

Remuneration report 2022

Introduction

This report describes how the guidelines for executive remuneration of Egetis Therapeutics AB (publ), adopted by the annual general meeting on 30 May 2022, were applied during 2022. The report also provides information on remuneration to the CEO and a summary of the Company's outstanding share-related incentive programs. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Stock Market Self-Regulation Committee's Rules on Remuneration of the Board and Executive Management and on Incentive Programmes.

Further information on executive remuneration can be found in note 10 (employees and staff costs) on pages 77-79 of the annual report. Information on the work of the remuneration committee in 2022 can be found in the Corporate Governance Report on pages 42-43 of the annual report 2022.

Remuneration of the Board of Directors is not covered by this report as such remuneration is resolved annually by the annual general meeting and disclosed in note 10 and in the Corporate Governance report in the annual report 2022.

Board member Peder Walberg has received remuneration of SEK 1.7 million in accordance with a consultancy agreement, which is reported in note 26 (related party transactions) on page 87 of the annual report 2022.

Significant events in 2022

The CEO summarizes the overall performance of the Company in his statement on pages 7-9 of the annual report 2022.

The Company's remuneration guidelines: scope, purpose and exceptions

The Company's business strategy is conducted in accordance with the overall objective of building and delivering an innovative and competitive portfolio of orphan drug candidates and technology for the hospital areas and related indications in which the Company is active, partly through research and development, partly through clinical development programs and market registration.

A successful implementation of the Company's business and sustainability strategy and the safeguarding of the Company's long-term interests requires that the Company can recruit and retain a management team with good competence and capacity to achieve set goals. These guidelines contribute to the Company's business strategy, long-term interests and sustainability by enabling the Company to offer the executive management competitive remuneration.

Forms of compensation

The Company's remuneration system shall be market-based and competitive. Remuneration may be paid in the form of fixed salary, variable remuneration, pension and other benefits.

The guidelines can be found on pages 78-79 of the annual report for 2022. During 2022, the Company has complied with the applicable remuneration guidelines adopted by the general meeting. 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.egetis.com. 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.

Total CEO remuneration, Nicklas Westerholm

Table 1- Total CEO remuneration, Nicklas Westerholm, in 2022 (MSEK)

Fixed salary		Variable remuneration		Pension expenses ⁵⁾	Total remuneration	Proportion of fixed and variable remuneration
Base salary ¹⁾	Other benefits ²⁾	One-year variable ³⁾	Multi-year variable ⁴⁾			
2.8	0.2	0.9	1.1	0.9	5.9	66.7%/33.3%

1) Includes holiday pay and salary deduction for private car.

2) Includes other benefits such as car benefit and health care benefit.

3) Variable salary earned in 2022 and paid in 2023.

4) Cost for share-related remuneration in accordance with IFRS 2, as stated on page 67, 77 and 79-81 in the annual report.

5) Pension is premium defined with a fee of 24 percent of base salary (excluding holiday pay).

Share-based remuneration

Employee Stock Option plan 2020/2024

The annual general meeting 2020 resolved on an employee stock option program for employees of Egetis Therapeutics of 3,000,000 stock options, of which each option entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 12.20 per share. The term of the employee stock option program is 2020/2024. The options were granted free of charge in April 2020. The vesting period runs from the grant date until May 2023 and is conditional upon the fact that employment has not been terminated in Egetis Therapeutics during the vesting period. The options are valued according to the Black & Scholes valuation model. As Egetis Therapeutics has carried out a rights issue in May 2022, the number of shares that each warrant entitles to has been recalculated to 1.02 shares and the subscription price has been recalculated to SEK 11.71/share, in accordance with the terms and conditions of each warrant series.

Employee Stock Option plan 2021/2025

The annual general meeting 2021 resolved on an employee stock option program for employees of Egetis Therapeutics of 5,000,000 stock options, of which each option entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 9.50 per share. The term of the employee stock option program is 2021/2025. The options were granted free of charge in May 2021. The vesting period runs from the allocation date until May 2024 and is conditional on the fact that employment has not been terminated in Egetis Therapeutics during the vesting period. The options are valued according to the Black & Scholes valuation model. As Egetis Therapeutics has carried out a rights issue in May 2022, the number of shares that each warrant entitles to has been recalculated to 1.02 shares and the subscription price has been recalculated to SEK 9.33/share, in accordance with the terms and conditions of each warrant series.

Employee Stock Option plan 2022/2026

The annual general meeting 2022 resolved on an employee stock option program "2022/2026" for employees of Egetis Therapeutics of 7,300,000 stock options, of which each option carries the right to subscribe for one (1) new share in the Company. The options have a three-year vesting period from the date of grant, provided, with customary exceptions, that the participant is still employed by/still providing services to Egetis Therapeutics. The price per share shall correspond to 120% of a weighted average price at which the Company's shares are traded on Nasdaq Stockholm during the ten trading days preceding the grant date. The options have, at the time of allocation, been valued according to the Black & Scholes valuation model. The exercise price is SEK 4.22-7.15 per option.

Table - 2 Remuneration to the CEO, Nicklas Westerholm in the form of stock options

The main conditions for the employee stock option plans						Information regarding the reported financial year		
Name of plan	Performance period	Award date	Vesting date	Exercise period	Exercise price (SEK)	Opening balance Share options held at the beginning of the year	During the year Share options awarded	Closing balance
P2020/2024	2020/2023	2020-04-30	2023-05-07	2023-05-07 2024-05-07	11.71	1,000,000	-	1,000,000
P2021/2025	2021/2024	2021-05-17	2024-05-17	2024-05-18 2025-05-17	9.33	-	1,400,000	1,400,000
P2022/2026	2022/2025	2022-06-16	2025-06-16	2025-06-16 2026-06-16	4.22	-	1,424,000	1,424,000
P2022/2026	2022/2025	2022-11-21	2025-06-16	2025-06-16 2026-06-16	5.18	-	6,463	1,430,463

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been selected to drive momentum and focus on adding value to the Company's existing projects in order to realize the Company's strategy and long-term interests. When selecting the performance criteria, strategic objectives as well as short and long-term business priorities for the year 2022 have been taken into account.

Table 3 – Performance of the CEO in 2022: variable cash remuneration (MSEK)

Name of director (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance b) actual award/remuneration outcome to be paid 2023
Nicklas Westerholm (CEO)	Project deliverables	80%	a) 66%
	Business objectives and shareholder value	20%	a) 20%
Total		100%	b) 0.9

Comparative information on the change of remuneration and Company performance

Table 4 - Remuneration and Company results in MSEK

	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022
Nicklas Westerholm, CEO	+0.2 (7%)	+1.1 (+31%)	+1.2 (+26%)	5.9 ¹⁾
Group operating profit	-116,602 (-190%)	+73,482 (+41%)	- 89.3 (-85%)	-193.8
Average remuneration based on full-time employees in the group ²⁾	-0.0 (-2%)	0.2 (+9%)	0.7 (+34%)	2.6

- 1) Total remuneration during 2022 in accordance with information stated as total remuneration in Table 1.
- 2) Excluding members of the Group management team