

Xenon Pharmaceuticals Inc.
Form DEF 14A
April 29, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

XENON PHARMACEUTICALS INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3)

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Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

XENON PHARMACEUTICALS INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting (the "Meeting") of the shareholders of Xenon Pharmaceuticals Inc. ("Xenon" or the "Corporation") will be held at Blake, Cassels & Graydon LLP, Coastal Boardroom, 595 Burrard Street, Suite 2600, Vancouver, British Columbia, on Monday, June 3, 2019 at 11:30 a.m. (PDT) for the following purposes:

1. to receive the financial statements of the Corporation for the financial year ended December 31, 2018 and the report of the Corporation's auditor thereon;
2. to elect as directors of the Corporation the nine nominees named in the accompanying Proxy Statement and Management Information Circular to hold office until the next annual meeting of the Corporation or until their successors are duly elected;
3. to appoint KPMG LLP as the Corporation's auditor to hold office until the next annual meeting of the Corporation;
4. to authorize the Audit Committee of the board of directors of the Corporation to fix the remuneration to be paid to the auditors of the Corporation; and
5. to conduct such other business as may properly be brought before the Meeting or any adjournment thereof.

The accompanying Proxy Statement and Management Information Circular provides additional information as to the matters to be dealt with at the Meeting and is deemed to form a part of this Notice. The holders of the common shares of the Corporation (the "Common Shares") of record at the close of business on April 8, 2019 (the "Record Date") are entitled to receive notice of and to vote at the Meeting. The holders of the Series 1 preferred shares of the Corporation (the "Preferred Shares") of record at the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting, subject to certain voting limitations set forth in the rights, privileges, restrictions and conditions attached to the Preferred Shares.

Registered shareholders who are unable to attend the Meeting in person and who wish to ensure that their Common Shares and Preferred Shares, as applicable, will be voted at the Meeting are requested to complete, date and execute the enclosed forms of proxy, as applicable, and deliver it in accordance with the instructions set out in the forms of proxy and in the Proxy Statement and Management Information Circular.

Proxies for Common Shares to be used at the Meeting must be received by American Stock Transfer & Trust Company, LLC, not later than 11:59 p.m. (EDT) on Friday, May 31, 2019 (or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting). Proxies may be submitted by one of the following alternative methods:

By Internet: <http://www.voteproxy.com> and follow the on-screen instructions or scan the QR code provided on the form of proxy;

By Telephone: 1-800-PROXIES (1-800-776-9437) (toll-free in the United States and Canada) or 1-718-921-8500 and enter the 11 digit control number printed on the form of proxy;

By Email: Complete, date and sign your proxy and email a scanned copy to proxy@amstock.com;

By Fax: Complete, date and sign your proxy and fax a copy to 718-765-8730; or

By Mail: Complete, date and sign your proxy and mail a copy to American Stock Transfer & Trust Company, LLC, at 6201 15th Avenue, Brooklyn, NY 11219, United States.

Proxies for Preferred Shares to be used at the Meeting must be received by the Corporation, not later than 11:59 p.m. (EDT) on Friday, May 31, 2019 (or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays,

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Sundays and holidays, preceding the time of such adjourned Meeting). Proxies may be submitted by one of the following alternative methods:

By Email: Complete, date and sign your proxy and email a scanned copy to legalaffairs@xenon-pharma.com;

By Fax: Complete, date and sign your proxy and fax a copy to 604-484-3450; or

By Mail: Complete, date and sign your proxy and mail a copy to the Corporation, at 200-3650 Gilmore Way, Burnaby, British Columbia V5G 4W8, Canada, Attention: Corporate Secretary.

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If you hold your Common Shares or Preferred Shares in a brokerage account, you are not a registered shareholder. Non-registered shareholders who plan to attend the Meeting must follow the instructions set out in the voting instruction form provided to them by their broker or other intermediary to ensure that their Common Shares or Preferred Shares, as applicable, will be voted at the Meeting.

DATED at Burnaby, British Columbia this 29th day of April, 2019.

By order of the board of directors

/s/ Simon N. Pimstone

Simon N. Pimstone
Chief Executive Officer

XENON PHARMACEUTICALS INC.

PROXY STATEMENT AND

MANAGEMENT INFORMATION CIRCULAR

Annual Meeting of Shareholders

to be held on Monday, June 3, 2019

GENERAL PROXY INFORMATION

Information in this Proxy Statement and Management Information Circular (this “Circular”) is provided as of April 8, 2019 (the “Record Date”), unless otherwise indicated. In this Circular, “we”, “us”, “our”, “Xenon” and the “Corporation” refer to Xenon Pharmaceuticals Inc. and its wholly-owned subsidiary, Xenon Pharmaceuticals USA Inc. All references in this Circular to “\$” or “USD\$” are to U.S. dollars and all references to “CAD\$” are to Canadian dollars, unless otherwise indicated. “Xenon” and the Xenon logo are trademarks of Xenon Pharmaceuticals Inc. They are registered in the United States and used or registered in various other jurisdictions.

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the board of directors and management of the Corporation for use at the annual meeting (the “Meeting”) of shareholders of the Corporation to be held at Blake, Cassels & Graydon LLP, Coastal Boardroom, 595 Burrard Street, Suite 2600, Vancouver, British Columbia, on Monday, June 3, 2019 at 11:30 a.m. (PDT). The cost of solicitation will be borne by the Corporation. The address of the principal executive office of Xenon is 200 – 3650 Gilmore Way, Burnaby, British Columbia V5G 4W8, Canada. This Circular, the accompanying notice and the enclosed forms of proxy are expected to first be mailed to shareholders on or about Monday, April 29, 2019.

Management expects that proxies will be solicited primarily by mail. Employees and directors of Xenon may also solicit proxies personally or by telephone. If you hold common shares of the Corporation (the “Common Shares”) or Series 1 preferred shares of the Corporation (the “Preferred Shares”) in the name of a bank, broker or other nominee, please see the section of this Circular entitled “Beneficial Shareholders” below.

Appointment of Proxyholders

The persons named in the accompanying forms of proxy are officers of the Corporation.

