



Draft – Subject to AGM approval

Compensation Policy

Introduction

ProQR Therapeutics N.V. (the "**Company**") is required by Dutch corporate law and its articles of association to have a policy (the "**Compensation Policy**") governing the compensation of the management board of the Company (i.e., the directors under the articles of association of the Company) (the "**Management Board**"). The compensation of the Management Board will be determined by the supervisory board of the Company (the "**Supervisory Board**") with due observance of [Dutch corporate law, including sections 2:135 \(6\) and \(8\) DCC](#), this Compensation Policy and the Company's articles of association.

The Supervisory Board has established a compensation, [nominating and corporate governance](#) committee (the "**Compensation Committee**") from among its members to assist the Supervisory Board, inter alia, in matters relating to the compensation of the members of the Management Board.

This Compensation Policy was adopted by the Company's general meeting of shareholders on ~~June 23rd~~ [June 30, 2022](#) with effect from January 1, ~~2020-2022~~ and replaces the previous Compensation Policy of the Company.

Principles

The Management Board is responsible for executing the Company's strategy (the "**Strategy**"). The Compensation Committee ensures that the performance metrics used in the Company's variable compensation plans hold the members of the Management Board accountable for the successful delivery of the Strategy. Therefore, it is the view of the Compensation Committee that variable compensation components should be directly linked to the Company's strategic objectives, i.e., financial and non-financial performance measures, [and, with respect to the STI \(as defined below\)](#), individual performance objectives and company milestones. Under the Compensation Policy, variable compensation shall be focussed on sustainable performance.

The Compensation Policy is designed based on the following principles:

- [In principle, t](#)Three compensation pillars [apply](#), consisting of:
 - ~~Annual~~ [annual Base base](#) salary ("**Annual Base Salary**");
 - Short Term Incentive ("**STI**") (annual cash bonus); [and](#)
 - Long Term Incentive ("**LTI**") (Equity Incentive Plan).
- Flexibility: the [C](#)ompensation [P](#)olicy should provide flexibility to allow the Supervisory Board, acting on the recommendation of the Compensation Committee, to reward the Management Board in a fair and equitable manner, [including by awarding extraordinary awards \("**Extraordinary Awards**"\) as described in this Compensation Policy](#);
- This Compensation Policy should drive the right kind of management behaviour, discourage unjustified risk taking and minimise any gaming opportunity;



- This Compensation Policy should enable paying for performance, taking into account not only the measurable financial performance of / or milestones achieved by the Company, but also, where appropriate, the efforts made by the Management Board, individually and as a whole, in managing the Company;
- Design of the Compensation Policy shall be based on current legislation applicable in the Netherlands;
- This Compensation Policy shall foster alignment of interests with our shareholders; ~~and~~
- The pension of the members of the Management Board shall be based on the defined contribution system; ~~and~~
- Pay differentials and position within the Company ~~are shall~~ also be taken into account and are considered and evaluated regularly.

1 Summary Overview of Compensation Components

The Compensation Policy consists of the following key elements:

Compensation Component & Description	Objective
<p>Annual Base Salary Fixed cash compensation based on level of responsibility and performance</p>	<ul style="list-style-type: none"> • Compensate for performance of day-to-day activities
<p>Short Term Incentive (STI) Reward paid in cash for performance in the preceding financial year, measured against financial, nonfinancial/personal targets and company milestones (see below)</p>	<ul style="list-style-type: none"> • Compensate previous year's Company and individual performance • Award opportunities in consideration for substantial contributions to the success of the Company and/or to promote and continued service • Award for specific transactions of the Company
<p>Long Term Incentive (LTI)</p>	<ul style="list-style-type: none"> • Retention of management talent • Incentive to perform • Alignment with shareholders' interests
<p><u>Extraordinary Awards</u></p>	<ul style="list-style-type: none"> • <u>Attract and retain management talent and/or award extraordinary circumstances, extraordinary performance or extraordinary Company results</u>



Pension

Defined contribution plan

- [Enhanced alignment with shareholders' interests](#)
- Provide competitive post-retirement benefits

Compensation Reference Group

The Supervisory Board has selected a compensation reference group of companies that reflects the competitive environment for talent in which the Company operates. The level of the above compensation components for the Management Board is compared with this balanced group of companies based on Biopharma and Life Sciences industry, research focus and size. The level of compensation of the Management Board is compared with compensation data of the compensation reference group. In determining the appropriate levels of compensation for each of the members of the Management Board, the Supervisory Board (and the Compensation Committee) considers the compensation levels applicable in the compensation reference group and the specific roles and responsibilities a member of the Management Board serves.

