

Corporate Governance Report 2019

Xbrane Biopharma AB (publ) ("Xbrane" or "The Company") is a public Swedish limited liability company with its registered office in Solna. The Company's shares are traded on Nasdaq Stockholm (Small Cap) and are traded under the ticker XBRANE. Corporate governance in Xbrane is based on current laws (mainly the Companies Act and the accounting regulations), the corporate structure, Nasdaq Stockholm's regulations for issuers, internal guidelines and policies and the Swedish Code of Corporate Governance. The purpose of corporate governance is to create a clear distribution of roles and responsibilities between owners, the board and management. This corporate governance report describes Xbrane's corporate governance, which includes Management and management of the Company's operations, as well as internal control over financial reporting.

Application of the Code and deviations

Xbrane applies the Swedish Code of Corporate Governance (the "Code"). Information about the code can be found at www.bolagsstyrning.se.

Xbrane Biopharma applies the Code without deviations.

Information on the Company's website

The Company has a special section on its website for corporate governance issues under the heading Corporate Governance.

Examples of external regulations that affect corporate governance:

- Swedish Public Limited Companies.
- Accounting legislation, including the Accounting Act and the Annual Accounts Act.
- Nasdaq Stockholm's regulations for issuers.
- Swedish Code of Corporate Governance (the code, www.bolagsstyrning.se).

Examples of internal regulations that are important for corporate governance:

- Articles of Association
- The Board's Rules of Procedure (including instructions for the Board's committees)
- CEO instructions
- Corporate Policy
- Guidelines for remuneration to senior executives
- Code of Conduct
- Finance Policy
- Information Policy
- Information Security Policy
- Insider Policy
- Privacy Policy
- IT Policy
- Finance Manual

- Employee Handbook
- Guidelines for transactions with related parties

Articles of Association

According to the Articles of Association, Xbrane is to conduct natural science research and development, conduct sales, own and manage movable and immovable property directly or indirectly through subsidiaries, and conduct compatible operations therewith. Xbrane's Articles of Association can be found in their entirety on Xbrane's website, www.xbrane.se. Changes to Xbrane's Articles of Association are made in accordance with the provisions of the Swedish Companies Act. According to the Articles of Association, the Board of Directors of Xbrane shall consist of a minimum of three and a maximum of ten members. The members of the Board are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association do not contain any special provisions on the appointment and dismissal of board members, nor any special provisions on amendments to the Articles of Association.

Shares and shareholders

Xbrane's shares are listed on Nasdaq Stockholm. At the end of 2019, the total number of shares was 15,415,199 and the number of shareholders was 3,300. For information about the Company's major shareholders and ownership structure, see page 21 in the annual report 2019.

The Annual General Meeting

The Annual General Meeting, or, where applicable, Extraordinary General Meeting, is the Company's highest decision-making body where all shareholders who are registered in the share register and who have announced their participation in time are entitled to participate and vote. Shareholders may also be represented by representatives at the Annual General Meeting. An ordinary share gives the right to one vote at the Annual General Meeting. There are no restrictions on how many votes each shareholder can cast at a general meeting. Resolutions at the Meeting are made by a simple majority, except in cases where the Companies Act sets requirements for a higher proportion of shares represented at the Meeting and stated votes. At the Annual General Meeting, shareholders exercise their voting rights on key issues, such as the establishment of income statements and balance sheets, disposition of the Company's results, granting discharge from liability for the members of the Board and the CEO, principles for appointment of the Nomination Committee, election of the Board members and auditors, remuneration and guidelines for remuneration to senior executives. The AGM will be held in Stockholm.

