

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 2022

INTRODUCTION

This report describes how the guidelines for executive remuneration of Ascelia Pharma AB ("**Ascelia Pharma**"), adopted by the Annual General Meeting 2022, were implemented in 2022. For the period up to and including the Annual General Meeting on May 5, 2022, the remuneration guidelines adopted at the 2020 Annual General Meeting applied. At the Annual General Meeting on May 5, 2022, new remuneration guidelines were adopted that have applied for the period thereafter. 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 Stock Market Self-Regulation Committee.

Further information on executive remuneration is available in note 7 (Employees and remuneration) on pages 68-73 in the Annual Report for 2022. Information on the work of the remuneration committee in 2022 is set out in the corporate governance report available on pages 42-48 in the Annual Report for 2022.

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 69 in the Annual Report for 2022.

KEY DEVELOPMENTS 2022

The CEO summarizes the company's overall performance in his statement on pages 3-4 in the Annual Report for 2022.

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 and/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 45-46 in the Annual Report for 2022. During 2022, 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 2022 (TSEK)

Name of CEO	Fixed remuneration		Variable remuneration		Extraordinary items	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 etc.	Bonus**	Share-related incentive plans*				
Magnus Corfitzen	2 013	149	576	-	-	625	3 363	83/17

* The amount for share-related incentive plans reflects the value of vested options in 2022, at the vesting date, for the outstanding options in option program 2.

** Short-term variable remuneration refers to the 2021 target achievement paid out in 2022.

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, was exercised in March 2021 (481,573 options in total). Option plan 2018/2022 (505,095 options), 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. For the active option program per 31 December 2022, the CEO has been granted 183,671 options. For the company as a whole, the total number of outstanding options is 505,095 (excl. options to cover social security payment). The option program expired in January 2023. No options were exercised in the program as the strike price was below the share price at the time.

Share saving programs

The company has further implemented four share saving programs (2019/2022, 2020/2023, 2021/2024 and 2022/2025) 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, 30 September 2023 for the 2020/2023 program, 30 September 2024 for the 2021/2024 program and 30 September for the 2022/2025);
- (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, 6 May 2020 for the 2020/2023 program, 5 May 2021 for the 2020/2024 program and 5 May for the 2022/2025) to the end of the Saving Period.

Since the Saving Periods for the share saving programs was running as of December 31, 2022, 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, 11,000 Saving Shares in program 2020/2023, 10,000 Saving Shares in program 2021/2024 and 22,500 Saving Shares in program 2022/2025. For the company as a whole, 173,209 Saving Shares have been acquired by the participants (54,500 in program 2019/2022, 40,045 in program 2020/2023, 28,470 in program 2021/2024 and 50,194 in program 2022/2025).

The number of acquired shares has been revised due to employees who have resigned. For the 2019/2022 program, the savings period expired on December 31, 2022. The share price target set for the program was not met with the consequence that any Performance Shares were not awarded. In total, however, in February 2023, 54,500 ordinary shares were transferred to participants in the program, of which 24,500 to the CEO.

Table 2 – Share option plans (CEO)

Name of CEO	The main conditions of share option plans							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Name of plan	Service period	Award date	Vesting date	End of retention period	Exercise period	Exercise price of the share and date	Share options held at the beginning of the year	Share options awarded	Share options vested	Share options subject to a service condition	Share options awarded and unvested	Share options subject to a retention period
Magnus Corfitzen	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*	-	-	-
TOTAL								183 671	-	45 918	-	-	-

* The value of the vested options in 2022 at the vesting date 31 October 2022 was 0 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				
						Opening balance	During the year	Closing balance		
	Specification of plan	Performance period	Award date	Vesting period (saving period)	End of retention period	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
	LTI 2021	5 May 2021 - 30 Sep 2024	2021-05-05	May 2021 - Sep 2024	2024-09-30	10 000		10 000	10 000	10 000
	LTI 2022	5 May 2022 - 30 Sep 2025	2022-05-05	May 2022 - Sep 2025	2025-09-30		22 500	22 500	22 500	22 500
	TOTAL					45 500	22 500	68 000	68 000	68 000

* The total estimated costs throughout the vesting period 2020-2025 for all share saving programs amount to 6.9 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 support the company's strategy and long-term goals. The performance criteria for the CEO in 2022 have been composed of both operational and financial criteria that overall support the long-term strategic direction and value creation of Ascelia Pharma.

Table 4 – Outcome of the CEO's variable remuneration for 2022

In 2022, the CEO was awarded 39.6* TSEK 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
Clinical Development	60%	5%
Financing & Corporate	40%	

* Outcome of the CEO's variable remuneration refers to the 2022 target fulfillment paid out in 2023.

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

Table 5 – Remuneration and company performance in 2022 and 2021

	2022	2021
Remuneration to Magnus Corfitzen, CEO	3.4 MSEK	13.2 MSEK*
Operating Results for the Group	-147,007 TSEK	-137,948 TSEK
Share price performance	-52%	-47%
Average remuneration on FTE basis of employees of the Group and Ascelia Pharma**	1.1 MSEK	1.1 MSEK

* Of the total remuneration in 2021, around 10 MSEK reflects the of value of share-related incentive plans. The amount includes both the value of options that were exercised in 2021 (option program 1) and the value of vested options in 2021 for outstanding program (option program 2).

** Excluding members of the Group executive management.

Malmö in March 2023

The Board of Directors of Ascelia Pharma AB (publ)