

## PHOTOCURE ASA

### REPORT ON REMUNERATION TO SENIOR EXECUTIVES FOR 2022

Prepared for annual general meeting 3 May 2023

#### 1 INTRODUCTION

This report on remuneration to Senior Executives (the "**Report**") is prepared by the board of directors of Photocure ASA ("**Photocure**" or the "**Company**" and together with its subsidiaries 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 and the Norwegian Accounting Act section 7-31b.

The Report comprises remuneration to the Company's CEO, CFO and other members of the management who report directly to the CEO ("**Senior Executives**") for the financial year 2022. The purpose of the Report is to provide a comprehensive, clear and understandable overview over awarded and due gross salary and remuneration to Senior Executives for the last financial year and how the remuneration is in accordance with the guidelines for remuneration of Senior Executives adopted by the annual general meeting 2022 of the Company (the "**Remuneration Guidelines**") and to what extent the remuneration is linked to the performance of the Company. The Report provides details, both in total and individualised, on the remuneration of the Company's Senior Executives.

In preparation of the Report, the board of directors have taken into consideration the result of the advisory vote on the report on remuneration for Senior Executives for 2021 at the Company's annual general meeting in 2021. As approx. 80% of the share capital represented at the annual general meeting in 2021 voted in favour of the report on remuneration to Senior Executives for 2021, the board of directors have prepared the Report in accordance with the principles set out and in the same form as the report for 2021.

#### 2 COMPANY HIGHLIGHTS IN 2022

##### Overall company performance in 2022

Photocure executed on its business plan throughout 2022, while residual effects from the global Covid-19 pandemic and a pause in the availability of rigid blue light cystoscopy (BLC<sup>®</sup>) capital equipment in the U.S. presented unique challenges. In 2022, demand for BLC capital equipment remained strong, and the Company increased the installed base of BLC towers in the U.S. by 19%, with the majority of those tower installations taking place late in the fourth quarter of 2022. Total revenue for the Group increased 9% to NOK 393.1 million in 2022, and Hexvix<sup>®</sup>/Cysview<sup>®</sup> revenue grew 6% to NOK 373.0 million.

Operating loss before restructuring in 2022 was NOK 49.0 million, an increase from the NOK 5.8 million loss reported in 2021. The 2022 operating result includes milestone payments received from Asieris MediTech Co., Ltd. (Asieris) for the clinical trial advancement of Cevira<sup>®</sup>, which is undergoing Phase III development for the treatment of HPV-induced pre-cancerous lesions. Net loss for 2022 was NOK 69.7 million compared to a net loss of NOK 32.2 million in 2021.

Despite the challenges in 2022, Photocure delivered on key corporate objectives during the year; continuing to grow its business in North America; facilitating the highly successful launch of Karl Storz's Saphira<sup>™</sup> BLC system in the U.S. market; completing the second full year of operations in continental Europe; presenting and publishing several new data sets demonstrating the benefits of BLC with Hexvix/Cysview; and supporting the expansion of territories in which Hexvix is available through the Company's commercial partnerships.

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 the Remuneration Guidelines in 2022

Under the Remuneration Guidelines, remuneration of Senior Executives shall be competitive but not leading, motivational, transparent and flexible, and may consist of the following components: regular pay, bonus scheme, equity-based long term investment program, pension benefits, and other benefits.

The Remuneration Guidelines, adopted by the annual general meeting 2022, can be found on the Company's website <https://photocure.com/investors-hub>. The Company's report regarding the Company's compliance with the Remuneration Guidelines, which is controlled and reviewed by the auditor, is available on <https://photocure.com/investors-hub>.

### **3 TOTAL REMUNERATION OF SENIOR EXECUTIVES IN THE COMPANY**

Table 1 below sets out total remuneration, split by component, paid and due to each current or previous Senior Executive in the Company for the last financial year.

