

# Corporate Governance Report

*NeuroVive Pharmaceutical AB (publ) (NeuroVive or the Company) is a Swedish public limited company with corporate identity number 556595-6538. NeuroVive's registered office is in the Municipality of Lund and the Company is listed on Nasdaq Stockholm and the marketplace OTCQX US. This Corporate Governance Report has been prepared by NeuroVive's Board of Directors in compliance with the Annual Accounts Act and the Swedish Code of Corporate Governance (the Code). The Corporate Governance Report is part of the Statutory Administration Report and the Company's Auditors have conducted their statutory review of the Report.*

## NeuroVive Governance

### *Annual General Meeting*

The Annual General Meeting (AGM) is the chief decision-making body. The AGM is planned and held to enable shareholders to exercise their influence over the Company optimally. Resolutions reached at the AGM shall adhere to the Swedish Companies Act's regulations on majority requirement.

### *Entitlement to participate at the Annual General Meeting.*

All shareholders listed in the share register maintained by Euroclear Sweden AB on the record date prior to the AGM, and who have informed NeuroVive of their intention to attend by no later than the date indicated in the invitation to the AGM, are entitled to participate in the AGM and to vote according to the number of shares held.

### *Initiatives from shareholders.*

Shareholders wishing to raise a matter at the AGM must submit a written request to the Board of Directors by no later than seven weeks prior to the AGM.

### *Nomination Committee.*

The Company shall have a Nomination Committee comprising one member of each the three largest shareholders in terms of voting rights based on ownership statistics maintained by Euroclear Sweden AB.

### *The Board of Directors*

The Board of Directors shall have a minimum of three and a maximum of eight members. Board members are appointed annually by the AGM and are elected for a period until the end of the next AGM.

### *Chair.*

The AGM appoints the Chair. The Chair leads the Board's work, monitors the work and assumes responsibility for the Board completing its duties according to applicable legislation, the Articles of Association, the Swedish Code of Corporate Governance and the Board of Director's rules of procedure. The Chair shall monitor the Company's progress through contact with the CEO, consult with the CEO on strategic matters and ensure that strategic considerations are recorded and addressed by the Board of Directors.

### *The Board of Directors' duties and responsibilities.*

The Board of Directors is the highest administrative body at the AGM. The Board of Directors' primary duty is to manage overall and long-term issues and matters of major significance to the Company. The Board of Directors assumes overall responsibility for the Company's operations and management and for ensuring that the accounting and fund management are controlled satisfactorily. The Board of Directors is responsible for ensuring that the Company follows applicable legislation, stipulations and the Swedish Code of Corporate Governance and that the Company is subject to satisfactory internal control procedures and formalized routines that safeguard adherence to set principles for financial reporting and internal control.

### *Remuneration Committee.*

At the statutory meeting of April 27, 2017, the Board decided that remuneration issues should be handled by the Board in its entirety and the Company has no separate remuneration committee.