The compensation reference group will be reviewed by the Supervisory Board on a regular basis and updated if necessary to ensure an appropriate composition. The Supervisory Board will update the compensation reference group based on market circumstances following mergers, acquisitions or other activities significantly affecting their comparability with the Company.

In establishing the compensation for the members of the Management Board, the Supervisory Board (or the Compensation Committee) may consult independent professional external or internal compensation consultants.

Annual Base Salary

~~Base-~~[The Annual Base Salaries](#)salaries, including the holiday allowance, for the Management Board, ~~are~~[is](#) determined by the Supervisory Board upon the recommendation of the Compensation Committee after consideration of various factors and comparing with the median of the base salary levels of the above mentioned compensation peer group. The Supervisory Board also considers the historic salary levels of the individual and the nature of the individual's responsibilities.

Short Term Incentive (STI)

The members of the Management Board may be eligible for an [annual bonus](#)~~STI~~. The ~~annual bonus~~[STI opportunity](#) is determined by the Supervisory Board and may vary per member of the Management Board. The ~~bonus~~[STI](#) is related to pre-determined quantified financial targets, non-financial/personal targets and/or company goals. The targets / goals ~~are~~ will be determined by the Supervisory Board annually prior to the start of the relevant financial year of the Company [and may vary per member of the Management Board](#). The targets are predetermined, assessable



and influence-able and are supportive to the ~~long-long~~ term strategy and development of the Company.

The non-financial targets and goals of the Company are derived from the Company's strategic and organizational priorities and also include qualitative targets that are relevant for the responsibilities of the individual member of the Management Board. Achievement of the targets will be measured by the Supervisory Board following the end of the relevant financial year.

The Company does not disclose the actual financial, non-financial targets/personal targets and milestones as this is considered commercially and competitive sensitive information.

The CEO will be eligible for an annual maximum ~~STI bonus~~ that is set at 75% of ~~gross A~~ annual ~~gross-B~~ base ~~S~~ salary. Other members of the Management Board will be eligible for an annual maximum ~~bonus-STI~~ of up to ~~3550~~% of ~~gross A~~ annual ~~gross-B~~ base ~~S~~ salary.

Long Term Incentive (Stock Option Plan)

The ~~Long Term Incentive~~ LTI for the Management Board consists of grants of options to acquire ordinary shares in the capital of the Company ("**Options**"), or restricted share units ("**RSUs**") under the Equity Incentive Plan as adopted at the 2020 ~~AGM~~ annual general meeting (the Options and RSUs together the "**Awards**"). ~~Stock~~ Options are conditional rights to acquire ordinary shares in the capital of the Company against an exercise price. RSUs are conditional right to receive ordinary shares in the capital of the Company. The Supervisory Board may select members of the Management Board and the type of Award and effect such grants.

The amount of Awards as total ~~long term incentive~~ LTI to be granted will be determined ~~annually~~ by the Supervisory Board depending on the contribution to the Strategy, the long term development of the Company, the individuals performance of the members of the Management Board and to ensure alignment of the Management Board total compensation to the median of the compensation reference group above (together, the "LTI Factors"), in accordance with the applicable LTI plan rules. In case the ~~annual~~ assessment of the Supervisory Board is that the contribution of the Management Board meets target levels, this will be reflected in the amount of Awards to be granted.

The CEO will be eligible to receive ~~Option-Awards grants~~ with a maximum value up to 800% of ~~the gross A~~ annual ~~gross-B~~ base ~~S~~ salary, while other members of the Management Board will be eligible to receive ~~Options-Awards grants~~ with a maximum value up to ~~200400~~% of ~~the gross A~~ annual ~~gross-B~~ base ~~S~~ salary. ~~The number of Options to be granted will be based on a face value approach~~. At the discretion of the Supervisory Board, Management Board members may receive RSUs, Options or a combination of RSUs and Options~~-. The number of Options, RSUs or combination of RSUs and Options -to be granted will be based on a face value approach and~~ in such a way that the fair value (Black-Scholes) of the grant does not exceed the fair value of a grant that would be granted in Options only. The grant date, or grant dates, as the case may be, within a certain year may be set at the discretion of the Supervisory Board, taking into account the LTI Factors. The LTI Factors will be leading in the decision of the Supervisory Board to decide upon multiple grants within a certain year.



An important objective of ~~equity~~ awards is to provide an incentive to the members of the Management Board to continue their employment relationship with the Company and to focus on the creation of sustainable shareholder value.

