EXECUTIVE COMPENSATION

Compensation Overview

This compensation discussion, which should be read together with the compensation tables set forth below, provides information regarding our executive compensation program for our named executive officers for 2017, who are Alexey Margolin, Ph.D., our current Chief Executive Officer, Louis Brenner, M.D., our current President and Chief Operating Officer and Edward Wholihan, our current Chief Financial Officer. We refer to these three individuals as our named executive officers for 2017.

Our executive compensation program is based on a pay for performance philosophy. Compensation for our executive officers is composed primarily of the following main components: base salary, bonus and long term equity incentives. Our executive officers, like all full-time employees, are eligible to participate in our health and welfare benefit plans.

Setting Executive Compensation

Our compensation committee is responsible for reviewing and determining the compensation of all executive officers

We have not adopted any formal guidelines for allocating total compensation between long-term and short-term compensation, cash compensation and non-cash compensation, or among different forms of non-cash compensation.

Role of the Compensation Committee

The compensation committee, which is comprised entirely of independent directors, reviews the compensation packages for our named executive officers, including an analysis of all elements of compensation separately and in the aggregate.

In reviewing and approving these matters, our compensation committee considers such matters as it deems appropriate, including our financial and operating performance, the alignment of the interests of our executive officers and our stockholders and our ability to attract and retain qualified and committed individuals, as well as each executive officer’s performance, experience, responsibilities and the compensation of executive officers in similar positions at comparable companies.

Role of Compensation Consultant

Our compensation committee has engaged Aon Hewitt, an independent executive compensation consultant, to provide guidance with respect to the development and implementation of our compensation programs.

Our compensation committee charter requires that its compensation consultants be independent of Company management. During 2017, Aon Hewitt did not provide services to us other than the services to our compensation committee described in this proxy statement. Our compensation committee performs an annual assessment of the compensation consultants’ independence to determine whether the consultants are independent. Our compensation committee has determined that Aon Hewitt is independent and that their work has not raised any conflict of interests.

Elements of Compensation

Base Salary

Our compensation committee reviews the base salaries of our executive officers from time to time and makes adjustments as it determines to be reasonable and necessary to reflect the scope of an executive officer’s performance, contributions, responsibilities, experience, prior salary level, position (in the case of a promotion) and market conditions. We use base salaries to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our named executive officers. None of our named executive officers is currently party to an employment agreement or other agreement or arrangement that provides for automatic or scheduled increases in base salary.

Annual Cash Bonuses

We believe that a significant portion of our executives' cash compensation should be based on the attainment of business goals established by the Board of Directors. We have an annual objective-setting and review process for our named executive officers that is the basis for determination of potential annual bonuses. Our board of directors reviews and approves both the annual objectives and the payment of annual bonuses for our executives. Our employment agreements with our named executive officers provide that they will be eligible for annual performance-based bonuses up to a specific percentage of their salary, subject to approval by our board of directors. The performance-based bonus is tied to a set of specified corporate goals for our named executive officers and we conduct an annual performance review to determine the attainment of such goals. Our management may propose bonus awards to our board of directors primarily based on such review process. Our board of directors makes the final determination of both the specified corporate goals and the eligibility requirements for and the amount of such bonus awards. Each of our named executive officers participated in our 2017 Bonus Plan.

Equity-Based Compensation

Equity-based compensation is an integral part of our overall compensation program. Although we do not have a formal policy with respect to the grant of equity incentive awards to our executive officers, or any formal equity ownership guidelines applicable to them, providing named executive officers with the opportunity to create significant wealth through stock ownership is a powerful tool to attract and retain highly qualified executives, achieve strong long-term stock price performance and align our executives' interests with those of our stockholders. In addition, equity awards are subject to vesting over time, subject to continued employment with the Company, and this vesting feature contributes to executive retention. We have historically granted stock option awards at the start of employment to each executive and our other employees. Based on the recommendation of Aon Hewitt, and subject to the approval of our compensation committee, we intend to begin granting additional equity to our executive officers on an annual basis, which practice commenced in February 2018.

2017 Summary Compensation Table

The following table provides information regarding the total compensation for services rendered in all capacities that was earned during the fiscal years indicated by our named executive officers.