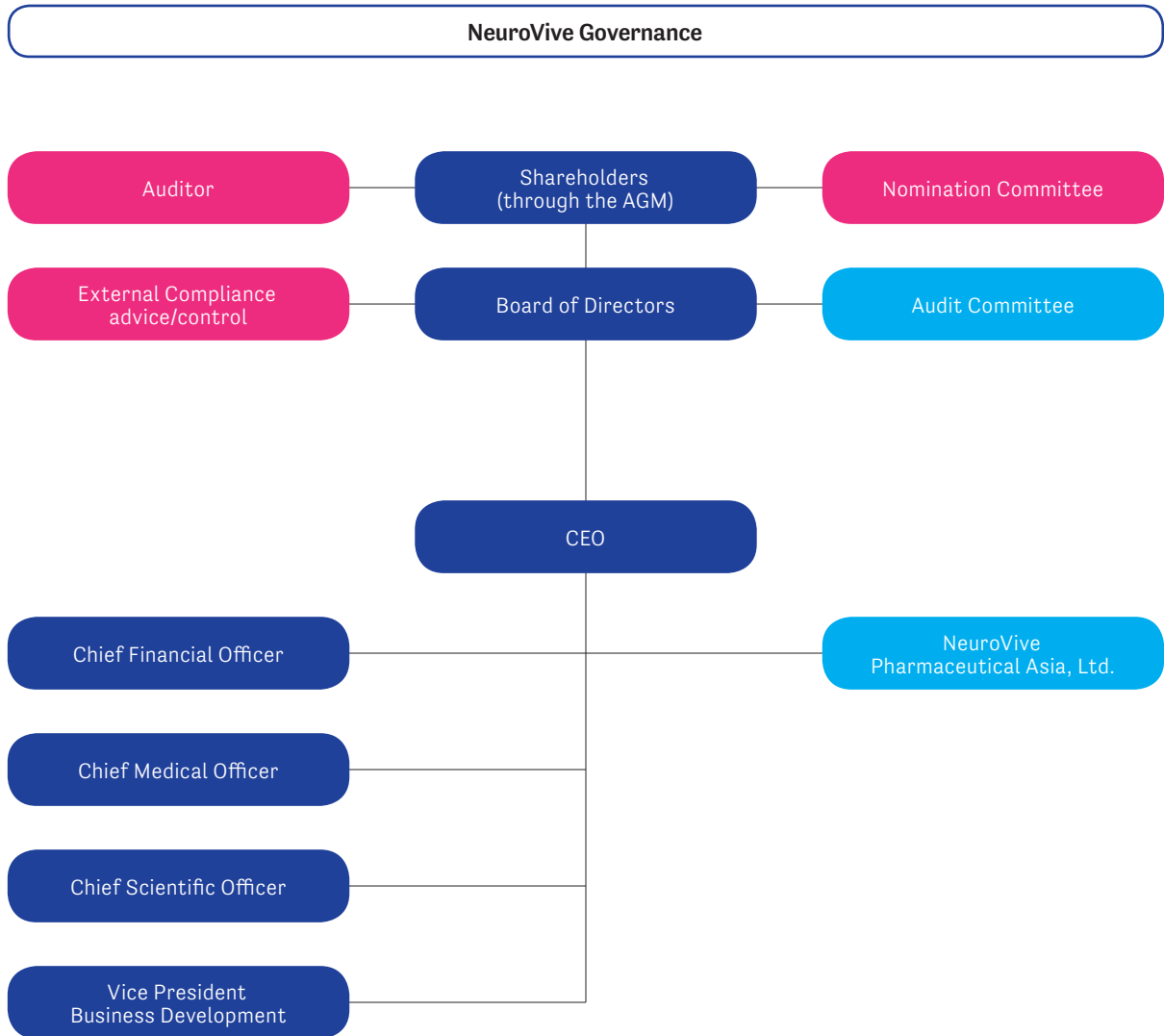
### *Audit Committee.*

The members of the Audit Committee are appointed by the Company's Board of Directors at the Board meeting following election and shall consist of a minimum of two Board members. The Audit Committee shall contribute to sound financial reporting that maintains market confidence in the Company by specifically monitoring and controlling the Company's accounting principles, financial administration, risk management and the structure of internal control, resources, ongoing work and annual reporting. The Audit Committee also reviews the Auditor's non-affiliation to the Company.

### *CEO*

The CEO is appointed by the Board of Directors. The CEO's work follows the written instructions adopted annually by the Board of Directors at the Board meeting following election.

The instructions for the CEO regulates customary areas such as the CEO's undertaking in relation to the Company and the Board of Directors, including responsibility for presenting expedient reports to the Board of Directors relevant to the Board's completion of its evaluation of the Company.



The CEO shall ensure that ongoing planning, including business plans and budgets, is completed and presented to the Board of Directors for resolution.

When departure from these plans and special events of a significant nature are feared, the CEO must inform the Board of Directors through the Chair immediately.

### Application of and departure from the Swedish Code of Corporate Governance

The Code applies to all Swedish companies whose shares are listed on a regulated marketplace in Sweden and shall be applied fully at the first Annual General Meeting held following initial public offering. The Company is not obliged to adhere to all the regulations of the Code, and is free to adopt alternative solutions deemed more suitable to its circumstances, provided that potential departures are reported, the alternative solution described and the reasons explained (Comply or Explain principle) in the Corporate Governance Report.

NeuroVive has applied the Swedish Code of Corporate Governance since 8 June 2012, and this Corporate Governance Report has been prepared in accordance with the Code. NeuroVive has deviated from the Code only as regards the presence of a representative of the Nomination Committee at the Annual General Meeting according to the Code 2.7. The Nomination Committee were not present at the Annual General Meeting 2017.

### Organization of Corporate Governance

NeuroVive's internal controls and corporate governance are based on applicable legislation/regulations and on sector-specific parameters considered significant to the Company. The control system encompasses all applicable regulatory frameworks as well as the specific demands NeuroVive places on its operations.

The internal control and corporate governance tool provides overall control of all critical stages relating to the Company. This provides NeuroVive's Board of Directors and management with the conditions required to control and govern operations in order to satisfy the stringent demands of the Company, the market, the stock market, the shareholders and the authorities.

The following legislation/regulations as well as the Company's own constitutional documents form the basis of NeuroVive's corporate governance:

#### External Regulations

- The Swedish Companies Act,
- Applicable accounting legislation,
- IFRS,
- The Swedish Code of Corporate Governance,
- Nasdaq Stockholm's regulatory framework for issuers.

#### Internal constitutional documents

- The Articles of Association,
- Instructions and rules of procedure for the Board of Directors, Committees and CEO,
- Guidelines for remuneration to senior executives,
- Information and communication policy,
- Ethical guidelines,
- Financial administration guidelines.

