

## **REMUNERATION REPORT 2021**

### **Introduction**

This report describes how the guidelines for executive remuneration of BioArctic AB (publ), adopted by the annual general meeting held on May 7, 2020, were implemented in 2021. The report also provides information on remuneration to the CEO and the board members who receive remuneration other than board remuneration resolved by the general meeting and a summary of the company's outstanding share-related and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 7 (Employees and personnel costs) on pages 88-90 in the annual report. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on page 64 in the annual report.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 7 on page 89 in the annual report.

### **Key developments 2021**

The CEO summarizes the company's overall performance in the CEO's statement on page 10-11 in the annual report.

### **The company's remuneration guidelines: scope, purpose and deviations**

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive remuneration. Pursuant to the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial or nonfinancial criteria. Such criteria may be individualized and connected to quantitative or qualitative business objectives. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on pages 66-68 in the annual report. During 2021, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation

of the guidelines have been made. The auditor's statement regarding the company's compliance with the remuneration guidelines is available on <https://www.bioarctic.se/en/annual-general-meeting-2022-5582/>. The company has not requested repayment of any compensation. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the company have resolved to implement long-term share-related incentive plans.

### Total remuneration to executives in 2021 (kSEK)

Name of director (position)	Fixed remuneration		Variable remuneration				Total remuneration	Portion of fixed and variable remuneration <sup>5</sup>
	Base salary	Other benefits	One-year variable	Multi-year variable	Extraordinary items	Pension Expense		
Gunilla Osswald (CEO) <sup>1</sup>	3 076	106	907			1 059	5 148	82% / 18%
Wenche Rolfsen (Chairman of the board) <sup>2</sup>	66						66	100% / 0%
Lars Lannfelt (Board member) <sup>3</sup>	1 959	16				606	2 581	100% / 0%
Per Gellerfors (Board member) <sup>4</sup>	116						116	100% / 0%

<sup>1</sup> Basic salary includes an increase of holiday debt of 83 kSEK. Other benefits consist of car benefit, as well as benefit of health insurance and meals. Variable remuneration consists of bonuses attributable to the achieved business targets 2021 and which are paid out in 2022.

<sup>2</sup> Wenche Rolfsen provides consulting services to the company against market-based remuneration. The basic salary refers to invoiced consulting fees. Wenche Rolfsen also receives board fees in accordance with a decision of the Annual General Meeting, which is not reported in this table.

<sup>3</sup> Lars Lannfelt is employed by the company and has not received board fees. The basic salary includes holiday pay of SEK 132 thousand. Other benefits consist of benefits of health insurance, meals and parking. Of the pension cost of SEK 606 thousand, SEK 212 thousand is attributable to 2020.

<sup>4</sup> Pär Gellerfors provides consulting services to the company against market-based remuneration. The basic salary refers to invoiced consulting fees. In addition, Pär Gellerfors receives board fees in accordance with a decision by the Annual General Meeting, which is not reported in this table.

<sup>5</sup> Pension benefits, which in their entirety refer to basic salary and are premium based, have been fully reported as fixed remuneration

## Share-based remuneration

### Existing share-related and share price-related incentive plans

BioArctic has a long-term incentive program (program 2019/2028) in the form of an employee stock option program for the company's management, researchers and other employees. The purpose of the incentive program is to encourage broad shareholding among BioArctic's employees, facilitate recruitment, retain competent employees and increase the motivation and goal fulfillment of the company's employees.

The employee stock option program comprises a total of 1,000,000 employee stock options, which entitles the holder to acquire new B-shares in the company in accordance with the terms of the program. At the end of the year, 540,000 employee stock options had been awarded to employees, of which 100,000 employee stock options had been awarded to the CEO. The maximum dilution effect of the employee stock option program 2019/2028 is estimated to amount to 1.1 percent of the share capital and 0.5 percent of the votes in the company (calculated based on the number of existing shares in the company), provided that all employee stock options are exercised.

The program extends over five years and six months from the award date for each employee. The employee stock options may only be exercised for subscription of shares after a certain vesting period. The terms of the employee stock options entitle the participants to exercise 60 percent of the awarded employee stock options for subscription after three years, an additional 20 percent after four years and the remaining 20 percent after five years. The employee stock options are linked to the participant's employment in the company. If the employment in the company is terminated before the employee stock options have been exercised for share subscription, all of the participant's unused employee stock options expire without the right to exercise them.

Each vested employee stock option gives the participant a right to subscribe for one B share in the company at an exercise price corresponding to 110 percent of the volume-weighted average price for the Company's share according to Nasdaq Stockholm's price list during a period of ten (10) trading days before either:

- (i) June 1, 2019 for an offer of employee stock options submitted up to and including August 31, 2019, or
- (ii) on the first day of the quarter during which the offer is submitted, for employee stock options that are offered after August 31 2019.