**Table 1 – Total remuneration of Senior Executives in the Company in 2022**

(Amounts in NOK 1,000)

Name of Senior Executive Position (start/end date)	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	Multi-year variable <sup>1</sup>				
Daniel Schneider CEO	2022	6,013	0	754	2,812	3,249	-	494	13,322	54%/46%
Erik Dahl CFO	2022	2,629	0	18	595	1,155	-	343	4,740	63%/37%
Geoffrey Coy Vice President & General Manager North America	2022	3,848	0	419	857	1,877	-	319	7,321	63%/37%
Susanne Strauss Vice President & General Manager Europe	2022	2,935	0	427	586	1,335	-	0	5,283	64%/36%
Grete Hogstad Vice President Global Strategic Marketing & Business Development	2022	1,754	0	88	196	736	-	221	2,995	69%/31%
Patricia Kelly Vice President Global Human Resources	2022	2,672	0	7	310	664	-	242	3,896	75%/25%
Anders Neijber Chief Medical Officer, Global Medical Affairs and Clinical Development and R&D	2022	2,071	0	91	431	192	-	360	3,144	80%/20%

<sup>1</sup> IFRS cost of all options vested in 2022.

#### 4 SHARE BASED REMUNERATION

The Company has implemented an equity-settled, performance-based compensation plan (the "**Option Program**") for its Senior Executives and selected personnel. Under the Option Program Senior Executives and selected employees has been awarded option awards at the discretion of the board of directors based on recommendations made by the compensation committee. The allocation of option awards is based on performance, organisational level and position, importance of retention, and location. The board of directors has, among other things, upon allocation of option awards for the year 2022 taken into consideration the Company's goals, strategies and performance as well as targeted individual performance for each participant.

Company goals are mainly financial and related to growth and profitability, as are individual goals designed for the specific position. Company goals are related to revenue growth and EBITDA, strategic business development and ESG. Individual performance goals are position specific and designed to support achievement of Company goals.

Senior Executives are for 2022 measured as follows:

- CEO: Company goals 100%
- Other Senior Executives: Company goals 70% / Individual goals 30%

The terms for the options for each individual, including any limits, have been determined by the board of directors within the board of directors' authorizations as resolved by the Company's general meeting.

The options for 2022 are granted with a strike price based on the weighted average share price the last 30 trading days before the grant date with an additional premium of 10% on top of the calculated average price. The share options shall vest over three years, with 25% vesting after one year, 25% after two years, and the remaining 50% after three years. Any non-exercised options expire five years after grant. In the event of a change of control, all unvested options shall become fully vested and exercisable.

The shares following exercise of options by Senior Executives shall be held for at least 2 years after exercise, except shares to be sold to cover costs including purchase amount and tax. In the event of a change of control, all shares may be sold.

In case of termination of employment, all options unvested as well as vested but not exercised at the time of expiry of employment will lapse. If the option holder is dismissed, unvested options as well as vested but not exercised options will lapse upon dismissal, unless the board of directors decides otherwise.

The option strike price may be subject to adjustments in the event of share split, combination of shares, dividend payment and/or other distribution. In the event of change of control or a merger the options may vest in full.

The board of directors may alter, reduce or eliminate the exercise of the options issued for 2022 in accordance with its terms, including to decide on cash compensation as replacement for any cancelled options, based on the overall situation of the Company or other special circumstances.

