

## **ADIAL PHARMACEUTICALS, INC.**

### **Compensation Committee Charter**

#### **Purpose**

The Board of Directors of Adial Pharmaceuticals, Inc. (the “Company”) has constituted a Compensation Committee (the “Committee”). The Committee’s primary purposes are: (1) to assist the Board of Directors in fulfilling its oversight responsibilities relating to, and shall have direct responsibility for, compensation of the Company’s “named executive officers” (as defined in Item 402 of Regulation S-K), including evaluating and approving such officer’s benefits, bonus, incentive compensation, severance, equity-based compensation, and other compensation arising from other programs of the Company; and (2) to provide the Compensation Committee Report for inclusion in the Company’s annual report on Form 10-K or proxy statement that complies with the rules and regulations of the Securities and Exchange Commission (the “SEC”).

#### **Membership and Organization**

- The Committee shall consist of at least two (2) members of the Board of Directors, as the Board shall determine from time to time, each of whom must be independent.
- Each member of the Committee: (1) must satisfy the independence requirements of The Nasdaq Stock Market LLC (“NASDAQ”), except as otherwise permitted by applicable NASDAQ rules, and shall be independent in accordance with the provisions of Rule 10C-1(b)(1) under Securities Exchange Act of 1934, as amended (the “Exchange Act”); (2) shall be a “non-employee director” as such term is defined under Rule 16b-3 of the Exchange Act; and (3) shall be an “outside director” as that term is defined for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, to the extent applicable. In the event that less than all members qualify as “non-employee directors” within the meaning of Rule 16b-3 of Exchange Act, all grants of stock, options or other equity compensation to officers and directors subject to the requirements of Section 16 of the Exchange Act shall be recommended by the Committee, subject to approval by the Board of Directors solely for purposes of compliance with applicable requirements of Rule 16b-3 under the Exchange Act.
- A director shall qualify as independent if the Board has affirmatively determined that the director has met the independence criteria for compensation committee members set forth herein.
- The members of the Committee are appointed annually by the Board, and serve until their successors are duly elected and qualified, or until their earlier death, resignation or removal, with or without cause, in the discretion of the Board of Directors. Unless a Chair is elected by the Board of Directors, the members of the Committee shall designate a Chair by a majority vote of the full Committee membership.
- The Committee may delegate its authority to a subcommittee or subcommittees.

- The Committee shall promptly inform the Board of Directors of the actions to be taken or issues discussed at its meetings. This will generally take place at the Board of Directors meeting following a meeting of the Committee.

## **Responsibilities**

The Committee's primary responsibilities include:

- Establishing on an annual basis performance goals and objectives for purposes of determining the compensation of the Company's Chief Executive Officer (the "CEO"), evaluating the performance of the CEO in light of those goals and objectives, and setting the compensation level for the CEO based on this evaluation. In determining the long-term incentive component of compensation, the Committee shall consider such factors as the Company's performance and relative stockholder return, the value of similar incentive grants or awards to similar officers at comparable companies, and the grants or awards given to the CEO in past years.
- Reviewing and approving compensation of all "named executive officers," at appropriate time periods. The Committee shall take into account the CEO's recommendation and evaluation of each individual's performance, the Company's overall performance and comparable compensation paid to similarly-situated executives in comparable companies.
- Establishing the compensation for members of the Board of Directors (including retainer, committee and committee chair's fees, equity incentives and other similar items as appropriate).
- Reviewing the competitive position of, and making determinations with respect to, the cash-based and equity-based compensation plans and other programs of the Company relating to compensation and benefits.
- Reviewing the financial performance and the operations of the Company's major benefit plans.
- Considering the impact of the Company's compensation policies and practices for all employees on its risk profile.
- Overseeing the administration of the Company's equity incentive plan(s), including making determinations regarding the granting of options and/or other awards under the plans, and overseeing the administration of other executive incentive plans, and making determinations regarding the participation of individual employees in those plans.
- Reviewing and approving (if appropriate) for the Company's "named executive officers," as applicable: (1) employment agreements; (2) severance agreements; (3) change in control agreements/provisions; and (4) any other material perquisites or other in-kind benefits.

- Providing the Compensation Committee Report for inclusion in the Company’s annual report on Form 10-K or proxy statement for the annual meeting of stockholders that complies with the rules and regulations of the SEC.
- Reviewing and reassessing this charter and submitting any suggested changes to the Board of Directors for review.

In addition, when applicable to the Company:

- The Committee shall review and discuss with the Company’s management the Compensation Discussion and Analysis required by Item 402 of Regulation S-K (“CD&A”). The Committee shall determine, based on such review and discussions, whether it is going to recommend to the Board of Directors of the Company that the CD&A in the form prepared by management be included in the Company’s annual report on Form 10-K or proxy statement for the annual meeting of stockholders.
- The Committee shall provide, over the names of the Committee members, the required Committee report for the Company’s proxy statement for the annual meeting of stockholders. This Committee report shall state whether (1) the Committee reviewed and discussed with the Company’s management the CD&A; and (2) based on such review and discussion, the Committee recommended to the Board of Directors that the CD&A be included in the Company’s annual report on Form 10-K or proxy statement for the annual meeting of stockholders.
- The Committee shall review and recommend for approval by the Board of Directors: (1) the Company’s approach with respect to the advisory vote on executive compensation (“say-on-pay”); and (2) how frequently the Company should permit stockholders to have a say-on-pay vote, taking into account the results of stockholder votes on the frequency of say-on-pay resolutions at the Company. The Committee also shall review the results of say-on-pay resolutions and consider any implications.

## **Meetings**

The Committee shall meet as often as the Committee or the Committee Chair determines necessary, but not less frequently than annually. Any member of the Committee may call a meeting of the Committee upon written notice to each other member at least 48 hours prior to the meeting. At least two members of the Committee shall constitute a quorum. Attendance and participation in a meeting may take place by conference telephone or similar communications equipment such that all persons participating in the meeting can hear each other. Any action to be taken at any meeting of the Committee may be taken without a meeting, if all members of the Committee consent thereto in writing and such writing or writings are filed with the minutes of the Committee. A majority of the members present shall decide any question brought before the Committee.

## **Advisors**

The Committee shall have the exclusive authority, at the expense of the Company, to retain (including authority to approve fees and other retention terms) compensation consultants to be used to assist the Committee in the evaluation and determination of the Company's compensation for its "named executive officers" and members of the Board of Directors, and may retain such other independent consulting, legal and other advisors, at the expense of the Company, as it shall deem appropriate without management approval.

## **Performance Review**

The performance of the Committee shall be evaluated annually by the Board of Directors.

## **General**

The Committee's responsibilities and powers as delegated by the Board of Directors are set forth in this Charter. These responsibilities and powers are set forth as a guide with the understanding that the Committee may diverge from this guide in accordance with applicable law. Unless the Committee member has knowledge that makes reliance unwarranted, the Committee members, in discharging their duties to the Company, may rely on information, opinions, reports, or statements, any of which may be written or oral, formal or informal, including financial statements, valuation reports, and other financial data, if prepared or presented by: (1) one or more officers or employees of the Company whom the Committee member believes in good faith to be reliable and competent in the matters presented; (2) legal counsel, independent auditors, or other persons as to matters which the Committee member believes in good faith to be within the professional or expert competence of such person; or (3) another committee of the Board of Directors of which the Committee member is not a member if the Committee member believes in good faith that such committee merits confidence.

## **Adoption of Charter**

This Compensation Committee Charter was duly approved and adopted by the Board of Directors and is effective immediately upon the closing of the Company's initial public offering on July 31, 2018.