Targovax's Remuneration Principles

Adopted by the Board of Directors 24 February 2021

Principles for remuneration of Board members and executive management in Targovax ASA (Remuneration Principles)

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The Remuneration Principles are designed to attract, retain and motivate the members of the Board of Directors and of Executive Management. The Remuneration Principles have been designed to align the interests of the executives with those of the shareholders.

The Board of Directors, with the assistance of the Compensation Committee, determines the compensation policy for Targovax. The Nomination Committee recommends the compensation policy for the Board of Directors of Targovax. The Compensation Committee and the Nomination Committee believe the compensation practices must support the strategic aims of the business and enable the recruitment, motivation, and retention of senior executives and board members as well as other key employees. Targovax's practices must take into account the views of regulatory and governance bodies and the expectations of shareholders and the wider employee population. The Board of Directors approves the total compensation of the CEO, which is communicated to the shareholders through the Annual Report. The Board of Directors has final approval of the compensation of the Management Team, upon recommendation of the CEO and the Compensation Committee.

1.1.1. Compensation Committee activity

The CEO attends selected meetings of the Compensation Committee, providing input and assisting with specific queries. The CEO does not participate in conversations regarding the CEO's own level of compensation.

The committee covered the following matters during the year:

- Review of the overall compensation strategy and policies
- Review of the compensation levels and structure for each member of the management team
- Review of the market competitive positioning of the compensation for each member of the management team
- Recommendation on the base salary increase of the CEO and a review of recommendations made by the CEO for the organization
- Assessment of fulfilment of objectives for last year and on resulting cash bonuses
- Recommendation on the grant of employee share options
- Recommendation on corporate objectives for the coming year

1. The Board of Directors

1.1. Process

The Nomination Committee reviews board fees annually. When preparing its recommendation, the Nomination Committee evaluates board fees against relevant benchmarks of other Nordic companies as well as European pharmaceutical companies similar to Targovax in size, complexity and market capitalization. The remuneration for the board members for the coming year are approved by the Annual General Meeting as a separate agenda item.

1.2. Size

Each board member shall receive a fixed fee per year. The Chairperson and the Board members receive a fixed amount (Base fee).

Service on the Audit Committee, the Compensation Committee, the Nomination Committee and the Corporate Governance Committee entitles board members to an additional fee. This is set each year and approved by the Annual General Meeting.

1.3. Travel allowance

All board members are entitled to receive a fixed hourly rate capped at 8 hours per day for lost working hours when travelling to attend Board meetings. No travel allowance is paid to board members when no travel is required to attend board meetings or committee related meetings. The travel allowance is approved by the Annual General Meeting each year.

1.4. Expenses

Expenses such as travel and accommodation in relation to board meetings as well as relevant education are reimbursed.

1.5. Incentive programs

The Board of directors may choose to receive their remuneration (base fee only), or parts thereof, in the form of restricted stock units (RSUs). If the Board members choose to receive the Board remuneration in RSUs they must choose to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs.

The number of RSUs to be granted to the members of the Board of Directors is calculated as the NOK amount of the RSU opted portion of total compensation to the Board member, divided by the market price of the Targovax ASA share. The market price is calculated as the volume weighted average share price the 10 trading days prior to the grant date. The RSUs will be non-transferrable and each RSU will give the right and obligation to acquire shares in Targovax ASA (at nominal value) subject to satisfaction of the applicable vesting conditions. When the RSUs have vested, the participant must during the following three-year period select when to take delivery of the shares.

If the RSU Holder prior to the Vesting Date (a) ceases to be a Board Member or (b) notifies the Company of his/her intention to step down from the Board, then the number of RSUs that vest on the Vesting Date shall be equal to the total number of RSUs granted by the Company under this Agreement multiplied by a fraction in which the numerator is equal to the number of calendar days in the period from the date of this Agreement and until the date on which an event referred to in (a) or (b) above occurs, and the denominator is equal to 365. The remaining RSUs shall lapse without compensation to the RSU Holder.