A shareholder has the right to appoint a person or company to attend and act for the shareholder and on that shareholder’s behalf at the Meeting other than the persons designated in the enclosed forms of proxy. A shareholder wishing to exercise this right should strike out the names now designated in the enclosed forms of proxy and insert the name of the desired person or company in the blank space provided. The desired person need not be a shareholder of the Corporation.

Only a registered shareholder at the close of business on April 8, 2019 will be entitled to vote, or grant proxies to vote, his, her or its Common Shares or Preferred Shares, as applicable, at the Meeting.

If your Common Shares or Preferred Shares are registered in your name, then you are a registered shareholder. However, if, like most shareholders, you keep your Common Shares or Preferred Shares, as the case may be, in a brokerage account, then you are a beneficial shareholder. The process for voting is different for registered shareholders and beneficial shareholders. Registered shareholders and beneficial shareholders should carefully read

the instructions herein if they wish to vote their Common Shares and Preferred Shares, as applicable, at the Meeting.

Voting of Shares Represented by Proxy

Proxies can be voted on a vote by show of hands or on a vote where a poll is required. All Common Shares and Preferred Shares represented by proxy will be voted for, voted against or withheld from voting on each motion, as applicable, on which a poll is taken at the Meeting in accordance with the direction of the shareholder who completed a proxy.

If the persons designated in the enclosed forms of proxy are appointed as proxy holders and no choice is specified by the shareholder, the Common Shares and the Preferred Shares, as applicable, represented by such proxy will be voted FOR the matters described herein. The forms of proxy confer discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and to other matters which may properly come before the Meeting or any adjournment or postponement thereof. If any matters which are not now known should properly come before the Meeting, persons named in the forms of proxy will vote on such matters in accordance with their best judgement. At the time of printing this Circular, management of the Corporation is not aware of any amendment, variation or other matters which are to come before the Meeting other than those matters identified in the accompanying Notice of Meeting.

Validity of Proxy

Proxies for Common Shares to be used at the Meeting must be received by American Stock Transfer & Trust Company, LLC, in accordance with the instructions contained in the accompanying form of proxy for Common Shares, not later than 11:59 p.m. (EDT) on Friday, May 31, 2019 (or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting). A proxy form will not be valid unless completed and deposited in accordance with the instructions set out in the enclosed form of proxy for Common Shares.

Proxies for Preferred Shares to be used at the Meeting must be received by the Corporation in accordance with the instructions contained in the accompanying form of proxy for Preferred Shares, not later than 11:59 p.m. (EDT) on Friday, May 31, 2019 (or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting). A proxy form will not be valid unless completed and deposited in accordance with the instructions set out in the enclosed form of proxy for Preferred Shares.

Revocation of Proxies

A registered shareholder executing the accompanying form of proxy has the power to revoke it at any time before it is exercised. The revocation of a proxy by a registered shareholder may be effected by the registered shareholder either (a) attending the Meeting and voting in person, or (b) giving written notice of the revocation executed by the registered shareholder in the same manner as provided for the deposit of the instrument of proxy. To be effective for Common Shares, the written notice of revocation must be deposited (i) with American Stock Transfer & Trust Company, LLC, in the manner for the deposit of proxies for Common Shares set forth herein and in the accompanying form of proxy for Common Shares or at the registered office of the Corporation at any time up to and including the last business day preceding the Meeting, or any adjournment thereof, or (ii) with the Chair of the Meeting, on the date of the Meeting or any adjournment thereof, and upon deposit the proxy will be revoked. To be effective for Preferred Shares, the written notice of revocation must be deposited (i) with the Corporation in the manner for the deposit of proxies for Preferred Shares set forth herein and in the accompanying form of proxy for Preferred Shares or at the registered office of the Corporation at any time up to and including the last business day preceding the Meeting, or any adjournment thereof, or (ii) with the Chair of the Meeting, on the date of the Meeting or any adjournment thereof, and upon deposit the proxy will be revoked.

A proxy may also be revoked by the giving of a subsequent proxy with a later date. To be effective, the subsequent proxy must be deposited (i) (in original form or in accordance with the instructions in the applicable form of proxy) at any time up to 11:59 p.m. (EDT) on Friday, May 31, 2019; or (ii) at the Meeting, with the Chair of the Meeting before the commencement of the Meeting (or any adjournment thereof).

Beneficial Shareholders

The following information is of significant importance to shareholders who do not hold Common Shares or Preferred Shares in their own name. If Common Shares or Preferred Shares are listed in an account statement provided to a

shareholder by an intermediary, then in almost all cases those Common Shares or Preferred Shares will not be registered in the shareholder's name on the records of the Corporation and such shareholder will be considered a beneficial shareholder. Such Common Shares or Preferred Shares will more likely be registered under the names of the shareholder's intermediary or an agent of that intermediary. In the United States, the vast majority of shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Beneficial shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Corporation as the registered holders of Common Shares or Preferred Shares, as applicable). Beneficial shareholders who wish to vote their Common Shares or Preferred Shares, as applicable, at the Meeting should follow the instructions set out in this section.

Beneficial shareholders will receive instructions from their intermediary as to how to vote their Common Shares and Preferred Shares, as applicable. Every intermediary has its own mailing procedures and provides its own return instructions to clients. Beneficial shareholders who wish to vote at the Meeting should follow the instructions of their intermediary carefully to ensure that their Common Shares and Preferred Shares, as applicable, are voted at the Meeting. Generally, intermediaries will provide beneficial shareholders with either: (a) a voting instruction form for completion and execution by the beneficial shareholder, or (b) a proxy form, executed by the intermediary and restricted to the number of Common Shares and Preferred Shares, as applicable, owned by the beneficial shareholder, but otherwise uncompleted. These procedures permit beneficial shareholders to direct the voting of the Common Shares and Preferred Shares, as applicable, that they beneficially own.

If a beneficial shareholder wishes to attend and vote in person at the Meeting, he, she or it must insert their own name in the space provided for the appointment of a proxyholder on the voting instruction form or proxy form provided by the intermediary, and carefully follow the intermediary's instructions for return of the executed form or other method of response.

