

# Corporate governance report

BioInvent applies the Swedish Code of Corporate Governance ("the Code"). In addition to the Code, BioInvent also complies with applicable rules in the Swedish Companies Act, rules and recommendations ensuing from the Company's listing on NASDAQ OMX Stockholm, and good practices on the stock market.

This corporate governance report was prepared in compliance with the stipulations in the Annual Accounts Act and the Code. The corporate governance report has been prepared as a separate document from the annual report and as such is not part of the formal annual report documentation. The corporate governance report has been reviewed by the Company's auditor in accordance with the stipulations in the Annual Accounts Act. The auditor's statement is attached to the report.

## Annual General Meeting

The Annual General Meeting (AGM), or where appropriate an extraordinary general meeting, is the decision-making body for BioInvent at which all shareholders can participate. The Articles of Association do not stipulate any restriction with respect to how many votes each shareholder may exercise at shareholders' meetings and contain no specific provisions on amendments to the Articles of Association. The AGM considers the Company's progress and resolves on a number of key issues such as adoption of the income statement and balance sheet, allocation of result, discharge of the Board of Directors from liability, and the election of a new Board of Directors until the next Annual General Meeting. An auditor for the Company is appointed for a term of two years and a decision is made on compensation for the auditor.

The Annual General Meeting 2012 authorised the Board of Directors to resolve on the issue of not more than the number of new shares equivalent to 10 percent of the registered share capital (as per the date of the resolution on the issue of new shares), on one or several occasions during the period up to the next annual general meeting.

The 2012 Annual General Meeting was held on 26 March 2012 and the minutes are available on the BioInvent website.

The Annual General Meeting 2013 will be held on Thursday 25 April at 10 a.m.

Notification to attend the AGM is published no earlier than six, and no later than four, weeks before the Meeting. Proposals to the Meeting should be addressed to BioInvent International AB, attn: Board of Directors, 223 70 Lund and submitted in good time before notification to attend the meeting is issued, no later than seven weeks before the meeting.

## Nominating Committee

In accordance with the resolution of the Annual General Meeting, the Nominating Committee shall consist of the Chairman of the Board as the convener, and a representative for each of the Company's three largest shareholders as of 31 August each calendar year. The Nominating Committee shall prepare all the elections and proposals of remuneration that come into question, from the Nominating Committee has been appointed until a new Nominating Committee is appointed. The Nominating Committee is tasked with preparing

proposals to present to the AGM regarding the election of Chairman of the General Meeting, Chairman of the Board and other Board members, board remuneration, shared among the Chairman, other Board members and possible compensation for committee work and, where applicable, election of auditors and auditor's fees.

The Nominating Committee for the 2012 Annual General Meeting comprised Tony Sandell (B&E Participation AB), Ulrica Slåne (Tredje AP-fonden), Håkan Bohlin (Sjätte AP-fonden) and the Chairman of the Board Björn O. Nilsson. The Nominating Committee formulated proposals for the chairman of the general meeting, and the composition of the Board of Directors, as well as explanations for these choices, along with directors' fees as well as the election of and fee to the auditor. The Nominating Committee had three meetings and a number of telephone calls. The Nominating Committee did not receive any remuneration.

The composition of the Nominating Committee for the 2013 Annual General Meeting was presented on the BioInvent website on 20 December 2012. According to the Code, the Company must post the names of the Nominating Committee's members on the Company's website six months prior to the Annual General Meeting and, where applicable, information on which shareholders the Committee members represent. Due to the fact that it has taken longer than anticipated to appoint the Nominating Committee, BioInvent has deviated from the abovenamed requirement. The Nominating Committee for the 2013 Annual General Meeting consists of Dharminder S. Chahal (Van Herk Groep), Mikael Lönn (representing own holdings), Tony Sandell (B&E Participation AB) and the Chairman of the Board Björn O. Nilsson. Other than the Van Herk Groep, which holds 11.2 percent of the shares and voting rights in the company, no shareholder holds a stake equal to or greater than 10 percent. Proposals to the Nominating Committee should be addressed to Marie Serwe, by mail: BioInvent International AB (publ), SE-223 70 Lund or tel: +46 (0)46-46 286 85 50. The Nominating Committee has prepared proposals for the 2013 Annual General Meeting for the chairman of the general meeting, composition of the Board of Directors, along with explanations for these choices, as well as directors' fees and auditor's fees. The Nominating Committee had three meetings and a number of telephone conversations. The Nominating Committee did not receive any remuneration.

## The Board of Directors and its work

BioInvent's Board of Directors is elected annually at the AGM for the period until the next AGM and, according to the Articles of Association, is to consist of no fewer than five and no more than nine members. The Articles of Association do not contain specific stipulations on the appointment or dismissal of Board.

