

Corporate governance report

Overview

AlzeCure Pharma AB (AlzeCure®) is a Swedish public limited liability company governed by Swedish law, primarily the Swedish Companies Act (2005:551), the Swedish Annual Accounts Act (1995:1554) and internal rules and regulations. Because the company's shares are traded on Nasdaq First North Premier Growth Market, the company also complies with Nasdaq First North's regulatory framework, the Swedish Corporate Governance Code (the Code) and pronouncements by the Swedish Securities Council concerning best practices on the Swedish stock market.

As a rule, the Code is not applicable to companies whose shares are admitted to trading on a so-called multilateral trading facility (such as Nasdaq First North Growth Market); however, since July 1, 2018 the Code applies to companies whose shares are admitted to trading in the Premier segment at Nasdaq First North Growth Market. While the Code specifies a higher standard of good corporate governance than the minimum requirements of the Swedish Companies Act, companies are not obliged to comply with all of the rules in the Code as it provides leeway to deviate from the rules on the condition that all such deviations and the chosen alternative solutions are described and that the reason for the deviations are explained in the corporate governance report under the so-called comply-or-explain principle.

Shareholders

AlzeCure's share is listed on Nasdaq First North Premier Growth Market. Share capital as of December 31, 2021 amounted to SEK 944,000 distributed over 37,765,715 shares, each with a quota value of SEK 0.025. BFCM P/C BFCM Sweden Retail LT was the largest individual shareholder as of December 31, 2021 and represented 11.9 percent of the shares. They were also the only shareholder who, as of the closing date, had a shareholding in the company that represented at least one tenth of votes for all shares in the company.

All shares are ordinary shares and have equal rights to the company's profit, and each share entitles the holder to one vote at the AGM. At the AGM, each shareholder is entitled to vote the full

number of shares, owned or represented, without limitation to the number of votes.

Annual General Meeting (AGM)

Shareholders exercise their voting rights at the AGM. The AGM must be held within six months of the end of each financial year.

Shareholders exercise their right to decide on the company's affairs at the AGM. Shareholders exercise their voting rights on key issues such as the approval of income statements and balance sheets, the appropriation of the company's profit or loss, the discharge from liability of Board members and the CEO, the election of Board members and auditors, and compensation to the Board and auditors.

Extraordinary shareholders' meetings may be convened in addition to the AGM. In accordance with AlzeCure's articles of incorporation, notice convening the AGM is announced through the Official Swedish Gazette (Post- och Inrikes Tidningar) and by making the notice available on the company's website. At the same time, an advertisement informing that notice has been given must be placed in the Swedish business daily, Dagens Industri. According to the company's articles of incorporation, the AGM must be held in Stockholm, Sweden.

Right to attend the AGM

Shareholders who are registered directly in the shares ledger kept by Euroclear Sweden AB six working days before the AGM and who have notified the company of their intention to participate in the AGM not later than the date specified in the notice to attend the AGM, have the right to participate in the AGM and to vote the number of shares they hold. Shareholders whose shares are registered in the name of a nominee or trustee must register their shares with Euroclear in their own name for the right to participate in the AGM. Such registration may be temporary. Shareholders may participate in the AGM in person or by proxy, but by no more than two persons. Shareholders are usually able to register for the AGM in a number of different ways, described in more detail in the notice to attend.

Initiatives from shareholders

Shareholders who wish to have a matter addressed at the AGM are required to submit a request in writing to the Board. Usually, the request must be received by the Board no later than seven weeks before the AGM.