If a beneficial shareholder does not provide voting instructions to its intermediary, the beneficial shareholder's Common Shares and Preferred Shares, as applicable, will not be voted at the Meeting on any matter on which the intermediary does not have discretionary authority to vote. Under current rules, certain intermediaries may not have discretionary authority to vote Common Shares and Preferred Shares, as the case may be, at the Meeting on matters relating to the election of directors. We encourage all beneficial shareholders to provide instructions to the securities broker, financial institution, trustee, custodian or other nominee who holds Common Shares or Preferred Shares, as the case may be, on their behalf by carefully following the instructions provided.

Voting and Broker Non-Votes

All votes will be tabulated by the inspector of election appointed for the Meeting, who will separately tabulate affirmative, negative and withheld votes. Withheld votes represent a shareholder's affirmative choice to decline to vote on the applicable matter.

Broker non-votes occur when a broker or intermediary holding Common Shares or Preferred Shares, as the case may be, for a beneficial owner does not vote on a particular matter because such intermediary does not have discretionary authority to vote on that matter and has not received voting instructions from the beneficial owner. Intermediaries typically do not have discretionary authority to vote on non-routine matters. Under the securities laws of the U.S., and the applicable rules (the "NYSE Rules") of the New York Stock Exchange (the "NYSE"), which apply to all NYSE-licensed intermediaries who have record ownership of listed company stock (including stock such as our Common Shares that are listed on The Nasdaq Global Market (the "Nasdaq")), intermediaries have discretionary authority to vote on routine matters when they have not received timely voting instructions from the beneficial owner. Items 3 and 4 (Appointment and Remuneration of Auditor) set forth in the Notice of Meeting are considered "routine" matters under NYSE Rules and, as such, we do not expect to receive any broker non-votes at the Meeting on these matters. Item 2 in the Notice of Meeting (election of directors) is considered a non-routine matter on which the intermediaries do not have discretionary authority to vote and broker non-votes could result.

Quorum

The quorum for the Meeting shall be one person present in person holding or representing by proxy not less than 33 % of the issued and outstanding shares of the Corporation entitled to be voted at the Meeting. Only a shareholder of record at the close of business on the Record Date will be entitled to vote, or grant proxies to vote, his, her or its Common Shares or Preferred Shares, as applicable, at the Meeting (subject, in the case of voting by proxy, to the timely deposit of his, her or its executed form of proxy as described herein). Broker non-votes are included in the calculation of the number of votes considered to be present at the Meeting for purposes of determining a quorum, but otherwise will not affect the voting outcome of the matters to be acted upon at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series, which have been designated as Series 1 preferred shares. Our Common Shares are listed for trading on the Nasdaq. As of the Record Date, the Corporation had 25,772,924 Common Shares and 1,016,000 Preferred Shares issued and outstanding.

At the Meeting, each holder of Common Shares as of the Record Date is entitled to one vote per Common Share held in connection with each matter to be acted upon at the Meeting.

At the Meeting, each holder of Preferred Shares as of the Record Date is entitled to one vote per Preferred Share held in connection with each matter to be acted upon at the Meeting, voting with the holders of the Common Shares on an as-converted basis and as a single class, provided that any Preferred Shares that are ineligible to be converted into Common Shares due to the Beneficial Ownership Limitation (as defined below), measured as of a given record date that applies for a shareholder meeting or ability to act by written consent, shall be deemed to be non-voting securities of the Corporation. A Preferred Share is ineligible to be converted into a Common Share and shall not be converted into a Common Share to the extent that, after giving effect to such notional conversion, the holder of such Preferred Share (together with such holder's affiliates (as such term is defined in the Canada Business Corporations Act), and any other person (as such term is defined in the Canada Business Corporations Act) whose beneficial ownership of Common Shares would be aggregated with the holder's for the purposes of Section 13(d) or Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, and applicable regulations of the Securities and Exchange Commission in the United States and National Instrument 62-104 Take Over Bids and Issuer Bids in Canada, including any "group" of which such holder is a member), would beneficially own a number of Common Shares in excess of 9.99% of the number of Common Shares outstanding immediately after giving effect to the issuance of Common Shares pursuant to such notional conversion (the "Beneficial Ownership Limitation") provided, however, that such holder has the right to reset the Beneficial Ownership Limitation to a higher or lower number (not to exceed 19.99% of the number of Common Shares outstanding immediately after giving effect to the issuance of Common Shares pursuant to such notional conversion) upon providing written notice to the Corporation, which notice provides for an increase in the Beneficial Ownership Limitation shall only be effective 61 days after delivery to the Corporation, but no such delay in effectiveness shall be required for a reduction in the Beneficial Ownership Limitation. For additional information regarding the Preferred Shares, please see the Corporation's Current Report on Form 8-K and the exhibits thereto, filed with the Securities and Exchange Commission and the securities commissions in British Columbia, Alberta and Ontario on March 28, 2018. Pursuant to the application of the Beneficial Ownership Limitation, 876,130 Preferred Shares are eligible to vote at the Meeting and 139,870 Preferred Shares are deemed to be non-voting securities.

Item 2, electing the directors, and Item 3, appointing the auditor (each item as set out in the Notice of Meeting), must receive votes cast "FOR" such Items by holders of our Common Shares or Preferred Shares, in person or by proxy at the Meeting (or any adjournment or postponement thereof), in order to be passed. Item 4 in the Notice of Meeting, authorizing our Audit Committee of the board of directors of the Corporation (the "Board") to fix the remuneration to be paid to KPMG LLP, Chartered Professional Accountants ("KPMG"), must receive the affirmative vote of a majority of the Common Shares and the Preferred Shares present in person or by proxy and eligible to vote at the Meeting (or any adjournment or postponement thereof) and cast on the item in order to be passed. There are no broker non-votes expected on Items 3 or 4. An automated system administered by American Stock Transfer & Trust Company, LLC tabulates the votes for the Common Shares. The Corporation will tabulate the votes for the Preferred Shares and report the results to American Stock Transfer & Trust Company, LLC, so that the total votes cast can be determined.

