

CORPORATE GOVERNANCE REPORT 2018/2019

Oasmia Pharmaceutical AB (publ) (“Oasmia” or “the company”) is the Parent Company of the wholly-owned Swedish subsidiaries Qdoxx Pharma AB and Oasmia Incentive AB, which are at present dormant companies, and AdvaVet Inc, Oasmia Pharmaceutical Asia Pacific Limited and Oasmia RUS LLP. Oasmia is a public limited liability company listed on NASDAQ Stockholm and the Frankfurt Stock Exchange and is governed by a number of laws and regulations. The most important of these are the Swedish Companies Act, the Swedish Annual Accounts Act, NASDAQ Stockholm’s Rule Book for Issuers, the Swedish Corporate Governance Code and the SEC’s rules and regulations.

Management, guidance and internal control are divided between the shareholders (via the Annual General Meeting), the Board of Directors, the CEO and corporate management. Oasmia also works in accordance with the internal instructions and guidelines adopted by Oasmia’s Board and management team. In addition, Oasmia’s auditors are responsible for the external control of the company. This report has been drawn up in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code.

SWEDISH CORPORATE GOVERNANCE CODE

The Swedish Corporate Governance Code is based on the principle of “comply or explain”, which means that companies applying the Code may choose to deviate from individual rules, but must then report the deviation and the reason for this. Oasmia has deviated in the following part during the financial year 2018/2019:

- i) Code rule 9.7. The company has issued warrants that the Board has been able to acquire. The warrants mature in less than 3 years. The reason for this is that the company considered that such an incentive structure is that which is most appropriate for achieving the aims of the company’s incentive programmes. This warrants programme expired on August 16, 2019.

THE SHARE AND SHAREHOLDERS

Oasmia’s share has been listed on NASDAQ Stockholm since June 24, 2010 and on the Frankfurt Stock Exchange since January 24, 2011. The total number of shares on April 30, 2019 amounted to 224,900,646 and each share carries one vote at the general meeting of shareholders. The number of known shareholders was 14,134 and Per Arwidsson together with related parties was the principal shareholder at April 30, 2019, with 16.6% of the capital and votes. The ten largest shareholders owned 44.4 % of the total number of shares. For additional information on the ownership structure, see “The Share” section on page 19.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held within six months after the end of the financial year. Notice of the Annual General Meeting shall be published in Post- och Inrikes Tidningar and by a notice made available on the company’s website. Announcement of the notice shall be advertised in Dagens Nyheter. Shareholders who

wish to participate in the Annual General Meeting must be recorded in the share register maintained by Euroclear Sweden AB at least five business days before the meeting.

Annual General Meeting 2018

The 2018 Annual General Meeting was held on September 25 on Oasmia’s premises in Uppsala. The resolutions adopted included the following:

- Adoption of the income statement and balance sheet for the financial year 2017/2018, a resolution on the allocation of non-restricted equity and discharge of the Board and CEO from liability.
- The Board shall consist of five members without any deputies.
- Re-election of the Board members Julian Aleksov, Bo Cederstrand, Alexander Kotsinas, Lars Bergkvist and Per Langö. Julian Aleksov was elected Chairman.
- Remuneration to Board members who are not employees of the company shall be SEK 150,000 per annum and the Chairman’s remuneration shall be SEK 300,000 per annum. Board members receiving salary or other remuneration from the company shall not receive a Board fee.
- Auditors’ fees shall be paid as invoiced.
- Election of PricewaterhouseCoopers AB (PWC) as auditors. PwC notified the company that the authorized public accountant Johan Engstam has been appointed as the principal auditor.
- Criteria for the composition of the Nomination Committee for the 2019 Annual General Meeting.
- Guidelines for the determination of salary and other remuneration for the CEO and other members of Oasmia’s management.
- Authorization for the Board to repurchase and transfer the company’s own shares.
- Authorization for the Board to adopt a resolution to issue new shares, warrants and convertible bonds, to be paid for in cash and/or in kind or by offsets.

Cancelled Extraordinary General Meeting 2019

On December 14, 2018, at the request of shareholders representing more than 10 percent of the shares in Oasmia, the company Board convened an Extraordinary General Meeting to be held on January 25, 2019 on Oasmia’s own premises in Uppsala.

The agenda for this meeting included the following item:

- Election of Board and Chairman of the Board.