### Ownership structure

NeuroVive had some 7,474 registered shareholders as of 29 December 2017. Avanza Pension Försäkring AB was the largest owner with a holding of 5,459,198 shares, corresponding to some 10.43 percent of the shares and votes. Euroclear Bank S.A./N.V., W8-IMY (registers holdings for Maas Biolab, LCC and Marcus Keep and others domiciled in the US) was the second largest shareholder with 4,440,189 shares, corresponding to some 8.49 percent of the shares and votes. Baulos Capital Belgium SA was the third biggest shareholder with 3,000,000 shares, corresponding to some 5.73 percent of the shares and votes.

Marcus Keep, with its stake in Maas BioLab and private holdings is the largest shareholder with a total holding of 8.22 percent. Fredrik Olsson with holdings in Baulos Capital Belgium SA, Baulos International AS and private holdings, is NeuroVive's second largest shareholder with a holding of 5.98 percent in total.

There were no other shareholders with a holding of more than one-twentieth of the total number of shares and votes in the Company at year-end.

### Share capital and voting rights

NeuroVive's share capital totaled SEK 2,616,309.85 divided between 52,326,197 shares as of 29 December 2017. There is only a single share class. All shares have a quotient value of SEK 0.05 and one vote, and confer equal entitlement to the Company's assets and profits. NeuroVive's Articles of Association have no limitations regarding the number of votes each shareholder may cast at the AGM.

### Annual General Meeting

The Annual General Meeting (AGM) is the chief decision-making body in a limited company and the shareholders exercise their decision-making rights at the AGM. The AGM is planned and held to enable shareholders to exercise their influence over the Company optimally. The invitation to the AGM and other information provided is designed to allow shareholders to reach well-founded decisions on the issues addressed at the AGM. Resolutions reached at the AGM shall adhere to the Swedish Companies Act's regulations on majority requirement. In accordance with the Articles of Association, the invitation to the AGM and Extraordinary General Meetings are published in Post- och Inrikes Tidningar and on the Company's website. An announcement that a Meeting has

been convened is published in Swedish daily newspaper Svenska Dagbladet.

#### *Entitlement to participate at the Annual General Meeting*

All shareholders listed in the share register maintained by Euroclear Sweden AB on the record date prior to the AGM, and who have informed NeuroVive of their intention to attend by no later than the date indicated in the invitation to the AGM, are entitled to participate in the AGM and to vote according to the number of shares held.

#### *Initiatives from shareholders*

Shareholders wishing to raise a matter at the AGM must submit a written request to the Board of Directors by no later than seven weeks prior to the AGM. Given the Company's ownership structure and financial circumstances, NeuroVive does not consider simultaneous interpretation into other languages and translation of all of or part of the documentation relating to the AGM as justified. NeuroVive's website contains information on the Company's previous AGMs as well as information on shareholders' rights to raise matters at the AGM and the cut-off date for NeuroVive receiving such requests.

#### **Shareholders' meetings**

The AGM was held on 27 April 2017, at Scheelevägen 2 in Lund, Sweden. Twelve shareholders attended the AGM, in person or through representatives. These shareholders represented 10.59 percent of the shares and votes of NeuroVive. The CEO, Gregory Batcheller (Chair), Anna Malm Bernsten, Arne Ferstad, Marcus Keep, David Laskow-Pooley and the company's Auditor in Charge attended the AGM.

The AGM 2017 adopted the following resolutions:

- Adopted the Balance Sheet and Income Statement and Consolidated Balance Sheet and Income Statement,
- Resolution regarding discharging the Board of Directors and CEO from liability,
- Resolution regarding remuneration to the Board of Directors, Auditors and Committee members,
- Elected the Board of Directors,
- Adopted guidelines for remuneration to senior executives,
- Adopted guidelines for the Nomination Committee.
- Adopted a resolution to sanction the Board of Directors to authorize further new issues, warrants and/or convertibles

Documentation relating to the AGM, such as invitations to meetings, minutes and the basis of decisions, is at NeuroVive's website, [www.neurovive.com](http://www.neurovive.com).

#### **Annual General Meeting 2018**

NeuroVive's AGM 2018 will be held on 27 April 2018, at 10 a.m. at Medicon Village, Scheelevägen 2, in Lund, Sweden. Shareholders

wishing to attend the AGM must notify the Company in advance. Information on how to apply and how to raise a matter at the AGM is on the Company's website. Information about the date and place of the AGM was uploaded to the company's website on 26 October 2017.