To the knowledge of the directors and officers of the Corporation, as of the Record Date, no person (or group of persons) beneficially owns, directly or indirectly, or exercises control or direction over, shares carrying more than 5% of the voting rights attached to any class of shares of the Corporation entitled to vote at the Meeting, except the following:

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| Name | Number and Percentage of Common Shares Held ⁽¹⁾ | Number and Percentage of Preferred Shares Held | Number and Percentage of Shares Entitled to be Voted at the Meeting |
|--------------------------------------------------------|------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|
| BVF Partners L.P. ⁽²⁾ | 1,788,774 6.94% | 1,016,000 100.00% | 1,788,774 Common Shares 876,130 Preferred Shares |
| venBio Select Advisor LLC ⁽³⁾ | 2,400,000 9.31% | — | 2,400,000 9.01% |
| Capital Research and Management Company ⁽⁴⁾ | 1,900,900 7.38% | — | 1,900,900 7.13% |
| Vivo Opportunity, LLC ⁽⁵⁾ | 1,405,476 5.45% | — | 1,405,476 5.27% |
| Adage Capital Advisors, L.L.C. ⁽⁶⁾ | 1,300,000 5.04% | — | 1,300,000 4.88% |

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- (1) The number of Common Shares and percentage ownership information set forth in this table has been presented in accordance with National Instrument 51-102 – Continuous Disclosure Obligations and do not include derivative securities that may be held by the persons and entities included in the table. Such figures have not been calculated pursuant to the beneficial ownership rules promulgated by the U.S. Securities and Exchange Commission (the “SEC”). For additional information regarding ownership of Common Shares presented in accordance with the SEC’s beneficial ownership rules, please see the section of this Circular entitled “Item 2 – Election of Directors — Security Ownership of Certain Beneficial Owners and Management.”
- (2) According to a Schedule 13G/A filed with the SEC on February 14, 2019, as of December 31, 2018, Biotechnology Value Fund, L.P. (“BVF”), Biotechnology Value Fund II, L.P. (“BVF2”), Biotechnology Value Trading Fund OS LP (“Trading Fund OS”), BVF Partners OS Ltd. (“Partners OS”), BVF Partners L.P. (“Partners”), BVF Inc. and Mark N. Lampert (“Mr. Lampert”) (referred to collectively as the “Reporting Persons”) hold an aggregate of 1,016,000 Preferred Shares convertible for an aggregate of 1,016,000 Common Shares. Each Preferred Share is convertible into one Common Share. The Preferred Shares may not be converted if, after such conversion, the Reporting Persons would beneficially own, as determined in accordance with Section 13(d) of the Exchange Act of 1934 (the “Exchange Act”), in excess of 9.99% of the number of Common Shares then issued and outstanding (the “Beneficial Ownership Limitation”). As of the close of business on December 31, 2018, the Beneficial Ownership Limitation limits the aggregate conversion of Preferred Shares by the Reporting Persons to 814,062 out of the 1,016,000 Preferred Shares owned by the Reporting Persons in the aggregate. In providing beneficial ownership described herein, the Reporting Persons have assumed that 488,000 Preferred Shares owned by BVF and 326,062 Preferred Shares owned by BVF2 would be converted and the remaining 56,938 Preferred Shares owned by BVF2, the 80,000 Preferred Shares owned by Trading Fund OS and the 65,000 Preferred Shares held in certain of the Partners beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners managed account (the “Partners Managed Account”) would not be converted, thereby bringing the Reporting Persons to the Beneficial Ownership Limitation. As of the close of business on December 31, 2018, BVF beneficially own 1,379,382 Common Shares, BVF2 beneficially own 1,024,181 Common Shares, and Trading Fund OS beneficially own 118,970 Common Shares. Partners OS, as the general partner of Trading Fund OS, may be deemed to beneficially own the 118,970 Common Shares beneficially owned by Trading Fund OS. Partners, as the general partner of BVF, BVF2, the investment manager of Trading Fund OS, and the sole member of Partners OS, may be deemed to beneficially own the 2,602,836 Common Shares beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and the Partners Managed Account, including 80,303 Common Shares held in the Partners Managed Account. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 2,602,836 Common Shares beneficially owned by Partners. Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 2,602,836 Common Shares beneficially owned by BVF Inc. The foregoing are based on a denominator that is the sum of: (i) 25,240,348 Common Shares outstanding, as of November 2, 2018, as disclosed in the Corporation’s Current Report filed on Form 10-Q with the Securities and Exchange Commission and the securities commissions in British Columbia, Alberta and Ontario on November 6, 2018 and (ii) certain or all of the 814,062 Common Shares that may be acquired upon the conversion of certain shares of Series 1 Preferred owned by the Reporting Persons, as applicable. The address of each of BVF Inc., Partners, BVF, BVF2, and Mr. Lampert is 44 Montgomery St., 40th Floor, San Francisco, California 94104, USA. The address of each of Trading Fund OS and Partners OS is PO Box 309 Uglund House, Grand Cayman, KY1-1104, Cayman Islands.
- (3) According to a Schedule 13G filed with the SEC on February 14, 2019, as of December 31, 2018, venBio Select Advisor LLC (“venBio”), which provides investment advisory and management services on behalf of venBio Select Fund LLC and certain managed accounts and Behzad Aghazadeh (“Dr. Aghazadeh,” and together with venBio, the “Reporting Persons”), who serves as the portfolio manager and controlling person of venBio are the beneficial owner of 2,400,000 Common Shares. The address for each of the Reporting Persons is 110 Greene Street, Suite 800, New York, NY 10012, USA.
- (4) According to a Schedule 13G filed with the SEC on February 14, 2019, as of December 31, 2018, SMALLCAP World Fund, Inc., an investment company registered under the Investment Company Act of 1940, which is advised by Capital Research and Management Company (“CRMC”), is the beneficial owner of 1,900,900 Common Shares.

CRMC manages equity assets for various investment companies through three divisions, Capital Research Global Investors, Capital World Investors, and Capital International Investors. These divisions generally function separately from each other with respect to investment research activities and they make investment decisions and proxy voting decisions for the investment companies on a separate basis. The address for SMALLCAP World Fund, Inc. is 6455 Irvine Center Drive, Irvine, California 92618-4518, USA.

