

Corporate Governance Report 2021



BAVARIAN NORDIC

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About the report

This Statutory Corporate Governance Report forms part of the management's review in the Annual Report for 2021, covering the period January 1 – December 31, 2021 and is prepared pursuant to Article 107b of the Danish Financial Statements Act.

The report includes the recommendations of the Committee on Corporate Governance (Komitéen for god selskabsledelse) and should be interpreted in accordance with the rules for companies listed on Nasdaq Copenhagen.

These recommendations are found at:

corporategovernance.dk/recommendations-corporate-governance

Management of Bavarian Nordic

Bavarian Nordic is managed in a two-tier structure composed of the Board of Directors (“the Board”) and the Corporate Management. The Board is responsible for the overall strategic management and the financial and managerial supervision of Bavarian Nordic, as well as for regular evaluation of the work of the Corporate Management. In addition, the Board supervises the Company in a general sense and ensures that it is managed in an adequate manner and in accordance with applicable law and the Company’s articles of association.

The Corporate Management is appointed by the Board, which lays down their terms and conditions of employment and the framework for their duties. The Corporate Management is responsible for the day-to-day management of Bavarian Nordic in compliance with the guidelines and directions issued by the Board. The day-to-day operations do not include transactions of an unusual nature or of material importance to the affairs of Bavarian Nordic.

As of December 31, 2021, the Corporate Management consisted of Paul Chaplin, President and CEO and Henrik Juuel, Executive Vice President and CFO. Moreover, there are four Executive Vice Presidents who assist Corporate Management in the day-to-day operations of the Company.

The work and composition of the Board

The Board of Directors (“the Board”) consists of eleven members: seven external members and four employee representatives. The external members are elected by the shareholders at the Annual General Meeting for terms of one year; retiring members are eligible for re-election. The Board elects a chair from among its members. The employee representatives are elected by

the employees for a four-year term. In 2021, the first election of employee representatives took place, and the members joined the Board with effect from the Annual General Meeting on April 20, 2021. The Board discharges its duties in accordance with the rules of procedure of the Board, which are reviewed and updated by all members of the Board.

Board composition and meeting attendance in 2021

	Board of Directors	Finance, Risk and Audit Committee	Nomination and Compensation Committee	Science, Technology and Investment Committee
Gerard van Odijk	C 10/10		C 7/7	4/4
Peter Kürstein	10/10	5/5	7/7	
Elizabeth McKee Anderson	10/10			C 4/4
Anders Gersel Pedersen	DC 10/10		7/7	4/4
Erik G. Hansen	10/10	5/5		4/4
Frank Verwiel	10/10	5/5	7/7	
Anne Louise Eberhard	9/10	C 5/5		
Karen M. Jensen, employee-elected	8/8			
Anja Gjøl, employee-elected	8/8			
Thomas Bennekov, employee-elected	8/8			
Linette Munksgaard, employee-elected	8/8			

C: Chair **DC:** Deputy chair

Board committees

To support the Board in its duties, the Board has established and appointed three subcommittees that are charged with reviewing issues pertaining to their respective fields that are due to be considered at Board meetings. The terms of reference which specify the tasks and responsibilities for each of the committees are available on the [Company's website](#)

Below is a report of each committee's main tasks during 2021:

Finance, Risk and Audit Committee

In 2021, the committee held 5 meetings and dealt with the following main matters:

- Reviewed and proposed to the Board the Annual Report 2020 and the Corporate Sustainability Report 2020 to be approved
- Reviewed and proposed to the Board the quarterly statements for Q1, Q2 and Q3 of 2021 to be approved
- Reviewed and proposed to the Board updates to Company financial guidance to be approved
- Reviewed and proposed to the Board the auditor's audit book comments and the audit plan to be approved
- Monitored and controlled the auditors' independence, objectivity and competence
- Reviewed and proposed to the Board the election of the auditors at the next AGM
- Reviewed and proposed to the Board engagement fees for the Audit services to be approved
- Reviewed and approved update of procedure for approval on non-audit services from appointed auditors
- Monitored and reported to the Board about significant accounting policies; significant accounting estimates; related party transactions; and uncertainties and risks, including in relation to the outlook for the current year
- Monitored and reported to the Board about capital resources and structure, including discussion of directed share issue and private placement of new shares to strengthen the Company's capital base and commitment to promising COVID-19 and RSV candidates
- Discussed audit legislation and key audit matters with the auditors
- Monitored the internal currency, counterpart and financing policies
- Reviewed and proposed to the Board a revised Tax Policy to be approved
- Reviewed and assessed the reports on the internal control and risk management systems, including review of cyber risk preparedness
- Reviewed and discussed the Company's risk management process
- Reviewed and assessed the Company's compliance programme
- Reviewed and proposed to the Board an updated Code of Conduct and an updated whistleblower set-up for approval
- Reviewed and assessed the Company's strategy for environmental, social and governance (ESG) matters
- Reviewed, assessed and proposed to the Board the Company's insurance coverage for approval
- Met with the auditors without the CFO or other members of the Executive Management
- Assessed the need for an internal audit function
- Reviewed and proposed to the Board the procedures of the committee to be approved
- Conducted a self-evaluation of the committee's work and performance through the Board self-evaluation process

Nomination and Compensation Committee

In 2021, the committee held 7 meetings and dealt with the following main matters:

