

Corporate Governance Statement

Xspray Pharma AB is a Swedish public limited Company, whose shares have been traded on Nasdaq Stockholm, since 27 March, 2020. Before that, the shares were listed on Nasdaq First North Growth Market, Stockholm, since 2017. The Company is governed by the Articles of Association, the Swedish Companies Act, the rules of Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code) and other applicable laws and rules. There are no deviations from the Code's rules to report for the financial year of 2020. The corporate governance report has been reviewed by the Company's auditor, in accordance with the Swedish Annual Accounts Act.

On March 18, 2020, Nasdaq Stockholm's Corporate Committee approved Xspray Pharma's application to list the shares on Nasdaq Stockholm's main list. The first day of trading on the new list took place on March 27, 2020.

Since its IPO on Nasdaq First North Growth Market, the Company's corporate governance has been based on Swedish law, the Company's Articles of Association, internal regulations and ordinances, generally accepted stock market practice, and in those sections deemed relevant to the company, according to the Swedish Code of Corporate Governance (the "Code").

The Company has continued to fully apply the Code in 2020.

Shareholders

Xspray Pharma's shares are listed on Nasdaq Stockholm, since 27 March, 2020. Share capital as of 31 January 2020 consisted of 18,892,504 shares with a quota value of SEK 1.00. As of 31 December 2020, Östersjöstiftelsen and Ribbskottet AB were shareholders with holdings of at least one-tenth of the votes for all shares of the Company. Östersjöstiftelsen's holdings of shares and votes were 13.2%, and Ribbskottet AB's holdings were 10.9% at year-end.

All shares are ordinary shares and carry equal rights to the Company's earnings, and to one vote at the AGM. All parties entitled to vote at the AGM may do so for the full number of shares held or represented, without limitation of the number of votes.

Annual General Meeting (AGM)

Pursuant to the Swedish Companies Act (2005:551), the AGM is the Company's chief decision-making body. Shareholders exercise their voting rights at AGMs. AGMs must be held within six months of the end of each financial year. Extraordinary General Meetings (EGMs) may also be convened in addition to AGMs. Apart from Solna, where the Company has its registered office, the Articles of Association allow AGMs to be held in Stockholm.

Pursuant to the Company's Articles of Association, invitations to AGMs should be through an announcement in the Swedish Official Gazette, and by an invitation being uploaded on the Company's website. Simultaneous with the

invitation, the company should announce that the invitation has been made through an advertisement in Swedish daily newspaper Svenska Dagbladet.

Shareholders recorded in the share register five days prior to the AGM, and that have notified the Company by that date and time stated in the invitation to the Meeting, are entitled to participate. Such day may not be a Saturday, Sunday, other public holiday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not occur earlier than five days prior to the Meeting.

AGM 2020

Xspray Pharma's AGM 2020 was held on 14 May 2020 in Stockholm. Apart from customary business, the AGM made the following resolutions;

- To re-elect Michael Wolff Jensen, Maris Hartmanis, Carl-Johan Spak and Torbjörn Koivisto, Gunnar Gårdemyr and Christine Lind as Directors for the period until the end of the following AGM, and
- To re-elect Michael Wolff Jensen as Chairman of the Board for the period until the end of the following AGM.
- To elect registered public accounting firm KPMG AB as auditor, with Duane Swanson as Auditor in Charge.
- In accordance with the Nomination Committee's proposal for the appointment of the Nomination Committee. In terms, the principles mean that the Nomination Committee shall consist of the Chairman of the Board and a representative of each of the three largest shareholders based on the ownership in the Company as of 30 September.
- To authorize the Board of Directors to take decisions on new share issues on one or more occasions in the period until the following AGM, corresponding to a maximum of 10% of the total number of shares of the Company at the time of the AGM resolution.

AGM 2021

The AGM will be held on Thursday, 20 May 2021. The invitation will be published in a press release and an announcement in the Swedish Official Gazette, and in Svenska Dagbladet, and published on Xspray Pharma's website.

Due to the ongoing pandemic, the Board of Directors has decided that the EGM should be executed without physical presence of shareholders, proxies or external participants and that voting may only be done by post prior to the EGM.

Shareholders wishing to have a matter considered by the AGM should make a written request to the Nomination Committee by no later than seven weeks prior to the AGM. The Nomination Committee can be contacted by mail at: Xspray Pharma AB, Råsundavägen 12, 169 67 Solna, Sweden, or by email to: generalmeeting@xspray.com, write "Valberedningen" in the subject line.

