

- **Comprehensiveness:** setting of the corporate executive officers' compensation must be comprehensive: fixed part, variable part (bonus), stock options, free shares, attendance fees, pension terms and special benefits must be agreed in the overall assessment of the compensation.
- **Balance between the elements of the compensation:** each element of the compensation must be justified and be in the company's general interest.
- **Benchmark:** this compensation must be assessed, to the extent possible, in relation to the occupation at hand, and the relevant market and be proportionate to the company's situation, whilst paying attention to its inflationary effect.
- **Consistency:** a corporate executive officer's compensation must be consistent with that of the company's other executives and employees.
- **Legibility of the rules:** the rules must be simple and transparent; the performance criteria used to establish the variable part of the compensation or, where applicable, for the allocation of options or free shares must be in line with the company's performance, correspond to its objectives, be challenging, explainable and, as far as possible, long-term. They must be

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<sup>1</sup> Applicable from September 16, 2019, effectiveness date of the Board of Director's decision of September 2, 2019

detailed without, however, jeopardizing the confidentiality which may be justified for certain elements.

- Measurement: determination of the compensation and the allocation of options or free shares must achieve the right balance and take into account the company's general interest, market practices and the executives' performance.
- Transparency: informing the shareholders on a yearly basis of the compensation and benefits received by the executives is done in accordance with applicable regulations.

To determine the compensation of the Chairman of the Board of Directors and of the Chief Executive Officer, the Board of Directors takes into account the following criteria:

- level and difficulty of responsibilities,
- experience in the position,
- seniority;
- positions held in Group subsidiaries;
- feedback from and the expectations of the Company's shareholders, as demonstrated in particular, by the vote at the June 13, 2019 Shareholders' Meeting; and
- practices identified in groups or companies of comparable size internationally, in particular, the characteristics and level of compensation of corporate officers at the Company's main competitors in Europe and the United States, including: Madrigal Pharmaceuticals, Cymabay Therapeutics, Viking Therapeutics, DBV Technologies, Erytech Pharma, Collectis, Galapagos, Argenx and Innate Pharma. This group of biopharmaceutical companies was chosen in particular with regard to their stage of development similar to that of the Company (some already have commercialized products, others are very close to commercialization (ie advanced clinical trials)), to their areas of research (the majority of the peers are companies pursuing programs in NASH, a new pathology that requires specialized skills), and for many of them, because of their dual listing on a stock exchange in a European market and on the Nasdaq; this double listing requires a perfect knowledge of shareholder expectations on both sides of the Atlantic. The Nominations and Compensation Committee will conduct a yearly review of the relevance of the companies in this panel.

In addition to the criteria listed above and the comparisons with the benchmark companies, the Board of Directors, on the proposal of the Nominations and Compensation Committee, also wished to take into account, in deciding the Chairman's compensation, the specific duties that it planned to entrust specifically to him following its decision to separate the positions of Chairman and Chief Executive Officer of the Company.

These duties include, in particular,

- handing over projects and records to the new Director General to ensure the most efficient transition possible;
- organizing the specific tasks of the Board related to the development of the Company's strategy, in a pivotal year punctuated by the expected interim results of the RESOLVE-IT Phase 3 trial;
- organizing the specific tasks of the Board resulting from the recruitment of new members of the Board; with the objective to integrate new profiles that can support the foreseeable evolution of the Company's professions and its internationalization.

Even though, pursuant to the Company's policy and in accordance with Recommendation R.13 of the Middledent Code, compensation of the Company's corporate officers in recent years has included a fixed part, an annual variable part (bonus), stock options and / or free shares and certain benefits in kind, the Board of Directors, on the recommendation of the Nominations and Compensation Committee, has decided that for the period from September 16 until the end of 2019, the Chief Executive Officer's compensation will not include an annual variable component.

The Board also repealed the Incentive Plan, formerly used as a framework for variable compensation and described in section 17.5 "Incentive and Participation Contracts" of the 2019 Registration Document.

