

Remuneration report 2021

Introduction

This report describes how the guidelines for remuneration to senior executives of Isofol Medical AB (publ), adopted by the Annual General Meeting in June 2020, have been applied during the year 2021. The report also contains information about remuneration to the CEO and deputy CEO and a summary of the company's outstanding share-related and share price-related incentive programs.

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 about remuneration to senior executives can be found in Note 4 (Employees and personnel costs) on pages 59-62 of the Annual Report for 2021.

Information about the remuneration committee's work in 2021 can be found in the corporate governance report on pages 37-46 of the Annual Report for 2021.

Board fees are not covered by this report. Such fees are determined annually by the Annual General Meeting and are reported in Note 4 on pages 59-62 of the Annual Report for 2021.

Development in 2021

Isofol has had a very productive and successful 2021. During the year, the company has achieved a number of important milestones and continued to act decisively to deal with the extraordinary circumstances that have arisen as a result of the COVID-19 pandemic. The CEO summarizes the company's overall results and development in his report on pages 5-6 of the Annual Report 2021.

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

Isofol develops the drug candidate arfolitixorin to improve the efficacy of standard treatment with 5-FU based chemotherapy for advanced colorectal cancer. Arfolitixorin is currently being evaluated in the global pivotal Phase III AGENT study, for patients with metastatic colorectal cancer.

A prerequisite for a successful implementation of the company's business strategy and the safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified employees. 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 of 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, which may consist of individualized quantitative or qualitative targets. 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 can be found on pages 33-35 in the Annual Report for 2021 and on the company's website <https://isofolmedical.com/remuneration-committee/>. During 2021, 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. In connection with the Annual General Meeting 2021, no comments were received on remuneration

report for 2020. The auditor's opinion on the company's compliance with the guidelines is available on the company's website <https://isofolmedical.com/investors/general-meetings-2/>. No compensation has been claimed back. Compensation presented in the report has either been earned and paid in 2021 or earned 2021 and will be paid in 2022. In addition to remuneration in accordance with the remuneration guidelines, the general meetings in Isofol have decided to implement long-term share-based incentive programs.

Table 1 – Total remuneration to CEO and deputy CEO in 2021 (KSEK)

Name (title)	1 Fixed remuneration		2 Variable remuneration			4 Pension	5 Total remuneration	6 Proportion of fixed and variable remuneration***
	Base salary*	Other benefits**	One-year variable	Multi-year variable	Extraordinary items			
Ulf Jungnelius (CEO)	3 538	144	1 510	N/A	N/A	712	5 903	74/26
Gustaf Albèrt (Dep. CEO)	2 018	84	675	N/A	N/A	482	3 260	79/21
Total	5 555	228	2 185	N/A	N/A	1 194	9 163	76/24

* Including paid vacation compensation for the CEO of 37 KSEK and for the deputy CEO of 38 KSEK

** Non-monetary benefit for company car

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

Share-based compensation

Outstanding share-based incentive programs

The purpose of share-based incentive programs is to promote the company's long-term interests by motivating and rewarding the company's CEO, senior executives and other employees in line with the shareholders' interests.

Since December 2018, the general meetings in Isofol have decided on the introduction of long-term incentive programs in the form of warrant programs for employees, including the CEO, in the company.

At the beginning of 2021, the company had two active warrant programs: TO 2018 series 2018/2022 and series 2018/2023 (comprising 1,052,851¹ warrants) and TO 2020 (comprising 250,000 warrants). TO 2018 series 2018/2022 and series 2018/2023 are for CEO and employees and TO 2020 is for CEO only.

Table 2 – On-going incentive programs

Name (Title)	1 Name of the programme	2 Performance period	Main conditions				7 Strike price (SEK)*	Information for the reported financial year	
			3 Date of allocation	4 Date of earning	6 Period of use	Opening balance		11 Warrants subject to performance conditions	
						8 Warrants at the beginning of the year			9 Closing balance
Ulf Jungnelius (CEO)	TO 2020/2023	2020 - 2023	2020-08-03	2023-05-15	2023-05-15 - 2023-07-15	30,3	250 000	n/a	
Gustaf Albèrt (Dep. CEO)	TO 2018/2022	2018 - 2022	2019-01-18	2022-05-15	2022-05-15 - 2022-07-15	28,3	88 150	n/a	
Gustaf Albèrt (Dep. CEO)	TO 2018/2023	2018 - 2023	2019-01-18	2023-05-15	2023-05-15 - 2023-07-15	42,5	88 150	n/a	
Total							426 300	-	

* The number of shares to which each warrant entitles, as well as the strike price for an individual share, have been recalculated in accordance with the terms of the programs due to the company's rights issues in June 2020 and June 2021. The conversion factor was set at 1.81.

