

CORPORATE GOVERNANCE REPORT

ALLIGATOR   
bioscience

# 2019

*Alligator Bioscience AB (publ)*



We fight cancer through the immune system.

# A revolution for life.

# Corporate governance report.

Alligator's corporate governance is governed by the Nasdaq Stockholm rules for issuers, the Swedish Corporate Governance Code (the "Code"), the Swedish Companies Act, good practice in the stock market and other applicable rules and recommendations, and the company's Articles of Association and internal governing documents. The internal governing documents mainly cover the rules of procedure for the Board, the mandate to the CEO and the terms of reference for financial reporting. Alligator also has a number of policy documents and manuals containing rules and recommendations, laying down principles and providing guidance for the company's operations and for its employees.

This corporate governance report has been drawn up in accordance with the rules in the Annual Accounts Act and in the Code. The corporate governance report has been reviewed by the company's auditors in accordance with the provisions of the

Annual Accounts Act, and the auditor's opinion is included in the auditor's report on pages 82–86.

## Shareholders

At the end of 2019, Alligator had 7,395 shareholders. The number of shares was 71,388,615. There is only one class of share. Each share entitles the holder to one vote at the Annual General Meeting, and all shares have equal rights to the company's assets and profits.

Further details of Alligator's shareholder structure, shares etc. are presented on pages 17–18.

## Shareholders' meeting

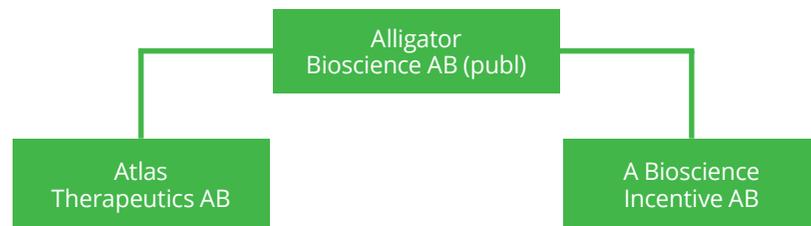
The shareholders' right to decide on the company's affairs is exercised through the supreme decision-making body, the shareholders' meeting (Annual General Meeting or any extraordinary general meeting). For example, the meeting decides on changes

to the Articles of Association, appoints the Board and the auditors, approves the income statement and balance sheet, releases the Board and CEO from liability, decides on the appropriation of profit/loss, and adopts principles for appointing the Nomination Committee and guidelines for remuneration of senior executives.

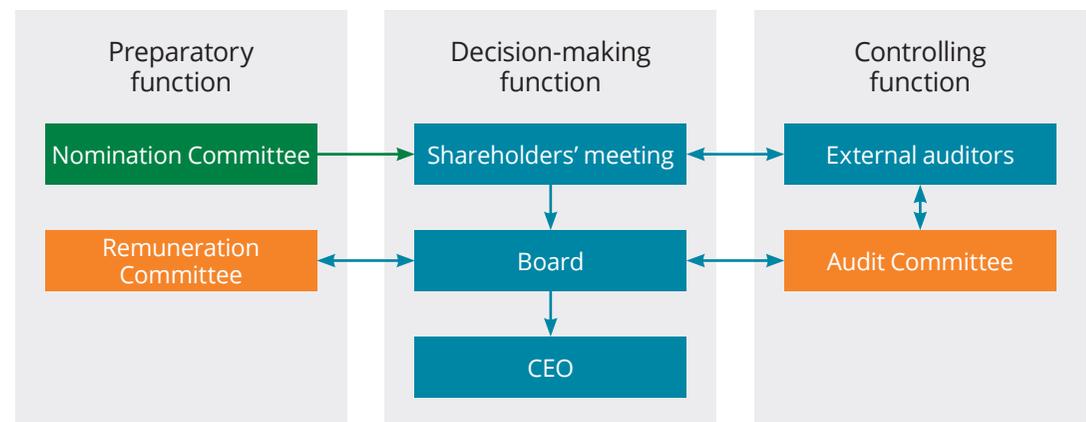
Shareholders may raise a given issue for discussion at the shareholders' meeting. Shareholders who wish to exercise this right must submit a written request to the Board of the company. Such requests must normally reach the Board no later than seven weeks before the shareholders' meeting.

