

2022 Remuneration Report

Initiator Pharma A/S

Table of Contents

1. Introduction/Statements	3
2. Overview of 2022.....	4
3. Remuneration to the Board	4
3.1 Fixed annual fee	4
3.2 Share based remuneration	5
4. Remuneration to the Executive Management	5
4.1 Fixed base salary	7
4.2 Pension contribution	7
4.3 Short-term incentive	7
4.4 Long-term incentive.....	7
4.5 Termination and severance payments	8
4.6 Non-monetary benefits	8
5. Remuneration Comparative overview	8
6. Board's and Executive Management's holding of shares	8
7. Compliance with the Remuneration Policy.....	9

1. Introduction/Statements

Initiator Pharma A/S, Remuneration Report for the financial year 2022.

This remuneration report (the “Report”) provides an overview of the total remuneration received by each member of the board of directors (“Board”) and of the executive management (“Executive Management”) of Initiator Pharma A/S, CVR no. 37663808, (the “Company”) for the financial year 2022 with comparative figures for the past five financial years. The Executive Management includes the members of the executive management of the Company registered as such with the Danish Business Authority.

The remuneration of the Board and Executive Management during the past financial year has been provided in accordance with the remuneration policy of the Company approved by the annual general meeting on 28 May 2021, which is available on the Company’s website, www.initiatorpharma.com (the “Remuneration Policy”). The overall objective of the remuneration is to attract, motivate and retain qualified members of the Board and the Executive Management and to align the interests of the Board and the Executive Management with the interests of the Company and its shareholders. In this context, remuneration should contribute towards promoting the strategy, long-term sustainability and creation of value in the Company by supporting the Company’s long-term and short-term objectives.

The information included in the Report has been derived from the audited annual reports of the Company for the financial years 2018-2022 available on the Company’s website, www.initiatorpharma.com. All amounts are included in DKK, gross, unless stated otherwise.

Statement by the board

The Board has today approved the Company’s Annual Report and Remuneration Report for the financial year 2022.

The Report has been prepared in accordance with the principles in section 139 b of the Danish Companies Act as the Company is not listed on a regulated market.

In our opinion, the Report provides an overall overview of the remuneration that the individual management members were awarded during or for the benefit of the financial year 2022, and the Report provides a comprehensive overview of the remuneration that the individual management members received during or for the benefit of the financial year 2022, and the Report explains how the overall remuneration is in accordance with the agreed Remuneration Policy, including how the remuneration contributes towards promoting the business strategy, long-term interests, sustainability and creation of value in the Company by supporting the Company’s long-term and short-term objectives.

The Report is submitted for an advisory vote at the annual general meeting to be held on 26 May 2023.

Copenhagen, 2 May 2023

The Board

2. Overview of 2022

The financial results of 2022 are:

- Net operating expenses of TDKK -41,740 (TDKK -23,072 in 2021)
- Net result of TDKK -38,455 (TDKK -21,064 in 2021)
- Cash and cash equivalents amounted to TDKK 39,112 at year-end (TDKK 34,346 in 2021)

During 2022 the Company achieved a number of key corporate and development milestones:

- The Company raised SEK 60 through a direct and a rights issue
- The Company reported positive data from a Phase 1 proof of concept study with IP2015 in neuropathic pain.
- The Company accelerated the patient enrollment an ongoing Phase 2b clinical trial in Erectile Dysfunction with IP2015.
- The Company accelerated the patient enrollment an ongoing Phase 2a clinical trial in Erectile Dysfunction with IP2018.

The Executive Management have received partial short-term incentive remuneration for the year 2022. In addition, during 2022 the Executive Management has subscribed for a total of 60,000 shares under the LTI2021 incentive program (Matching Shares) at a subscription price of DKK 0.105 per share.

Magnus Persson, Peter Holm, Henrik Moltke, Annette Colin and Claus Olesen were re-elected as board members and Gunilla Ekström was elected as new board member in the year 2022.

3. Remuneration to the Board

3.1 Fixed annual fee

Members of the Board receive a fixed annual base fee approved by the annual general meeting in 2022. This annual base fee must be in line with market practice of comparable listed companies taking into account the required competencies, effort and scope of work of the members of the Board.

The following fees for the financial year 2022 were approved at the annual general meeting on 24 May 2022:

Board	DKK
Chairman	220 000
Member (independent)	90 000

Members of the Board may be entitled to additional fees as set out in the Remuneration Policy, including for undertaking specific ad hoc tasks outside the scope of the ordinary tasks of the Board, travel allowance and participation in relevant training.

Claus Olesen, the CEO of Initiator Pharma, is also a member of the board and does not receive compensation for his board position.

3.2 Share based remuneration

Members of the Board of Directors are offered participation in the Company's share based incentive programs as approved by the AGM. The motivation for doing so is for the Company to be able to attract competent board members to the Company since the Company is not in a position to pay market terms in cash.