(5) According to a Schedule 13G/A filed with the SEC on February 14, 2019, as of December 31, 2018, 1,405,476 Common Shares are held of record by Vivo Opportunity Fund, L.P. Vivo Opportunity, LLC is the general partner of Vivo Opportunity Fund, L.P. The voting members of Vivo Opportunity, LLC are Albert Cha, Gaurav Aggarwal, Shan Fu, Frank Kung and Michael Chang, none of whom has individual voting or investment power with respect to these Common Shares and each of whom disclaims beneficial ownership of such Common Shares. The address for Vivo Opportunity, LLC is 505 Hamilton Avenue, Suite 207, Palo Alto, CA 94301, USA.

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(6) According to a Schedule 13G/A filed with the SEC on February 13, 2019, as of December 31, 2018, Adage Capital Partners, L.P. (“ACP”), Adage Capital Partners GP, L.L.C. (“ACPGP”), Adage Capital Advisors, L.L.C. (“ACA”), Robert Atchinson (“Mr. Atchinson”), and Phillip Gross (“Mr. Gross”) (referred to collectively as the “Reporting Persons”) are the beneficial owner of 1,300,000 Common Shares. ACP has the power to dispose of and the power to vote the Common Shares beneficially owned by it, which power may be exercised by its general partner, ACPGP. ACA, as managing member of ACPGP, directs ACPGP's operations. Neither ACPGP nor ACA directly own any Common Shares. ACPGP and ACA may be deemed to beneficially own the shares owned by ACP. Messrs. Atchinson and Gross, as managing members of ACA, have shared power to vote the Common Shares beneficially owned by ACP. Neither Mr. Atchinson nor Mr. Gross directly own any Common Shares; however, each may be deemed to beneficially own the shares beneficially owned by ACP. The address for each of the Reporting Persons is 200 Clarendon Street, 52nd floor, Boston, Massachusetts 02116, USA.

EXPENSES

Xenon will pay all of the expenses of soliciting proxies for management. In addition to the mailing of the proxy material, such solicitation may be made in person or by telephone by directors, officers and employees of Xenon, whose directors, officers and employees will receive no compensation for such solicitation other than their regular salaries or fees. Xenon will also make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxy materials to beneficial owners. Xenon will, upon request, reimburse these institutions for their reasonable charges and expenses incurred in forwarding this proxy material to beneficial owners of Common Shares.

PARTICULARS OF MATTERS TO BE ACTED UPON

ITEM 1 – RECEIPT OF FINANCIAL STATEMENTS

The audited annual financial statements of the Corporation for the year ended December 31, 2018 and the report of the auditor will be placed before shareholders at the Meeting.

ITEM 2 – ELECTION OF DIRECTORS

The directors of the Corporation are elected each year at the annual meeting of the Corporation and hold office until their successors are elected or appointed. The Board proposes to nominate each of the nine persons listed below for election as a director of the Corporation and, in the absence of contrary instructions contained therein, the persons named as proxyholders in the enclosed forms of proxy intend to vote for the election of these nominees. The current term of office for each of our current directors will end at the conclusion of the Meeting.

Each nominee elected to the Board at the Meeting will hold office until the next annual meeting of the Corporation, subject to earlier death, resignation, retirement, disqualification or removal.

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The following table sets out the names of the nominees for election as directors of the Corporation, all major offices and positions with the Corporation each now holds, each nominee's principal occupation, business or employment for the five preceding years, the period of time during which each has been a director of the Corporation and the number of voting securities of the Corporation beneficially owned by each nominee, directly or indirectly, or over which each exercised control or direction, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations, as of the Record Date.

| Name and Municipality of Residence ⁽¹⁾ | Position with the Corporation | Age ⁽¹⁾ | Principal Occupation or Employment in past 5 years ⁽¹⁾ | Previous Service as a Director | Number of Voting Securities Beneficially Owned, Controlled or Directed ⁽¹⁾⁽²⁾⁽³⁾ |
|-----------------------------------------------------------|-------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------|
| Michael Tarnow ⁽⁴⁾⁽⁶⁾ Scottsdale, AZ USA | Chair and Director | 74 | Mr. Tarnow has served as a member of our Board since March 1999. Since 1995, Mr. Tarnow has been an advisor to and member of the boards of directors of private and public healthcare and biotechnology companies in the U.S., Canada and Europe, including Axcan Pharma, Creative Biomolecules, Inc., Caprion Pharmaceuticals Inc. and MediGene AG. He served as chair of EntreMed, Inc. (now CASI Pharmaceuticals, Inc.) a publicly-traded biotechnology company, from February 2003 to February 2009, and served as Executive Chair of EntreMed from February 2009 to January 2012. Mr. Tarnow holds a B.B.A. in Business Administration from Wayne State University and a J.D. from the University of Illinois, College of Law. Our Board believes that Mr. Tarnow is qualified to serve on our Board because of his senior management experience in the pharmaceutical industry and his knowledge and perspective of the Corporation. | Director since March 1999 | 62,512 Common Shares |
| Mohammad Azab ⁽⁵⁾ | Director | 63 | | | |

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| San Francisco, CA USA | | <p>Dr. Azab has served as a member of our Board since October 2003. In July 2009, Dr. Azab joined Astex Pharmaceuticals, Inc., a pharmaceutical company focused on the discovery and development of drugs in oncology and other areas, as its Chief Medical Officer. Since January 2014, Dr. Azab has served as President and Chief Medical Officer of Astex and has been a member of Astex's board of directors. Previously, Dr. Azab served as President and CEO of Intradigm Corporation, a developer of siRNA cancer therapeutics. Prior to this, Dr. Azab served as Executive Vice President of Research and Development, and Chief Medical Officer of QLT Inc., and in several leadership positions at Astra Zeneca in the United Kingdom and Sanofi Pharmaceuticals in France. Dr. Azab holds an M.B.A. from the Richard Ivey School of Business, University of Western Ontario, and an MB ChB from Cairo University. He received post-graduate training and degrees in oncology research from the University of Paris-Sud and biostatistics from the University of Pierre et Marie Curie in Paris, France. Our Board believes Dr. Azab is qualified to serve on our Board because of his scientific background and his senior management experience in the pharmaceutical industry.</p> | Director since October 2003 | 57,584 Common Shares |
| Steven Gannon ⁽⁴⁾ Montreal, QC Canada | Director 57 | <p>Mr. Gannon has served as a member of our Board since May 2015. Mr. Gannon has served on the board of directors of enGene Inc., a biotechnology company, since February 2017. From June 2014 to March 2018, Mr. Gannon served on the board of directors of Advanced Accelerator Applications SA, a healthcare company acquired by Novartis in January 2018. Mr. Gannon was Chief Financial Officer, Senior Vice President of Finance and Treasurer at Aptalis Pharma Inc. until February 2014, after which it was sold to Forest Laboratories. Prior to joining Aptalis in 2006, Mr. Gannon served as the Chief Financial Officer for Cryocath Technologies Inc. from 1999 to 2006, as the Director of Finance and Administration of the Research Division of AstraZeneca Canada Inc. from 1996 to 1999, and as the Chief Financial Officer of Mallinckrodt Medical Inc.'s Canadian operations from 1989 to 1995. He received a bachelor of commerce in accounting and business systems from Concordia</p> | Director since May 2015 | 15,000 Common Shares |