2021 Annual General Meeting

AlzeCure's Annual General Meeting was held on May 17, 2021. In addition to the customary agenda items, the AGM resolved the following:

- to reelect Thomas Pollare, Ragnar Linder and Ellen Donnelly, and to elect Eva Lilienberg, as board members until the end of the next AGM. Pirkko Sulila Tamsen declined reelection;
- to reelect Thomas Pollare as Chairman of the Board until the end of the next AGM;
- to reelect registered auditors Grant Thornton Sweden AB as the company auditor;
- that a fee be paid in the amount of SEK 200,000 to the Chairman of the Board and SEK 100,000 to each of the other Board members who are not employees of the company;
- that the auditors fee be paid against approved invoice;
- to approve the Board's remuneration report in accordance with Chapter 8, Section 53 a of the Swedish Companies Act; and
- to authorize the Board to resolve on the new issue of shares, warrants and/or convertibles on one or more occasions before the next AGM, with or without deviation from shareholders' preferential rights, that involves the issue, subscription or conversion to a number of shares corresponding to a maximum dilution of 20 percent of the total number of shares in the company at the time of the resolution. The new issues can be carried out with or without a provision regarding contribution in kind, set-off or other provisions referred to in Chapter 13, Section 5, first paragraph 6, Chapter 14, Section 5, first paragraph 6 and Chapter 15, Section 5, first paragraph 4, of the Swedish Companies Act. The purpose of the authorization is to increase the company's financial flexibility and the Board of Directors' scope of action.

2022 Annual General Meeting

The Annual General Meeting will be held on Tuesday, May 17, in Stockholm. Notice convening the AGM will be announced through the Official Swedish Gazette (Post- och Inrikes Tidningar) and by making the notice available on the company's website. At the same time, an advertisement informing that notice has been given will be placed in the Swedish business daily, Dagens Industri.

Shareholders who wish to have an issue addressed at the AGM must submit a written request to the Board well in advance of the AGM. The Board may be contacted by letter at: Board of Directors, AlzeCure Pharma AB, Hälsovägen 7, 141 57 Huddinge, or by e-mail to: info@alzecurepharma.com

Nomination Committee

The 2019 AGM resolved to establish a nomination committee tasked with preparing resolutions prior to AGMs on matters concerning elections and fees and, where appropriate, procedural matters for the next nomination committee, and to establish instructions for said committee's work. The nomination committee must comprise the three largest shareholders as of September 30 in terms of votes, and who wish to participate in the nomination committee's work.

Instructions concerning the work and composition of the nomination committee

The Chairman of the Board must contact the company's three largest shareholders in terms of votes according to a transcript of Euroclear Sweden AB's shares ledger on September 30, and allow each to appoint a representative, who together with the Chairman of the Board, will constitute the nomination committee. Should any of them not exercise the right to appoint a member, the right to appoint such a member will be transferred to the next biggest shareholder in terms of votes who does not already have the right to appoint a member to the nomination committee. This procedure must continue until the nomination committee comprises three members excluding the Chairman of the Board. Unless otherwise agreed, the member representing the biggest shareholder

in terms of votes must be appointed chairman of the nomination committee. The Chairman of the Board may not be chairman of the nomination committee.

The Chairman of the Board must convene the nomination committee's first meeting and also, as part of the nomination committee's work, present to it the conditions regarding the work of the Board and the requirement for special skills etc. that may be of importance for the nomination committee's work.

The names of nomination committee members must be published as soon as the nomination committee is appointed, but no later than six months before the next AGM. The nomination committee's term of office runs from the date when its composition is made public until such time as a new nomination committee is appointed.

If any change in the company's ownership structure takes place after September 30 but before the nomination committee's complete motions have been made public, and if a shareholder, who following this change has become one of the company's three biggest shareholders in terms of votes, expresses a wish to the nominating committee chairman to become a member of said committee, the shareholder has the right to appoint an additional member to the nomination committee. Furthermore, the nomination committee may resolve that a member, who in terms of votes has become significantly smaller than the third biggest company shareholder in terms of votes, must resign from the nomination committee if this is deemed appropriate.

If a member of the nomination committee resigns during the term of office or if said member is prevented from fulfilling the assignment, the nomination committee must urge the shareholder who appointed the member to appoint a new member within a reasonable time. Should any shareholder not exercise the right to appoint a new member, the right to appoint such a member will be transferred to the next biggest shareholder in terms of votes who has not already appointed, or who has declined the right to appoint, a member to the nomination committee. Changes to the composition of the nomination committee must be made public as soon as they take place.

