

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of Active Biotech 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 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 5 (Employees and personnel costs, and remuneration of senior executives) on pages 67-72 in the annual report 2020. Information on the work of the board and the Audit Committee in 2020 is set out in the corporate governance report available on page 34 in the annual report 2020.

Remuneration of the board of directors, including any consultancy fees, is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 5 on pages 67-72 in the annual report 2020.

Key Developments 2020

Over the past 12 months, Active Biotech framed a new strategy and thereby completed a major change of the companies R&D activities. The company is fully focused on advancing its projects in carefully selected, well defined specialist indications with high medical need and commercial potential.

The pre-clinical and clinical development can be summarized as follows:

Tasquinimod – a potential new product class to treat multiple myeloma

A clinical phase Ib/IIa study in relapsed refractory multiple myeloma is ongoing at Abramson Cancer Center in Philadelphia, US. The study evaluates two treatment regimens: tasquinimod as monotherapy, and in combination with a standard myeloma regimen of oral treatments. The first patient in the monotherapy part of the study was dosed in August 2020, and we project to present the first safety data, and potentially also preliminary effect data, in H2 2021.

In June, new preclinical data demonstrating potent anti-myeloma effects of tasquinimod alone and in combination with standard myeloma treatment, were presented. The data suggest complementary effects of tasquinimod to standard myeloma treatments, supporting the potential of tasquinimod being a novel product class for use in multiple myeloma.

Laquinimod – start of clinical development program in uveitis

In 2020, Active Biotech focused on preparing the documentation to start clinical studies in non-infectious non-anterior uveitis, which is an orphan disease and a serious, sight-threatening condition. Two studies are planned to start in 2021, a proof-of-principle study with oral laquinimod in uveitis patients, and a safety study of a newly developed eyedrop formulation.

Naptumomab – clinical results and start of new studies during 2021

The ongoing dose escalation in the phase Ib/II study conducted by Active Biotech's partner NeoTX with naptumomab in combination with the checkpoint inhibitor durvalumab was expanded to also include assessment of pre-treatment with obinutuzumab (Gazyva®) for elimination of anti-drug antibodies (ADAs) to naptumomab. If safety and successful elimination of ADAs is confirmed, pre-

treatment with obinutuzumab will be tested further in the MTD expansion cohort. Results from the extended dose escalation phase of this trial is expected during H1-2021. NeoTX plans to extend the clinical program and start phase II studies in combination with durvalumab in patients with tumor types known to respond poorly to checkpoint inhibition alone (cold tumors), as well as a phase II study in non-small cell lung cancer in combination with docetaxel.

Financing of activities

Active Biotech’s investments in preclinical and clinical studies require additional financing. The Board’s proposed rights issue of SEK 76.2 million was approved at a general meeting in November 2020 and concluded in January 2021. The rights issue with pre-emptive rights for Active Biotech’s shareholders was oversubscribed by 175% and approximately SEK 76.2 million was added to the company’s liquidity before the deduction of issue costs. The proceeds from the issue together with existing cash will finance development programs through 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 the shareholders’ long-term interests, including the company’s 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 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 executives long term development.

The guidelines are found on pages 68-70 in the annual report 2020. The remuneration guidelines, adopted unanimously by the annual general meeting 2020, have been implemented. 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 www.activebiotech.com/en/about/corporate-governance/. No remuneration has been reclaimed. 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.

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

Name of director	Year	Fixed remuneration		Variable remuneration		Extra ordinary items	Pension expense	Total remuneration	Proportion of fixed/variable remuneration %
		base salary	Other benefits	One year variable	Multi year variable				
Helen Tuvešson (CEO)	2020	2044	N/A	N/A	N/A	N/A	1101	3145	100/0

Share based remuneration

PLAN 2020/2024 – Employees within the Active Biotech Group

At the annual general meeting on 19 May 2020, it was resolved to adopt a long-term performance-based incentive program for employees within Active Biotech (“Plan 2020/2024”). The participants in the Plan 2020/2024 are required to invest in shares in Active Biotech at market terms (“Saving Shares”). The participants will thereafter have the opportunity to receive further shares free of charge in accordance with the Plan 2020/2024 (“Performance Shares”).