2. The Executive Management

For membership of the Executive Management team, see the “Management” at the Company website.

2.1. Process

Executive Management remuneration is proposed by the Compensation Committee and subsequently approved by the Board.

2.2. Size and composition

Executive Management remuneration is evaluated on a regular basis against relevant benchmarks of Norwegian and other Nordic companies as well as European pharmaceutical companies similar to Targovax in terms of size, complexity and market capitalization. To ensure comparability, executive positions are evaluated in accordance with an international position evaluation system which among other parameters includes and reflects the development of the company size measured in terms of company revenue and number of employees.

The remuneration package consists of a fixed base salary, a short-term cash-based incentive (bonus), a long-term share-based incentive, a pension contribution and other benefits.

The fixed base salary is chosen to attract and retain executives with professional and personal competences required to drive the company's performance.

The short-term incentive program (STIP) is designed to incentivize the individual executive for individual performance (50%) within his/her functional area and overall company performance (50%) and to ensure short-term achievements in line with company objectives. The STIP varies between 20% and 35% of the fixed annual salary.

The long-term incentive program (LTIP) is designed to promote the long-term overall performance of the Executive Management and to align the interests of executives and shareholders. It further ensures a balance between short-term and achievements and long-term thinking.

Pension contributions are made to provide an opportunity for executives to build up an income for retirement.

2.3. Incentive program

2.3.1. Short-term incentive program (STIP)

The corporate objectives are set by the Board and determined for and agreed with the CEO. The bonus of the CEO is determined by achievements of corporate objectives. Other employee bonuses are based on the achievement of the corporate objectives as well as individual objectives.

The level of performance achieved and the amount of bonus to be awarded individual members of the Executive Management is reviewed by the committee, in discussion with the CEO, and approved by the Board.

The Committee may, at its discretion, review the operation of the annual bonus plan and make recommendations to the Board for approval. Any review will take into account the overall impact of the compensation package, the mix between fixed and variable pay, and the balance between short and long-term performance measurement.

The STIP consists of a cash-based incentive which is linked to the achievement of a number of predefined functional and individual business targets for each member of Executive Management. The calculation of the STIP – if any – for a year is based on the salary throughout the year. The targets for the Chief Executive Officer are fixed by the chairperson of the Board of Directors while the targets for the Executive Management are fixed by the Chief Executive Officer. The Compensation Committee evaluates the degree of target achievement for each member of the Executive Management and gives recommendation for the Board for their approval. Cash-based incentives – if any – for a particular financial year are paid at the beginning of the subsequent financial year.

STIP is subject to recovery or 'claw-back' by Targovax, provided the remuneration was paid on the basis of data which proved to be manifestly misstated. Claw-back in relation to the STIP is possible up to 12 months after the actual payment of the cash-based incentive.

2.3.2. Long-term incentive program (LTIP)

The Board of Targovax seeks authorization from shareholders at the Annual General Meeting to issue a maximum number of share options (up to 10% of the Company's outstanding shares, options and RSUs) in total for all grants. This authorization is sought every year at the Annual General Meeting. The authorization to increase the share capital covers:

- Already granted options, vested as well as unvested; and
- Planned future grants of options

2.4. Eligibility

New employees and consultants are eligible for option grants upon joining the company. Employees and consultants will be eligible for an annual option award on a discretionary basis, taking into account overall performance, work responsibility, importance of retention, organization level, and position.

The Board of Directors will exercise discretion as to who will receive an equity award in any given year, based on recommendations made by the Compensation Committee.

The Board of Directors intends to grant awards under the plan, alongside the existing option plan, on an annual basis. The share option grants are not subject to any performance-based vesting conditions.

Board members are not eligible to participate.

2.5. Grant size and exercise price

The Compensation Committee shall recommend to the Board the size of the overall option grant. The grant schedule will be determined, and reviewed, on the basis of market competitiveness of the equity component of the compensation package and the overall size of the available share pool approved by shareholders.