The shareholders' meeting is held in Lund, Sweden. Invitations to the Annual General Meeting and any extraordinary general meeting which is to discuss changes to the Articles of Association must be sent out no more than six weeks and no later than four weeks before the meeting. Invitations to other extraordinary general meetings must be sent out no more than six weeks and no less

## Legal structure



## Overview of corporate governance in the Alligator Group



than three weeks before the meeting. Invitations are published in Post- och Inrikes Tidningar (the Swedish government gazette) and on the company's website. The issuing of invitations is also advertised in Dagens Industri.

In order to participate in the shareholders' meeting, shareholders must be entered in the register of shareholders maintained by Euroclear Sweden AB no later than five working days before the meeting, and notify the company no later than the date provided in the meeting invitation. This day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than five working days before the shareholders' meeting.

#### **Annual General Meeting 2019**

At the Annual General Meeting held on May 9, 2019, Peter Benson was re-elected as Chairman of the Board and Carl Borrebaeck, Ulrika Danielsson, Anders Ekblom, Kenth Petersson and Jonas Sjögren were re-elected as ordinary members of the Board. Graham Dixon and Kirsten Drejer were elected as new ordinary members of the Board. Furthermore, Ernst & Young AB were re-appointed as auditors. The Annual General Meeting decided on the fees to the Board as described under Remuneration of the Board below. Finally, the Annual General Meeting also approved the instructions and rules of procedure for the Nomination Committee as described under Nomination Committee below, and the remuneration policy for senior executives as set out in the administration report.

#### **Nomination Committee**

The Code stipulates that the company should have a Nomination Committee whose duties should include preparing and producing proposals for the election of Board members, the Chairman of the Board, the chair of the shareholders' meeting and the auditors. The Nomination Committee should also propose the fees payable to Board members and auditors. At the Annual General Meeting on May 9, 2019, it was decided to adopt an instruction and rules of procedure for the Nomination Committee whereby the Nomination Committee should be made up of four members representing the three largest shareholders on the last working day of June, and the Chairman of the Board. The largest

shareholders are owner-registered shareholders or other known shareholders as of the last working day in June. Before accepting the assignment, a member of the Nomination Committee should consider carefully whether there is any conflict of interest.

If any of the three largest shareholders declines to appoint a representative, or their representative leaves or steps down before completing the assignment without the shareholder that appointed the member appointing a new one, the Chairman of the Board must invite the next-biggest shareholders in order of size down to the tenth-largest (i.e. starting with the fourth-largest) to appoint a shareholder representative within one week of the request. If, despite such requests, only three members have been appointed four months before the Annual General Meeting, the Nomination Committee must be able to be constituted with three ordinary members and it must then be able to decide whether or not this procedure should be pursued to appoint the fourth member.

The members of the Nomination Committee should be published no later than six months before the Annual General Meeting on the company's website. In the event of significant changes of ownership earlier than six weeks before the Annual General Meeting, a new shareholder representative should be appointed. The Chairman of the Board should then contact whichever of the three largest shareholders has no shareholder representative and invite them to appoint one. When this shareholder representative is appointed they should join the Nomination Committee and replace the previous member who no longer represents one of the three largest shareholders.

The Nomination Committee must meet the requirements for its composition laid down in the Code. If the larger shareholders who are entitled to appoint members of the Nomination Committee wish to appoint people who cause the requirements for the composition of the Committee laid down in the Code not to be satisfied, a larger shareholder will take precedence over a smaller in its choice of member. When a new member is appointed as a result of significant changes in ownership, the shareholder who is to appoint a new member must consider the composition of the existing Nomination Committee. The Nomination Committee should appoint its own chairperson. The Chairman of the Board

or other Board representative may not chair the Nomination Committee. The mandate for the appointed Nomination Committee will run until a new Nomination Committee is appointed.

Fees may be paid to the members of the Nomination Committee as decided by the shareholders' meeting.