- Reviewed and proposed to the Board the remuneration levels for 2021 for the Board and its sub-committees to be approved by the AGM
- Reviewed the remuneration levels for 2021 for the Executive Management including a retention program for CEO, Paul Chaplin.
- Reviewed the Company's Remuneration Policy
- Reviewed the short and long-term incentive programs for the Executive Management and other members of the senior management and recommended to the Board the structure of the programs for 2021
- Assisted with the preparation of the annual Remuneration Report
- Discussed the employee engagement survey
- Performed a Board composition review, including desired competences and qualifications required by the Board and an assessment of their combined competences
- Planned and performed a Board Evaluation
- Discussed long term succession planning for the Board, including the future composition of the Board
- Discussed the Company's activities to ensure relevant diversity at management level.
- Reviewed and proposed to the Board the procedures of the committee to be approved
- Reviewed a revised career and compensation framework

Science, Technology and Investment Committee

In 2021, the committee held 4 meetings and dealt with the following main matters:

- Reviewed the Company's early and late-stage infectious disease portfolio and immunology portfolio including informing the Board of Directors of the actual progress and potential future strategic directions
- Reviewed and proposed to the Board the procedures of the committee to be approved
- Discussed topline business cases for additional assets
- Reviewed potential M&A strategy
- Reviewed and monitored the integration and transition of the assets acquired from GSK
- Performed a full review of the RSV program, including available clinical full data, target product profile, competitive assessment and updated phase 3 program
- Discussed the budget 2022 regarding Bavarian Nordic's current pipeline

Risk management

Bavarian Nordic's business spans all activities from R&D to production and to commercialization. Our business model covers both partnership business, complex governmental sales and direct sales. By the nature of our business, we are exposed to a variety of risk along our value chain; by our thorough risk process Bavarian Nordic is managing the risks through risk identification, risk monitoring and risk mitigation. The process is an integrated part of the Bavarian Nordic operational procedures and the management processes.

The formal process ensures both bottom-up and top-down identification and handling of risks. In this process key risks are first identified through a bottom-up process including description of the risks and mitigating actions taken to reduce either the likelihood of occurrence or the potential impact. Residual risk after agreed mitigating actions is further mitigated by insurance where this is relevant and possible. All risks have assigned Risk owners, normally at the Executive level, and assigned risk responsible employees who monitors and mitigates the risks closely.

The Finance, Risk and Audit Committee (FRAC) is closely monitoring the risks on a quarterly basis, incl. selected deep dives on specific risks. The Board of Directors receives regular risk updates from FRAC which then form part of the Board's overall decisions about the Company's strategy.

The table below summarizes some of the key risks that are important to Bavarian Nordic's business including examples of mitigating actions.

Risk area	Risks	Mitigating actions
<i>Supply and manufacturing</i>	<p>Disruptions to the supply chain, as caused by supply chain failures, breakdowns in facilities, third party supply and/or manufacturing issues, COVID-19 related delays or similar, could have a significant impact on the ability to supply products at the right time, and could impact both customer relations and financial performance.</p> <p>The currently challenging raw material supply market and the related risks falls under this category.</p>	<ul style="list-style-type: none"> • Dual sourcing strategies to secure adequate inventory levels. • Adequate inventory for all core components. • Internal quality audits, including mock inspections. • Secure adequate inventory and supply chain strategy including dual sourcing. • Shelf-life extension initiatives. • Disaster recovery plans and back-up strategies. • Integrated sales and operations planning process in the monthly planning cadence.

Risk area	Risks	Mitigating actions	Risk area	Risks	Mitigating actions
<i>Cybersecurity</i>	Disruptions to IT systems can have significant impact; in many ways, including inability to communicate or perform operationally, material financial impact or inability to perform commercial sales or perform R&D.	<ul style="list-style-type: none"> • Focus on staying updated on internal procedures for security monitoring and vulnerability assessment. • Training and awareness campaigns both inside the IT department and within the business. • Continuous development of preventative measures. • Involvement of third-party cyber security specialist to ensure a constant overview of threats and preventative measures available. • Perform annual security penetration tests and audits by third party. 	<i>Development</i>	<p>The further development of products in the pipeline incl clinical trials, can be delayed or even abandoned. The product approval phase can be delayed or even fail.</p> <p>All clinical material and production facilities require regulatory approval; such approvals can be delayed or even fail.</p> <p>All steps in the above approval or clinical phases are associated with risks and can fail.</p>	<ul style="list-style-type: none"> • Close dialogue with authorities (e.g. FDA) to secure optimal path to approval and compliance with GMP etc. • Strong quality system in place to ensure compliance with standards agreed with and required by authorities. • Use of adaptive trial designs to minimize financial risk and impact of failure.
<i>Loss of revenue due to COVID-19</i>	Bavarian Nordic has revenue income from vaccines which are considered travel vaccines and another wave of travel restrictions could impact revenue.	<ul style="list-style-type: none"> • Training of sales reps in virtual selling. • Careful sales and operations planning. • Pursue sales opportunities in markets less exposed to COVID-19 restrictions. 			

