

Remuneration

135 Remuneration report 2020



Stock image

Remuneration Report 2020

Introduction

This remuneration report provides an outline of how Hansa Biopharma’s guidelines for remuneration (the “Remuneration guidelines”), 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 Hansa Biopharma’s outstanding share-based long-term incentive programs. 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 senior executive remuneration is available in Note 5 (Employees and personnel costs) on pages 86 – 93 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 117 – 132 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 5 on pages 86 – 93 in the annual report 2020.

Key Developments 2020

Overall Company performance in 2020

The CEO summarizes the Company’s overall performance in his statement on page 5 – 6 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 is able to recruit and retain highly qualified personnel, consequently, it is necessary that the Company offers market competitive remuneration. This has been becoming of paramount importance as the Company is required to attract talent from and in Sweden, other European countries and the US. Under Hansa Biopharma’s remuneration guidelines, remuneration of senior executives shall be on market terms and may consist of the following components: fixed base salary, variable cash remuneration (including STI), pension benefits and other benefits.

The Remuneration guidelines, adopted by the annual general meeting 2020, can be found on pages 86 – 93 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 the Company’s website, www.hansabiopharma.com. No remuneration has been reclaimed.

In addition to remuneration covered by the Remuneration guidelines, the annual general meetings of Hansa Biopharma have resolved to implement long-term share-based incentive plans for certain groups of Hansa employees and on remuneration guidelines for the Board of Directors.

Table 1 – Total remuneration of the CEO (kSEK)*

Table 1 below sets out the total remuneration related to Hansa Biopharma’s CEO for 2020.

Name, position	Financial year	1 Fixed remuneration		2 Variable remuneration		3 Extra-ordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration in %
		Base salary	Other benefits	One-year variable	Multi-year variable				
Søren Tulstrup (CEO)	2020	6,341**	107***	2,406	0	0	0	8,854	73/27

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020, as set out in column 8 of Table 2 and column 10 of Table 3 below (as applicable). Disbursement of any payments may or may not have been made the same year.

** Includes KSEK 1,506, representing 30% of base salary, intended for own pension contribution.

*** Company car

Share based remuneration

Outstanding share-based long-term incentive programs

The Company has three long-term incentive programs outstanding in which amongst others also the CEO participates; long-term incentive program (“LTIP”) 2018, 2019 and 2020. The Company had a long-term incentive program 2016 which lapsed during 2020 in which the CEO did not participate.

As a general condition to all programs, any rights may only vest provided that the participant, with certain exceptions, from the start of the incentive program and during the three (3) years vesting period thereafter maintains his or her employment within the Group.

Long-term incentive program 2018

On May 29, 2018, the annual general meeting in Hansa Biopharma resolved to adopt a long-term incentive program for certain employees of Hansa Biopharma. The participants in the program were given the opportunity to acquire warrants at market value and/or receive so called performance-based share rights free of charge which, provided that certain conditions are met, may give the right to acquire shares in Hansa Biopharma AB. The CEO choose not to acquire any warrants under the long-term incentive program 2018 but received 51,389 share rights.

A share right under the incentive program 2018 entitles the holder to receive one ordinary share in Hansa Biopharma AB for free provided the performance condition is met during the vesting period. The performance condition states that the total shareholder return of the Company's ordinary share during the vesting period must reach or exceed certain percentage rates. If the specified minimum level is achieved, 25 percent of each participant's rights will entitle to performance shares but if the maximum level is reached, 100 percent of each participant's rights will entitle to performance shares.

A warrant under incentive program 2018 entitles the participant to subscribe for one share in Hansa Biopharma AB at a price equal to the market value of the share at the time of the warrant issuance, adjusted upwards with seven percent annually during the vesting period. Provided the participant remains an employee of the Group, subscription for shares may take place from June 12, 2021 through June 12, 2022. The warrants were sold on market terms and participants received a subsidy of maximum 25% of the price.

In total, 223,778 share rights and 6,701 warrants were outstanding under the long-term incentive program 2018 as of 31 December 2020, which corresponds to approximately 0.5 percent of the shares in the Company on a fully diluted basis as of December 31, 2020.

