

**PHOTOCURE ASA**  
**THE BOARD OF DIRECTORS' DECLARATION ON DETERMINATION OF**  
**SALARIES AND OTHER REMUNERATION FOR SENIOR MANAGEMENT 2020**

## **1. General**

This declaration is prepared by the board of directors in Photocure ASA (“**Photocure**” or the “**Company**”) in accordance with the Norwegian Public Limited Liability Companies Act (the “**Companies Act**”) section 6-16a, for consideration at the annual general meeting on 10 June 2020.

Principles in this declaration regarding allocation of shares, subscription rights, options and any other form of remuneration stemming from shares or the development of the official share price in the Company are binding on the board of directors when approved by the general meeting. Such guidelines are described in section 3.2. Other guidelines are precatory for the board of directors. If the board of directors decides to deviate from these guidelines, the reasons for this change shall be stated in the minutes of the board of directors’ meeting.

The principles set out for the determination of salaries and other remuneration for senior management in this declaration shall apply for the financial year 2020 and until new principles are resolved by the general meeting in accordance with the Companies Act. The annual general meeting in 2021 will review how the principles set out in this declaration have been pursued in 2020 and deal with the principles for 2021 in accordance with the Companies Act.

## **2. Main principles**

Senior management remuneration in Photocure and group companies shall be determined based on the following main principles:

### **2.1 Remuneration shall be competitive, but not leading**

Senior management remuneration shall, as a general guideline, be suited to attract and retain skilled leaders in order to enhance value creation in the Company and support the alignment of interests between management and shareholders. Total remuneration should, as a general rule, be at level with remuneration for senior management in comparable industries, businesses and positions in the country in which the individual manager resides.

### **2.2 Remuneration shall be motivational**

Senior management remuneration shall be structured to drive motivation and encourage improvements in results and shareholder value. In general, the remuneration consists of five elements: base salary, short term incentives, long term incentives, benefits in kind and pension benefits.

The variable remuneration, short term and long term, is linked to value generation for shareholders over time. The variable remuneration is determined both by the achievement of individual and companywide key performance indicators and goals. Instrumental is that senior managers, both individually and as a team, can influence achievement of the key performance indicators and goals.

The long term incentives are tied to the development of the share price of the Company and in accordance with section 3.2 of this declaration.

### **2.3 Remuneration shall be comprehensible and acceptable both internally and externally**

The remuneration system shall not be unduly difficult to explain to the general public and should not involve disproportional complexity for the administration.

### **2.4 Remuneration shall be flexible, allowing adjustments over time**

To be able to offer competitive remuneration, the Company must have a flexible system that can accommodate changes as the Company and markets evolve.

## **3. Principles regarding benefits offered in addition to base salary**

The base salary is the main element of the senior manager's remuneration. Additional and variable remuneration elements are, at time of grant, subject to determination of specific maximum amounts depending on the position of the employee.

The following refers to the individual benefits which are granted in addition to base salary. Unless specifically mentioned, no special terms, conditions or allocation criteria apply to the benefits mentioned.

### **3.1 Additional benefits**

#### **3.1.1 Short term incentive / cash bonus scheme**

The Company has established a bonus scheme for senior management. These schemes are reviewed at least annually. Bonus schemes are tied to the achievement of strategic, operational and financial goals for the Company determined by the board of directors and adherence to compliance matters as well as achievement of personal goals. Personal goals for senior management are approved by the board of directors at the start of the year.

The Chief Executive Officer of the Company has a bonus agreement of up to 40% of base salary, while other members of the senior management team have bonus agreements from 20% to 35% of their base salary.

#### **3.1.2 Pension plans and insurance**

Senior managers in Norway participate in Photocure's pension scheme, which is a contribution scheme that involves payment of between 6% and 16% of the employee's salary, up to a maximum of 12 times the basic amount (Grunnbeløp) of the Norwegian National Social Security Scheme (Folketrygden). Photocure has established pension coverage for senior managers in Norway for salary above 12 G. The scheme is a contribution-based operating pension with provisions corresponding to 16% of salary above 12 G. In the event of resignation, full pension rights are conditional upon at least five years' employment, while less than 3-years' employment carries no rights. The pension schemes also cover in the event of disability.

Senior managers residing in the United States participates in a 401(k), a tax-qualified, defined-contribution pension account defined in subsection 401(k) of the Internal Revenue Code. In

addition, Photocure has established an additional pension coverage contributing annually an amount equal to 4% of salary and earned bonus.

The Company compensates senior management for health and life insurance plans in line with standard conditions for senior positions, in addition to mandatory occupational injury insurance required under Norwegian Law.

