

Corporate governance report

BIOARCTIC

2017



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 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.

BioArctic's corporate governance has, prior to the listing on Nasdaq Stockholm, been governed by the Swedish Companies Act and other applicable laws and regulations, the company's articles of association and internal policy documents. 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

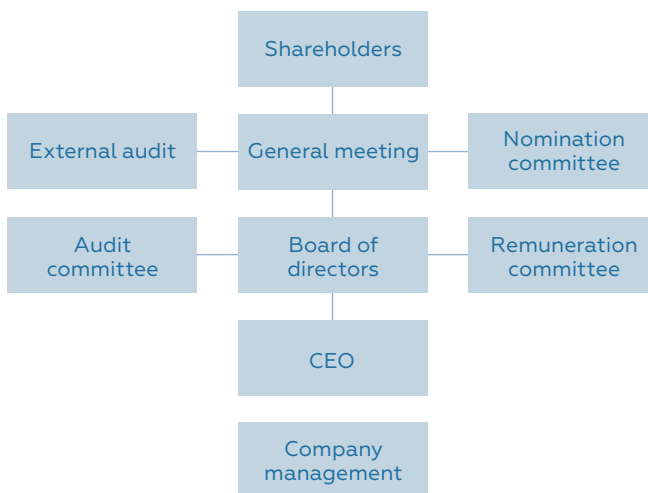
BioArctic applies the Code since the listing on Nasdaq Stockholm on October 12, 2017. No deviation from the code has occurred during the year.

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, 2017 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 2,398. (Source: Euroclear Sweden AB).

At December 31, 2017 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)	50.19%
Ackelsta AB (controlled by board member Pär Gellerfors)	33.46%

For further information on BioArctic's share and ownership structure, see the section The BioArctic share on pp. 31-33 in the annual report 2017.

GENERAL MEETING AND ANNUAL 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 31, 2017

The annual general meeting was held on May 31, 2017 in Stockholm. At the annual general meeting the following matters were treated:

- Adoption of annual accounts and consolidated accounts, decision on appropriation of profits and decision on the discharge of liability to the board and the CEO
- Determination of remuneration to the board of directors and the auditors
- Election of board members and auditor. Hans Ekelund, Pär Gellerfors, Wenche Rolfsen, Ivar Verner and Mikael Smedeby were re-elected as board members. Lars Lannfelt was re-elected as chairman of the board. As auditor the registered auditing firm Grant Thornton Sweden AB was appointed, with authorized public accountant Mia Rutenius as auditor in charge
- 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 adoption of measures in order to prepare the company for a listing, including the decision on a bonus issue, decision on a share split, decision on changing the corporate category from private to the public, and decision on the adoption of new articles of association
- Decision authorizing a new share issue (for more information, see below)
- Decision authorizing other issues (for more information, see below)

Extraordinary general meeting September 4, 2017

An extraordinary general meeting was held on September 4, 2017. At the extraordinary general meeting the following matters were treated:

- Determination of new fees for the board of directors (for more information, see the section "Remuneration to the board of directors" below)
- Determination of remuneration for work on the audit committee and the remuneration committee (for more information, see the section "Remuneration to the board of directors" below)
- Election of board members and new chairman of the board. Wenche Rolfsen was elected new chairman of the board and Ivar Verner was elected new deputy chairman. Eugen Steiner was elected new member of the board

Minutes and other documentation from the general meetings are available at BioArctic's website www.bioarctic.com.

Authorizations decided by general meetings in 2017

The general meeting has during 2017 given the following authorizations to the board to decide on the company issuing new shares. The general meeting has not given any authorizations to the board to decide on the company acquiring own shares.

Authorization for a new share issue in connection with the listing on Nasdaq Stockholm

At the annual general meeting on May 31, 2017 it was resolved to authorize the board of directors to, on one or more occasions, decide to increase the company's share capital through a new share issue. The board may decide to issue shares by way of derogation from the shareholders' preferential rights and/or provision for non-cash issue, set-off or other conditions according to the 2nd chapter, 5 §, second section 1-3 and 5 of the Swedish Companies Act. The authorization was valid up to the listing on Nasdaq Stockholm.