**Table 2 – Share options awarded or due to the Senior Executives for the financial year 2022**

Name of Director, position	The main condition of the option plan			Information regarding the reported financial year					
	Specification on plan	Award date*	Strike price of the share	Opening balance					Closing balance
				Share options awarded at the beginning of the year	Share options awarded:  Awards remaining at 31.12	Share options vested:  Awards vested	Share option exercised:	Share options terminated:	Share options awarded and unvested
Dan Schneider, CEO	2022 July grant - Management	19.07.2022	114.89	-	130,000	-	-		130,000
Dan Schneider, CEO	Plan 2020 - 2020 September grant	15.09.2020	81.41	60,000	-	30,000	-		30,000
Dan Schneider, CEO	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	135,000	-	33,750	-		101,250
Dan Schneider, CEO	Plan 2019 - 2019 - Management	01.01.2020	50.72	80,000	-	-	80,000		-
Dan Schneider, CEO	Plan 2019 - Sign on - Management	01.01.2020	50.72	120,000	-	-	120,000		-
Erik Dahl, CFO	2022 July grant - Management	19.07.2022	114.89	-	90,000	-	-		90,000
Erik Dahl, CFO	Plan 2020 - 2020 September grant	15.09.2020	81.41	35,000	-	17,500	-		17,500
Erik Dahl, CFO	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	67,500	-	16,875	-		50,625
Erik Dahl, CFO	Plan 2019 - 2019 - Management	01.01.2020	50.72	40,000	-	-	40,000		-
Geoffrey Coy, VP & GM North America	2022 July grant - Management	19.07.2022	114.89	-	65,000	-	-		65,000

Name of Director, position	The main condition of the option plan			Information regarding the reported financial year					
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				Share options awarded at the beginning of the year	Share options awarded:  Awarded remaining at 31.12	Share options vested:  Awards vested	Share option exercised:	Share options terminated:	Share options awarded and unvested
Geoffrey Coy, VP & GM North America	Plan 2020 - 2020 September grant	15.09.2020	81.41	35,000	-	17,500	-		17,500
Geoffrey Coy, VP & GM North America	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	67,500	-	16,875	-		50,625
Geoffrey Coy, VP & GM North America	Plan 2019 - Sign on - Management	01.01.2020	56.83	90,000	-	45,500	45,000		-
Susanne Strauss, VP & GM Europe	2022 July grant - Management	19.07.2022	114.89	-	65,000	-	-		65,000
Susanne Strauss, VP & GM Europe	Plan 2020 - 2020 September grant	15.09.2020	81.41	90,000	-	22,500	22,500		45,000
Susanne Strauss, VP & GM Europe	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	67,500	-	16,875	-		50,625
Grete Hogstad, VP Global Strategic Marketing & BD	2022 July grant - Management	19.07.2022	114.89		35,000	-	-		35,000
Grete Hogstad, VP Global Strategic Marketing & BD	Plan 2020 - 2020 September grant	15.09.2020	81.41	25,000	-	12,500	-		12,500
Grete Hogstad, VP Global Strategic Marketing & BD	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	40,000	-	10,000			30,000
Grete Hogstad, VP Global Strategic Marketing & BD	Plan 2019 - 2019 - Management	01.01.2020	50.72	25,000	-	12,500	12,500		-
Patti Kelly, VP of HR	Plan 2020 - 2020 September grant	15.09.2020	81.41	40,000	-	20,000	-	20,000	-

Name of Director, position	The main condition of the option plan			Information regarding the reported financial year					
	Specification on plan	Award date*	Strike price of the share	Opening balance					Closing balance
				Share options awarded at the beginning of the year	Share options awarded:  Awards remaining at 31.12	Share options vested:  Awards vested	Share option exercised:	Share options terminated:	Share options awarded and unvested
Patti Kelly, VP of HR	Plan 2021 - 2021 August grant - Conditional Mgmt	16.08.2021	145.27	40,000	-	10,000	-	30,000	-
Anders Neijber, Chief Medical Officer, Global Medical Affairs and Clinical Development and R&D	2022 July grant - Management	19.07.2022	114.89		60,000	-	-		60,000
Anders Neijber, Chief Medical Officer, Global Medical Affairs and Clinical Development and R&D	Plan 2021 - 2021 August grant	16.08.2021	145.27	20,000	-	5,000	-		15,000
Anders Neijber, Chief Medical Officer, Global Medical Affairs and Clinical Development and R&D	Plan 2021 - 2021 October grant	01.10.2021	123.34	8,000	-	2,000	-		6,000

\*Allocated share options are vested over three years after award date, 25%, 25% and 50% respectively. The options are no longer valid after five years or on termination of the employee.