	Year	Salary ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Alexey Margolin, Ph.D.	2017	471,617	—	196,574	1,596	669,787
Chief Executive Officer	2016	447,927	147,982	179,171	1,478	776,558
Louis Brenner, M.D.	2017	395,000	126,183	141,542	2,309	665,034
President & Chief Operating Officer	2016	370,656	85,764	129,730	2,157	588,307
Edward Wholihan	2017	312,840	—	109,494	1,596	423,930
Chief Financial Officer	2016	161,538	208,659	55,650	798	426,645

(1) Amounts reflect the grant date fair value of option awards granted or modified in 2017 and 2016 in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718,

or ASC 718. Such grant date fair value does not take into account any estimated forfeitures related to service-vesting conditions. These amounts do not correspond to the actual value that may be recognized by the named executive officers upon vesting of applicable awards.

(2) The amounts reported represent bonuses paid based upon the achievement of company and individual performance objectives for 2017 and 2016.

(3) Amounts reported represent life and long-term disability insurance premiums paid by us for 2017 and 2016 of which the named executive officers are the beneficiaries of the insurance.

Employment Arrangements with Our Named Executive Officers

We have entered into employment agreements with each of our named executive officers. Except as noted below, these employment agreements will provide for "at will" employment and contain the additional terms summarized below:

Dr. Margolin. Pursuant to Dr. Margolin's employment agreement dated October 23, 2017, Dr. Margolin's initial base salary shall be equal to $513,200, his initial annual target incentive compensation shall be equal to 50 percent of his base salary, and he shall be eligible to participate in the Company's benefit plan as in effect from time to time. In addition, in the event that his employment is terminated by us without "cause" (as defined in his employment agreement) or he terminates his employment for "good reason" (as defined in his employment agreement), and subject to the delivery of a fully effective release of claims, he will be entitled to an amount equal to 12 months of his then-current base salary plus 12 months of his target annual incentive compensation for the prior fiscal year, payable in substantially equal installments for a period of 12 months following his termination of employment, plus our continued payment of the employer portion of health insurance premiums for 12 months or, if earlier, until such time as Dr. Margolin's COBRA period expires or he becomes eligible for group health insurance from another employer. In addition, all time-based stock options or other time-based stock awards granted to Dr. Margolin prior to the effectiveness of his employment agreement will accelerate and vest in full. If Dr. Margolin's employment is terminated by us without cause or he terminates his employment for good reason, in each case within 12 months after a change in control, then in lieu of the foregoing severance, and subject to the delivery of a fully effective release of claims, Dr. Margolin will be entitled to receive (i) a lump sum amount equal to the sum of 18 months of his then-current base salary plus his target annual incentive compensation for the year in which the termination occurs, (ii) a prorated portion of the target annual incentive compensation for the year in which the date of termination occurs, payable when the annual incentive compensation would otherwise be paid, (iii) any earned, but unpaid annual bonus for the year immediately prior to the year in which the date of termination occurs and (iv) continued payment of the employer portion of health insurance premiums for 18 months or, if earlier, until such time as Dr. Margolin's COBRA period expires or he becomes eligible for group health insurance from another employer. In addition, all time-based stock options or other time-based stock awards granted to Dr. Margolin will accelerate and vest in full.

Dr. Brenner. Pursuant to Dr. Brenner's employment agreement dated October 18, 2017, Dr. Brenner's initial base salary shall be equal to $396,400, his initial annual target incentive compensation shall be equal to 40 percent of his base salary, and he shall be eligible to participate in the Company's benefit plan as in effect from time to time. In addition, in the event that his employment is terminated by us without "cause" (as defined in his employment agreement) or he terminates his employment for "good reason" (as defined in his employment agreement), and subject to delivery of a fully effective release of claims he will be entitled to an amount equal to nine months of his then-current base salary plus nine months of his target annual incentive compensation for the prior fiscal year, payable in substantially equal installments for a period of nine months following his termination of employment, plus our continued payment of the employer portion of health insurance premiums for nine months or, if earlier, until such time as Dr. Brenner's COBRA period expires or he becomes eligible for group health insurance from another employer. If Dr. Brenner's employment is terminated by us without cause or he terminates his employment for good reason, in each case within 12 months after a change in control, then in lieu of the foregoing severance, and subject to the delivery of a fully effective release of claims, Dr. Brenner will be entitled to receive (i) a lump sum amount equal to the sum of 12 months of his then-current base salary plus his target annual incentive compensation for the year in which the termination occurs, (ii) a prorated portion of the target annual incentive compensation for the year in which the date of termination occurs, payable when the annual incentive compensation would otherwise be paid, (iii) any earned, but unpaid annual bonus for the year immediately prior to the year in which the date of termination occurs and (iv) continued payment of the employer portion of health insurance premiums for 12 months or, if earlier, until such time as Dr. Brenner's COBRA period expires or he becomes eligible for group health insurance from another employer. In addition, all time-based stock options or other time-based stock awards granted to Dr. Brenner will accelerate and vest in full.