Annual General Meeting 2019

At the Annual General Meeting on May 16, 2019, 15 shareholders were represented with a holding of 1,148,288 shares, corresponding to 13.81 percent of the total number of shares and votes in the Company. Attorney Johanna Flink was elected chairman of the meeting. At the 2019 AGM, decisions were made, among other things, on:

- Determination of income statement and balance sheet.
- Distribution of profits.
- Determination of fees to the Board and auditor.
- Re-election of Giorgio Chirivi, Peter Edman, Maris Hartmanis, Anders Tullgren and Karin Wingstrand as ordinary members.
- New election of Ivan Cohen-Tanugi and Eva Nilsagård as ordinary board members.
- Anders Tullgren was re-elected as Chairman of the Board.
- Re-election of KPMG AB as auditor with authorized auditor Duane Swanson as principal auditor.
- Decision on instructions and rules of procedure for the nomination committee.
- Establishing guidelines for remuneration to senior executives.
- Introduction of long-term incentive scheme (LTIP 2019) for employees including senior executives.
- Authorization for the Board to decide on one or more occasions until the next Annual General Meeting on the issue of shares, with or without deviation from shareholders' preferential rights, to a number corresponding to a maximum of 2,000,000 shares in the Company.

Extraordinary General Meeting 2019

At the Extraordinary General Meeting June 18, 2019 nine shareholders were represented with a holding of 1,272,134 shares, corresponding to 14.85 percent of the total number of shares and votes in the Company. Attorney Ian Gulan was elected as chairman of the meeting. At the Extraordinary General Meeting, decisions were made on, amongst others:

- Rights issue of no more than 2,720,328 shares.
- New issue of a maximum of 4,387,745 shares with a deviation from shareholders' preferential rights.

Annual General Meeting 2020

The Annual General Meeting 2020 will be held on Thursday, May 14, 2020, at 5:30 pm, at Baker McKenzie's office, Vasagatan 7, Stockholm. For further information about the Annual General Meeting, please refer to Xbrane's website.

Notice of meeting

The Annual General Meeting shall be held within six months from the end date specified in the notice. This day must not be a Saturday, Sunday, public holiday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not fall earlier than the fifth weekday before the meeting.

Right to attend the Annual General Meeting

Shareholders whose shares are registered with a nominee at a bank or other nominee must, in order to be eligible to attend the AGM and in addition to informing the Company, request that their shares be temporarily registered in their own name in the share book kept by Euroclear Sweden. Shareholders should inform their nominees well in advance of the record date. Shareholders must also report any assistants in the manner stated above.

Initiatives from shareholders

Shareholders who wish to have a matter dealt with at the Annual General Meeting must submit a written request to this effect to the Board of Directors. The request should normally be submitted to the Board no later than seven weeks before the AGM.

Authorization to the Board to decide that the Company should issue new shares or acquire its own shares

At the AGM on May 16, 2019, the AGM authorized the Board of Directors that until the next AGM to decide on the issue of shares, convertibles and/or warrants, with or without deviation from shareholders' preferential rights, up to a number corresponding to a maximum of 2,000,000 shares in the Company, to be paid in cash, through a capital contribution and/or set-off.

Nomination Committee

At the 2019 Annual General Meeting, rules were set for the appointment of the Nomination Committee ahead of the 2020 Annual General Meeting. According to the established rules, the Nomination Committee shall consist of four members and be formed by the Chairman of the Board, based on ownership statistics as of September 30, contacting the three largest voting shareholders, each of whom has the right to appoint a member and together with the Chairman of the Board constitute the Nomination Committee. The Nomination Committee for the 2020 Annual General Meeting is presented in the table below.

Members	Representing
Saeid Esmaeilzadeh (Chairman)	Serendipity Group AB
Felix von Berg	STADA Arzneimittel AG
Mattias Häggblom	Swedbank Robur Fonder
Anders Tullgren	Chairman of the Board

Board of Directors

After the AGM, the Board is the Company's highest decision-making body. It is the Board of Directors who is responsible for the Company's organization and the management of the Company's affairs, for example by setting goals and strategies, securing routines and systems for monitoring the set objectives, continuously assessing the Company's financial situation and evaluating the operational management.

Furthermore, it is the Board's responsibility to ensure that correct information is provided to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines.

The Board also appoints the CEO of the Company and determines salary and other remuneration to him/her based on the guidelines adopted by the meeting.

The Board has its registered office in Stockholm. According to Xbrane's Articles of Association, the Board must consist of a minimum of three (3) and a maximum of ten (10) members. The Board currently consists of seven members elected by the AGM on May 16, 2019. At the end of the financial year, Xbrane's Board of Directors consisted of Chairman Anders Tullgren and the Board members Giorgio Chirivi, Peter Edman, Eva Nilsagård, Maris Hartmanis, Karin Wingstrand and Ivan Cohen-Tanugi.