## 5 COMPLIANCE WITH THE REMUNERATION GUIDELINES AND 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, and the Company's Remuneration Guidelines must enable the Company to offer Senior Executives such competitive total remuneration. Under the Remuneration Guidelines of the Company, remuneration of Senior Executives shall be competitive but not leading, motivational and flexible, and may consist of the following components: regular pay, bonus scheme, equity-based long term investment program, pension benefits, and other benefits.

The performance measures for the Senior Executive's variable remuneration for 2022 have been selected to promote the Company's strategy and to encourage behaviour which is in the long-term interest of the Company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2022 have been taken into account. In accordance with the Remuneration Guidelines, the variable remuneration for 2022 has been determined by the achievement of key performance indicators (KPIs) and goals at both individual and company level. The Senior Executives of the Company have, both individually and as a group, been given the opportunity to influence the attainment of the KPI's and the goals which have formed the basis for the assessment of the variable remuneration in 2022.

The CEO is measured 100% on Company goals, while other Senior Executives are measured 70% on Company goals and 30% on Individual goals which will depend on position.

Company goals for 2022 were as follows:

#	Goal / Target	Weight	Achieved - weighted
1	Revenue growth in constant currencies	42%	
2	EBITDA growth in constant currencies	18%	
3	Strategic Business Development goal	20%	
4	Strengthen Environmental, Social and Governance	10%	
5	Develop High Performance Culture	10%	
	<b>TOTAL</b>	<b>100%</b>	<b>63%</b>

In accordance with the Remuneration Guidelines, the Company has paid out bonuses for the reported financial year pursuant to a bonus scheme for Senior Executives which is based on the Company's achievement of strategic, operational and financial goals.



**Table 3 - Performance of Senior Executives in the reported financial year**

<b>Name &amp; Position</b>	<b>Criteria related to the remuneration component</b>	<b>Relative weighting</b>	<b>Measured performance<sup>2</sup></b>	<b>Actual award NOK '000</b>
Dan Schneider, CEO	Company goals	100%	63,0%	2,812
Erik Dahl, CFO	Company goals	70%	71,1%	595
	Personal goals	30%		
Geoffrey Coy, VP & GM North America	Company goals	70%	59,1%	857
	Personal goals	30%		
Susanne Strauss, VP & GM Europe	Company goals	70%	59,7%	586
	Personal goals	30%		
Grete Hogstad, VP Global Strategic Marketing and Business Development	Company goals	70%	70,4%	196
	Personal goals	30%		
Patricia Kelly, VP of Human Resources	Company goals	70%	74,1%	310
	Personal goals	30%		
Anders Neijber, Chief Medical Officer, Global Medical Affairs and Clinical Development and R&D	Company goals	70%	74,1%	431
	Personal goals	30%		

<sup>2</sup> Measured performance is calculated on the basis of the weighted average of company goals and personal goals.

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

During the reported financial year, the Company has not reclaimed remuneration from any Senior executive.

## **7 DEROGATIONS AND DEVIATIONS FROM THE REMUNERATION GUIDELINES AND FROM THE PROCEDURE OF IMPLEMENTATION**

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, and the Company's Remuneration Guidelines must enable the Company to offer Senior Executives such competitive total remuneration. In 2021, the Company engaged Pearl Meyer, a leading advisor in executive compensation, to give the Company insight into the current practices of comparable companies with which the Company compete for talent when making compensation decisions. Pearl Meyer advised the Company solely on the matter of executive compensation strategy and practices in European and US peer companies.

Pearl Meyer identified two peer groups, one for US and one for Europe, and performed analyses of competitive performance and compensation levels for the groups. The peer groups consist of companies similar to Photocure in size, therapeutic area and development stage.