Table 3: Programs of Board members						
Name and position	Program	Performance Period	Award Date	Last vesting date (last expiry date)	Maximum number of warrants	Number of warrants vested (exercised/ expired/ outstanding)
Magnus Persson, Chairman of the Board	2021	2021-2023	May 29, 2021	31.12.2023	60 000	10 000 (10 000/0/50 000)
	2022	2022-2024	May 24, 2022	31.12.2024	15 000	0 (0/0/15 000)
Henrik Moltke, Board member	2021	2021-2023	May 29, 2021	31.12.2023	42 000	7 000 (7 000/0/35 000)
	2022	2022-2024	May 24, 2022	31.12.2024	42 000	0 (0/0/42 000)
Annette Colin, Board member	2021	2021-2023	May 29, 2021	31.12.2023	42 000	7 000 (7 000/0/35 000)
	2022	2022-2024	May 24, 2022	31.12.2024	18 000	0 (0/0/18 000)
Gunnilla Ekström, Board member	2021	2021-2023	May 29, 2021	31.12.2023	-	- -
	2022	2022-2024	May 24, 2022	31.12.2024	42 000	0 (0/0/42 000)
Peter Holm, Board member	2021	2021-2023	May 29, 2021	31.12.2023	-	- -
	2022	2022-2024	May 24, 2022	31.12.2024	-	- -
Claus Olesen, Board member	2021	2021-2023	May 29, 2021	31.12.2023	360 000	60 000 (60 000/0/300 000)
	2022	2022-2024	May 24, 2022	31.12.2024	210 000	0 (0/0/210 000)
Total					261 000	24 000

In 2022 a total of 24,000 share options were exercised under the LTI2021 program, through the issue of Matching Shares, at an exercise price of DKK 0.105 per share.

At the AGM in 2022, up to 117,000 new share options were allocated to members of the board under the LTI2022 incentive program.

On December 31, 2022, the 86,840 warrants under the 2020 incentive program expired. The exercise price of the warrants exceeded the share price at the same date and all the warrants lapsed.

Claus Olesen, CEO, does not receive share options for his position as board member, and his warrants are not included in the Total number of warrants in the table above.

4. Remuneration to the Executive Management

The Board sets and approves the Executive Management's base salary that is based on market practice, the scope and nature of the work, the qualifications required and the performance of each individual executive. In addition, the Company's interest in attracting, motivating and maintaining qualified members of the Executive Management must in general be taken into account.

Members of the Executive Management may also be granted certain non-monetary benefits

such as company car as well as other customary non-monetary employee benefits such as insurance, newspaper, telephone and internet access as approved by the Board.

The Board determines the terms governing pension and resignation. The ordinary notice period on the part of the Company cannot exceed 12 months. An executive may terminate his/her employment subject to at least an ordinary notice period of 3 months. The total value of remuneration relating to the notice period, including any severance pay, cannot exceed two years of remuneration, including all remuneration components, of the relevant member of the Executive Management.

The remuneration of the members of the Executive Management is assessed on an annual basis. The remuneration and the remuneration components are set and approved by the Board.

Members of the Executive Management are entitled to an annual remuneration in accordance with the Remuneration Policy, which may consist of the following fixed and variable remuneration components:

- a. fixed base salary,
- b. pension contribution,
- c. short-term incentive remuneration consisting of an annual cash bonus,
- d. long-term incentive remuneration consisting of participation in share option/warrant programs,
- e. termination and severance payments, and
- f. non-monetary employee benefits.

The choice of these components creates a well-balanced remuneration package reflecting (i) individual performance and responsibility of the members of the Executive Management in relation to established goals and targets, both in the short and the longer term, and (ii) the Company's overall performance.

The Executive Management's short and long-term incentive schemes are linked directly to the corporate and development goals supporting the Company's strategy. The composition of the remuneration of each individual executive is determined with a view to contribute to the Company's ability to attract and retain competent key employees while, at the same time, ensuring that the Executive Management has an incentive to create added value for the benefit of the Company's shareholders through variable remuneration.

The terms of employment and remuneration for each member of Executive Management are agreed between the individual executive and the Board.

Table 2: Remuneration of Exec Management for the financial year 2022

Name and position	Fixed remuneration			Variable remuneration			Extra-ordinary items	Pension contribution	Total remuneration	Proportion of fixed remuneration
	Base salary	Other fees	Benefits	Cash bonus	Matching shares					
Claus Olesen, CEO	824 000	0	0	238 960	295 260		0	0	1 358 220	61%
Total 2022	824 000	0	0	238 960	295 260		0	0	1 358 220	61%
Total 2021	800 000	0	0	260 800	0		0	0	1 060 800	75%
Total 2020	661 500	0	0	274 166	0		0	0	935 666	71%

4.1 Fixed base salary

The annual fixed base salary is intended to attract and retain competent key employees with a view to contribute to the Company's ability to obtain its short- and long-term targets.

4.2 Pension contribution

Pension contributions are paid in accordance with applicable laws and employment agreements. No pension liabilities shall be undertaken, unless required by law.