University in Montreal, Canada in 1983, and completed the Executive Program at the Richard Ivey School of Business at the University of Western Ontario in Ontario, Canada in 1995. He has been a Chartered Accountant since 1985. Our Board believes that Mr. Gannon is qualified to serve on our Board because of his financial expertise and his senior management experience in the pharmaceutical industry.

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| <p>Michael Hayden Vancouver, BC Canada</p> | <p>Director 67 Dr. Hayden has served as a member of our Board since November 1996. Dr. Hayden previously served as our Chief Scientific Officer from January 1997 to September 2012. From September 2012 to December 2017, Dr. Hayden served as President of Global R&D and Chief Scientific Officer of Teva Pharmaceutical Industries Ltd. (“Teva Pharmaceutical”) and was employed by Teva Pharmaceutical in an advisory capacity until August 2018. Dr. Hayden has served on the board of directors of Aurinia Pharmaceuticals Inc., a publicly-traded biopharmaceutical company, since February 2018, as well as on the board of directors of Ionis Pharmaceuticals, Inc., a publicly-traded company, since September 2018. Dr. Hayden is also currently the Killam Professor of Medical Genetics at the University of British Columbia and Canada Research Chair in Human Genetics and Molecular Medicine. He is also the founder and a Senior Scientist of the Centre for Molecular Medicine and Therapeutics at the University of British Columbia. He is presently the Program Director of the Translational Laboratory in Genetic Medicine in Singapore. Dr. Hayden received his MB ChB in Medicine in 1975, Ph.D. in Genetics in 1979 and DCH Diploma in Child Health in 1979 from the University of Cape Town. He received his American Board Certification in both internal medicine and clinical genetics from Harvard Medical School in 1982 and an FRCPC in internal medicine from the University of British Columbia in 1984. Our Board believes Dr. Hayden is qualified to serve on our Board because of his scientific background, his senior management experience in the pharmaceutical industry, and his knowledge and perspective of the Corporation.</p> | <p>Director since November 1996 272,889⁽⁷⁾ Common Shares</p> |
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| Frank Holler ⁽⁴⁾ North Vancouver, BC Canada | Director 62 | Mr. Holler has served as a member of our Board since March 1999. Mr. Holler previously served as Xenon's President and CEO from 1999 to 2003. Mr. Holler has served as director and chairman of Sernova Corporation, a publicly-traded biotechnology company, since 2014. He has also served as a director and chairman of Harvest One Cannabis Inc., a publicly-traded cannabis company, since September 2018. Mr. Holler previously served as chairman and CEO at BC Advantage Funds (VCC) Ltd., a venture capital firm and publicly-traded company that invested in emerging life science, clean tech and information technology companies, from 2004 to 2016. Mr. Holler also previously served on the board of directors of publicly-traded companies including Protox Therapeutics (now Sophiris Bio) from 2005 to 2012, Aquinox Pharmaceuticals, Inc. from 2010 to 2014 and Allon Therapeutics from 2005 to 2013. He also served as chair of the Audit Committee and chair of the Investment Committee for Genome BC, a large publicly funded research organization, from 2005 to 2011. In addition, Mr. Holler served as President and CEO of ID Biomedical Corporation from 1991 to 1998, and was a founding director of Angiotech Pharmaceuticals from 1992 to 1997. Mr. Holler was an Investment Banker with Wood Gundy Inc. (now CIBC World Markets) from 1984 to 1988 and Merrill Lynch Canada from 1988 to 1989. Mr. Holler holds a B.A. in Economics and an M.B.A. from the University of British Columbia. Our Board believes Mr. Holler is qualified to serve on our Board because of his experience as a biotechnology entrepreneur and venture capitalist, his investment banking experience, and his knowledge and perspective of the Corporation. | Director since March 1999 | 120,139 ⁽⁸⁾ Common Shares |
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| <p>Gary Patou⁽⁵⁾⁽⁶⁾ Los Altos Hills, CA USA</p> | <p>Director 60</p> | <p>Dr. Patou has served as a member of our Board since January 2004. Dr. Patou has been a Managing Director at MPM Capital, a venture capital fund focused on life sciences companies, since 2005, and has served as interim Chief Medical Officer in various MPM portfolio companies. Since 2014, Dr. Patou has served as a senior medical advisor to Chiasma, Inc. Previously, Dr. Patou served as Chief Medical Officer for Pacira Pharmaceuticals, Inc. from 2009 to 2015, and True North Therapeutics, Inc. from January 2017 to June 2017. Prior to joining Pacira, Dr. Patou was Chief Medical Officer at Peplin Inc. from July 2006 to April 2007, and Chief Medical Officer of Cerimon Pharmaceuticals, Inc. from June 2005 to June 2006. Prior to joining MPM, Dr. Patou was Executive Vice President and Chief Medical Officer of Oscient Pharmaceuticals Corp. from February 2004 to April 2005 following its merger with GeneSoft Pharmaceuticals, Inc. Prior to GeneSoft, Dr. Patou worked at SmithKline Beecham Pharmaceuticals, now a unit of GlaxoSmithKline, as Senior Vice President and Director, Project and Portfolio Management, managing all of the company's pharmaceutical development projects. Dr. Patou has held a number of academic appointments at University College & Middlesex School of Medicine and received his B.Sc. from University of London and his M.D. from University College London. Our Board believes that Dr. Patou is qualified to serve on our Board because of his scientific background and his senior management experience in the pharmaceutical industry.</p> | <p>Director since January 2004</p> | <p>31,959⁽⁹⁾ Common Shares</p> |
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| <p>Simon N. Pimstone Vancouver, BC Canada</p> | <p>Chief Executive Officer and Director</p> | <p>51</p> | <p>Dr. Pimstone has served as a member of our Board since November 1996, as our Chief Executive Officer since January 2003 and as our President from January 2003 to March 2018. Since 2012, Dr. Pimstone has been a Consultant Physician at the University of British Columbia Hospital, Cardiology Clinic, and since 2014, he has held the position of Clinical Associate Professor at the University of British Columbia, Division of General Internal Medicine. Currently, Dr. Pimstone is an Investigator at the Centre for Heart Lung Innovation (HLI) research centre. Dr. Pimstone currently serves as chair of the board of Eupraxia Pharmaceuticals Inc. and Accuro Technologies, two private specialty pharmaceutical companies, where he has served as a director since 2012. Dr. Pimstone also sits on the BC Health Research Strategy Advisory Board of the Michael Smith Foundation for Health Research. Dr. Pimstone holds an MBChB from the University of Cape Town, a FRCPC from the University of British Columbia, and a Ph.D. from the University of Amsterdam in cardiovascular genetics. Dr. Pimstone is a former director of Indel Therapeutics Inc., Cyon Therapeutics Inc. and Enject, Inc. Previously, Dr. Pimstone was director and chair of the board of directors of LifeSciences British Columbia, a non-profit industry association that supports the life science community, and a former director of the Providence Healthcare Research Trust, BC Advantage Life Sciences Fund, Centre for Molecular Medicine and Therapeutics, and BIOTECanada. Our Board believes that Dr. Pimstone is qualified to serve as a director because of his executive leadership experience, many years of service on our Board and as our Chief Executive Officer and his knowledge and perspective of the Corporation.</p> | <p>Director since November 1996</p> | <p>244,595⁽¹⁰⁾ Common Shares</p> |
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| <p>Richard Scheller⁽⁵⁾ Stanford, CA USA</p> | <p>Director 65</p> | <p>Dr. Scheller has served as a member of our Board since March 2015. Dr. Scheller has been Chief Science Officer at 23andMe, a personal genetics company, since 2015. Previously, Dr. Scheller was the Executive Vice President of Research and Early Development and a member of the Executive Committee at Genentech, Inc. from February 2001 to December 2014. From January 2009 to December 2014, Dr. Scheller was also a member of the Enlarged Executive Committee at Hoffmann-La Roche Ltd. Since November 2018, Dr. Scheller has served as a member of the board of directors for Alector, Inc., a publicly-traded biopharmaceutical company. Since January 2018, Dr. Scheller has served as a member of the board of directors of BridgeBio Inc. and, since February 2015, as a member of the board of directors for ORIC Pharmaceuticals, Inc. Dr. Scheller is a former member of the board of directors for Affinita Biotech, Inc. Dr. Scheller holds a B.Sc. in Biochemistry from the University of Wisconsin-Madison and a Ph.D. in Chemistry from the California Institute of Technology. He completed his post-doctorate in Molecular Neurobiology at Columbia University. Our Board believes that Dr. Scheller is qualified to serve on our Board because of his scientific background and his senior management experience in the pharmaceutical industry.</p> | <p>Director since March 2015</p> | <p>7,000 Common Shares</p> |
| <p>Dawn Svoronos⁽⁶⁾ Hudson, QC Canada</p> | <p>Director 65</p> | <p>Ms. Svoronos has served as a member of our Board since September 2016. Ms. Svoronos sits on the board of directors of several publicly-traded biopharmaceutical companies, PTC Therapeutics, Global Blood Therapeutics, and Theratechnologies Inc., where she is currently the chair of the board. Ms. Svoronos retired in 2011 from Merck & Co., Inc. (“Merck”) following a 23-year career in commercial positions of increasing seniority, most recently as President of Europe and Canada. In that role, Ms. Svoronos had full P&L responsibility for 30 European markets with annual sales of several billion dollars and an employee base of several thousand. Previously held positions with Merck include Vice President of Asia Pacific and Vice President of Global Marketing for the Arthritis, Analgesics and Osteoporosis franchise. Ms. Svoronos previously sat on the board of Endocyte, Inc. and Medivation Inc. Ms. Svoronos received a B.A. in English and French Literature from Carleton University. Our Board believes that Ms. Svoronos is qualified to serve on our Board because of her experience in commercialization of pharmaceutical products and her senior management</p> | <p>Director since September 2016</p> | <p>50,000 Common Shares</p> |

