

Remuneration report 2021

Introduction

This report describes how the guidelines for executive remuneration to senior executives of the company Active Biotech, 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 and share price related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's *Rules on remuneration to senior executives and on incentive programs*.

Further information on executive remuneration to senior executives is available in note 5 (Employees, personnel costs, and senior executives benefits) on pages 68-73 of the Annual Report 2021. Information on the work of the Board and the Audit Committee in 2021 is set out in the Corporate Governance Report available on pages 35-40 of the Annual Report 2021.

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 68-73 of the Annual Report 2021. No comments have been received regarding the 2020 remuneration report.

Key Developments 2021

Since the decision to change its business direction in 2020, the company's focus has been to utilize already available data sets for laquinimod and tasquinimod to establish a position for Active Biotech in hematological cancers and inflammatory eye diseases.

In 2021, significant progress was made in the wholly owned projects laquinimod and tasquinimod, both of which advanced in clinical trials, in multiple myeloma and uveitis. At the end of 2021, all of the company's projects are in clinical development.

The preclinical and clinical developments can be summarized as follows:

Tasquinimod – a potential new product class for the treatment of multiple myeloma

For the ongoing Phase Ib/IIa study in relapsed refractory multiple myeloma conducted at Abramson Cancer Center in Philadelphia, USA, safety data were reported in October 2021. Tasquinimod was well tolerated and the safety profile, as well as the dose and treatment schedule, was similar to previous studies in solid tumors. The patients included in this part of the study were heavily pre-treated and refractory to standard treatment. Significant periods of stable disease were achieved in 2 of the 10 patients after documented disease progression. Based on the good safety and encouraging signals of anti-myeloma activity, the study continues in the combination part, in which the first patient was dosed in February 2022.

During the year, preclinical data for tasquinimod in multiple myeloma (MM) and myelodysplastic syndrome (MDS) were also presented at the prestigious ASH 2021 meeting. The results were produced by collaboration partners at Vrije Universiteit in Brussels and The University Hospital in Dresden respectively. In addition, a preclinical and clinical collaboration has been initiated with Erasmus MC and the Oncode Institute regarding myelofibrosis (MF).

Laquinimod – start of a clinical development program in uveitis

December 2021, the first subject in the Phase I study was dosed with an eye drop formulation with laquinimod. The primary efficacy objective of the study is to determine the safety and tolerability of laquinimod eye drops after single dose and repeated doses. Data from the study are expected to be reported in the second half of 2022.

Naptumomab – clinical results and start of new clinical trials in 2021

In October 2021, it was announced that the first patient had been enrolled in the Phase IIa study with naptumomab in combination with docetaxel in patients with advanced small-cell lung cancer (NSCLC). The study is conducted in the United States and includes patients with progressive disease previously treated with checkpoint inhibitors.

In parallel, the first part of the Phase Ib/II study was completed in combination with the checkpoint inhibitor durvalumab in patients with advanced solid tumors. Once safety and tolerability have been established, the study will continue in planned Phase II cohort studies.

Financing of activities

Active Biotech's investments in pre-clinical and clinical studies requires additional financing. A rights issue of SEK 76.1 million resolved by the Board was completed in January 2021, the proceeds from the issue finances the development programs through Q1, 2023. The company continuously evaluates the best future financing of the business, this includes business development focused on new partner agreements but also other opportunities.

The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for a successful implementation of the company's business strategy and the safeguarding of shareholders' long-term interests, including the company's sustainability, is that the company can recruit and retain qualified personnel. This requires that the company can offer competitive compensation. The company's remuneration guidelines enable senior executives to be offered a competitive total remuneration. According to the remuneration guidelines, the remuneration to senior executives shall be in accordance with market conditions 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 can consist of personalized quantitative or qualitative goals. The criteria shall be designed to promote the company's business strategy and long-term interests, including its sustainability, by for example, having a clear link to the business strategy or promoting the executive's long-term development.

The guidelines are found on pages 69-70 of the Annual Report for 2021. During 2021, the company has followed the applicable remuneration guidelines adopted by the Annual General Meeting. No deviations from the guidelines have been made and no deviations have been made from the decision-making process to be applied according to the guidelines to determine the remuneration. 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 the remuneration covered by the remuneration guidelines, the company's annual general meetings have decided to implement long-term share-related incentive programs.

