

# Corporate governance report

The revised Swedish Code of Corporate Governance that went into effect on 1 July 2008 ("the Code") applies as of that date to all companies admitted to trading on a Swedish regulated market, including BioInvent, which previously was not encompassed by 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 rules of chapter 11 of the Code with the purpose of describing how BioInvent has applied the Code since 1 July 2008. The report does not constitute a part of the formal annual report documentation and has not been reviewed by the Company's auditor. In accordance with the transitional provisions of the Code, BioInvent does not report any deviations that are due to the fact that the Code was not applied before 1 July 2008. BioInvent has complied with the Code since 1 July 2008.

## Annual General Meeting

The Annual General Meeting (AGM) is the decision-making body for BioInvent at which all shareholders can participate. The AGM considers the Company's progress and resolves on a number of key issues such as dividends, Directors fees, amendments to the Articles of Association, appointing auditors, discharge of the Board of Directors from liability, and the election of a new Board of Directors until the next Annual General Meeting. The auditor is appointed every four years, as is the remuneration for the auditor.

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 of the Meeting is issued, no later than 24 February 2009.

The 2008 Annual General Meeting was held on 14 April and the minutes are available on the BioInvent website.

The Annual General Meeting 2009 will be held on Tuesday 21 April 2009 at 4 p.m., at Ideon, Lund.

## 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 2008 Annual General Meeting comprised Björn Ogenstam (Stiftelsen Industrifonden), Thomas Ehlin (Nordea Fonder), Ulrika Slåne, (Tredje AP-fonden) and the Chairman of the Board Karl Olof Borg. 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, election of the auditor and the auditor's fee. 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 was presented on the BioInvent website on 20 October 2008. The Nominating Committee for the 2009 Annual General Meeting consists of Björn Ogenstam (Stiftelsen Industrifonden), Ulrika Slåne (Tredje AP-fonden), Karin Lind-Mörnsten (Östersjöstiftelsen) and the Chairman of the Board Karl Olof Borg. Submit proposals for the Nominating Committee 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 2009 Annual General Meeting for the chairman of the general meeting and composition of the Board of Directors, along with explanations for these choices, as well as directors' fees. The Nominating Committee had two meetings and a number of telephone conversations. The Nominating Committee did not receive any remuneration.

## The Board of Directors and its work

The 2008 AGM discharged the Board members and the President and CEO from liability and re-elected the Board members: Karl Olof Borg, Carl Borrebaeck, Lars Henriksson, Lars Ingelmark, Elisabeth Lindner, Svein Mathisen, Björn Nilsson and Kenth Petersson. The AGM elected Karl Olof Borg to be Chairman of the Board.

The Board of Directors is presented on page 58 of the 2008 annual report. CEO Svein Mathisen is on the Board of Directors. Carl Borrebaeck, member of BioInvent's Board of Directors, is employed as a senior scientific advisor for the Company. He does not work with BioInvent's operations in his capacity as scientific advisor. Other elected directors are independent in relation to

major shareholders, as well as to the Company and senior management.

The Board's fees were set at SEK 1,110,000, of which SEK 360,000 should be the fee for the Chairman of the Board and SEK 150,000 should be the fee for each other member of the board not employed by the Company. In addition hereto, it was decided that SEK 160,000 shall be the fee for committee work (not including the chairman of the board), of which SEK 40,000 shall be the fee for each of the members in the Audit Committee (3 persons) and SEK 20,000 shall be the fee for each of the members in the Remuneration Committee (2 persons).

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 2008 the Board of Directors held seven regular meetings and two extra meetings. Attendance was high, as can be seen in the table below. 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 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.

<b>Board member</b>	<b>Attendance</b>
Karl Olof Borg (chairman)	9 of 9
Carl Borrebaeck	8 of 9
Lars Henriksson	9 of 9
Lars Ingelmark	8 of 9
Elisabeth Lindner	8 of 9
Svein Mathisen	9 of 9
Ulrika T Mattson	8 of 9
Björn Nilsson	8 of 9
Kentth Petersson	9 of 9

### **Remuneration Committee**

The Board has appointed a remuneration committee consisting of Chairman of the Board, Karl Olof Borg, as well as two other Directors, Lars Henriksson and Elisabeth Lindner. 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 programs. The remuneration committee reports to the Board of Directors. The committee met five times in 2008.

<b>Member of the Remuneration Committee</b>	<b>Attendance</b>
Karl Olof Borg (chairman)	5 of 5
Lars Henriksson	5 of 5
Elisabeth Lindner	4 of 5

### **Audit Committee**

The Board of Directors has appointed an Audit Committee consisting of Björn Nilsson (chairman), Karl Olof Borg, Lars Ingelmark and Kentth Petersson. All directors are independent of the Company, its senior management, and major shareholders. 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 six meetings in 2008.

<b>Member of the Audit Committee</b>	<b>Attendance</b>
Björn Nilsson (chairman)	6 of 6
Karl Olof Borg	6 of 6
Lars Ingelmark	4 of 6
Kentth Petersson	6 of 6

### **Auditors**

The 2008 Annual General Meeting elected Ernst & Young AB to serve as the Company's auditors for the period until the end of the Annual General Meeting held during the fourth financial year after the auditors were elected, which is 2012. Johan Thuresson, 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 CEO Svein Mathisen. 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. Senior management is presented on page 59 of the 2008 annual report.

## **Remuneration to senior executives**

The 2008 Annual General Meeting adopted guidelines for remuneration to senior executives in compliance with the provisions of the Swedish Companies Act. 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 26.

## **The Board of Directors' description of Internal Control over Financial Reporting for the 2008 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 Swedish Code of Corporate Governance, sections 10.5 and 10.6, and is accordingly limited to internal control for financial reporting. This description is not part of the formal financial statements.

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, organisational 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 Chief Executive Officer, 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 authorisation and approval authority, as well as manual controls such as inventories and reconciliation procedures. Detailed financial analyses 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.