experience in the pharmaceutical industry.

- (1) This information has been provided by the respective nominee as of the Record Date.
- (2) The number of Common Shares set forth in this table have been presented in accordance with National Instrument 51-102 – Continuous Disclosure Obligations and do not include derivative securities that may be held by the persons included in the table. Such figures have not been calculated pursuant to the beneficial ownership rules promulgated by the SEC. For additional information regarding ownership of Common Shares presented in accordance with the SEC’s beneficial ownership rules, please see the section of this Circular entitled “Security Ownership of Certain Beneficial Owners and Management.”

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- (3) None of the nominees for election as directors of the Corporation own any Preferred Shares.
- (4) Member of the Audit Committee of the Board.
- (5) Member of the Compensation Committee of the Board.
- (6) Member of the Nominating and Corporate Governance Committee of the Board.
- (7) Consists of (i) 107,562 Common Shares held by Dr. Hayden; (ii) 114,403 Common Shares held by Dr. Hayden's spouse; and (iii) 50,924 Common Shares held by Genworks Inc. ("Genworks"), Dr. Hayden's consulting company.
- (8) Consists of (i) 118,955 Common Shares held by Mr. Holler and (ii) 1,184 Common Shares held by Mr. Holler's spouse.
- (9) Consists of (i) 19,459 Common Shares held by Dr. Patou and (ii) 12,500 Common Shares held by the Patou Family Trust.
- (10) Consists of (i) 228,135 Common Shares held by Dr. Pimstone and (ii) 16,460 Common Shares held by Dr. Pimstone's spouse.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS:

A VOTE "FOR" ELECTION OF THE PROPOSED DIRECTORS

Penalties, Sanctions and Orders

As at the date of this Circular and within the past 10 years before the date of this Circular, other than as disclosed herein, no proposed nominee for election as a director of the Corporation:

- (a) is or was a director, chief executive officer or chief financial officer of any company (including the Corporation) that:
 - i. was subject to a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days (any such order being an “Order”), that was issued while the proposed nominee was acting in the capacity as director or executive officer; or
 - ii. was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) is or was a director or executive officer of any company (including the Corporation) that while the proposed nominee was acting in that capacity or within a year of the proposed nominee ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) is or has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee.