Composition of the Board

According to the Swedish Code of Corporate Governance (the "Code"), the majority of the board members elected at the Annual General Meeting are independent in relation to the Company and company management. In determining whether a member is independent or not, an overall assessment must be made of all the circumstances that may cause the member to question the independence of the member in relation to the Company or company management. Furthermore, according to the Code, at least two of the members who are independent in relation to the Company and company management must also be independent in relation to major shareholders. Major shareholders are shareholders

who directly or indirectly control ten (10) percent or more of all shares and votes in the Company.

To determine a member's independence, the extent of the Board member's direct and indirect relationships with the majority owner must be considered in the assessment. A board member who is an employee or a board member of a company that is a majority owner is not considered to be independent. As stated above, the Board considers that the Company complies with the Code's requirements for independence.

The work of the Board

The Board follows a written work plan that is reviewed annually and determined at the statutory board meeting. The rules of procedure regulate, among other things, the Board's working methods, duties, decision-making within the Company, the Board's meeting order, the Chairman's duties and the division of work between the Board and the CEO. Instructions regarding financial reporting and instructions to the CEO are also determined in connection with the statutory board meeting.

The work of the Board is also conducted on the basis of an annual presentation plan, which meets the Board's need for information. In addition to board meetings, the Chairman of the Board and the CEO have ongoing dialogue about the management of the Company.

The Board meets according to a predetermined annual plan and shall, in addition to the consistent Board meeting, hold at least six (6) regular board meetings between each Annual General Meeting. In addition to these meetings, extra meetings can be arranged to address issues that cannot be referred to any of the regular meetings.

Member	Position in the Board	Member since	Attendance at meetings			Independent		
			Board	Audit committee	Transaction committee	Remuneration Committee	Company	Owner
Anders Tullgren	Chairman	2018	27/27		5/5	3/3	Yes	Yes
Giorgio Chirivi	Member	2016	27/27	8/8		2/2	Yes	Yes
Peter Edman	Member	2015	27/27		5/5		Yes	Yes
Eva Nilsagård	Member	2019	14/14	4/4			Yes	Yes
Maris Hartmanis	Member	2015	27/27	8/8		3/3	Yes	Yes
Karin Wingstrand	Member	2015	26/27	4/4		1/1	Yes	Yes
Ivan Cohen-Tanugi	Member	2019	14/14		5/5		Yes	Yes
Members who have resigned								
Saeid Esmaeilzadeh	Member	2008–2019	13/13				Yes	No
Alesandro Sidoli	Member	2016–2019	13/13				Yes	Yes

Chairman of the Board

The task of the Chairman of the Board is to lead the work of the Board and to ensure that this work is conducted efficiently and that the Board fulfills its duties. The Chairman shall, through contacts with the CEO, monitor developments in the Company and ensure that the members of the Board, through the CEO's care, continuously receive the information needed to be able to follow the Company's position, financial planning and development. Furthermore, the Chairman shall consult with the CEO on strategic issues and ensure that the Board's decisions are executed effectively.

The Chairman of the Board is responsible for contacts with the owners regarding ownership issues and for conveying the views of the owners to the Board. The Chairman does not participate in the operational work of the Company and is not included in Group management.

Remuneration to the Board

The 2019 Annual General Meeting determined that fees to the Board, for the period up to the end of the next Annual General Meeting, shall be paid in total SEK 2,800,000. The remuneration to the Chairman of the Board shall amount to SEK 400,000 and each of the other members shall receive SEK 300,000. The remuneration for the Chairman of the Remuneration Committee shall amount to SEK 100,000 and SEK 50,000 for other members. The remuneration for the Chairman of the Audit Committee shall amount to SEK 100,000 and SEK 50,000 for other members. Finally, the remuneration for the Chairman of the Transaction Committee shall amount to SEK 100,000 and SEK 50,000 for other members.

Board committees

The Board of Directors has established three committees, the Audit Committee, the Remuneration Committee and the Transaction Committee. The Board has adopted rules of procedure for all committees.