For subsequent years (from 2020), the Board of Directors also set the principle of annual variable compensation of the Chief Executive Officer in an amount between 0% and 50% of the gross amount of his annual fixed compensation, depending on meeting objectives to be set annually by the Board of Directors. This new principle will be implemented for the first time as part of the compensation policy which will be submitted for approval to the Shareholders' Meeting scheduled to take place in 2020 to approve the financial statements for the year ending on December 31, 2019.

With respect to the granting of stock options and/or free shares:

- Shareholders will be requested, at the November 27, 2019 Shareholders' Meeting to authorize, under resolutions n° 8 and 9, the grant of stock options and free shares, with a duration of 38 months.
- The Board of Directors has decided that, in light of the allocations already made under the 2019 stock option and free share plans, and to which the Chairman of the Board and the CEO, when he was an employee, were beneficiaries (all of the Group's employees also received free shares), they will not receive any new allocations of stock options or free shares in 2019.
- The Board of Directors reserve the right decide to allocate such instruments to corporate officers for subsequent years under the terms and conditions of the aforementioned Resolutions n° 8 and 9.

## **II. Compensation of the Chairman of the Board of Directors**

The different components of the total compensation of the Chairman of the Board for the remainder of the fiscal year from September 16 to December 31, 2019 are as follows:

- Gross fixed compensation pursuant to article L.225-47 of the French commercial code; and
- Directors' fees compensating his participation in Board committees (either as member or chairman), as allocated by decision of the Board of Directors;
- Other components related to his position include, in particular:
  - Use of a company car;
  - Eligibility for the disability and health insurance policies extended to the Group's employees.

This Chairman's compensation for the 2019 financial year (from September 16 to December 31) does not include any exceptional compensation or any severance benefits.

As indicated above, there will be no allocations to him of stock options and/or free shares between now and the end of 2019. Nevertheless, the Board of Directors reserves the right to allocate such instruments to corporate officers for subsequent years under the terms and conditions of the aforementioned Resolutions n° 8 and 9.

The Chairman of the Board of Directors does not have an employment contract with the Company.

### **1 - Fixed compensation**

The Chairman's fixed compensation from September 16 until the end of 2019 is set on the basis of a gross monthly amount of €16,083, for the duties carried out within the Company (corresponding to a gross annual fixed compensation of €192,996). For 2019, the amount will be paid *pro rata temporis* starting from September 16.

## **2 - Directors' fees**

Mr. Jean-François Mouney is eligible to receive directors' fees compensating his participation in certain Board committees, as allocated by the allocation conditions decided by the Board of Directors and which take into account, in particular, attendance at meetings. For information purposes, and in light of the expected frequency of the meetings at which he is likely to participate, these fees could amount to approximately €35,000 gross annually. The final amount will depend on the number of meetings held starting from September 16 (one meeting has already taken place, and at least two additional meetings will occur before the end of the year).

## **3 - Other components**

The benefits in kind granted to the Chairman consist mainly of a company car and the benefit of the disability and health insurance policies extended to the Group's employees. For information purposes, in 2018, the company car represented a benefit in kind valued at €7,200.

In accordance with recommendation R.16 of the Middenext Code, the severance pay approved by the Shareholders' Meeting of June 13, 2019 will not be paid to Mr. Jean-François Mouney.

## **III. Compensation of the Chief Executive Officer**

The different components of the total compensation of the Chief Executive Officer for the remainder of the fiscal year from September 16 to December 31, 2019 are as follows:

- Fixed compensation;
- Other components related to his position including:
  - Severance payment in the event he is terminated, under certain conditions and subject to performance conditions; and
  - A company car and the benefit of the disability and health insurance policies extended to the Group's employees

His compensation for the 2019 fiscal year (from September 16 until December 31) will not include an annual variable component. The first eligibility for annual variable compensation will be for the 2020 fiscal year, subject to meeting the objectives to be set annually by the Board of Directors, which will be presented to the 2020 Shareholders' Meeting as part of the overall compensation policy. As previously indicated, the gross amount shall be between 0% and 50% of the gross amount of his annual fixed compensation.

As indicated above, there will be no allocations of stock options and/or free shares between now and the end of 2019. Nevertheless, the Board of Directors reserves the right to allocate such instruments to corporate officers for subsequent years under the terms and conditions of the aforementioned Resolutions n° 8 and 9.

