

# CORPORATE GOVERNANCE PRINCIPLES

## 1 GOVERNANCE PRINCIPLES

BerGenBio ASA (“**BerGenBio**” or the “**Company**”) considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital.

In order to secure strong and sustainable corporate governance, it is important that BerGenBio ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations.

BerGenBio has governance documents setting out principles for how business should be conducted. References to certain more specific policies are included in this corporate governance policy where relevant. The BerGenBio governance regime is approved by the board of directors in the Company (the “**Board of Directors**”).

## 2 APPLICABLE RULES AND REGULATIONS

BerGenBio is incorporated and registered in Norway and is subject to Norwegian law. The BerGenBio shares are listed on Oslo Børs. As an issuer of shares, the Company must comply with rules applicable for companies with shares listed on Oslo Børs and rules applicable for public limited companies in general.

The Company endorses the Norwegian Code of Practice for Corporate Governance (*Nw.: Norsk anbefaling for eierstyring og selskapsledelse*), issued by the Norwegian Corporate Governance Board, most recently revised on 30 October 2014 (the “**Code**”).

The Code is based on “the comply or explain principle” whereby listed companies must comply with the Code of Practice or explain why they have chosen an alternative approach. BerGenBio will follow the Code of Practice, and any deviation from the Code of Practice will be included in a statement of policy on corporate governance included in the annual report. A description of the most important corporate governance principles of the Company shall also be made available for external interest groups on the Company’s website in accordance with the Company’s IR-policy.

## 3 MAIN OBJECTIVES FOR CORPORATE GOVERNANCE IN BERGENBIO

BerGenBio’s corporate governance policy is based on the Code, and as such is designed to establish a basis for good corporate governance, to support achievement of the Company’s core objectives on behalf of its shareholders, including the achievement of sustainable profitability for the shareholders of BerGenBio. The manner in which the Company is governed is vital to the development of its value over time.

BerGenBio believes good corporate governance involves openness and trustful cooperation between all parties involved with the Company: the shareholders, the Board of Directors, executive management, employees, customers, suppliers, public authorities and society in general.

By following the principles of corporate governance, approved by the Board of Directors, the Board of Directors and management shall contribute to achieving the following objectives:

- **Openness.** Communication with the interest groups of BerGenBio shall be based on openness in issues relevant to the evaluation of the development and position of the Company.

- **Independence.** The relationship between the Board of Directors, the management and the shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- **Equal treatment.** BerGenBio shall ensure equal treatment and equal rights for all shareholders.
- **Control and management.** Good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other interest groups.

The development of, and improvements in, the Company's corporate governance principles are an on-going and important process that the Board of Directors intends to focus on.

#### **4 BUSINESS**

The operations of the Company shall be in compliance with the business objective set forth in its articles of association.

The Company's business purpose reads as follows:

*"The Company's objective is to undertake research and development in biotechnology with a focus on new pharmaceutical therapeutics."*

The Company's primary objectives and main goals and strategies shall be stated in the annual report.

#### **5 EQUITY AND DIVIDENDS**

##### **5.1 Capital adequacy**

The Board of Directors is responsible for ensuring that the Company is adequately capitalised relative to the risk and scope of operations.

The Company's capitalisation guidelines shall ensure that the equity is adapted to the scope and risk profile of operations based on BerGenBio's internal estimated capital requirements.

The Board of Directors shall continuously monitor the Company's capital situation and shall immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

##### **5.2 Dividend policy**

The Company has not previously distributed any dividends to shareholders of the Company. The Company is focusing on the development of novel pharmaceutical products and does not anticipate paying any cash dividend until sustainable profitability is achieved. The Company shall, at all times, have a clear and predictable dividend policy established by the Board of Directors. The dividend policy forms the basis for the Board of Directors' proposals on dividend payments to the Company's general meeting and shall be disclosed.

##### **5.3 Authorisations to the Board of Directors**

Any authorisations granted to the Board of Directors to increase the Company's share capital shall be restricted to defined purposes. When the general meeting of the Company is to pass resolutions on authorisations to the Board of Directors for the increase of share capital for different purposes,

each such authorisation shall be considered and resolved separately by the general meeting. Authorisations granted to the Board of Directors to increase the share capital or purchase treasury shares shall be limited in time, and shall in no event last longer than until the Company's next annual general meeting.

## **6 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES**

### **6.1 Basic principles**

The Company has only one class of share. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause (Nw: "*saklig grunn*") for treating them differently.