Risk area	Risks	Mitigating actions	Risk area	Risks	Mitigating actions
<p><i>Lack of funding for general operations or development programs specifically</i></p>	<p>Lack of funds could eventually make it difficult for the Company to pursue the strategy involving among others investments in development and manufacturing facilities. Some development projects require funding from third parties and if this is not available it can result in delays or even termination of the project.</p>	<ul style="list-style-type: none"> • Ensure solid financial planning. • Optimize timing of income from partner agreements. • Maintain working capital at appropriate levels to free liquidity. • Keep spending and investment level at appropriate levels to stretch liquidity runway. • Secure constant knowledge about financing options available in the market. • Secure access to bank financing if/when needed. • Strong relations with key existing or potential investors of development. • For ABNCoV2 largely mitigated through governmental funding. 	<p><i>Laws and regulations</i></p>	<p>Not complying with laws and regulations could damage the Company's reputation, result in significant fines and impede the Company's ability to operate.</p>	<ul style="list-style-type: none"> • Follow and monitor the established internal compliance structure and governance related to all operations activity. • Internal legal resources available. • Monitor development in relevant laws and regulations. • Allocation of internal resources to secure adaptation of new rules and regulations.

Risk area	Risks	Mitigating actions	Risk area	Risks	Mitigating actions
<i>Commercialization and competition</i>	<p>Bavarian Nordic is competing in markets where prices may be determined by the local supply/demand, including products from competitors that are significantly larger in size and resources available than Bavarian Nordic. If Bavarian Nordic cannot effectively compete in these markets, it will have a negative effect on future revenue and profit. Pressure from local healthcare politics to reduce costs may impact Bavarian Nordic's pricing or volume. Geopolitical or macroeconomic changes or health crisis, e.g. pandemics, could impact demand, pricing and access to vaccinations.</p> <p>Competitors might develop product candidates with higher potential which could reduce the value of Bavarian Nordic's pipeline and products.</p>	<ul style="list-style-type: none"> • Secure a very engaged and competent sales, marketing and medical affairs organization. • Leverage focus rather than size vis-a-vis competition. • Look for and leverage differentiation. • Build strong relations through dedication and focus to achieve preferred supplier status. • Develop early-stage pipeline of new platforms and vaccines to stay competitive. 	<i>Partnering</i>	<p>Partnering with other companies and government bodies in the industry is a central element of the Company's strategy. Loss of partnerships, e.g. due to collaboration issues, failed projects or similar, could have a significant impact on the Company's reputation and future performance.</p>	<ul style="list-style-type: none"> • Frequent interactions with partners to build and maintain common understanding. • Processes in place to resolve potential issues.
			<i>Attraction and retention of talent</i>	<p>Bavarian Nordic is dependent on the ability to attract and retain talents for many functions. In times of high competition for the right talents or adverse impact on Bavarian Nordic's image, it could impact the Company's ability to perform at high standards and compete against other companies.</p>	<ul style="list-style-type: none"> • Perform employer branding. • Provide training and development. • Offer competitive remuneration package. • Identifying and working with key talents.
			<i>Intellectual property rights (IP)</i>	<p>The validity of patents is crucial for the Company to secure future revenues and return on the investments made in development. Patents might be challenged by competitors.</p>	<ul style="list-style-type: none"> • Dedicated and experienced resources involved in the filing of patent applications to minimize vulnerability to future invalidity actions, and with ability to defend patents if such actions are filed.



Risk area	Risks	Mitigating actions
<p><i>Currency exposure and tax disputes</i></p> <p><i>Currency risks and additional financial risks are further explained in note 24 in the consolidated financial statements</i></p>	<p>Significant fluctuations in the DKK/USD and other currencies which Bavarian Nordic is, or could be exposed to, will impact financial positions. Potential disputes with tax authorities could result in additional tax payments.</p>	<ul style="list-style-type: none"> • Aim to create natural hedges by matching income and expenses in USD and EUR. • Material net USD exposure is hedged using FX contracts or options. Material net EUR exposure can also be hedged using FX contracts. • Frequent monitoring of planned cash flows in other currencies allows for hedging when the risk is identified. • Taxes are paid where the Company operates, and intercompany transactions are priced and governed by agreements in compliance with OECD's transfer pricing guidelines. • Proactive work with tax authorities to ensure alignment on tax situation and avoidance of negative surprises.

Internal control

Financial reporting process

The Board of Directors and the Management of Bavarian Nordic are responsible for the Group's control and risk management in connection with the financial reporting process, including compliance with rules and regulations that are relevant in reporting.

The Board has established a Finance, Risk and Audit Committee (FRAC), which reviews and discusses the accounting and audit practices with the Company's auditors elected at the AGM and the Corporate Management in accordance with the working framework of the committee.

Bavarian Nordic's main focus is to ensure that its financial statements are in compliance and give a correct and reliable view of the Company's operations and financial position.

Input to a written monthly management report is prepared by each line of business containing explanations for deviations in the central business areas within the Group including counter-measures to the deviations. The inputs are combined into one group report that is distributed to the Corporate Management monthly. The Board of Directors receives a monthly executive summary of the Group's performance.

The interim financial reports are prepared by group finance and discussed with the auditors.

The annual audit and reporting process includes detailed planning of individual tasks and planning meetings between investor relations (IR), group finance and the auditors, and it is based on an audit strategy approved by the FRAC.


Internal controls

Bavarian Nordic has policies and procedures for key areas of financial reporting as well as work plans for the month-end closing process, ensuring an in-depth analysis of deviations between actual performance, business plans and budgets, and updated estimates for the financial year. The monthly closing procedures also ensure that all relevant reconciliations are prepared and reviewed. The control activity is documented in a system tracking performer and reviewer execution and upload of reconciliations. The accounting and controller functions are responsible for the monthly closing process and reporting to corporate finance.

Financial planning, follow-up and reporting is supported by a group reporting system that shows actual and budgeted financial figures down to the department and account level. All budget holders have access to the group reporting system, which is updated daily with direct links to the Group's ERP system.

