



Corporate Governance Report

BIOARCTIC

2018



Corporate governance report

GENERAL

BioArctic AB (publ) is a Swedish public limited liability company, corporate identity number 556601-2679, with its registered office in Stockholm, Sweden. BioArctic's B-share (BIOA B) is listed on Nasdaq Stockholm Mid Cap since October 12, 2017.

Corporate governance refers to the rules and decision-making hierarchies that contribute to the efficient and controlled management of the operations of a company, with the aim of meeting the owners' demands for return on invested capital. Corporate governance in Sweden has traditionally been regulated by law. In addition, the industry's self-regulatory bodies have continuously presented various provisions concerning corporate governance. Companies listed on a regulated market shall apply the Swedish Code of Corporate Governance ("the Code") issued by the Swedish Corporate Governance Board. More information on the Code is available at www.bolagsstyrning.se.

After the listing on Nasdaq Stockholm the Swedish Companies Act, BioArctic's articles of association, Nasdaq Stockholm's rules for issuers, the Code and other applicable laws and regulations form the basis for corporate governance within BioArctic. Also internal regulations and instructions affect BioArctic's corporate governance, e.g. the rules of procedure of the board, instructions for the CEO (Chief Executive Officer), instructions for financial reporting and other policy documents within the Group.

BioArctic aims for a high standard by clarity and simplicity in the management system and the governing documents. Governance, management and control of BioArctic is divided between the Annual General Meeting, the board of directors, the CEO and the auditors in accordance with the Swedish Companies Act and the articles of association. Through increased openness and transparency a good insight into the company's activities is provided, which contributes to effective governance.

BIOARCTIC'S APPLICATION OF THE CODE

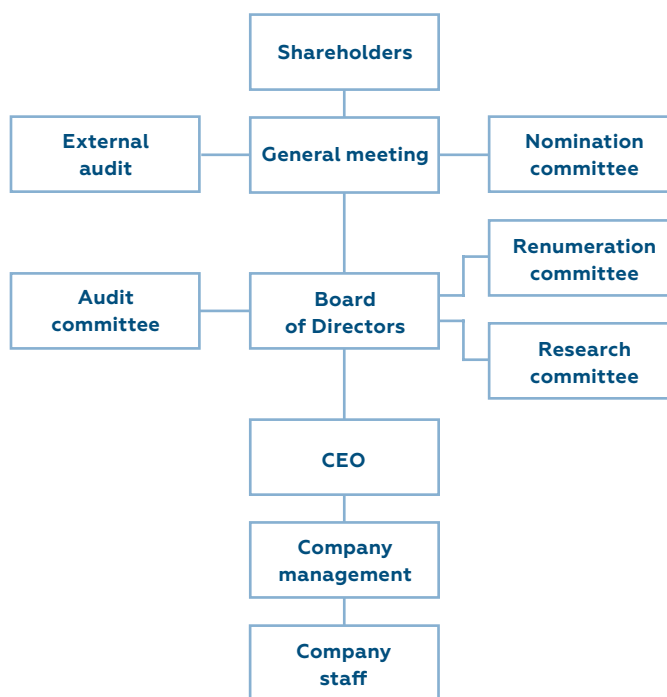
No deviation from the Code has occurred during the year.

COMPLIANCE WITH STOCK EXCHANGE REGULATIONS AND GOOD PRACTICES ON THE STOCK MARKET

BioArctic has not been subject to any decision of the Nasdaq Stockholm disciplinary board or any statement by the Swedish Securities Council.

CORPORATE GOVERNANCE STRUCTURE

The following figure gives an overview of BioArctic's corporate governance structure.



SHAREHOLDERS

BioArctic's B-share (BIOA B) is noted on Nasdaq Stockholm. At December 31, 2018 the share capital in BioArctic amounted to SEK 1,761,199.70 divided into 14,399,996 series A-shares (number of votes: 10) and 73,659,989 series B-shares (number of votes: 1), each with a quotient value of SEK 0.02. The number of shareholders at the end of the year was 8,221 (2,398). (Source: Euroclear Sweden AB).

At December 31, 2018 the following shareholders had a holding in BioArctic representing at least one tenth of the voting power of all shares in the company:

Shareholder	Share of votes in BioArctic
Demban AB (controlled by board member Lars Lannfelt)	50.2%
Ackelsta AB (controlled by board member Pär Gellerfors)	33.5%

For further information on BioArctic's share and ownership structure, see the section The BioArctic share on pp. 32–34 in the Annual Report 2018 or visit www.bioarctic.se

GENERAL MEETING

The shareholders' influence in the company is exercised at the General Meeting, which is the company's highest decision-making body. Shareholders who wish to participate in the proceedings at the meeting must be registered in the share register kept by Euroclear Sweden AB five weekdays before the General Meeting, and notify the company not later than the date specified in the notice of the meeting. This day must not be a Sunday, another public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall earlier than the fifth weekday before the meeting.

At the company's Annual General Meeting income statements and balance sheets are adopted, the board and auditors are elected, remunerations are determined and other statutory issues or matters prescribed by the Code are resolved. At the meeting there are opportunities for shareholders to ask questions to the board of directors, management and auditors. BioArctic's articles of association contain no restrictions on how many votes each shareholder can cast at a general meeting. Nor do the articles of association contain any specific provisions relating to the appointment or dismissal of board members or the amending of the articles of association.

