

*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 2021**

### **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 2021. 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 82-85 in the annual report 2021. Information on the work of the Remuneration Committee in 2021 is set out in the corporate governance report available on pages 49-53 in the annual report 2021.

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 2021. During 2021, the former board member Carl Borrebaeck has, through the company CB Ocean Capital AB, received remuneration for consulting services corresponding to KSEK 480 as specified in note 33 on page 92 in the annual report 2021.

### **Developments during 2021**

The CEO summarizes the company's overall performance in his statement on pages 7-8 in the annual report 2021.

### **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 2021. During 2021, 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/](http://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 2021 (KSEK)\*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary <sup>4)</sup>	Other Benefits <sup>5)</sup>	One-year variable	Multi-year variable <sup>6)</sup>	Extraordinary items	Pension expense <sup>7)</sup>	Total remuneration	Proportion of fixed and variable remuneration
Søren Bregenholt (CEO) <sup>1)</sup>	1,824	79	337	-	-	263	2,502	87/13
Malin Carlsson (previous acting CEO) <sup>2)</sup>	406	-	40	-	-	122	569	93/7
Per Norlén (previous CEO) <sup>3)</sup>	2,803	-	-	-	-	456	3,259	100/0

\* Except for Multi-year variable remuneration, the table reports remuneration earned in 2021. Multi-year variable remuneration is reported if vested in 2021, as set out in column 10 of Table 2. Disbursement of any payments may or may not have been made the same year.

<sup>1)</sup> Søren Bregenholt assumed the position as CEO on 1 June 2021.

<sup>2)</sup> Malin Carlsson was acting CEO during the period 18 March – 1 June 2021.

<sup>3)</sup> Per Norlén was CEO until 18 March 2021.

<sup>4)</sup> Including holiday pay. For Per Norlén it includes severance pay of KSEK 960.

<sup>5)</sup> Refers to car benefit, benefit for fuel and congestion tax.

<sup>6)</sup> Refers to the value of vested CEO employee options as set out in column 10 of Table 2 below.

<sup>7)</sup> 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

### Outstanding share-related and share price-related incentive programs

#### Employee option program 2018

The annual general meeting 2018 resolved to implement an employee option program according to which a total of 2,275,000 employee options were allotted free of charge to the participants. The employee options have been vested in instalments up until 1 May 2021. Vesting required that the participant continued to be employed by the company and that the participant had not terminated the employment as of the date when the relevant vesting occurred. Of the allotted employee options, a total of 1,767,500 were vested and 507,500 employee options had lapsed due to the persons allotted the options had left the company. In order to enable delivery of ordinary 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 have been issued to secure delivery of ordinary shares to the participants and 714,804 have been issued to cover social security contributions. As a consequence of the employee options that have lapsed, a maximum of 2,322,849 warrants can be exercised in connection with the program.

After re-calculation due to completed rights issues in 2021, each option entitles to subscription of 1.19 ordinary shares at an exercise price of SEK 63.38. The options can be exercised one month after the interim report for the first quarter 2022 has been announced. In case all warrants issued in connection with program are exercised for subscription of new ordinary shares, a total of 2,764,190 ordinary shares can be issued, which corresponds to a dilution of approximately 1.2 per cent of the company's share capital and votes.

Table 2 – Share-related incentive programs, employee options (CEO)

Name of director (position)	The main conditions of employee option program							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 (former CEO)	2018/2022	N/A	2018-05-15	2021-05-01	2021-05-01	2021-2022**	63.38***	230,000	0	115,000****	0	0	0
<b>Total</b>								<b>230,000</b>	<b>0</b>	<b>115,000</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* The former CEO Per Norlén 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 were vested on 1 May 2021.

\*\* Allotted and vested employee options can be exercised during 30 days from the day following the announcement of the quarterly report for the first quarter of 2022.