Mr. Wholihan. Pursuant to Mr. Wholihan's employment agreement dated October 17, 2017, Mr. Wholihan's initial base salary shall be equal to $350,600, his initial annual target incentive compensation shall be equal to 35 percent of his base salary, and he shall be eligible to participate in the Company's benefit plan as in effect from time to time. In addition, in the event that his employment is terminated by us without "cause" (as defined in his employment agreement) or he terminates his employment for "good reason" (as defined in his employment agreement), and subject to delivery of a fully effective release of claims he will be entitled to an amount equal to nine months of his then-current base salary plus nine months of his target annual incentive compensation for the prior fiscal year, payable in substantially equal installments for a period of nine months following his termination of employment, plus our continued payment of the employer portion of health insurance premiums for nine months or, if earlier, until such time as Mr. Wholihan's COBRA period expires or he becomes eligible for group health insurance from another employer. If Mr. Wholihan's employment is terminated by us without cause or he terminates his employment for good reason, in each case within 12 months after a change in control, then in lieu of the foregoing severance, and subject to the delivery of a fully effective release of claims, Mr. Wholihan will be entitled to receive (i) a lump sum amount equal to the sum of 12 months of his then-current base salary plus his target annual incentive compensation for the year in which the termination occurs, (ii) a prorated portion of the target annual incentive compensation for the year in which the date of termination occurs, payable when the annual incentive compensation would otherwise be paid, (iii) any earned, but unpaid annual bonus for the year immediately prior to the year in which the date of termination occurs and (iv) continued payment of the employer portion of health insurance premiums for 12 months or, if earlier, until such time as Mr. Wholihan's COBRA period expires or he becomes eligible for group health insurance from another employer. In addition, all time-based stock options or other time-based stock awards granted to Mr. Wholihan will accelerate and vest in full.

We have also entered into employee confidentiality, inventions, non-solicitation and non-competition agreements with each of our named executive officers. Under such agreements, each named executive officer has agreed (1) not to compete with us during his or her employment and for a period of one year (nine months, in Mr. Brenner's case) after the termination of such employment, (2) not to solicit our employees during his or her employment and for a period of one year (nine months, in Mr. Brenner's case) after the termination of such employment, (3) to protect our confidential and proprietary information and (4) to assign to us related intellectual property developed during the course of his or her employment.

401(k) Plan

We maintain the Allena Pharmaceuticals, Inc. 401(k) Plan, a tax-qualified retirement plan for our employees. Our 401(k) plan is intended to qualify under Section 401(k) of the Code so that contributions to our 401(k) plan by employees or by us, and the investment earnings thereon, are not taxable to the employees until withdrawn from our 401(k) plan, and so that contributions by us, if any, will be deductible by us when made. Under our 401(k) plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit and to have the amount of such reduction contributed to our 401(k) plan.

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Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information with respect outstanding equity awards held by each of our named executive officers as of December 31, 2017. All equity awards in the table below were granted under our 2011 Stock Incentive Plan, as amended, or our 2011 Plan.

		Option Awards(1)			
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Alexey Margolin, Ph.D.	3/5/2014	18,432	2,402	0.75	3/4/2024
	5/15/2014	8,219	1,779	0.75	5/14/2024
	12/16/2014	161,728	53,892	1.17	12/15/2024
	12/8/2015	65,593	65,874	1.59	3/9/2026
Louis Brenner	4/6/2015	135,500	67,736	1.17	6/17/2025
	12/8/2015	38,341	38,323	1.59	3/9/2026
	2/26/2017	—	43,643	4.01	2/25/2027
Edward Wholihan	6/20/2016	72,015	120,016	1.59	9/14/2026

(1) Each stock option vests over four years, with 25% of the shares vesting on the first anniversary of the vesting start date, and the remaining shares vesting in 36 equal monthly installments thereafter.