In order to participate in the program, the participant must have made a private investment in the Company by acquiring Saving Shares. Such investment may amount to not more than 15 percent of the respective participant’s annual gross base salary and shall be made no later than 31 March each year up to and including year 2023. For each Saving Share held under the Plan 2020/2024, the Company grants participants a right to up to two Performance Shares free of charge provided that certain conditions are met, relating to maintained employment, retained investment in Saving Shares and certain targets relating to the Company’s performance.

A right will be exercised provided that the participant has kept its own original Saving Shares and has maintained its employment within Active Biotech up to and including 31 December the year in which the investment in Savings Shares was made.

Table 2 – Share award program (CEO)

Name of director	Name of plan	Performance period	Award date	Vesting date	End of retention period	Opening balance			Subject to performance condition		Closing balance	
						Share awards held at beginning of year	Awarded	Vested	Awarded and unvested at year end	Shares subject to retention period		
Helen Tuveusson (CEO)	LTIP 2020/2024	Jan.-Dec 2020	June 10, 2020	Dec. 31, 2020	N/A	0	25000	30000	30000	30000	N/A	

Compliance with the remuneration guidelines and application of performance criteria

The performance criteria for Plan 2020/2024 are divided in corporate/financial targets and business targets. The split in weight between corporate/financial targets and business targets is 50 percent for each to reflect the prioritization of both investor related and financial objectives and pre-clinical and clinical objectives during the given year. The performance targets 2020 reflects the company’s need to increase investor outreach, secure cost efficient investments in a broad project portfolio and at the same time prioritize investments in pre-clinical and clinical development to enable midterm value creation.

Set out in Table 3 below is a description of how the criteria for Plan 2020/2024 have been applied during the financial year.

Table 3 - Performance of the CEO in the reported financial year

Name of director	Name of plan	1. Description of the criteria related to the remuneration component	2. Relative weighting of the performance criteria	3. Measured performance actual award/ remuneration outcome
Helen Tuveesson (CEO)	LTIP 2020/2024	1. Corporate goals - Goals related to investor outreach and defined IR activities 2. Financial goals - Goals related to operating costs and approved project activities 2. Business goals - Goals related to the clinical development of tasquinimod and validation of regulatory documentation of laquinimod and tasquinimod	10% 40% 50%	
The Board of Directors overall decision on target achievement 2020				90%

The above performance targets for 2020 were reached to 90 percent, consequently the participants in the LTIP Employee program were entitled to, according to Plan rules, receive one Performance share for each Savings share. The Performance shares were, in accordance with Plan rules, recalculated for the share issue concluded during the period meaning that each Savings share entitled the employee to receive 1,2 Performance share for each Savings share.

CEO Helen Tuveesson made a private investment of 25 000 shares (Savings shares) and received, based on the 90 percent achievement of the Active Biotech's Performance targets for 2020 and recalculated for the concluded rights issue, in total 30 000 Performance shares.

Derogations and deviations from the remuneration guidelines and from the procedure for implementation of the guidelines

The remuneration guidelines presented to and approved by the Annual General Meeting on May 19, 2020 has been applied. A variable remuneration has not been introduced during 2020.

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

	2015 vs 2016		2016 vs 2017		2017 vs 2018		2018 vs 2019		2019 vs 2020		RFY 2020
	2016	dev %	2017	dev %	2018	dev %	2019	dev %	2020	dev %	2020
CEO remuneration	6 127	0%	5 241	-17%	2 617	-100%	3 198	18%	3 304	3%	3 304
Group operating loss	-55 124	69%	-102 528	-46%	-29 841	244%	-32 285	-8%	-32 306	0%	-32 306
Average remuneration on a full time equivalent basis of employees of the parent company (excl. Members of the Executive management group)	527	-75%	1 262	58%	846	-49%	917	8%	1 026	11%	1 026