

**English version for information purposes only**

*This policy has been translated in English for information purposes only. In the event of any differences between the text in French and the text in English, the French language version shall prevail*

**COMPENSATION POLICY OF THE COMPANY**

The information and tables below have been established in accordance with Ordinance No. 2019-1234 of November 27, 2019 relating to the compensation of corporate officers of public companies, supplemented by Decree No. 2019-1235 of the same day relating to transposition of the second Shareholders' Rights Directive.

They comply with the governance standards taken into account by the Board of Directors to determine the total compensation of the corporate officers, which are those appearing in the Middelnext Corporate Governance Code of September 2016 (the "**Middelnext Code**").

This presentation specifies (i) the compensation policy for the Company's corporate officers for the 2020 financial year, namely the Chairman of the Board of Directors, the Chief Executive Officer and the directors, as well as (ii) the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid during the course of, or allocated for, the 2019 financial year to these same persons.

It incorporates the provisions of Articles L. 225-37-2 and L. 225-100 of the French *Code de commerce*. These elements were approved by the Board of Directors, following the proposal made by the Nomination and Remuneration Committee. They will be subject to a vote at the shareholders' general meeting of June 11, 2020.

Note that the compensation policy for corporate officers (Chairman of the Board of Directors, Chief Executive Officer and members of the Board of Directors) for 2020 described below is subject to an overall vote, which does not prejudice the results of the individual votes on the way in which this policy is applied to the Chairman of the Board of Directors, the Chief Executive Officer and the members of the Board of Directors.

## I. COMPENSATION POLICY 2020 – EX ANTE VOTE

### A. General description

As of the date of this document, the corporate officers are Mr. Jean-François MOUNEY, Chairman of the Board of Directors, Mr. Pascal PRIGENT, Chief Executive Officer of the Company and the directors.

The current term of office of Chairman of the Board of Directors is of 5 years renewable and corresponds to the term of office of the directors of the Company.

The duration of the Chief Executive Officer's term of office is not specified in the bylaws or in the appointment decision. However, its mandate is revocable *ad nutum* by the Board of Directors.

None of these corporate officers has an employment contract binding them to the Company.

The compensation policy for executive officers of the Company shall be determined by the Board of Directors on the recommendation of the Nomination and Remuneration Committee. In establishing this policy, the Nomination and Remuneration Committee and the Board of Directors ensure that it is consistent with the social interest of the Company, contributes to its sustainability and is part of its strategy, in particular through the objectives of variable compensation and, where appropriate, the performance conditions of stock options and free shares. The Nomination and Remuneration Committee and the Board of Directors aim at being consistent with market and industry practices to ensure (i) competitive compensation levels, (ii) a strong correlation between the performance of the company and the elements of executive compensation and, in particular, maintaining the balance between short-term and medium / long-term performance and (iii) compliance with the governance standards to which the Company adheres. The Nomination and Remuneration Committee and the Board of Directors shall also take account of the votes cast in the previous shareholders' general meeting on the compensation policy for corporate officers. To date, these votes (*ex ante* and *ex post*) have always been positive.

Through proper management of conflicts of interest, the Chief Executive Officer and the Chairman of the Board of Directors shall not take part, respectively, in the discussions and votes (as regards the Chairman of the Board of Directors) concerning them.

The governance standards taken into account by the Board of Directors to determine the overall compensation of the corporate officers are those defined in Recommendation R.13 of the Middlednext Code:

- **Completeness:** the determination of the compensation of corporate officers should be comprehensive: fixed part, variable part (bonus), stock options, free shares, attendance fees, retirement conditions and special benefits must be comprised in the overall assessment of compensation.
- **Balance between elements of compensation:** each element of compensation must be justified and correspond to the best interest of the company.
- **Benchmark:** this compensation should be assessed, as far as possible, in the context of an industry and the reference market and proportionate to the situation of the company, while paying attention to its inflationary effect.
- **Coherence:** the compensation of the executive corporate officer must be determined in coherence with that of the other executives and employees of the company.
- **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 linked to the performance of the company, correspond to its objectives, be demanding, explainable and, as far as possible, long-term.

They must be detailed without however calling into question the confidentiality which may be justified for certain elements.

- Measure: the determination of compensation and allocations of stock-options or free shares must strike a fair balance and take into account both the best interest of the company, market practices and the performance of executives.
- Transparency: annual information to shareholders on all of the compensation and benefits received by executives is carried out in accordance with applicable regulations.

The criteria used by the Board of Directors to determine the compensations of the Chairman of the Board of Directors and of the Chief Executive Officer are the following:

- the level and difficulty of responsibilities;
- the experience in the role;
- the length of service within the Company;
- the functions performed in the Group's subsidiaries;
- the comments and expectations of the shareholders of the Company as stem from particular of the votes cast on the occasion of the latest General Meetings;
- the practices identified in groups or in companies of comparable size internationally; and in particular, characteristics and levels of compensation of the corporate officers of the main competitors of the Company in Europe and in the United States, including: Intercept Pharmaceuticals, Madrigal Pharmaceuticals, Cymabay Therapeutics, Viking Therapeutics, DBV Technologies, Erytech Pharma, Collectis, Galapagos, Argenx and Innate Pharma. This group of biopharmaceutical companies was chosen especially given their stage of development similar to that of the Company (some having already commercialized products, others being very close (i.e. advanced clinical trials), to their area of research (the majority of peers are companies pursuing programs in NASH, a new pathology which requires specialized skills), and for many of them, because of their dual listing on both an European market and on the Nasdaq, as this dual listing requires a perfect knowledge of shareholders' expectations of both sides of the Atlantic. The relevance of this panel of companies will be reassessed annually by the Nomination and Remuneration Committee; and
- the level of compensation for the Group's employees, particularly since this year because of the calculation of "equity ratios".

