

2023 Remuneration Report

Initiator Pharma A/S

Table of Contents

1. Introduction/Statements	3
2. Overview of 2023	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	6
4.1 Fixed base salary	7
4.2 Pension contribution	7
4.3 Short-term incentive	7
4.4 Long-term incentive	8
4.5 Termination and severance payments	8
4.6 Non-monetary benefits	8
5. Remuneration Comparative overview	9
6. Board's and Executive Management's holding of shares	9
7. Compliance with the Remuneration Policy	9

1. Introduction/Statements

Initiator Pharma A/S, Remuneration Report for the financial year 2023.

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 2023 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 26 May 2023, 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 2020-2023 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 2023.

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 2023, 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 2023, 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 24 May 2024.

Copenhagen, 27 April 2024

The Board

2. Overview of 2023

The financial results of 2023 are:

- Net operating expenses of TDKK -27,029 (TDKK -41,740 in 2022)
- Net result of TDKK -22,872 (TDKK -38,455 in 2022)
- Cash and cash equivalents amounted to TDKK 24,336 at year-end (TDKK 39,112 in 2022)

During 2023 the Company achieved a number of key corporate and development milestones:

- Completed and reported positive data from the Phase 2a proof of concept trial with IP2018 in n=24 psychogenic Erectile Dysfunction patients.
- Completed and reported positive data from the Phase 1 pharmacokinetic study with new oral solid dose formulations of Pudafensine.
- Completed and reported positive data from the Phase 2b trial with Pudafensine in n=130 organic ED patients.
- Prepared business development plans for both Pudafensine and IP2018.

The Executive Management have received partial short-term incentive remuneration for the year 2023. In addition, during 2023 the Executive Management has subscribed for a total of 35,000 shares under the LTI2022 incentive program (Matching Shares) at a subscription price of DKK 0.105 per share.

Magnus Persson, Peter Holm, Henrik Moltke, Annette Colin, Gunilla Ekström and Claus Olesen were re-elected as board members at the Annual General Assembly in May 26, 2023.

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 2023. 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 2023 were approved at the annual general meeting on 26 May 2023:

Board position	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.

Total non-share based remuneration to the board:

Table 2: Remuneration of Board for the financial year 2023					
Name and position	Annual fee	Allowance	Benefits	Ad hoc tasks	Total remuneration
Magnus Persson, Chairman	220 000	0	0	0	220 000
Annette Colin, Board member	90 000	0	0	0	90 000
Peter Holm, Board member	90 000	0	0	0	90 000
Henrik Moltke, Board member	90 000	0	0	0	90 000
Gunilla Ekström	90 000	0	0	0	90 000
Claus Olesen, CEO and Board member	0	0	0	0	0
Total 2023	580 000	0	0	0	580 000
Total 2022	490 000	0	0	0	490 000
Total 2021	328 498	0	0	0	328 498

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: Share based 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	51 250 (10 000/8 750/41 250)
	2022	2022-2024	May 24, 2022	31.12.2024	15 000	2 500 (2 500/0/12 500)
	2023	2023-2025	May 26, 2023	31.12.2025	48 000	0 (0/0/48 000)
Henrik Moltke, Board member	2021	2021-2023	May 29, 2021	31.12.2023	42 000	35 850 (7 000/7 150/28 850)
	2022	2022-2024	May 24, 2022	31.12.2024	42 000	6 000 (7 000/0/36 000)
	2023	2023-2025	May 26, 2023	31.12.2025	30 000	0 (0/0/30 000)
Annette Colin, Board member	2021	2021-2023	May 29, 2021	31.12.2023	42 000	35 850 (7 000/7 150/28 850)
	2022	2022-2024	May 24, 2022	31.12.2024	18 000	3 000 (3 000/0/15 000)
	2023	2023-2025	May 26, 2023	31.12.2025	30 000	0 (0/0/30 000)
Gunilla Ekström, Board member	2021	2021-2023	May 29, 2021	31.12.2023	-	-
	2022	2022-2024	May 24, 2022	31.12.2024	42 000	6 000 (7 000/0/36 000)
	2023	2023-2025	May 26, 2023	31.12.2025	30 000	0 (0/0/30 000)
Peter Holm, Board member	2021	2021-2023	May 29, 2021	31.12.2023	-	-
	2022	2022-2024	May 24, 2022	31.12.2024	-	-
	2023	2023-2025	May 26, 2023	31.12.2025	-	-
Claus Olesen, CEO and Board member ¹	2021	2021-2023	May 29, 2021	31.12.2023	360 000	307 289 (60 000/52 711/247 289)
	2022	2022-2024	May 24, 2022	31.12.2024	210 000	35 000 (35 000/0/175 000)
	2023	2023-2025	May 26, 2023	31.12.2025	180 000	0 (0/0/180 000)
Total					399 000	140 450

LTI2021 program:

On December 31, 2023, the LTI2021 program expired. Under the LTI2021 program the board had the right to purchase a maximum of 120,000 treasury shares from the company, at an acquisition price of DKK 0.15 per share, depending on the share price performance between the AGM in 2021 and December 31, 2023. Based on the actual share price performance during this period the number of Performance shares was calculated to 98,915 shares (82% of the maximum number).

