

## AGM 2020/The Board of Director's report regarding evaluation of remuneration to executive management

Report, in accordance with the *Swedish Corporate Governance Code*, regarding evaluation of variable remuneration for executive management, and of the application of the Guidelines for Remuneration to Executive Management established by the AGM ("Guidelines") and of the current remuneration structure and remuneration levels in the company.

Karolinska Development has a Remuneration Committee with three members, Hans Wigzell (Chairman), Magnus Persson, and Vlad Artamonov, each being independent of the company.

According to the Guidelines established by the 2019 AGM, Karolinska Development shall maintain compensation levels and terms required to recruit and keep an executive management with the competence and experience necessary to meet the company's operational goals. The total remuneration to a management employee shall be competitive, reasonable and appropriate.

Remuneration shall be in the form of fixed salary, variable compensation, pension fee and other customary benefits.

Information regarding the company's compensation to executive management will be found in the Annual Report for 2019, note 5.

According to the Guidelines, variable remuneration shall be formed to promote Karolinska Development's long term value adding; be based upon criteria that are predetermined, clear, measurable and that can be influenced, and if in form of variable salary, have a fixed cap. In addition, variable remuneration shall not be included when calculating pension insurance premiums. The company's variable remunerations to executive management meets these criteria.

The short-term incentive programs implemented during the past years are appropriate.

A warrant-based incentive program with three years vesting period was adopted by the 2017 AGM and expires during 2020.

As regards the 2008-2010 long-term incentive program, the warrants have expired, whereas the profit-sharing section of the programs remains. None of the present employees is covered by this program. So far, no payment has been made under these programs.

The compensation levels in the company are in line with the principles of the Guidelines.

Due to the financial stress that the company was exposed to during 2019, the Board of Directors resolved on a deviation from the guidelines, and in January 2019 introduced a temporary salary increase in order to secure the personnel (including key executives), until a solution of the financial situation was in place. 1.5 additional monthly salary was paid for each full calendar quarter the employment remained. This expired December 31, 2019 when the convertible loan was solved, and the financing secured. The deviation was made in line with the guidelines adopted by the 2018 AGM. Compensation to executive management complies with the Guidelines for compensation, established by the 2019 AGM.

Solna May, 2020

The Board of Directors of Karolinska Development AB