

CORPORATE GOVERNANCE



## CORPORATE GOVERNANCE REPORT

CANTARGIA AB (publ) ("Cantargia" or "the Company") is a Swedish public limited company listed on Nasdaq Stockholm. Cantargia's corporate governance is based on Swedish law, Nasdaq Stockholm's rules for issuers and internal rules and regulations. The Company also applies the Swedish Corporate Governance Code ("the Code"). The Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

### Application of the Code

The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden. The Company is not required to comply with all rules in the Code, as the Code itself allows for deviations from the rules, provided that any such deviations, and the chosen solution, are described and the reasons for the deviation are explained in the corporate governance report (in accordance with the 'comply or explain' principle). The Company has currently not identified any deviations from the Code.

### Shareholders

Cantargia's shares have been listed for trading on Nasdaq Stockholm since 25 September 2018 (mid-cap as of 2021). At 31 December 2020, the total number of shares and voting rights in the Company was 100,192,737, represented by 10,434 shareholders. For further information on the Company's ownership structure and major shareholders, see page 37 of the annual report.

### Shareholders' meetings

In accordance with the Swedish Companies Act, the shareholders' meeting is the Company's highest decision-making body. At a shareholders' meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, the appropriation of the Company's earnings, release from liability for the members of the Board and the Chief Executive Officer, the election of Directors and auditors, and remuneration of Directors and auditors' fees. Under Cantargia's Articles of Association, notice of a shareholders' meeting is given by advertisement in Post- och Inrikes Tidningar and through publication of the notice on the Company's website. When notice is given, this must be advertised simultaneously in Svenska Dagbladet.

Shareholders who wish to participate in the negotiations at a shareholders' meeting must be registered in the share register maintained by Euroclear Sweden AB six business days before the meeting and register to attend the shareholders' meeting with the Company by the date indicated in the notice of the meeting. Shareholders can attend the meeting personally or by proxy and can be assisted by up to two persons. A shareholder has the right to vote all shares held. Each share in Cantargia entitles the holder to one vote. Shareholders who wish to request that a particular issue be addressed at a shareholders' meeting must submit a written request to the Board of Directors.

### Nomination Committee

Under a resolution of the Annual General Meeting of Cantargia on 27 May 2020, the Chairman of the Board is required, prior to the Annual General Meeting 2021, to convene, based on the ownership of Cantargia at 30 September 2020, a Nomination Committee consisting of one representative for each of the three largest shareholders of the Company as well as the Chairman of the Board. In accordance with these principles, the following Directors have been appointed:

- Marianne Nilsson, appointed by Swedbank Robur fonder
- Jannis Kitsakis, appointed by the Fourth Swedish National Pension Fund (AP4)
- Mikael Wiberg, appointed by Alecta Pensionsförsäkring Ömsesidigt
- Magnus Persson, Chairman of the Board

The Nomination Committee has appointed Marianne Nilsson as its chairman.

The Nomination Committee is required to perform the duties assigned to it under the Code and held nine meetings prior to the Annual General Meeting 2021. The Nomination Committee's complete proposals for the 2021 AGM will be published in connection with the notice of AGM.

## Board of Directors

Under Cantargia's Articles of Association, the Board of Directors shall, insofar as it is elected by the shareholders' meeting, consist of not less than three and not more than eight Directors, with no deputies. Currently, the Company's Board of Directors consists of seven ordinary Directors, including the Chairman, who have been elected by the shareholders'

meeting until the period of the end of the 2021 AGM. The composition of Cantargia's Board of Directors is considered to meet the requirements of the Code in respect of independence from the Company and from the Company's major shareholders. For a detailed presentation of the Directors, see page 82 of the annual report.

Name	Position	Member since	Independence of		Attendance			Total Director's fee 2020, TSEK
			The Company and management	Major shareholders	Board meetings	Audit Committee meetings	Remuneration Committee meetings	
Magnus Persson	Chairman	2016	Yes	Yes	19/19	-	3/3	465
Claus Asbjørn Andersson	Director	2013	Yes	Yes	17/19	-	3/3	230
Patricia Delaite	Director	2017	Yes	Yes	15/19	-	3/3	215
Thoas Fioretos	Director	2010	Yes	Yes	17/19	4/5	-	230
Karin Leandersson	Director	2016	Yes	Yes	19/19	5/5	-	230
Anders Martin-Löf	Director	2018	Yes	Yes	19/19	5/5	-	270
Flavia Borellini 1)	Director	2020	Yes	Yes	4/4	-	-	262

1) Elected to the Board at EGM on 13th of October 2020.