These same criteria are applied for determining the compensation of directors, with a particular emphasis on comparison with companies listed in the United States.

Beyond the criteria listed above and the elements of comparison with the selected panel, the Board of Directors, on the proposal of the Nomination and Remuneration Committee, also wished to take into account, when determining the compensation of Mr. Jean-François MOUNEY, Chairman of the Board of Directors of the missions it decided to specifically entrust him following the decision taken in September 2019 to dissociate the functions of Chairman of the Board of Directors and Chief Executive Officer of the Company. These missions include *inter alia*:

- the continuation of monitoring of dossiers and the transfer of powers to Mr. Pascal PRIGENT as new Chief Executive Officer to ensure the most effective transition possible;
- special animation tasks of the works of the Board of Directors on the development of the strategy of the Company, in the context of a pivotal period with the intermediate results of the RESOLVE-IT phase 3 trials; and

- special animation tasks of the works of the Board of Directors resulting from the recruitment of new members of the said Board; the objective being to integrate new profiles which can accompany the evolution of the Company's businesses and its internationalization.

Pursuant to the policy of the Company and in accordance with Recommendation R.13 of the Middlednext Code mentioned above, the compensation of the corporate officers of the Company in recent years includes a fixed part, an annual variable part (bonus), the free allocation of stock options and/or free shares and certain benefits in kind.

Regarding the variable part:

- In the context of the change in the mode of governance of the Company implemented last fall, the Board of Directors, upon recommendation of the Nomination and Remuneration Committee, decided that from 16 September to the end of 2019, the compensation of Mr. Pascal PRIGENT, Chief Executive Officer of the Company, will not include an annual variable part. The Board of Directors indicated nevertheless that this decision did not prejudice that which it could take with regard to subsequent years.
- Indeed, for subsequent years (2020 and following), the Board of Directors also set the principle of annual variable compensation for the Chief Executive Officer of a gross amount between 0% and 50% of the gross amount of his fixed annual compensation, depending on the achievement of objectives that will be determined and reassessed annually by the Board of Directors. This principle is therefore applied for the 2020 financial year.
- Also in that context, the Board of Directors further decided that the Incentive Plan, formerly used as the variable compensation framework described in Section 17.5 "*Incentive Contracts and participation*" of the 2018 Reference Document was repealed. This choice is confirmed for fiscal year 2020.

Regarding stock-options and free shares:

- The number of stock options or free shares (and the value of such allotment based on the share price of the Company at that time) take account of the level of responsibility of the beneficiaries and of their performance. The proportion of stock options and share free growing with the level of responsibility and performance, other components of their compensation and market practices of comparable public companies.
- In addition to a condition of attendance, the exercise of stock options and the final allocation of free shares is governed by serious and demanding performance conditions (internal and/or external) to be satisfied over a period of several consecutive years. The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, determines these performance conditions according to the strategic and operational objectives of the Company, and in coherence with the general objective of the compensation policy for corporate officers of the Company.
- The plans for the allocation of free shares and/or stock options provide for an holding obligation for executive corporate officers.
- Taking into account allotments that had already been carried out as part of the plans of stock options and free shares in 2019 which benefited both the Chairman of the Board and the Chief Executive Officer as a former employee of the Group (and, moreover, all Group employees in the case of free shares), the Board of Directors also specifically decided that no new stock option free shares would be allocated to them in respect of the 2019 financial year. The Board of Directors also indicated that this decision was without prejudice to the decision it could take concerning this type of allocation for subsequent years. It is therefore proposed to allocate stock options and free shares to the Chief Executive Officer for the 2020 financial year, as detailed below.

The compensation of the other non-executive directors, natural persons members of the Board of Directors, is mainly composed of a cash compensation formerly known as "attendance fees" (*jetons de présence*), allocated annually (out of convenience, the term "attendance fees" is used in this document). The Board of Directors may also decide to exceptionally compensate one of its members to exercise a special mission within the meaning of Article L.225-84 of the French *Code de commerce*.

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

The various components of the overall compensation of the Chairman of the Board of Directors for his duties within the Company for the 2020 financial year are as follows:

- gross fixed compensation under article L.225-47 of the French *Code de commerce*;
- where applicable, attendance fees remunerating his participation in the work of the committees of the Board of Directors (as a member and/or chairman), in accordance with to the allocation decided by the Board of Directors (see below); and
- other elements attached to the exercise of its mandate, including in particular:
  - the provision of a company vehicle;
  - the benefit of the Group's employee welfare and mutual insurance scheme.

Furthermore, the Chairman of the Board of Directors has not entered into an employment contract with the Company.

### **1. Fixed compensation**

The annual fixed compensation of the Chairman of the Board of Directors of the Company for the 2020 financial year under Article L.225-47 of the French *Code de commerce* corresponds to a gross annual salary of about €192 996 (one hundred ninety-two thousand nine hundred ninety-six euros), payable in 12 monthly installments of €16 083 (sixteen thousand eighty-three euros), unchanged compared to the fixed compensation paid to the Chairman during the last months of 2019, since the dissociation of the functions of Chairman of the Board of Directors and Chief Executive Officer. This compensation reflects the exceptional commitment of the Chairman of the Board of Directors in the pursuit of the transition with the Chief Executive Officer of the Company and his increased role and responsibilities due to the listing on the Nasdaq.