Risk assessment

At least once a year, the FRAC on behalf of the Board of Directors evaluates the risks connected with the financial reporting process, including the presence of internal controls and guidelines. The FRAC assesses the Group's organizational structure, including the risk of fraud and the measures to be taken to reduce and/or eliminate such risk. In that regard, any incentive or motive from the Corporate Management to manipulate earnings or perform any other fraudulent action is discussed. The Group's internal controls and guidelines provide a reasonable but not absolute certainty that unlawful use of assets, loss and/or significant errors or deficiencies in relation to the financial reporting process can be avoided.



The Board of Directors has decided not to institute an internal audit function at Bavarian Nordic, based on its assessment that the Company's size and complexity does not necessitate such a function.

Control environment

Risk assessment Information technology and computerized systems are widely used in almost any area at Bavarian Nordic. Several processes are automated and key decisions and actions are taken through electronic interfaces. In the ERP system, a number of user groups have been set up to ensure the required segregation of key functions in the finance department. Incoming invoices are approved electronically, and an approval hierarchy ensures that invoices are approved by minimum two persons and according to the proxy rules of the Group. Payment proposals are approved through online banking and always by two accounting staff members jointly.

The business procedures in the IT department ensure that all IT development is according to Good Laboratory Practice (GLP), Good Clinical Practice (GCP) and Good Manufacturing Practice (GMP). There are effective procedures for identifying, monitoring and reporting IT risks and security measures set up to respond to emerging events.

The corporate governance recommendations

The Committee on Corporate Governance (Komitéen for god selskabsledelse) updated its recommendations in December 2020 with effect from January 1, 2021 and the table on the next pages accounts for Bavarian Nordic's adherence to the updated recommendations.

Regularly and at least once a year, the Management reviews the recommendations in order to ensure the best possible utilization of and compliance with the recommendations and legislation. From 2021 and onwards, the Management has decided to include comments in the table, explaining how the Company complies with the recommendations.

Bavarian Nordic complies with all the recommendations.



Recommendation**How does Bavarian Nordic comply?****1. Interaction with the Company's shareholders, investors and other stakeholders***1.1. Communication with the Company's shareholders, investors and other stakeholders*

1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the Company's affairs, and that the Board of Directors obtains the possibility of hearing and including their views in its work.

Bavarian Nordic communicates regularly with its shareholders via company announcements on significant matters concerning the Company. Announcements are made in accordance with the regulations of the Copenhagen Stock Exchange and other regulations for listed companies and are made available widely through news wires and media as well as via the Company's website, social media channels and by e-mail to shareholders and other stakeholders who have requested so.

In connection with the publication of full year and interim financial reports, Bavarian Nordic conducts a conference call for investors and analysts, which is preceded by a presentation by the management. The presentation is being webcast and can be accessed live and on-demand by all stakeholders via the Company's website: www.bavarian-nordic.com/investor/events.aspx

The Company further engages in dialogue with investors through meetings, investor conferences and by responding to incoming questions and calls.

The Board of Directors regularly receives reports from the management on any significant feedback received from investors and analysts on the Company's affairs, and furthermore members of the Board are present at the Annual General Meeting to answer questions and receive feedback from the Company's shareholders.

Recommendation**How does Bavarian Nordic comply?**

1.1.2. The Committee recommends that the Company adopts policies on the Company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the Company's considerations and that such policies are made available on the Company's website.

Bavarian Nordic has published its investor relations policy on its website:

www.bavarian-nordic.com/investor/ir-policy.aspx

Furthermore, the Board has adopted a Code of Conduct, which addresses the Company's interactions with other stakeholders, such as healthcare professionals, customers, governments and many more. The Code of Conduct is available from the Company's website: www.bavarian-nordic.com/about/governance/business-ethics.aspx

1.1.3. The Committee recommends that the Company publishes quarterly reports.

Bavarian Nordic publishes quarterly reports, which are distributed to the stock exchange, news wires, media, analysts and all shareholders who have requested so. The quarterly reports are also available on the Company's website: www.bavarian-nordic.com/investor/downloads/financials.aspx

1.2. The General Meeting

1.2.1. The Committee recommends that the Board of Directors organises the Company's General Meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the General Meeting, to vote and raise questions to the management prior to or at the General Meeting. The Committee recommends that the Board of Directors ensures that shareholders can observe the General Meeting via webcast or other digital transmission.

All shareholders of Bavarian Nordic, regardless of attending the General Meeting in person or not, are provided the opportunity to vote by letter or by proxy and may raise questions to the management in advance of the meeting. Shareholders attending the meeting in person may also raise questions during the meeting.

Due to COVID-19, the Company's Annual General Meeting in 2021 was held as a virtual event only. However, all registered shareholders were offered the opportunity to vote by proxy and to submit questions to the management both prior to and during the meeting via an online portal. In addition, the General Meeting was transmitted via webcast to shareholders who had signed up for the meeting.

Future General Meetings will, regardless of being held as a physical meeting, a virtual meeting or a hybrid of both, be transmitted via webcast to registered shareholders.

Recommendation**How does Bavarian Nordic comply?**

1.2.2. The Committee recommends that proxies and postal votes to be used at the General Meeting enable the shareholders to consider each individual item on the agenda.

Proxies and votes by post may be given to the Board of Directors in general or with respect to each individual item on the agenda for the General Meeting.

1.3. Takeover bids

1.3.1. The Committee recommends that the Company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the Board of Directors to consider in the event of a takeover bid, or if the Board of Directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the Board of Directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the General Meeting.