On January 21 2019, the then Board decided to cancel the Extraordinary General Meeting to be held on January 25, 2019. The reason stated was that the proposed Board did not meet the requirements stipulated in Nasdaq Stockholm’s rules and regulations, the Swedish Corporate Governance Code and other listing requirements. The decision to suspend this Extraordinary General Meeting was subsequently criticized by the Swedish Stock Market Committee.

Extraordinary General Meeting 2019

On February 5, 2019, at the request of shareholders representing more than 10 percent of the shares in Oasmia, the company convened an Extraordinary General Meeting to be held on March 19, 2019. The company held this Extraordinary General Meeting on March 19, 2019 on Oasmia's own premises in Uppsala.

The resolutions adopted included the following:

- The Board shall consist of 4 Board members and no deputies.
- All of the previous Board of Oasmia was relieved of its duties.
- Election of Jörgen Olsson, Sven Rohmann, Peter Zonabend and Gunilla Öhman as members of the Board, with Jörgen Olsson as Chairman of the Board.
- The newly elected members of the Board shall receive a fee for their work as members of the Board in accordance with the resolution adopted at the 2018 Annual General Meeting regarding the level of Board fees, proportionate to the length of the mandate period.

Annual General Meeting 2019

The 2019 Annual General Meeting will be held on Thursday, September 26, 2019 at Oasmia's headquarters in Uppsala. Notice of the Annual General Meeting shall be published no earlier than six and no later than four weeks before the meeting. Shareholders are entitled to have matters considered at the meeting. In order for the company to be certain that it has sufficient time to include all matters in the notice, any request for a matter to be considered at the Annual General Meeting should reach the Board no later than 7 weeks before the meeting. Requests to have a matter considered at the meeting should be addressed to the Board and mailed to the address below.

Oasmia Pharmaceutical AB
Att. Styrelsen
Vallongatan 1
752 28 Uppsala

NOMINATION COMMITTEE

The main task of the Nomination Committee is to draw up and make proposals concerning Board members and the Chairman of the Board and their fees. The Nomination Committee also presents proposals to the Annual General Meeting on any remuneration for committee work and remuneration for the external auditor. The Nomination Committee's proposals are made public no later than in conjunction with the notice of the Annual General Meeting.

The Nomination Committee's proposal regarding the selection criteria for the Nomination Committee for the next Annual General Meeting was adopted at the 2018 Annual General Meeting. The criteria were as follows: one member shall be the Chairman of the Board (convener) and two members shall be appointed by the two shareholders who have the largest shareholding in Oasmia Pharmaceutical AB on January 31, 2019 in terms of the number of votes. The Nomination Committee's mandate extends to when the next Nomination Committee has been appointed. The Nomination Com-

mittee members for the 2019 Annual General Meeting consist of Per Arwidsson (Chairman), Jörgen Olsson and Håkan Lagerberg. The full proposal for the 2019 Annual General Meeting will be presented in the Annual General Meeting notice. Per Arwidsson was appointed by Arwidso Holding AB and Håkan Lagerberg owns his shares privately.

BOARD OF DIRECTORS

Oasmia's Board consists of four members, including the Chairman. Board assignments are for a fixed term in accordance with the Swedish Companies Act, which means that the mandate will last until the first Annual General Meeting after the year the Board members were appointed.

ATTENDANCE, FINANCIAL YEAR 2018/2019

For the period May 1, 2018 until March 19, 2019

	INDEPENDENT *	BOARD MEETINGS	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Julian Aleksov	No/No	26/26		
Bo Cederstrand	No/No	26/26		
Alexander Kotsinas	Yes/Yes	25/26	4/5	-/-
Lars Bergkvist	Yes/Yes	25/26	5/5	-/-
Per Langö	Yes/Yes	24/26	5/5	-/-

*Independent of the company and its management and independent of major shareholders.

For the period March 19, 2019 until April 30, 2019

	INDEPENDENT *	BOARD MEETINGS	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Jörgen Olsson	Yes/Yes	2/2	-	-
Gunilla Öhman	Yes/Yes	2/2	-	-
Sven Rohmann	No/Yes	2/2	-	-
Peter Zonabend	Yes/No	2/2	-	-

*Independent of the company and its management and independent of major shareholders.