The notice to attend a general meeting shall be published in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and on the company's website. At the time of the notice, information relating to the notice shall be advertised in Svenska Dagbladet. Notice of an Annual General Meeting or Extraordinary General Meeting where amendment of the articles of association will be processed shall be issued not earlier than six (6) and not later than four (4) weeks prior to the meeting. Notice of other extraordinary general meeting shall be issued not earlier than six (6) and not later than three (3) weeks prior to the meeting. The minutes of the meeting shall be available on the company's website no later than two weeks after the meeting.

Annual General Meeting May 15, 2018

The Annual General Meeting was held on May 15, 2018 in Stockholm. At the Annual General Meeting the following matters were treated:

- Presentation of the annual accounts and the auditors' report, and the consolidated accounts and the Group auditors' report
- Adoption of the income statement and balance sheet, and the Group income statement and Group balance sheet
- Decision of appropriation of company profits according to the adopted balance sheet
- Decision on the discharge of liability to the board and the CEO
- Determination of the number of board members and the number of auditors and deputy auditors
- Determination of remuneration to the board of directors and the auditor
- Election of board members
- Election of auditor
- Decision on the establishment of a nomination committee and guidelines for the work of the nomination committee
- Decision on guidelines for remuneration to senior executives

The minutes and other documentation from this general meeting are available at the company's website www.bioarctic.com

ANNUAL GENERAL MEETING 2019

The Annual General Meeting 2019 will be held on May 9, 2019 at 5.00 p.m. at Grant Thornton Sweden AB, Sveavägen 20 in Stockholm.

NOMINATION COMMITTEE

According to the resolution at the annual general meeting in BioArctic on May 15, 2018 the members of the nomination committee for the 2019 Annual General Meeting shall be appointed by the chairman of the board by contacting the three largest shareholders according to Euroclear Sweden AB's transcription of the share register as of September 30, 2018 and asking each of them to appoint a member of the nomination committee. In the event that any of the three largest shareholders does not wish to appoint a member of the nomination committee, further shareholders should be contacted until the nomination committee consists of three members.

At September 30, 2018 the three largest shareholders were Demban AB, Ackelsta AB and the Fourth Swedish National Pension Fund. The latter, however, has chosen to give up its seat on the nomination committee. Thus the Third Swedish National Pension Fund, which is the company's fourth largest owner (according to Euroclear Sweden AB), have been consulted and accepted a seat on the nomination committee.

The composition of the nomination committee shall be announced on the company's website no later than six months prior to the Annual General Meeting. The nomination committee represents the company's shareholders and shall prepare and submit proposals to the Annual General Meeting for decisions on the election of chairman of the board, deputy chairman (if any), and other board members, fees for the chairman and the other board members, and possible remuneration for committee work, the election of and fees to the auditor and deputy auditor (if applicable), resolution on the principles for appointing the nomination committee, and election of the chairman of the meeting.

The nomination committee for the Annual General Meeting 2019 consists of Margareta Öhrvall (Demban AB), Claes Andersson (Ackelsta AB) and Gunnar Blix (the Third Swedish National Pension Fund). The nomination committee appoints a chairman from among its members, and Gunnar Blix has been appointed. All shareholders have been given the opportunity to present proposals for board members for further evaluation in the context of the committee's work. The nomination committee has had 3 (1) meetings as well as informal contacts.

As a basis for its evaluation of the composition of the board the nomination committee has had access to the evaluation performed by the board and also had the opportunity to meet the board members individually. Based on this evaluation and the opportunity to consider proposals for new board members the nomination committee works out a proposal for the board that will be announced in connection with the notice of the 2019 Annual General Meeting. The auditors are appointed by the Annual General Meeting annually. In the election of auditors the audit committee (consisting of chairman Ivar Verner, Hans Ekelund and Eugen Steiner) supports the nomination committee in the development of proposals. The current auditors, Grant Thornton Sweden AB, were first elected at the 2016 Annual General Meeting.

BOARD OF DIRECTORS

The board's tasks and responsibilities

The board of directors is ultimately responsible for BioArctic's organization and the management of the company's operations, which should be conducted in the best interest of the company and all shareholders.

The main tasks of the board include managing strategic issues concerning operations, financing, establishments, growth, result and financial position and continuously monitoring the company's financial situation. The board shall also ensure that there are effective systems for monitoring and control of the company's operations and ensure that BioArctic's information is transparent and accurate, relevant and reliable.

The board's working practices and work allocation

The board adheres to written rules of procedure that are revised annually and adopted at the inaugural board meeting held in connection with the annual general meeting. The rules of procedure govern, among other things, board practices, tasks, the decision-making procedure within the company, the board's meeting agenda, the chairman's duties and the allocation of responsibilities between the board and the CEO.

Instructions for financial reporting and instructions for the CEO are also determined in connection with the inaugural board meeting.

Composition of the board of directors

According to BioArctic's articles of association the board shall consist of no less than three (3) and no more than eight (8) members with no deputies. The members are normally elected at the Annual General Meeting for the time up until the next annual general meeting, but additional board members can be elected during the year at an Extraordinary General Meeting. The company shall have one or two auditors with or without deputy auditors.

The board consists of seven ordinary members, without deputies: Wenche Rolfsen (chairman), Ivar Verner (deputy chairman), Lars Lannfelt, Pär Gellerfors, Hans Ekelund, Eugen Steiner and Mikael Smedeby. At the Annual General Meeting on May 15, 2018, Mikael Smedeby was elected as a new board member. The chairman, deputy chairman and the other board members were re-elected.