### **2. Attendance fees**

Mr. Jean-François Mouney is eligible for attendance fees awarded because of his participation in some of the committees of the Board of Directors, according to the attribution rules determined by the Board of Directors which take into account the attendance at meetings (see below). For information and considering the projected frequency of meetings in which he may participate, these fees could reach a total of about €35 000 (gross) per year. The final amount will depend on the number of meetings actually held during the 2020 financial year.

### **3. Other elements**

The benefits in kind granted to the Chairman of the Board of Directors consists essentially in the provision of a company vehicle and for the benefit of the Group's employee welfare and mutual insurance scheme. For information, during the 2019 financial year, the company vehicle represented a benefit in kind worth 7 200 euros.

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

The various components of the overall compensation of the Chief Executive Officer for his duties within the Group for the 2020 financial year are as follows:

- a fixed component and a variable component which may represent between 0 and 50% of the fixed component depending on the accomplishment of annual objectives and evaluated by the Board of Directors;
- medium-term incentive elements consisting of the allocation of free shares and free stock options, subject to conditions of attendance and fulfillment of related internal performance conditions, including the clinical and regulatory progresses of the R&D programs of the Company and/or external performance conditions linked to changes in the Company's share price;
- other elements attached to his position, including:
  - a commitment to pay compensation in the event of termination of service at the initiative of the Company, under certain conditions, in particular performance conditions; and
  - the benefit of a company vehicle and of the Group's employee welfare and mutual insurance scheme.

Furthermore, it is specified that the Chief Executive Officer is no longer party to an employment contract with the Company.

#### 1. Fixed compensation

The annual fixed compensation of the CEO of the Company for the 2020 financial year under its contract term corresponds to a gross annual salary of €325 008 (gross) (three hundred and twenty five thousand eight euros) paid in 12 monthly installments of €27 084 (twenty-seven thousand eighty-four euros). This compensation remains unchanged from the compensation paid to the Chief Executive Officer in 2019.

#### 2. Variable compensation

At the start of the year, the Board of Directors determines, on the recommendation of the Nomination and Remuneration Committee, the annual variable compensation of the Chief Executive Officer, expressed as a percentage of fixed compensation and the objectives to be achieved as well as their weighting.

For the 2020 financial year, the Board of Directors set the maximum variable compensation at 50% of fixed compensation if 100% of the annual targets are met.

At the beginning of the following year, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, determines the level of achievement of the objectives. If 100% of the objectives are reached, 100% of the variable compensation is paid. In the event that less than 100% of the objectives are met, the percentage of variable compensation paid is proportional to the percentage of achievement of the objectives. In addition, in the case of a manifest exceptional performance the achievement of which would not have been taken into account in the definition of the objectives, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, may decide to award an exceptional bonus.

The Board of Directors has determined the various objectives for the Chief Executive Officer for 2020. These annual objectives are operational criteria that are part of the deployment of the Company's strategic plan and allow the performance of the Company to be measured in the achievement of the said plan.

The annual objectives of the Chief Executive Officer and their weighting in the annual evaluation of his performance for the 2020 financial year are defined around the following four pillars/assessment criteria:

- Regulatory and Scientific Progress and strengthening of the R&D programs portfolio of the Company (representing a relative weight in the evaluation of the performance of 30%);
- Operational and financial management (representing a relative weight in the evaluation of the performance of 35%);
- Commercial development and alliances (representing a relative weight in the evaluation of the performance of 20%);
- Social and Environmental Responsibility (representing a relative weight in the evaluation of the performance of 15%).

The exact targets of each pillar/criterion cannot be fully disclosed for strategic and confidentiality reasons. Nevertheless, the following can be mentioned as examples: targets to quantify the operational launch of clinical trials planned by the Company for the criterion "Regulatory and Scientific Progress and strengthening of R&D programs portfolio the Company", targets to assess the compliance with budgetary projections and cash flows for the criterion "Operational and financial management", targets to assess, for instance, key steps in the commercialization of the NIS4 technology for the criterion "Commercial development and alliances", and targets allowing, among other things, to assess the implementation of the principles of equality and social equity in terms of working conditions, compensation and access to training for the criterion "Social and Environmental Responsibility".

The rate of achievement of the objectives and the amount of the variable part are determined by the Board of Directors, on the proposal of the Nomination and Remuneration Committee. The Board of Directors discusses the performance of the Chief Executive Officer out of his presence.

The Company does not foresee cases in which the variable compensation must be returned.

### 3. Elements of medium-term incentive

Since the Company decided that the Incentive Plan, used formerly as a medium-term incentive component of executive leaders, was repealed, the Board of Directors plans to grant free bonus shares and the stock- options to the Chief Executive Officer.

As part of its policy of allocation of instruments of this type, the Board of Directors applies Recommendation R.18 of the Middlednext Code, namely:

- free shares and stock options are subject to the relevant performance conditions reflecting the medium/long term interest of the company, assessed over a period of significant duration. As indicated above, these instruments will be subject to a condition of attendance and the achievement of internal performance conditions linked, in particular, to clinical and regulatory advances in the Company's R&D programs and/or external performance conditions linked to changes in the Company's share price. The achievement of these performance conditions will be evaluated at least 3 years after the allocation of the instruments.
- they are not concentrated on corporate officers; and
- new bonus shares or stock options are not granted when corporate officers leave the company.