#### **6.1.1 Share issues without preferential rights for existing shareholders**

In the event of a share capital increase through the issue of new shares, a decision to waive the existing shareholders' preferential rights to subscribe for shares shall be justified. Where the Board of Directors resolves to issue shares and waive the preferential rights of existing shareholders pursuant to an authorisation granted to the Board of Directors by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the shares issuance.

#### **6.1.2 Transactions in treasury shares**

Any transactions carried out by the Company in its treasury shares shall be carried out through Oslo Børs, and in any case to prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company will consider other ways to cater for equal treatment of shareholders.

### **6.2 Approval of agreements with shareholders and close associates**

In the event of transactions that are considered to be not immaterial between the Company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates to any such party, the Board of Directors shall arrange for an independent third-party valuation.

Members of the Board of Directors and executive personnel must notify the Board of Directors when such members have any significant, direct or indirect, interest in a transaction carried out by the Company.

## **7 FREELY NEGOTIABLE SHARES**

The shares of the Company are freely negotiable.

## **8 GENERAL MEETINGS**

### **8.1 Exercising rights**

The Board of Directors shall ensure that as many of the Company's shareholders as possible are able to exercise their voting rights in the Company's general meetings, and that the general meetings are effective fora for shareholders and the Board of Directors, which shall be facilitated through the following:

- the notice to the general meeting and any supporting documents, including the recommendation by the nomination committee, as well as information on the resolutions

to be considered in the general meeting shall be available on the Company's website no later than 21 days prior to the date of the general meeting;

- the resolutions and any supporting documentation shall be sufficiently detailed and comprehensive allowing shareholders to understand and form a view on all matters to be considered at the general meeting;
- deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible;
- the Board of Directors and the chairperson of the general meeting shall ensure that the shareholders are able to vote separately on each candidate nominated for election to the Board of Directors and other corporate bodies (if applicable);
- representatives of the Board of Directors shall be present at general meetings, while representatives of the nomination committee, the remuneration committee and the audit committee, as well as the auditor, should be present at general meetings where matters of relevance for such committees/persons are on the agenda; and
- the Board of Directors shall make arrangements to ensure an independent chairperson for the general meeting.

## **8.2 Participation without being present**

Shareholders who are unable to be present at the general meeting must be given the opportunity to vote by proxy. The Company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, insofar as this is possible, be set up so that it is possible to vote on each of the items on the agenda and candidates that are nominated for election.

## **9 NOMINATION COMMITTEE**

### **9.1 Composition**

The Company shall have a nomination committee, cf also section 9 of the Company's articles of association. The Company's general meeting elects the members and the chairman of the nomination committee and determines their remuneration.

The majority of the members of the nomination committee shall be independent of the Company's Board of Directors and executive management. No more than one member of nomination committee may also be a member of the Board of Directors, in which case such member shall not offer himself to be re-elected to the Board of Directors. The Chief Executive Officer and other executive management shall not be members of the nomination committee.

The objectives, responsibilities and functions of the committees shall be in compliance with rules and standards applicable to the Company and are described in the Company's "Guidelines for the nomination committee". The general meeting shall adopt the guidelines for the nomination

committee. The Company shall provide information regarding the members of the nomination committee and deadlines for submitting proposals to the nomination committee.

## **9.2 Tasks**

The nomination committee shall recommend candidates for the election of members and chairman of the Board of Directors, candidates for the election of members and chairman of the nomination committee, and remuneration of the Board of Directors and the nomination committee.

The nomination committee's recommendation of candidates to the nomination committee shall ensure that they represent a broad cross-section of the Company's shareholders. The nomination committee's recommendation of candidates to the Board of Directors shall ensure that the Board of Directors is composed to comply with legal requirements and principles of corporate governance (cf clause 10 below).

The proposals from the nomination committee shall include a reasoning for its proposal.

## **10 BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE**

The composition of the Board of Directors should consider expertise, capacity and diversity appropriate to attend to the Company's goals, main challenges and the common interests of all shareholders. Further, individuals of the Board of Directors should be willing and able to work as a team, resulting in the Board of Directors working effectively as a collegiate body.

The Board of Directors should be composed so that it can act independently of any special interests. A majority of the shareholder-elected members of the Board of Directors should be independent of the executive management and material business connections of the Company. Further, at least two of the members of the Board of Directors should be independent of the Company's major shareholder(s). For the purposes of this corporate governance policy, a major shareholder shall mean a shareholder that owns or controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

No member of the Company's executive management should be members of the Board of Directors. The chairman of the Board of Directors is elected by the general meeting.

