

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 remuneration report describes how the guidelines for remuneration to senior executives of Alligator Bioscience AB, 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 and share price-related incentive programs. 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 remuneration to senior executives is available in note 12 (Payments to senior executives) on pages 82-84 in the annual report 2020. Information on the work of the Remuneration Committee in 2020 is set out in the corporate governance report available on pages 49-53 in the annual report 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 12 on page 83 in the annual report 2020. During 2020, the board member Carl Borrebaeck has, through CB Ocean Capital AB, received remuneration for consulting services corresponding to kSEK 720 as specified in note 35 on page 93 in the annual report 2020.

Developments during 2020

The CEO summarizes the company's overall performance in his statement on pages 8-10 in the annual report 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 qualified personnel. To this end, the company must offer competitive remuneration on market terms. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration on market terms. According to the remuneration guidelines, remuneration to senior executives may consist of the following components: fixed 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 executive's long-term development.

The guidelines are found on pages 40-42 in the annual report 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been made 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 the company's website, www.alligatorbioscience.se/en/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 programs.

Table 1 – Total remuneration to the CEO in 2020 (kSEK)*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary**	Other Benefits	One- year variable	Multi-year variable***	Extraordinary items	Pension expense****	Total remuneration	Proportion of fixed and variable remuneration
Per Norlén (CEO)	1 949	-	158	0	-	611	2719	94/6

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020, as set out in column 10 of Table 2. Disbursement of any payments may or may not have been made the same year.

** Including holiday pay of kSEK 29.

*** Vested employee options as set out in column 10 of Table 2 below.

**** Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been accounted entirely as fixed remuneration.

Share-based remuneration

Ended share-related and share price-related incentive programs in 2020

The annual general meeting 2016 resolved to implement two incentive programs, employee option program 2016/2020 and warrant program 2016/2020. Within the employee option program, a total of 900,000 employee options were allotted free of charge to participants in the program, of which a total of 846,664 employee options were vested by the participants. A total of 1,000,000 warrants were issued in the warrant program, of which a total of 857,000 warrants were transferred at market value to participants in the program. Each employee option and warrant in the respective incentive program entitled the holder to subscription of one new share in the company at a subscription price of SEK 75 during the periods from and including 1 June 2019 to and including 31 August 2019 and from and including 1 March 2020 to and including 31 May 2020. No employee options or warrants in the respective incentive program were exercised for subscription of shares.

Outstanding share-related and share price-related incentive programs

The annual general meeting 2018 resolved to implement employee option program 2018/2022 according to which a total of 2,275,000 employee options have been allotted free of charge to the participants. The employee options are vested in instalments until 1 May 2021. Vesting requires that the participant continues to be employed by the company and that the participant has not terminated the employment as of the date when the relevant vesting occurs. As per 31 December 2020, 1,072,500 of the allotted employee options had been vested, an additional 755,000 employee options could be vested and 447,500 employee options had lapsed. In order to enable delivery of shares under the employee option program as well as to hedge ancillary costs, primarily social security contributions, a total of 2,989,805 warrants have been issued to a wholly-owned subsidiary, of which 2,275,000 warrants have been issued to secure delivery of shares to the participants and 714,804 warrants have been issued to cover social security contributions. As a consequence of the employee options that have lapsed, a maximum of 2,401,700 warrants can be exercised in connection with the program. As per 31 December 2020, each option in the program entitled to subscription of one new share at an exercise price of SEK 75.00. After completion of the right issue in January 2021, each option in the program entitles, after re-calculation, to subscription of 1.03 new shares at an exercise price of SEK 73.01. The employee options can be exercised one month after the quarterly reports for the first quarters of 2021 and 2022 have been announced. In case all warrants issued in connection with program, and which still can be exercised as per 31 December 2020 as per the above (including the warrants issued to hedge payments of future social security contributions, in terms of liquidity), are exercised for subscription of shares, a total of 2,473,751 shares can be issued, which corresponds to a dilution of approximately 2.8 per cent of the company's share capital and votes.

Table 2 – Share-related incentive programs (CEO)

Name of director (position)	The main conditions of share option programs							Information regarding the reported financial year*					
								Opening balance	During the year		Closing balance		
	1 Name	2 Performance period	3 Allotment date	4 Vesting date	5 End of retention period	6 Exercise period	7 Exercise price (SEK)	8 Options held at beginning of year	9 Allotted	10 Vested	11 Subject to performance conditions	12 Allotted and unvested	13 Subject to retention period
Per Norlén (CEO)	2018/2022	N/A	2018-05-15	2021-05-01	2021-05-01	2021-2022**	75***	230,000	0	57,500****	0	115,000	115,000
Total								230,000	0	57,500	0	115,000	115,000

* The CEO holds 230,000 employee options in employee option program 2018/2022, of which 57,500 employee options were vested on 1 May 2019 and 57,500 employee options were vested on 1 May 2020. The remaining 115,000 employee options will vest on 1 May 2021.

** Allotted and vested employee options can be exercised during 30 days from the day following after the announcement of the company's quarterly reports, or for full year, the year-end report, the first time after the announcement of the quarterly report for the first quarter of 2021 and the last time after the announcement of the quarterly report for the first quarter of 2022. If the company does not render any quarterly report or year-end report after the end of any calendar quarter, the allotted and vested employee options may instead be exercised during the last month of the following calendar quarter, the first time in June 2021 and the last time in June 2022.

*** After completion of the right issue in January 2021, each employee option entitles, after re-calculation, to subscription of 1.03 new shares at an exercise price of SEK 73.01.

**** Value 0 SEK, calculated as the share price that day less the exercise price multiplied by the number of vested employee options.

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 behaviour which is in the long-term interest of the company. In the selection of performance criteria, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Table 3 – Performance of the CEO in 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
Per Norlén (CEO)	Outlicensing agreement/partner agreement	50%	a) 0% b) kSEK 0
	Development of /progress in the clinical programs	50%	a) 60% b) kSEK 158

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance over the last five reported financial years (RFY) (kSEK)

	RFY 2020	RFY 2019	RFY 2018	RFY 2017	RRY 2016
CEO remuneration	2,719	2,806	2,599	2,589	2,516
Group operating profit	-144,298	-214,519	-153,080	-62,299	-56,082
Average remuneration on a full time equivalent basis of employees* of the parent company	769	704	667	631	600

* Excluding members of the group executive management.

Lund in March 2021

The Board of Directors of Alligator Bioscience AB (publ)