Long-term incentive program 2019

On May 22, 2019, the annual general meeting in Hansa Biopharma resolved to adopt a long-term incentive program for certain employees of Hansa Biopharma. The long-term incentive program 2019 includes two elements; one performance-based share rights program, and one option program comprising two series, a warrant and a employee stock option series. The CEO was granted 35,151 share rights and 66,347 employee stock options but chose not to acquire any warrants under incentive program 2019.

Under the performance-based share rights program, each share right entitles the holder to receive one ordinary share in Hansa Biopharma AB for free provided that the performance conditions are met during the vesting period. The final number of performance shares that each participant is entitled to receive is conditional upon the following performance conditions being met during the vesting period: (a) 22 percent of the performance shares in the event that market approval is obtained by EMEA within the EU, (b) 22 percent of the performance shares in the event that market approval is obtained by the FDA in the US, and (c) up to 56 percent of the performance shares related to the total shareholder return on the Company's ordinary shares (if the total shareholder return for the Company's ordinary share during the vesting period reaches or exceeds 75 percent, the participant will be awarded 56 percent of the performance shares and if the total shareholder return for the Company's ordinary share falls below 25 percent, no allotment of performance shares will be made under this performance condition. In between the percentages, allotment will be made linearly).

The option program comprises two series; Series 1 – Warrants, and Series 2 – Employee stock options. Series 1 consists of warrants which can be exercised for subscription of shares during the period from 15 June 2022 up to and including 15 July 2022. The transfer to participants is made at a price corresponding to the market value of the warrants at the time of transfer. The company subsidized up to 100 percent of the price for the transfer of the warrants. Series 2 consists of employee stock options allotted free of charge. The employee stock options have a vesting period of three years. Each warrant or employee stock option entitles the holder to receive one new ordinary share in Hansa Biopharma AB at a subscription price corresponding to 110 percent of the volume weighted average share price during the ten (10) trading days immediately prior to the offer to subscribe for the options and/or warrants.

In total, 287,555 share rights, 149,148 employee stock options and 11,000 warrants were outstanding under the long-term incentive program 2019 as of 31 December 2020, which corresponds to approximately 1.0 percent of the shares in the Company on a fully diluted basis as of December 31, 2020.

Long-term incentive program 2020

On June 23, 2020, the annual general meeting in Hansa Biopharma resolved to adopt a long-term incentive program for certain employees of Hansa Biopharma. The long-term incentive program 2020 includes two elements; one performance-based share rights program, and one employee stock option program. The CEO has been granted 57,278 share rights and 128,760 employee stock options under the long-term incentive program 2020.

Under the performance-based share rights program, each share right entitles the holder to receive one ordinary share in Hansa Biopharma AB for free provided that the performance conditions are met during the vesting period. In addition to the requirement for the participant's continued employment, the final number of performance shares that each participant is entitled to receive is also conditional upon the following performance conditions being met during the vesting period: (a) 22 percent of the performance shares in the event the US randomised controlled trial is completed, (b) 11 percent of the performance shares in the event that top line data read out of the ongoing phase 2 study in either AMR or GBS is completed with data providing a solid scientific rationale to continue either of the two programs, (c) 11 percent of the performance shares in the event that at least 70 percent of the targeted transplantation centres in Europe have been initiated, and (d) up to 56 percent of the performance shares related to the total shareholder return on the Company's ordinary shares (if the total shareholder return for the Company's ordinary share during the vesting period reaches or exceeds 75 percent, the participant will be awarded 56 percent of the performance shares and if the total shareholder return for the Company's ordinary share falls below 25 percent, no allotment of performance shares will be made under this performance condition. In between the percentages, allotment will be made linearly).

The option program 2020 consists of employee stock options allotted free of charge and each employee stock option entitles the holder to subscribe for one new ordinary share in Hansa Biopharma AB. The employee stock options have a vesting period of three years, after which the holder is entitled to exercise the options during a period of one month. Each employee stock option that is transferred entitles the holder to acquire one share in the Company, provided that the participant, with certain exceptions, is still employed within the Group, at an exercise price corresponding to the higher of (i)

125 percent of the volume weighted average share price during the 10 trading days immediately preceding the respective allotment of the employee stock options, or (ii) SEK 125.

In total, 389,556 share rights and 477,520 employee stock options were outstanding under the long-term incentive program 2020 as of 31 December 2020, which corresponds to approximately 3.4 percent of the shares in the Company on a fully diluted basis as of December 31, 2020.

