

The English text is an unofficial translation. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.

REMUNERATION REPORT 2020

INTRODUCTION

This report describes how the guidelines for executive remuneration of Ascelia Pharma AB (“**Ascelia Pharma**”), adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the company’s outstanding share-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 6 (Employees and remuneration) on pages 60-65 in the Annual Report for 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 34-40 in the Annual Report for 2020.

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 6 on page 61 in the Annual Report for 2020.

KEY DEVELOPMENTS 2020

The CEO summarizes the company’s overall performance in his statement on page 4 in the Annual Report for 2020.

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 highly competent senior executives with a capacity to achieve set goals. To this end, the company must offer competitive remuneration on market terms. The company’s remuneration guidelines enable the company to offer senior executives a competitive total remuneration.

Under 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 non- financial criteria. They may be individualized, quantitative or qualitative 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 senior executive’s long-term development.

The guidelines are found on pages 37-39 in the Annual Report for 2020. During 2020, 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 report regarding the company’s compliance with the guidelines is available on <https://www.ascelia.com/corporate-governance/general-meeting/>. No remuneration has been reclaimed.

In addition to remuneration covered by the remuneration guidelines, the general meetings of the company have resolved to implement long-term share-related incentive plans.

Table 1 – Total remuneration of the CEO in 2020 (TSEK)

Name of CEO	Fixed remuneration		Variable remuneration		Pension expense incl. insurance	Total remuneration	Proportion of fixed and variable remuneration
	Base salary	Other benefits	One-year	Multi-year			
	Salary + holiday pay	Company car	Bonus (reflecting 18 months)	Share-related incentive plans			
Magnus Corfitzen	1,826	77	1,008*	581**	552	4,044	60/40

* The bonus reflects a period of 18 months. The extended period is explained by change of fiscal year.

** The value of the vested options in 2020 at the vesting date 31 October 2020 was 581 TSEK (calculated as the share price that day less the exercise price multiplied by the number of vested options).

OUTSTANDING SHARE-RELATED AND SHARE PRICE-RELATED INCENTIVE PLANS

Share option plans

The company has implemented two share option plans (2018/2021 and 2018/2022) for executive management members. In the share option plans, the participants have been granted options free of charge. Option plan 2018/2021, which was granted in April 2018, is subject to one and a half year vesting period and the options are exercisable during March – June 2021. Option plan 2018/2022, which was granted 23 November 2018, is subject to three-year vesting period and the options are exercisable during November 2022 to January 2023.

Vesting of options is subject to continued employment (service period) during the vesting period. The CEO has been granted 458,856 options in total for both option plans together (275,185 options in option plan 2018/2021 and 183,671 options in option plan 2018/2022). For the company as a whole, 986,668 options have been granted (corresponds to 4% of the shares in the company per 2020-12-31 on a fully diluted basis).

Share saving programs

The company has further implemented two share saving programs (2019/2022 and 2020/2023) offered to all employees. For each acquired ordinary share by the participant (“Saving Shares”), the participant is entitled to receive 1 matching share (“Matching Shares”). In addition, the participant shall have the possibility to receive up to 5 performance shares (“Performance Shares”) for each Saving Share. Receipt of both Matching Shares and Performance Shares are conditional upon the fulfilment of the following conditions:

(a) that the participant has retained all Saving Shares during the period from the expiration of the relevant investment period to the end of the relevant Saving Period (31 December 2022 for 2019/2022 program and 30 September 2023 for the 2020/2023 program);

(b) that the participant has continued to be employed by the company throughout the relevant Saving Period; and

(c) the receipt of Performance Shares is further conditional upon that the requirement related to the development of the company’s share price from the date of the annual general meeting when the programs were decided (14 November 2019 for the 2019/2022 program and 6 May 2020 for the 2020/2023 program) to the end of the Saving Period (31 December 2022 for 2019/2022 program and 30 September 2023 for the 2020/2023 program).

Since the Saving Periods for both share saving programs are still running, no Matching Shares or Performance Shares have been awarded to the participants.