Board duties

The Board has the overall task of managing the company's affairs on behalf of the shareholders. The Board operates in accordance with the Swedish Companies Act, the Articles of Association and internal regulations and continually assesses the Group's financial situation and the operational management. The Board appoints the CEO and decides on significant changes in the company's organization and operations. The Board is also responsible for ensuring that the company's internal control of financial conditions is satisfactory and that the information regarding financial and overall performance is communicated accurately in the company's financial reports.

Chairman of the Board

The Chairman follows, by regular contact with the CEO, the company's development and is responsible for ensuring that Board members regularly receive the information needed to fulfil their duties. In addition, the Chairman leads the Board's work and ensures that the Board's decisions are implemented. The Chairman also ensures that the work of the Board is evaluated annually and that the Nomination Committee is informed about the evaluation results.

In addition, the Chairman is responsible for preparing the Corporate Governance Report and a report on how internal controls, as they relate to financial reporting, are organized and how effectively they worked during the last financial year.

Board procedures

In accordance with the Swedish Companies Act, Oasmia's Board has adopted a formal written work plan and related CEO instructions that are reviewed once a year or as needed. This formal work plan governs how the work should be distributed between the Board members, the frequency of Board meetings (at least four times a year in addition to the statutory Board meeting), and how the work is divided between the Board and the Audit Committee. The CEO instructions contain, amongst other things, restrictions regarding decisions on investments and acquisitions. The instructions on reporting, which complement the Board's formal work plan and the CEO's instructions, regulate the CEO's regular reporting to the Board and the Board's external reporting.

Evaluation of the Board's work

The Board annually evaluates its work regarding its procedures and work climate, the focus of the Board's work, and access to and the need for special competencies on the Board. The results of the evaluation are reported to the Nomination Committee and form the basis of the Committee's work on evaluating the composition of the Board and its remuneration.

Board's work during the financial year

During the financial year 2018/19 the Board held 28 recorded meetings. On these occasions the Board mainly addressed issues relating to the continued funding of the Group's business operations and negotiations for/the signing of new partnership agreements, carefully monitored liquidity forecasts, updates regarding ongoing regulatory processes, made a decision regarding the transfer of veterinary assets and in conjunction with the new Board taking office on March 19, 2019, initiated a comprehensive review of the Group's position and future business orientation.

Audit Committee

From the 2018 Annual General Meeting up until March 19, 2019 the Audit Committee consisted of Lars Bergkvist (Chairman) Alexander Kotsinas and Per Langö. During the period 19 March 2019 to 30 April 2019, the Audit Committee consisted of the entire Board during the transition period to 30 April 2019. The Audit Committee's primary task is assisting the Board in overseeing the accounting and financial reporting processes and ensuring the quality of these reports and processes. The Audit Committee shall also monitor the auditors' work and the choice of auditing firm and scrutinize the auditors' objectiveness and independence and that the costs for services over and above the auditing assignment are at an appropriate level in relation to the auditing fee so as to not run the risk of impacting independence. The Audit Committee's responsibilities and tasks appear in specially prepared internal instructions. During the financial year, the Audit Committee held 5 meetings, with the auditors in attendance. In addition to this, the company had quarterly contact with the auditors during the financial year.

Remuneration Committee

The Remuneration Committee is the drafting committee for the company's Board and shall be responsible for preparing the Board's proposal to the Annual General Meeting regarding principles for remuneration and other terms of employment for senior executives. The Remuneration Committee shall also submit draft resolutions to the Board regarding salary and other forms of remuneration for the CEO, and make proposals for resolutions regarding warrant programs and other reward or compensatory matters that are intended to be directed to a broader group of employees within the company. From the Annual General Meeting 2018 up until March 19, 2019 the Committee consisted of Alexander Kotsinas, Per Langö and Lars Bergkvist. During the period 19 March 2019 to 30 April 2019, the Remuneration Committee consisted of the entire Board during the transition period to 30 April 2019. The Remuneration Committee held no meetings during the year.

REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

Board

At the 2018 Annual General Meeting, it was decided that the remuneration to a Board Member who is not an employee of the company shall amount to SEK 150,000 per year. Remuneration to the Chairman shall be SEK 300,000 per year. After December 31, 2017 Board members may no longer invoice their Board member fee through a wholly-owned company.