Options will only deliver value to the (members of the) Management Board if, and to the extent, over a certain period of time, the value of the underlying stock exceeds the exercise price of the Options. Any Options granted have a 10 year term following the grant date. ~~Unless determined otherwise by the Supervisory Board, The~~ Options granted, ~~will~~ vest in four annual equal tranches of 25% starting for the first time on the first anniversary of the date of grant. Vesting of the stock options may be subject to other conditions which are specified in the notice of grant. In the event of a change of control of the Company, the vesting of Options shall be accelerated, and/or the Supervisory Board may decide to exchange, or cancel and settle in cash the outstanding Options, or the Supervisory Board may take whatever step considered appropriate with respect to the outstanding Options. The exercise price of Options will be equal to the closing price on the NASDAQ Stock Market the business day preceding ~~the each~~ date of grant, unless determined otherwise by the Supervisory Board.

Each RSU gives, upon vesting, right to one ordinary share in the capital of the Company. ~~Unless determined otherwise by the Supervisory Board, The~~ RSUs granted ~~will~~ vest in quarterly tranches over a period of three years, starting for the first time on the first anniversary of the date of grant. Vesting of the RSUs may be subject to other conditions which are specified in the notice of grant. In the event of a change of control of the Company the vesting of RSUs shall be accelerated, and/or the Supervisory Board may decide to exchange, or cancel and settle in cash the outstanding RSUs, or the Supervisory Board may take whatever step considered appropriate with respect to the outstanding RSUs.

Pensions

Retirement benefits under the defined contribution plan is set in the context of the annual base salary for each member of the Management Board taking into account the relevant country competitive practice, tax and legal environment.

Any other compensation elements for the Management Board, such as ~~e.g.~~ expense allowance ~~for example~~, are in line with benefits for regular employees of the Company.

2 Scenario analysis

The Dutch Corporate Governance Code requires that the Supervisory Board “shall analyse possible outcomes of the variable income components and the effect on the Managing Board compensation”. This scenario analysis will be conducted on an annual basis to test whether the level of compensation that could be earned at different levels of performance (threshold, target and maximum), and at different Company share price levels (low, average and high growth) is fair and appropriate in the context of value delivered to shareholders. Based on the analysis, the Compensation Committee, if necessary, will recommend amendments to the ~~C~~ompensation ~~P~~olicy to the Supervisory Board.



3 Periodical revision of the compensation

The Supervisory Board will review and determine annually prior to the Company's annual general meeting of shareholders the total compensation level for that calendar year. The compensation will be determined by the Supervisory Board following the recommendation of the Compensation Committee within the limits of the applicable [Compensation Policy](#). An increase or decrease, as the case may be, of the [Annual base salary](#), the [Short Term Incentive](#) or the [Long Term Incentive](#), or any other part of the compensation of a member of the Management Board, may be determined by the Supervisory Board at its sole discretion within the boundaries set in this [Compensation Policy](#).

4. Extraordinary Awards

To attract and retain talent and/or to recognize and reward extraordinary performance of the Company and/or members of the Management Board, and/or reward performance under extraordinary circumstances, as well as to further enhance alignment with shareholder interests, the Supervisory Board may, at its discretion, grant an Extraordinary Award to the members of the Management Board, for which the conditions will be laid down in an Extraordinary Award letter between the Company and the relevant member(s) of the Management Board in accordance with this Compensation Policy.

Extraordinary Awards may consist of sign-on bonuses, retention bonuses or other bonuses, including in the form of additional STI or LTI Awards. The Supervisory Board may, at its discretion, determine that the grant of an Extraordinary Award is contingent upon achievement of additional performance or retention criteria.

It will be at the discretion of the Supervisory Board to determine the value of an Extraordinary Award following the Supervisory Board's assessment of the specific circumstances justifying the Extraordinary Award.



4 Service conditions for statutory directors

The following policy statements apply to the members of the Management Board only and are included in the existing management services agreements.

Adjustment and claw-back

The Supervisory Board has the discretionary authority to upwards or downwards adjust the pay out of any variable compensation component, [including an Extraordinary Award](#), conditionally granted if such component would produce an unfair or unintended result as a consequence of extraordinary circumstances during the period in which the pre-determined performance criteria have been or should have been achieved. In addition, the Company has the right to recover variable compensation components on account of amongst others incorrect financial data in accordance with article 2:135(8) Dutch Civil Code.

Severance arrangements

In the management services agreements it is stated that the management services agreements contain a termination notice period of two months. The management services agreements can be terminated in the event of an urgent reason at any time without advance notice. The management services agreements provide for a lump-sum payment in case of termination at the initiative of the Company following a change in control subject to certain conditions. Such payment is equal to 24 months of the individual's monthly gross fixed salary in effect at the time of the change in control.

Other than in case of termination following a change in control, the following applies: if an individual's management services agreements ends at the initiative of the Company, the Supervisory Board acting on the advice of the Compensation Committee will determine the appropriate severance payment.

Loans

The Company does not grant any loans or guarantees to any of the members of the Management Board.