

Remuneration report 2021

Introduction

This report describes how the guidelines for executive remuneration of Infant Bacterial Therapeutics AB, adopted by the annual general meeting 2020, were implemented in 2021. 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 for management and regarding incentive programs* issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 4 (Employees and personnel costs) on pages 34-36 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 58-59 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 4 on page 36 in the annual report 2021.

Development in 2021

The CEO summarizes the company's overall performance in his statement on pages 6-7 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, 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 www.ibtherapeutics.com/investors/corporate-governance/.

A minor deviation from the general guidelines for variable remuneration is explained by, in addition to bonus for 2021, a bonus in the amount of 100 kSEK was paid in 2021 resulting from an agreement in 2019 regarding remuneration related to the number of patients recruited in the study.

The auditor's report regarding the company's compliance with the guidelines is available on www.ibtherapeutics.com/investors/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 1a – Total CEO remuneration in 2021 (kSEK)

Name of director (position)	1 Fixed remuneration		2 Variable remuneration*	3 Pension expense**	4 Total remuneration	5 Proportion of fixed and variable remuneration
	Base salary	Other benefits	One-year variable			
Staffan Strömberg (CEO)	2,739	166	878	823	4,606	68/32

* A minor deviation from the general guidelines for variable remuneration is explained by, in addition to bonus for 2021, a bonus in the amount of 100 kSEK was paid in 2021 resulting from an agreement in 2019 regarding remuneration related to the number of patients recruited in the study.

**Pension expense (column 3), which in its entirety relates to Base salary and is premium defined, has been reported entirely as fixed remuneration

Table 1b – Total CEO remuneration in 2020 (kSEK)

Name of director (position)	1 Fixed remuneration		2 Variable remuneration	3 Pension expense*	4 Total remuneration	5 Proportion of fixed and variable remuneration
	Base salary	Other benefits	One-year variable			
Staffan Strömberg (CEO)	2,355	159	336	765	3,616	86/14

* Pension expense (column 3), which in its entirety relates to Base salary and is premium defined, has been reported entirely as fixed remuneration

Share-based remuneration

IBT has two outstanding share-related incentive plans

WARRANTS 2017/2022

On May 4, 2017, the Annual General Meeting decided on an incentive program by designated issue of warrants to a subsidiary established for this purpose. The maximum number of warrants to be issued are 280 000.

The warrants were allotted in June 2017 at market terms at a price determined by calculating market price at the time of issue using the Black & Scholes method of valuation.

The holder of warrants may during the period from April 3, 2022 through May 3, 2022, for each warrant subscribe for one point one (1.1) new share in the company at a subscription price per share amounting to SEK 272.41 recalculated due to share issues in November 2017 and January 2018.

The warrants are subject to first right of refusal stipulating that the warrants shall be sold back to IBT Baby AB should the employee, from the date of signing, terminate employment within one year by 100%, within two years by 75%, within three years by 50%, and within 4 years by 25%.

The warrants carry no dividend rights.

The warrants are issued at market value and have thus have not resulted in any benefits which require accruals for social costs in the parent company.

The subscription price per share exceeds the market price of IBT's share on the balance sheet date which means that the warrants do not cause any dilution when calculating result per share.

Total market value for the 200 000 issued warrants during the second quarter 2017 amounted to 884 KSEK.

During the second quarter 2020 a total of 50 000 warrants allotted. Total market price for the allotted 50 000 warrants during the second quarter 2020 amounted to 17 KSEK.

During the fourth quarter 2020 a total of 10 000 warrants allotted. Total market price for the allotted 10 000 warrants during the fourth quarter 2020 amounted to 27 KSEK.

On the balance sheet date December 31, 2021, a total of 260 000 (260 000) warrants had been allotted. The remaining 20 000 warrants are reserved for future employees.

Based on the existing number of shares the dilution resulting from the adopted incentive program, provided that all warrants are utilized for subscription of class B-shares, amounts to approximately 2.26 percent of shares, and 1.75 percent of votes.

WARRANTS 2020/2024

On June 16, 2020, the Annual General Meeting decided on an incentive program by designated issue of warrants to the subsidiary IBT Baby AB. The maximum number of warrants to be issued are 375 000.

In September 2020, 185 027 warrants were allotted at market terms at a price determined by calculating market price at the time of issue using the Black & Scholes method of valuation.

During the first quarter of 2021, 49 046 warrants were allotted. Total market price for the allotted 49 046 warrants during the first quarter of 2021 amounted to 88 KSEK. During the third quarter of 2021, 10 000 warrants were allotted. Total market price for the allotted 10 000 warrants during the third quarter of 2021 amounted to 3 KSEK.

The holder of warrants may during the period from July 1, 2024 through September 20, 2024, for each warrant subscribe for one point one (1) new class B share in the company at a subscription price per share amounting to SEK 400. On the balance sheet date December 31, 2021, a total of 244 073 (185 027) warrants had been allotted. The remaining 130 927 warrants are reserved for future employees.

The warrants are subject to first right of refusal stipulating that the warrants shall be sold back to IBT Baby AB should the employee, from the date of signing, terminate employment within one year by 100%, within two years by 75%, within three years by 50%.

The warrants carry no dividend rights. The warrants are issued at market value and have thus have not resulted in any benefits which require accruals for social costs in the parent company. The subscription price per share exceeds the market price of IBT's share on the balance sheet date which means that the warrants do not cause any dilution when calculating result per share.

Based on the existing number of shares the dilution resulting from the adopted incentive program, provided that all warrants are utilized for subscription of class B-shares, amounts to approximately 2.13 percent of shares, and 1.69 percent of votes.

Table 2 – Share option plans (CEO)

Name of director (position)	The main conditions of share option plans							Information regarding the reported financial year*					
	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	During the year		Closing balance		
									9 Share options awarded	10 Share options vested	11 Share options subject to performance condition	12 Share options awarded and unvested	13 Share options subject to retention period
Staffan Strömberg (CEO)	2017/2022	2017-2022	2017-06-30	2022-06-01	2022-06-01	2022-04-03 2022-05-03	272,41	70 000	0	0	0	0	70 000
	2020/2024	2020-2024	2020-09-30	2023-06-01	2023-06-01	2024-07-01 2024-09-30	400	50 000	0	0	0	0	50 000
Total								120 000	0	0	0	0	120 000

* In 2021, no changes occurred

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)

	2021	2020	2019	2018	2017
CEO remuneration	4 606 (+27,4 %)	3 616 (+12,2%)	3 224 (-3,2%)	3 331 (+8,1%)	3 081 (+44,0%)
Company operating income	-44 578 (-38,0%)	-71 918 (-52,4%)	-47 200 (-19,7%)	-39 417 (-9,1%)	-36 141 (+5,1%)
Average remuneration on a full time equivalent basis of employees*	606 (-4,0%)	631 (+52,0%)	415 (+12,2%)	370 (-31,0%)	537 (+57,5%)

* Excluding members of the executive management