## Responsibilities and work of the Board

Under the Companies Act, the Board of Directors is responsible for the Company's administration and organisation, which means that it is responsible for adopting goals and strategies, ensuring that procedures and systems for evaluating adopted goals are put in place, monitoring the Company's results and financial position, and evaluating its operational management. Under the Code, the Chairman of the Board shall be elected by the AGM and hold a special responsibility for leading the work of the Board and ensuring that the Board operates in an organised and effective manner.

The Board of Directors operates in accordance with written rules of procedure which are reviewed and adopted annually at the inaugural Board meeting. The rules of procedure regulate Board practices, functions and the division of responsibilities between the Board and CEO, and between the Board and its committees. In connection with the inaugural Board meeting after each Annual General Meeting, the Board also adopts the terms of reference for the Chief Executive Officer, which include instructions for financial reporting. The Board convenes in accordance with a schedule that is defined annually. In addition to these Board meetings, further meetings can be convened to address issues which cannot be deferred to the next regular meeting.

In 2020, the Board convened on 19 occasions, including through 17 telephone meetings or meetings by correspondence. The Directors' attendance is shown in the table above. The activities of the Board in 2020 were dominated by discussions and strategic decisions on matters relating to the Company's product development, in particular its main project CAN04 and its successor, CAN10/CANxx. The Board also adopted resolutions regarding financing through share issues based on future capital requirements, the business plan with financial targets, risk management, dividend policy and financial reports.

## Board committees

The Board has established an Audit Committee and a Remuneration Committee. The members of the committees are appointed at the inaugural Board meeting and the committees' activities and authority are regulated in the committees' terms of reference. The matters addressed at the meetings of the committees are minuted and a report is presented at the following meeting of the Board.

### Audit Committee

The Company's Audit Committee consists of three members: Anders Martin-Löf (Chairman), Thoas Fioretos and Karin Leandersson. The Audit Committee shall, without prejudice to other responsibilities and duties of the Board, monitor the Company's financial reporting, monitor the effectiveness of

the Company's internal control, internal auditing and risk management, keep itself informed on the audit of the annual accounts and consolidated financial statements, and on the conclusions presented in the quality control report of the Swedish Inspectorate of Auditors, assess and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides other services than auditing to the Company, and assist in drafting proposed resolutions on the choice of auditors for adoption by the shareholders' meeting.

#### **Remuneration Committee**

The Company's Remuneration Committee consists of three members: Claus Asbjørn Andersson (Chairman), Magnus Persson and Patricia Delaite. The Remuneration Committee is tasked with preparing proposals for remuneration principles, and remuneration and other terms of employment for the CEO and other senior executives.

#### **Remuneration**

Fees and other remuneration of Directors, including the Chairman, are determined by the shareholders' meeting. At the Annual General Meeting on 27 May 2020, it was resolved that Directors' fees of SEK 450,000 to the Chairman of the Board and SEK 200,000 to each of the other ordinary Directors be paid for the period until the end of the Annual General Meeting 2021. It was also resolved that the Chairman of the Audit Committee should receive SEK 70,000 and the other members of the Audit Committee SEK 30,000 each, and that the Chairman of the Remuneration Committee receive SEK 30,000 and the other members of the Remuneration Committee SEK 15,000 each. It was further resolved that, for each physical Board meeting (up to a maximum of six meetings) that is held in Sweden and attended by the Director, a meeting fee of SEK 20,000 be paid to each Director living outside the Nordic region.

#### **Evaluation**

The Chairman of the Board ensures that an annual evaluation of the work of the Board is carried out in which the Directors are given an opportunity to present their views on Board practices, Board meeting materials, their own and other Directors' contributions as well as the scope of the duties. The results of the evaluation have been discussed by the Board and presented by the Chairman of the Board to the Nomination Committee. It is considered that the combined expertise of the Board is appropriate for the Company's activities and goals. The Board is considered to function very well, with all members making constructive contributions to discussions on strategy as well as the governance of the Company. The dialogue between the Board and management is also considered to be good. The Board continually evaluates the work of the Chief Executive Officer by monitoring the Company's progress towards the defined goals.

