ReflectionBio
— By Patients, For Patients

Indirect Cost Policy for Contract/Sponsored Research
(Passed by the Board of Directors in December 2019)

About Us
Reflection Biotechnologies (ReflectionBio®) is a patient-driven biotechnology company focused on the research and development of cutting-edge biotechnologies for treating rare diseases which currently have no or few treatment options available. We aim to develop life-changing and long-lasting gene therapy, cell therapy and other breakthrough treatments for patients suffering from these devastating diseases.

Our Patient Background
ReflectionBio® was founded by a rare disease patient and family. In the process of going blind, our founder has been driving rare disease R&D through ReflectionBio®. We are one of the first biotech companies driven directly by a rare disease patient with related disability.
There are more than 7,000 rare diseases, with new ones reported every month, more than 90% of which still do not have any approved treatments available. Many rare diseases are serious conditions which result in premature death or life-long disabilities. More than 80% of rare diseases have a genetic component to it. A significant percentage of the general population are carriers of genetic mutations that can cause rare diseases. Therefore, rare disease patients shoulder the inevitable odds of genetic mutations for mankind, but are often ignored by society and under-supported by public resources.

Our By Patients, For Patients ™ Approach and Belief
At ReflectionBio®, we created and apply a *By Patients, For Patients* ™ approach for patients to combine efforts and to play a proactive role in driving scientific and medical R&D.

By Patients, For Patients ™ **– "With faith, relentless efforts and the right partners, we, the patients, can make a difference in driving R&D to help ourselves and others."**

Richard R. Yang
Rare disease patient
Founder & CEO, Reflection Biotechnologies Limited
Member, "Orphan Drug Development Guidebook" Task Force, the International Rare Diseases Research Consortium (IRDiRC)

The "*By Patients, For Patients*" approach means that (i) we were founded by patients, (ii) patients play an active role (together with researchers and doctors) in identifying, initiating and driving R&D, and (iii) we focus on translational research that will materialize scientific breakthroughs to benefit patients.

Throughout our R&D process, we may contract or sponsor part of our R&D activities to external parties, including but not limited to contract research organizations (CROs), contract development and

manufacturing organizations (CDMOs), universities, research institutes, clinical trial centers and hospitals (the "Research Organizations"). From time to time, however, we encountered some Research Organizations which charge indirect cost in addition to the cost directly associated with R&D activities. Therefore, we developed this Indirect Cost Policy for all external R&D and clinical activities contracted or sponsored by ReflectionBio®, irrespective of the relevant Research Organization's location.

Definition

We define indirect costs as:

- Overhead expenses or ongoing operational costs incurred by the relevant Research Organization on behalf of such organization's activities and projects, but that are not easily identified with any specific project.
- Administrative or other expenses which are not directly allocable to a particular research activity.
- Expenses related to general operations of an organization that are shared among projects and/or functions.
- Examples include executive oversight, existing facilities costs, accounting, grants management, legal expenses, utilities, and technology support. To further aid the interpretation of this definition, we have established a set of examples which are included in Appendix A.

Rational & Principle

We considered the following factors when forming this policy:

- Founded and funded by patients and their families, we have a fiduciary duty to use our funds efficiently.
- In developing medicines and treatments for underprivileged patients with rare retinal diseases, we are fulfilling a social responsibility which is often ignored by public funding and the research community.
- When working with external research partners, financial contribution is only a part of our contributions to the research project. We also provide other significant and unique contributions ("Non-monetary Contributions"), such as providing proprietary technology, study designs, R&D guidelines, disease expertise, and leveraging on our connections with and trust by patients to initiate and expedite research, which are non-financial in nature but are invaluable and often more critical than funding in driving and expediting research and development.

Given our background, the sources and uses of our funds, and our unique contributions, we are not committed to matching the indirect cost rates of the government or other entities. Our Board has developed a set of maximum indirect cost rates (see under "Maximum Indirect Cost Rates"), which applies to all external R&D and clinical activities contracted or sponsored by us, irrespective of the relevant Research Organization's location.

We recognize that this means that: (a) some of our research partners may need to engage in cost-sharing between projects or tap into unrestricted funds; or (b) some Research Organizations may choose not to contract with us. However, we believe our policy is reasonable and consistent with that of many entities that have a flat or maximum rate that caps the amount an organization can charge. More importantly, we believe that most Research Organizations will recognize our patient background, appreciate our "*By Patients, For Patients*"™ approach and our extraordinary efforts, and be willing to share social responsibility with us. Over time, those Research Organizations which share the same values with us will become our long-term partners in advancing translational research to benefit patients.

Maximum Indirect Cost Rates

Maximum indirect cost rate for the following Research Organizations should be 0%:

- Contract Research Organization (CRO) and Contract Development and Manufacturing Organizations (CDMOs) companies and other types of for-profit companies
- government agencies, including public hospitals, clinical trial centers and laboratories
- private hospitals, clinics, and clinical trial centers

Maximum indirect cost rate for the following Research Organizations should be 10%:

- universities and research institutes

Any indirect cost rate above 10% is deemed an exceptional case and must be approved by our Board of Directors on a case by case basis with overwhelming justification including the following.

- the university/research institute's standard indirect cost rate is above 30%, and
- the university/research institute is well positioned in carrying out the research project in an expedited manner

The Board will also take into account our Non-monetary Contributions in deciding and approving the specific indirect cost rate for each exceptional case. Any indirect cost rate above 20% requires a shareholder vote.

Notes: The rates provided above are the *maximum* rates allowed under our policy. A Research Organization with an actual indirect cost rate lower than the maximum rate provided above for its category should *not* increase its indirect cost rate.

Appendix A: Direct and Indirect Cost Examples

DIRECT COSTS

The following may be included as direct costs if and to the extent DIRECTLY ATTRIBUTABLE TO THE PROJECT:

- Salary of employee
  - such employee must be an employee directly working on our research project (the "hands on" principle applies when deciding the relevant employee)
  - proportional to the employee's percentage of time spent on our project
- Travel for employees relevant to our project
- Supplies/consumables
- Sub-contracts (this needs our prior written approval because in general we do not allow sub-contracts by our research partners)

The following should NOT be included as direct costs:

- Equipment purchases *[Note that all existing equipment would represent indirect costs.]*
- Newly-acquired facilities such as:
  - A new field clinic
  - New testing laboratories
  - New project implementation unit office *[Note that all existing facilities would represent indirect costs.]*
- IT equipment and support for the project

INDIRECT COSTS

- Existing facilities costs (e.g. rent, maintenance, utilities, etc.)
- Existing Information technology equipment and support (e.g. centralized IT systems, networks, etc.)
- Existing shared equipment
- Patent application and related legal fees, if applicable
- Existing equipment maintenance
- Depreciation on equipment
- Insurance
- Communications expenses (e.g. phones, etc.)
- Administrative office supplies
- General administrative support:
  - Executive management (CEO, COO, CFO, etc.)
  - Executive administrators
  - Employee benefits
  - General ledger and grants accounting
  - General financial management staff
  - Internal audit function
  - Institutional legal support
  - Research management personnel
  - Information technology support staff
  - Facilities support personnel
  - Scientific support functions
  - Environmental health/safety personnel
  - Human resources
  - Library & information support
  - Shared procurement resources
  - General logistics support
  - Material management (e.g. tracking procurement, inventory management, shipping)
  - Other shared resources not directly attributable to the project