4.3 Short-term incentive

Members of the Executive Management may receive an annual cash bonus determined at the discretion of the Board. The annual cash bonus is intended to align the individual members' interests with the Company's short-term targets in the Company's strategy and reward satisfactory results in relation to these targets. Payment of the cash bonus thus depends on the achievement of objectives related to the achievement of the Company's measurable goals and milestones of a financial or non-financial nature all of which reflect and support the Company's short-term objectives.

The size of the bonus may not exceed 40 % of the fixed base salary of the relevant member of the Executive Management.

For the financial year 2022, a total cash bonus of 238,960 DKK will be paid to the Executive Management during 2023, corresponding to 73% of the maximum pay-out.

4.4 Long-term incentive

Individual members of the Executive Management may at the discretion of the Board be offered to participate in share option/warrant programs.

Participation in the programs is offered to members of the Executive Management as an element of remuneration in order to ensure that the Executive Management stays focused on value creation and achievement of the Company's long-term objectives.

Name and position	Program	Performance Period	Award Date	Last vesting date (last expiry date)	Maximum number of warrants	Number of warrants vested (exercised/ expired/ outstanding)
Claus Olesen, CEO	2021	2021-2023	May 29, 2021	31.12.2023	360 000	0
						(60 000/0/300 000)
	2022	2022-2024	May 24, 2022	31.12.2024	210 000	0
						(0/0/210 000)
Total					570 000	0

For the financial year 2022, 60,000 Matching shares were issued to Executive Management at DKK 0.105 per share (par value) under the LTI2021 program. In addition, up to 210,000 warrants were allocated to Executive Management under the LTI2022 program approved by the AGM on May 24th. Claus Olesen vested 60,000 warrants during 2022.

On December 31, 2022, the 82,497 warrants under the 2020 program expired. The exercise price of the warrants exceeded the share price at the same date and all the warrants lapsed.

4.5 Termination and severance payments

No special retirement agreements shall be made, but instead shall mutual termination clauses in employment agreements apply. Termination clauses shall not exceed twelve (12) months.

4.6 Non-monetary benefits

Other benefits are awarded or reimbursed on the basis of individual employment contracts and local market practices.

5. Remuneration | Comparative overview

The development in the remuneration of the Board and Executive Management over the past five financial years is summarized in the table below. Remuneration includes fixed compensation, variable compensation as well as exercise of incentive share options or warrants:

Table 5: Comparison of remuneration and Company performance over the past five financial years					
Financial performance	2022	2022 vs 2021	2021 vs 2020	2020 vs 2019	2019 vs 2018
Operating profit	-41 740	-23 072	-10 531	-9 339	-12 609
Net result after taxes	-38 455	-21 064	-8 697	-8 288	-10 297
Executive Management					
Claus Olesen, CEO	1 358 220	1 060 800	935 666	661 500	751 359
Board of Directors					
Magnus Persson, Chairman of the Board	269 000	153 258	149 100	147 693	151 730
Annette Colin, Board member	124 300	58 472	-	-	-
Peter Holm, Board member	90 000	58 384	56 800	56 264	57 577
Henrik Moltke, Board member	124 300	58 384	56 800	56 264	57 577
Gunnilla Ekström, Board member	52 500	-	-	-	-
Claus Olesen, CEO and Board member	-	-	-	-	-
Average remuneration of company employees (DKK per FTE)					
Company employees, incl. executive mgn	1 105 165	717 367	935 666	661 500	751 359
Company employees, excl. executive mgn	978 637	373 933	-	-	-

6. Board's and Executive Management's holding of shares

Number of shares in the Company owned by members of the Board and Executive Management:

Table 6: Holding of shares						
Name and position	Holding	Changes			Holding	Market value End of year (DKK)
	1.1.2022	Purchased	Exercised options	Sold	31.12.2022	
Executive Management						
Claus Olesen, CEO	977 438	35 000	60 000	0	1 072 438	4 354 313
Board of Directors						
Magnus Persson, Chairman of the Board	244 186	2 500	10 000	0	256 686	1 042 196
Annette Colin, Board member	7 000	3 000	7 000	0	17 000	69 023
Peter Holm, Board member	0	0	0	0	0	0
Henrik Moltke, Board member	113 106	7 000	7 000	0	127 106	516 076
Gunnilla Ekström	0	7 000	0	0	7 000	28 421
Claus Olesen, CEO and Board member	977 438	35 000	60 000	0	1 072 438	4 354 313
Total	1 341 730	54 500	84 000	0	1 480 230	6 010 030

Market value at end of 2022 is calculated based on a share price of SEK 6.06 and SEK/DKK rate of 0.67 (equal to DKK 4.06 per share).

7. Compliance with the Remuneration Policy

The remuneration of the Board and Executive Management for the financial year 2022 is consistent with the framework provided by the Remuneration Policy. There has been no deviation or derogation from the framework provided by the Remuneration Policy.

Company Information

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DK-2200 Copenhagen Denmark

CVR No.: 37 66 38 08
Established: 2 May 2016 Registered Office: Copenhagen
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