The 2012 AGM discharged the Board members and the President and CEO from liability and re-elected the Board members Lars Backsell, Carl Borrebaeck, Lars Ingelmark, Elisabeth Lindner, Svein Mathisen, Björn O. Nilsson and Kenth Petersson. Björn O. Nilsson was reelected Chairman of the Board. After Svein Mathisen resigned as CEO and Board member on 9 January 2013, the Board of Directors consists of six elected directors as well as employee representatives Sidonie Karlsson and Ulrika T. Mattson. After Stephan Björk resigned in July

2012, Anna Lönn has been co-opted as employee representative on the Board for three meetings.

The Board of Directors is presented on page 48. BioInvent's chief executive officer, Svein Mathisen, was a member of the Board of Directors through 9 January 2013. Carl Borrebaeck, a member of BioInvent's Board, is the Company's senior scientific advisor. He does not work with BioInvent's operations in his capacity as scientific advisor. All other AGM-elected directors are independent of the Company and its senior management. All directors are independent in relation to the major shareholders.

The 2012 AGM set the Board's fees at SEK 400 thousand for the Chairman of the Board and SEK 160 thousand for each of the other members of the Board not employed by the Company. In addition hereto, but not to the Chairman of the Board, it was decided that SEK 50 thousand shall be the fee for the Chairman of the Audit Committee and SEK 40 thousand shall be the fee for each of the other members in the Audit Committee and SEK 20 thousand shall be the fee for each of the members in the Remuneration Committee.

The Board has two preparatory committees, the Remuneration Committee and the Audit Committee. The work of the Board is governed by rules of procedure that are revised and re-adopted by the Board at least once a year. The rules of procedure consist primarily of directions for the work of the Board, instructions for the division of duties between the Board and the CEO and instructions for financial reporting.

In 2012 the Board of Directors held eight regular meetings and seven extra meetings. The Board of Directors met with the Company's auditor on two occasions, including one occasion without the presence of the CEO or other persons from senior management. Attorney Madeleine Rydberger, Mannheimer Swartling Advokatbyrå, served as the secretary of the Board during the year. Regular items on the agenda at the meetings included following up on the operation in relation to the Company's budget and strategic plan. In addition the Board has considered and resolved on issues pertaining to research and development, financing, intellectual property, strategic focus and planning, the budget, essential agreements, audits, financial reporting and compensation related issues. Once a year the Board conducts an evaluation of its work and the work of the CEO and this evaluation is provided to the Nominating Committee.

Board member	Attendance
Björn O. Nilsson (Chairman)	15 (15)
Lars Backsell	15 (15)
Stephan Björk <sup>1)</sup>	5 (5)
Carl Borrebaeck	13 (15)
Lars Ingelmark	13 (15)
Sidonie Karlsson <sup>2)</sup>	1 (1)
Elisabeth Lindner	14 (15)
Svein Mathisen	15 (15)
Ulrika T. Mattson	12 (15)
Kentth Petersson	15 (15)

<sup>1)</sup> Appointed employee representative in February 2012 and resigned in July 2012 in conjunction with downsizing of the company's staff.

<sup>2)</sup> Appointed employee representative commencing in December 2012.

## Remuneration Committee

The Board has appointed a remuneration committee consisting of Chairman of the Board, Björn O. Nilsson, as well as two other Directors, Elisabeth Lindner and Lars Ingelmark. All directors are independent of the Company and its senior management.

The Board's Remuneration Committee, whose work is regulated in the instructions that comprise part of the rules of procedure for the Board of Directors, considers and decides on issues pertaining to remuneration and benefits to all senior executives except the CEO, whose compensation is decided by the Board of Directors. The committee also prepares other remuneration issues of greater importance, such as incentive programmes. Furthermore, the Remuneration Committee is tasked with monitoring and evaluating variable remuneration for senior executives, monitoring and evaluating implementation of the guidelines for remuneration to senior executives applicable for the year, as well as applicable remuneration structures and levels within the Company. The Remuneration Committee reports to the Board of Directors. The Committee met three times in 2012.

Member of the Remuneration Committee	Attendance
Björn O. Nilsson (Chairman)	3 (3)
Lars Ingelmark	3 (3)
Elisabeth Lindner	3 (3)

## Audit Committee

The Board of Directors has also appointed an Audit Committee consisting of Kentth Petersson (Chairman), Lars Backsell, Lars Ingelmark and Björn O. Nilsson. All directors are independent of the Company, its senior management, and major shareholders. The Audit Committee's members have the requisite accounting expertise.

The Audit Committee, whose work is regulated in the instructions that serve as part of the rules of procedure for the Board of Directors, is tasked with preparing issues on behalf of the Board of Directors pertaining to selection of auditors and remuneration, follow up of the auditors' work and the Company's internal control systems, follow up of the current risk scenario, follow up of external audits and the Company's financial information, adoption of the earnings report for quarters 1 and 3, preparation of the interim report for quarters 2 and 4, as well as the Company's annual report, follow up of issues pertaining to financing, and preparations to adopt and revise financial policy and other issues that the Board of Directors entrusts to the Committee. The Audit Committee reports to the Board of Directors. The committee held five meetings in 2012.