For entitlement to participate in the AGM, shareholders must:

- be recorded as a shareholder in the share register maintained by Euroclear Sweden AB as of Thursday 12 May 2021.
- notify the Company of their intention to participate by voting in advance at the AGM by no later than Friday 11 May 2021. Notifications can be by mail to: Xspray Pharma AB, Råsundavägen 12, 169 67 Solna, Sweden, or email to: generalmeeting@xspray.com

Nomination Committee

Companies that comply with the Code must have a Nomination Committee. Pursuant to the Code, the AGM should appoint the members of the Nomination Committee, or state how members are to be appointed. Pursuant to the Code, the Nomination Committee should have a minimum of three members, and a majority of them should be independent of the company and its management. At least one member of the Nomination Committee should also be independent of the largest shareholder in terms of the vote, or that group of shareholders that collaborate on the Company's administration.

The Nomination Committee has especially considered the need for diversity in terms of skills, experience and backgrounds, considering factors including the Company's strategic development, governance and controls. The Nomination Committee has discussed the diversity perspective based on its opinion that they are essential to the composition of the Board of Directors, and the Nomination Committee intends to attain equal gender balance.

Instructions for the work and composition of the Nomination Committee

Pursuant to a resolution by the Company's AGM on 14 May 2020, the Chairman of the Board should make contact with the three largest shareholders of the Company in terms of votes according to Euroclear Sweden AB's printed register as of 30 September, who should each be offered the opportunity to appoint a member, who will make up the nomination committee jointly with the Chairman of the Board. If one of these shareholders does not exercise its right to appoint a member, entitlement to appoint such member defers to the next largest shareholder in terms of votes that has not already been entitled to appoint a member of the Nomination Committee. This process

should continue until the Nomination Committee consists of three members apart from the Chairman of the Board. If the Nomination Committee does not decide otherwise, the Chairman of the Nomination Committee should be the member representing the largest shareholder in terms of the vote. The Chairman of the Board may not serve as Chairman of the Nomination Committee.

The names of the Nomination Committee members should be published as soon as the Nomination Committee is appointed, although by no later than six months prior to the following AGM. The Nomination Committee is appointed for a term of office from the time when its composition is published until a new Nomination Committee has been appointed.

If changes to the Company's ownership structure occur after 30 September, but before the Nomination Committee's complete proposals for resolution have been published, and if a shareholder, who after this change, is one of the three largest shareholders in terms of votes, expresses a wish to become a member of the Nomination Committee to the Chairman of the Nomination Committee, that shareholder shall be entitled to appoint one further member of the Nomination Committee. Additionally, the Nomination Committee can decide that a member that has become significantly smaller than the third largest shareholder in terms of the vote of the company should leave the Nomination Committee if considered appropriate.

If a member leaves the Nomination Committee during its term of office, or if such member is unable to render service, the Nomination Committee should require that shareholder that has appointed said member to appoint a new member in a reasonable time. If said shareholder does not exercise its right to appoint a new member, that right defers to the next largest shareholder in terms of the vote that has not already appointed or declined to appoint a member of the Nomination Committee. Alterations to the composition of the Nomination Committee should be published as soon as they have occurred.

The Nomination Committee should consult on proposals on the following issues to be presented to the AGM for resolution:

- Proposal for a Chairman of the AGM,
- Proposal for a Board of Directors,
- Proposal for a Chairman of the Board,
- Proposal for Directors' fees, divided between the Chairman and other Directors,
- Proposal for fees for members of the Remuneration and Audit Committees (where applicable),
- Proposal for an auditor,
- Proposal for remuneration of the auditor, and
- where considered necessary, proposals for amending applicable rules for the Nomination Committee.

There are no specific provisions of the Articles of Association regarding appointing and dismissing Directors and on amending the Articles of Association.

Nomination Committee for the AGM 2021

The members of the company's Nomination Committee for the AGM 2021 are

- Gillis Cullin, appointed by Östersjöstiftelsen
- Johan Gyllenswärd, appointed by Ribbskottet AB
- Caroline Sjösten, appointed by Swedbank Robur Fonder
- Michael Wolff Jensen (Chairman of the Board)

Board of Directors

The Board of Directors is the Company's chief decision making body after the AGM. The Swedish Companies Act stipulates that the Board of Directors is responsible for the Company's administration and organisation, which means that the Board has duties including setting goals and strategies, ensuring procedures and systems for evaluating predetermined goals are in place, continuously evaluating the Company's results of operations and financial position, and appraising executive management. The Board of Directors is also responsible for ensuring that annual accounts and interim reports are prepared on time. The Board of Directors also appoints the Company's CEO.

Directors are normally appointed by the AGM for the period until the end of the following AGM. Pursuant to the company's Articles of Association, the Board of Directors, to the extent elected by the AGM, should have a minimum of three and a maximum of seven Directors, with a minimum of zero and maximum of two Deputies. The Chairman of the Board should be elected by the AGM and has special responsibility for leading the Board of Directors' work, and for this work being well organized and conducted efficiently.

