



## NYKODE THERAPEUTICS ASA

### REPORT ON REMUNERATION TO EXECUTIVE MANGEMENT FOR 2022

Prepared for Board of Directors meeting April 18, 2023

## 1 INTRODUCTION

This report on remuneration to executive management (the "Report") is prepared by the Board of Directors of Nykode Therapeutics ASA ("Nykode" or the "Company" and together with its subsidiary the "Group"). The Report has been prepared in accordance with the Norwegian Public Limited Liability Companies Act 1997 section 6-16 b, the Norwegian Regulation on Guidelines and Report on Remuneration of Leading Employees of 2020 (Nw.: Forskrift om retningslinjer og rapport om godtgjørelse for ledende personer) section 6.

The Report comprises remuneration to the Company's Chief Executive Officer, Chief Financial Officer, Chief Business Officer, Chief Development Officer and Chief Scientific Officer (the "Executive Management") for the financial year 2022. The Executive Management consists of the people who are considered part of the Groups senior management team, but also leads the significant operational areas and have significant influence on the operational decisions in the Company.

The purpose of the Report is to provide a comprehensive, clear and understandable overview over awarded and due gross salary and remuneration to Executive Management for the last financial year and to what extent the remuneration is linked to the performance of the Company. The Report provides details, both in total and individualized, on the remuneration of the Company's Executive Management.

At the Company's Annual General Meeting on May 12, 2022, it was resolved to convert the Company to from a private limited liability company (AS) to a public limited liability company (ASA). The conversion was registered on June 1, 2022. This report on remuneration to Executive Management describes the practice of the Group for 2022 and the Annual General Meeting in May 2023 will adopt guidelines for the Group going forward.

## 2 COMPANY HIGHLIGHTS IN 2022

### Key events 2022

The Company reported several key events during 2022, including:

- Positive interim results from the Phase II trial, VB-C-02, with VB10.16 in combination with atezolizumab in advanced cervical cancer.
- An expanded clinical development plan for the lead cancer vaccine VB10.16 in HPV16-positive cancers, including a potentially registrational trial in advanced cervical cancer (VB-C-04).
- Clinical collaboration with MSD for the VB-C-03 trial, which will evaluate VB10.16 in combination with KEYTRUDA® (pembrolizumab) in patients with HPV16-positive head and neck cancer.
- Positive immunogenicity results from the Phase 1/2a trial of VB10.NEO, an individualized therapeutic cancer vaccine which is being developed exclusively with Genentech, a member of the Roche Group.
- Positive results from the Phase 1/2 dose escalation trial of the T Cell focused SARS-CoV-2 vaccine candidate.
- Preclinical data from the second generation Vaccibody™ vaccine technology, demonstrating a potential to further increase and control immune responses.
- Preclinical data from the tolerizing vaccine research for use in autoimmune disorders.
- Strategic manufacturing partnership with Richter-Helm BioLogics.
- Listing on the main list of the Oslo Stock Exchange.
- Appointment of Klaus Edvardsen as Chief Development Officer.

For further details on the Company's performance in 2022, reference is made to the Company's consolidated annual accounts for 2022.

### Overview of the application of remuneration guidelines in 2022

Since the first remuneration guidelines of the Group will be presented and adopted at the forthcoming Annual General Meeting on May 11, 2023, this report describes the previous practice of the Group. The practice has been designed to ensure that the Company is able to recruit, develop and retain Executive Management with relevant competence, expertise and advanced leadership skills in order to successfully implement the Company's strategy and safeguard the long-term interests of the Company. It is therefore important that the Company offers its Executive Management terms that provide motivation and are in line with the market level, and that are also well balanced and based on the Executive Management's competence, responsibility and performance. The remuneration of Executive Management shall be competitive but not leading, motivational and flexible, and may consist of the following components: base salary, short term incentive plan, long term incentive plan, pension benefits, and other benefits.

In 2022 there were no deviations from the practice described in this report.

