

Remuneration report 2022

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 2022. 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 4 (Employees, personnel costs, and senior executives benefits) on pages 67-73 of the Annual Report 2022. Information on the work of the Board and the Audit Committee in 2022 is set out in the Corporate Governance Report available on page 34-38 of the Annual Report 2022.

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 4 on pages 67-73 of the Annual Report 2022. No comments have been received regarding the 2022 remuneration report.

Key Developments 2022

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 2022, 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 2022, 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. 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 2022 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. The study was fully recruited in the end of 2022 and laquinimod's positive safety profile was reported on January 30, 2023 when the phase I clinical study was completed.

Naptumomab – continued progress towards clinical results

In June, 2022 we announced together with our partner NeoTX, the successful completion of the first part of the ongoing phase IIa study with naptumomab in combination with docetaxel in patients with advanced non-small cell lung cancer (NSCLC) and that recruitment has begun for the second stage. The study is progressing according to plan and the first results are expected to be reported towards the end of 2023.

In parallel, NeoTX is completing the phase Ib/II study conducted under agreement with AstraZeneca. The study is combining naptumomab with the checkpoint inhibitor durvalumab in patients with selected advanced solid tumors. NeoTX expects to report on the results and start of phase II cohort studies in the first half of 2023.

Financing of activities

Active Biotech's investments in pre-clinical and clinical studies will require additional financing. A rights issue of SEK 45.5 million resolved by the Board was completed in September 2022, the proceeds from the issue will finance the development programs through 2023. The company continuously evaluates the future financing of the business, this includes business development focused on new partner agreements for the fully owned programs laquinimod and tasquinimod but also alternative 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 47-48 of the Annual Report for 2022. During 2022, 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 2020-2022 (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 Tuveesson (CEO)	2020	2 044	N/A	N/A	N/A	N/A	1 101	3 145	100/0
Helen Tuveesson (CEO)	2021	2 417	N/A	876	N/A	N/A	889	4 182	79/21
Helen Tuveesson (CEO)	2022	2738	N/A	693	N/A	N/A	825	4256	84/16

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			Closing balance		Shares subject to retention period
						Share awards held at beginning of year	Awarded	Vested	Subject to performance condition	Awarded and unvested at year end	
Helen Tuveesson (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 Tuveesson (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
Helen Tuveesson (CEO)	LTIP 2020/2024	Jan-Dec 2022	March 31, 2022	Dec. 31, 2022	N/A	0	40 000	48 640	48 640	48 640	N/A

Note: the number of vested shares reflects recalculation following the rights issues 2021 and 2022

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 2022 is 35 percent and 65 percent, respectively, reflecting the prioritization of pre-clinical and clinical activities during the year. The performance targets 2022 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)	LTIP 2020/2024	1. Corporate goals	35%	
		Secure financing of operations - complete capital raise at agreed level		
		2. Business goals		
		- Goals related to the clinical development of laquinimod and tasquinimod	50%	
		- Goals related to the pre-clinical development of laquinimod and tasquinimod	15%	
The Board of Directors overall decision on target achievement 2022				60%

The above performance targets for 2022 were reached to 60 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 40,000 shares (Saving Shares) and received, based on the company's performance target for 2022 being reached at 60 percent, a total of 48,640 Performance Shares (vested shares adjusted for rights issue 2022)

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, 2022 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		2021 vs 2022		RFY 2022
		dev %		dev %		dev %		dev %		dev %		dev %	
CEO remuneration	5 241	-17%	2 617	-100%	3 198	18%	3 304	3%	4 182	21%	4 256	2%	4 256
Group operating loss	-102 528	-46%	-29 841	244%	-32 285	-8%	-32 306	0%	-49 782	-35%	-57 886	-14%	-57 886
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%	1 380	17%	1 380