Remuneration of the CEO in share rights and employee stock options

Table 2 – Remuneration of the CEO in share rights

Name, position	The main conditions of share rights					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 Opening balance	During the year 2020		Closing balance, 31st December 2020		
						Share rights held at the beginning of the year	7 Awarded	8 Vested	9 Subject to a performance condition(s)	10 Awarded and unvested at year end	11 Shares rights subject to a retention period
Søren Tulstrup, CEO	LTIP2018	2018-2021	2018-06-15	2021-06-15	2021-06-15	51,389	0	0	51,389	51,389	51,389
	LTIP2019	2019-2022	2019-06-17	2022-06-17	2022-06-17	35,151	0	0	35,151	35,151	35,151
	LTIP2020	2020-2023	2020-07-23	2023-07-23	2023-07-23	0	57,278**	0	57,278	57,278	57,278
						86,540	57,278	0	143,818	143,818	143,818

* In 2020, no changes occurred regarding the long-term incentive program 2018 or the long-term incentive program 2019, where the CEO holds 51,389 share rights and 35,151 share rights, respectively. In the long-term incentive program 2020, the CEO was awarded 57,278 share rights.

** Each of the 57,278 Share rights represents a computed fair value of SEK 216.00 per share right calculated based on a Monte Carlo simulation. For further information please refer to Note 5 in Hansa Biopharma's annual report 2020.

Table 3 – Remuneration of the CEO in stock options

Name, position	The main conditions of share rights						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 Opening balance	During the year 2020		Closing balance, 31st December 2020			
							8 Stock options held at the beginning of the year	9 Stock options awarded	10 Stock options vested	11 Stock options subject to a performance condition	12 Stock options awarded and unvested	13 Stock options subject to a retention period	
Søren Tulstrup, CEO	LTIP2019	2019-2022	2019-06-17	2022-06-17	2022-06-17	2022-06-17 2022-07-17	196.20	66,347	0	0	66,347	0	66,347
	LTIP2020	2020-2023	2020-07-23	2023-07-23	2023-07-23	2023-07-27 2023-08-24	315.75	0	128,760**	0	128,760	0	128,760
							66,347	128,760	0	0	195,107	0	195,107

* In 2020, no changes occurred regarding the long-term incentive program 2019, where the CEO holds 66,347 stock options. In the long-term incentive program 2020, the CEO was awarded 128,760 stock options.

** Each of the 128,760 Stock options represents a computed fair value of SEK 53.05 per stock option calculated based on a Black-Scholes valuation. For further information please refer to Note 5 in Hansa Biopharma's annual report 2020.

Application of performance criteria related to the 2020 CEO compensation

Both, long-term and short-term performance measures have been selected to reflect key milestones in delivering the Company's strategy and to encourage behaviour which is in the long-term interest of the Company. This is reflected in the performance criteria related to the Company's long-term incentive programs as well as the corporate objectives applied to performance measurement related to the short-term incentive program of Hansa. In selecting performance measures, the strategic objectives as well as short-term and long-term business priorities have been taken into account.

In 2020, none of the above-described share-based long-term compensation of the CEO vested. Thus, no performance criteria had to be applied during 2020 in relation to such long-term incentive programs.

Set out in Table 4 below is a description of how the criteria for payment of variable short-term compensation have been applied for the financial year 2020. Such criteria are based on the annual corporate objectives and form the basis for the short-term performance measurement of the CEO and all other members of the executive management.

Table 4 – Criteria for payment of variable short-term compensation

Name, Position	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) actual award/remuneration outcome
Søren Tulstrup, CEO	Imlifidase EU approval in kidney transplantation and commercial KPIs	20%	a) 75% b) 15%
	Submission of protocol to FDA for BLA enabling study and study KPIs	20%	a) 50% b) 10%
	Development KPIs related to ongoing clinical studies in anti-GBM, AMR and GBS	20%	a) 100% b) 20%
	Business development and financing KPIs	40%	a) 137.5% b) 55%

Comparative information on remuneration and Company performance

Table 5 – Company performance and CEO remuneration

	2020
CEO remuneration	
Søren Tulstrup, CEO	kSEK 8,854
Company's performance	
Achievement of the annual corporate objectives	100%
Operating profit / loss	kSEK -422,807
Average remuneration (base salary) on a full-time equivalent basis of employees	
Non-executive employees of the Company	kSEK 822