#### *Nomination Committee*

The Company shall have a Nomination Committee comprising one member of each of the three largest shareholders in terms of voting rights based on ownership statistics maintained by Euroclear Sweden AB. If a shareholder does not exercise its right to appoint a member, entitlement to appoint a member of the Nomination Committee shall transfer to that member who is the second largest shareholder in terms of voting rights. The Chair of the Board convenes the meetings and can be co-opted to the Nomination Committee when required. Neither the CEO nor any other member of management is permitted to be members of the Nomination Committee, nor shall Board members be a majority of the Nomination Committee members. A majority of the Nomination Committee's members shall be non-affiliated to the Company and management, if more than one Board member is included in the Nomination Committee, a maximum of one can be affiliated to the Company's major shareholders. A minimum of one of the Nomination Committee's members shall be non-affiliated to the Company's largest shareholder or group of shareholders collaborating on the Company's administration. No remuneration is payable to any of the members of the Nomination Committee.

The Nomination Committee initiates the appraisal of the incumbent Board of Directors once it has been completed. The Committee's work shall feature openness and discussion, in order to ensure a well-balanced Board of Directors. The Nomination Committee then nominates members to NeuroVive's Board of Directors for the coming period of office, who are subsequently proposed to the AGM. The Nomination Committee's duty is to propose the Chair of the AGM, the Chair of the Board and Board members, the number of Board members, remuneration to Board members and Committee members as well as the election of, and remuneration to, the Auditors. The Nomination Committee also has the duty of proposing guidelines for appointing members of the Nomination Committee and the assignments of the Nomination Committee.

The composition of the Nomination Committee for the AGM 2018 was announced at the company's website on 26 October 2017. On 23 March 2018, the Company published a change in the Nomination Committee. Tomas Hagström, representing Greg Batcheller, has left the Nomination Committee since Greg Batcheller has significantly reduced his holdings in NeuroVive and hence no longer representing the largest shareholders. The Nomination Committee thus comprise:

- Michael Vickers (Chair of the Nomination Committee), Board member representing Maas Biolab LLC and, and
- Andreas Inghammar, Board member representing Eskil Elmér.

## The Board of Directors

### *Composition of the Board of Directors*

NeuroVive's AGM on 27 April 2017 re-elected Gregory Batcheller, Marcus Keep, And David Laskow-Pooley. David Bejker and Jan Törnell were elected new Board member. Gregory Batcheller was re-elected Chair of the Board. On November 7, the company announced that the Chair of the Board, Gregory Batcheller, had resigned. Sitting member David Laskow-Pooley was appointed by the Board of Directors to the Chair of the Board until the end of the Annual General Meeting on April 27, 2018. None of the Board members are members of the Company's management, although Gregory Batcheller, through Stanbridge Corporation BVBA worked on the Company's management on a consulting basis. The Board members' non-affiliation to the Company, the Company's management and the Company's major shareholders are indicated in the table below.

### *Chair*

The AGM appoints the Chair. The Chair represents the Board of Directors externally and internally. The Chair leads the Board's work, monitors the work and assumes responsibility for the Board completing its duties according to applicable legislation, the Arti-

cles of Association, the Swedish Code of Corporate Governance and the Board of Director's rules of procedure.

The Chair shall monitor the Company's progress through contact with the CEO, consult with the CEO on strategic matters and ensure that strategic considerations are recorded and addressed by the Board of Directors. The Chair shall also ensure that the Board of Directors, through the CEO's agency, receives information on the Company on an ongoing basis in order to enable analysis of the Company's position.

As Gregory Batcheller, chair until November 7 undertook permanent assignments on behalf of the Company in addition to his role as Chair, the division of responsibilities between the Chair and CEO had been clarified in the Board of Directors' rules of procedure and the CEO's instructions.

Present Chair, David Laskow-Pooley has no assignments on behalf of the Company in addition to his role as Chair.

### *The Board of Directors' duties and responsibilities*

The Board of Directors is the highest administrative body under the AGM. The work of NeuroVive's Board of Directors is regulated by applicable legislation and recommendations, and by the Board of Directors' rules of procedure, which are adopted annually. The rules of procedure contain stipulations regulating the division

## Board work in 2017

### *January*

- Resolution to sale the Taiwanese subsidiary NeuroVive Pharmaceutical Asia, Inc..

### *February*

- Year-End Report, Audit matters, determining salary and remunerations matters including variable remuneration, the Board of Directors discussion with the company's Auditor without the CEO or other members of Management being present.

### *March*

- Audit matters, Annual Report, AGM and Corporate Governance Report, evaluation of variable remuneration.

### *April*

- AGM.
- Statutory Meeting. Determining authorized signatories, Corporate Governance Policy, Rules of Procedure for the Board of Directors, Rules of Procedure for the Audit and Remuneration committees and instructions for the CEO. Appointing members of Board Committees. Determining other policies and guidelines.

### *May*

- Review and authorization of Q1 Interim Report

### *July*

- Resolution relating to new issue of shares and options

### *August*

- Review and authorization of Q2 Interim Report.