The board considers that Wenche Rolfsen, Ivar Verner, Hans Ekelund and Eugen Steiner are independent to the company as well as to company management and major shareholders. Hans Ekelund is a cousin of Lars Lannfelt's wife. The board considers that this circumstance does not mean that he should not be considered to be independent to the company, its management and major shareholders. Mikael Smedeby is active as a lawyer and partner in Advokatfirman Lindahl KB, which provides ongoing legal advice to BioArctic at market-based rates. He is considered to be dependent in relation to BioArctic and the company's senior executives as a result of Advokatfirman Lindahl's assignment as advisors to BioArctic.

Lars Lannfelt and Pär Gellerfors are the company's main shareholders and own, through their own companies, 35.8 percent of the shares, representing 50.2 percent of the votes; and 23.8 percent of the shares representing 33.5 percent of the votes in the company, respectively. Up to September 1, 2018 Pär Gellerfors was also employed by the company and adjunct in the company's management team. A consultancy agreement regarding support in the area of contracts and patents was signed in December, 2018 between Ackelsta AB, owned by Pär Gellerfors, and BioArctic AB. No payments have been made under this agreement during 2018. From September 1, 2018 Lars Lannfelt is reemployed by the company and adjunct in the company's management team. Lars Lannfelt and Pär Gellerfors are thus not to be considered to be independent to the company, its management and major shareholders.

The board's composition, with members with different backgrounds and broad aggregate experience, means that the board members together have the knowledge required for the work of the board, including issues related to drug development, industry knowledge, strategy and corporate management.

It also means that the company management enjoys good individual support from board members in questions relating e.g. to science, research, contacts with regulatory authorities, law, finance, accounting, communications and organizational development.

The board members' age, educational background, working experience, significant current assignments, year of election and holdings in BioArctic is described in the presentation of the Board of directors on pp. 10–11.

Chairman of the board

The role of the chairman is to lead the board of directors' work and to ensure that the work is carried out efficiently, and that the board fulfils its obligations according to the Swedish Companies Act and the rules of procedure of the board. The chairman shall, through contact with the CEO, continuously receive the information needed to be able to monitor the company's position, financial planning and development. The chairman shall also consult with the CEO on strategic matters and verify that the board's decisions are implemented in an effective manner. The chairman is responsible for contacts with the shareholders in ownership matters and for communicating the views of the owners to the board. The chairman does not take part in the operative work in the company, nor is he or she a member of the management team.

Remuneration to the board of directors

At the Extraordinary General Meeting on May 15, 2018 the board's remuneration was determined to amount to a total of SEK 1,550,000. The remuneration should be SEK 500,000 to the chairman, SEK 250,000 to the deputy chairman, and SEK 200,000 to each of the other board members not employed by the company. The fees apply for the current term until the next Annual General Meeting. It was further decided that a fee amounting to SEK 100,000 should be paid to the chairman of the audit committee and SEK 60,000 to each other member of the audit committee not employed by the company. Finally a fee amounting to SEK 60,000 should be paid to the chairman of the remuneration committee and SEK 40,000 to each other member of the remuneration committee not employed by the company. No fees are paid for the research committee.

The board of directors' work during the year

In 2018 the board held 12 (26) meetings, one of which was an inaugural meeting directly adjacent to the Annual General Meeting on May 15, 2018. The minutes taken at these meetings are minutes recording decisions.

The board's regular meetings are prepared by the chairman of the board together with the company's CEO. Prior to each board meeting the board receives a written material as a basis for the issues and decisions that will be addressed at the meeting. At some board meetings one or more representatives from the company management may participate to account for matters within their respective areas. At each regular board meeting an update on the operations and a financial follow-up is given. These reports are compiled by the CEO and the CFO (Chief Financial Officer). During the year also matters relating to the company's strategy, current and potential partners, organization and competence requirements have been discussed. The company's auditor participated in the meeting which dealt with the annual accounts and in meetings dealing with the interim report for the period January – September 2018 and the audit of the company's internal control. In this way the board and the auditor had the opportunity to discuss the operations, accounts and audit work.

Audit committee

During the year the audit committee consisted of Ivar Verner (chairman), Hans Ekelund, and Eugen Steiner. The audit committee met 4 (6) times.

The board of directors' audit committee shall consist of at least three members, one of whom shall be the chairman, and works according to rules of procedure adopted by the board. The audit committee's role is mainly to monitor the company's financial position, to monitor the effectiveness of the company's internal control, internal audit and risk management, to be informed about the audit of the Annual Report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence.

The audit committee approves any additional missions for the external auditors and makes a review of the additional missions with respect to their independence. The audit committee shall also assist the nomination committee in proposals for resolutions on the election and remuneration of the auditor and continuously meet the company's auditor. All meetings of the audit committee are minuted and the minutes are presented to the board together with an oral report in connection with the board's decision making.

Issues addressed in 2018 include risk analysis, internal and external financial reporting, review of the outcome of the examination of the operations performed by the auditor elected at the Annual General Meeting and issues related to internal control and the authorization manual.

Remuneration committee

During the year the remuneration committee consisted of Wenche Rolfsen (chairman), Hans Ekelund and Eugen Steiner. The remuneration committee met 4 times (1).

The board of directors' remuneration committee shall consist of at least three members, one of whom one shall be the chairman. The committee works according to rules of procedure adopted by the board. The remuneration committee's role is primarily to prepare matters regarding remuneration and other terms of employment for the CEO and other senior executives.