### Share option plans

Name of director (position)	1 Name of plan	2 Performance period	The main conditions of share option plans				6 Exercise period**	Information regarding the reported financial year*						
			3 Award date	4 Vesting date	5 End of retention period	7 Exercise price (SEK)		8 Opening balance Share options held at beginning of year	9 During the year		11 Share options subject to performance condition	12 Closing balance Share options awarded and unvested	13 Share options subject to retention period	
Gunilla Osswald (vd)	Employee stock option program 2019/2028	n/a	2019-09-11	2022-09-11	n/a	2022-09-11--2025-03-11	83,60	100 000	0	0	0	100 000	0	
		n/a	2019-09-11	2023-09-11	n/a	2023-09-11--2025-03-11								
		n/a	2019-09-11	2024-09-11	n/a	2024-09-11--2025-03-11								
<b>Total</b>							<b>100 000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100 000</b>	<b>0</b>		

\* During 2021, no changes were made regarding the employee stock option program 2019/2028, in which the CEO holds 100,000 employee stock options

\*\* Of the employee stock options, 60,000 can be exercised from September 11, 2022, 80,000 from September 11, 2023 and 100,000 from September 11

## **Variable remuneration**

### *Criteria for payment of variable remuneration*

The variable remuneration may consist of bonuses for senior executives in the form of cash, shares and/or share-related instruments in BioArctic AB. Variable remuneration shall relate to the outcome of BioArctic's goals and strategies and shall be based on predetermined and measurable criteria designed to promote long-term value creation. The criteria for variable remuneration shall be determined annually by the board in order to ensure that the criteria are in line with BioArctic's current business strategy and financial targets. The criteria can be individual or collective, financial or non-financial and shall be designed in such a way that they promote the Company's business strategy, sustainability strategy and long-term interests.

The share of the variable compensation in relation to the total compensation may vary depending on the executive's position. However, variable remuneration should not exceed an amount corresponding to 50 percent of the executive's annual fixed salary. The maximum variable compensation to the CEO for the financial years 2018-2021 was 35 percent of the fixed salary.

## **Reward program for all employees**

BioArctic has three reward programs which are linked to clinical research programs, of which two reward programs are linked to the drug candidate lecanemab (BAN2401) for Alzheimer's disease with Eisai and one is linked to the drug candidate ABBV-0805 for Parkinson's disease with AbbVie. The reward programs cover all permanent employees, excluding the founder. Payment of variable remuneration takes place when the company achieves certain predetermined goals (milestones) within the framework of its clinical development activities. As the reward programs are based in the achievements and results in the clinical research programs, the payments of the variable remuneration may occur irregularly, as milestones are reached in the projects. A condition for receiving variable remuneration is that the employee is permanently employed and that the employment lasted for at least six months at the time the milestone is achieved and that the employee has not terminated his/her employment at the time of payment. The potential variable remuneration to the employee amounts to one monthly salary per achieved milestone. Pension contributions will not be made in relation to the variable compensation.

In 2021, one milestone under BioArctic's reward programs was achieved and variable remuneration according to the reward programs was paid in September 2021.

## Variable remuneration to senior executives

The Board has also, in accordance with the remuneration guidelines, decided that senior executives in the company shall be able to receive variable cash remuneration based on predetermined and measurable criteria. The criteria for receiving variable remuneration are linked to collective and individual business goals that are determined individually for each executive.

In 2021, the criteria for variable remuneration to the CEO have been linked to operational goals regarding, among other things, preclinical work with the outlicensed substances and support for collaborative projects with BioArctic's partners, progress of the own projects including strategy work with the aim of leading to new research collaborations, strategic work including work with the company's capital plan, development of the company's sustainability strategy, work with investor contacts and meeting requirements from the stock market. Despite the challenge of change caused by the pandemic, the operational goals have been met to a very high extent.

The table below shows the outcome of the CEO's fulfillment of the criteria for variable remuneration for the year 2021 and the variable cash remuneration for the year 2021.

### *Performance of the CEO in the reported financial year: variable cash compensation*

Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) actual award/ remuneration outcome*
Gunilla Osswald (CEO)	Individual operational goals 2020	60%	a) 97% b) 544 kSEK
	Company operational goals 2020	40%	a) 91% b) 363 kSEK

\* Refers to the bonus for the 2021 financial year that will be paid out in 2022

## Comparative information on the change of remuneration and company performance

### *Change of remuneration and company performance over the last five reported financial years (RFY) (kSEK)*

	2017 vs 2016		2018 vs 2017		2019 vs 2018		2020 vs 2019		2021 vs 2020	
CEO remuneration	-2 461	-41,4%	1 712	49,2%	1 716	33,0%	-2 158	-31,2%	397	8,4%

Group operating profit	-55 337	-74,1%	469 500	2433,4%	-376 256	-77,0%	-197 550	-175,5%	-54 711	64,4%
Average remuneration on a full time equivalent basis of employees* of the parent company	117	19,2%	326	44,7%	-369	-35,1%	114	16,7%	57	7,2%

\* Excluding members of the group executive management

In 2016, the CEO received a retroactive salary increase, which resulted in an increase in remuneration to the CEO in 2016, which explains the decrease in 2017 compared to 2016. In 2018, all employees in the company received a monthly salary as a bonus payment in accordance with the company's reward program. upcoming bonus payments, which explains the increase in both the remuneration to the CEO and the average remuneration in 2018 compared to 2017. In 2019, the four reserved bonuses were paid out as well as an additional bonus payment. In addition, the board decided on an extra bonus payment to the entire staff in light of the good research results in 2018. Payment was made with 2-12 monthly salaries and the CEO was awarded twelve monthly salaries. This explains the increase in remuneration to the CEO in 2019 compared to 2018 and also explains the decrease in 2020 compared to 2019 when no such bonus was paid in 2020. The increase in 2021 is mainly explained by the usual salary increase.

BioArctic's revenues consist of milestone remuneration, remuneration from research agreements and research grants. Due to the nature of the business, there can be large fluctuations between revenues and operating profit for different periods when revenues from milestone remuneration are reported at the time when the performance commitments are met.

*Please note that the English version of this document is a translation which has been made for convenience purposes only. In case of inconsistencies between the translated English version and the official Swedish version, the Swedish version will prevail.*