The CEO has invested in 24,500 Savings Shares in program 2019/2022 and 11,000 Saving Shares in program 2020/2023. For the company as a whole, 121,175 Saving Shares have been acquired by the participants (67,030 in program 2019/2022 and 54,145 in program 2020/2023).

Table 2 – Share option plans (CEO)

Name of CEO	The main conditions of share option plans							Information regarding the reported financial year					
	1 Name of plan	2 Service period	3 Award date	4 Vesting date	5 End of retention period	6 Exercise period	7 Exercise price of the share and date	Opening balance	During the year		Closing balance		
								8 Share options held at the beginning of the year	9 Share options awarded	10 Share options vested	11 Share options subject to a service condition	12 Share options awarded and unvested	13 Share options subject to a retention period
Magnus Corfitzen	2018/2021	2018-2019	2018-04-26	50% vesting at award date 25% at 31 Oct 2018 25% at 31 Oct 2019	2021-03-13	2021-03-13 - 2021-06-13	8 SEK per share	275,185	-	-	-	-	275,185
	2018/2022	2018-2022	2018-11-23	25% at 31 Oct 2019 25% at 31 Oct 2020 25% at 31 Oct 2021 25% at 31 Oct 2022	2022-11-01	2022-11-01 - 2023-01-31	22,50 SEK per share	183,671	-	45,918*	91,836	91,836	91,836
TOTAL							458,856	-	45,918	91,836	91,836	367,021	

* The value of the vested options in 2020 at the vesting date 31 October 2020 was 581 TSEK (calculated as the share price that day less the exercise price multiplied by the number of vested options).

Table 3 – Share saving programs (CEO)

Name of CEO	Main conditions					Information regarding the reported financial year				
	Specification of plan	Performance period	Award date	Vesting period (saving period)	End of retention period	Opening balance	During the year	Closing balance		
						Number of saving shares at start of year	Saving shares acquired	Shares subject to a performance condition*	Shares unvested at year end*	Shares subject to a retention period*
Magnus Corfitzen	LTI 2019	14 Nov 2019 - 31 Dec 2022	2019-11-14	Jan 2020 - Dec 2022	2022-12-31	24,500	-	24,500	24,500	24,500
	LTI 2020	6 May 2020 - 30 Sep 2023	2020-05-06	May 2020 - Sep 2023	2023-09-30	-	11,000	11,000	11,000	11,000
TOTAL						24,500	11,000	35,500	35,500	35,500

* The total estimated costs throughout the vesting period 2020-2023 for both share saving programs amount to 4.2 MSEK. The calculation of costs is based on the generally accepted modelling technique Monte Carlo for simulation of future share prices.

APPLICATION OF PERFORMANCE CRITERIA

The performance criteria for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. The performance criteria for the CEO in 2020 have been composed of both operational and financial criteria that overall supports the long-term strategic direction and value creation of Ascelia Pharma.

Table 4 – Outcome of the CEO's variable remuneration for July 2019 to December 2020 (18 months)

For the 18 months period as whole, the CEO was awarded 1.0 MSEK in variable remuneration based on fulfilment of performance criteria. The weighting of each performance criteria and their individual degree of fulfilment are found in the table below.

Performance criteria	Relative weighting	Degree of fulfilment
Mangoral clinical program	35%	90%
Mangoral commercial preparations	10%	100%
Financing activities	20%	100%
Budget adherence	15%	100%
Impactful communication	20%	100%

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

Since this document constitutes the first remuneration report prepared by Ascelia Pharma, the table below includes information only pertaining to the 2020 financial year.

Table 5 – Remuneration and company performance in 2020

	2020
Remuneration to Magnus Corfitzen, CEO	4.0 MSEK
Operating Results for the Group	-93,428 TSEK
Share price performance	+141%
Average remuneration on FTE basis of employees* of the Group and Ascelia Pharma	1.0 MSEK

* Excluding members of the Group executive management.

Malmö in March 2021

The Board of Directors of Ascelia Pharma AB (publ)