The remuneration committee shall also monitor and evaluate ongoing and during the year completed programs for variable remuneration to the company's management and monitor and evaluate the implementation of the guidelines for remuneration to senior executives adopted by the Annual General Meeting. All meetings of the remuneration committee are minuted and the minutes are presented to the board together with an oral report in connection with the board's decision making.

Research committee

BioArctic's operations have a strong scientific focus with drug projects in early and late phase. At the board meeting on September 26, 2018 the board of directors decided to establish a research committee with focus on scientific issues.

The board of directors' research committee shall consist of at least one (1) member, one of whom shall be the chairman and convener. In addition to the chairman the research committee consists of the CSO (Chief Scientific Officer) as adjunct. Depending on the areas concerned the researchers whose competence is needed for the issues dealt with are called as adjuncts. Also external researchers can participate as needed.

The research committee works according to rules of procedure adopted by the board and have an advisory capacity in relation to the board and the CEO. The research committee's role is primarily to identify and evaluate research areas and disease indications where BioArctic may develop commercially successful products.

During the year the research committee consisted of Lars Lannfelt (chairman). The committee had three meetings. All meetings of the research committee are minuted and the minutes are presented to the board together with an oral report in connection with the board's decision making.

Evaluation of the work of the board of directors

In accordance with what is laid down in the rules of procedure for the board of directors, the board continuously evaluates its work through open discussions in the board and through an annual board evaluation. The result of the annual evaluation is submitted to the nomination committee. The nomination committee has also had individual meetings with the board members in order to be able to ask questions about the work of the board.

Evaluation of the work of the CEO

In accordance with what is laid down in the rules of procedure for the CEO, the board of directors continuously evaluates the work of the CEO through open discussions and an annual evaluation. The board deals specifically with this issue at least once a year, with nobody from the company management present. Regular and systematic assessment forms the basis for the evaluation of the CEO's performance and for a continuous development of the work.

Board member	Independent to the company and its management	Independent to major shareholders	Presence board meetings	Presence audit committee	Presence remuneration committee	Presence research committee
Wenche Rolfsen	Yes	Yes	12 of 12		4 of 4	
Ivar Verner	Yes	Yes	12 of 12	4 of 4		
Hans Ekelund	Yes	Yes	12 of 12	4 of 4	4 of 4	
Pär Gellerfors	No	No	11 of 12			
Lars Lannfelt ¹⁾	No	No	12 of 12			3 of 3
Mikael Smedeby ²⁾	No	Yes	6 of 12			
Eugen Steiner	Yes	Yes	12 of 12	4 of 4	4 of 4	

¹⁾ Lars Lannfelt, chairman of the research committee, which was established on September 26, 2018.

²⁾ Mikael Smedeby, elected board member at the Annual General Meeting on May 15, 2018.

AUDITORS

The company's auditor, Grant Thornton Sweden AB, was first elected at the Annual General Meeting 2016. The current term is for the period until the end of the Annual General Meeting 2019. Mia Rutenius is the auditor in charge. During the year the company's auditor has, in addition to auditing the company's accounts, also performed a review of the interim reports for the period January – September. As described under "The board of directors' work during the year" the company's auditor has also met the board at the board meeting dealing with the annual accounts and at meetings dealing with the audit of the company's internal control. For information on remuneration to auditors, see Note 9 in the Annual Report 2018.

CEO AND COMPANY MANAGEMENT

The CEO's and the senior executives' age, main education, working experience, major current assignments and holdings in BioArctic are shown in the presentation of the Management team on pp. 12–13.

INTERNAL CONTROL CONCERNING THE FINANCIAL REPORTING

The overall purpose of the internal control is to ensure, to a reasonable degree, that the company's operating strategies and targets are monitored and that the owners' investments are protected. Furthermore, the internal control shall ensure, with reasonable certainty, that the external financial reporting is reliable and prepared in accordance with good accounting practice, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with. The board of directors has the overall responsibility for the internal control.

The Swedish Companies Act and Annual Accounts Act contain requirements which mean that information about the main features of BioArctic's system for internal control and risk management should be part of the company's corporate governance report. The board's responsibility for the internal control is also regulated in the Code. The board shall among other things ensure that BioArctic has good internal control and formal procedures ensuring that established principles for financial reporting and internal control are observed and that there are adequate systems for monitoring and control of the company's operations and the risks associated with the company and its operations.

In order to maintain a good internal control the board has adopted a number of governing documents, e.g. rules of

procedure for the board, instructions for the CEO, instructions for financial reporting, a financial policy and an information policy. The board has assessed the need for a special audit function (internal audit) and has come to the conclusion that such a function is not currently justified in BioArctic considering the scope of the operations and the existing internal control structures. The board annually reassesses the need for a separate internal audit function.

Since 2017 the board has established an audit committee whose main tasks among other things include monitoring and quality assurance of the company's financial reporting, continuous contacts with the company's external auditor, to monitor the effectiveness of the company's internal control concerning financial reporting, and to review and monitor the auditor's impartiality and independence. Within the board the audit committee also has the main responsibility for monitoring and managing risks that may affect the company's operations negatively.

The responsibility for ongoing internal control and risk management has been delegated to the company's CEO, who regularly reports to the board in accordance with the established instructions.

The internal control and risk management are controlled and evaluated on an ongoing basis through internal and external audits and evaluations of the company's governing documents. Invoices are for instance reviewed by the purchaser and authorized by another person within the company in accordance with the established authorization manual and year-end procedures are performed in duality, so that all tasks performed are always verified by another person within the company.

In addition to the above described internal control there is also internal operations specific control of data regarding research and development and quality control including a systematic monitoring and evaluation of the company's research and manufacturing work and products.

