
KIADIS PHARMA N.V.

RULES OF PROCEDURE FOR THE SUPERVISORY BOARD

Version	3
Approval Date	28 October 2016

TABLE OF CONTENTS

Clause		Page
1.	INTRODUCTION.....	1
2.	RESPONSIBILITIES AND DUTIES	2
3.	COMPOSITION, EXPERTISE AND TERM	3
4.	APPOINTMENT, RESIGNATION, SUSPENSION AND DISMISSAL	4
5.	CHAIRMAN AND VICE-CHAIRMAN	4
6.	COMPANY SECRETARY.....	5
7.	COMMITTEES	5
8.	MEETINGS	6
9.	CONFLICT OF INTEREST	7
10.	REMUNERATION AND EXPENSES	8
11.	RELATIONS WITH THE MANAGEMENT BOARD.....	8
12.	RELATIONS WITH THE GENERAL MEETING.....	8
13.	FINANCIAL REPORTING AND EXTERNAL AUDITOR	8
14.	CONFIDENTIALITY	9
15.	AMENDMENT	9
16.	GOVERNING LAW	9

Annex I: Profile of the Composition of the Supervisory Board of Kiadis Pharma N.V.....10

1. INTRODUCTION

- 1.1 The Supervisory Board supervises the policies, management and general affairs of the Company and assists the Management Board with advice.
- 1.2 These amended Rules were adopted by the Supervisory Board on 28 October 2016 in accordance with article 18.6 of the Articles and shall be posted on the Company's website.
- 1.3 These Rules are complementary to (i) the provisions regarding supervisory boards contained in Dutch law and regulations, including the principles of good governance and best practice provisions contained in the Dutch Corporate Governance Code, and (ii) the Articles.
- 1.4 The Supervisory Board and each Supervisory Director shall observe and comply with these Rules and action shall be taken by the Supervisory Board and each Supervisory Director to ensure that the Supervisory Board shall observe and comply with the principles set out in the Rules.
- 1.5 In these Rules, the following expressions shall have the following respective meanings:

Articles mean the articles of association of the Company;

Audit Committee means the committee designated as such in Clause 7.

Chairman means the chairman of the Supervisory Board;

Committee means each committee of the Supervisory Board as referred to in Clause 7.

Company means Kiadis Pharma N.V., a public limited liability company (*naamloze vennootschap*) under the laws of The Netherlands, whose corporate seat is at Amsterdam;

Company Secretary means the Company secretary.

General Meeting means the Company's general meeting of shareholders;

Group means the Company and any company belonging to the same group as the Company as referred to in article 2:24b of the Dutch Civil Code (*Burgerlijk Wetboek*);

Management Board means the management board (*raad van bestuur*) of the Company;

Nomination Committee means the committee designated as such in Clause 7.

Remuneration Committee means the committee designated as such in Clause 7.

Rules mean these rules of procedure governing the Supervisory Board's internal affairs;

Supervisory Board means the supervisory board (*raad van commissarissen*) of the Company; and

Supervisory Director means one of the members of the Supervisory Board.

2. **RESPONSIBILITIES AND DUTIES**

2.1 The role of the Supervisory Board is to supervise the policies, of the Management Board and the general course of affairs of the Group, as well as to assist the Management Board by providing advice. In performing its role, the Supervisory Board shall be guided by the interests of the Company and the business connected with it and, to that end, shall take into account the relevant interests of the Company's stakeholders.

2.2 The supervision of the Management Board by the Supervisory Board shall include:

- (a) the achievement of the Company's objectives;
- (b) the corporate strategy and the risks inherent in the business activities;
- (c) the design and effectiveness of the internal risk management and control systems;
- (d) the financial reporting process;
- (e) compliance with legislation and regulations;
- (f) the Company-shareholder relationship; and
- (g) corporate social responsibility issues that are relevant to the Group.

