

## Remuneration report 2020

### Introduction

This report describes how the guidelines for executive remuneration of Medivir AB, 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 *Remuneration Rules* issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 4 (Employees and personnel costs) on pages 51-52 in the annual report 2020. Information on the work of the board of director's management of the remuneration in 2020 is set out in the corporate governance report available on pages 28-30 in the annual report 2020.

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 4 on page 51 in the annual report 2020.

### Development during 2020

The CEO summarizes the company's overall performance in his statement on pages 2-3 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. 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, designed to contribute to the company's long-term value creation. The criteria shall relate to the development of the company's projects and the partnerships the company enters into for acceleration of the clinical development and future commercialization, as well as the remuneration (such as upfront fees when the agreement is entered into, milestone payments, remuneration paid during the term of the agreement for a set number of full-time equivalent research positions (FTEs), or royalties) resulting from this development. Furthermore, the criteria shall be designed so as to contribute to Medivir's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on page 30 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 <https://www.medivir.com/investors/general-meetings#2021>. 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 remuneration in 2020 (kSEK)

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary*	Other benefits**	One-year variable	Multi-year variable	Extraordinary items***	Pension expense	Total remuneration	Proportion of fixed and variable remuneration****
Yilmaz Mahshid (CEO as from September 2020)	569	18	320	-	349	200	1,456	54/46
Uli Hacksell (CEO until September 2020)	1,710	0	-	-	0	0	1,710	100/0

\* Except for Multi-year variable remuneration, the table reports remuneration earned in 2020. Disbursement of any payments may or may not have been made the same year

\*\* Refers to company car

\*\*\* Refers to subsidy in accordance with the program of warrants of series 2020:1, approved by the annual general meeting in May 2020

\*\*\*\* Pension expenses (column 4), which refer to the Base salary and is premium paid, have in full been accounted for as fixed remuneration.

### Share-based remuneration

#### **Outstanding share-related and share price-related incentive plans**

In 2017, the board of directors proposed a long-term incentive program which was approved by the annual general meeting 2017. The warrants were offered to all members of the executive management and other of Medivir's permanent employees. The market value of the warrants was calculated on the basis of the Black & Scholes valuation model based on duration, strike price, volume-weighted average price during the subscription period (VWAP), risk-free interest rate and volatility. The subscription price for all outstanding warrants per share shall correspond to 133 percent of the volume-weighted average price for the class B share during the subscription period.

Medivir's employees acquired 48,515 warrants during the second quarter 2017 as a part of this incentive program. The warrants were issued at a market value of SEK 9.41 with a strike price of SEK 89.36 per share. During the fourth quarter 2017, Medivir's employees acquired an additional 9,320 warrants. These warrants were issued at a market value of SEK 3.98 with a strike price of SEK 89.36 per share. The total amount of 57,835 warrants may be used for subscription of new class B shares during the period from 16 December 2020 until 15 January 2021. The valuation for 2017 was based on the following numbers: duration, 3.66 years; strike price, SEK 89.36; VWAP, SEK 67.19; risk-free interest rate, -0.35 percent; volatility, 32 percent.

In May 2018, the annual general meeting approved a new long-term incentive program with the same structure. During the second quarter 2018, Medivir's employees acquired 51,864 warrants at a market value of SEK 5.63 and with a strike price of SEK 52.75 per share. The warrants may be exercised for subscription of new class B shares during the period 16 December 2021 until 15 January 2022. The valuation for 2018 was based on the following numbers: duration, 3.66 years; strike price, SEK 52.75; VWAP, SEK 39.66; risk-free interest rate, -0.16 percent; volatility, 32 percent.

In May 2020, the annual general meeting approved a new long-term incentive program with essentially the same structure. During the second quarter 2020, Medivir's employees acquired 227,000 warrants at a market value of SEK 1.30 and with a strike price of SEK 31.40 per share. During the third quarter 2020, Medivir's employees acquired an additional 300,000 warrants. These warrants were issued at a market value of SEK 1.00 and with a strike price of SEK 31.40 per share. The total amount of 527,000 warrants may be used for subscription of new class B shares during the

period 1 December 2023 until 15 December 2023. The valuation for 2020 was based on the following numbers: duration, 3.58 years; strike price, SEK 31.40; VWAP, SEK 15.70; risk-free interest rate, 0.0 percent; volatility, 41 percent. Medivir partly subsidizes the participant's acquisition of warrants. The subsidy is granted in connection with the options being allotted to the participants. The total subsidy, before any payroll tax and including social security contributions on the subsidy, shall correspond to half of the participants' investment. The subsidy may be reclaimed by the company in certain defined situations as stipulated in the terms and conditions of the repurchase agreement entered into between the company and the participants of the program.

There are in total 636,699 outstanding warrants in all of the company's warrant programs as of 31 December 2020, out of which the CEO has been allotted 300,000.

#### Application of performance measures

The performance measures for the CEO's variable remuneration have been established to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. In the determination of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

**Table 2 – Performance of the CEO in the reported financial year: variable cash remuneration**

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
Yilmaz Mahshid (CEO as from September 2020)	Target 1 2020 – Clinical development	40%	a) 100% b) kSEK 128
	Mål 2 2020 – Financing	40%	a) 100% b) kSEK 128
	Mål 3 2020 – Business development	15%	a) 100% b) kSEK 48
	Mål 4 2020 – Business development	5%	a) 100% b) kSEK 16
Uli Hacksell (CEO until September 2020)	-	-	-

#### Comparative information on the change of remuneration and company performance

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

	2020	2019	2018	2017	2016	2015
CEO remuneration	3,166 <sup>1)</sup>	2,651	7,787 <sup>1)</sup>	11,166 <sup>1)</sup>	6,997	5,760
Change in remuneration (kSEK) vs the year before	515	-5,137	-3,378	4,169	1,239	
Group operating profit	-42,900	-125,979	-351,030	-362,835	-312,380	55,428
Change in operation profit/loss (kSEK) vs the year before	83 079	225,051	11,805	-50,455	-367,808	
Average remuneration on a full time equivalent basis of employees of the parent company <sup>2)</sup>	888	N/A <sup>3)</sup>	N/A <sup>3)</sup>	N/A <sup>3)</sup>	N/A <sup>3)</sup>	N/A <sup>3)</sup>

- 1) The company has had two different CEOs during the years 2020, 2018 and 2017. Including severance pay and extraordinary items
- 2) Excluding members of the group executive management
- 3) Not applicable due to reorganizations