Bavarian Nordic has procedures in place for handling takeover bids. If a takeover bid is made, the Board of Directors will consider the bid with due consideration to the Danish Companies Act and the Issuer Rules of NASDAQ Copenhagen A/S.

1.4. Corporate Social Responsibility

1.4.1. The Committee recommends that the Board of Directors adopts a policy for the Company’s corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the Company’s website. The Committee recommends that the Board of Directors ensures compliance with the policy.

The Board of Directors has adopted policies for matters relevant to the Company’s corporate social responsibility and is regularly reviewing and assessing the Company’s strategy for environmental, social and governance matters. The policies are available in the Company’s sustainability report and on the website:

www.bavarian-nordic.com/about/sustainability.aspx

Recommendation**How does Bavarian Nordic comply?**

1.4.2. The Committee recommends that the Board of Directors adopts a tax policy to be made available on the Company's website.

A tax policy was adopted by the Board of Directors in 2020 and was reviewed and updated in 2021. The policy is published on the Company's website: www.bavarian-nordic.com/about/governance/tax-policy.aspx

2. The duties and responsibilities of the Board of Directors*2.1. Overall tasks and responsibilities*

2.1.1. The Committee recommends that the Board of Directors in support of the Company's statutory objects according to its articles of association and the long-term value creation considers the Company's purpose and ensures and promotes a good culture and sound values in the Company. The Company should provide an account thereof in the management commentary and/or on the Company's website.

Bavarian Nordic's purpose is intrinsic in its products and the activities which the Company are undertaking in discovering, developing, and manufacturing life-saving vaccines. This is communicated widely in the Company's annual report, website and other communication material. Likewise, the purpose is reflected in the Company's values ("The Bavarian Nordic DNA") which have been discussed with and commented upon by the Board of Directors and which are used as guiding principles for employees, not only for internal use, but also for the Company's interactions with customers, partners, and shareholders. These values are represented on the Company's website.

2.1.2. The Committee recommends that the Board of Directors at least once a year discusses and on a regular basis follows up on the Company's overall strategic targets in order to ensure the value creation in the Company.

The Board of Directors discusses the strategy and the value creation on an ongoing basis at the Board meetings. At least once a year, the Board of Directors discusses and assesses the Company's overall strategy.

2.1.3. The Committee recommends that the Board of Directors on a continuously basis takes steps to examine whether the Company's share and capital structure supports the strategy and the long-term value creation in the interest of the Company as well as the shareholders. The Committee recommends that the Company gives an account thereof in the management commentary.

The Board of Directors assesses on an ongoing basis whether the capital structure and resources of the Company are reasonable taking into account the operations of the Company and the interests of the shareholders. Please refer to note 24 in the Annual Report for more details.

Recommendation**How does Bavarian Nordic comply?**

2.1.4. The Committee recommends that the Board of Directors prepares and on an annual basis reviews guidelines for the Executive Management, including requirements in respect of the reporting to the Board of Directors.

At least once a year, the Board of Directors discusses and reviews requirements in terms of reporting by Executive Management to the Board of Directors.

2.1.5. The Committee recommends that at least once annually, the Board of Directors discuss the composition, developments, risks and succession plans of the Executive Board.

At least once annually, the Board of Directors discusses the composition of the Executive Management, as well as developments, risks and succession plan for the Executive Management.

2.2. Members of the Board of Directors

2.2.1. The Committee recommends that the Board of Directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.

According to article 18 in the Company's articles of association and the rules of procedure of the Board, the Board elects its Chair and Deputy chair among its members.

2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the Board of Directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.

The chairperson annually – typically in connection with Board evaluations – conducts annual 1:1 meetings with all Board members to discuss and ensure that all Board members update and supplement their knowledge of relevant matters and that the Board members' special knowledge and qualifications are applied where it best serves the Company.

Recommendation**How does Bavarian Nordic comply?**

2.2.3. The Committee recommends that if the Board of Directors, in exceptional cases, requests a member of the Board of Directors to take on special duties for the Company, for instance, for a short period to take part in the daily management of the Company, the Board of Directors should approve this in order to ensure that the Board of Directors maintains its independent overall management and control function. It is recommended that the Company publishes any decision on allowing a member of the Board of Directors to take part in the daily management, including the expected duration thereof.

The situation has so far not occurred. Should the Board of Directors ask a member of the Board of Directors to take on special duties for the Company, Bavarian Nordic intends to comply with the recommendation.

3. The composition, organisation and evaluation of the Board of Directors*3.1. Composition*

3.1.1. The Committee recommends that the Board of Directors on an annual basis reviews and in the management commentary and/or on the Company's website states

- which qualifications the Board of Directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and
- the composition of and diversity on the Board of Directors.

At least once annually, the Board of Directors reviews its composition, including diversity, as well as the collective and individual qualifications of the Board. An overview is available in the Company's Annual Report and on the Company's website.

Recommendation**How does Bavarian Nordic comply?**

3.1.2. The Committee recommends that the Board of Directors on an annual basis discusses the Company's activities in order to ensure relevant diversity at the different management levels of the Company and adopts a diversity policy, which is included in the management commentary and/or available on the Company's website.

The Board of Directors discusses annually the Company's activities to ensure diversity at all management levels and has adopted a diversity policy, which sets out ambitions to create a workforce and composition of the management that reflects the diverse backgrounds and perspectives stemming from an increasingly global and specialized organization.