Under this policy, the maximum number of bonus shares and stock options granted to the Chief Executive Officer will be respectively 5 000 and 35 000. These instruments will be awarded by the Board of Directors on the basis of resolutions No. 8 and 9 of the shareholders' general meeting of November 27, 2019. In this respect it is recalled that, in accordance with what was approved by the

shareholders and what is described above, these stock options and free shares will be subject to a vesting period of at least three years after which the performance conditions that the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, will define and a condition of presence within the Group will be assessed. These performance conditions will be linked to:

- the achievement of milestones in clinical trials initiated or in the process of being initiated;
- the achievement of regulatory milestones in the approval process for products under development;
- the signing of new strategic alliance commercial agreements as part of the promotion of the Company's therapeutic or diagnostic programs; and
- the performance of the Company's share price.

#### 4. Severance pay and non-competition

In accordance with the decision of the shareholders' general meeting of November 27, 2019, the Chief Executive Officer benefits from a non-compete indemnity equal to (i) twelve (12) months of fixed compensation, calculated on the basis of the gross amounts due to for the past twelve months and (ii) increased, where applicable, by the amount of the annual variable compensation due for the previous year.

This compensation is intended to compensate the prohibition made to the Chief Executive Officer, for a period of 12 months following the termination of his functions, for whatever reason, to collaborate in any way whatsoever with certain companies carrying out an activity directly competing with the Company.

In addition, the Chief Executive Officer receives, except in the case of a termination of office due to the commission of a serious misconduct within the meaning of labor law, severance pay equal to (i) twelve (12) months of fixed compensation, calculated on the basis of the gross amounts due for the past 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 cessation of its activity within the Group, provided that at least one of the following criteria or events has occurred:

- elafibranor has received a market authorization from the FDA or EMA in NASH or PBC or NIS4 has obtained an FDA approval or CE mark in Europe;
- an operating rights license agreement for elafibranor or NTZ has been signed for the US market and/or for at least two of the five largest European markets (Germany, France, Italy, United Kingdom, Spain) and/or for Japan;
- an affiliation transaction with a biopharmaceutical group has taken place and that the valuation retained within the framework of this transaction is at least equal to the market valuation of the Company.

Compliance with these performance conditions will be assessed by the Board of Directors, taking into account the best interests of the Company, before any payment is made and after receiving advice from the Nomination and Remuneration Committee.

The compensation will not be paid if, on his own initiative, the Chief Executive Officer leaves the Company to exercise new functions or changes functions within the Group, or even if he has the possibility of exercising in the short term his retirement rights.

Any amount paid under the non-compete clause will count as money owed for severance pay and vice versa.



## 5. Other elements

Benefits in kind and other benefits granted to the Chief Executive Officer consist of:

- the provision of a company vehicle,
- the benefit of the Group's employee welfare and mutual insurance scheme,
- the payment of premiums for unemployment insurance Social Security for Business Managers (GSC) whose purpose is to guarantee the payment of compensation in the event of unemployment (up to 70% of net professional tax income for the uncapped share for 12 (twelve) months following the loss of the position), in the absence of the opportunity to benefit as corporate officer benefits of the ASSEDIC. It is specified that the benefit of the insurance "loss of job for company directors" opens from the expiration of a waiting period of 12 (twelve) months following the date of affiliation to this insurance plan, i.e. on the date of the first anniversary of affiliation.

For information, during the 2019 financial year, the company vehicle represented a benefit in kind worth 408 euros.

### D. Remuneration allocated to directors

On the recommendation of the Nomination and Remuneration Committee, the Board of Directors proposes to the shareholders' general meeting a global envelope for the compensation allocated to the directors. The amount of the global envelope is 600 000 euros per year.

The Company compensates all the members of its Board of Directors, with the exception of the permanent representative of Biotech Avenir, a shareholder of the Company and a non-independent member of the Board of Directors.

The compensation of the directors includes a fixed part for each member of the Board of Directors and a variable part depending on their attendance.

The fixed part varies according to:

- the role played by each director on the Board of Directors and the Committees of the Company;
- the function of Vice-Chairman of the Board of Directors or Chairman of a specialized committee, which is more remunerative.

Given the frequency of meetings observed in recent years, the variable portion linked to attendance is preponderant compared to the fixed portion.

The table below shows the distribution grid for directors' fees applicable to financial year 2020, unchanged from financial year 2019.

In euros	Annual fixed amount	Variable amount (per administrator and per session)
Member of the Board of Directors	10 000	2 500
Member of a committee of the Board of Directors	2 500	2 500
Vice-Chairman of the Board of Directors	10 000	Not applicable

Chairman of a specialized committee of the Board of Directors	5 000	Not applicable
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(a) calculated *pro rata temporis* of the terms of office of each director.

The Board of Directors may also decide to pay one of its members exceptionally for the exercise of a special mission within the meaning of article L.225-84 of the French *Code de commerce*. As of the date of this document, no such mission has been entrusted to a member of the Company's Board of Directors.

The directors will be reimbursed for reasonable travel and accommodation expenses and other expenses of similar nature incurred in the interest of the Company in connection with the preparation and participation in meetings of the Board of Directors and at meetings of the committees of the Board of Directors.

The Chairman of the Board receives compensation for its Chairmanship of fixed compensation under Article L.225-81 of the French *Code de commerce* (see below). The only additional compensation for his director's mandate is that linked to his chairmanship and / or his participation in the work of some of the committees of the Board of Directors (on the date of this document, the Nomination and Remuneration Committee and the Strategy and Alliances Committee), in accordance with the grid above.