### *October*

- Review of Corporate Governance, determining operational objectives and strategy.
- Financing matters

### *November*

- Resolution relating to new issue of shares
- Financing matters
- Board Chair resigns, new Chair elected
- Review and authorization of Q3 Interim Report, financing matters, matters relating to Year-end Report, budget, audit matters, evaluating the Board of Directors' and senior executives' work in the year. The company's Auditor was present due to the review of the Interim Report

### *December*

- Financing matters

of responsibilities between the Board of Directors and the CEO, financial reporting and audit matters. At the Board meeting following election, the Board of Directors adopts other requisite rules of procedure, policies and guidelines that form the basis for the Company's internal regulatory framework.

The Board of Directors' primary duty is to manage overall and long-term issues and matters of major significance to the Company. The Board of Directors assumes overall responsibility for the Company's operations and management and for ensuring that the accounting and fund management are controlled satisfactorily. The Board of Directors is responsible for ensuring that the Company follows applicable legislation, stipulations and the Swedish Code of Corporate Governance and that the Company is subject to satisfactory internal control procedures and formalized routines that safeguard adherence to set principles for financial reporting and internal control, and that the Company's financial reporting is prepared in accordance with statutory requirements, applicable accounting standards and other demands placed on listed companies.

According to the Board of Directors' rules of procedure, the Board of Directors normally meets on seven occasions annually, including the Board meeting following election. The Board of Directors held 17 meetings during the year. Regular Board meetings covered matters such as reviewing and adopting financial reports, the

business plan, budget and funding as well as strategic issues. The Board of Directors also monitors the progress of the Company's current pharmaceutical projects and financial situation continuously. The final ordinary Board meeting of the year included an appraisal of the Board of Directors and the work of the Board. Additional meetings during the year dealt with matters such as decision on new share issues, financing strategy and allocation of shares under the new issues.

The Board members' non-affiliation and attendance are indicated in the table above. For a presentation of Board members, see pages 38-39 of the Annual Report.

#### *Evaluation of the Board of Directors' work.*

Board members have completed an evaluation document produced specifically to perform a structured evaluation of the Board's work in accordance with the guidelines in the Swedish Code of Corporate Governance. The evaluation has been presented by the Chairman to the Board of Directors at a regular Board meeting.

#### *Evaluation of the CEO*

The Board of Directors went jointly through the evaluation document produced specifically to perform a structured evaluation in with accordance with the guidelines in the Swedish Code of Corporate Governance regarding evaluating the CEO's work. The

### The Board of Directors 2017

Board member	Elected in	Board of Directors (attendance)	Audit committee (attendance)	Remunerations committee (attendance)	Non affiliated <sup>1</sup>
Gregory Batcheller, Chair*	2000	13/13			▲
David Laskow-Pooley, Chair*	2016	16/17			Yes
Marcus Keep	2000	17/17			Yes
Arne Ferstad**	2010	3/3	Member (2/2)		Yes
Helena Levander**	2012	3/3	Chair (2/2)	Member (2/2)	Yes
Boel Flodgren**	2013	3/3		Member (2/2)	Yes
Anna Malm Bernsten**	2013	3/3	Member (2/2)	Chair (2/2)	Yes
David Bejker***	2017	14/14	Chair (3/3)		Yes
Jan Törnell***	2017	14/14	Member (3/3)		Yes

<sup>1</sup> According to the definition in the Swedish Code of Corporate Governance

▲ Affiliated to the Company or management

\* Gregory Batcheller resigned at his own request on November 6th 2017. David Laskow-Pooley was elected as Chair from November 7th 2017.

\*\* Arne Ferstad, Helena Levander, Boel Flodgren and Anna Malm Bernsten resigned at own request on the AGM on April 27 2017.

\*\*\* David Bejker and Jan Törnell were elected to the Board of Directors on April 27th 2017.

evaluation has been presented by the Chairman to the Board of Directors at a regular Board meeting.

### Remuneration Committee

The Board of Directors has established a Remuneration Committee to assist the Board on issues relating to salary and remuneration. The Remuneration Committee's duties include:

- Consulting on the Board of Director's decisions on matters relating to remuneration principles, remuneration and other terms of employment of management,
- monitoring and evaluating ongoing and concluded (during the year) programs for variable remuneration for the corporate management, and
- monitoring and evaluating the application of guidelines for remuneration to senior executives that the AGM is legally obliged to resolve on, and applicable remuneration structures and remuneration levels in the Company.

After consultation within the Remuneration Committee, the Board of Directors takes decisions on remuneration.

As a sub-committee of the Board of Directors, the Remuneration Committee has limited decision-making powers. The Committee's Rules of Procedure are determined annually by the Board of Directors at the statutory Board meeting, and indicate the tasks and decision-making powers delegated by the Board to the Committee, and the methods for reporting back to the Board of Directors.

The Remuneration Committee presents ongoing reports on its work to the Board of Directors at regular Board meetings, and presents an annual report on the members' attendance at Committee meetings to the Board of Directors.