LTI2022 program:

In June 2023 a total of 19,500 share options vested and were exercised in full by the board under the LTI2022 program, through the purchase of treasury shares from the company (Matching Shares), at an acquisition price of DKK 0.105 per share.

LTI2023 program:

At the AGM on May 26, 2023, up to 138,000 new share options were allocated to members of the board under the LTI2023 incentive program, consisting of up to 23,000 Matching shares and up to 115,000 Performance shares.

In total, board of directors vested 118,415 warrants during 2023, of which 19,500 were exercised during the year.

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.

Total remuneration to executive management:

Name and position	Fixed remuneration			Variable remuneration					Total remuneration	Proportion of fixed remuneration
	Base salary	Other fees	Benefits	Cash bonus	Matching shares	Performance shares ¹	Extra-ordinary items	Pension contribution		
Claus Olesen, CEO	856 600	0	0	274 200	162 400		0	0	1 293 200	66%
Total 2023	856 600	0	0	274 200	162 400		0	0	1 293 200	66%
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%

¹ Performance shares vested in 2023 under the LTI2021 program were exercised in January 2024 and not included in 2023 compensation numbers.

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 program

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 2023, a total cash bonus of 274,227 DKK will be paid to the Executive Management during 2024, corresponding to 80% of the maximum pay-out.

4.4 Long-term incentive program

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	307 289
						(60 000/52 711/247 289)
	2022	2022-2024	May 24, 2022	31.12.2024	210 000	35 000
						(35 000/0/175 000)
	2023	2023-2025	May 26, 2023	31.12.2025	180 000	0
						(0/0/180 000)
Total					750 000	342 289

LTI2021 program:

On December 31, 2023, the LTI2021 program expired. Under the LTI2021 program the executive management had the right to subscribe for a maximum of 300,000 new shares, at a subscription price of DKK 0.15 per share, depending on the share price performance between the AGM in 2021 and December 31, 2023. Based on the actual share price performance during this period the number of Performance shares was calculated to 247,289 shares (82% of the maximum number).

LTI2022 program:

For the financial year 2023, 35,000 Matching shares vested and were subscribed for by executive management at DKK 0.105 per share (par value) under the LTI2022 program.

LTI2023 program:

At the AGM on May 26, 2023, up to 180,000 new share options were allocated to executive management under the LTI2023 incentive program, consisting of up to 30,000 Matching shares and up to 150,000 Performance shares.

In total, executive management vested 282,289 warrants during 2023, of which 35,000 were exercised during the year.

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:

Financial performance (SEK '000)	2023	2022	2021	2020	2019
Operating profit	-27 029	-41 740	-23 072	-10 531	-9 339
Net result after taxes	-22 872	-38 455	-21 064	-8 697	-8 288
Executive Management					
Claus Olesen, CEO	1 131	1 358	1 061	936	662
Board of Directors					
Magnus Persson, Chairman of the Board	220	220	153	149	148
Annette Colin, Board member	90	90	58	-	-
Peter Holm, Board member	90	90	58	57	56
Henrik Moltke, Board member	90	90	58	57	56
Gunnilla Ekström, Board member	90	53	-	-	-
Claus Olesen, CEO and Board member	-	-	-	-	-
Average remuneration of company employees (DKK per FTE)					
Company employees, incl. executive mgm	1 267	1 333	717	936	662
Company employees, excl. executive mgm	972	921	0	-	-
¹ Excluding warrant programs					

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:

Name and position	Holding	Changes			Holding	Market value End of year (DKK)
	1.1.2023	Purchased	Exercised options	Sold	31.12.2023	
Executive Management						
Claus Olesen, CEO	1 072 438	30 000	35 000	0	1 137 438	7 041 651
Board of Directors						
Magnus Persson, Chairman of the Board	256 686	8 000	2 500	0	267 186	1 654 095
Annette Colin, Board member	17 000	5 000	3 000	0	25 000	154 770
Peter Holm, Board member	0	0	0	0	0	0
Henrik Moltke, Board member	127 106	5 000	7 000	0	139 106	861 177
Gunnilla Ekström	7 000	5 000	7 000	0	19 000	117 625
Claus Olesen, CEO and Board member	1 072 438	30 000	35 000	0	1 137 438	7 041 651
Total	1 480 230	53 000	54 500	0	1 587 730	9 829 319

Market value at end of 2023 is calculated based on a share price of SEK 9.24 and SEK/DKK rate of 0.67 (equal to DKK 6.19 per share).

7. Compliance with the Remuneration Policy

The remuneration of the Board and Executive Management for the financial year 2023 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

Initiator Pharma A/S Ole Maaloes vej 3
DK-2200 Copenhagen Denmark

CVR No.: 37 66 38 08

Established: 2 May 2016 Registered Office: Copenhagen

Financial Year: 1 January – 31 December