In addition, the Chief Executive Officer no longer has an employment agreement with the Company.

### **1 - Fixed compensation**

The Chief Executive Officer's annual gross fixed compensation pursuant to his corporate officer agreement is set at €325,008, payable in 12 monthly installments of €27,084. For 2019, the amount will be paid *pro rata temporis* starting from September 16.

### **2 - Severance payment and non-compete payment**

The Chief Executive Officer is eligible for a non-compete indemnity equal to (i) twelve (12) months of fixed compensation, calculated on the basis of the gross amounts due for the last twelve months and (ii) increased, where applicable, by the amount of the annual variable compensation due in the previous fiscal year.

Under the terms of the non-compete, the indemnity would compensate the Chief Executive Officer for a period of 12 months following his termination or resignation, where he would be prevented from working, in any way whatsoever, with certain competitors of the Company.

In addition, and subject to adoption by the Shareholders' Meeting of November 27, 2019 of the Resolution n°3, the Chief Executive Officer will be eligible for a severance payment, except in the case of gross misconduct as such term as interpreted under the French Labor code, of twelve (12) months of fixed compensation, calculated on the basis of the gross amounts due for the last twelve months and (ii) increased, where applicable, by the amount of the annual variable compensation due for the previous year. This compensation will be paid one month after the effective termination of his activity within the Group, provided that at least one of the following criteria or events has occurred:

- that Elafibranor has been granted marketing authorization by the FDA or EMA in NASH or PBC or that NIS4 has been granted FDA approval or obtained CE marking in Europe;
- a license agreement for elafibranor or NTZ has been signed for the US market and / or for at least two of the five major European markets (Germany, France, Italy, United Kingdom, Spain) and/or for Japan;
- the Group has merged with or into a biopharmaceutical group with a transaction value at least equal to the market capitalization of the Company.

The Board of Directors will assess whether the conditions have been met, taking into account the shareholders' interest, prior to any payment and only after recommendation of the Nomination and Compensation Committee.

The indemnity will not be paid if Mr. Prigent leaves the Company of his own accord for a new position or changes his position within the Group, or if he is retiring.

It is further stipulated that any amount paid under the non-compete clause will be deducted from the amounts due in respect of severance pay and vice versa.

### **3 - Other components:**

The benefits in kind and other advantages granted to the CEO consist of:

- a company car;
- the same disability and health insurance policies as those to which the Group's employees are eligible;
- the unemployment insurance premiums (*Garantie Sociale des Chefs d'entreprise* or GSC) whose purpose is to guarantee the payment of compensation in the event of unemployment (up to 70% of the net tax income for the uncapped portion for 12 (twelve) months following unemployment), absent eligibility for the ASSEDIC unemployment benefits. This benefit does not take effect until the expiration of a period of 12 (twelve) months following the date of affiliation to this insurance plan, on the first anniversary of the affiliation; and
- until December 31, 2019, living expenses (rent, rental charges, rental taxes) in Lille (or its suburbs) of up to €640 per month, as well as moving expenses from Paris to Lille.

## SCHEDULE II

### **REPORT OF THE NOMINATIONS AND REMUNERATIONS COMMITTEE DATED AUGUST 28, 2019 TO THE BOARD OF DIRECTORS**

To the members of the Board of Directors:

We present below our opinions and recommendations, at the end of our meetings of July 17 and August 28, 2019 on:

- the succession plan of Mr Jean-François Mouney by Mr Pascal Prigent to the position of Chief Executive Officer of the Company and the proposed corporate mandates that would be proposed accordingly by the Board of Directors to Mr Jean-François Mouney as Chairman the Board of Directors on the one hand and Mr. Pascal Prigent as Chief Executive Officer on the other;

[...]