However, the Board has deviated from the resolved guidelines and handled remuneration issues without a separate remuneration committee.

### Audit Committee

The members of the Audit Committee are appointed by the Company's Board of Directors at the Board meeting following election and shall consist of a minimum of two Board members. The Board of Directors appoints the Chair of the Audit Committee, who may not be the Chair of the Board. A majority of the Committee's members shall be non-affiliated to the Company and management. At least one member who is non-affiliated to the Company and management shall also be non-affiliated to the Company's major shareholders.

The Audit Committee has been established to facilitate the Board of Directors' supervisory responsibility. As a subcommittee of the Board of Directors, the Audit Committee has limited deci-

sion-making powers. The Committee's rules of procedure are adopted annually at the Board meeting following election and indicate the decision-making powers the Board of Directors has delegated to the Committee and the manner in which the Committee shall report to the Board of Directors. The Audit Committee reports its work to the Board of Directors on an ongoing basis at regular meetings and also reports its work and members' attendance at Audit Committee meetings to the Board of Directors once annually.

The Audit Committee shall contribute to sound financial reporting that maintains market confidence in the Company by specifically monitoring and controlling the Company's accounting principles, financial administration, risk management and the structure of internal control, resources, ongoing work and annual reporting. The Audit Committee also reviews the Auditor's non-affiliation to the Company.

The Committee shall consult on matters relating to the choice of Auditor and remuneration to external Auditors, and maintain close contact with the Nomination Committee for its proposals to the AGM relating to election of Auditors and determining the Audit fee. The Audit Committee's contact with the Nomination Committee is handled and maintained by the Chair of the Audit Committee.

NeuroVive's Audit Committee is appointed at the Board meeting following election and comprises David Bejker (Chair) and Jan Törnell for the current period.

### CEO and other senior executives

The CEO is appointed by the Board of Directors. The CEO's work follows the written instructions adopted annually by the Board of Directors at the Board meeting following election.

The instructions for the CEO regulates customary areas such as the CEO's undertaking in relation to the Company and the Board of Directors, including responsibility for presenting expedient reports to the Board of Directors relevant to the Board's completion of its evaluation of the Company. The CEO shall ensure that ongoing planning, including business plans and budgets, is completed and presented to the Board of Directors for resolution. The CEO shall exercise good leadership in the management of operations to ensure that the Company progresses according to plan and follows the strategies and policies adopted. When departure from these plans and special events of a significant nature are feared, the CEO must inform the Board of Directors through the Chair immediately. The CEO shall ensure that the Company's operations, including its administration, are organized so that they satisfy market requirements, and shall ensure efficient and secure organizational control of operations.

Within the framework of the directives provided by the Board of Directors for the Company's operations, management deals with consultation regarding, and monitoring of, strategies and budgets, the distribution of resources, the monitoring of operations and preparation for Board meetings.

In the period January - July, the members of management were CEO Erik Kinnman, Catharina Jz Johansson, Eskil Elmér, Magnus Hansson and Cecilia Hofvander. Cecilia Hofvander IR Director resigned on July 31. In the period of August the members of management were the company's CEO Erik Kinnman, Catharina Jz Johansson, Eskil Elmér and Magnus Hansson. Mark Farmery started his position as VP Business Developer September 1st. In the period September – December management consisted of the company's CEO Erik Kinnman, Catharina Jz Johansson, Eskil Elmér, Magnus Hansson and Mark Farmery. Management meets every two weeks and minutes are taken at all meetings.

### Remuneration to the Board of Directors and senior executives

#### *Remuneration to Board members*

The AGM 2017 resolved that fees of SEK 300,000 should be paid to the Chair and SEK 150,000 to each of the remaining Board members. Former Chair of the Board Gregory Batcheller has waived his Director's fee for the period April 28 to November 6, 2017. Current Chair David Laksow-Pooley receives Board fees as Chair of the Board for the period November 2017 through April 2018.

The AGM 2017 resolved on remuneration of SEK 100,000 to the Chair of the Audit Committee and SEK 50,000 to each of the remaining members of the Audit Committee. Furthermore, a resolution was made regarding remuneration of SEK 40,000 to the Chair of the Remuneration Committee and SEK 20,000 to each of the remaining members of the Remuneration Committee. At the board meeting following election, the board decided that remuneration errands be handled directly by the board.

#### *Remuneration to senior executives*

Following a proposal from the Board of Directors, the AGM 2017 reached a resolution regarding guidelines for remuneration to senior executives.

The guidelines for remuneration and other terms of employment applying to management mainly imply that the Company shall offer its senior executives remuneration on market terms, that this remuneration shall be determined by a dedicated Remuneration Committee governed by the Board of Directors, and that the criteria for remuneration shall be based on the responsibilities, role, competence and position of the relevant senior executive. Remuneration to senior executives is decided by the Board of Directors, excluding any Board members affiliated to the Company and management. The guidelines shall apply to new agreements, or revisions to existing agreements reached with senior

executives after the guidelines were determined, and until new or revised guidelines have become effective.