The term of office for members of the Board of Directors shall not be longer than two years at a time. Members of the Board of Directors may be re-elected.

The Company's annual report will provide information regarding the expertise of the members of the Board of Directors, as well as information on their history of attendance at board meetings. Further, the annual report will identify the members of the Board of Directors that are considered to be independent.

Members of the Board of Directors are encouraged to own shares in the Company.

## **11 THE WORK OF THE BOARD OF DIRECTORS**

### **11.1 General**

The Board of Directors will produce an annual schedule for its work, with particular focus on objectives, strategy and implementation. The Board of Directors will implement instructions for the Board of Directors and the executive management, focusing on determining allocation of internal responsibilities and duties. The objectives, responsibilities and functions of the Board of Directors

and the Chief Executive Officer shall be in compliance with rules and standards applicable to the Company and are described in the Company's "Instructions for the board of directors" and "Instructions for the CEO".

The Board of Directors shall provide details of the appointment of board committees in the Company's annual report.

### **11.2 Audit committee**

The Board of Directors shall have an audit committee. The duties and composition of the audit committee shall be in compliance with the Norwegian Public Limited Companies Act. The committee is a working committee for the Board of Directors, preparing matters and acting in an advisory capacity.

The members of the audit committee are elected by and amongst the members of the Board of Directors for a term of up to two years. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Company. The entire Board of Directors shall not act as the Company's audit committee. At least one member of the audit committee should be competent in respect of finance and audit and be independent of the Company.

The objectives, responsibilities and functions of the audit committee shall be in compliance with rules and standards applicable to the Company and are described in the Company's "Instructions for the audit committee".

### **11.3 Remuneration committee**

The Board of Directors shall have a remuneration committee as a preparatory and advisory committee for the Board of Directors in questions relating to the Company's remuneration of the executive management. The purpose of the remuneration committee is to ensure thorough and independent preparation of matters relating to compensation to the executive personnel. The remuneration committee puts forth a recommendation for the Board of Directors' guidelines for remuneration to senior executives in accordance with Section 6-16a of the Norwegian Public Limited Companies Act.

The members of the remuneration committee are elected by and amongst the members of the Board of Directors for a term of up to two years and shall be independent of the Company's executive management.

See the Company's "Instructions for the remuneration committee".

#### **11.3.1 Annual evaluations**

The Board of Directors shall annually evaluate its performance and expertise in the previous year.

## **12 RISK MANAGEMENT AND INTERNAL CONTROL**

### **12.1 General**

It is ultimately the responsibility of the Board of Directors to ensure that the Company has sound and appropriate internal control systems and risk management systems reflecting the extent and nature of the Company's activities. Sound risk management is an important tool to create trust and enhance value generation. Internal control should ensure effective operations and prudent management of significant risks that could prevent the Company from attaining its targets. Internal

controls and systems should also cover the Company's corporate values, ethical guidelines and principles of corporate social responsibility.

BerGenBio shall comply with all laws and regulations that apply to the Company's business activities. The Company's compliance policy describes the main principles for compliance and how the compliance function is organised.

## **12.2 Policies**

The Company shall have a comprehensive set of relevant corporate manuals and procedures, which provide detailed descriptions of procedures covering all aspects of managing the operational business. The procedures and manuals shall be continuously revised to reflect best practice derived from experience or adopted through regulations.

## **12.3 Annual review and risk management in the annual report**

The Board of Directors shall conduct an annual review of the Company's most important areas of exposure to risk and such areas' internal control arrangements.

The Board of Directors will describe the main features of the Company's internal control and risk management systems connected to the Company's financial reporting in the Company's annual report. This should include sufficient and properly structured information to make it possible for shareholders to understand how the Company's internal control system is organised. The account should address the main areas of internal control related to financial reporting. This includes the control environment, risk evaluation, control activities, information and communication and follow-up. The Board of Directors is obligated to ensure that it is updated on the Company's financial situation, and continuously evaluate whether the Company's equity and liquidity are adequate in terms of the risk from, and scope of, the Company's activities, and shall immediately take the necessary action if it is demonstrated at any time that the Company's capital or liquidity is inadequate. The Company shall focus on frequent and relevant management reporting to the Board of Directors of both operational and financial matters with the purpose of ensuring that the Board of Directors has sufficient information for decision-making and is able to respond quickly to changing conditions.

