

Corporate Governance Report 2015

Active Biotech is a Swedish public limited liability company whose shares are traded on Nasdaq Stockholm (Mid Cap). In accordance with its Articles of Association, Active Biotech is to engage in research, development, production, marketing and sales of medical, chemical and biotechnology products, conduct administrative services for the Group, own and manage properties, and undertake any other operations compatible therewith. This Corporate Governance Report describes Active Biotech's corporate governance, which includes the management and administration of the company's business and internal control of the financial reporting. Corporate Governance in Active Biotech is based on applicable rules (primarily the Swedish Companies Act and accounting rules and regulations), the Articles of Association, Nasdaq Stockholm's Rule Book for Issuers, internal guidelines and policies, and the Swedish Corporate Governance Code.

Application of and deviations from the Code

Active Biotech applies the Swedish Corporate Governance Code (the Code). Information about the Code can be found at www.corporategovernanceboard.se. The company deviated from item 2.4 of the Code in 2015. The Election Committee appointed the Chairman of the Board to be the Chairman of the Election Committee. The motivation for this is the Election Committee's assessment that it is natural that the person who is indirectly the largest owner of Active Biotech should also lead the work of the Election Committee.

Shareholders

At December 31, 2015, the number of shareholders in Active Biotech amounted to 11,490. For information concerning the company's major shareholders and the ownership structure, see page 41 of this Annual Report.

Annual General Meeting

The Annual General Meeting (AGM) is Active Biotech's highest decision-making body. In addition to shareholders' statutory rights to participate in the AGM, Active Biotech's Articles of Association stipulate the requirement of advance notification of participation at the Meeting within a prescribed time as stated in the notice of the AGM. The shareholder is to state the number of accompanying assistants, if any, in such notification. At the AGM, each share carries one vote. Each shareholder entitled to vote at the Meeting may vote for the full number of shares held. Each share offers equal entitlement to dividends and any surplus on liquidation of the company. At the AGM, which is held not more than six months after the close of the fiscal year, the annual accounts for the preceding year are adopted, the Board of Directors is elected, auditors are appointed, if applicable, and other statutory matters are addressed. Between AGMs, the Board of Directors is the company's highest decision-making body.

At the AGM on June 11, 2015, it was resolved to grant authorization to the Board, for a period that does not extend past the date of the next Annual General Meeting, on one or several occasions, with or without pre-emptive rights for shareholders, to resolve on the issue of new shares and/or convertibles. It should also be possible to make such an issue resolution stipulating in-kind payment, the right to offset debt or other conditions. The authorization may not be utilized to a greater extent than would enable a total of not more than seven million shares to be issued and/or arise through the conversion of convertibles issued with the support of the authorization.

Election Committee

At the AGM on June 11, 2015, it was resolved that the company's Chairman, based on ownership at the end of September 2015, convene an Election Committee to prepare proposals for the 2016 AGM. According to the resolution, the Election Committee comprises the Chairman of the Board and representatives of each of the three largest shareholders in the company. The members of the Election Committee receive no remuneration from the company for their work. The Election Committee performs the tasks incumbent on the Election Committee under the Code. The composition of the Election Committee was announced on November 23, 2015. A meeting of the Election Committee was convened on one occasion ahead of the 2016 AGM, which was attended by all its members.

Members	Represents	Board member or not
Mats Arnhög	Chairman of the Board	Chairman
Johnny Sommarlund	MGA Holding AB	Not a member
Tomas Billing	Nordstjernan AB	Not a member
Lennart Johansson	Investor AB	Not a member

Board of Directors

In accordance with Active Biotech's Articles of Association, the Board comprises between three and nine members with at most nine deputies. The 2015 AGM elected the current Board, which consists of four ordinary members with no deputies. Mats Arnhög was elected Chairman of the Board. The AGM resolved that remuneration of the Board's ordinary members be paid in the amount of SEK 125,000 per year for Board members who are not employed at the company, and remuneration of the Chairman of the Board be paid in the amount of SEK 250,000 per year. For a more detailed presentation of the Board members and President & CEO, see page 48–49 of this Annual Report. Of the Board members elected by the 2015 AGM, all are independent in relation to the company and executive management. Three of the four members are independent in relation to the company's major shareholders.

Mats Arnhög is not independent of the shareholder MGA Holding AB, in which he is Chairman of the Board and owner.