The nomination committee must put forth proposals on the matters listed below for presentation to the AGM for resolution:

- proposed chairman of the meeting,
- proposed Board of Directors,
- proposed Chairman of the Board
- proposal for board fees and their distribution between the Chairman and other members of the Board,
- proposals for fees to members of the remuneration and audit committees (where applicable),
- proposed auditors
- proposed fees to auditors and to the extent considered necessary, proposals for amendments in current nomination committee regulations.

No fee shall be paid to the members of the nomination committee. These instructions are applicable until the AGM resolves otherwise.

Nomination committee for the 2022 Annual General Meeting

The company's nomination committee for the 2022 Annual General Meeting consists of:

- William Gunnarsson, appointed by BFCM P/C BFCM Sweden Retail LT
- Bo Rydinger, appointed by FV Group AB
- Liselotte Jansson, appointed by AlzeCure Discovery
- Thomas Pollare (Chairman of the Board)

Guidelines for remunerations to senior executives

The guidelines shall apply to employment contracts entered into after this decision on guidelines, and to any changes made to existing terms after this decision. The 2020 Annual General Meeting resolved to adopt the following guidelines for remuneration of senior executives:

AlzeCure Pharma shall offer a total compensation package at market levels that enables skilled senior executives to be recruited and retained. Remuneration to the CEO and other senior executives may consist of basic salary, variable remuneration, other benefits and pension. The basic salary forms the basis of the

total remuneration and shall be proportionate to the executive's responsibilities and authority. The variable remuneration must not exceed an amount equal to six months' salary for the executive concerned. The variable remuneration is based on performance in relation to individually defined qualitative and quantitative measures, and also on the performance of the company relative to targets set by the Board of Directors. Pensionable pay consists only of basic salary. Pension benefits shall be offered on market terms in relation to what applies to corresponding executives in the market.

The notice period shall be at least three months if employment is terminated on the initiative of the senior executive and between three and twelve months if terminated by the company. No severance pay is due on termination of employment. Any share and share-related programs shall be decided by the general meeting of shareholders. Allocations will be made in accordance with the resolutions passed by the general meeting. Other than as follows from employment contracts as described above, the senior executives are not entitled to any benefits after their employment/duties have ended.

The CEO's remuneration shall be set and approved by the Board of Directors. Remuneration to other senior executives shall be set by the Chief Executive Officer. The Board shall follow up and evaluate the application of the guidelines and current compensation structures and compensation levels in the company. The Board of Directors shall be entitled to deviate from the above guidelines for remuneration of senior executives if there is particular reason to do so.

Board of Directors

The responsibilities of AlzeCure Pharma's Board are governed by the Swedish Companies Act and the articles of incorporation. According to the Swedish Companies Act, the Board of Directors is responsible for administration and organization, which means it is responsible for such things as establishing objectives and strategies, ensuring that procedures and systems for evaluating objectives are in place; the ongoing evaluation of the company's financial performance and position, and evaluating its operational management. The Board is also responsible for ensuring that the annual accounts and, where appropriate, consolidated financial statements and interim reports are prepared in a timely manner. The Board also appoints the CEO.

Board members are elected annually at the AGM for the period up until the end of the next AGM. According to the company's articles of incorporation, the Board must comprise no fewer than three and no more than ten members without alternates.

Chairman of the Board

The Chairman of the Board is elected by the Board or where appropriate by the AGM; the Chairman bears particular responsibility for the management of the work of the Board and ensuring that such work is well organized. The Chairman of the Board is also responsible for ensuring the Board evaluates its work annually and that the Board is provided with information sufficient to enable its work to be performed effectively.

The Chairman of the Board is also responsible for ensuring that the Board is provided with satisfactory documentation in support of its work, and for contacts with shareholders on ownership matters and for conveying the views of the owners to the Board.

