

## **Follow-up and evaluation of (i) programs for variable remunerations for the CEO and other senior executives, (ii) the application of the guidelines for remuneration of the CEO and other senior executives, and (iii) the current remuneration structure and remuneration levels in the Company**

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The Board of Directors of Active Biotech has not appointed a Remuneration Committee. The Remuneration Committee's tasks under the Swedish Corporate Governance Code are instead fulfilled by the Board.

Matters regarding remuneration and other terms of employment regarding the CEO are prepared by the Chairman of the Board. Decisions on these matters are made by the Board.

In accordance with the guidelines for remuneration adopted by the Annual General Meeting, Active Biotech shall offer total remuneration on market terms, facilitating the recruitment and retention of competent senior executives. Remuneration of senior executives may comprise fixed salary, any variable salary, pension and other benefits. The fixed salary shall take into consideration the individual's area of responsibility and experience. The variable salary shall, where applicable, depend on the individual's fulfilment of quantitative and qualitative goals. Pension benefits shall comprise defined contribution schemes. For senior executives covered by the ITP plan, pension premiums shall correspond to the stipulations in the ITP plan. For other senior executives, pension premiums shall not exceed 25 percent of the fixed salary.

In addition, if the Board considers that new share-related incentives (for example, employee stock options) should be introduced, proposals to this effect shall be submitted to the General Meeting for resolution. Currently, Active Biotech does not have any outstanding employee stock option programs or other similar incentive programs for employees in the Company, but such is proposed to the Annual General Meeting 2020 (more below).

The Board monitors and evaluates ongoing, and during the year completed, programs for variable remuneration in the Company. The Board also monitors and evaluates the current remuneration structure and remuneration levels in the Company, as well as the application of the guidelines for remuneration of the CEO and other senior executives adopted by the Annual General Meeting.

Active Biotech has complied with the guidelines for remuneration established by the Annual General Meeting 2019.

The Board's assessment is that Active Biotech's remuneration structure and remuneration levels during 2019 have resulted in a good balance between, on the one hand, the interest in motivating and rewarding employees and, on the other hand, maintaining cost efficiency. In light of that the Election Committee has assessed that the composition of the Board needs to change to adapt it to the Company's current operations and development stage, with the aim of evaluating and utilizing the potential of the Company's project portfolio and the Company's new direction, the Board is of the opinion that there is a need to change Active Biotech's remuneration structure. As a result thereof, the Board has proposed that the Annual General Meeting 2020 resolves to adopt a long-term performance-based incentive program for the Company's employees. The rationale for the program is to create conditions for motivating and retaining competent key individuals as well as for the promotion of the Company's business strategy, long-term interest and a sustainable business, and for the alignment of the targets of the participants with those of the Company.

April 2020

**The Board of Directors of Active Biotech AB (publ)**