Control environment

BioArctic's board adheres to rules of procedure which are adopted annually at the inaugural board meeting. These rules of procedure form the basis for the board's work and for an efficient handling of the risks that relate to the operations.

The framework for BioArctic's internal control consists of the company's policies. BioArctic's policies and other governing documents are expected to create the basis for good internal control.

Information and communication

Information on BioArctic's governing documents such as policies, guidelines and procedures is given to the persons concerned. All policies and guidelines are updated as needed and reviewed at least every two years and are communicated to employees and other persons concerned. Issues related to financial reporting are also discussed at meetings where relevant working groups meet. For external communications BioArctic follows established policies.

Follow-up

Within BioArctic the income statement and balance sheet and selected key ratios are followed-up continuously. In addition to the financial follow-up there is also follow-up of the ongoing research projects, the internal control and a risk assessment. The board is given updates and analyses of the financial outcome.

Information to the stock market

In accordance with the commitments resulting from being a listed company, BioArctic gives the stock market information on the Group's financial position and development. The information is given in the form of interim reports and an annual report published in Swedish and English. In addition to the financial information BioArctic also publishes other information which BioArctic is obligated to disclose in accordance with stock exchange regulations or applicable legislation, press releases concerning news and events relating to the company and the company's operations, and presentations for shareholders, finance analysts and investors in Sweden as well as abroad. Information that constitutes insider information is handled and published according to the rules in EU's market abuse regulation (MAR). The information that is made public is also published on BioArctic's websites www.bioarctic.se (in Swedish) and www.bioarctic.com (in English).

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

According to the Swedish Companies Act, the general meeting shall resolve on guidelines for remuneration to the CEO and other senior executives.

Senior executives are those persons who, together with the CEO, form the Group management. Remuneration to senior executives consists of fixed salary, variable remuneration, pensions and other benefits.

At the Annual General Meeting on May 15, 2018 guidelines for remuneration to senior executives were adopted with the following main content.

The company shall offer company management market level compensation that makes it possible to recruit and retain senior executives. The compensation to company management shall consist of fixed salary, customary employment benefits and pension. Variable remuneration can also be paid, but should not exceed an amount corresponding to six monthly salaries.

The fixed salary shall take into account the individual's responsibilities and experience, and be reviewed annually. The division between fixed salary and any variable remuneration shall be proportional to the executive's responsibility and authority. The variable remuneration shall always be limited to a predetermined maximum amount and be linked to predetermined and measurable criteria and designed to achieve greater community of interest between the executive and the company's shareholders. The earning period or alternatively the time from entering into the agreement until a share may be acquired shall not be less than three years in share and share price related incentive programs. The terms for variable remuneration shall be designed so that the board, under particularly difficult economic circumstances, has the possibility to restrict or refuse to give out variable remuneration if this is deemed to be unreasonable and inconsistent with the company's responsibility to the shareholders. For variable remuneration it should be possible to restrict or refuse to pay variable remuneration if the board considers that this is justified for other reasons.

Pension terms shall be in accordance with market practice for corresponding positions and be based on defined contribution solutions.

Fixed salary during the period of notice and severance pay shall together not exceed an amount corresponding to the fixed salary for two years.

Executives who hold a position as board member or deputy board member in a Group company shall not receive a special board fee for this.

The board is allowed to deviate from these guidelines in individual cases should there be special reasons for doing so.

Remuneration to the CEO and other senior executives

In 2018 BioArctic's CEO Gunilla Osswald received a fixed compensation amounting to SEK 189,150 per month. Gunilla Osswald furthermore has the right to pension provisions corresponding to 35 percent of the fixed compensation.

The CEO is included in the variable remuneration programs covering all employees in the company. In addition the CEO has the right to a non-pensionable variable remuneration amounting to a maximum of 35 percent of the total fixed compensation in 2018. The target achievement for variable remuneration in 2018 amounted to 100 percent.

Between the company and the CEO there is a notice period of 12 months if the company gives notice of termination and 6 months if the CEO gives notice. For other senior executives the notice period is mutually 3 months, alternatively the notice period set out in the Employment Protection Act (LAS). Severance pay is not applied.

Incentive programs

BioArctic has two incentive programs linked to the company's Alzheimer and Parkinson projects, covering all permanent employees (including the CEO). Variable remuneration is paid when the company achieves certain goals linked to the clinical research programs for BAN2401 for Alzheimer's disease and BAN0805 (ABBV-0805) for Parkinson's disease. As the variable remuneration programs are linked to the research programs, the variable remuneration payments may occur irregularly as these goals are reached. Some of these goals are also far in the future. One condition for receiving variable remuneration is that the employee has been permanently employed and that the employment has lasted for at least six months at the time when the goal that is the basis for payment of variable remuneration is reached and that the employee has not given notice at the time of the payment. The potential variable remuneration for the employee amounts to one monthly salary. The variable remuneration is not pensionable.

Share-based incentive programs and acquisition of shares by board members and senior executives

The company does not have any outstanding share-based incentive program or otherwise any outstanding warrants. However, the company has two incentive programs for the employees (including the CEO and senior executives), see above.