The work of the Board and formal work plan

The Board works in accordance with an established formal work plan describing the minimum number of Board meetings to be held each year, routines for the preparation of the agenda and minutes of the meetings as well as the distribution of material. One section of the formal work plan regulates the division of duties in the Board and describes the responsibilities of the Board, the Chairman and the President & CEO. The Board principally devotes itself to general and long-term issues as well as to issues of an exceptional nature or of otherwise substantial importance. The Chairman directs the work of the Board and represents the Board both externally and internally. The formal work plan also identifies the Board members who, in accordance with specific decisions, have been appointed as the management's contacts in the event of a crisis. At each scheduled Board meeting, the President & CEO reports on operations. The report comprises information on project development, plans and progress in research activities, financial reporting with forecasts as well as business development. The Board decides on issues in which the Swedish Companies Act and the Articles of Association require the Board's decision as well as on such issues as policy matters, strategy, business decisions (such as research plans), budget, business plans and key agreements. In 2015, seven meetings were held at which minutes were taken. Important issues addressed by the Board included development of research projects, business development projects, partner strategy, financial statements and budget and financing matters. Minutes were recorded by the Board's secretary, a role that was filled by the company's CFO Hans Kolam during the year. The Chairman of the Board ensures that an annual assessment of the Board's work is conducted that provides the Board members with the opportunity to present their views on work procedures, Board material, their own efforts and the efforts of other Board members and the scope of the task.

The Election Committee has been informed of the results of the assessment. On the basis of this information, the Election Committee can assess the expertise and experience that Board members are required to possess. The Election Committee has also been informed of the company's assessment of the quality and efficiency of the work of the auditors, including recommendations regarding auditors and auditors' fees.

The assessment is that the Board's collective expertise is favorably compatible with the company's strategic visions and goals. The Board functions well and all members make a constructive contribution to the strategic discussions and the governance of the company. The dialog conducted between the Board and management was also deemed to be productive.

Board member	Attendance at Board meetings	Independent/dependent	
		Company	Owners
Mats Arnhög	7/7	independent	dependent
Peter Thelin	6/7	independent	independent
Peter Hofvenstam	4/4	independent	independent
Peter Sjöstrand	6/7	independent	independent
Magnhild Sandberg	6/7	independent	independent
Rolf Kiessling	1/4	independent	independent

Remuneration and Audit Committee

The company does not have separate committees for remuneration and audit matters. Instead, these matters are dealt with by the Board in its entirety. Salaries, remuneration, terms and conditions of employment and so forth, for the Board, President & CEO and executive management are detailed in Note 5.

Control systems and risk management regarding financial reporting

In accordance with the Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for the company's internal control. Active Biotech's work on internal control is designed to provide reasonable assurance that the company's goals are achieved in terms of an appropriate and efficient operation, reliable financial reporting and compliance with applicable legislation and regulations. Active Biotech's business is primarily operated at one site and is therefore deemed to be of limited complexity.

The internal control environment at Active Biotech follows the established COSO framework that comprises the following five components:

1. *Control environment*
2. *Risk assessment*
3. *Control activities*
4. *Information and communication*
5. *Monitoring*

1. Control environment

The basis of the internal control of the financial reporting is the control environment that comprises the organization, decision-making procedures, authorities and responsibility, as documented and communicated in governance documents such as internal policies, guidelines and manuals. Authorizations and responsibilities are documented, such as the division of duties between the Board and the President & CEO.

The guidelines for Active Biotech's operations are available on the company's intranet, which also includes:

- The Group's business concept, vision, strategies and values
- Organizational structure
- Administrative processes, guidelines and instructions, such as authorities, authorization manual, purchasing and investment policies, health and safety in the workplace and accounting and reporting instructions, etc.

2. Risk assessment

Structured risk assessments and risk management enables identification of significant risks that affect the internal control relating to financial reporting and where these risks are found. The aim of risk management is to minimize the number of risk factors within the financial reporting.

3. Control activities

The aim of control activities is to prevent, detect and correct errors and non-conformities in the financial reporting. Activities include analytical follow-ups and comparison of earnings trends, account reconciliations and balance specification, approval and reporting of business transactions and partnership agreements, power of attorney instructions, authorization manual, accounting policies and measurement principles.