#### **1. Succession project of Mr Jean-François Mouney by Mr Pascal Prigent as Director General**

The Committee considered in particular:

- The project to dissociate the functions of Chairman of the Board of Directors and Chief Executive Officer of the Company and its impact with regard to the recommendations regarding governance;
- The profile of the candidate for the position of Director General;
- Proposed corporate mandates that would be proposed to Mr Pascal Prigent as Chief Executive Officer and to Mr Jean-François Mouney as Chairman of the Board of Directors, in particular with regard to the recommendations on governance and in particular:
  - Recommendation R13 of the Middlednext Governance Code on the definition and transparency of the compensation of corporate officers and the seven principles on which to base the level and terms of executive compensation: overall assessment of compensation in all its components, balance between these components, definition of these elements on the basis of a benchmark, consistency with those of other managers and employees of the Company, legibility and simplicity of the rules, measurement and transparency;
  - Recommendation R15 of the same code on holding both an employment contract and social mandate, with regard to the proposed position of the Chief Executive Officer;
  - Recommendation R16 of the same code on severance pay with regard to the proposed position of the draft terms of office of the Chief Executive Officer.

On the basis of the detailed information communicated to us by the Company's General Management and its answers to the Committee's questions, the Committee informs you that it did not have comments on the proposals of the General Management presented to it except that the proposed draft terms for the Chief Executive Officers should specifically exclude the payment of any severance pay in the event of serious misconduct on the part of the person concerned.

This element having been specified in the draft contract submitted to the Board of Directors, the Committee unanimously recommends to the Board, it being specified that the Chairman and Chief Executive Officer did not participate in the formulation of this recommendation with respect to the terms concerning his compensation, support the proposals of the General Management concerning:

- the succession of Mr Jean-François Mouney by Mr Pascal Prigent as Chief Executive Officer;
- the separation of the positions of Chairman of the Board of Directors and Chief Executive Officer;
- the appointment of Jean-François Mouney as Chairman of the Board of Directors under the terms of the draft corporate contract presented to you;
- the appointment of Mr Pascal Prigent as Chief Executive Officer under the terms of the terms of the draft corporate contract presented to you.

[...]

On the basis of the detailed information provided to us by the Company's General Management and its answers to the Committee's questions, the Committee informs you that the proposals of the General Management presented to it do not call for any comments from its Chairman. The Committee, therefore, unanimously recommend that the Board adopts this compensation.

Copy of this report will be sent to the members of the Board of Directors.

### SCHEDULE III

#### **REPORT OF THE NOMINATION AND COMPENSATION COMMITTEE OF OCTOBER 18, 2019 TO THE BOARD OF DIRECTORS AND THE SHAREHOLDERS' MEETING**

To the attention of the members of the Board of Directors:

We present below our opinions and recommendations, adopted at our meeting of October 15, 2019 devoted to the preparation of the Shareholders' Meeting (hereinafter the "Shareholders' Meeting") on November 27, 2019, regarding the following points:

1. Proposed delegations of authority to the Board of Directors with a view to setting up equity incentive schemes that may have corporate officers of the Company as beneficiaries;
2. Draft "Say on Pay" report of the Board of Directors to the Shareholders' Meeting;

[...]

#### **1. Proposed delegations of authority to the Board of Directors with a view to setting up equity incentive schemes that may have corporate officers of the Company as beneficiaries**

We inform the Board of Directors that the Nomination and Compensation Committee has voted, unanimously, of its members participating in the vote (the Chairman of the Board of Directors has not participated in those decisions that may concern him), in favor of the following recommendations:

We recommend that the Board of Directors propose to the Shareholders' Meeting to approve draft resolutions n° 7 (issue of warrants), n° 8 (allocation of stock options) and n° 9 (grants of free shares) presented to it.

On the other hand, and in accordance with the proposal of the Company's General Management, we recommend that the Board of Directors propose to the General Meeting to reject draft resolution n° 10 (issue of ordinary shares and / or securities giving access to the capital of the Company for the benefit of members of a company savings plan).

#### **2. Draft "Say on Pay" report of the Board of Directors to the Shareholders' Meeting**

We inform the Board of Directors that the Nomination and Compensation Committee has voted, unanimously, of its members participating in the vote (the Chairman of the Board of Directors has not participated, as regards the provisions concerning him), in favor of the following recommendations:

We recommend that the Board of Directors approve the Say-on-Pay report as presented. As a result, we invite the Shareholders' Meeting to approve resolutions n° 4 and 5 as presented to it.

[...]

A copy of this report shall be addressed to the members of the Board of Directors.

Loos, October 15 2019