

Remuneration Report 2020

Introduction

This report describes how the guidelines for executive remuneration of Cantargia AB (publ), 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 and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes* issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 7, 18 and 19 on pages 58, 62-64 and 64-66 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 75-79 in the annual report 2020.

Remuneration to the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 18 on pages 63-64 in the annual report 2020.

Key developments 2020

The CEO summarizes the company's overall performance in his statement on pages 6-8 in the annual report 2020.

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

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel who are working to achieve the maximum level of shareholder and customer value. To this end, the company must offer competitive remuneration, which is enabled through the company's remuneration guidelines. 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, designed to contribute to the company's long-term value creation. The criteria shall relate to the development of the company's development projects and partnerships entered into by the company for acceleration of the clinical development and future commercialization, as well as the remuneration (such as upfront fees upon entering an agreement, milestone payments or royalties) resulting from such development. Furthermore, the criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability.

The guidelines are found on pages 44-46 in the annual report 2020. During 2020, 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.cantargia.com. No remuneration has been reclaimed. In addition to the 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 CEO remuneration in 2020 (kSEK)*

Name of the director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration****
	Base salary**	Other benefits	One-year variable	Multi-year variable***				
Göran Forsberg (CEO)	2,197	25	688	0	-	843	3,753	3,065/688

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020, as set out in column 10 of Table 2 below (as applicable). Disbursement of any payments may or may not have been made the same year.

** Including holiday pay of 35 kSEK.

*** Vested share awards as set out in column 10 of Table 2 below.

**** Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

Share based remuneration

Outstanding share-related and share price-related incentive plans

Employee option program 2020/2023

At the annual general meeting on 27 May 2020, an employee option program (2020/2023) for the company's employees was implemented. The option program 2020/2023 consists of not more than 1,900,000 employee options. The employee options shall be offered to employees or consultants of the company. Allotment is made, free of charge, to the participants no later than the day falling one year after the annual general meeting 2020. The employee options vest over a three-year period (1/3 per year) calculated from the grant date, provided that, subject to customary exceptions, the participant is still employed by or otherwise engaged in the company and that the participant has not given notice or terminated the employment or engagement as of the date when the relevant vesting occurs. Once vested, the employee options may be utilized during a two-year period, however not earlier than three years after the relevant grant date. Each vested employee option gives the holder a right to purchase one share in the company at a pre-determined price. The subscription price shall correspond to 150 percent of the volume weighted average price of the company's shares on Nasdaq Stockholm during the ten trading days preceding the day the options are granted. Under the option program 2020/2023, a maximum of 350,000 employee options may be allotted to the CEO. In case all warrants issued within the program are utilized for subscription of new shares, a total of 1,900,000 shares will be issued, which corresponds to a dilution of approximately 1.9 percent of the company's share capital and votes.

Table 2 – Share option plan (CEO)

Name of director (position)	The main conditions of share award plan							Information regarding 2020					
	1 Name of plan	2 Performance period	3 Award date	4 Vesting date	5 End of retention period	6 Exercise period	7 Exercise price (SEK)	8 Opening balance Share options held at beginning of year	9 During the year Share options awarded	10 Share options vested	11 Share options subject to performance condition ***	12 Closing balance Share options awarded and unvested	13 Share options subject to retention period
Göran Forsberg (CEO)	2020/2023	3 years	2020-06-09	1/3 2021-06-09 1/3 2022-06-09 1/3 2023-06-09	2023-06-09	2023-06-09 – 2025-06-09	31,71	0	350,000*	0	350,000	350,000	350,000
Total								0	350,000	0	350,000	350,000	350,000

* The aggregate market value of the underlying shares at the time of the award is 7,752 kSEK. The aggregate exercise price is 11,098 kSEK.

** First vesting of 1/3 2021-06-09 according to column 4 above.

*** Performance condition means condition to retain employment.

Table 3(a) – Performance of the CEO in the reported financial year: variable cash remuneration

Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) actual award / remuneration outcome
Göran Forsberg (CEO)	Financing	40 %	a) 92% b) 239 kSEK
	Clinical development	40 %	a) 62 % b) 161 kSEK
	Other R&D	20 %	a) 90 % b) 116 kSEK

Share based incentive scheme 2020

At the annual general meeting on 27 May 2020, a long-term share related incentive scheme (which was based on a corresponding scheme 2019) for senior executives and key personnel within the company was implemented. The long-term share-based incentive scheme was implemented in order to create long-term incentives for the company's management team and to promote investments in and ownership of the company's shares. The scheme is designed so the participants are offered long-term variable remuneration in the form of a group bonus which shall be used to acquire shares in the company. The scheme is based on the annual bonus target or targets set up by the board of directors of Cantargia and that refer to the company's activities, financial key performance indicators and internal processes. Target achievement will be assessed by the company's board of directors in connection with the adoption of the annual report for each year. When the target achievement has been determined by the board of directors, the amount will be distributed to each participant in the scheme. Acquisition of shares by the participant shall be made as soon as possible thereafter. Participants are required to use their entire remuneration under the scheme, net of tax, to acquire Cantargia shares on the stock market. In case of partial target achievement, a portion of the maximum amount will be distributed. The maximum pay-out to each scheme participant for 2020 is capped at 10 per cent of the participant's base cash salary. The total size of the scheme for 2020 is capped at SEK 1,400,000, excluding social security contributions. The table below evidences the outcome of the scheme regarding the company's CEO.

Table 3(b) – Performance of the CEO in the reported financial year: share-based incentives

Name of director (position)	Name of plan	1 Description of the criteria related to the remuneration component	2 Relative weighting of performance criteria	3 a) Measured performance and b) actual award / remuneration outcome
Göran Forsberg (CEO)	Incentive scheme 2020	Financing	40 %	a) 92% b) 80 kSEK
		Clinical development	40 %	a) 62 % b) 54 kSEK
		Other R&D	20 %	a) 90 % b) 39 kSEK

Comparative information on the change of remuneration and company performance

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

	2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	RR 2020
CEO remuneration	2,206 (+2%)	2,566 (+16%)	2,531 (-1%)	2,997 (+18%)	3,753 (+25%) **	3,753
Company operating profit	-47,557 (+179%)	-60,009 (+26%)	-93,306 (+55%)	-111,589 (+20%)	-173,945 (+56%)	-173,945
Average remuneration on a full time equivalent basis of employees* of the parent company	-	-	577 (-)	608 (+5%)	685 (+13%)	-

* Excluding members of the company's management team

** Excluding accounting related costs in connection with the employee option program