The Board of Directors meets according to a predetermined schedule. In addition to these meetings, other meetings may be convened to consider issues that cannot be dealt with at scheduled Board meetings. The CEO and CFO participate in the majority of the number of Board meetings. In addition to Board meetings, the Chairman and CEO maintain a continuous dialogue on the Company's management. The Board of Directors complies with written rules of procedure that are revised yearly and adopted at the Board meeting following election in each year. The rules of procedure formalize activities including the Board's practices, functions and the segregation of duties between Directors and the CEO. At the Board meeting following election, the Board of Directors also adopts instructions for the CEO, and for financial reporting.

Remuneration Committee

Xspray Pharma has established a Remuneration Committee with three members: Michael Wolff Jensen (Chairman), Gunnar Gårdemyr and Torbjörn Koivisto. The duties of the Remuneration Committee are formalized by the company's rules of procedure for the Remuneration Committee. This Committee consults on issues including the Board's decisions on remuneration principles, compensation and other employment terms for the CEO and senior executives.

Audit Committee

Xspray Pharma has established an Audit Committee with three members: Maris Hartmanis (Chairman), Christine Lind and Carl-Johan Spak. The duties of the Audit Committee are formalized by the Company's rules of procedure for the Audit Committee. This Committee's duties include continuously monitoring and appraising the work of the auditors on behalf of the Board of Directors. The Audit Committee should review and monitor auditor independence and impartiality. Additionally, the Audit Committee should consult on matters relating to the Company's accounting and internal controls, risk management, external audit and financial information.

Remuneration of Directors

Remuneration to Xspray Pharma's Directors is resolved by the AGM. The AGM on 14 May 2020 approved the Nomination Committee's proposals that the following Directors' fees would be payable: SEK 350,000 to the Chairman of the Board, SEK 175,000 to each of the other Directors, SEK 45,000 to the Chairman of the Audit Committee and SEK 20,000 each to the Audit Committee's other members, and SEK 30,000 to the Chairman of the Remuneration Committee, and SEK 15,000 to the Remuneration Committee's other members.

Work of the Board of Directors in 2020

In 2020, the Board of Directors held 21 meetings where minutes were taken. Individual Directors' participation at these meetings is stated in the table below. All the year's meetings followed an approved agenda, which Directors received before Board meetings. The CEO and CFO participate at the greater part of Board meetings. The Board annually preforms a self-assessment. The Self-assessment is designed to follow up the annual performance. Board meetings include a review of current business status, the

Name	Position	Elected	Independent in relation to		Attendance, Board meetings
			The Company and Company management	Major shareholders	
Michael Wolff Jensen	Chairman of the Board	2013	Yes	Yes	21 (21)
Hans Arwidsson	Board member (resigned 14 May)	2006	Yes	Yes	10 (21)
Maris Hartmanis	Board member	2015	Yes	Yes	21 (21))
Torbjörn Koivisto	Board member	2017	Yes	Yes	21 (21)
Carl-Johan Spak	Board member	2015	Yes	Yes	21 (21)
Gunnar Gårdemyr	Board member	2019	Yes	Yes	20 (21)
Christine Lind	Board member	2019	Yes	Yes	20 (21)

Company's results of operations and financial position, and outlook for the remainder of the year. The work of the Board of Directors in the year largely focused on:

- Developing the project portfolio
- The Company's clinical phase I (pivotal) studies on HyNap-Dasa
- Strategy, business development and business intelligence
- Financial performance and raising capital
- Interim reports, annual financial statement and annual accounts

Chief Executive Officer and other senior executives

The CEO is subordinate to the Board of Directors and is responsible for the Company's continuous administration and daily operation. The segregation of duties between the Board of Directors and CEO is stated in the rules of procedure for the Board of Directors and instructions for the CEO. The CEO is also responsible for preparing financial statements and compiling information from management for Board meetings, and presents this material at Board meetings. Pursuant to the instructions for financial reporting, the CEO is responsible for the Company's financial reporting, and consequently, should ensure that the Board of Directors receives sufficient information for the Board to be able to evaluate the Company's financial position continuously.

They CEO should keep the Board of Directors continuously informed on progress of the Company's operating activities, of its sales, the Company's results of operations and financial position, the liquidity and credit position, significant business events, and each other event, circumstance or relationship that could be assumed to be of material significance to the Company's shareholders.

The CEO and other senior executives are presented on page 58–60.

Audit

The auditor should review the Company's annual accounts and accounting records, and the Board of Directors' and CEO's administration.

The auditor should present an audit report to the AGM after each financial year.

Pursuant to the Company's Articles of Association, the Company should have a minimum of one and a maximum of two auditors, and a minimum of zero and maximum of two Deputy Auditors. The Company's auditor is KPMG AB, with Duane Swanson as Auditor in Charge. The Company's auditor is presented above under the heading "Board of Directors, CEO and auditors."