#### **Chief Executive Officer and management**

The Chief Executive Officer reports to the Board of Directors and is responsible for the Company's day-to-day

management and the operations of the group. The division of responsibilities between the Board and CEO is defined in the rules of procedure for the Board and the terms of reference for the CEO. Under the instructions for financial reporting, the CEO is responsible for financial reporting in the Company and is therefore required to ensure that the Board receives sufficient information to enable it continuously to evaluate the Company's financial position.

The CEO shall keep the Board continuously informed about the development of the Company's business, its sales performance, earnings and financial position, its liquidity and credit situation, significant business events and any other event, circumstance or relationship that may be of material importance to the Company's shareholders.

To assist him in his activities, the CEO has appointed a management team. For a more detailed presentation of the CEO and other members of the management team, see page 84 of the annual report.

#### **Remuneration**

At the Annual General Meeting on 27 May 2020, it was resolved to adopt guidelines for remuneration of the CEO and other senior executives in accordance with what is stated on page 57 of the annual report.

For information on the remuneration paid to the CEO and other senior executives in the financial year 2020, see Note 18 on page 62 of the annual report.

#### **Auditor**

The auditor is tasked with examining the Company's annual report and accounts as well as the Board of Directors' and CEO's management of the Company. Under the Company's Articles of Association, the Company may have up to two auditors with or without deputy auditors. The Company's auditors are Öhrlings PricewaterhouseCoopers AB with Ola Bjärehäll as auditor-in-charge.

For information on the remuneration paid to the auditor in the financial year 2020, see Note 6 on page 57 of the annual report.

#### **Authorisation to issue shares**

At the Annual General Meeting of the Company on 27 May 2020, it was resolved to authorise the Board, during the period until the next AGM, on or one or several occasions and with or without pre-emption rights for existing shareholders, to decide to issue new shares, provided that such issuance not comprise more than ten per cent of the number of outstanding shares of the Company on the day of the AGM. It shall also be possible to stipulate that such new shares be issued for non-cash consideration or paid for by means of set-off or subject to other terms and conditions.

#### **Share-based incentive schemes**

At the end of 2020, Cantargia had two incentive schemes for senior executives and key personnel of the Company. The

incentive schemes have been introduced to provide longer-term incentives for the Company's management and employees and to promote investments in and ownership of the Company's shares.

### **Incentive scheme**

At the Annual General Meeting of the Company on 27 May 2020, it was decided to introduce a variable share-based incentive scheme for 2020, aimed at senior executives and key personnel of the Company, based on the incentive scheme adopted at the 2019 AGM.

The scheme is designed to offer the participants variable long-term remuneration in the form of a group bonus that must be used to acquire shares of the Company. The scheme is based on that or those annual bonus targets which are defined by the Board for the Company and which refer to the Company's activities, financial key performance indicators and internal processes. Target achievement will be assessed by the Company's Board of Directors in connection with the adoption of the annual report for each year. When the target achievement has been determined by the Board of Directors, the amount due to each participant in the scheme will be paid out, and the participant will then be required to acquire shares as soon as possible. Participants must use the full amount of remuneration received under the scheme to acquire shares of the Company in the stock market. It is the intention of the Board that the scheme be a recurring annual scheme.

For further information about the scheme, see Note 19 on page 64 of the annual report.

### **Employee Stock Option Scheme 2020/2023**

At the Annual General Meeting on 27 May 2020, it was resolved to introduce Employee Stock Option Scheme 2020/2023 for employees of the Company, comprising not more than 1,900,000 employee stock options. The purpose of the scheme is to enable the Company to retain skilled personnel through a long-term incentive scheme.

The employee stock options will be offered to employees of or consultants to the Company and will be granted to the participants free of charge. The employee stock options have a three-year vesting period (1/3 per year) calculated from the grant date, provided, with the usual exceptions, that the participant is still employed by or otherwise engaged in the Company and that the participant has not terminated his or her employment or engagement in the Company as at the vesting date. Once vested, the employee stock options can be exercised over a two-year period.