### **3.1.3 Severance schemes**

The Chief Executive Officer has a period of notice of thirty (30) days. In addition, and in accordance with detailed regulations, the Chief Executive Officer is entitled to a lump sum amount equal to 12 months of his base salary and prorated performance bonus adjusted for degree of bonus-objectives achieved at time of termination and also a lump sum related to a health care premium calculated for 12 months of coverage. Vice President and General Manager of US Operations has a period of notice of 30 (thirty) days and is under certain conditions entitled to a lump sum amount equal to 6 months of his base salary. Other senior management has a period of notice between 3 and 12 months.

### **3.1.4 Benefits in kind**

Senior managers will normally be given the benefits in kind that are common market practice, i.e., telephone expenses, a laptop, free broadband connection, newspapers and car allowance if applicable. There are no special restrictions on the type of other benefits that can be agreed on.

### **3.1.5 Loans and guarantees**

No loans are granted, nor are any securities provided for members of the senior management team, the board of directors, employees or other persons in elected corporate bodies.

### **3.1.6 Other benefits**

It may be used other variable elements in the remuneration or awarded other special benefits than those mentioned above, provided that this is considered expedient for attracting and/or retaining a manager. No special limitations have been placed on the type of benefits that can be agreed.

## **3.2 Binding principles for shares and other types of benefits related to shares or share price trends**

The Company operates an equity-settled, performance based compensation plan (option program) for its senior managers and selected personnel.

The option program is designed to create an ownership culture to ensure alignment between shareholders and senior employees of the Company. The program is an important tool to attract and retain high caliber employees as the Company has transformed itself from a technology-based company to a therapeutic area-focused commercial stage pharmaceutical company with focus on bladder cancer. In particular, the Company needs to adjust compensation structure to the regions where it operates. As the largest growth potential for the Company is in U.S., the Company needs to adjust to U.S. practices.

Senior management and selected employees will be eligible for option awards, including new hires, as decided by the board of directors. Awards will be on a discretionary basis taking into account performance, organizational level, location and position, and importance of retention. The option program has a performance-based remuneration element reflecting the underlying long term value creation of the Company. The board of directors shall, amongst others, take into consideration the Company's goals, strategies and performance as well as targeted individual performance for each participant. Total Company award will depend on goal achievement.

Company goals are mainly financial and related to growth and profitability, as are individual goals designed for the specific position. Company goals are mainly related to revenue growth and EBITDA. Individual performance goals are position specific and designed to support achievement of Company goals. All individual goals for senior management are approved by the board of directors.

Senior management are for 2020 measured as follows:

- CEO: Company goals 100%
- Other senior management: Company goals 70% / Individual goals 30%

The terms for the options for each individual, including any limits, are determined by the board of directors within the board of director's authorizations as resolved by the Company's general meeting. The board of directors will exercise discretion as to who will receive an equity award in any given year. This decision is based on recommendations made by the compensation committee. Awards will normally be granted on an annual basis based on Company performance and within the maximum size of the awards approved at the Company's annual general meeting. The number of outstanding options shall not exceed 9 % of the Company's total outstanding shares at any point in time.

The intention is that options will be granted annually with a strike price based on the weighted average share price 30 trading days after the annual general meeting with an additional premium of 10% on top of the calculated average price. Grants may also be made in connection with new recruitments. 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.

To avoid the risk of extreme payouts, the options shall have a cap on the maximum pay out of the share option. This cap shall equal 7 times the stock price at the time of grant.

To ensure long term ownership, shares following exercise of options by senior management 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 granting of any new options as well as exercise of any issued options 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.

The board of directors shall decide the further terms and conditions for the share options.

#### Proposed authorization

To recruit and retain experienced managers and key employees to support the commercial activities and growth, particularly in U.S., the Company needs to offer competitive compensation. The option program is an important element of this.

The board of directors proposes that the 2020 annual general meeting authorizes the board of directors to grant, during the period from the 2020 annual general meeting until the 2021 annual general meeting, up to 500,000 options as determined by the board of directors.

#### **4. Remuneration to senior managers in other Photocure companies**

All companies in the Photocure group are to follow the main principles for the determining of senior management salaries and remuneration as set out in this declaration. Photocure aims at coordinating management remuneration policy and the schemes used for variable benefits throughout the group.

#### **5. Statement on executive salary policy and consequences of agreements on remuneration in the previous financial year**

Remuneration, including pension and insurances, severance schemes, benefits in kind and other benefits granted to senior management are discussed in note 24 to the annual accounts for the financial year 2019.

The annual report and annual accounts for 2019 are available on the web site of the Company, [www.photocure.com](http://www.photocure.com).

The Company's previous restricted shares program was replaced with a share option program from 2019. The agreements entered into with senior management during the financial year 2019 are entered into in accordance with the principles for determining senior management salaries and remuneration as approved by the general meeting in 2019.

The board of directors believes that the guidelines for share-based remuneration promote value creation in the Company and that the impact they have on the Company and shareholders is positive.

Oslo, 6 April 2020  
The board of directors of Photocure ASA