The Audit Committee

The Board has set up an internal Audit Committee. The current Audit Committee consists of Chairman Eva Nil-sagård and committee members Giorgio Chirivi, and Maris Hartmanis.

The Audit Committee works in accordance with instructions adopted by the Board. Its main duties are, without any impact on the Board's responsibilities and duties in general:

- Monitor the Company's financial reporting with respect to the financial reporting, monitor the effectiveness of the Company's internal control and risk management;
- Keep informed about the audit of the annual accounts and the consolidated accounts;
- Inform the Board of Directors of the results of the audit and of the manner in which the audit contributed to the reliability of the financial reporting and of the function of the committee;

- Review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the Company with services other than auditing services;
- Approve the auditor's advisory services and establish a policy for the auditor's advisory services;
- Assist in the preparation of proposals for the Annual General Meeting's decision on the election of auditors, annually assess the need for an internal audit function; and quality-assured year-end report and interim reports before board decisions.

The Audit Committee prepares proposals for the Board of Directors, which then either makes decisions on the issues or, where appropriate, adopts proposals for resolutions by the Annual General Meeting.

Remuneration Committee

The Board has set up an internal Remuneration Committee. The committee includes chairman Anders Tullgren and committee members Maris Hartmanis and Karin Wingstrand.

The Remuneration Committee prepares proposals for the Board of Directors, which then either make decisions on the issues or, where appropriate, adopt proposals for resolutions to the Annual General Meeting. The Remuneration Committee works in accordance with instructions adopted by the Board. The main tasks of the Remuneration Committee are:

- Prepare the Board's decisions on matters relating to remuneration principles, remuneration and other terms of employment for company management.
- Follow and evaluate schemes for variable remuneration to company management.
- Follow and evaluate the application of the guidelines for remuneration to senior executives as decided by the AGM, as well as the applicable remuneration structures and remuneration levels in the Company.

Transaction Committee

The Board has set up an internal Transaction Committee. The Committee includes chairman Anders Tullgren and committee members Peter Edman and Ivan Cohen-Tanugi.

The Transaction Committee prepares proposals to the Board of Directors, which then either makes decisions on the issues or, where appropriate, adopts proposals for resolutions to the Annual General Meeting. The main tasks of the Transaction Committee are to:

- Evaluate, assess and provide proposals for transactions, for example, out-licensing, mergers, acquisitions of companies, operations, assets and property.
- Evaluate, assess and propose equity-related transactions, which includes new issues.

Evaluation of the work of the Board/evaluation of the Board and the CEO

The work of the Board, as well as the CEO's, is evaluated annually in a systematic and structured process. The Nomination Committee is informed of the results of the evaluation.

Auditor

The Company's auditor is appointed by the AGM for the period until the end of the next AGM. The auditor discusses the external audit plan and the management of risks with the Audit Committee. The auditor conducts a review of at least one interim report, audits the annual accounts and consolidated accounts, and reviews the administration of the board and the CEO. The auditor comments on whether the corporate governance report has been prepared and whether the information is consistent with the annual and consolidated accounts. The auditor reports the result of his audit of the annual report and the consolidated accounts and his review of the corporate governance report through the audit report and a special opinion on the corporate governance report, which they present to the annual general meeting. In addition, the auditor submits detailed reports on audits performed and his assessment of the Company's internal controls to the Audit Committee at least twice a year and to the Board as a whole once a year.

KPMG AB has been the Company's auditor since 2015 with Duane Swanson (born 1959) as the main auditor since 2015. Duane Swanson is an authorized public accountant and member of FAR, the organization for auditors in Sweden. At the Annual General Meeting on May 16, 2019, KPMG AB was re-elected as the Company's auditor with authorized public accountant Duane Swanson as the principal auditor. At the AGM, it was also decided that fees to the auditor should be paid in accordance with customary billing standards and approved the invoices. More information regarding the auditor's fees can be found in Note 6 in the annual report 2019.

President and Group Management

The Chief Executive Officer (CEO) in his role is subordinate to the Board and has as his main task to manage Xbrane's day-to-day management and the day-to-day operations of the Company. The Board's rules of procedure and instructions for the CEO indicate which issues the Company's Board of Directors shall make decisions about and which decisions fall within the CEO's area of responsibility. The CEO is also responsible for the preparation of reports and the necessary decision minutes for board meetings and is the rapporteur for the material at board meetings.

