

Remuneration report of Marinomed Biotech AG for the fiscal year 2020

1 Introduction

Already early in the fiscal year 2020, the COVID-19 crisis presented unprecedented challenges to Marinomed Biotech AG (hereinafter “Marinomed”) and its team. Marinomed has made good use of its expert knowledge on coronaviruses and of the Carragelose product platform. Even before the pandemic, Carragelose was well established, widely available in more than 40 countries on five continents and renowned for its clinically proven efficacy against human rhinoviruses, paramyxoviruses, respiratory syncytial virus, Influenza A and endemic coronaviruses.

The management team implemented targeted measures early by temporarily shifting priorities from the Marinosolv technology platform to the Carragelose segment. Marinomed postponed clinical studies that would otherwise have had to be aborted and initiated studies to assess Carragelose against SARS-CoV-2. The company presented evidence throughout 2020 and in the first months of 2021 that, in summary, supports the efficacy of Carragelose against SARS-CoV-2 and its use in the global fight against the pandemic. The approved use of Carragelose products for children from the age of one and a particularly strong safety profile support that this polymer from red seaweed can be a helpful building block for overcoming the pandemic.

Despite the challenges that 2020 presented to the management team and the company, financial results have been strong. Backed by an increasing amount of positive scientific data, Marinomed has seen strong growth in the Carragelose segment of 32% to EUR 8.1 million (2019: EUR 6.1 million) representing an all-time high and a gain of 55% compared to 2019’s revenues adjusted for a one-time effect. The management team continued to invest in research and development activities with expenditures of EUR 5.9 million (2019: EUR 4.8 million). Nevertheless, Marinomed closed the year as planned with a reduced loss of EUR 6.0 million in 2020 (2019: EUR 7.2 million).

On September 17, 2020, the Annual General Meeting of Marinomed approved the remuneration policy for the management board and the supervisory board of Marinomed Biotech AG (hereinafter “Remuneration Policy”) with 86.5% of the present share capital votes in favour of the policy.

This remuneration report for the remuneration of the members of the management board and the supervisory board of Marinomed (hereinafter “Remuneration Report”) has been prepared by the management board and the supervisory board of Marinomed in accordance with provisions set out in §§ 78c and 98a Austrian Stock Corporation Act (AktG). The Remuneration Report shall provide a comprehensive overview of the remuneration granted or owed to the current members of the management board as well as current and former members of the supervisory board within the framework of the Remuneration Policy (§§ 78a and 98a Austrian Stock Corporation Act (AktG)), including all benefits granted in any form during the last financial year. The remuneration policy was reviewed and approved by Marinomed's supervisory board at its meeting on 4th April 2020.

This Remuneration Report implements the provisions set out in §§ 78c and 98a Austrian Stock Corporation Act (AktG) that govern the information to be included in the Remuneration Report of Marinomed as a company listed on the Vienna Stock Exchange. It also takes into consideration statement 37 of the Austrian Financial Reporting and Auditing Committee (“AFRAC”) and the guidelines of the European Commission under Directive (EU) 2017/828 amending Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies.

In accordance with § 78d (1) Austrian Stock Corporation Act (AktG), the Remuneration Report must be submitted to the Annual General Meeting for voting. The vote is of a recommendatory nature and the resolution cannot be contested. Any subsequent remuneration report shall contain an explanation on how the voting results at the preceding Annual General Meeting were taken into account.

2 Management board remuneration

2.1 Remuneration principles

Marinomed has implemented a Remuneration Policy that is focused on the long-term goals of generating intellectual property (hereinafter “IP”), translating such IP into relevant products and subsequently commercialising these products. When deciding on the total remuneration of the management board members, the supervisory board must ensure that this remuneration is commensurate with the tasks and performance of the individual management board members, the company situation and customary remuneration, and that long-term incentives for sustainable corporate development are taken into account.

According to the Remuneration Policy the remuneration consists of the following elements:

- Non-performance-related fixed remuneration components;
- Variable remuneration components; and
- Long-term incentive through the stock option plan.

The fixed remuneration components comprise the base salary, benefits in kind and fringe benefits, but does not include pension expenses. The variable remuneration comprises quantitative and qualitative targets and is capped at 50% of the fixed remuneration. Furthermore, the members of the management board participate in a stock-option plan.