In 2017 the main owners Demban AB and Ackelsta AB issued call options to certain board members and senior executives in the company, including the CEO, concerning a total of 366,795 of the main owners' B-shares in BioArctic. The CEO's holding at the end of the year amounted to 12,800 B-shares and call options entitling to the purchase of 87,270 B-shares. The exercise period (i.e. the period during which the option can be used) runs through June 30, 2020 according to the option agreement. The exercise price for the call options amounts to approximately SEK 26.67 per share. In connection with the issue of the call options the holders have paid an option premium, corresponding to the market value of the options according to the Black & Scholes model, to the main owners. The call options are freely negotiable. However, under the agreement the main owners have the right to repurchase the

call options if the holder terminates his/her employment or assignment in the company during the duration of the call options.

BOARD OF DIRECTORS



Wenche Rolfsen
Chairman of the board since September 2017, board member since 2016, chairman of the Remuneration Committee

Wenche Rolfsen has 30 years' experience in senior positions in preclinical research and development at Pharmacia. She was responsible for the early clinical organization at Quintiles Europe and CEO of Quintiles Scandinavia for a total of 11 years. She also has extensive experience from board positions in listed companies and is a member of the board of Swedish Match AB and Recipharm AB, among others

Born: 1952

Education: Pharmacist, Doctor of pharmacy (pharmacognosy), Adjunct Professor at Uppsala University, Sweden

Background: Head of pharmacology at Pharmacia & Upjohn; VP clinical trials Quintiles Europe, CEO of Scandinavian Quintile's organization

Other current assignments: Chairman of InDex Pharmaceuticals Holding AB and InDex Pharmaceuticals AB; board member of Swedish Match AB, Recipharm AB and InDex Diagnostics AB, and CEO and board member of Rolfsen Consulting AB. Partner in Serendipity Partners

Prior assignments (past five years): Chairman of Aprea Therapeutics AB, Denator AB and Aprea Personal AB; board member of Smartfish AB, Moberg Pharma AB, TFS Trial Form Support International AB, Apotek Produktion & Laboratorier AB and Stiftelsen Industrifonden

Holdings: 19,200 B-shares and call options entitling to the acquisition of 27,270 B-shares

Independent in relation to BioArctic, its senior management and major shareholders



Ivar Verner
Deputy chairman since 2017, board member since 2010, chairman of the Audit Committee

Ivar Verner is former authorized public accountant, partner and chairman of the board of Grant Thornton Sweden AB

Born: 1947

Education: Master of Business Administration, Stockholm School of Economics, Sweden

Background: Former authorized public accountant, partner and chairman of Grant Thornton Sweden AB

Other current assignments: Chairman of Erlandsons Brygga AB, Centrum Fastigheter i Norrtälje AB, Norrländska Gruppbestäder Holding AB, Tegnér & Son AB, Firren AB and Valsättra Exploaterings AB. Board member of Förvaltningsaktiebolaget Kanalen, Verner & Partners AB and Valsättra Tomter AB

Prior assignments (past five years): Chairman of Rejlers AB (publ), Welcome Hotel i Sverige AB, Constrera AB and SpineMedical AB. Board member of Forex Bank AB and Svenska Vårdfastigheter AB

Holdings: 72,500 B-shares through Förvaltningsaktiebolaget Kanalen AB and call options entitling to the acquisition of 27,270 B-shares

Independent in relation to BioArctic, its senior management and major shareholders



Hans Ekelund
Board member since 2014, member of the Audit Committee and the Remuneration Committee

Hans Ekelund has an MBA from Stockholm School of Economics. He has had a number of assignments as board member and has previously been CFO of Ratos

Born: 1948

Education: Master of Business Administration, Stockholm School of Economics, Sweden

Background: Previously CFO of Ratos and a number of assignments as board member

Other current assignments: Chairman of Connect Öst (non-profit organization) and board member of Ekarna Invest AB

Prior assignments (past five years): Chairman of Minimarket Stockholm AB and deputy board member of Wave Impact Heat Management AB. Board member of SpineMedical Sverige AB and SpineMedical AB

Holdings: 42,500 B-shares through Ekarna Invest AB and call options entitling to the acquisition of 27,270 B-shares

Independent in relation to BioArctic, its senior management and major shareholders



Pär Gellerfors
Board member since 2003

Pär Gellerfors is together with Lars Lannfelt founder of BioArctic. Pär Gellerfors is Associate Professor of Biochemistry at Stockholm University. He is also co-founder of HemeBiotech/Zymenex A/S and has held several board memberships

Born: 1947

Education: Bachelor degree in chemistry at Stockholm University 1967; PhD in chemistry at Stockholm University 1977; Associate Professor of Biochemistry at Stockholm University 1983, Sweden

Background: One of the founders of BioArctic in 2003, CEO from 2003 to 2013 and Senior Vice President Business Strategy and co-opted member of the management team until September 1, 2018. More than 30 years' experience of drug and business development from Pharmacia and biotech companies. Co-founder of HemeBiotech/Zymenex A/S

Other current assignments: CEO and board member of Swenora Biotech AB, board member of Ackelsta AB, LPB Sweden AB and deputy board member of Otwomed AB

Prior assignments (past five years): CEO and board member of SpineMedical Sverige AB and SpineMedical AB and board member of LPB Sweden Holding AB

Holdings: 5,759,998 A-shares and 15,232,989 B-shares through Ackelsta AB

Not independent in relation to BioArctic, its senior management and in relation to major shareholders



Lars Lannfelt
Board member since 2003, chairman of the Research Committee

Lars Lannfelt is founder of BioArctic with Pär Gellerfors. Lannfelt is Senior Vice President for University Collaborations and co-opted member of the Management team. He is also Senior Professor at Uppsala University and member of the Royal Swedish Academy of Sciences

