

Remuneration report 2020 – Oasmia Pharmaceutical AB

Introduction

This report describes how the remuneration guidelines to senior executives of Oasmia Pharmaceutical AB (“**Oasmia**” or the “**company**”), adopted by the Annual General Meeting 2020, were implemented during the 2020 financial year. 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 programs. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Further information on remuneration to senior executives is available in note 10 on pages 66 to 68 in the annual report 2020. Information on the work of the remuneration committee in 2020. Information on the work of the Remuneration Committee in 2020 is set out in the corporate governance report available on pages 43 to 47 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 10 on page 67 in the annual report 2020. The company has paid any remuneration to the Board of Directors in addition to what was resolved by the Annual General Meeting.

Key developments 2020

The Chief Executive Officer summarizes the company’s overall performance in his statement on pages 6 to 7 in the annual report 2020.

The company’s remuneration guidelines

A successful implementation of Oasmia’s business strategy and safeguarding the company’s long-term interests, including its sustainability, require the company to recruit and retain highly qualified employees. In order to do so, the company must offer competitive total remuneration, which these guidelines enable.

Under the remuneration guidelines, the remuneration shall be in line with market conditions and competitive and may consist of fixed salary, variable remuneration, other customary benefits and pension. The variable remuneration shall be linked to predetermined and measurable criteria, which can be financial or non-financial and shall be designed in such a way that they promote the company’s business strategy, long-term interests and sustainability. The General Meeting can also, irrespective of the remuneration guidelines, resolve on, among other things, share-related and share price-related remuneration.

The remuneration guidelines, adopted by the Annual General Meeting 2020, are found on pages 39 to 40 in the annual report 2020.

During the 2020 financial year, 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. No remuneration has been reclaimed.

The auditor’s report regarding the company’s compliance with the guidelines is available on the company’s website, www.oasmia.com.

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 programs.

Outstanding share-related and share price-related incentive programs

Employee stock option program directed to the company's Chief Executive Officer

In connection with the negotiation of an employment agreement with the Chief Executive Officer Francois Martelet, the Board of Directors granted 896,739 employee stock options which can be converted into the same number of shares at a strike price of SEK 7.36 per share between 13 February 2023 and 13 February 2024. The strike price corresponds to approximately 150 percent of the share price when the employment was agreed and announced on 14 February 2020. The allotment of employee stock options was approved by the Extraordinary General Meeting on 14 May 2020. The options were issued free of charge and thus in addition to fixed base salary, short-term variable remuneration and other customary employment benefits and aim to create a long-term incentive for the Chief Executive Officer in line with the shareholders' interests.

The company has not resolved on any special securing arrangements regarding share delivery as well as regarding payments following from option exercise, inter alia since the program is not assumed to have a significant financial impact and only corresponds to approximately 0.2 percent dilution.

Employee stock option program directed to senior executives

The Annual General Meeting on 9 September 2020 resolved to adopt an employee stock option-based incentive program for senior executives. The purpose of the program was to create conditions to attract and recruit qualified employees and to increase the motivation for new employees by becoming involved and working for a positive increase in the value of the company's shares.

The program consists of up to 400,000 employee stock options which can be exercised with so called vesting terms during a period of 36 months from the grant of employee stock options up to and including 12 months thereafter. Each employee stock option entitles the holder to purchase one share in Oasmia at a price equal to 150 percent of the volume-weighted average price of the company's share on Nasdaq Stockholm during the two-week period prior to allotment. The right to be allotted employee stock option were vested with senior executives recruited during 2020. The employee stock options were issued free of charge. The company has allotted a total of 375,000 employee stock options under the program.

The company has not resolved on any special securing arrangements regarding share delivery as well as regarding payments following from option exercise, inter alia because the program is not assumed to have a significant financial impact and only corresponds to approximately 0.1 percent dilution.

Table of option program for the Chief Executive Officer

The table below shows the employee stock option program for the Chief Executive Officer during the 2020 financial year (SEK).

The main conditions of the share option program								Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
Position	Program	Performance period	Award date	Vesting date	End of retention period	Exercise period	Strike price (SEK)	Options held at beginning of year	Options awarded	Options vested	Options subject to performance conditions	Options awarded and unvested	Options subject to retention period
CEO	Employee stock option program directed to CEO	-	2020-02-14	2023-02-13	-	2023-02-13 to 2024-02-13	7.36	896,739	0	0	0	896,739	0
Total								896,739	0	0	0	896,739	0

Table of total remuneration to the Chief Executive Officer in 2020

The table below shows the total remuneration to the Chief Executive Officer in the 2020 financial year (KSEK).

Fixed remuneration							
Position	Financial year	Base salary	Pension	Benefits	Variable remuneration	Total remuneration	Proportion of fixed and variable remuneration, %
CEO	2020	2,328	271	325	1,221	4,145	70/30

Table of variable cash remuneration to the Chief Executive Officer in 2020

The table below shows variable cash remuneration to the Chief Executive Officer during the 2020 financial year.

Position	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Achieved performance per criteria (%), and b) Actual award/remuneration outcome (KSEK)
CEO	Strategic goals	50 %	a) 100 %
			b) 611
	Operational goals	25 %	a) 100 %
			b) 305
	Financial goals	15 %	a) 100 %
			b) -

		b) 183
Personnel-related goals	10 %	a) 100 %
		b) 122

Table of changes in remuneration and the company's earnings during the last five reported financial years (KSEK)

In view of the fact that this document constitutes the first remuneration report prepared by Oasmia, the table below only provides information regarding the 2020 financial year.

	<i>RFY 2020</i>
Remuneration to the Chief Executive Officer	4,145
Group operating profits	-131,493
Average remuneration per full time equivalent in the parent company ¹	452

¹ Excluding members of the group executive management. The remuneration consists of base salary, other benefits, variable remuneration and pension expenses, which is the same as included in remuneration to the Chief Executive Officer. Total remuneration has been divided by the number of full-time employees in the parent company, excluding members of the group executive management, in order to receive an average remuneration.