The policy is available on the Company's website:

www.bavarian-nordic.com/about/governance/policies.aspx

A report on diversity and targets associated with this is included in the Company's Sustainability Report, which can also be downloaded on the Company's website:

www.bavarian-nordic.com/about/sustainability/reports.aspx

3.1.3. The committee recommends that candidates for the Board of Directors are recruited based on a thorough process approved by the Board of Directors. The Committee recommends that in assessing candidates for the Board of Directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.

The Board of Directors has established a joint Nomination and Compensation Committee. This Committee prepares recommendations regarding election of new candidates for the Board of Directors and, as part hereof, also takes into account the need for continuity, renewal and diversity.

3.1.4. The Committee recommends that the notice convening General Meetings, where election of members to the Board of Directors is on the agenda - in addition to the statutory items – also includes a description of the proposed candidates' qualifications,

- other managerial duties in commercial undertakings, including Board committees,
- demanding organisational assignments and independence.

The notice convening the Annual General Meeting, where election of members of the Board of Directors takes place, contains the full agenda, including a description of the proposed candidates' qualifications, other managerial duties and demanding organizational assignments, if any. The description furthermore states whether the candidate is regarded independent.

Recommendation

3.1.5. The Committee recommends that members to the Board of Directors elected by the General Meeting stand for election every year at the Annual General Meeting, and that the members are nominated and elected individually.

How does Bavarian Nordic comply?

According to article 17 in the Company's articles of association, members of the Board of Directors elected by the General Meeting are elected for a term of one year. Board members are nominated and elected individually.

3.2. The Board of Director's independence

3.2.1. The Committee recommends that at least half of the members of the Board of Directors elected in General Meeting are independent in order for the Board of Directors to be able to act independently avoiding conflicts of interests.

In order to be independent, the member in question may not:

- be or within the past five years have been a member of the Executive Management or an executive employee in the Company, a subsidiary or a group company,
- within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the Board of Directors,
- represent or be associated with a controlling shareholder,
- within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the Company, a subsidiary or a group company, which is significant for the Company and/or the business relationship,
- be or within the past three years have been employed with or a partner in the same company as the Company's auditor elected in General Meeting,
- be a CEO in a company with cross-memberships in the Company's management,
- have been a member of the Board of Directors for more than twelve years, or
- be closely related to persons, who are not independent, cf. the above-stated criteria.

Even if a member of the Board of Directors does not fall within the above-stated criteria, the Board of Directors may for other reasons decide that the member in question is not independent.

In 2021, six of the seven members of the Board of Directors elected by the General Meeting were considered independent in accordance with the definition.

Chair of the Board, Gerard van Odijk has been a member of the Board of Directors for more than 12 years and is thus no longer considered independent under the Committee's definition.

Recommendation

3.2.2. The Committee recommends that members of the Executive Management are not members of the Board of Directors and that members retiring from the Executive Management does not join the Board of Directors immediately thereafter.

How does Bavarian Nordic comply?

None of the members of the Executive Management are members of the Board of Directors, and none of the Board members have previously been a member of the Executive Management of the Company. Bavarian Nordic intends to continue to comply with the recommendation.

3.3. Members of the Board of Directors and the number of other managerial duties

3.3.1. The Committee recommends that the Board of Directors and each of the members on the Board of Directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the Board duties. The aim is for the individual member of the Board of Directors not to take on more managerial duties than the Board member in question is able to perform in a satisfactory manner.

The Nomination and Compensation Committee assesses how much time is required to perform the Board duties. Before new Board members take on a duty as Board member with the Company, and in connection with the annual evaluation, the individual Board members make an individual assessment of the time required to perform their Board duties.

3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the Board of Directors:

- position, age and gender,
- competencies and qualifications relevant to the Company,
- independence,
- year of joining the Board of Directors,
- year of expiry of the current election period,
- participation in meetings of the Board of Directors and committee meetings,
- managerial duties in other commercial undertakings, including Board committees, and demanding organisational assignments, and
- the number of shares, options, warrants, etc. that the member holds in the Company and its group companies and any changes in such holdings during the financial year.

The management commentary contains a thorough presentation of all members of the Board of Directors in accordance with this recommendation. Similarly, the Company's website is updated with the same information:

www.bavarian-nordic.com/about/leadership/Board-of-directors.aspx

The holding of shares and restricted stock units of each member and any changes in the holdings during the past financial year are presented in the Remuneration Report:

www.bavarian-nordic.com/about/governance/remuneration-reports.aspx

Recommendation**How does Bavarian Nordic comply?****3.4. Board committees**

3.4.1. The Committee recommends that the management describes in the management commentary:

- the Board committees' most significant activities and number of meetings in the past year, and
- the members on the individual Board committees, including the chairperson and the independence of the members of the committee in question.
- In addition, it is recommended that the Board committees' terms of reference are published on the Company's website.

The Board of Directors has established three committees: the Finance, Risk and Audit Committee, the Nomination and Compensation Committee, and the Science, Technology and Investment Committee.

A report on the Board committees' composition and most significant activities, including number of meetings in the past year, is found in the beginning of this document, which constitutes a part of the management commentary.

The terms of reference for all Board committees are published on the Company's website:

www.bavarian-nordic.com/about/governance/Board-committees.aspx

3.4.2. The Committee recommends that Board committees solely consist of members of the Board of Directors and that the majority of the members of the Board committees are independent.

Board committees are only composed of members of the Board of Directors as laid out in the terms of reference for the committees.

In 2021, the majority of the members of all the committees were independent.