Issue in accordance with the authorization shall be made on market terms. The board may determine the terms for issues in other respects according to the authorization and who shall be entitled to subscribe for the shares. The reason why the board should be able to make decisions on issues by way of derogation from the shareholders' preferential rights and/or provision for non-cash issue, set-off or other conditions is primarily in order to broaden the ownership in the company in preparation for and in connection with a listing of the company's shares. If the board finds it suitable to facilitate the delivery of shares in connection with a listing of the company's shares and/or diversification of ownership a new issue can also take place at a subscription price corresponding to the quotient value of the share.

With support of the authorization the board decided to issue 25,000,000 new shares of series B in the company in connection with the offering to the public and institutional investors conducted in connection with the listing on Nasdaq Stockholm in October 2017.

Authorization for other issues

At the annual general meeting on May 31, 2017 it was resolved to authorize the board of directors to, on one or more occasions, decide to increase the company's share capital. The board may decide to issue shares by way of derogation from the shareholders' preferential rights and/or provision for non-cash issue, set-off or other conditions according to the 2nd chapter, 5 §, second section 1-3 and 5 of the Swedish Companies Act.

The authorization is valid from the point in time when the company's share started trading on Nasdaq Stockholm up to the annual general meeting 2018. The board may not make decisions that mean that the share capital increases by more than ten (10) percent in relation to the share capital that exists when the authorization is first used.

Issue in accordance with the authorization shall be made on market terms. The board may determine the terms for issues in other respects according to the authorization and who shall be entitled to subscribe for the shares, warrants and/or convertible bonds. The reason why the board shall be able to make decisions on issues by way of derogation from the shareholders' preferential rights and/or provision for non-cash issue, set-off or other conditions according to the above is that the company shall be able to issue shares, warrants and/or convertible bonds in order to obtain new capital and enable the company to direct issues to investors that the board considers to be strategically important for the company and/or acquire property by issuing own shares, warrants or convertible bonds. If the board finds it suitable to facilitate the delivery of shares in connection with a new issue according to the above this can also take place at a subscription price corresponding to the quotient value of the share.

ANNUAL GENERAL MEETING 2018

The annual general meeting 2018 will be held on Tuesday, May 15, 2018 at 05.00 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 31, 2017 the members of the nomination committee for the 2018 annual general meetings 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, 2017 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, 2017 the three largest shareholders were Demban AB, Ackelsta AB and Karolinska Development AB. The latter, however, has chosen to give up its seat on the nomination committee

for the benefit of the Third Swedish National Pension Fund, which is the company's third largest owner (according to Euroclear Sweden AB) after the diversification of ownership in connection with BioArctic's listing on Nasdaq Stockholm in October 2017.

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 consists of Anki Dahlin (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. 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 one (1) meeting in 2017 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 2018 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 Ekleund 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 responsibility and tasks

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 strategical 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.

At the board meeting on February 17, 2017 it was decided to establish an audit committee. At the board meeting at May 31, 2017 it was decided to establish a remuneration committee.

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 and no more than eight 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 six members, without deputies: Wenche Rolfsen (chairman), Ivar Verner (deputy chairman), Lars Lannfelt, Pär Gellerfors, Hans Ekelund and Eugen Steiner. Mikael Smedeby was elected board member at the annual general meeting on May 31, 2017. He resigned from his duties as board member at his own request on June 21, 2017 in order to meet the requirements of the stock market concerning the number of independent board members.

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.

Lars Lannfelt and Pär Gellerfors are the company's main shareholders and together own, through their own companies, a total of 35.76% of the shares representing 50.19% of the votes; 23.84% of the shares representing 33.46% of the votes in the company, respectively. Pär Gellerfors is employed by the company and adjunct in the company's management team. Lars Lannfelt was previously employed by the company and a member of the management team. Since September 2017, Lars Lannfelt is active in the company as contractor corresponding to a service level of approx. 40%.

Pär Gellerfors and Lars Lannfelt are thus not 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 on page 12.

Chairman of the board of directors

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 she a member of the management team. Wenche Rolfsen was elected chairman of the board at an extraordinary general meeting on September 4, 2017. Prior to this Lars Lannfelt was the company's chairman of the board since 2003.

Remuneration to the board of directors

At the extraordinary general meeting on September 4, 2017 the board's remuneration was determined to amount to a total of SEK 1,262,500. The remuneration should be SEK 425,000 to the chairman, SEK 237,500 to the deputy chairman, SEK 200,000 to newly elected board members and SEK 200,000 to the former chairman who remains a board member, 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 60,000 should be paid to the members of the audit committee. For work in the remuneration committee each member receives a fee of SEK 40,000.