2.3 The Supervisory Board shall discuss, at least once a year:

- (a) without the Management Board being present and taking into account the Nomination and Remuneration Committee's proposals and/or reports in this respect, both its own functioning as well as that of each Supervisory Director, and the conclusions that must be drawn on the basis thereof;
- (b) without the Management Board being present and taking into account the Nomination and Remuneration Committee's proposals and/or reports in this respect, the desired Supervisory Board profile and the composition and competence of the Supervisory Board;
- (c) without the Management Board being present and taking into account the Nomination and Remuneration Committee's proposals and/or reports in this respect, both the functioning of the Management Board as a body of the

Company as well as the performance of the individual members of the Management Board, and the conclusions that must be drawn on the basis thereof;

- (d) the corporate strategy and the main risks of the business, the result of the assessment by the Management Board of the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto. Reference to these discussions shall be made in the report of the Supervisory Board referenced in Clause 2.4.

2.4 The Supervisory Board shall prepare a report on its functioning and activities during the preceding year, the composition of the Committees, the number of meetings held by the Committees and the main items discussed at these meetings. The report shall, in addition, include the specific statements and information required by Dutch law and regulations and the Dutch Corporate Governance Code. The Supervisory report shall be included in the Company's annual report.

2.5 The Supervisory Board and each individual Supervisory Director have their own responsibility for obtaining from the Management Board and the external auditor all the information that the Supervisory Board may need for the proper performance of its duties as a supervisory body. The Supervisory Board may obtain information from officers and external advisors of the Company as it deems necessary. The Company shall make the necessary resources available for this purpose. In addition, the Supervisory Board may, at the Company's expense, seek the advice which it deems desirable for the correct performance of its duties.

3. **COMPOSITION, EXPERTISE AND TERM**

3.1 Annex I contains a profile of the composition of the Supervisory Board, taking account of the nature of the Company's business, its activities and the desired expertise and background of the Supervisory Directors. The profile shall be posted on the Company's website.

3.2 The composition of the Supervisory Board shall be such that it is able to carry out its duties properly and that the Supervisory Directors are able to act critically and independently of one another and of the Management Board and any particular interests.

3.3 Each Supervisory Director shall be capable of assessing the broad outline of the Company's strategy and corporate objectives and shall have the specific expertise required for the fulfillment of the duties assigned to the role designated to him/her within the framework of the Supervisory Board profile.

3.4 At least one Supervisory Director shall be a financial expert, in the sense that he/she has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

- 3.5 Pursuant to articles 17.1 and 17.2 of the Articles, the Company shall have a Supervisory Board consisting of three (3) or more natural persons, such number being determined by the General Meeting. If there are less than three (3) Supervisory Directors, the Supervisory Board shall still be validly constituted but shall proceed without delay to supplement the number of Supervisory Directors.
- 3.6 If a newly appointed Supervisory Director considers it to be necessary or desirable, he/she may follow an induction program which shall cover general financial and legal affairs, financial reporting by the Company, any specific aspects that are unique to the Company and its business activities, and the responsibilities of a Supervisory Director. If the Supervisory Board considers it necessary or desirable, it shall conduct an annual review to identify any aspects with regard to which the Supervisory Directors require further training or education during their period of appointment. The Company shall play a facilitating role in this respect.
- 3.7 The number of supervisory boards of Dutch listed companies of which a Supervisory Director may be a member shall be limited to such an extent that the proper performance of his/her duties is assured.
- 3.8 Pursuant to article 17.3 of the Articles, the Supervisory Directors will be appointed for a maximum of three (3) consecutive four-year terms, provided however that unless such Supervisory Director has resigned at an earlier date or for other reasons ceases to hold office at such earlier date, his/her term of office shall lapse on the day of the annual General Meeting, to be held in the fourth year after his/her (re-)appointment.

4. **APPOINTMENT, RESIGNATION, SUSPENSION AND DISMISSAL**

- 4.1 The General Meeting shall appoint the Supervisory Directors in accordance with article 17.5 of the Articles.
- 4.2 Pursuant to article 17.4 of the Articles, the Supervisory Directors shall resign in accordance with a rotation plan to be established by the Supervisory Board which plan shall, when available, be posted on the Company's website. An amendment to that rotation plan may not result in a Supervisory Director in office resigning against his/her will before the period for which he/she has been appointed has expired.
- 4.3 The General Meeting may at any time suspend or dismiss any Supervisory Director in accordance with article 17.5 of the Articles.

