

CORPORATE GOVERNANCE



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# 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 (Small Cap). At 31 December 2022, the total number of shares and voting rights in the Company was 166,987,895, represented by 12,654 shareholders. For further information on the Company's ownership structure and major shareholders, see page 70-71 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 23 May 2022, the Chairman of the Board is required, prior to the Annual General Meeting 2023, to convene 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:

- Jan Särilvik, appointed by Fjärde AP-fonden
- Mikael Wiberg, appointed by Alecta Pensionsförsäkring Ömsesidigt
- Mats Larsson, appointed by Första AP-fonden
- Magnus Persson, Chairman of the Board

The Nomination Committee has appointed Jan Särilvik as its chairman.

The Nomination Committee is required to perform the duties assigned to it under the Code and held 4 meetings prior to the Annual General Meeting 2023. The Nomination Committee's complete proposals for the 2023 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 eight ordinary Directors, including the Chairman, who have been elected by the share-

holders' meeting until the period of the end of the 2023 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 77 of the annual report.

Name	Position	Member since	Independence of		Attendance			Total Director's fee 2022, TSEK	
			The Company and management	Major share-holders	Board meetings	Audit Committee meetings	Remuneration Committee meetings		Drug development Committee meetings
Magnus Persson	Chariman	2016	Yes	Yes	15/15	-	2/2	3/3	620
Patricia Delaite	Director	2017	Yes	Yes	14/15	-	1/1	3/3	340
Thoas Fioretos	Director	2010	Yes	Yes	14/15	-	1/1	-	270
Karin Leandersson	Director	2016	Yes	Yes	14/15	5/5	-	-	290
Anders Martin-Löf	Director	2018	Yes	Yes	15/15	5/5	-	-	345
Flavia Borellini	Director	2020	Yes	Yes	12/15	-	-	3/3	520
Damian Marron	Director	2021	Yes	Yes	13/15	-	1/1	-	330
Magnus Nilsson	Director	2021	Yes	Yes	12/15	5/5	-	-	330

### 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 2022, the Board convened on 15 occasions, including through 14 Teams meetings or meetings by correspondence. The Directors' attendance is shown in the table above. The activities of the Board in 2022 were dominated by discussions and strategic decisions on matters relating to the Company's product development, in particular its main project nadunolimab and the development projects CAN10 and CANxx. The Board also adopted resolutions regarding the rights issue that was completed in 2022, the business plan with financial targets, risk management, dividend policy and financial reports.

### Board committees

The Board has established an Audit Committee, a Remuneration Committee, and a Drug Development 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), Magnus Nilsson, 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: Damian Marron (Chairman), Magnus Persson and Thoas Fioretos. 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.

#### *Drug development Committee*

The Board has established a Drug Development Committee consisting of three members: Flavia Borellini (chairman), Magnus Persson and Patricia Delaite. The Drug Development Committee shall act as an advisor and discussion partner for the company management in scientific and strategic issues concerning the development of the company's project portfolio.

### Remuneration

Fees and other remuneration of Directors, including the Chairman, are determined by the shareholders' meeting. At the Annual General Meeting on 23 May 2022, it was resolved that Directors' fees of SEK 550,000 to the Chairman of the Board and SEK 250,000 to each of the other ordinary Directors be paid for the period until the end of the Annual General Meeting 2023. It was also resolved that the Chairman of the Audit Committee should receive SEK 95,000 and the other members of the Audit Committee SEK 40,000 each, and that the Chairman of the Remuneration Committee receive SEK 40,000 and the other members of the Remuneration Committee SEK 20,000 each and that the Chairman of the Drug development Committee should receive SEK 230,000 and the other members of the Drug development Commit-

tee SEK 50 000 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, 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 79-80.

### 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 35 of the annual report.

For information on the remuneration paid to the CEO and other senior executives in the financial year 2022, see Note 18 on page 56 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 Mikael Nilsson as auditor-in-charge.

For information on the remuneration paid to the auditor in the financial year 2022, see Note 6 on page 52 of the annual report.

## AUTHORISATION TO ISSUE SHARES

At the Annual General Meeting of the Company on 23 May 2022, 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 2022, Cantargia had three 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 23 May 2022, it was decided to introduce a variable share-based incentive scheme for 2022, aimed at senior executives and key personnel of the Company, based on the incentive scheme adopted at the 2020 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 58 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 58 of the annual report.

### Employee Stock Option Scheme 2021/2024

At the Annual General Meeting on 26 May 2021, the shareholders approved the introduction of Employee Stock Option Scheme 2021/2024, comprising not more than 3,000,000 employee stock options. The purpose of the scheme is to enable the company to retain skilled personnel through a long-term incentive scheme.

The options will be offered to employees of or consultants to the company and will be allocated to the participants free of charge. The options have a three-year vesting period from the date of allocation, provided, with the usual exceptions, that the participant remains an employee of or continues to provide services to Cantargia. Once vested, the options can be exercised during a two-year period.

Each vested option gives the holder the right to purchase one share of the company at a pre-defined price. The price per share will be determined as 150 percent of the volume weighted average price of the company's shares traded on Nasdaq Stockholm during the ten trading days preceding the allocation date.

For further information about the scheme, see Note 19 on page 58 of the annual report.

**Dilution**

To enable the Company to deliver shares to participants in Employee Stock Option Scheme 2020/2023 as well as 2021/2024 in a simple and cost-effective manner, the AGM resolved to approve a directed issue of 4,900,000 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 3.1 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 several 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.

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.

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

# Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Cantargia AB (publ), corporate identity number 556791-6019

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## Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2022 (the financial year) on pages 69-74 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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 statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö 27 april 2023

Öhrlings PricewaterhouseCoopers AB

**Mikael Nilsson**

Authorized Public Accountant