Born: 1949

Education: Medical degree 1978; specialist in psychiatry 1987; doctoral thesis at Karolinska Institutet 1990; Associate Professor of Neurogenetics at Karolinska Institutet 1993; specialist in geriatrics 2000, Sweden

Background: Professor of Geriatrics at Uppsala University 2001; Senior Professor at Uppsala University 2016 and member of the Royal Swedish Academy of Sciences since 2004. Founder of BioArctic in 2003, chairman of the board 2003 – September 2017, board member from September 2017 and a number of assignments and roles in the company

Other current assignments: Board member of Demban AB and LPB Sweden AB

Prior assignments (past five years): Board member of Demban Förvaltning AB, SpineMedical Sverige AB, SpineMedical AB and LPB Sweden Holding AB

Holdings: 8,639,998 A-shares and 22,848,159 B-shares through Demban AB

Not independent in relation to BioArctic, its senior management and in relation to major shareholders



Mikael Smedeby
Board member since May 2018

Mikael Smedeby is a lawyer and board member of Advokatfirman Lindahl, Uppsala, where he has been active since 1997 and in leading positions since 2010. For several years Mikael Smedeby has been ranked as “leading” in life sciences in Sweden by Practical Law Company and listed in Who’sWhoLegal Life Science 2018

Born: 1968

Education: Master of Laws, Uppsala University, Sweden

Background: Active as a lawyer since 1994, with Advokatfirman Lindahl since 1997, member of the Swedish Bar Association since 1999. Since 2010, leading positions at Advokatfirman Lindahl, as managing partner and chairman, among others. Special experience in corporate law, mergers and acquisitions, financing and licensing, with many clients in the life sciences sector. Member of BioArctic’s board of directors 2014 – June 2017, extensive experience of board work in companies outside life sciences

Other current assignments: Chairman of the board in Hanza Holding AB, Coeli Holding AB, Sällengruppen AB. Board member of Uppsala Innovation Centre AB, Disruptive Materials AB and Motion Display Scandinavia AB

Prior assignments (past five years): – **Holdings:** 10,000 B-shares and call options entitling to the acquisition of 27,270 B-shares

Not independent in relation to BioArctic and the company’s senior executives as a result of Advokatfirman Lindahl’s assignment as advisors to BioArctic



Eugen Steiner
Board member since 2017, member of the Audit Committee and the Remuneration Committee

Dr. Eugen Steiner is an investor and a life-science veteran. For more than 30 years, he has led several life-science companies across various geographies and stages of development. He has been with the venture capital firm HealthCap since 1997, serving as Venture Partner. He earned his M.D. and Ph.D. degrees from Karolinska Institutet

Born: 1954

Education: Medical doctor, Ph.D. in clinical pharmacology at Karolinska Institutet, Sweden

Background: Over 30 years’ experience of leading life science companies. Prior to that Dr. Steiner was a physician at Karolinska Hospital (Huddinge) and researcher at Karolinska Institutet.

Venture partner to HealthCap since 1997 and CEO of several companies in which HealthCap has invested. Extensive experience from board positions in Sweden, Norway, the UK and the US

Other current assignments: Board member of Apotek Produktion & Laboratorier AB, Inbox Capital AB, Karolinska Institutet Holding AB, Karolinska Institutet Innovations AB, Stiftelsen Forska!Sverige, Stockholm School of Entrepreneurship and Setraco AB. Deputy board member of Doctrin AB

Prior assignments (past five years): CEO of Glionova AB, CEO and chairman of NVC Holding AB and chairman of Biostratum Inc., LTB4 Sweden AB, CC10 Sweden AB, Globen Ögonklinik AB and PanSyn Sweden AB. Board member of Alba Therapeutics Inc., Hanza Holding AB, MD International AB, and Nephrogenex Inc.

Holdings: 40,000 B-shares through Setraco AB and call options entitling to the acquisition of 27,270 B-shares

Independent in relation to BioArctic, its senior management and major shareholders

Information and holdings:

Information and holdings in BioArctic AB at December 31, 2018.

MANAGEMENT



Gunilla Osswald
Chief Executive Officer

In the current position since 2014, employed since 2013. More than 30 years' experience from drug development. Successfully brought projects from pre-clinical and clinical development to regulatory approval and market introduction as well as managed in- and outlicensing of drug projects. Leading positions at Astra/AstraZeneca during 1985-2013, including Vice President with the responsibility of the product portfolio in neurodegenerative diseases

Born: 1961
Education: Pharmacist 1983 and Ph.D. in biopharmacy and pharmacokinetics at Uppsala University 1984, Sweden
Other current assignments: Board member of PledPharma AB (publ) and SpineMedical AB and deputy board member of LPB Sweden AB
Prior assignments (past five years): Board member of SP Process Development AB, SpineMedical Sverige AB and LPB Sweden Holding AB
Holdings: 12,800 B-shares and call options entitling to the acquisition of 87,270 B-shares



Jan Mattsson
Vice President Finance, Chief Financial Officer

In the current position since 2017. More than 30 years' experience in business and administration, including CFO for Sefina Finance AB, Allenex AB, Argnor Wireless Ventures AB, Logitall AB and Investment AB Kinnevik

Born: 1960
Education: MBA, University of Örebro 1984, Sweden
Other current assignments: –
Prior assignments (past five years): Board member of Sefina Svensk Pantbelåning AB and Humidus AB
Holdings: 15,000 B-shares (privately and through the company Almsäter Interim Management AB) and call options entitling to the acquisition of 27,270 B-shares