In accordance with the instruction adopted, a Nomination Committee has been constituted ahead of the 2020 Annual General Meeting comprising: Hans-Peter Ostler representing Jonas Sjögren, Jan Lundström representing Sunstone Life Science Ventures Fund II K/S and Lars Bergkvist (chairman) representing Lars Spånberg and the Chairman of the Board Peter Benson.

#### *Deviations from the Code*

As work by the Nomination Committee to prepare proposals for election and remuneration of the Board was not completed before publication of the invitation to the Annual General Meeting on April 10, 2019, the Nomination Committee's proposals on these issues were not included in the invitation or published on the company's website in connection with the invitation. When the Nomination Committee had completed its work, the Committee's proposals were published in respect of the election and remuneration of the Board through a separate press release on April 17, 2019.

Information concerning the composition of the Nomination Committee was announced through a press release on November 13, 2019, which was later than the six months before the Annual General Meeting as stipulated in the Code.

#### **External audit**

The company's auditor is appointed by the Annual General Meeting for the period up to the end of the next AGM. The auditor reviews the annual report and accounts and the administration by the Board and the CEO. After each financial year, the auditor is required to submit an audit report to the shareholders' meeting.

The company's auditor reports his/her observations from the audit to the Board each year, along with an assessment of the company's internal control.

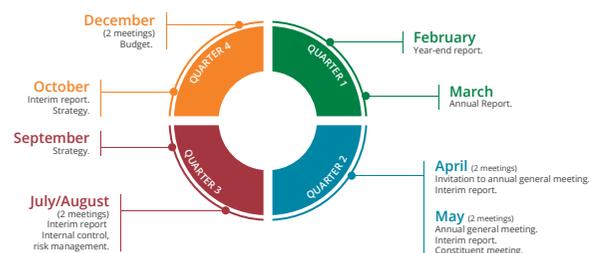
At the Annual General Meeting on May 9, 2019, Ernst & Young Aktiebolag was re-elected as the company's auditor, with certified public accountant Johan Thuresson as chief auditor. The Annual General Meeting also decided that fees should be paid to the auditor in accordance with the usual charging rules and approved invoices. The auditor's fee for the 2019 financial year was SEK 522,000.

## The Board of Directors

### Duties of the Board

Next to the shareholders' meeting, the Board is the company's highest decision-making body. The Board is responsible for the organization of the company and the management of the company's affairs, e.g. by setting its goals and strategy, maintaining procedures and systems to monitor the specified goals, continuously assessing the company's economic situation and evaluating its operational management. The Board is also responsible for ensuring that correct information is given to the company's stakeholders, that the company complies with laws and regulations and that the company produces and implements internal policies and ethical guidelines. The Board also appoints the company's CEO and decides on his/her salary and other remuneration based on the guidelines adopted by the shareholders' meeting.

### Board meetings 2019



### Composition of the Board

The members of the Board appointed by the shareholders' meeting are elected each year at the Annual General Meeting for the period up to the next AGM. According to the company's Articles of Association, the Board should comprise at least three and at most eight members, without deputies.

According to the Code, the majority of the Board members elected by the shareholders' meeting should be independent of the company and of its senior management. To decide whether or not a member is independent, an overall assessment should be made of all matters that could cast doubt on the member's independence of the company or its senior management. According to the Code, at least two of the members who are independent of the company and of its senior management should also be independent of major shareholders. Major shareholders are those who directly or indirectly control 10% or more of all shares and votes in the company. To determine a member's independence, the extent of that member's direct and indirect relationships with the major shareholder should be taken into consideration. A Board member who is an employee or board member in a company that is a major shareholder is not considered to be independent.

The Board's assessment is that all members are independent of major shareholders. With the exception of Carl Borrebaeck,

all Board members are independent in relation to the company and its management. As indicated, the Board of Directors is of the opinion that the company meets the Code's independence requirements.

### Chairman of the Board

The role of the Chairman is to lead the work of the Board, and to ensure that its work is carried out effectively and that the Board can meet all its obligations.

The Chairman should meet with the CEO to monitor developments in the company and ensure that the members of the Board are provided through the auspices of the CEO with the information needed to monitor the company's position, financial planning and development.

