

## **REMUNERATION REPORT 2023**

### **Introduction**

This report describes how the guidelines for senior executive remuneration of BioArctic AB (publ), adopted by the annual general meeting held on 5 May 2022, were applied in 2023. 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 Stock Market Self-Regulation Committee.

Further information on senior executive remuneration is available in note 7 (Employees) on pages 89-94 in the annual report. Information on the work of the remuneration committee in 2023 is set out in the corporate governance report on page 112 in the annual report for 2023.

Board remuneration is not covered by this report. Such remuneration is resolved annually by the annual general meeting and is disclosed in note 7 on pages 89-94 in the annual report for 2023.

### **Key developments in 2023**

The CEO summarises the company's overall performance in the CEO's statement on pages 11-12 in the annual report.

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

A prerequisite for a 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 senior executives a competitive remuneration. Pursuant to the remuneration guidelines, senior 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 individualised 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 can be found on pages 117-119 in the annual report. During 2023, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the remuneration guidelines or the decision-making process stipulated by the guidelines have occurred. The auditor's statement regarding the company's compliance with the remuneration guidelines is available on <https://www.bioarctic.se/en/annual-general-meeting-2024/>. 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 senior executives in 2023 (kSEK)*

Name of director (position)	Fixed remuneration		Variable remuneration				Total remuneration	Portion of fixed and variable remuneration
	Base salary	Other benefits	One-year variable	Milestone remuneration	Extraordinary items	Pension expense <sup>4</sup>		
Gunilla Osswald (CEO) <sup>1</sup>	4 311	110	1 472	1 402	13 622	1 564	22 481	68/32
Lars Lannfelt (Board member) <sup>2</sup>	2 095	21				429	2 545	100/0
Pär Gellerfors (Board member) <sup>3</sup>	91						91	100/0

<sup>1</sup> Basic salary includes an increase of holiday debt of 104 kSEK. The milestone bonus refers to achieved goals in accordance with the company's milestone-based incentive program. Other benefits consist of car benefit, and benefit of health insurance. Variable remuneration consists of bonuses attributable to the achieved business targets 2023 and which are paid out in 2024. Extraordinary items consist of share-based payments attributable to the company's repurchase of employee stock options.

<sup>2</sup> Lars Lannfelt is employed by the company and has not received board fees. The basic salary includes an increase of holiday debt of 75 kSEK. Other benefits include benefits of health insurance.

<sup>3</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>4</sup> Pension benefits, which in their entirety refer to basic salary and are premium based, have been fully reported as fixed remuneration.

## Share-related remuneration

### *Outstanding share-related and share price-related incentive plans*

#### *Employee Stock Option Program 2019/2028*

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 fulfilment 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, 915,000 employee stock options have been awarded to employees, of which 150,000 employee stock options have been awarded to the CEO. During the year, BioArctic repurchased 60,000 employee stock options from the CEO at market value which amounted to a total of SEK 13.6 million. No further allotment will be made within the framework of the employee stock option program. The number of forfeited and repurchased options amounted to 70,000 as per 31 December 2023 and the number of exercised options were 255,000, which means that 590,000 employee stock options were outstanding as of 31 December 2023, corresponding to a maximum dilution effect of 0.7 percent of the shares at the end of the year.

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) 1 June 2019 for an offer of employee stock options submitted up to and including 31 August 2019, or
- (ii) on the first day of the quarter during which the employment begins.

#### *Performance Share Rights Plan 2023/2026*

The performance share rights program 2023/2026 is a three-year incentive program comprising a maximum of 125,000 performance share units (PSUs) which entitle the participants to receive shares free of charge, provided that the share price increases by at least 30 percent during a

three-year period. During the year, 117,500 performance awards were allotted. No further allotment will be made within the framework of the share rights programme. The dilution effect was 0.1 percent of the number of shares at the end of the year.

The CEO was allotted 10,000 share rights. The grant date was 1 June 2023 and the exercise date is 1 June 2026. If the volume-weighted average price during the 30 trading days prior to exercise on 1 June 2026 exceeds SEK 370.48, the participants in the program shall receive one share of series B for each vested share right or cash compensation corresponding to the value of a share of series B (depending on participant category).

### Share option plans

#### Employee stock option program 2019/2028

		The main conditions of share option plans						Information regarding the reported financial year <sup>1</sup>						
Name of director (position)	1 Name of the programme	2 Performance Period	3 Award date	4 Vesting date <sup>2</sup>	5 End of retention period	6 Exercise period	7 Exercise price (SEK)	8 Share options held at beginning of year	9 Share options awarded during the year	10 Share options vested during the year	11 Share options exercised or repurchased during the year	12 Share options subject to performance condition	13 Share options awarded and unvested	14 Share options subject to retention period
Gunilla Osswald (CEO)	2019/2028	N/a	2019-09-11	2022-09-11	N/a	2022-09-11--2025-03-11								
		N/a	2019-09-11	2023-09-11	N/a	2023-09-11--2025-03-11	83.60	100 000	0	20 000	60 000	0	20 000	0
		N/a	2019-09-11	2024-09-11	N/a	2024-09-11--2025-03-11								
		N/a	2022-01-10	2025-01-10	N/a	2025-01-10--2027-07-10								
		N/a	2022-01-10	2026-01-10	N/a	2026-01-10--2027-07-10	129.80	50 000	0	0	0	0	50 000	0
		N/a	2022-01-10	2027-01-10	N/a	2027-01-10--2027-07-10								
<b>In total</b>							<b>150 000</b>	<b>0</b>	<b>20 000</b>	<b>60 000</b>	<b>0</b>	<b>70 000</b>	<b>0</b>	

<sup>1</sup> In 2023, the board resolved to repurchase 60,000 employee stock options for a cash consideration of SEK 227.04 per option or a total of SEK 13,622,400.