Table 1 – Total remuneration of the CEO in 2020-2021 (SEK thousand)

Name of director	Year	Fixed remuneration		Variable remuneration		Extra ordinary items	Pension expense	Total remuneration	Proportion of fixed/varaibale remuneration %
		Base salary	Other benefits	One year	Multi year				
Helen Tuvevsson (CEO)	2020	2 044	N/A	N/A	N/A	N/A	1 101	3 145	100/0
Helen Tuvevsson (CEO)	2021	2 439	N/A	876	N/A	N/A	1 052	4 367	80/20

Share based remuneration*PLAN 2020/2024 – Employees within the Active Biotech Group*

At the Annual General Meeting on May 19, 2020, it was resolved to adopt a long-term performance-based incentive program for Active Biotech employees ("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 a maximum of 15 per cent of the respective participant's annual gross base salary and shall be made no later than 31 March each year until 2023. For each Saving Share held under the Plan 2020/2024, the Company grants the participants a right up to two Performance Shares free of charge provided that certain conditions are met. These terms and conditions are related to maintained employment, retained investment in Saving Shares and certain targets related to the Company's development.

Rights will be exercised provided that the participant has retained 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 Saving 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	Share awards		Subject to performance condition	Closing balance	Shares subject to retention period
						held at beginning of year	Awarded	Vested	at year end		
Helen Tuvevsson (CEO)	LTIP 2020/2024	Jan.-Dec 2020	June 10, 2020	Dec. 31, 2020	N/A	0	25,000	30,000	30,000	30,000	N/A
Helen Tuvevsson (CEO)	LTIP 2020/2024	Jan.-Dec 2021	March 31, 2021	Dec. 31, 2021	N/A	0	20 000	20 000	20 000	20 000	N/A

Note: the number of vested shares reflects recalculation following the rights issue 2021

Compliance with the remuneration guidelines and application of performance criteria

The performance criteria for Plan 2020/2024 are divided into corporate/financial and business-related targets. The split between corporate/financial targets and operational targets for the financial year 2021 is 15 percent and 85 percent, respectively, reflecting the prioritization of pre-clinical and clinical activities during the year. The performance targets 2021 reflects the company's focus on value-enhancing pre-clinical and clinical operations to facilitate complementary capital injections and promote future partner discussions.

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 – share based incentives

Name of director	Name of plan	1. Discription 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)	L TIP 2020/2024	<p>1. Corporate goals</p> <p>Strengthening of the companies clinical organisation and reach out to potential commercial partners for tasquinimod and laquinimod</p> <p>2. Business goals</p> <p>Clinical development:</p> <p>Tasquinimod: present top line safety data from Phase Ib/IIa in multiple myeloma 37,5%</p> <p>Laquinimod: FSI phase I safety study with topical formulation 37,5%</p> <p>Pre-clinical development:</p> <p>Tasquinimod: manuscript with pre-clinical results submitted to pear review journal 5,0%</p> <p>Laquinimod: additional results generated from at least one in-vivo ocular neovascularization model 5,0%</p>		
The Board of Directors resolution of target achievement 2021				85%

The above performance targets for 2021 were reached to 85 percent, which means that the participants in the Plan 2020/2024 program under the Plan Rules were entitled to receive one Performance Share for each Saving Share.

The CEO, Helen Tuveesson, made a private investment of 20,000 shares (Saving Shares) and received, based on the company's performance target for 2021 being reached at 85 percent, a total of 20,000 Performance Shares.

Recommendations and deviations from the remuneration guidelines and from the procedure for implementing the guidelines

The remuneration guidelines presented to and approved by the Annual General Meeting on May 19, 2021 have been applied.

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

	2016 vs 2017		2017 vs 2018		2018 vs 2019		2019 vs 2020		2020 vs 2021		RFY 2021
	dev %	dev %	dev %	dev %	dev %	dev %	dev %	dev %	dev %		
CEO remuneration	5 241	-17%	2 617	-100%	3 198	18%	3 304	3%	4 409	25%	4 409
Group operating loss	-102 528	-46%	-29 841	244%	-32 285	-8%	-32 306	0%	-49 782	-35%	-49 782
Average remuneration on a full time equivalent basis of employees of the parent company (excl. Members of the the Executive management group)	1 262	58%	846	-49%	917	8%	1 026	11%	1 149	11%	1 149