Based on Photocure's compensation policy and with input from the peer analysis performed by Pearl Meyer, the board of directors of the Company have considered it necessary to make certain adjustments in base pay as well as target bonus for certain Senior Executives. Consequently, target bonus for the Company's Senior Executives has been adjusted to the following:

- For the Chief Medical Officer (CMO), the target bonus was adjusted to 30% in recognition of assuming the VP Global Medical Affairs & Clinical Development prior to the CMO role

## 8 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 <sup>3</sup> Absolute amounts are in TNOK	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	Information regarding 2022
Daniel Schneider, CEO <sup>4</sup>	50.0% 1,816,2	-0,9% -48,3	11.5% 620,4	52.5% 3,157,8	45,1% 4,143,5	13,321,6
Erik Dahl, CFO	20.7% 447,1	-8.0% -208,7	11.5% 275,4	22.5% 601,7	44,5% 1,460,5	4,739,5
Geoffrey Coy, Vice President & General Manager North America <sup>5</sup>	12.1% 451,1	-14.4% -599,3	27.9% 994,9	13.8% 631,3	40,9% 2,124,4	7,320,8
Susanne Strauss, Vice President & General Manager Europe <sup>6</sup>	-	-	-	3.00% 76,3	13,6% 634,5	5,283,1
Grete Hogstad, Vice President Global Strategic Marketing & Business Development	15.2% 298,6	-7.9% -177,7	11.6% 241,0	12.9% 299,9	14,2% 372,9	2,994,6
Patricia Kelly, Vice President Global Human Resources <sup>7</sup>	-	-	-	3.00% 66,9	21,3% 684,0	3,895,6
Anders Neijber, Chief Medical Officer, Global Medical Affairs and Clinical Development and R&D <sup>8</sup>	-	27.8 438,8	9.9% 200,6	18.8% 416,3	31,0% 744,5	3,144,1
Revenues 000 NOK	+30,599 +20%	+100,046 +55%	-25,074 -9%	+104,058 +41%	+32,592 +9%	
EBITDA 000 NOK	+22,603	+69,441	-62,861	+22,213	-42,928	
Year-end share price	48.0 vs 27.3 +76%	89.5 vs 48.0 +86%	106.6 vs 89.5 +19%	102.7 vs 106.6 -4%	106.8 vs 102.7 +4%	
Employees of the company (Parent)	1.4%	4.7%	3.0%	3.3%	5.8%	1,546,2

<sup>3</sup> The columns 2021 vs 2020, 2020 vs 2019 etc. represent the change in the senior executive's remuneration between the preceding financial years over which the comparative information in the table should be provided. The annual change should be presented in a percentage showing this difference, and in absolute numbers reflecting the total amount of the remuneration of the senior executive corresponding the two financial years which are compared as included in the table 1 of the report. The annual changes include foreign currency effects as changes in f/x rates against NOK. The information regarding the total remuneration for the relevant financial year is presented in the last column.

<sup>4</sup> Daniel Schneider was appointed as CEO with effect from November 2018. Numbers prior to this is based on the remuneration to the previous CEO.

<sup>5</sup> Geoffrey Coy was appointed as Vice President & General Manager US Operations with effect from 16 September 2019. Numbers prior to this is based on the remuneration to the person holding the similar position until June 2019.

<sup>6</sup> Susanne Strauss was appointed as Vice President & General Manager of Europe with effect from 1 July 2020. There was no one holding the equivalent position prior to the appointment of Susanne Strauss.

<sup>7</sup> Patricia Kelly was appointed as Vice President Global Human Resources with effect from 1 September 2020. There was no one holding the equivalent position prior to the appointment of Patricia Kelly.

<sup>8</sup> Anders Neijber was appointed as Vice President Global Medical Affairs and Clinical Development with effect from September 2021. Numbers prior to this is based on the remuneration to the person holding the similar position.