Recommendation

3.4.3. The Committee recommends that the Board of Directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the Board of Directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the Board of Directors in:

- supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,
- reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,
- assessing the need for internal audit,
- performing the evaluation of the auditor elected by the General Meeting,
- reviewing the auditor fee for the auditor elected by the General Meeting,
- supervising the scope of the non-audit services performed by the auditor elected by the General Meeting, and
- ensuring regular interaction between the auditor elected by the General Meeting and the Board of Directors, for instance, that the Board of Directors and the audit committee at least once a year meet with the auditor without the Executive Management being present.

If the Board of Directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:

- prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,
- ensure that the internal audit function has sufficient resources and competencies to perform its role, and
- supervise the Executive Management's follow-up on the conclusions and recommendations of the internal audit function.

How does Bavarian Nordic comply?

The Board of Directors has established a joint Finance, Risk and Audit Committee under the supervision of the Board of Directors in accordance with the rules of procedure of the Board of Directors. The chairperson of the Finance, Risk and Audit Committee is not the chairperson of the Board of Directors.

The committee's duties and responsibilities are detailed in the terms of reference of the committee, which is available on the Company's website:

www.bavarian-nordic.com/about/governance/Board-committees.aspx

The Board has decided not to institute an internal audit function at Bavarian Nordic, based on its assessment that the Company's size and complexity does not necessitate such a function.

Recommendation

3.4.4. The Committee recommends that the Board of Directors establishes a nomination committee to perform at least the following preparatory tasks:

- describing the required qualifications for a given member of the Board of Directors and the Executive Management, the estimated time required for performing the duties of this member of the Board of Directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,
- on an annual basis evaluating the Board of Directors and the Executive Management's structure, size, composition and results and preparing recommendations for the Board of Directors for any changes,
- in cooperation with the chairperson handling the annual evaluation of the Board of Directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the Board of Directors,
- handling the recruitment of new members to the Board of Directors and the Executive Management and nominating candidates for the Board of Directors' approval,
- ensuring that a succession plan for the Executive Management is in place,
- supervising Executive Managements' policy for the engagement of executive employees, and
- supervising the preparation of a diversity policy for the Board of Directors' approval.

How does Bavarian Nordic comply?

The Board of Directors has established a joint Nomination and Compensation Committee under the supervision of the Board of Directors in accordance with the rules of procedure of the Board of Directors.

The committee's tasks and responsibilities are detailed in the terms of reference of the committee, which is available on the Company's website:

www.bavarian-nordic.com/about/governance/Board-committees.aspx

Recommendation

3.4.5. The Committee recommends that the Board of Directors establishes a remuneration committee to perform at least the following preparatory tasks:

- preparing a draft Remuneration Policy for the Board of Directors' approval prior to the presentation at the General Meeting,
- providing a proposal to the Board of Directors on the remuneration of the members of the Executive Management,
- providing a proposal to the Board of Directors on the remuneration of the Board of Directors prior to the presentation at the General Meeting,
- ensuring that the management's actual remuneration complies with the Company's Remuneration Policy and the evaluation of the individual member's performance, and
- assisting in the preparation of the annual Remuneration Report for the Board of Directors' approval prior to the presentation for the General Meeting's advisory vote.

How does Bavarian Nordic comply?

The Board of Directors has established a joint Nomination and Compensation Committee under the supervision of the Board of Directors in accordance with the rules of procedure of the Board of Directors.

The committee's tasks and responsibilities are detailed in the terms of reference of the committee, which is available on the Company's website:

www.bavarian-nordic.com/about/governance/Board-committees.aspx

3.5. Evaluation of the Board of Directors and the Executive Management

3.5.1. The Committee recommends that the Board of Directors once a year evaluates the Board of Directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the Board of Directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:

- the composition of the Board of Directors with focus on competencies and diversity
- the Board of Directors and the individual member's contribution and results,
- the cooperation on the Board of Directors and between the Board of Directors and the Executive Management,
- the chairperson's leadership of the Board of Directors,
- the committee structure and the work in the committees,
- the organisation of the work of the Board of Directors and the quality of the material provided to the Board of Directors, and
- the Board members' preparation for and active participation in the meetings of the Board of Directors.

The Board and its subcommittees conduct every year a self-evaluation of the Board's and subcommittee's work, accomplishments and composition. The Chair heads the annual evaluation, which is conducted at least every third year by an external consultant. The process, whether it is facilitated internally or by external consultants, evaluates topics such as Board dynamics, Board agenda, quality of the material that is submitted to the Board, discussions at the Board meetings, the Chair's leadership of the Board, strategy, Board composition and Board competencies. Typically, the process is further facilitated by each Board member filling out a detailed questionnaire, and the Board members are asked to score to which extent they agree to the individual questions. The results of the questionnaire are then discussed at a subsequent Board meeting, and the individual comments submitted are used in the planning and handling of future Board meetings.

Recommendation

3.5.2. The Committee recommends that the entire Board of Directors discusses the result of the evaluation of the Board of Directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the Company's website and at the Company's General Meeting.

How does Bavarian Nordic comply?

The 2021 self-evaluation was facilitated by an external consultant and, in general, key conclusions were positive with a continued satisfaction with the Board's work as well as the work in the committees. Organizational development and continued optimization of Board meeting planning and efficiency will also be a focus area in 2022.

The procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary and on the Company's website.