Xbrane has a management team consisting of seven people who, in addition to the CEO/IR, consist of the CFO, COO/Head of Biosimilars, Head of Manufacturing and Supply Chain, CTO, Head of Clinical Affairs and Head of Regulatory Affairs. For a more detailed description of Group Management, see pages 42-43 in the annual report 2019.

Internal Control Report

In accordance with the Companies Act and the Code, the Board is responsible for internal control. The Board's report refers to the internal control of the Group's financial reporting. The purpose of Xbrane's systems and processes for internal control and risk management for financial reporting, is to ensure that shareholders can have good confidence in the financial operations and presented reports, including the information in this annual report and all interim reports. The Board's work on internal control is based on a control environment, risk assessment, control activities, information and communication and follow-up.

Internal control is a process that is influenced by the Board of Directors, the Company's management and other employees, and designed to provide reasonable assurance that the Company's goals are being met in terms of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Control Environment

The Board has overall responsibility for Xbrane's internal control over the financial reporting. In order to create and maintain a functioning control environment, the Board and the Company have adopted a number of policies, guidelines and governance documents that regulate the financial reporting. These mainly consist of the Board's rules of procedure, instructions for the CEO, authorization arrangement and a financial manual containing principles, guidelines and process descriptions for accounting and financial reporting. Finally, the Board of Directors has established an Audit Committee whose main task is to monitor the Company's financial position, to monitor the efficiency of the Company's internal control and risk management, to stay informed about the audit of the annual accounts and the consolidated accounts. The responsibility for the ongoing work on financial control has been delegated to the Company's CEO, who in turn has delegated to the Company's CFO to have overall responsibility for maintaining sound internal control over the financial reporting.

Risk assessment

Xbrane regularly evaluates financial risks and other risks that may affect operational business and financial reporting. The risk assessment covers the entire Group and is done with the aim of ensuring risk mitigation of potential errors in the financial reporting. Furthermore, new and existing risks are identified, treated and controlled through discussions in the management group, the Board and the

Audit Committee.

Control activities

Xbrane has established control activities aimed at preventing, detecting and correcting errors and deviations in financial reporting. The activities include analytical follow-up and comparison of earnings performance, account reconciliations and balance sheet specifications, approval and accounting of business transactions and cooperation agreements, proxy and authorization instructions, and accounting and valuation principles.

Information and communication

As a listed company on Nasdaq Stockholm, operating in one of the world's most regulated industries - health care, Xbrane is subject to strict regulations and monitoring authorities regarding its disclosure and its accuracy. In addition, Xbrane has internal control functions for information and communication that aim to ensure that correct financial and other company information is communicated to employees and other stakeholders. Financial developments, market developments, the status of Xbrane's development projects and other relevant information, are reported to the Board on a monthly basis. The security of all information that can affect the Company's market value and that such information is communicated externally in a correct manner and at the right time, is of the utmost importance for Xbrane's commitment as a listed company. For this, Xbrane has strict procedures that ensure compliance with the EU Market Abuse Regulation (MAR). Xbrane's Board of Directors and management have established information and communication paths to ensure completeness and accuracy in financial reporting as well as established governing documents, such as internal policies, guidelines and instructions for information and communication.

Monitoring

Group management conducts monthly earnings and liquidity monitoring with analysis of deviations from the budget and forecast. Xbrane's controller function conducts monthly checks, evaluations and follow-ups of financial reporting. As a large part of the Company's product development takes place in project form, continuous monitoring of these is done from an economic point of view. Reconciliation routines for cost accounting for the ongoing clinical trial Xplore are a key part of the control work. The Board of Directors and the Audit Committee review annual accounts and interim reports prior to publication. In particular, the Audit Committee discusses accounting principles, the structure of internal control, risks and other issues related to the reports. The Company's external auditor also participates in these discussions.

Internal audit

Xbrane has no separate internal audit function. The Audit Committee and the Board evaluate the need for such a function, and given the size and structure of the Company, there is not considered a need. The Board monitors internal control, regarding financial reporting, through regular follow-ups together with the Audit Committee.