The Chairman should also consult with the CEO on strategic matters and check that the decisions of the Board are implemented in an effective manner.

The Chairman is responsible for contacts with shareholders on matters of ownership and for conveying the views of the shareholders to the Board. The Chairman is not involved in the day-to-day work of the company. Nor is he a member of senior management.

### Board and committee members 2019

Name	Position	Attendance		
		Board	Audit Committee	Remuneration Committee
Peter Benson	Chairman of the Board, Member of Remuneration Committee	13/13		2/2
Carl Borrebaeck	Board member	7/13		
Ulrika Danielsson	Board member, Chair of Audit Committee, Member of Remuneration Committee	10/13	6/6	1/1
Graham Dixon	Board member	7/8		
Kirsten Drejer	Board member	7/8		1/1
Anders Ekblom	Board member, Chair of Remuneration Committee	10/13		2/2
Kenth Petersson	Board member, Member of Audit Committee	13/13	6/6	
Jonas Sjögren	Board member, Member of Audit Committee	12/13	6/6	
Laura von Schantz	Board member, Employee representative	13/13		

### *Work of the Board*

The Board follows written rules of procedure that are reviewed each year and adopted by the constituent Board meeting. Among other things, the rules of procedure govern the Board's working methods, tasks, decision-making within the company, the meeting schedule for the Board, the tasks of the Chairman and the breakdown of responsibilities between the Board and the CEO. The terms of reference for financial reporting and instructions to the CEO are also adopted at the constituent Board meeting.

The work of the Board is also driven by an annual presentation schedule, to meet the Board's need for information. The Chairman and the CEO, along with the members of the Board, maintain an ongoing dialog on the management of the company.

The Board meets according to a predefined annual timetable and should hold at least seven ordinary Board meetings between Annual General Meetings. Extra meetings may also be arranged to deal with matters that cannot be postponed to any of the ordinary meetings. In 2019, the Board met on a total of thirteen occasions.

The yearly evaluation of the Board has been performed by individual interviews with Board members and senior management about their view on the Board's work, composition and areas for improvement. The feedback has been reported back to the Nomination Committee and the Board consolidated.

### *Remuneration of the Board*

Fees for the Board members elected by the shareholders' meeting are decided by the Annual General Meeting. Before the 2020 Annual General Meeting, the Nomination Committee will submit proposals for the fees to be paid. At the Annual General Meeting on May 9, 2019, it was decided that the fees should be SEK 550,000 to the Chairman and SEK 300,000 to each of the ordinary Board members who are not employees of the company. It was also decided that payment for committee work should be made at SEK 125,000 for the chair of the Audit Committee, SEK 30,000 to each of the ordinary members of the Audit Committee and SEK 25,000 to the chair of the Remuneration Committee. No addition-

al fees were paid for work by ordinary members of the Remuneration Committee. See also Note 12 Payments to senior executives.

### **Audit Committee**

The Audit Committee monitors the company's financial position and the effectiveness of its internal control and risk management. It keeps itself informed of the audit of the annual accounts and consolidated accounts, and reviews and monitors the impartiality and independence of the auditor. The Audit Committee should also assist the Nomination Committee with resolutions on the election of and fees payable to the auditor. Since the Annual General Meeting on May 9, 2019, the Audit Committee has comprised Ulrika Danielsson (Chair), Kenth Petersson and Jonas Sjögren.

### **Remuneration Committee**

The Remuneration Committee chiefly addresses questions of remuneration and other conditions of employment of the CEO and senior executives. The Remuneration Committee should also follow up and evaluate ongoing variable remuneration schemes for senior management and those schemes completed during the year and follow up and assess compliance with the guidelines on remuneration of senior executives decided on by the Annual General Meeting. Since the Annual General Meeting on May 9, 2019, the Remuneration Committee has comprised Anders Ekblom (Chair), Kirsten Drejer and Peter Benson.

### **CEO and other senior executives**

The CEO is subordinate to the Board and his main task is to handle the company's day-to-day management and operations. The rules of procedure for the Board and the instruction to the CEO set out the matters to be decided by the Board of the company and those for which the CEO is responsible.