### 3 TOTAL REMUNERATION OF EXECUTIVE MANGEMENT IN THE COMPANY

Table 1 below sets out total remuneration, split by component, paid and due to each member of Executive Management in the Company for the last financial year.

**Table 1 – Total remuneration of Executive Management in the Company in 2022**

Name and position	Currency	Reported financial year	Fixed remuneration			Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
			Base salary	Fees	Other benefits	One-year variable					
Michael Engsig CEO	DKK	2022	2 259 377	-	10 200	524 579	-	235 993	3 030 149	83%/17%	
	NOK	2021	2 976 775	-	10 650	1 243 497	-	167 127	4 398 049	72%/28%	
Harald Gurvin <sup>1</sup> CFO	NOK	2022	2 612 038	-	10 200	568 219	-	159 817	3 350 274	83%/17%	
	NOK	2021	1 666 667	-	10 200	460 416	-	100 922	2 238 205	79%/21%	
Agnete Fredriksen CBO	NOK	2022	2 372 707	-	10 200	522 760	-	162 902	3 068 569	83%/17%	
	NOK	2021	2 030 782	-	15 079	1 120 000	-	218 453	3 384 314	67%/33%	
Mikkel W. Pedersen <sup>2</sup> CSO	DKK	2022	1 620 612	-	10 200	386 389	-	173 825	2 191 026	82%/18%	
	DKK	2021	903 445	-	1 750	273 949	566 668	91 224	1 837 036	54%/46%	
Klaus Edvardsen <sup>3</sup> CDO	DKK	2022	916 667	-	5 100	239 250	-	95 919	1 256 936	81%/19%	

<sup>1</sup> Harald Gurvin commenced the position May 1, 2021

<sup>2</sup> Mikkel W. Pedersen commenced the position June 1, 2021

<sup>3</sup> Klaus Edvardsen commenced the position July 1, 2022

### Base salary

The base salary is the main element of the remuneration. The base salary is reviewed annually in an annual merit review in July along with the rest of the organization. Determining the base salary, and the adjustment thereof, includes skills, formal education, experience, performance, the general responsibility of the role, market data and the financial situation. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

### Short Term Incentive Plan

The Executive Management has a compensation package which includes an annual bonus payment of up to 25% of fixed annual salary. The bonus payment amount is determined by the Board of Directors, based on an assessment the achievement of the board approved corporate goals. The performance rating based on corporate goals achievements is assessed by CEO and presented to Remuneration Committee for endorsement and final recommendation to the Board of Directors for decision. The Remuneration Committee may also suggest discretionary bonuses that are not bound by set goals/milestones, and may rather be based on exceptional performance and achievements during a period.

### Pension plan

The Group has a defined contribution pension plan for its Executive Management which meets the statutory requirements in Norway and Denmark. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations. For members of Executive Management employed in the Norwegian entity, the contributions are 7% of the annual salary up to 7.1 times the basic amount (G) of the Norwegian National Insurance Scheme, and thereafter 13% up to 12 times G. For members of Executive Management employed in the Danish entity, the contributions are 10% of the annual salary.

### Benefits in kinds and other benefits

Executive Management are given the benefits in kind that are common market practice, i.e., telephone expenses, a laptop, contribution to broadband connection, newspapers and general insurances (travel, health etc). The benefits in kind may be updated for Executive Management in line with the regular update of Company policies.

## 4 SHARE BASED REMUNERATION

The Company has implemented a long-term share-option program (the “2020 Share Option Plan”) for Executive Management and eligible employees from Associate Director level and above as decided by the Board of Directors. Skilled employees are Nykode’s most important resource for success. The Company is dependent on recruiting and retaining competent employees to promote the Company’s business strategy, long-term interests and sustainability. The share-option program has been established as a contribution to achieving this.