The board of directors' work during the year

In 2017 the board held 26 meetings, two of which were inaugural meetings directly adjacent to the annual general meeting on May 31, 2017 and the extraordinary general meeting on September 4, 2017. 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 IPO, 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. In this way the board and the auditor had the opportunity to discuss the operations, accounts and audit work.

Audit committee

At the board meeting on February 17, 2017 it was decided to establish an audit committee. During the year the audit committee consisted of Ivar Verner (chairman), Hans Ekelund, Wenche Rolfsen up to September 4, 2017 and Eugen Steiner from September 4, 2017. The audit committee met six (6) times in 2017.

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 2017 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

At the board meeting on May 31, 2017 it was decided to establish a remuneration committee. The remuneration committee consists of Wenche Rolfsen (chairman), Hans Ekelund, Lars Lannfelt up to September 4, 2017 and Eugen Steiner from September 4, 2017. The remuneration committee has met one (1) time in 2017.

The board of directors' remuneration committee shall consist of at least three members, one of whom 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

BOARD MEMBER	INDEPENDENT TO THE COMPANY AND ITS MANAGEMENT	INDEPENDENT TO MAJOR SHARE-HOLDERS	PRESENCE BOARD MEETINGS	PRESENCE REMUNERATION COMMITTEE	PRESENCE AUDIT COMMITTEE
Wenche Rolfsen ¹⁾	Yes	Yes	26 of 26	1 of 1	4 of 4
Hans Ekelund	Yes	Yes	26 of 26	1 of 1	6 of 6
Pär Gellerfors	No	No	24 of 26		
Lars Lannfelt ²⁾	No	No	26 of 26	1 of 1	
Mikael Smedeby ³⁾			7 of 7		
Eugen Steiner ⁴⁾	Yes	Yes	11 of 11		2 of 2
Ivar Verner	Yes	Yes	25 of 26		6 of 6

¹⁾ Wenche Rolfsen was elected chairman of the board at the extraordinary general meeting on September 4, 2017.

Member of the audit committee up to the extraordinary general meeting on September 4, 2017. Chairman of the remuneration committee.

²⁾ Lars Lannfelt remains as a board member from September 4, 2017, previously chairman of the board. Member of the remuneration committee up to the extraordinary general meeting on September 4, 2017.

³⁾ Mikael Smedeby resigned from his duties as board member at his own request on June 21, 2017 in order to meet the requirements of the stock market concerning the number of independent board members.

⁴⁾ Eugen Steiner was elected board member at the extraordinary general meeting at September 4, 2017. Member of the audit committee and remuneration committee from September 4, 2017.

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

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 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.

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 2018. 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 periods January – March and January – June and been engaged in audit matters in connection with the company's listing on the stock exchange. 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. For information on remuneration to auditors, see Note 10 in the annual report 2017.

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. 10-11.

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 annually assesses the need for establishing a separate internal audit function. Considering the background that BioArctic was noted in the fourth quarter of 2017, the board decided not to set up internal audit function for the 2017 fiscal year.

The board has also 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 orderer 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.

Work concerning internal control is in progress. Controls will be established and the assessment of risks will be performed con-

tinuously based on an established template with regular follow-up and reporting to the board. The project is expected to be completed in 2018.

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 board annually updates and establishes the rules of procedure for the board, the instructions for the CEO and the authorization order.

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 annually 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 31, 2017 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.

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 annual 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 2017 BioArctic's CEO Gunilla Osswald received a fixed compensation amounting to SEK 180,000 per month up to June 30 and thereafter SEK 185,400 per month. Gunilla Osswald fur-

thermore 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 25 percent of the total fixed compensation in 2017. The target achievement for variable remuneration in 2017 amounted to 75 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 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 (permanent or other form of 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 securities-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 a total of 24,453 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 5,818 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. Each call option entitles to

the subscription of 15 B-shares in BioArctic. The exercise price for the call options amounts approx. SEK 26.70 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.