The CEO is also responsible for producing reports and decision documents ahead of the Board meetings, and for presenting this material at Board meetings.

Alligator's Management Team consists of six persons: the CEO, the Chief Financial Officer, Chief Medical Officer, Vice President (VP) Discovery, Senior VP Preclinical Development and VP Busi-

ness Development. As of January 1, 2020, the new Chief Operating Officer has also joined the Management Team.

### *Remuneration of senior executives*

The remuneration of senior executives may consist of basic salary, variable remuneration, pension benefits, other benefits and severance conditions. The CEO and other senior executives were paid salaries and other remuneration for the 2019 financial year as set out in Note 12.

The notice period for the CEO is six months, whichever party serves notice. The CEO will be entitled to a severance payment equal to six months' salary in the case of termination by the company. The notice period for other senior executives is three months, whichever party serves notice. No severance payments have been agreed for other senior executives.

See also Guidelines for remuneration to senior executives on page 31.

### **Internal control**

The Board's responsibility for internal control is laid down in the Companies Act, the Annual Accounts Act, which contains requirements to the effect that details of the major features of Alligator's systems for internal control and risk management in relation to financial reporting must be included in the corporate governance report, and the Code. Among other things, the Board is required to ensure that Alligator has good internal control and formalized procedures to ensure that the established principles for financial reporting and internal control are adhered to and that there are suitable systems for follow-up and control of the company's activities and the risks inherent in the company and its operations.

The overall purpose of internal control is to provide reasonable assurance that the company's operational strategies and goals are followed up and that the shareholders' investments are protected. The internal control should also provide reasonable assurance that external financial reporting is reliable and prepared in accordance with good auditing practice, that applicable laws and regulations are obeyed and that requirements for listed

companies are complied with. Internal control essentially covers the following five components.

#### *Control environment*

The Board bears the overall responsibility for internal control over financial reporting. In order to create and maintain a functioning control environment, the Board has adopted a number of policies governing financial reporting. These mainly comprise the rules of procedure for the Board, the mandate to the CEO and the terms of reference for financial reporting. The Board has also adopted a special set of signatory rules and a Financial Policy. The company also has a finance manual containing principles, guidelines and process specifications for accounting and financial reporting. The Board has also set up an Audit Committee whose main task is to ensure that the approved principles for financial reporting and internal control are complied with and that regular contact with the company's auditor is maintained. The responsibility for maintaining an effective control environment and for the day-to-day work on internal control over financial reporting rests with the CEO. The CEO reports to the Board on a regular basis in accordance with the instruction to the CEO and the terms of reference for financial reporting. The Board also receives reports from the company's auditor.

Based on a control environment assessed as good, and the size of the company, the Board has determined that there are no special circumstances in the business or other matters to justify setting up an internal audit function.

#### *Risk assessment*

The risk assessment involves identifying risks that could arise if the fundamental requirements for financial reporting in the company were not met. In a separate risk assessment document, Alligator's Management Team has identified and evaluated the risks arising in the company's operations and assessed how these risks can be handled. Within the Board, the Audit Committee bears the primary responsibility for regularly assessing the company's risk situation, after which the Board carries out an annual review of the risk situation.

#### *Control activities*

Control activities contain identified risks and ensure correct and reliable financial reporting. The Board is responsible for internal control and monitoring by senior management. This is done via both internal and external control activities and through review and follow-up of the company's governing documents relating to risk management.

#### *Information and communication*

The company has information and communication paths designed to promote accuracy in financial reporting and to enable reporting and feedback from the business to the Board and management, such as by making governing documents in the form of internal policies, guidelines and instructions available and known to the employees concerned. The Board has also adopted an Information Policy governing the company's disclosure of information.

#### *Follow-up*

Compliance with and effectiveness of the internal controls are followed up on a regular basis. The CEO ensures that the Board receives regular reports on the development of the company's operations, including the development of the company's results and financial position and details of significant events such as research findings and major agreements. The CEO also reports on these matters at each Board meeting.