The current guidelines for the share option program were approved in 2020 and shall apply for 2021-2023. As a main rule, the Company grants options annually shortly after the annual general meeting, however the Company may in its sole discretion decide to grant options on an ad hoc basis, including for onboarding of new hires. The number of outstanding options shall not exceed 7.5 % of the Company’s total outstanding shares at any point in time and annual grants shall not exceed 1.5% of the outstanding shares.

The CEO is responsible to make a proposal on annual basis to the Remuneration Committee, for approval by the Board of Directors, for the number of options to be granted to Executive Management (excluding the CEO) and other eligible employees in any annual grant. The proposed number of options will depend on amongst other the seniority level, base salary and share price at the time. The Remuneration Committee will make a proposal to the Board of Directors, for their approval, for any options awarded to the CEO in an annual grant.

Unless otherwise determined by the Board of Directors, the base strike price for options granted shall be equal to the volume weighted average price (VWAP) for the last 20 trading days before the grant date.

The share options shall vest over four years, with 25% vesting after one year, 25% after two years, 25% after three years and the remaining 25% after four years. Any non-exercised options expire five years after grant. The exercise price of exercised options shall be settled by cash contribution.

If an option holder resigns or is lawfully dismissed by the Company, all unvested options shall lapse. Options which are vested prior to the date of notice of resignation/dismissal may be exercised at the later of (i) the expiry of the second exercise period following the termination date of the option holders’ employment, and (ii) six months following the termination date of the option holders’ employment.

Prior to 2020, Executive Management has been awarded warrants following individual warrant agreements.

**Table 2 – Share options awarded or due to the Executive Management for the financial year 2022**

Name and Position	The main condition of the option plan			Information regarding the reported financial year					
	Specification on plan	Award date	Strike price of the share (NOK)	Opening balance					Closing balance
				Share options awarded at the beginning of the year	Share options awarded in 2022	Share options vested in 2022	Share option exercised in 2022	Share options terminated in 2022	Share options awarded and unvested at the end of the year
Michael Engsig CEO	Warrant agreement	16.10.2019	8.80	2 910 000	-	1 000 000	-	-	-
	2020 Share Option Plan - annual grant	16.05.2022	34.99	-	334 927	-	-	-	334 927
Harald Gurvin CFO	2020 Share Option Plan – onboarding	04.05.2021	76.77	800 000	-	200 000	-	-	600 000
	2020 Share Option Plan - annual grant	16.05.2022	34.99	-	140 214	-	-	-	140 214
Agnete B. Fredriksen CBO	Warrant agreements <sup>4</sup>	(*) <sup>4</sup>	(*) <sup>4</sup>	3 834 900	-	-	3 834 900	-	-
	2020 Share Option Plan - annual grant	16.05.2022	34.99	-	128 997	-	-	-	128 997
Mikkel W. Pedersen CSO	2020 Share Option Plan – onboarding	03.06.2021	81.14	200 000	-	50 000	-	-	150 000
	2020 Share Option Plan – annual grant	16.05.2022	34.99	-	123 348	-	-	-	123 348
Klaus Edvardsen CDO	2020 Share Option Plan - onboarding	1.07.2022	31.11	-	200 000	-	-	-	200 000

<sup>4</sup> Agnete B. Fredriksen had a total of 3 834 900 historical warrants, which were all exercised December 18, 2022. A total of 2 510 900 warrants had a strike price of NOK 2.5, 164 000 a strike price of NOK 0.525, 276 000 a strike price of NOK 0.50 and 884 000 a strike price of NOK 0.33915.

## 5 APPLICATION OF PERFORMANCE CRITERIA

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. The Company must therefore offer a competitive total remuneration. The remuneration of Executive Management shall be competitive but not leading, motivational and flexible, and may consist of the following components: base salary, short term incentive plan, long term incentive plan, pension benefits, and other benefits.

The performance measures for the Executive Management's variable remuneration for 2022 have been selected to promote the Company's strategy and to encourage behavior which is in the long-term interest of the Company. The selection of company goals and relative weighting of these are approved by the Board of Directors. The final approval of the achieved goals is also determined by the Board of Directors.