5. **CHAIRMAN AND VICE-CHAIRMAN**

- 5.1 The Supervisory Board shall appoint a Chairman from among its members and may elect a Vice-Chairman. In the absence of the Chairman and the Vice-Chairman, if elected, in a meeting, the meeting shall appoint a chairman from among those present.

5.2 The Chairman of the Board shall ensure the proper composition and functioning of the Board and its Committees, and shall act on behalf of the Board as the main point of contact for shareholders regarding the functioning of the Board. In his capacity of Chairman, he shall ensure the orderly and efficient conduct of the General Meeting of Shareholders.

5.3 The Chairman shall see to it that:

- (a) Supervisory Directors receive in good time all information which is necessary for the proper performance of their duties;
- (b) there is sufficient time for consultation and decision-making by the Supervisory Board;
- (c) the performance of the members of the Management Board and the Supervisory Directors is assessed at least once a year; and
- (d) the Supervisory Board has proper contact with the Management Board.

6. **COMPANY SECRETARY**

6.1 The Supervisory Board shall be assisted by the Company Secretary.

6.2 The Company Secretary shall see to it that correct Supervisory Board procedures are followed and that the obligations of the Supervisory Board under the law, as well as the Articles, are complied with. The Company Secretary shall support the Chairman of the Supervisory Board in the organization of the affairs of the Supervisory Board.

7. **COMMITTEES**

7.1 The Supervisory Board may appoint standing and/or ad hoc Committees from among its members, which are charged with tasks specified by the Supervisory Board. The composition of any Committee is determined by the Supervisory Board. The Supervisory Board shall, in any event, establish an Audit Committee, a Nomination Committee and a Remuneration Committee, it being understood that the Nomination Committee and Remuneration Committee may be a joint Committee.

7.2 The Supervisory Board remains collectively responsible for decisions prepared by Committees from among its members. A Committee may only exercise such powers as are explicitly attributed or delegated to it and may never exercise powers beyond those exercisable by the Supervisory Board as a whole.

7.3 The Supervisory Board can at all times revoke any powers granted by it to a Committee.

7.4 The Supervisory Board shall establish a Charter for each Committee and may amend these Charters at any time. A Charter shall indicate the role and

responsibilities of the Committee concerned, its composition and the manner in which it performs its duties.

7.5 The Charters and the composition of the Committees shall be posted on the Company's website.

8. **MEETINGS**

8.1 Pursuant to article 18.5 of the Articles, the Supervisory Board shall hold meetings as often as one or more of the Supervisory Directors desire, as often as the Management Board shall request, or as often as necessary in pursuance of the provisions of the Articles. The Supervisory Board shall in any event hold at least four (4) meetings a year.

8.2 The meetings will generally be held at the offices of the Company, but may also take place elsewhere. Meetings are in principle called by the Company Secretary, in consultation with the Chairman.

8.3 Meetings shall be convened taking into account a notice period of at least five (5) business days, the day on which the meeting is convened and the date of the meeting itself not included, and shall provide an agenda identifying in reasonable detail the matters to be discussed at the meeting. The Supervisory Board may unanimously agree to waive any notice requirements. Shorter notice periods will also be permitted in cases of urgency, urgency being a situation where a failure to meet before the expiry of the notice period could reasonably be expected to have a material adverse impact on the Group.

8.4 The meetings shall be chaired by the Chairman. The Company Secretary or any other person designated for such purpose by the Chairman shall draw up minutes of the meeting recording the proceedings of the meeting, which minutes shall be sent by the Company Secretary to the Supervisory Directors within three (3) weeks after the meeting and shall be adopted by the Supervisory Board in the following meeting and signed to that effect by the Chairman.