Gunilla Andersson*
Senior Director HR

In the current position since January 2019. Contracted since 2014 for HR. The first two years for various HR related assignments and from 2016 for the role as HR Director. Nearly 30 years' experience as HR consultant and HR manager from educational organizations and pharmaceutical companies like Pharmacia and Novartis among others. For the past 17 years, she has managed her own consulting company focusing on HR, leadership and recruitment

Born: 1961
Education: B.Sc. Human Resource Development and Labour Relations from Lund University 1990, Sweden
Other current assignments: –
Prior assignments (past five years): –
Holdings: –



Christina Astrén Eriksson
Director IR and Communications

Contracted since 2015 and for investor relations since 2017. More than 30 years' experience in communications, including communications director at Pfizer, AstraZeneca, Wyeth and Pharmacia and interim IR & communications manager at Orexo AB (publ)

Born: 1959
Education: Graduate from Stockholm School of Journalism, Stockholm University 1984; Graduate from the Institute of Higher Education in Marketing Communication and Advertising (IHR), Stockholm University, 1988, Sweden
Other current assignments: –
Prior assignments (past five years): –
Holdings: 25,000 B-shares (through the company C Astrén AB)



Hans Basun
Vice President Clinical Development, Chief Medical Officer

In the current position since 2007. More than 20 years' experience from the pharmaceutical industry in leading position in clinical research at Astra Arcus/AstraZeneca. Background as Senior Consultant at Huddinge University Hospital and Uppsala University Hospital, Sweden

Born: 1949
Education: Medical degree and residency in psychiatry and geriatrics, Associate Professor at Karolinska Institutet and Adjunct Professor at Uppsala University
Other current assignments: Deputy board member of SpineMedical AB
Prior assignments (past five years): –
Holdings: 20,823 B-shares and call options entitling to the acquisition of 27,270 B-shares



Johanna Fälting
Vice President Translational Science & Pharmacology

In the current position since January 2018, employed since 2012. 18 years' experience of neuroscience/pharmacology, translational science and development in the global pharma and biotech industry

Born: 1972

Education: Ph.D. in Physiology, Stockholm University 2001; Licentiate degree in physiology, Stockholm University 1997; Master's degree in biology, Stockholm University, 1995, Sweden

Other current assignments: Deputy board member of Biozoul AB

Prior assignments (past five years): –

Holdings: 10,000 B-shares and call options entitling to the acquisition of 27,270 B-shares



Lars Lannfelt**
Senior Vice President University Collaborations

Co-opted member of the Management team. In the current position since September 2018. Founder of BioArctic with Pär Gellerfors in 2003. Board member and a number of assignments and roles in the company since then. More than 35 years' experience from research in Alzheimer's disease and other neurodegenerative diseases. Professor of Geriatrics at Uppsala University 2001; Senior Professor at Uppsala University 2016 and member of the Royal Swedish Academy of Sciences since 2004

Born: 1949

Education: Medical degree 1978; specialist in psychiatry 1987; doctoral thesis at Karolinska Institutet 1990; Associate Professor of Neurogenetics at Karolinska Institutet 1993; specialist in geriatrics 2000, Sweden

Other current assignments: Board member of BioArctic AB, Demban AB and LPB Sweden AB

Prior assignments (past five years): Board member of Demban Förvaltning AB, SpineMedical Sverige AB, SpineMedical AB and LPB Sweden Holding AB

Holdings: 8,639,998 A-shares and 22,848,159 B-shares through Demban AB



Mikael Moge
Vice President Chemistry, Manufacturing & Control and Protein Chemistry

In the current position since January 2018, employed since 2012. 20 years' experience from drug development and 15 years of experience as research and development manager within process development and GMP manufacturing. Previously section manager at Process R&D at AstraZeneca

Born: 1967

Education: Master of Engineering chemical engineering, KTH Royal Institute of Technology 1992, Ph.D. of Science organic chemistry, KTH 1997, Stockholm, Sweden

Other current assignments: –

Prior assignments (past five years): –

Holdings: Call options entitling to the acquisition of 6,825 B-shares



Christer Möller
Vice President Pre-Clinical Development, Chief Scientific Officer

In the current position since 2006. 20 years' experience from developing protein drugs from idea to clinical trials including leading positions at small biotech/pharma companies; Zymenex A/S among others. In addition, comprehensive academic experience having pursued research projects concerning growth factors and preclinical research in diabetes

Born: 1959

Education: B.Sc. in Biology Stockholm University 1983; Ph.D. in Medical Science, Karolinska Institutet 1992, Sweden

Other current assignments: –

Prior assignments (past five years): –

Holdings: 16,500 B-shares and call options entitling to the acquisition of 27,270 B-shares



Nora Sjödin
Vice President Regulatory Affairs

In the current position since January 2018, employed since 2017. 25 years' experience from leading positions in global Regulatory Affairs in companies such as AstraZeneca, NDA Regulatory Service and Pharmedica. The extensive regulatory affairs experience includes regulatory matters from early development projects to approved pharmaceuticals on the market

Born: 1957

Education: General Nursing, SRN, 1978, B.Sc. 1982, Sweden

Other current assignments: –

Prior assignments (past five years): –

Holdings: –

Changes in the management team:

* Gunilla Andersson joined the management team effective January 1, 2019.

** Lars Lannfelt co-opted member of the management team effective September 1, 2018. Before that date, Pär Gellerfors was co-opted member of the management team until September 1, 2018.

Information and holdings:

Information and holdings in BioArctic AB at December 31, 2018.



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