MANAGEMENT



GUNILLA OSSWALD

President and Chief Executive Officer
In the current position since 2014, employed since 2013. More than 30 years' experience from drug development. Successfully brought projects from preclinical and clinical development to regulatory approval and market introduction and 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 and PhD in biopharmacy and pharmacokinetics at Uppsala University

Other current assignments: Board member of PledPharma AB (publ), Spine-Medical 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 5,818 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, employed since 2017. More than 30 years' experience of business administration and finance, as CFO of Sefina Finance AB, Allenex AB, Argnor Wireless Ventures AB, Logitail AB and Investment AB Kinnevik

Born: 1960

Education: Master of Business Administration, University of Örebro, 1984

Other current assignments: -

Prior assignments (past five years): Board member of Sefina Finance AB, Sefina Svensk Pantbelåning AB and Humidus AB

Holdings: 15,000 B-shares (privately and through the associated company Almsäter Interim Management AB) and 1,818 call options entitling to the acquisition of 27,270 B-shares



CHRISTINA ASTRÉN ERIKSSON

IR & Communications Director
Under contract since 2015 and for investor relations since 2017. More than 30 years' experience of corporate communications, as communications director at Pfizer, AstraZeneca, Wyeth and Pharmacia and as interim head of IR & communications at Orexo AB (publ)

Born: 1959

Education: Degree in journalism, Stockholm University, 1984. Graduate from IHR (Institutet för Högre Kommunikations- och Reklamutbildning), Stockholm University, 1988

Other current assignments: -

Prior assignments (past five years): -

Holdings: 25,000 B-shares (through the associated company C Astrén AB)



MATS HOLMQUIST*

Responsible for Quality Assurance
Employed since 2008. More than 20 years' experience from roles in academia, international biotechnology and pharma companies like Cyros AB and AstraZeneca

Born: 1967

Education: Master of Engineering in chemical engineering at KTH (Royal Institute of Technology), 1990, Doctor of Science in biochemistry at KTH, Associate Professor in Biochemistry, KTH, 2000

Other current assignments: -

Prior assignments (past five years): -

Holdings: 1,818 call options entitling to the acquisition of 27,270 B-shares



MIKAEL MOGE

Vice President Chemistry, Manufacturing & Control and Protein Chemistry

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

Born: 1967

Education: Master of Engineering in chemical engineering at KTH (Royal Institute of Technology), Doctor of Science in organic chemistry at KTH

Other current assignments: -

Prior assignments (past five years): -

Holdings: 455 call options entitling to the acquisition of 6,825 B-shares



HANS BASUN

Vice President Clinical Development, Chief Medical Officer

In the current position since 2007, employed since 2007. More than 20 years' experience of the pharma industry in leading positions in clinical research at Astra Arcus/AstraZeneca. A background as Chief Physician at Huddinge University Hospital and Professor at Uppsala University Hospital

Born: 1949

Education: Medical degree and specialist training in psychiatry and geriatrics. Associate Professor at Karolinska Institutet and Adjunct Professor at Uppsala University

Other current assignments: Deputy board member of Spine Medical AB

Prior assignments (past five years): – **Holdings:** 20,823 B-shares and 1,818 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. 15 years' experience of neuroscience/pharmacology, drug research, translational science and development in global pharma industry and biotechnology

Born: 1972

Education: Master's degree in biology, Stockholm University 1995; Licentiate degree in physiology, Stockholm University, 1997; PhD in Physiology, Stockholm University, 2001

Other current assignments: Deputy board member of Biozoul AB

Prior assignments (past five years): – **Holdings:** 10,000 B-shares and 1,818 call options entitling to the acquisition of 27,270 B-shares



PÄR GELLERFORS

Senior Vice President Business Strategy

Co-opted member of the management team. In the current position since 2014, employed since 2003, previously CEO 2003-2013. Founder of BioArctic together with Lars Lannfelt. More than 30 years' experience of drug development and business development from Pharmacia and biotech companies. Co-founder of HemeBiotech/Zymenex A/S

Born: 1947

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

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

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

Holdings: 5,759,998 A-shares and 15,232,989 B-shares (through the related company Ackelsta AB)



CHRISTER MÖLLER

Vice President Pre-Clinical Development, Chief Scientific Officer

In the current position since 2006, employed since 2006. 20 years' experience of the development of protein drugs, from idea to clinical trials, among other things in leading positions in small biotech/pharma companies like Zymenex A/S. In addition, extensive academic experience from conducting research projects concerning growth factors and preclinical research in diabetes

Born: 1959

Education: B.Sc. in Biology at Stockholm University, 1983; PhD in Medical Science, Karolinska Institutet, 1992

Other current assignments: -

Prior assignments (past five years): - **Holdings:** 16,500 B-shares and 1,818 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 as AstraZeneca, NDA Regulatory Services and most recently from Pharmedica. Her genuine experience covers regulatory issues from projects in early phase to approved drugs on the market

Born: 1957

Education: BA, registered nurse

Other current assignments: -

Prior assignments (past five years): - **Holdings:** -

Changes in the management team:

*Mats Holmquist left the management team on December 31, 2017.