Board meetings shall be held frequently, and management reports shall be provided to the Board of Directors on a monthly basis. Financial performance shall be reported on a quarterly basis.

## **13 REMUNERATION OF THE BOARD OF DIRECTORS**

The remuneration of the Board of Directors is determined by the shareholders at the annual general meeting of the Company based on the proposal from the nomination committee. The level of remuneration of the Board of Directors should reflect the Board of Directors' responsibility, expertise, the complexity of the Company, as well as time spent and the level of activity in both the Board of Directors and any board committees.

The remuneration of the Board of Directors shall not be linked to the Company's performance.

Members of the Board of Directors, or companies associated with members of the Board of Directors, shall not engage in specific assignments for the Company in addition to their appointments as members of the Board of Directors. If they, nonetheless, do take on such assignments the entire Board of Directors must be informed and the consideration for such additional duties is subject to approved by the Board of Directors.

Any consideration paid to members of the Board of Directors in addition to their board remuneration shall be specifically identified in the annual report.

## **14 REMUNERATION OF EXECUTIVE PERSONNEL**

The Board of Directors shall prepare guidelines for the remuneration of the executive personnel of the Company. These guidelines shall be communicated to the annual general meeting.

Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like shall be linked to value creation for the shareholders or the Company's earnings performance over time.

## **15 INFORMATION AND COMMUNICATIONS**

### **15.1 General information**

The Company shall continuously provide its shareholders, Oslo Børs and the financial markets in general (through Oslo Børs' information system) with timely and precise information about the Company and its operations. Relevant information will be given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. The Company should clarify its long-term potential, including strategies, value drivers and risk factors. The Company shall maintain an open and proactive policy for investor relations, a website designed to incorporate "sound practices", and shall give regular presentations in connection with annual and provisional results.

The Company shall publish an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable.

Unless exceptions apply and are invoked, BerGenBio shall promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In all circumstances, BerGenBio will provide information about certain events, e.g. by the Board of Directors and the general meeting concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by BerGenBio and related parties.

Separate guidelines have been drawn up for financial reporting and handling of inside information, see "Financial reporting guidelines", "Instructions for handling of inside information" and "Instructions for primary insiders".

### **15.2 Information to shareholders**

In addition to the Board of Directors' dialogue with the Company's shareholders in the general meetings, the Board of Directors should make suitable arrangements for shareholders to communicate with the Company at other times to enable the Board of Directors to develop and understand which matters affecting the Company from time to time are of particular concern to its shareholders. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in consideration of the principle of equal treatment of the Company's shareholders.

Information to BerGenBio's shareholders will be published on its website simultaneous with being sent to the shareholders.



## **16 TAKE-OVERS**

### **16.1 General**

In a take-over process, the Board of Directors and executive management each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board of Directors has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

### **16.2 Main principles for action in the event of a take-over bid**

In the event of a take-over process, the board of directors shall abide by the principles of the Code, and also ensure that the following take place:

- the Board of Directors will not seek to hinder or obstruct any takeover bid for the Company's operations or shares unless there are particular reasons for doing so;
- the Board of Directors shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board of Directors shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board of Directors must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the Board of Directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This includes obtaining a valuation from an independent expert. On this basis, the Board of Directors will make a recommendation as to whether or not the shareholders should accept the bid.

There are no other written guidelines for procedures to be followed in the event of a take-over bid. The Company has not found it appropriate to draw up any explicit basic principles for BerGenBio's conduct in the event of a take-over bid, other than the actions described above. The Board of Directors otherwise concurs with what is stated in the Code regarding this issue.

## **17 AUDITOR**

The Company's auditor shall annually present the main features of the plan for work with the audit of the Company to the Board of Directors or the audit committee.

The auditor shall participate in meeting(s) of the Board of Directors where any of the following is on the agenda: the annual accounts, accounting principles, assessment of any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the Company's executive management and/or the audit committee.

The auditor shall at least once a year present to the Board of Directors or the audit committee a review of the Company's internal control procedures, including identification of weaknesses and proposals for improvement.

The audit committee shall hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

The Board of Directors shall specify the executive management's right to use the auditor for other purposes than auditing.

The Board of Directors must report the remuneration paid to the auditor to the shareholders at the annual general meeting, including a break-down of the fee paid for audit work and fees paid for other specific assignments, if any.

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