## **II.COMPONENTS OF THE TOTAL COMPENSATION AND BENEFITS OF ALL KINDS PAID DURING THE 2019 FINANCIAL YEAR OR ALLOCATED TO THIS EXECUTIVE OFFICER - EX POST VOTE**

This paragraph presents the compensation policy for executive and non-executive corporate officers of the Company for the 2019 financial year; and more specifically those of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

We remind you that Mr. Jean-François MOUNEY, co-founder of the Company, assumed the functions of Chairman of the Board of Directors and Chief Executive Officer of the Company until September 16, 2019. Mr. MOUNEY having then wished to devote himself exclusively to his role as Chairman of the Board of Directors and its participation in the work of the specialized committees of the Board which it chairs or of which it is a member, the Company decided, with effect from September 16, 2019, to separate the functions of Chairman of the Board of Directors and Chief Executive Officer. On the proposal of Mr. Jean-François MOUNEY, the Board of Directors therefore decided to appoint Chief Executive Officer Mr. Pascal PRIGENT from this same date.

In this context, after a section devoted to certain general elements of the 2019 compensation policy and to the compensation of directors, are presented successively below:

- the compensation of the Chairman of the Board of Directors and the Chief Executive Officer since the separation of functions which came into force on September 16, 2019;
- the compensation of the Chairman and Chief Executive Officer before the separation of functions which came into force on September 16, 2019;

### **A. General policy**

Total compensation for the year ended December 31, 2019 complies with the 2019 compensation policy adopted by the shareholders' general meetings of the Company of June 13, 2019 and November 27, 2019.

As a reminder, the shareholders' general meeting of June 13, 2019 voted 67.80% in favor of the compensation policy for the Chairman and Chief Executive Officer (resolution no. 14) and 97.85% in favor of the compensation of directors (resolution no. 12). Given the dissociation of the functions of Chairman of the Board of Directors and Chief Executive Officer, the shareholders' general meeting of November 27, 2019 voted 77.76% in favor of the compensation policy for the Chairman of the Board of Directors (resolution no. 4) and 88.97% in favor of the compensation policy for the Chief Executive Officer (resolution no. 5).

In addition, the 2019 compensation policy of the Company's corporate officers, as its 2020 policy described above is adopted by the Board of Directors on the recommendation of the Nomination and Remuneration Committee and aims at being part of and contributing to the Group's strategy and its long-term performance, in particular through the objectives of variable compensation and the performance conditions of stock options and free shares

The tables below show the compensation of executive corporate officers and the equity ratios.

It is recalled that, in addition to the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer which took place on September 16, 2019, the company changed its mode of administration on June 16, 2017, going from a *société anonyme* with a management board and a supervisory board to a *société anonyme* with board of directors. The Company applied the "Compensation Multiples Guidelines" published by AFEP on January 28, 2020 to make its calculations. In particular, it considered that the function of Chairman of the Management Board could be assimilated, if not perfectly identical, to the function of Chairman of the Board of Directors and Chief Executive Officer for the application of these guidelines for the period preceding September 16, 2019.

- From September 16, 2019 to December 31, 2019

<b>Chairman of the Board of Directors</b>	
Compensation	€230 196
“Average” equity ratio	3.52
“Median” equity ratio	5.59
<b>Chief Executive Officer</b>	
Compensation	€328 834
“Average” equity ratio	5.03
“Median” equity ratio	7.98

- From June 16, 2017 to September 15, 2019

<b>Chairman of the Board of Directors and Chef Executing Officer</b>	<b>2017</b> (June 16 -December 31)	<b>2018</b>	<b>2019</b> (January 1 <sup>st</sup> – September 15)
Compensation	€616 436	€1,251 286	€1,263 696
“Average” equity ratio	11.21	17.77	19.31
“Median” equity ratio	15.61	29.74	30.67

- From June 16, 2017 to September 15, 2019

<b>Chairman of the Management Board</b>	<b>2015</b>	<b>2016</b>	<b>2017</b> (January 1 <sup>st</sup> - June 15)
Compensation	€660 872	€1,278 205	€526 180
“Average” equity ratio	12.25	24.42	4.78
“Median” equity ratio	19.18	42.67	13.32

The table below shows the evolution of the average annual compensation (in euros) of the employees of the Company (excluding the executive directors covered by the tables above) since 2015.

<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
€53 962	€52 341	€55 012	€70 410	€65 426

The compensation retained for both corporate officers and employees corresponds to the gross elements allocated during the year, including the long-term incentives (bonuses resulting from the application of the Incentive plan, formerly used as a compensation framework variable and described in section 17.5 “Incentive and profit-sharing contracts” of the 2018 Registration Document, free allocation of stock subscription or purchase options and free shares at their IFRS values).

The population taken into account for the calculation of the denominator is made up of employees present on December 31 of the relevant fiscal year.

Remuneration is reconstituted in annual full-time equivalent when the interested parties were not present throughout the year.

The table below shows the results and the Company's revenues on IFRS in the past five years in accordance with article L.225-37-3, 7° of the French *Code de commerce* and the “Compensation Multiples Guidelines” published by AFEP on January 28, 2020.

Financial year ended on December 31 (in thousands of euros)	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>1</sup></u>	<u>2019</u>
Net income	(17 135)	(33 667)	(55 728)	(79 521)	(65 144)
Own funds	55 416	142 797	101 457	20 939	84 065
Industrial revenues	527	284	118	69	30,839
Other revenues	3 831	6 499	6 737	7 425	10 122
Operating revenues	4 358	6 783	6 856	7 494	40 961

However, these financial performance indicators do not reflect on their own, the performance of the Company over the past five years. Indeed, the performance of a biotechnology company at this stage of development does not lie in these financial aggregates insofar as the Company is structurally in deficit today. The advances in the Company's portfolio of product candidates and its ability to translate them into fundraising and partnerships are more adequate performance indicators.