¹ A total of 1,461,698 warrants were issued, of which 1,260,139 warrants were subscribed for. After the issue, there have been repurchases of warrants from senior executives and employees who have resigned. In connection with the Annual General Meeting 2020, outstanding unutilized warrants were cancelled, which means that the number of outstanding warrants amounts to 1,052,851.

Application of performance criteria

The performance criteria for the CEO's and the deputy CEO's variable remuneration are decided annually by the board of directors and are chosen to realize and promote the company's strategy and to encourage actions that are in the company's long-term interest. When selecting performance criteria, the strategic objectives as well as short-term and long-term business priorities for 2021 have been taken into account.

For 2021, the application of the performance criteria resulted in an earned remuneration, to be paid in 2022, for the CEO of 43% of his annual base salary and for the deputy CEO 33%. More information can be found in Note 4 on pages 59-62 of the Annual Report for 2021.

Table 3 – CEO and deputy CEO performance during the reported financial year: variable remuneration

Name (Title)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) remuneration outcome
Ulf Jungnelius (CEO)	Company targets	Capital raise completed	20 % a) 120 % b) 370 KSEK
		Study data collected and entered into database according to plan to enable delivery of Top Line results during H1 2022	20 % a) 100 % b) 308 KSEK
		Japanese study cohort fully recruited	10 % a) 100 % b) 154 KSEK
		Gene expression manuscript submitted for publication	10 % a) 0 % b) 0 KSEK
	Individual targets	Capital raise completed	20 % a) 120 % b) 370 KSEK
		Study data collected and entered into database according to plan to enable delivery of Top Line results during H1 2022	15 % a) 100 % b) 231 KSEK
		Conducted employee survey / recruitment of senior executives	5 % a) 100 % b) 77 KSEK
		Total CEO	100 %
Gustaf Albert (Deputy CEO)	Company targets	Capital raise completed	20 % a) 120 % b) 164 KSEK
		Study data collected and entered into database according to plan to enable delivery of Top Line results during H1 2022	20 % a) 100 % b) 136 KSEK
		Japanese study cohort fully recruited	10 % a) 100 % b) 68 KSEK
		Gene expression manuscript submitted for publication	10 % a) 0 % b) 0 KSEK
	Individual targets	Completed list change to Nasdaq Stockholm	15 % a) 100 % b) 102 KSEK
		Capital raise completed	25 % a) 120 % b) 205 KSEK
Total Deputy CEO	100 %	a) 99 % b) 675 KSEK	
Total CEO and deputy CEO		a) 98 % b) 2 185 KSEK	

Comparative information regarding changes in remuneration and the company's earnings

Table 4 - Changes in remuneration and company earnings in the last five reported financial years (P/L) (KSEK)*

	P/L 2017 vs. 2016	P/L 2018 vs. 2017	P/L 2019 vs. 2018	P/L 2020 vs. 2019	P/L 2021 vs. 2020	P/L 2021
Remuneration to CEO**	+1 100 (+65%)	-71 (-3%)	+293 (+11%)	+2 057 (+68%)	+835 (+16%)	5 903
Remuneration to deputy CEO****	-	-	+304 (n/a)	+2 560 (+842%)	+396 (+14%)	3 260
Group operating profit	-7 638 (-12%)	-17 262 (-24 %)	-77 955 (-87%)	-18 690 (-11%)	-17 971 (-10%)	-204 465
Average remuneration on a full-time equivalent basis of employees in the parent company ***	-110 (-14%)	+236 (35%)	-235 (-26%)	+205 (30%)	+149 (+17%)	1 027

*Starting the financial year 2020, which is the first financial year for this type of remuneration report.

** In November 2019, Anders Rabbe was dismissed as CEO and Ulf Jungnelius took over. The remuneration in the table relates to remuneration to both Ulf Jungnelius and Anders Rabbe for the year 2019.

***Excluding members of the management team

**** Gustaf Albért took over as Deputy CEO of the company in November 2019. Comparison of remuneration reported from column 2019 vs. 2018 onwards therefore refers to the remuneration that Gustaf Albért has received as deputy CEO, i.e., from November 2019.

Gothenburg, April 21, 2022

Board of Directors of Isofol Medical AB (publ)