The exercise price is determined at grant and reflects the volume weighted average share price on the day of the grant. The share option grants are not subject to any performance-based vesting conditions. Under the current plan, share options have been granted to employees upon joining the company. Additional grants have been awarded to employees on a discretionary basis taking into account the number of options held, overall performance, competitiveness of terms, work responsibility, importance of retention, organization level, and position.

2.6. Employee vesting schedule

Granted share options vest over a four-year period as follows: 25 percent of the options vest on the first anniversary of the grant date; and the remaining 75 percent of the options vest in equal monthly tranches over the next 36 months. Most options expire seven years after the grant date.

In the case of termination of employment, the employee will not vest further share options beyond notice of termination, unless the employee continues as a consultant to the company. Unless special circumstances dictate otherwise, the terminated employee can, as a general rule, exercise vested share options no later than the later of (i) the expiry of the second Exercise Period following the termination date for the Option Holder's employment with such entity in the Group and (ii) six months following the termination date of the Option Holder's employment with such entity in the Group (unless a later date has been resolved by the Board). Options not exercised prior to the above deadline will lapse.

In the event of a Take-over or a Statutory Merger all unvested options shall vest if, within 90 days following completion of such trade sale or merger, the Options are not replaced by a Substitute Option Program and the Board does not decide to settle the Options by cash compensation, the Options shall immediately vest. In such event, the Board shall resolve additional Exercise Periods and may determine that the Options must be exercised within a specific time.

2.7. Pension

Targovax ASA has a defined contribution pension plan as required by the Norwegian Law and as well an applicable contribution pension plan as required by Finnish Law for all employees employed in Targovax OY. These pension plans apply to all employees of Targovax ASA and Targovax OY respectively.

Currently, members of the Executive Management with residence outside Norway and Finland are not part of the company's respective national pension plans. The company pays these executives an annual amount in addition to base salary in lieu of their participation in a company scheme.

2.8. Other benefits

Benefits to the Executive Management may comprise certain other items such as healthcare, accident insurance, etc. on customary terms. Such benefits are approved by the Board of Directors by delegation of powers to the Compensation Committee. The Compensation Committee informs the Board of Directors of the process and outcome.

2.9. Termination of employment

Targovax may terminate the employment of an executive by giving three to twelve months' notice. Executives may terminate their employment by giving Targovax three to six months' notice.

2.10. Severance payment

In the event of termination – whether by Targovax or by the individual, some executives are, in addition to the notice period, entitled to a severance payment of 3 to 12 months' fixed base salary.

3. Overview

The below table provides an overview of the remuneration for members of the Board of Directors and Executive Management.

	Board of Directors	*Executive Management*
Fixed fee/base salary	Yes	Yes
Fee for committee work	Yes	No
Fee for ad hoc tasks	No	No
STIP (Short-term incentive program)	No	Target 20-35% of annual salary
LTIP (Long-term incentive program)	Yes, optional RSU's instead of cash	Yes
Pension	No	Yes
Travel allowance	Yes	No
Other benefits	No	As approved by the Board by delegation of powers to the Compensation Committee
Severance payment	No	Individually agreed

4. Board discretion

The Board of Directors may, on recommendation from the Remuneration Committee and based on its full discretion in the circumstances described below to ensure the Targovax's long-term interests, resolve to temporarily deviate from any sections of the Remuneration Policy:

- upon change of the CEO;
- upon changes in Company's group structure, organization, ownership and/or business (for example merger, takeover, demerger, acquisition, etc.);
- upon material change in the Company's strategy;
- upon changes in or amendments to the relevant laws, rules, or regulations (for example for regulatory, stock exchange control, tax or administrative purposes or to consider change in legislation or corporate governance requirements or guidance);
- upon other exceptional circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

Any deviation from this Remuneration Policy shall be reported in the Remuneration Report for the relevant year. If a deviation has continued so that it cannot be deemed temporary, Targovax shall prepare a new Remuneration Policy to be presented at the next possible General Meeting.