As of December 31, 2014, the Company's portfolio of product candidates was composed of:

- Elafibranor in phase II in NASH;
- two exploratory programs to find biomarkers in type II diabetes and NASH; and
- Other drug candidates at the preclinical or fundamental research stage.

As a comparison, on December 31, 2019 the Company's portfolio of product candidates was composed of:

- Elafibranor in Phase III in NASH (licensed to Terns Pharmaceuticals in the Greater China market);
- NIS4 diagnostic technology (deployed on the clinical research market in partnership with Labcorp Covance);
- Elafibranor in the PBC (licensed to Terns Pharmaceuticals in the Greater China market after successfully completing a Phase II trial);
- Nitazoxanide Phase II (Company-funded trial undertaken on the initiative of a researcher);
- Elafibranor in Phase II in pediatric NASH;
- Elafibranor in Phase II in NAFL (on the lipid composition of the liver); and
- Other preclinical drug candidates for the treatment of autoimmune diseases.

In addition, at the end of 2014, the position of cash and cash equivalents of the Company amounted to 76.3 million euros. In comparison, it was 277 million of euros as at December 31, 2019, and partly due to the completion of several fundraising operations representing for the period a gross total of around 463 million of euros. Finally, at the end of 2014, the Company had not concluded a license agreement on any of these products. In comparison, as at December 31, 2019, the Company granted an exclusive license to use elafibranor in certain indications and in certain territories to the Company Terns Pharmaceuticals at the end of which it received an initial payment of \$35 million. In

<sup>1</sup> See note to the financial statements 6.2.3 to the consolidated financial statements of the Company for the financial year ended December 31, 2018 appearing in appendix 1 "Annual consolidated financial statements established in accordance with IFRS accounting standards" of the 2018 Reference Document.

2019, the Company also granted a license to use its NIS4 technology for the clinical research market to the Labcorp/Covance Group

## B. Compensation of the directors for the year 2019

As a reminder, the compensation allocation rules granted to directors, set by the Board of Administration for the year 2019, were:

In euros	Annual fixed amount <sup>(a)</sup>	Variable amount (per administrator and per session)
Member of the Board of Directors	10 000	2 500
Member of a committee of the Board of Directors	2 500	2 500
Vice-Chairman of the Board of Directors	10 000	Not applicable
Chairman of a specialized committee of the Board of Directors	5 000	Not applicable

(a) calculated *pro rata temporis* of the terms of office of each director.

The following table summarizes directors' compensation for the 2019 financial year (and 2018):

Attendance fees and other forms of remuneration payable to each of the non executive officer (In euros)	Amounts due		Amounts paid	
	During the year 2019		During the year 2018	
<b>Xavier GUILLE DES BUTTES (1)</b>				
Jetons de présence	68 016	67 580	53 330	41 311
Autres rémunérations	0	0	0	0
<b>Total</b>	<b>68 016</b>	<b>67 580</b>	<b>53 330</b>	<b>41 311</b>
<b>Frédéric DESDOUITS (1)</b>				
Jetons de présence	33 136	30 302	21 174	17 113
Autres rémunérations	0	0	0	0
<b>Total</b>	<b>33 136</b>	<b>30 302</b>	<b>21 174</b>	<b>17 113</b>
<b>BIOTECH AVENIR (1)</b>				
Représenté par Florence Séjourné				
Jetons de présence	0	0	0	0
Autres rémunérations	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Philippe MOONS (1)</b>				
Jetons de présence	36 188	41 202	29 704	22 345
Autres rémunérations	0	0	0	0
<b>Total</b>	<b>36 188</b>	<b>41 202</b>	<b>29 704</b>	<b>22 345</b>
<b>Anne-Hélène MONSELLATO (1)</b>				
Jetons de présence	44 472	53 410	37 075	24 307
Autres rémunérations	0	0	0	0
<b>Total</b>	<b>44 472</b>	<b>53 410</b>	<b>37 075</b>	<b>24 307</b>
<b>Catherine LARUE (1)</b>				
Jetons de présence	33 136	28 122	21 256	17 985
Autres rémunérations	0	0	0	0
<b>Total</b>	<b>33 136</b>	<b>28 122</b>	<b>21 256</b>	<b>17 985</b>
<b>Jean-François MOUNEY (2)</b>				
Jetons de présence	14 791	633	0	0
Autres rémunérations	88 874	88 874	0	0
<b>Total</b>	<b>103 665</b>	<b>89 507</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>318 613</b>	<b>310 123</b>	<b>162 539</b>	<b>123 061</b>

(1) After déduction of a 12,8% compulsory levy at source

(2) Gross + employer's social contributions

**C. Compensation of the Chairman of the Board of Directors and the Chief Executive Officer since the separation of functions which came into force on September 16, 2019**

**Compensation of Mr. Jean-François MOUNEY as Chairman of the Board of Directors of the Company**

The various components of the overall compensation of Mr. Jean-François MOUNEY as Chairman of the Board of Directors for his duties within the Company for the part of the 2019 financial year extending from September 16 to December 31, 2019 were the following:

- gross fixed compensation under article L.225-47 of the French *Code de commerce*; and
- attendance fees remunerating his participation in the work of the committees of the Board of Directors (as a member and/or chairman), according to the distribution decided by the Board of Directors.
- other elements attached to the exercise of its mandate, including in particular:
  - the provision of a company vehicle,
  - the benefit of the Group's employee welfare and mutual insurance scheme.

