

Karolinska Development AB – Remuneration Report 2021

Introduction

This report describes how the guidelines for executive remuneration of Karolinska Development AB, adopted by the extra general meeting 2021, were implemented in 2021. The report also provides information on remuneration to the CEO, the Deputy CEO from all companies in the group and from the portfolio companies and also 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 Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 5 (Employees and personnel costs) on pages 58-63 in the annual report 2021. Information on the work of the remuneration committee in 2021 is set out in the corporate governance report available on pages 88-92 in the annual report 2021.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 5 on page 61 in the annual report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on pages 3-4 in the annual report 2021.

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. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. 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. They may be individualized, quantitative or qualitative objectives. The criteria shall be designed to contribute to the company's business strategy and long-term interests, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on page 59 in the annual report 2021. The remuneration guidelines, adopted unanimously by the extra general meeting 2021, have been fully implemented. 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 www.karolinskadevelopment.com/en/corporate-governance.

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.

Table 1 – Total CEO and Deputy CEO remuneration 2021 (kSEK) ⁶

Name of director (position)	Fixed remuneration		Variable remuneration				Total remuneration	Proportion of fixed and variable remuneration ⁵
	Base salary ¹	Other benefits ²	Short-term incentive program 2021 ³	Extraordinary remuneration ⁴	Pension expense			
Viktor Drvota (CEO)	2,766	2	834	575	772		4,949	72/28
Johan Dighed (Deputy CEO)	1,647	2	496	401	402		2,948	70/30

¹ Including holiday pay: Viktor Drvota 44 kSEK, Johan Dighed 13 kSEK.

² Refers to benefit value of health insurance.

³ Details, see table 2 below and Annual Report Note 5, page 62.

⁴ Refers to Exit bonus. Details, see Annual Report Note 5, page 62.

⁵ Pension expense, which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

⁶ Total CEO and Deputy CEO remuneration is in compliance with the company's guidelines on remuneration.

Share-based remuneration

Outstanding share-related and share price-related incentive plans

The company has one Long Term Incentive program "LTI 2008-2010" still outstanding, but no one currently employed with the company is covered by it. A detailed description of the program can be found in the Annual Report, Note 5, page 62.

Application of performance criteria

The performance measures for the CEO and the Deputy CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2021 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Table 2 – Description of the outcome of the variable short-term compensation

Name of director (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) Actual award/ remuneration outcome (SEK)
Viktor Drvota (CEO)	Financing	40%	a) 15%
			b) 208,580
	Exit	20%	a) 20%
			b) 278,106
	Portfolio Progress	40%	a) 25%
			b) 347,633

Name of director (<i>position</i>)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) Actual award/ remuneration outcome (SEK)
Johan Dighed (<i>Deputy CEO</i>)	Financing	40%	a) 15%
			b) 124,011
	Exit	20%	a) 20%
			b) 165,348
	Portfolio Progress	40%	a) 25%
			b) 206,658

Table 3 – Change of remuneration and company performance over the last five reported financial years (RFY) (kSEK)

	RFY-4 vs RFY-5		RFY-3 vs RFY-4		RFY-2 vs RFY-3		RFY-1 vs RFY-2		RFY vs RFY-1		RFY 2021
CEO remuneration	3,664	49,4%	-2,275	-44,3%	867	14,4%	-602	-11,1%	-451	-9,1%	4,949
Deputy CEO remuneration	0	-	0	-	4,333	100,0%	-845	-24,2%	-541	-18,4%	2,948
Balance sheet:											
Portfolio companies at fair value through profit/loss	298,375	66,6%	171,144	27,7%	428,673	40,9%	-277,280	-36,0%	179,850	18,9%	950,170
Income statement:											
Change in fair value of shares in portfolio companies	398,616	-158,1%	-193,573	-330,9%	356,637	85,9%	-630,514	292,7%	438,581	-196,5%	223,203
Average remuneration on a full-time equivalent basis of employees of the parent company ¹	-587	-31,2%	-24	-1,3%	-326	-21,3%	294	16,1%	-34	-1,9%	1,791
Average full-time employee, except CEO and deputy CEO	5		7		6		5		5		5

Solna March 24, 2022

The Board of Directors of Karolinska Development

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