<sup>2</sup>Of the share options at the beginning of the year from the first allotment on 2019-09-11, 60,000 (60%) could be exercised as of September 11, 2022. These were repurchased by the company during the year. 80,000 (80%) options were exercisable as of September 11, 2023, and 100,000 (100%) options will be exercisable as of September 11, 2024. Of the share options at the beginning of the year from the second allotment on 2022-01-10, 30,000 (60%) can be exercised from 10 January 2025, 40,000 (80%) from 10 January 2026 and 50,000 (100%) from 10 January 2027.

### Performance Share Rights Plan 2023/2026

Name of director (position)	The main conditions of share right plans						Information regarding the reported financial year *						
	1 Name of programme	2 Performance Period	3 Award date	4 Vesting date	5 End of retention period	6 Exercise period	7 Exercise price (SEK)	8 Share rights held at beginning of year	9 Share rights awarded	10 Share rights vested	11 Share rights subject to performance condition	12 Share rights awarded and unvested	13 Share rights subject to retention period
Gunilla Osswald (CEO)	2023/2026	N/a	2023-06-01	2026-06-01	N/a	2026-01-10--2027-07-10	n/a	0	10 000	0	10,000	10 000	0
<b>In total</b>								<b>0</b>	<b>10 000</b>	<b>0</b>	<b>0</b>	<b>10 000</b>	<b>0</b>

\* During 2023, the CEO was awarded 10,000 share rights in the Performance Share Rights Plan 2023/2026. The share rights are subject to performance conditions related to the development of the company's share price. The performance condition is fulfilled if the company's share price amounts to at least SEK 370.48 per share at the end of the vesting period.

### 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 senior executive's annual fixed salary. The maximum variable compensation to the CEO for the financial years 2018–2023 was 35 percent of the fixed salary.

### **Reward programs for all employees**

BioArctic has two multi-year reward programs which both are linked to clinical research programs regarding the drug candidate lecanemab for Alzheimer's disease with Eisai. The reward programs cover all permanent employees, excluding the founder. Payment of the milestone remuneration takes place when the company achieves certain predetermined goals (milestones) within the framework of its clinical development activities, clinical studies, regulatory milestones and potential future sales. 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 has 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 remuneration to the employee amounts to one monthly salary per achieved milestone. Pension contributions will not be made in relation to the milestone remuneration.

In 2023, four milestones under BioArctic's reward programs were achieved and milestone payments in accordance with the reward programs were paid in February (twice), March and October 2023.

### **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 2023, the criteria for variable remuneration to the CEO have been linked to operational goals regarding, among other things, supporting the regulatory process for lecanemab, preclinical work with exidavnemab (BAN0805), continuing to develop new research collaborations and expanding the company's organization to be able to achieve the company's goals.

The table below shows the outcome of the CEO's fulfilment of the criteria for variable remuneration for the year 2023 and the variable cash remuneration for the year 2023.

*Performance of the CEO during the reported financial year: variable cash remuneration*

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 <sup>1</sup>
Gunilla Osswald (CEO)	Individual operational goals 2023	60%	a) 100 % b) 883 kSEK
	Company operational goals 2023	40%	a) 100 % b) 589 kSEK

<sup>1</sup> Refers to the bonus for the 2023 financial year that will be paid out in 2024

**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)*

	2019 vs 2018		2020 vs 2019		2021 vs 2020		2022 vs 2021		2023 vs 2022	
CEO remuneration	1 716	33.0%	-2 158	-31.2%	397	8.4%	3 013	58.5%	14 321	175.5%
Group operating profit	-376 256	-77.0%	-197 550	-175.5%	-54 711	-64.4%	122 387	87.6%	269 976	1557.3%

Average remuneration on a full time equivalent basis of employees <sup>1</sup> of the parent company	-369	-35.1%	114	16.7%	57	7.2%	217	25.4%	90	8.4%
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<sup>1</sup> Excluding members of Group Management

In 2019 the board resolved 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. In 2022, the board resolved on a raise of the salary of the CEO in accordance with the company's remuneration guidelines. During this year, two monthly salaries were paid out related to achieved milestones, which explains the increase of remuneration to the CEO as well as the average remuneration in 2022 compared to 2021. In 2023, the board offered the CEO a repurchase of 60,000 vested employee stock options for a cash consideration on market terms. The CEO accepted the offer. The total consideration amounted to SEK 13,622,400, which explains the increase in remuneration to the CEO.

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.*