**Nora Sjödin joined the management team effective January 1, 2018.

The titles of the other senior managers refer to the organization effective from January 1, 2018.

Holdings:

Holdings in BioArctic AB at December 31, 2017.

BOARD OF DIRECTORS



WENCHE ROLFSEN

Born: 1952
Position: Chairman of the board since September 2017; chairman of the Remuneration Committee
Education: Pharmacist, Doctor of pharmacy (pharmacognosy), Adjunct Professor at Uppsala University
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, InDex Pharmaceuticals AB and Sarsia Seed Fund, Norway; 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): CEO of InDex Pharmaceuticals AB, chairman of Aprea Therapeutics AB, Denator AB, Aprea Personal AB, Smartfish AB and board member of Moberg Pharma AB, TFS Trial Form Support International AB and Apotek Produktion & Laboratorier AB
Holdings: 19,200 B-shares and 1,818 call options entitling to the acquisition of 27,270 B-shares



LARS LANNFELT

Born: 1949
Position: Board member since 2003
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
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. One of the founders of BioArctic in 2003, chairman of the board 2003-2017 (September) and a number of assignments and roles in the company
Other 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



IVAR VERNER

Born: 1947
Position: Deputy chairman since 2017, board member since 2010, chairman of the Audit Committee
Education: Master of Business Administration, Stockholm School of Economics
Background: Former certified public accountant, partner and chairman of Grant Thornton Sweden AB
Other assignments: Chairman of Rejlers AB (publ), Welcome Hotel i Sverige AB, Erlandssons Brygga AB, Centrum Fastigheter i Norrtälje AB, Norrländska Grupp-bostäder Holding AB, Tegnér & Son AB, Firren AB and Valsättra Exploaterings AB. Board member of Förvaltningsaktiebolaget Kanalen, Verner & Partners AB, Casa Firmus Holding AB and Valsättra Tomter AB
Prior assignments (past five years): Chairman of 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 1,818 call options entitling to the acquisition of 27,270 B-shares



HANS EKELUND

Born: 1948
Position: Board member since 2014, member of the Audit Committee and the Remuneration Committee
Education: Master of Business Administration, Stockholm School of Economics
Background: Previously CFO of Ratos and a number of assignments as board member
Other 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 chairman 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 1,818 call options entitling to the acquisition of 27,270 B-shares



PÄR GELLERFORS

Born: 1947
Position: Board member since 2003
Education: Bachelor degree in chemistry at Stockholm University 1967; PhD in chemistry at Stockholm University 1977; Associate Professor of Biochemistry at Stockholm University 1983
Background: One of the founders of BioArctic in 2003 and CEO from 2003 to 2013. Now Senior Vice President Business Strategy and co-opted member of the management team. More than 30 years' experience of drug and business development from Pharmacia and biotech companies. Co-founder of HemeBiotech/Zymenex A/S
Other assignments: CEO and board member of Swenora Biotech AB, board member of Ackelsta AB, LPB Sweden AB and deputy board member of Otwood 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



EUGEN STEINER

Born: 1954
Position: Board member since 2017, member of the Audit Committee and the Remuneration Committee
Education: Medical doctor, PhD in clinical pharmacology at Karolinska Institutet
Background: 30 years' experience of leading life science companies. Prior to that active as a doctor 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 assignments: CEO and chairman of NVC Holding AB and CEO of Glionova AB. Board member of Apotek Produktion & Laboratorier AB, Inbox Capital AB, Stiftelsen Forska/Sverige, Stockholm School of Entrepreneurship and Setraco AB. Deputy board member of Doctrin AB
Prior assignments (past five years): CEO and board member substitute of Optivy Sweden AB, CEO of Nordic Vision Clinics AS 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, Nephrogenex Inc. and Praktikertjänst Aktieföretag
Holdings: 40,000 B-shares through Setraco AB and 1,818 call options entitling to the acquisition of 27,270 B-shares



BIOARCTIC

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