Senior executives shall be offered fixed compensation on market terms and based on the managers' responsibilities, role, competencies and position. Fixed compensation shall be reviewed annually.

From time to time, senior executives may be offered variable remuneration. Such variable remuneration shall be on market terms and be based on the outcome of predetermined financial and individual targets. The conditions and basis for calculating variable remuneration shall be determined for each operational year. Variable remuneration is paid out during the year after earning, and can be paid as salary or as a lump-sum pension premium. In the event of payment as a lump-sum pension premium, there is some indexation so the overall cost to NeuroVive is neutral.

The basic principle is that the annual variable portion of pay may be a maximum of 30 percent of basic annual salary to the CEO, maximum 20 percent of the basic annual salary to the management team and maximum 10 percent of the basic annual salary to key personnel. Total variable remuneration to senior executives and key persons may not exceed SEK 2,000,000.

In order to incentivize senior executives and other key individuals on a longer term and to encourage investment in NeuroVive shares, a cash bonus share savings opportunity should be implemented (the "LTI Bonus"). The LTI Bonus is a cash program in which the participants commit to use the cash paid out by the Company to acquire shares in the Company. The shares are acquired by the participants on the stock market. This shall apply in addition to the STI Bonus.

The decision regarding the annual amount available as LTI Bonus will be built into the yearly bonus appraisal process to link yearly achievements to long term goals, to build employee shareholding in NeuroVive, and to retain employees. The amount of possible LTI Bonus will depend on the employee's position and the ability to influence the performance of NeuroVive.

The participants should use the full amount of the LTI Bonus, net after income tax to acquire NeuroVive shares on the stock market. The company will pay the social security costs.

The shares acquired for the LTI Bonus will be locked in for a period of 3 years after the acquisition. An employee who resigns, is terminated or otherwise leaves the Company will be obliged to hold the shares acquired within the LTI Bonus for the full period of 3 years after acquisition notwithstanding the termination of their employment. In the event an employee or former employee breaches the terms of the LTI Bonus program, such as for example by failing to provide information on the status of their sharehold-



ing or prematurely disposing of their shareholding they will be subject to contractual sanctions including a penalty equal to the full amount of the LTI Bonus (including income tax, but excluding social security contributions thereon).

The board shall decide on the amount of LTI Bonus. The maximum amount in the LTI Bonus is capped at an amount corresponding to 15 percent of the fixed annual compensation for the current year for the CEO, 10 percent to the management team and 5 percent to other key personnel:

The total maximum cost for the LTI Bonus to senior executives and key persons may not exceed SEK 1,000,000.

When determining variable remuneration to management payable in cash, the Board of Directors shall consider introducing restrictions that:

- disqualification from future LTI Bonus in relation to an individual who sells his/her shares during the three year qualification period,
- making payment of a predetermined portion of such remuneration conditional so the performance on which vesting is based is demonstrably sustainable over time, and
- offers the Company the opportunity to reclaim such remuneration paid on the basis of information that subsequently proves manifestly erroneous.

Senior executives are entitled to pension solutions on market terms in accordance with collective agreements and/or with NeuroVive. All pension commitments shall be premium-based. Salary differentials can be utilized to increase pension provisions through lump-sum pension premiums, provided that the total cost to NeuroVive remains neutral.

The CEO has a maximum notice period of six months from NeuroVive's side and the maximum notice period for other senior executives is six months. The notice period is a minimum of six months from the CEO's side and the minimum notice period is three months for other senior executives. In addition to the notice period six months, the CEO will receive severance pay equal to six months salary and fringe benefits.

The Board of Directors is entitled to depart from the above guidelines if the Board considers there are special reasons to justify such departure in individual cases. No variable remuneration has been paid to senior executives in 2017.

### Share-based incentive program

There are currently no active incentive programs.

### Auditors

The Auditors shall examine the Company's annual accounts and accounting records, and the Board of Directors' and CEO's administration. The Auditors shall present an Audit Report and a Consolidated Audit Report to the AGM at the end of each financial year. The Company's Auditors shall be appointed for a period of four years by the shareholders at the AGM. The AGM 2016 appointed Mazars SET Revisionsbyrå AB as the Company's Auditors. Bengt Ekenberg is Auditor in Charge. In order to ensure that the standards applying to the Board of Directors relating to information and control are satisfied, the Auditors regularly report to the Audit Committee on accounting matters and potential misstatements or suspected improprieties. In addition, the Auditors attend most of the Audit Committee's meetings and Board meetings as required. At least once a year, the Auditors present a report to the Board of Directors without the CEO or other members of the Company's operational management attending.