During this period, Mr. MOUNEY did not receive any special compensation or indemnity of termination. He has also not received any allowance since September 16, 2019.

Furthermore, the Chairman of the Board of Directors was not bound by an employment contract with the Company.

1. Fixed compensation

The fixed compensation allocated to the Chairman of the Board of Directors from September 16 to the end of 2019 was determined on the basis of a gross monthly amount of €16 083 (corresponding to gross annual compensation €192 996). For the 2019 financial year, the amount due to him, i.e. €56,290, corresponds to the *pro rata temporis* of this sum from September 16.

2. Attendance fees

The Chairman of the Board of Directors received attendance fees granted for his participation in the work of some of the committees of the Board of Directors, according to attribution rules decided by the Board of Directors and which take into account in particular attendance at meetings (see above). The gross amount due to him as such amounts to €10 000.

3. Other elements

The benefit in kind granted to the Chairman of the Board of Directors consisted mainly in the provision of a company car (€2 100 gross for the period) and benefit of the Group's employee welfare and mutual insurance scheme.

In accordance with Recommendation R.16 of the Middlednext Code, severance pay approved by the shareholders' general meeting of June 13, 2019 was not paid to Mr. Jean-François MOUNEY when his role as Chief Executive Officer. Since then, he is no longer entitled to such compensation.

**Compensation of Mr. Pascal PRIGENT as Chief Executive Officer of the Company**

The various components of the Chief Executive Officer's overall compensation during the 2019 financial year (from September 16) were as follows:

- a fixed component;

- other elements attached to the exercise of its function, including:
  - a commitment to pay compensation in the event of termination of service at the initiative of the Company, under certain conditions, in particular performance; and
  - the provision of a company car and the benefit of the Group's employee welfare and mutual insurance scheme.

This compensation for the 2019 financial year (running from September 16 to December 31, 2019) has not included an annual variable compensation.

Concerning the free allocation of stock options and/or free shares, as indicated above, Mr. PRIGENT has not received any allocation since taking office as Chief Executive Officer.

The Chief Executive Officer is no longer bound by an employment contract with the Company.

#### 1. Fixed compensation

The fixed compensation allocated to a Chief Executive Officer under his corporate officer contract from September 16 and until the end of 2019 was determined on the basis of a gross monthly amount of €27 084 (corresponding to a gross annual compensation of €325 008). For the 2019 financial year, the amount owed to him, i.e. €94,694, corresponds to the *pro rata temporis* of this amount from September 16.

#### 2. Severance pay and non-competition

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

This compensation is intended to compensate the prohibition made to the Chief Executive Officer, for a period of 12 months following the termination of his functions, for whatever reason, to collaborate in any way whatsoever with certain companies carrying out an activity directly competing with the Company.

In addition, the Chief Executive Officer receives, except in the case of a termination of office due to the commission of a serious misconduct (*faute grave*) within the meaning of labor law, severance pay equal to (i) twelve (12) months of fixed compensation, calculated on the basis of the gross amounts due for the past 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 cessation of its activity within the Group, provided that at least one of the following criteria or events has occurred:

- elafibranor has received a market authorization from the FDA or EMA in NASH or PBC or NIS4 has obtained an FDA approval or CE mark in Europe;
- an operating rights license agreement for elafibranor or NTZ has been signed for the US market and/or for at least two of the five largest European markets (Germany, France, Italy, United Kingdom, Spain) and/or for Japan;
- an affiliation transaction with a biopharmaceutical group has taken place and that the valuation retained within the framework of this transaction is at least equal to the market valuation of the Company.

Compliance with these performance conditions will be assessed by the Board of Directors, taking into account the best interests of the Company, before any payment is made and after receiving advice from the Nomination and Remuneration Committee.



The compensation will not be paid if, on his own initiative, the Chief Executive Officer leaves the Company to exercise new functions or changes functions within the Group, or even if he has the possibility of exercising in the short term his retirement rights.

Any amount paid under the non-compete clause will count as money owed for severance pay and vice versa.

### 3. Other elements

The benefits in kind and other benefits granted to the Chief Executive Officer consisted of:

- the provision of a company vehicle (€408 -gross - for the period),
- the benefit of the Group's employee welfare and mutual insurance scheme,
- the payment of premiums for unemployment insurance Social Security for Business Managers (GSC) whose purpose is to guarantee the payment of compensation in the event of unemployment (up to 70% of net professional tax income for the uncapped share for 12 (twelve) months following the loss of the position), in the absence of the opportunity to benefit as corporate officer benefits of the ASSEDIC. It is specified that the benefit of the insurance "loss of job for company directors" opens from the expiration of a waiting period of 12 (twelve) months following the date of affiliation to this insurance plan, i.e. on the date of the first anniversary of affiliation; and
- the payment, until December 31, 2019, of his housing costs (rent, housing costs, housing taxes) of the Chief Executive Officer in Lille (and in its suburbs), up to an amount of 640 euros per month, as well as his moving costs from Paris to Lille.