Salaries and other benefits

Remuneration to the CEO and other senior executives shall consist of a fixed salary, pension provisions and private health insurance.

Terms of notice and severance pay

If notice is given by the company, the term of notice for the CEO shall be no more than 12 months. If notice is given by the CEO, the term of notice shall be no more than three months. For other senior executives, the term of notice shall normally be six months if notice is given by the company, and three months if notice is given by the executive. No special severance pay shall be given.

Incentive programme

At year-end, Oasmia had two incentive programmes. Decisions on any incentive scheme for senior executives are to be made by the Annual General Meeting. Resolutions were adopted at the Extraordinary General Meeting held on June 2, 2017 regarding the two warrant programmes. These programmes expired on August 16, 2019.

Deviation in specific cases

The Board has the right to deviate from these guidelines if there are special circumstances in a specific case. If such a deviation is made, information about the case and the reason for the deviation must be presented at the next Annual General Meeting.

Auditors

According to the Articles of Association, the company shall have one or two external auditors. The accounting firm PWC was elected at the 2018 Annual General Meeting. Authorized Public Accountant Johan Engström will serve as principal auditor.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Oasmia's process for internal control is designed to manage and minimize the risk of errors in financial reporting. The Board annually evaluates the need for an internal audit function and has determined that the company's current size and risk exposure do not justify a separate internal audit function. The following description explains how internal controls are organized. The description is limited to internal controls over financial reporting.

Control environment

The basis of the internal controls concerning financial reporting is the overall control environment. The control environment requires that the organizational structure, decision-making processes and authorities are clearly defined and communicated in the form of internal policy documents such as policies, guidelines, manuals and codes. The control environment also includes laws and external regulations.

The Board has ultimate responsibility for internal controls over financial reporting. Effective Board work is therefore the basis for sound internal control. Oasmia's Board has established a formal work plan and clear instructions for its work, including the work of the Audit Committee. The Audit Committee's primary task is assisting the Board in overseeing the accounting and financial reporting processes and ensuring the quality of these reports and processes.

The Audit Committee's duties are supervisory. Responsibility for maintaining an effective control environment and the ongoing work regarding risk management and internal control over financial reporting is delegated to the CEO. Managers at various levels of the company are in turn responsible for their respective areas. Responsibility and authority are defined in the CEO instructions, instructions for authorization, manuals, other policies, procedures and codes.

The Board determines the company's major policies on information/communication, financing and risk management. Company management establishes instructions and the responsible managers issue guidelines and monitor implementation of all policies and instructions. The company's accounting and reporting instructions are defined in an accounting manual which is available to all financial staff. Along with laws and other external regulations, the organizational structure and the internal guidelines constitute the control environment.

Risk assessment

The goal of risk assessment is to identify areas of high risk within the business and to define the controls needed to manage these risks. Balance sheet and income statement items that are based on estimates or generated by complex processes are relatively more prone to error than other items.

The Board initiates an annual risk identification process and the results of the risk identification are evaluated by the Board in order to make an assessment of what steps need to be taken. The Board believes that the company has effective internal controls over financial reporting.

Control activities

Control activities are designed to prevent, detect and correct errors and deviations. The controls are integrated into the company's processes for payments, accounting and financial reporting and include authorization and approval procedures, reconciliation, performance analysis, division of administrative control and performance functions, and controls embedded in IT systems.

Information and communication

Information that it is assessed will affect the company's share price (price-sensitive information) is made public in a rapid and non-discriminatory manner. Company publications are done through press releases sent simultaneously to the Stock Exchange, established news agencies and newspapers. The information will also be simultaneously published on the company website. Oasmia is represented publicly in all matters primarily by the CEO. The CEO has delegated certain responsibilities to the Communications Officer. The CEO and Communications Officer may, on behalf of the company, inform/comment on matters relating to the company's operations.

The company applies quiet periods, which occur thirty days before the publication of annual and interim reports. In the instance of a leak of price-sensitive information or other special situations that may affect the valuation of the company, the Stock Exchange is to be notified, followed by a press release containing the same information. The company's public disclosures are governed by an information policy that is intended to ensure the quality of both internal and external information. Furthermore, the policy should facilitate compliance with applicable laws, regulations and agreements. The management of insider information is regulated by specific guidelines stated in the company's insider policy and insider list policy (formerly logbook policy).