4. Information and communication

Active Biotech has information and communication channels that aim to ensure that information relating to the financial reporting is provided efficiently and accurately. The guidelines for the financial reporting have been established in a policy document. Meetings are held at management group level within the company, and subsequently at the level deemed suitable by the managers, and a number of meetings are held for all employees. The Board regularly receives financial reports on the Group's financial position and earnings trend, including comments, and the Group's financial situation is addressed at every Board meeting. The Board of Active Biotech ensures the quality of financial reporting by ensuring that the company has an appropriate organization combined with procedures and instructions for its work on financial reporting. The aim of the procedures for the external provision of information is to provide the market with relevant, reliable and correct information on Active Biotech's performance and financial position. Active Biotech has an information policy that meets the requirements imposed on listed companies. Financial information is regularly provided in the form of:

- Year-end and interim reports, published as press releases.
- Annual reports.
- Press releases regarding important news and events that may have a significant impact on the valuation of the company and the share price.
- Presentations and telephone conferences for financial analysts, investors and media.

All reports, presentations and press releases are published on the Group's website, www.activebiotech.com, when they are simultaneously communicated to the market.

5. Monitoring

The internal control is monitored at various levels at Active Biotech. The Board discusses all interim reports, year-end reports and annual reports before they are published.

The company's external auditors report, in person, on their observations and opinion of the internal control to the Board.

Internal audit

Given the Group's uncomplicated legal and operational structure and the established governance and internal control systems, the Board has decided not to have a separate internal audit function.

The Board evaluates and continuously follows up the issue of possibly establishing an internal audit function.

Auditors

The company has at least one and at most two auditors and at most two deputy auditors. At the AGM on June 11, 2015, KPMG AB was elected as the company's auditor for the period extending until the end of the AGM held in 2016. Authorized Public Accountant David Olow is auditor-in-charge. Information concerning auditors' fees is presented in Note 4 on page 23. The interim report for the January-September period 2015 was the subject of review by the auditors.

Policies

Information policy

With the aim of determining principles for the company's communication, the Board has established an information policy. This summarizes overriding goals and responsibilities for the external publication of Active Biotech's information. The goal when providing information to the stock market is to achieve a correct valuation of the company's share that reflects the company's underlying values, growth and earnings capacity in as stable a manner as possible. An unconditional requirement is that the information to the stock market complies with Nasdaq Stockholm's Rule Book for Issuers and applicable legislation and ordinances. The company's Board, management and personnel with operational responsibility must possess the requisite level of competence, and the company must have an organization in place that ensures the rapid and correct dissemination of stock market information.

Environmental policy

Within Active Biotech, environmental and safety work is important and the company has therefore established an environmental policy. Responsibility is decentralized in the

various departments in the Group so that each manager and employee is responsible for meeting goals relating to both the internal and external environment, as well as safety. This applies to all areas from proprietary research to contract manufacturing of candidate drugs and production. In addition, Active Biotech places great importance to ensuring that external partners have their own environmental and safety requirements that conform to the company's values.

Responsible treatment of laboratory animals

Despite a rapid advance in non-animal based models for medical research, no alternative can yet entirely replace the complex system represented by a living organism. Accordingly, the responsible treatment of laboratory animals in scientific research is ethically justified. Active Biotech endeavors to replace, reduce and refine the use of laboratory animals to the greatest possible degree. When no alternative exists, testing is to be properly planned and take ethical requirements into consideration in the implementation phase. Pain, suffering and stress are to be minimized – and preferably eliminated. All who work with laboratory animals are trained and skilled in the area. Animals are treated with care and the greatest possible degree of consideration is given to their health and well-being in a careful balance between ethical and scientific requirements. Furthermore, animal keeping and management is conducted in a manner that maximizes well-being and prevents the spread of infection. All work involving animals complies with the applicable strict local procedures and national and international legislation. Legislation and other ethical considerations with respect to the care and well-being of laboratory animals are carefully monitored and continuously reviewed to harmonize laboratory animal operations in the company.

Auditors' report of the Corporate Governance Statement

To the annual meeting of the shareholders in Active Biotech AB, Corporate identity number 556223-9227.

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 on pages 44 - 47 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Statement and assessed its statutory content based on our knowledge of the company. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Malmö 27 April 2016
KPMG AB

David Olow
Authorized Public Accountant