3.5.3. The Committee recommends that the Board of Directors at least once a year evaluates the work and results of the Executive Management according to pre-established criteria, and that the chairperson reviews the evaluation together with the Executive Management. In addition, the Board of Directors should on a continuous basis assess the need for changes in the structure and composition of the Executive Management, including in respect of diversity, succession planning and risks, in light of the Company's strategy.

The Nomination and Compensation Committee regularly evaluates the performance of the Executive Management, and whether the Executive Management has the required qualifications and experiences, and as part hereof, the Committee assesses the need for changes in the structure and composition of the Executive Management. The chairperson discusses and reviews the evaluation with the Executive Management at least annually.

Recommendation**How does Bavarian Nordic comply?****4. Remuneration of management***4.1. Remuneration of the Board of Directors and the Executive Management*

4.1.1. The Committee recommends that the remuneration for the Board of Directors and the Executive Management and the other terms of employment/service is considered competitive and consistent with the Company's long-term shareholder interests.

The principles and terms for remuneration of the Board of Directors and the Executive Management are laid out in the Company's Remuneration Policy, which is approved by the General Meeting.

The objects of the Remuneration Policy are to contribute to the Company's business strategy, long-term interests and sustainability by supporting the Company's abilities to recruit, retain and motivate competent and loyal members to the Board and the Executive Management. The policy of the Company is that remuneration of the Board and the Executive Management must be competitive and comparable to remuneration in other Danish and international enterprises which the Company naturally compares to.

4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.

Share-based incentive schemes may be in the form of restricted stock units (RSUs) and/or warrants, are granted periodically and with a vesting period of three years from the date of grant.

Recommendation

4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.

How does Bavarian Nordic comply?

To ensure a competitive remuneration package as well as to promote the performance of the Executive Management in achieving short- and long-term objectives, variable remuneration elements are used.

Short-term incentives schemes for members of the Executive Management are cash-based and are capped to a maximum of six months' base wage.

Long-term incentives are granted as warrants that are capped to a maximum of one year's base wage at the time of grant. The value of warrants is calculated using the Black-Scholes formula, and to secure full transparency, the Board considers the potential value at the time of exercise under pessimistic, expected, and optimistic scenarios.

In exceptional cases, separate agreements may be entered, which can result in grant of warrants with a value up to an additional one year's base wage.

An overview of granted warrants to members of the Executive Management is found in the Remuneration Report:

www.bavarian-nordic.com/about/governance/remuneration-reports.aspx

Recommendation

4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the Executive Management's departure, does not exceed two years' remuneration including all remuneration elements.

How does Bavarian Nordic comply?

The termination period on the part of the Company is 18 months towards the CEO and may be prolonged to up to 24 months in case of change of control situations, and periods during which severance payment can be made may be up to 12 months, provided, however, that the total period for payment of termination pay and severance pay may not exceed 24 months.

The termination period on the part of the Company is 8 months towards the CFO, and periods during which severance payments can be made equal a lump sum of additional 4 months base salary.

4.1.5. The Committee recommends that members of the Board of Directors are not remunerated with share options and warrants.

Members of the Board of Directors are not awarded share options or warrants.

The remuneration of Board members consists of a fixed annual fee, which is in part paid out in cash and in part awarded as restricted stock units (RSUs) with a vesting period of three years after the date of grant. In addition, members of the Board receive reimbursement of certain expenses and an overseas-travel fee or a fixed attendance fee. Furthermore, members of Board committees receive an additional cash fee.

4.1.6. The Committee recommends that the Company has the option to reclaim, in whole or in part, variable remuneration from the Board of Directors and the Executive Management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.

Variable remuneration in the form of cash bonus or share-based incentives (including restricted stock units, matching shares and warrants) are subject to recovery or "claw back" by the Company, provided the variable remuneration was paid on the basis of data which the Board subsequently finds to have been incorrect and provided this is in accordance with Danish law. See also the Company's Remuneration Policy:

www.bavarian-nordic.com/about/governance/remuneration-policy.aspx

Recommendation

How does Bavarian Nordic comply?

5. Risk management

5.1. Identification of risks and openness in respect of additional information

5.1.1. The Committee recommends that the Board of Directors based on the Company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The Company should in the management commentary give an account of these risks and the Company's risk management.

Risk management is an integrated part of the Company's operations. A formal process ensures both bottom-up and top-down identification and handling of risks. In this process key risks are first identified through a bottom-up process including description of the risks and mitigating actions taken to reduce either the likelihood of occurrence or the potential impact. Residual risk after agreed mitigating actions is further mitigated by insurance where this is relevant and possible.

On a quarterly basis major risks are reported to the Finance, Risk and Audit Committee (FRAC) and discussed at these meetings. During the year specific risks are selected for more in-depth discussions with FRAC involving the operational owner of the specific risk. The Board of Directors receives regular risk updates from FRAC which then form part of the Board's overall decisions about the Company's strategy. An overview of the key risks and how they are managed are presented in the Company's Annual Report and in this report.

5.1.2. The Committee recommends that the Board of Directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.

Bavarian Nordic has established an Ethics Hotline (a whistleblower scheme), managed by an independent provider, providing employees and other stakeholders the opportunity to report serious violations of the law or the Company's Code of Conduct, or suspicion thereof, in an expedient and confidential manner. Bavarian Nordic has had a whistleblower scheme accessible to employees since 2014. In 2021, it was amended to also allow the Company's external stakeholders to report known or suspected violations.

An Ethics Hotline Policy, describing the details of e.g., who may report, what may be reported, and how reports are processed, is available on the Company's website: www.bavarian-nordic.com/about/governance/business-ethics.aspx

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