8.5 The Supervisory Board may require that certain officials and external advisors be present at its meetings.

8.6 A simultaneous telephone or video link with sound between all the Supervisory Directors, wherever they may be in the world, will be deemed to form a meeting of the Supervisory Board for the duration of this link. The minutes signed by the Chairman, recording the proceedings of the meeting, shall form sufficient evidence of the proceedings of the meeting and the due observance of all necessary formalities.

8.7 All resolutions of the Supervisory Board shall be adopted by a majority of the votes cast. In the event of a tie in voting, the Chairman will have a deciding vote. In meetings of the Supervisory Board each Supervisory Director shall be entitled to cast one vote. Except as provided in Clause 8.6, resolutions of the

Supervisory Board shall only be valid if taken at a meeting at which at least half of the Supervisory Directors are present or represented.

- 8.8 A Supervisory Director may only be represented in meetings of the Supervisory Board by another Supervisory Director pursuant to a written power of attorney. This written power of attorney can only be granted to another Supervisory Director for a specified resolution in respect of which both the Supervisory Director granting the power of attorney and the Supervisory Director to whom the power of attorney is granted have not notified a conflict of interest in accordance with Clause 9.
- 8.9 Resolutions of the Supervisory Board may, instead of at a meeting, be passed in writing - which shall include an electronic message, a facsimile and a message transmitted by any other accepted means of communication and received or capable of being produced in writing - provided that all Supervisory Directors are familiar with the resolution to be passed and none of them objects to this decision-making process.

9. **CONFLICT OF INTEREST**

- 9.1 A Supervisory Director shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him/herself, to the Chairman and shall provide all relevant information, including information concerning his/her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law. If the Chairman has such a (potential) conflict of interest, he/she shall report this immediately to the Vice-Chairman, if elected, and in absence of a Vice-Chairman, to the other Supervisory Directors, and provide all information as described above.
- 9.2 The Supervisory Board shall decide, without the Supervisory Director concerned being present, whether there is a conflict of interest.
- 9.3 A conflict of interest exists, in any event, if the Company intends to enter into a transaction with a legal entity: (i) in which a Supervisory Director personally has a material financial interest; (ii) which has a management board member who has a relationship under Dutch family law with a Supervisory Director; or (iii) in which a Supervisory Director has a management or supervisory position.
- 9.4 A Supervisory Director may not participate in deliberating or decision-making within the Supervisory Board, if with respect to the matter concerned he/she has a conflict of interest with the Company.
- 9.5 All transactions in which there is a conflict of interest with a Supervisory Director shall be agreed on terms that are customary in the sector concerned and disclosed in the Company's annual report. Decisions to enter into transactions in which there is a conflict of interest with a Supervisory Director require the approval of the Supervisory Board.

10. **REMUNERATION AND EXPENSES**

10.1 Pursuant to article 17.12 of the Articles, the General Meeting shall determine the remuneration of each Supervisory Director.

10.2 Reasonable expenses incurred by the Supervisory Directors in their capacity as such shall be reimbursed by the Company.

11. **RELATIONS WITH THE MANAGEMENT BOARD**

11.1 Pursuant to article 14.6 of the Articles, the approval of the Supervisory Board shall be required for the resolutions of the Management Board summed up in the aforementioned article.

11.2 The Supervisory Board shall be entitled to request from the Management Board financial and managerial information, strategic and business plans, corporate governance and compliance reports, and all other kinds of reports or information in the format and timeframe so requested.

11.3 The Supervisory Board shall receive in a timely manner from the Management Board written information on all the facts and developments relating to the Company which the Supervisory Board requires to allow it to function properly and perform its tasks satisfactorily.

12. **RELATIONS WITH THE GENERAL MEETING**

12.1 The Supervisory Board, together with the Management Board, shall provide the General Meeting with all: (i) information that it requires for the exercise of its powers, and (ii) all requested information, unless this would be contrary to an overriding interest of the Company and its business. If the Management Board and the Supervisory Board invoke an overriding interest, they must state its reasons.