2.2 Remuneration for the financial year 2020

The supervisory board set the targets for variable remuneration in its first meeting in February 2020. The variable remuneration is based on strategic, scientific, operational and financial targets. At that point in time, it was not possible to foresee the course of the financial year, in particular not the considerable changes caused by the coronavirus pandemic. However, in light of the shareholder value perspective, the goals were not adjusted.

Initially, the company’s priority for 2020 was the search for a commercial partner for the flagship product of the Marinosolv platform, Budesolv, and concluding a licensing agreement, respectively. This goal was not achieved, due to shifting the priority towards combatting the coronavirus pandemic starting in March 2020. Additional priorities were related to clinical studies for the second product Tacrosolv and for the medical devices of the Carragelose platform. In addition, the commercial development of the Carragelose platform and other medium- and long-term initiatives were taken into account. This also included revenue targets and the refinancing of the property. The current standing of the company requires the management board members to balance Marinomed’s various goals at all times. As a result, there was no emphasis on strategic, scientific or financial goals and the performance evaluation of the management board members was based on all of these parameters.

The company has implemented an employee stock option plan for the benefit of members of the management board and other employees (the “employee stock option plan”, ESOP): This programme was approved by the Extraordinary General Meeting held on November 15, 2018 and by resolution of the supervisory board dated November 15, 2018. The effectiveness of the ESOP was conditional upon commencement of trading of the shares on the Vienna Stock Exchange.

The total volume of the stock option plan amounts to up to 43,694 stock options entitling holders to subscribe for a total of up to 43,694 shares, under which up to 21,847 stock options may be granted to members of the management board and up to 21,847 stock options may be granted to other employees of the company. The first trading day of the shares on the Vienna Stock Exchange was February 1, 2019 (the “ESOP grant date”). Once trading commenced, the options for the management board were issued to the three members.

Stock options may be exercised only to the extent that they have actually accrued (vested) to the relevant beneficiary. Stock options vest over a period of four years following the ESOP grant date, with 25% of the stock options vesting after 12 months from the ESOP grant date and thereafter 6.25% of the stock options vesting every three months over the following twelve quarters. Therefore, 43.75% of the issued options had vested as of December 31, 2020.

Stock options entitle the respective beneficiary to acquire shares from the company, whereas each vested stock option entitles the holder to acquire one share at a fixed exercise price, which corresponds to the offer price of EUR 75.00. Granted stock options expire after six years after the ESOP grant date and may be exercised only during fixed ten-day exercise periods and starting at the beginning of the sixth trading day following the publication of the annual financial statements or the quarterly report for the first, second and third quarters of the company's financial year.

The right to exercise stock options is conditional, among other factors, upon an increase in the company's share price — after vesting and before exercise of the stock options — of at least 2.5% per quarter compared to the offer price.

The stock option plan contains customary “good leaver/bad leaver” provisions under which a good leaver remains entitled to vested options with the non-vested options lapsing and vested options to be exercised within the next possible exercise period. A bad leaver loses all options, whether vested or not.

In financial year 2020, the total expenses for salaries and short-term employee benefits for the members of the management board excluding expenses for social security and payroll related taxes ran to an aggregate amount of kEUR 1,002 (2019: kEUR 1,314). The management board members were granted the following number of options: Andreas Grassauer 6,816 (thereof 80 exercised equity-settled in 2020); Eva Prieschl-Grassauer 6,816 (80 equity-settled); Pascal Schmidt 8,215 (250 equity-settled).

In the event that a member of the management board is dismissed for a cause that does not fall within the scope of Section 27 of the Austrian Employees Act, the respective management service agreement provides for compensation amounting to up to two annual salaries.