Board procedures

In addition to the provisions of the Swedish Companies Act, the Board follows written rules of procedure that are revised annually and adopted by the Board at the statutory annual board meeting held following the AGM in which elections to the Board have taken place. The rules of procedure govern e.g. the allocation of assignments and responsibilities between the board, the Chairman of the

Board and the CEO and it specifies the procedure for the CEO's financial reporting.

At the first Board meeting, the Board also sets forth and adopts instructions for the CEO. The Board's work is evaluated on an ongoing basis.

The Board meets according to an annual schedule laid down in advance. In addition to these meetings, further meetings may be arranged to address issues that cannot be referred to a scheduled meeting. In addition to Board meetings, the Chairman of the Board and the CEO maintain a dialog concerning the management of the company.

Board committees

Based on its size and composition, the Board has decided that the duties and assignments of a remuneration committee and audit committee are best performed by the Board as a whole, and has accordingly decided not to appoint any special committees.

Compensation to Board members

Compensation to the company's board members is resolved by the shareholders' meeting. The AGM of May 17, 2021 resolved that until the next AGM, a fee be paid in the amount of SEK 200,000 to the Chairman of the Board and SEK 100,000 to the other board members who are not employees of the company.

BOARD OF DIRECTORS		Attendance at Board meetings	Elected	Holdings, shares ¹	Holdings, warrants	Independent in relation to the company and company management	Independent major owners
Name	Assignment						
Thomas Pollare	Chairman	12/12	2017	881,887	35,000	No	Yes
Ragnar Linder	Board member	12/12	2017	30,429	25,000	Yes	Yes
Ellen Donnelly	Board member	10/12	2018	-	-	Yes	Yes
Eva Lilienberg	Board member	9/9	2021	-	-	Yes	Yes
Pirkko Sulila Tamsen ²	Board member	3/3	2018	21,000	25,000	Yes	Yes

1) Refers to own holding and that of physical related parties and legal persons.

2) Member of the Board of Directors until May 17, 2021.

Composition of the Board

The company's Board comprises four members including the Chairman, who were elected at the general meeting to serve until the end of the 2022 AGM. All members were elected by the AGM held May 17, 2021. The Board met twelve times in 2021. The attendance of individual members at meetings is shown in the table below. All of the meetings during the year followed approved agendas that were provided, together with documentation for each agenda item, to Board members prior to Board meetings. The CEO participates in Board meetings but has no vote. Each scheduled Board meeting includes a review of the current business situation, the company's economic performance and financial position and the outlook for the rest of the year. See pages 41–42 for a description of the members of the Board of Directors.

The CEO and other senior executives

The CEO is appointed by, and is subordinate to, the Board of Directors and bears primary responsibility for the company's day-to-day administration and its daily operations. The CEO must comply with the Board of Directors' guidelines and instructions. The distribution of assignments between the Board of Directors and the CEO is set forth in the Board's rules of procedure and the CEO's instructions. The CEO is also responsible for preparing reports and compiling information from management prior to Board meetings and presents materials at Board meetings.

According to the instructions for financial reporting, the CEO is responsible for such in AlzeCure and must therefore ensure that the Board of Directors is provided with sufficient information to enable it to evaluate AlzeCure's financial position on an ongoing basis.

The CEO must keep the Board of Directors continuously informed of developments in the company's operations, sales trends, earnings and financial position, the liquidity and credit situation, important business events and other circumstances that the Board is aware of that cannot be regarded as insignificant for the company's shareholders (such as material disputes and the termination of agreements essential to the company and other significant circumstances affecting operations)

Company management, headed by the CEO of the company, consists of people in charge of key business areas at AlzeCure. The CEO and other senior executives are presented in greater detail on pages 43–44.

Remuneration and employment terms for the CEO and other senior executives

The Board decides on compensation to the CEO, and the CEO decides on conditions for other senior executives and employees.