Company goals for 2022 were as follows:

#	Goal / Target	Weight	Achieved
1	Development Corporate Goals	40%	
2	Research Corporate Goals	20%	
3	Financial Corporate Goals	20%	
4	Manufacturing Corporate Goals	20%	
	<b>TOTAL</b>	<b>100%</b>	<b>87%</b>

The Company has paid out bonuses for the reported financial year pursuant to a bonus scheme for Executive Management, which is based on the Company's achievement of company goals.

**Table 3 - Performance of Executive Management in the reported financial year**

Name and Position	Criteria related to the remuneration component	Relative weighting	Measured performance	Currency	Actual award
Michael Engsig CEO	Company goals	100%	87%	DKK	524 579
Harald Gurvin CFO	Company goals	100%	87%	NOK	568 219
Agnete B. Fredriksen CBO	Company goals	100%	87%	NOK	522 760
Mikkel W. Pedersen CSO	Company goals	100%	87%	DKK	386 389
Klaus Edvardsen CDO	Company goals	100%	87%	DKK	239 250

## **6 USE OF RIGHT TO RECLAIM**

The Group has not used any right to reclaim during the reported period.



## 7 COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

**Table 4: Comparative table on the change of remuneration and company performance over the last five reported financial years (RFY)**

Annual change	2022 vs 2021	2021 vs 2020	2020 vs 2019	2019 v 2018	2018 v 2017	Information regarding 2021
Amounts in NOK	Executive Management remuneration					
CEO	(6%) (282 354)	13% 520 115	22% 690 740	(11%) (384 474)	91% 1 697 771	4 398 049
CFO <sup>5</sup>	1,0% 34 133	NA	NA	NA	NA	3 544 482
CBO <sup>6</sup>	(9%) (315 436)	NA	NA	NA	NA	3 523 911
CSO	9,5% 256 739	3,9% 101 575	(19.1%) (614 183)	46.8% 1 027 041	36.9% 591 141	3 098 245
CDO <sup>7</sup>	NA	NA	NA	NA	NA	NA
Company's performance						
Change in Revenues 000 USD <sup>8</sup>	(75%) (26 736)	(83%) (179 929)	15 176% 214 283	(11%) (179)	35% 410	
Change in Net Profit/(Loss) 000 USD	(354%) (33 329)	(106%) (159 158)	1 193% 163 440	(75%) (5 853)	(107%) (4 047)	
Year end share price	(65.2%) 28.12 v 80.70	7.6% 80.70 v 74.99	NA	NA	NA	
Average change remuneration on a full-time equivalent basis of employees						
Employees of the company <sup>9</sup>	17%	2%	39%	6%	13%	NOK 995 317

<sup>5</sup> Role established in May 2021, 2021 figure represents calculated annualized salary

<sup>6</sup> Role established in June 2021, 2021 figure represents calculated annualized salary

<sup>7</sup> Role established in July 2022

<sup>8</sup> Nykode converted to IFRS starting 2020, years prior to this follows NGAAP.

<sup>9</sup> Represents the change in average employee benefits per FTE excluding executive management

## **8 INFORMATION ON SHAREHOLDER VOTING**

The report on remuneration to Executive Management will be presented to the Annual General Meeting for an advisory vote for the first time in 2023.

To the General Meeting of Nykode Therapeutics ASA

## INDEPENDENT AUDITOR'S ASSURANCE REPORT ON REPORT ON SALARY AND OTHER REMUNERATION TO DIRECTORS

### *Opinion*

We have performed an assurance engagement to obtain reasonable assurance that Nykode Therapeutics ASA report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2022 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

### *Board of directors' responsibilities*

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

### *Our Independence and Quality Management*

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Auditor's responsibilities*

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration practice of the Group for 2022. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 18 April 2023  
Deloitte AS

**Reidar Ludvigsen**  
State Authorised Public Accountant (Norway)

*This document is signed electronically.*