In order to provide shareholders with a comprehensible overview of the total remuneration of the members of the management board in line with the requirements of § 78c Austrian Stock Corporation Act (AktG), the total remuneration of the members of the management board is presented in a table based on the presentation format proposed by AFRAC:

All amounts in kEUR	Andreas Grassauer Chairman and Chief Executive Officer		Eva Prieschl- Grassauer Vice Chairwoman and Chief Scientific Officer		Pascal Schmidt Chief Financial Officer		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Expenses for fixed remuneration	200.0	200.0	208.6	208.6	212.0	212.0	620.6	620.6
Fixed remuneration paid	200.0	200.0	208.6	208.6	212.0	212.0	620.6	620.6
Expenses for variable remuneration	79.5	170.0	79.5	170.0	79.5	130.0	238.5	470.0
Variable remuneration paid	100.0	70.0	100.0	70.0	100.0	30.0	300.0	170.0
Of which:								
IPO bonus	-	70.0	-	70.0	-	30.0	0.0	170.0
Bonus 2019	100.0	-	100.0	-	100.0	-	300.0	-
Expense for granted options	44.5	69.5	44.5	69.5	53.6	83.8	142.5	222.9
Benefit from exercised stock options	3.5	-	3.5	-	11.0	-	18.0	-
Total remuneration expense	324.0	439.5	332.6	448.2	345.1	425.8	1,001.6	1,313.5
Change of total remuneration in percent	-26.3%		-25.8%		-19.0%		-23.7%	
Change of average remuneration of other employees							-13.0%	
Total shareholder return							16.7%	

3 Supervisory board remuneration

3.1 Remuneration principles

Marinomed's Remuneration Policy for the supervisory board shall ensure a remuneration for the members of the supervisory board that is commensurate with the tasks, responsibilities and the situation of the company. Its intention is to support a sustainable corporate strategy and a long-term development of Marinomed and to ensure the objectiveness and independence of the management board at the same time. The remuneration of the supervisory board consists of a fixed component, which is determined by the Annual General Meeting, and a meeting attendance fee. There is no long-term incentive component in the remuneration of the supervisory board.

As of December 31, 2020, the supervisory board of the company consisted of four members after Karl Lankmayr stepped down from his board seat at the end of October 2020. Therefore, the basic remuneration for Karl Lankmayr was granted on a pro rata basis for the duration of his service on the supervisory board.

In June 2019, the Annual General Meeting voted in favour of the proposed remuneration for the 2019 financial year and years thereafter. This grants a basic remuneration for the members elected by the Annual General Meeting as follows:

- (i) for the Chairman kEUR 50;
- (ii) for the Vice Chairwoman kEUR 20; and
- (iii) for any other member of the supervisory board kEUR 10.

In addition, there is an attendance fee of kEUR 2.5 per member and actually attended meeting.

3.2 Remuneration for the financial year 2020

The aggregate remuneration of the members of the supervisory board amounted to kEUR 173 in 2020 (2019: TEUR 186).

To provide shareholders with a clear overview, the remuneration of the supervisory board members is detailed in the following table:

all amounts in kEUR	Fixed remuneration	Attendance fee	Reimbursed expenses	Total
Simon Nebel Chairman	50.0	15.0	2.5	67.5
Ute Lassnig Vice Chairwoman	20.0	15.0	-	35.0
Karl Lankmayr Member until October 31, 2020	8.3	12.5	-	20.8
Gernot Hofer Member	10.0	15.0	-	25.0
Brigitte Ederer Member	10.0	15.0	-	25.0

4 Directors' and Officers' liability insurance (D&O insurance)

In 2019, Marinomed procured directors' and officers' liability insurance cover for its management and supervisory board members, its senior management at the expense of the company of kEUR 14 in 2020 (2019: kEUR 14). An appropriately sized deductible was agreed upon for the members of the supervisory board. The deductible agreed upon for the members of the management board is in line with the stipulations of the legal provisions of the Austrian Stock Corporation Act and the Austrian Corporate Governance Codex.

5 Other information

The annual change in the total remuneration of the management board, the company's loss for the period and the remuneration of other company employees is as follows:

all amounts in kEUR	2020	2019	Change
Loss for the period	-6,010.2	-7,216.5	-16.7%
Total remuneration management board	1,001.6	1,313.5	-23.7%
Number of other employees (FTEs, excluding management board)	34	28	21.1%
Average remuneration of other employees	68.8	79.1	-13.0%

6 Conformity with the Remuneration Policy

The total remuneration granted to the members of the management board and the supervisory board for fiscal year 2020 complies with the Remuneration Policy. There were no deviations from the Remuneration Policy adopted by the Annual General Meeting in September 2020 or from the implementation procedure described therein.

Korneuburg, May 2021

The management board

Andreas Grassauer

Eva Prieschl-Grassauer

Pascal Schmidt

Chairman of the supervisory board

Simon Nebel