Compensation to senior executives who are employees can consist of a basic salary, pension and other benefits. Periods of notice and compensation in the event of termination are individual and governed by the applicable employment contract. Compensation to the CEO consists of a fixed monthly salary, as well as a variable potential compensation beginning in 2021. The notice period is six months for the CEO and 12 months if terminated by the company. Under his employment contract, the CEO has the right to compensation from the company amounting to the difference between the CEO's salary at the time the contract is terminated and any new salary the CEO receives during a period of 12 months from the time the contract is terminated. However, this compensation may not amount to more than 60 percent of the monthly salary the CEO received from the company. AlzeCure's employment agreements include provisions under which all intellectual property rights developed by an employee as part of his or her employment will accrue to AlzeCure. The company's employment agreements contain restrictions on competition.

Other than as described above, no senior executive has the right to compensation after termination of employment.

For more information about remuneration to the CEO and senior executives, see note 6.

Share-related compensation programs

The company launched an incentive program with warrants aimed at some members of the Board of Directors. A total of 110,000 warrants were issued to: Thomas Pollare, 35,000 warrants, Annigje van Es Johansson, 25,000 warrants, Ragnar Linder, 25,000 warrants and Pirkko Sulila Tamsen, 25,000 warrants. The warrants, which

were issued at the market price as of May 22, 2019, entitle the holder to subscribe for shares during the period June 15, 2022 – June 30, 2022. The issue price for newly subscribed shares will total 150 percent of the volume-weighted average closing price for the company's shares on Nasdaq First North Premier during the 10 trading days preceding the Annual General Meeting on May 22, 2019. For more information, please see the minutes from the AGM of May 22, 2019.

In 2020 the company also launched an incentive program, this time with warrants aimed at the Chief Executive Officer. A total of 300,000 warrants were issued. The warrants, which were issued at the market price based on an external valuation as of May 20, 2020, entitle the holder to subscribe for shares during the period June 15, 2023 – July 5, 2023. The issue price for newly subscribed shares totaled 150 percent of the volume-weighted average closing price for the company's shares on the Nasdaq First North Premier Growth Market during the 10 trading days preceding the Annual General Meeting on Wednesday, May 20, 2020. For more information, please see the minutes from the AGM of May 20, 2020.

The total dilution effect is 1%.

Audit

The company's statutory auditor is appointed by the AGM. The auditor must examine the company's annual report, its accounting records and the administration of the Board of Directors and the Chief Executive Officer. Following the end of each financial year, the auditor must submit an auditor's report to the AGM. According to the company's articles of incorporation, it must have one or two auditors and no more than one alternate auditor.

Grant Thornton Sweden AB (Box 7623, SE 103 94 Stockholm, Sweden) has been the company's auditor since 2017, with Camilla Nilsson as auditor-in-charge since 2019. Camilla Nilsson is an Authorized Public Accountant and a member of FAR, the Swedish Institute of Authorized Public Accountants.

Resolutions concerning compensation to auditors are passed by the general meeting. The AGM of May 17, 2021 resolved that the auditor's fee be paid against approved invoice. For more information about remuneration to auditors, see note 5.

Internal controls

The company has decided not to set up any special function for internal control; instead this task is carried out by the Board of Directors as a whole. Each year, the Board evaluates the need to establish a special internal audit department.

The Board of Directors bears overall responsibility for internal controls. Provisions in the Swedish Companies Act and the Swedish Annual Accounts Act require the inclusion of information about the most important features in AlzeCure's system for internal control and risk management in the company's Corporate Governance Report. In order to maintain good internal control, the Board has established a number of policy documents such as the Board's rules of procedure, the CEO instruction, instructions for financial reporting, and an information and communications policy.

Internal control includes control of the company's organization, procedures and actions. The aim is to ensure reliable and accurate financial reporting; that the company's financial reporting is performed in compliance with the law and applicable accounting standards and that other requirements are met.

The internal control system also seeks to monitor compliance with the company's guidelines, principles and instructions. Furthermore, the protection of the company's assets and the appropriate and cost-effective use of the company's resources are also monitored. Internal control is also carried out by monitoring by means of the implemented information and business management systems, and by analyzing risks. A review of financial statements and reporting paths takes place at every Board meeting.

See pages 41–44 for more information about the composition of the Board of Directors and the management group.