#### **D. Compensation of Mr. Jean-François MOUNEY, as Chief Executive Officer of the Company, before the separation of functions effective September 16, 2019**

The various components of Mr. Jean-François MOUNEY's total annual compensation, as Chairman of the Board of Directors and Chief Executive Officer of the Company for the part of the 2019 financial year ending on September 15, 2019 were as follows:

- a short-term component consisting of a fixed portion paid by the Company and by its GENFIT CORP subsidiary based in the United States and wholly owned by the Company;
- the medium-term incentive components consist of:
  - allocation of free shares and stock options subject to conditions of attendance and implementation of internal performance conditions relating to, *inter alia*, the progress of the R&D programs of the Company and/or conditions of external performance relating to the evolution of the Company's share price;
  - allocation of variable compensation within the framework of the Incentive Plan described in section 17.5 "*Incentive and profits sharing contract*" of the 2018 Reference Document, the purpose of which was to interest the senior executives and equivalent officers of the Company involved in the success of strategic and structuring operations for the development of the Company: collaboration or license agreements for the exploitation rights of the programs and products of the Company with a biopharmaceutical group, financing of R&D programs through capital increases or non-dilutive alternative financing, operations involving the affiliation of the Company to a biopharmaceutical group;
- other elements attached to the exercise of its previous functions, including:

- a commitment to pay compensation in the event of termination of service at the initiative of the Company, under certain conditions, in particular performance; and
- a company car and o the benefit of the Group's employee welfare and mutual insurance scheme.

#### 1. Fixed compensation

The fixed compensation attributed to the Chief Executive Officer under the previous corporate office contract until September 15, 2019 was determined on an annual basis of €543,378 in respect of positions held within the Company and on an annual basis of \$46,697 in respect of the exercise of his position as Chairman of the Board of Directors of GENFIT CORP (based in the United States and fully owned by the company).

The compensation actually due in respect of the functions performed within the Company, or the gross amount of €384,892, corresponds to the *pro rata* of that amount from January 1<sup>st</sup> to September 15, 2019. To that compensation is added the compensation received as Chairman of the Board of Directors of GENFIT CORP for the period from January 1<sup>st</sup> to September 15, 2019, representing a gross amount of €29,479.

#### 2. Annual variable compensation

For 2019, it was decided that the entire compensation relating to the performance of the Chief Executive Officer and Chairman of the Board of Directors would be determined within the framework of the Incentive Plan then in force in the Company (see 3 below).

#### 3. Medium-term incentive elements

▪ Incentive Plan: The Chairman of the Board of Directors and Chief Executive Officer benefited from the Incentive Plan then in force within the Company. Its profit-sharing was set at 40% of the sums attributable to the plan applied to the fundraising that accompanied the initial public offering of the Company on the Nasdaq Global Select Market. As three-quarters of its profit sharing was linked to the 2018 financial year, €562 893 was paid in 2019, in accordance with the decision of the shareholders' general meeting of June 15, 2019. However, the balance of this profit sharing, i.e. a gross sum of €187 631 attached to the 2019 financial year was to be paid subject to the approval of the ordinary shareholders' general meeting of June 11, 2020. As, the Chairman of the Board of Directors decided to waive; as noted by the Board of Directors, this balance of €187 631 will not be paid.

▪ Free shares and stock options: As part of its free allocation policy and stock option or shares purchase, the Board of Directors applied Recommendation R.18 of the Middlednext Code, namely:

- free shares and stock options are subject to the relevant performance conditions reflecting the medium/long term interest of the company, assessed over a period of significant duration
- they are not concentrated on corporate officers; and
- new bonus shares or stock options are not granted when corporate officers leave the company.

Under this policy, Mr. Jean-François MOONEY, as Chief Executive Officer of the Company, was awarded 3 000 free shares and 15,130 stock options during the 2019 financial year.

The characteristics of these free shares and stock options, together with the details of free shares and stock options held by Mr. Jean-François MOONEY are described in the 2019 Universal Registration Document.

No stock option was exercised by Mr. Jean-François MOUNEY during the 2019 financial year. Subject to their conservation for one year from their final allocation, 1 374 AGA D 2017-1 were definitively acquired by Mr. Jean-François Mouney on December 31, 2019. In accordance with the provisions of the AGA D 2017-1 plan relating to performance conditions, this final acquisition results from the fact that:

- (i) at that date, the positive results of the phase 2 trial evaluating elafibranor in PBC had been made public;
- (ii) at that date, a phase 2 trial evaluating elafibranor in pediatric NASH was in progress;
- (iii) at that date, a phase 2 trial evaluating nitazoxanide in fibrosis was in progress;
- (iv) changes in the Company's share price between the date of allocation of free shares and December 31, 2019.

#### 4. Other elements

The benefits in kind granted to Mr. Jean-François MOUNEY, as Chairman and Chief Executive Officer of the Company consisted in the provision of a company vehicle. This benefit represented a gross amount of €5 100 over the period up to September 15, 2019.

Finally, Mr. Jean-François MOUNEY, as Chairman of the Board of Directors and Chief Executive Officer of the Company, received severance pay falling within the scope of article L. 225-90-1 of the French *Code de commerce* equal to six months of gross compensation, calculated on the basis of the past twelve month (excluding variable compensation related to the implementation of the Incentive Plan) and increased by a compensation for one month's gross salary per year of seniority within the Company (calculated on the same basis). In accordance with Recommendation R.16 of the Middlednext Code, this compensation was capped at two years of gross compensation (excluding variable compensation related to the implementation of the Incentive Plan) paid for the last financial year and would have been paid if and only if, one of the following three performance conditions were met when the role was ended:

- at least one collaboration or license agreement for the exploitation rights of the programs and products of the Company with a biopharmaceutical group is in force, within the meaning of the Incentive Plan; or
- at least two of the Company's products are in the clinical development phase; or
- the Company was subject to a change of control within the framework of an affiliation to a biopharmaceutical group within the meaning of the Incentive Plan, in the two months preceding the time when their functions are terminated.

As previously stated, and pursuant to Recommendation R.16 of the Middlednext Code, this severance pay was not paid to Mr. Jean-François Mouney.