\*\*\* After re-calculation due to completed rights issues in 2021, each employee option entitles to subscription of 1.19 ordinary shares at an exercise price of SEK 63.38.

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

### Share saving program LTI 2021

At the annual general meeting 2021 it was resolved to implement a long-term incentive program by way of a performance-based share saving program for employees in the company (“LTI 2021”). For each ordinary share acquired by the participant on Nasdaq Stockholm, so called saving shares, the participant has a right to receive so called matching shares. In addition, given that a requirement related to the development of the company's share price from the day of the annual general meeting 2021 up until 30 September 2024 has been achieved, the participant has a right to receive further shares in the company free of charge, so called performance shares. After recalculation due to a completed rights issue in 2021, each saving share entitles to 1.0947 matching shares. The thresholds for the receipt of one, two or four performance shares per saving share amounts to SEK 15.74 for receipt of one performance share, SEK 31.65 for receipt of two performance shares and SEK 52.89 for receipt of four performance shares.

The CEO Søren Bregenholt has invested in a total of 15,000 saving shares in LTI 2021. For the company as a whole, a total of 141,866 saving shares have been acquired by the participants in LTI 2021. Since the saving period for the share saving program is still ongoing, no matching shares or performance shares have been allotted to the participants in LTI 2021.

The maximum number of ordinary shares that can be issued in relation to LTI 2021 amount to 949,850, whereby 722,759 for the deliverance of matching shares and performance shares to participants and 227,091 to hedge payments of future social security contributions, which corresponds to a dilution of approximately 0.4 per cent of the company's share capital and votes.

Table 3 – Share-related incentive programs, share saving program (CEO)

Name of director (position)	The main conditions of share saving program					Information regarding the reported financial year*				
						Opening balance	During the year	Closing balance		
	1 Name	2 Performance period	3 Allotment date	4 Saving period	5 End of retention period	6 Saving shares at beginning of period	7 Saving shares acquired	8 Subject to performance conditions	9 Allotted and unvested	10 Subject to retention period
Søren Bregenholt (CEO)	LTI 2021	2021-2024	2021-07-16	2021-2024	2024-09-30	0	15,000**	15,000	15,000	0
<b>Total</b>						<b>0</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>0</b>

\* The CEO can be allotted a maximum of 16,420 matching shares and 60,000 performance shares through LTI 2021, corresponding to a total of 76,400 ordinary shares.

\*\* Value KSEK 37, calculated as of 22 November 2021 using a value per matching share of SEK 2.20 and a value per performance share of SEK 0.0167 and taking into account the maximum number of matching shares and performance shares that the CEO may be allotted through LTI 2021.

## 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 2021 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

*Table 4 – 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
Søren Bregenholt (CEO)	Financing/partner agreements	50%	a) 17.5% b) KSEK 92
	Development of/progress in the clinical programs	50%	a) 32.5% b) KSEK 171
Malin Carlsson (former acting CEO)	Financing/partner agreements	50%	a) 17.5% b) KSEK 14
	Development of/progress in the clinical programs	50%	a) 32.5% b) KSEK 26

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

*Table 5 – Change of remuneration and company performance over the last five reported financial years (RFY) (KSEK)*

	RFY 2021	RFY 2020	RFY 2019	RFY 2018	RFY 2017
CEO remuneration	<b>6,330<sup>1)</sup></b>	2,719	2,806	2,599	2,589
Group operating profit	<b>-141,565</b>	-144,298	-214,519	-153,080	-62,299
Average remuneration on a full time equivalent basis of employees <sup>2)</sup> of the parent company	<b>780</b>	766	704	667	631

<sup>1)</sup> CEO remuneration during the financial year 2021 include remuneration to the current CEO Søren Bregenholt as well as the acting CEO Malin Carlsson and the former CEO Per Norlén.

<sup>2)</sup> Excluding members of the group executive management.

Lund in March 2022

The Board of Directors of Alligator Bioscience AB (publ)