Total compensation to the company's auditors in 2020 was SEK 391 thousand (250), see note 6.

Internal controls

Pursuant to the Swedish Companies Act and the Swedish Annual Accounts Act, the Board of Directors is responsible for internal controls. The purpose of internal controls is to achieve expedient and effective operating activities, ensure reliable financial reporting and information on operating

activities, and compliance with applicable laws, regulations, policies and guidelines.

The Company's internal controls are based on principles produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal controls over financial reporting

Internal controls over financial reporting are designed to create reasonable reliability and assurance in financial reporting and to ensure that external financial reporting complies with applicable laws and accounting standards. The Board of Directors bears ultimately responsibility for internal controls, and evaluates the Company's risk management controls continuously through the Audit Committee.

The Company ensures internal controls over financial reporting through qualitative and quantitative analysis of the Consolidated Balance Sheet and Consolidated Income Statement. The purpose of the quantitative analysis is to identify risks associated with material and transaction-intensive items. The qualitative analysis is intended to identify risks associated with complexity and impropriety. Based on the outcome of this analysis, significant financial processes and risks have been identified.

The Company has designed procedures and activities to monitor financial reporting and ensure that any misstatements are discovered and rectified. Key controls have been designed and followed up as part of the work of maintaining good internal controls.

Control environment and risk assessment

The Company's control environment sets a framework for the orientation and culture the Company's Board of Directors and Management communicate to the organization. To ensure expedient risk management and good internal controls, over and above policy documents such as the Board of Directors' rules of procedure, instructions for the CEO and associated delegation schedule and approvals list, the Company has adopted a number of internal guidelines, business processes and procedures.

Additionally, the Board of Directors has established an Audit Committee whose main duty is to monitor the Company's financial position, the effectiveness of the Company's internal controls, internal audit and risk management to stay informed on the audit of the annual accounts and consolidated accounts, and review and monitor auditor impartiality and independence. Responsibility for continuous work on internal controls over financial reporting has been delegated to the Company's CEO.

Each year, the company's group management should conduct a risk assessment regarding strategic, operational, legal and financial risks with the aim of identifying potential problem areas, and assess the company's risk exposure. The risk assessment includes identifying risks that may arise and could prevent the company from realizing its vision and achieving its goals, for example if the fundamental requirements of the Company's financial reporting are not satisfied. Within each risk segment, the individual responsible for each risk segment identifies risks and the potential

consequences, as well as likelihoods, and proposes actions. The Audit Committee is responsible for continuously evaluating the Company's risk situation and should support the Board of Directors by making proposals for managing the Company's financial risk exposure and risk management.

Control activities

The Board of Directors has adopted a risk management policy to identify and manage the risks associated with the Company's operating activities. Risk management is a high priority within the company. The Board of Directors bears ultimate responsibility for risk management. The Company's risk situation should be evaluated each year, with an action plan then produced. The Company has based its control environment on the risks identified during the risk assessment process. The Company has also appointed process owners who are responsible for individual processes. The CEO and other senior executives all participate in ongoing work in managing risk associated with operating activities.

The Company has formulated procedures and activities to monitor financial reporting and ensure that any misstatements are discovered and rectified. These activities include monitoring and comparing earnings performance with accounting items, account reconciliations and balance specifications, as well as approvals of banking transactions and collaborative agreements, powers of attorney and approvals lists, as well as accounting and valuation policies. The Company's CFO plays a key role in analyzing and monitoring the Company's financial reporting and results of operations. Access to the accounting system is limited by authority, responsibility and role.

Information and communication

The Company also has internal control functions for information and communication intended to ensure accurate financial and other corporate information is communicated to employees and other stakeholders.

The Company's internal instructions and policies are available to all staff and offer detailed information on applicable procedures in all parts of the Company, and review the control functions and how they are implemented.

Monitoring

Compliance and effectiveness of internal controls is regularly monitored. The CEO ensures that the Board of Directors receives regular reports on progress of the Company's operating activities including progress of the Company's results of operations and financial position, and information on significant events, such as research outcomes and important agreements and contracts. The CEO reports on these issues to the Board of Directors. The Company's compliance with applicable policies and control documents, as well as the effectiveness of internal controls, are subject to annual review. The outcome of this evaluation is compiled by the Company's CEO and reported to the Board of Directors each year. The Board of Directors discusses all interim reports and annual accounts prior to their publication and monitors the review of internal controls through the Audit Committee. The Audit Committee supports the Board of Directors by consulting on issues and offering the Board of Directors support in its work on performing its duties within the segments of internal and auditing, as well as quality-assuring the Company's financial reporting.