12.2 The Management Board, together with the Supervisory Board, shall procure that each substantial change in the corporate governance structure of the Group and in the compliance of the Company with the Corporate Governance Code is submitted to the General Meeting for discussion under a separate agenda item.

12.3 The Supervisory Directors shall participate in the meetings of the General Meeting, except in the case of absence for urgent reasons.

13. **FINANCIAL REPORTING AND EXTERNAL AUDITOR**

13.1 The Supervisory Board shall supervise publication of the annual report, the half-yearly figures and ad hoc financial information. The Supervisory Board shall see to it that the internal procedures for financial reporting are established, maintained and complied with.

- 13.2 The Supervisory Board shall put forward a recommendation to the General Meeting for the appointment of the external auditor, after obtaining advice from the Management Board and the Audit Committee.
- 13.3 The Management Board and the Audit Committee shall report their dealings with the external auditor to the Supervisory Board on an annual basis, in particular on the auditor's independence (including the desirability of rotation of the responsible partners of an external audit firm). The Supervisory Board shall take this into account when deciding on its nomination for the appointment of an external auditor.
- 13.4 At least once every four (4) years, the Supervisory Board shall, through the Audit Committee, conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the General Meeting for the purposes of assessing the nomination for the appointment of the external auditor.

14. **CONFIDENTIALITY**

Each Supervisory Director shall treat all information he/she receives in his/her position as a Supervisory Director in the strictest of confidence and not make public or in any other way provide such information to third parties, unless the Company has already published the information or it is determined that the public is aware of this information.

15. **AMENDMENT**

Pursuant to article 18.6 of the Articles, these Rules may be amended by the Supervisory Board.

16. **GOVERNING LAW**

These Rules shall be governed by and be construed in accordance with the laws of The Netherlands.

ANNEX I

Profile of the Composition of the Supervisory Board of Kiadis Pharma N.V.

1. This profile is intended to offer a guideline for the composition of the Supervisory Board and the list of candidates for its members.
2. If and to the extent that a person carries out supervisory duties at more than the number of entities permitted under the laws and regulations applicable to the Company, this person shall not be appointed as a Supervisory Director.
3. Each Supervisory Director should:
 - (a) be prepared and willing to fulfill the role as Supervisory Director according to Dutch law and regulations, the Dutch Corporate Governance Code, the Articles and the Rules;
 - (b) be capable of performing the function of Supervisory Director properly;
 - (c) contribute to an adequate composition of the Supervisory Board;
 - (d) not have a conflicting interest with the Company;
 - (e) have enough time available to fulfill his/her task adequately;
 - (f) be fluent in the English language;
 - (g) be capable of assessing the broad outline of the Company's strategy and corporate objectives;
 - (h) have the specific expertise required for the fulfillment of the duties assigned to the role designated to him/her within the framework of the Supervisory Board profile;
 - (i) be able to act critically and independently of the other Supervisory Directors and of the Management Board;
 - (j) have an open eye for the interests of the Company and its various stakeholders.
4. The Supervisory Board as a whole shall be capable of performing:
 - (a) the selection and composition of an efficient, qualified and competent Supervisory Board and supervision of the succession of Supervisory Directors;
 - (b) the determination of the overall strategy, development of the financial position, the risks associated with the intended strategy and the policy to be pursued, investment and divestment plans, management of financial risks, including internal control, and the personnel policy to be pursued.
5. It is considered desirable that, where possible, for the Supervisory Board to have broad representation to such extent that:
 - (a) expertise is present in managing enterprises, in financial administration and accounting for listed companies and other large legal entities;
 - (b) specific know-how is present in respect of the various aspects of the business operations of the Company;
 - (c) it can take an active and leading role in business, politics and society;

- (d) it is aware of and identifies international social, economic, political and societal developments that are relevant to the Company.
- 7. It is considered desirable that, where possible, at least one the Supervisory Directors is still actively engaged in a business position.
- 8. Shareholders, former shareholders or persons affiliated with shareholders or former shareholders of the Company shall not be excluded from appointment as a Supervisory Director.