Member of the Audit Committee	Attendance
Kentth Petersson (Chairman)	5 (5)
Lars Backsell	3 (5)
Lars Ingelmark	4 (5)
Björn O. Nilsson	4 (5)

### **Auditors**

According to the Articles of Association, BioInvent is to appoint at least one and no more than three auditors for a term as prescribed by law. The auditor attends at least one Board meeting a year not attended by the CEO and other members of the Company's senior management.

The 2012 Annual General Meeting elected KPMG AB to serve as the Company's auditors, for a two-year mandate. Alf Svensson, authorised public accountant, is principal auditor.

### **Group Management**

According to its guidelines and instructions, the Board of Directors has delegated day-to-day management to the CEO. The CEO and under his leadership, other members of the management group, are responsible for collective business operations and day-to-day management. The CEO reports regularly to the Board of Directors on the Company's business operations, financial performance and other issues relevant to the company. At one Board meeting a year the Board evaluates the work of the CEO. No member of senior management is present at this meeting. The CEO and senior management are presented on page 49.

### **Remuneration to senior executives**

The 2012 Annual General Meeting adopted guidelines for remuneration to senior executives. According to the guidelines, salaries and other terms of employment for senior management are set at market rates. In addition to a stable base salary senior executives can also receive a variable salary, which will be limited and based mainly on technical and commercial milestones within proprietary drug projects. Senior executives may also receive remuneration in the form of options or other share-related incentive programmes, as decided by the Annual General Meeting of shareholders. The complete guidelines can be seen in the Board of Directors' Report on page 15–16.

### **The Company's systems for internal control and risk management with respect to financial reporting for the 2012 financial year**

According to the Swedish Companies Act and the Swedish Code of Corporate Governance the Board is responsible for internal control. This description was prepared according to the Annual Accounts Act, chapter 6 § 6, and describes the Company's systems for internal control in connection with financial reporting.

Internal control over financial reporting is a process designed by the Board of Directors to provide the Board, senior management and others involved in the organisation with reasonable assurance regarding the reliability of external financial reporting and the extent to which the financial statements are formulated in compliance with generally accepted accounting principles, applicable laws and regulations as well as other requirements for listed firms.

### **Control Environment**

The foundation of the internal control process consists of the overall control environment: the Company's ethical values, organizational structure and decision-making procedures, as well as the allocation of powers and responsibilities. The most essential components of the control environment at BioInvent are documented in its policies and other governing documents. BioInvent's rules of procedure describe the allocation of responsibilities between the Board of Directors and the CEO, as well as among the Board's committees. Other policies and governing documents include the Company's ethical guidelines, treasury policy and authorisation instructions.

### **Control activities**

Control activities are necessary for senior management of the essential risks associated with the internal control process. To ensure the efficacy of its internal control procedures, BioInvent has both computerized controls in IT systems to handle authorization and approval authority, as well as manual controls such as inventories and reconciliation procedures. Detailed financial analysis of the Company's performance, as well as follow-up of plans and forecasts, supplement the controls and provide an overall confirmation of the quality of financial reporting.

### **Information and communications**

BioInvent's most essential policies and other governing documents are updated regularly and communicated to everyone involved through established information channels, in print and/or in electronic format.

### **Follow-up**

BioInvent follows up and assesses its compliance with internal policies and other policy documents on a regular and annual basis. Suitability and functionality are also evaluated on a regular and annual basis. Inadequacies are reported and remedied in accordance with specific established procedures.

### **Internal audit**

BioInvent has formulated governance and internal control systems with regular follow-up of compliance at various levels within the Company. The Board of Directors therefore does not consider a separate audit function to be necessary in the current situation. This is re-considered annually by the Board of Directors.

Lund, 22 March 2013  
The Board of Directors

# Auditor's report on the corporate governance statement

**To the annual meeting of the shareholders of BioInvent International AB (publ) Co. reg. no 556537-7263**

## **Engagement and responsibility**

We have audited the corporate governance statement for the year 2012 on pages 40–42. It is the Board of Directors who is responsible for the corporate governance statement and that it has been prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance statement based on our audit.

## **Focus and scope of the audit**

We conducted our audit in accordance with RevU 16 The auditor's examination of the corporate governance statement. That standard requires that we have planned and performed the audit to obtain reasonable assurance that the corporate governance statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the information included in the cor-

porate governance statement. We believe that our audit procedures provide a reasonable basis for our opinion set out below.

## **Opinion**

In our opinion, the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts.

Lund, 22 March 2013

KPMG AB

Alf Svensson

Authorised Public Accountant