#### *Remuneration to the Auditors*

The AGM 2017 resolved on remuneration to the Auditors on the basis of approved account and customary debiting practice. Audit assignments are defined as reviewing the annual accounts an accounting records, as well as the Board of Directors' and CEO's administration, any other duties incumbent on the Company's Auditor and consultancy or other assistance arising from observations made in connection with such review or performance of other such duties. During control activities in the year, the Audit Committee concluded that the Auditors are non-affiliated to the Company. Information on Audit fees is in Note 9 on page 60. The Interim Report for the period January-September 2016 has been subject to a summary review by the Auditor.

### Persons discharging managerial responsibilities

Persons discharging managerial responsibilities are defined as members of the Board of Directors and management. All these persons has regular access to inside information and the authority to make managerial decisions affecting the future development and business prospects. Such individuals are obliged to notify any changes in their holdings of financial instruments in NeuroVive in accordance with The Act concerning Reporting Obligations for certain Holdings of Financial Instruments.

Listed companies are required to keep electronic insider list, logbook. The obligation comprises of keeping a logbook of all events where people have access to insider information (event-driven logbook). This can include persons discharging managerial responsibilities, but also other individuals with access to insider information without being a person discharging managerial responsibilities. NeuroVive keeps a logbook for each event where the information could affect the share price.

### Internal controls over financial reporting

The overall aim of internal controls is to ensure, to a reasonable extent, that the Company's operational strategies and targets are monitored and that the owners' investments are protected. Internal controls should also secure reasonable assurance that external financial reporting is accurate and has been prepared in accordance with generally accepted accounting practice, that applicable legislation and stipulations are followed and that requirements made on listed companies are satisfied. The internal control environment mainly comprises the following five components: control environment, risk assessment, control activities, information and communication and follow-up.

#### *Control environment*

NeuroVive's control environment includes its organizational structure, decision-paths, responsibilities and authorizations, which are clearly defined in a number of constitutional documents. The constitutional documents have been adopted by the Board of Directors to ensure an effective control environment.

The Company's control environment consists of collaborative initiatives between the Board of Directors, the Audit Committees, the CEO, the CFO, internally appointed staff and the Company's Auditor. Control is also exercised through the reporting procedures adopted in the Company's finance manual, including financial reporting to the Board of Directors, and a yearly report to the Board of Directors on completed internal control procedures.

The Audit Committee has overall responsibility for ensuring that the internal control regarding financial reporting and reporting to the Board of Directors is effective. The Audit Committee performs quarterly reconciliation with the company's CEO and Auditor. In addition, the documentation produced for Management's evaluation of the company's internal control is reviewed and evaluated annually.

#### *Risk assessment*

Risks assessment includes identifying risks that may arise if the fundamental standards of financial reporting in the group are not satisfied. A review takes place to ensure that the Company has an infrastructure that enables effective and expedient control, and an assessment of the Company's financial position and significant financial, legal and operational risks. The company identifies and evaluates the risks on a regularly basis, that may arise, in a risk assessment model.

Pharmaceuticals development is associated with risks and is a capital-intensive process. The risk factors judged to be of particular significance to NeuroVive's future progress are the outcome of clinical studies, measures taken by regulatory authorities, competition and pricing, collaboration partners, liability risk, patents, key staff and future capital requirement.

#### *Control activities*

Control activities limit identified risks and ensure accurate and reliable financial reporting. The Audit Committee and the Board of Directors are responsible for the internal control and monitoring of management. This is achieved through internal and external control activities and by reviewing the Company's constitutional documents governing risk management. The results of internal controls are compiled and a report presented to the Board of Directors and the Audit Committee annually.

#### *Information and communication*

The Company has information and communication paths intended to promote the accuracy of financial reporting and ensure reporting and feedback from operations to the Board of Directors and management, through means including constitutional documents such as internal policies, guidelines and instructions relating to financial reporting being made available and presented to the relevant staff.

#### *Monitoring*

NeuroVive monitors the observance of the Company's constitutional documents and routines relating to internal controls. Management reports to the Audit Committee on internal controls at each meeting.

The Board of Directors is regularly updated on the Company's financial position and profit/loss against budget as well as on development projects in relation to the relevant project budgets. The CEO presents a written report at each regular Board meeting, or when the need arises, directly to the Board of Directors on the monitoring and status of the Company's ongoing projects and drug candidates.

#### *Special evaluation of the requirement for internal audit*

NeuroVive does not conduct an internal audit. The Board of Directors evaluates the need for this function annually and judges that, given the Company's size with relatively few employees and limited transactions, there is no need to institute a formal internal audit function.

#### *Compliance with Swedish stock market regulations and accepted stock market practice*

NeuroVive has not been subject to any ruling by Nasdaq Stockholm's disciplinary commission or statements by the Swedish Securities Council relating to breaches of Nasdaq's regulatory framework for issuers or good accounting practice on the stock market in the financial year 2017.