Each vested employee stock option entitles the holder the right to purchase one share of the Company at a predetermined price. The price per share is determined as 150 per cent of the weighted average price of the Company's shares traded on Nasdaq Stockholm during the ten trading days preceding the grant date.

For further information about the scheme, see Note 19 on page 64 of the annual report.

### **Dilution**

To enable the Company to deliver shares to participants in Employee Stock Option Scheme 2020/2023 in a simple and cost-effective manner, an extraordinary general meeting on 13 October 2020 resolved to approve a directed issue of 1,900,000 warrants to the Company (i.e. Cantargia AB (publ)).

If fully exercised, the warrants would dilute the Company's share capital and voting rights by approximately 2.0 per cent.

### **Internal control in respect of financial reporting**

The Board of Directors is responsible for ensuring that Cantargia has good internal control and adequate, formalised procedures for ensuring compliance with adopted principles for financial reporting. The general purpose of the internal control system is to obtain reasonable assurance that the Company's operational strategies and goals are monitored and that the owners' investments are protected. The internal control system should also ensure with a reasonable degree of certainty that the Company's external financial reports are reliable and correct and have been prepared in accordance with generally accepted accounting policies, applicable laws and regulations as well as other requirements applying to companies listed on Nasdaq Stockholm.

The Company monitors, follows and manages any risks in accordance with a risk management and corporate governance policy that is evaluated on an ongoing basis and adopted annually by the Board of Directors. Cantargia has decided to adopt the COSO<sup>1</sup> framework, which is the most widely accepted internal control framework for financial reporting. The framework consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring.

#### ***Control environment and risk assessment***

The Board of Directors has adopted a number of policies, governing documents and instructions with the aim of creating and maintaining a functioning control environment. This is achieved mainly through the rules of procedure for the Board of Directors, the terms of reference for the Chief Executive Officer, the rules of procedure for the Audit Committee, the instructions for financial reporting, the Company's accounting manual and the authorisation manual. The Company's policies and governing documents are evaluated on an ongoing basis and adopted annually by the Board of Directors. The Board has also established an Audit Committee, which, among other duties, is tasked with monitoring the Company's financial position and the effectiveness of the internal control as well as internal auditing and risk management. Responsibility for the day-to-day internal control activities in respect of financial reporting has been delegated to the Company's Chief Executive Officer.

<sup>1</sup> Committee of Sponsoring Organizations of the Threadway Commission.

Cantargia's Board of Directors is also required to carry out an annual risk assessment in respect of strategic, operational, legal and financial risks to identify potential issues and assess the Company's risk exposure. The Audit Committee is responsible for evaluating the Company's risk situation on an ongoing basis and shall assist the Board by submitting proposals for the management of the Company's financial risk exposure and risk management.

#### *Information and communication, and control activities*

The Company's information and communication paths are aimed at ensuring the accuracy of financial reporting and enabling reporting and feedback from the business to the Board and management, for example by ensuring that governing documents in the form of internal policies, guidelines and instructions for financial reporting are made available to and are known by the employees concerned. With regard to external communications, guidelines have been prepared to ensure that the Company meets the relevant disclosure requirements. The CEO is responsible for external communications.

The Board is responsible for control and monitoring of the CEO's risk management activities. This is done through reviews and monitoring of the Company's governing documents related to risk management and, for example, through reviews and assessments by the Board of adopted decisions. The effectiveness of the control activities is evaluated annually and the results of these evaluations are reported to the Board and Audit Committee.

#### *Monitoring*

The CEO ensures that the Board receives regular reports on the results of the risk assessment, identified financial risks and processes, and the development of the Company's business. The Board also follows up the assessment of the internal control system, partly through contacts with the Company's auditor.



## THE AUDITORS' EXAMINATION OF THE CORPORATE GOVERNANCE REPORT

To the general meeting of the shareholders of Cantargia AB (publ), org.nr 556791-6019

### Engagement and responsibility

The Board of Directors is responsible for the Corporate Governance Report for the year 2020 on pages 74-79 of the printed version of this document having been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, the second paragraph, points 2-6 of the Annual Accounts Act are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 30, 2021

Öhrlings PricewaterhouseCoopers AB

Ola Bjärehäll

Authorized public accountant

Auditor in charge