Notwithstanding the foregoing: (a) Gary Patou was a director of Oscient Pharmaceuticals, Corp. (“Oscient”) and ceased to be a director of that company effective October 21, 2008. Oscient filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the District of Massachusetts on July 13, 2009; and (b) Mohammad Azab was a director of Chemokine Therapeutics Corp. (“Chemokine”) and ceased to be a director of that company effective December 4, 2007. Cease trade orders were issued against Chemokine by the Alberta Securities Commission on July 9, 2009; and (c) Frank Holler was a director of Allon Therapeutics Inc. (“Allon”) and ceased to be a director of that company effective July 16, 2013. On July 5, 2013, Allon made a proposal to its creditors under the Bankruptcy and Insolvency Act and a reorganization of its share structure was approved by order of the Supreme Court of British Columbia. Following such Supreme Court approval, all of the issued and outstanding shares of Allon were acquired by Paladin Labs Inc. The common shares of Allon were delisted from the Toronto Stock Exchange on June 28, 2013. Mr. Holler was a director of Contech Enterprises Inc. (“Contech”) until March 6, 2015. On December 23, 2014, Contech made a proposal to its creditors under the Bankruptcy and Insolvency Act and a reorganization of its capital structure was approved by an order of the Supreme Court of British Columbia on January 27, 2015. This proposal was intended to facilitate a financing by a new lender and a debt restructuring that, together, would enable Contech to carry on its business profitably for the foreseeable future. However, on March 6, 2015, the Court of Appeal overturned the approval of the proposal by the Supreme Court of British Columbia and Contech was automatically deemed bankrupt. On March 20, 2015, Deloitte Restructuring Inc. was appointed Receiver Manager of Contech by the Supreme Court of British Columbia and then proceeded to sell certain assets of Contech and to distribute the net proceeds from such sales to certain secured creditors. On February 25, 2016, the Supreme Court of British Columbia approved a final distribution to certain secured creditors, the fees and disbursements of the Receiver and its legal counsel and the discharge of Deloitte. The bankruptcy and receivership have now been finalized.

No proposed nominee for election as a director of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

Security Ownership of Certain Beneficial Owners and Management

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The following table sets forth certain information regarding the beneficial ownership of our Common Shares and Preferred Shares outstanding as of the Record Date for:

- each person who, to the knowledge of the directors and officers of the Corporation, owns more than 5% of our Common Shares or Preferred Shares;
- each of our current directors and each nominee for election to our Board;
- each of our executive officers named in the Summary Compensation Table included in this Circular; and
- all current directors and executive officers as a group.

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The percentage of beneficial ownership shown in the table is based upon 25,772,924 Common Shares and 1,016,000 Preferred Shares outstanding as of the Record Date. The holders of Common Shares are entitled to one vote per Common Share. The holders of Preferred Shares are entitled to one vote per Preferred Share, voting with the holders of Common Shares on an as-converted basis and as a single class, provided that any Preferred Shares that are ineligible to be converted into Common Shares due to the Beneficial Ownership Limitation are deemed to be non-voting securities of the Corporation. For additional information regarding the Preferred Shares' voting rights and the Beneficial Ownership Limitation, please see the section of this Circular entitled "Voting Shares and Principal Holders of Voting Shares."

Information with respect to beneficial ownership has been furnished by each director, executive officer and, to the knowledge of the Corporation, each beneficial owner of more than 5% of our Common Shares or Preferred Shares. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules take into account Common Shares issuable pursuant to the exercise of stock options that are either immediately exercisable or exercisable on or before the 60th day after the Record Date. These Common Shares are deemed to be outstanding and beneficially owned by the persons holding the stock options for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the beneficial ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable common property laws.

Except as otherwise noted below, the address for each person or entity listed in the table is c/o Xenon Pharmaceuticals Inc., 200 - 3650 Gilmore Way, Burnaby, British Columbia V5G 4W8.

| Name of Beneficial Owner | Common Shares | | Preferred Shares | | Percentage of Voting Power | |
|----------------------------------------------------------------------|---------------|-----------------------|------------------|---------|----------------------------|---|
| | Number | % | Number | % | | |
| 5% and Greater Shareholders | | | | | | |
| BVF Partners L.P. ⁽¹⁾ | 1,788,774 | 6.94% | 1,016,000 | 100.00% | 9.99 | % |
| venBio Select Advisor LLC ⁽²⁾ | 2,400,000 | 9.31% | — | — | 9.01 | % |
| Capital Research and Management Company ⁽³⁾ | 1,900,900 | 7.38% | — | — | 7.13 | % |
| Vivo Opportunity, LLC ⁽⁴⁾ | 1,405,476 | 5.45% | — | — | 5.27 | % |
| Adage Capital Advisors, L.L.C. ⁽⁵⁾ | 1,300,000 | 5.04% | — | — | 4.88 | % |
| Named Executive Officers and Directors | | | | | | |
| Simon N. Pimstone | 729,917 | ⁽⁶⁾ 2.78% | — | — | 2.69 | % |
| Michael R. Hayden | 342,361 | ⁽⁷⁾ 1.32% | — | — | 1.28 | % |
| Ian C. Mortimer | 293,596 | ⁽⁸⁾ 1.13% | — | — | 1.09 | % |
| Frank A. Holler | 201,338 | ⁽⁹⁾ * | — | — | * | |
| Michael M. Tarnow | 140,034 | ⁽¹⁰⁾ * | — | — | * | |
| Mohammad Azab | 93,310 | ⁽¹¹⁾ * | — | — | * | |
| Gary Patou | 68,507 | ⁽¹²⁾ * | — | — | * | |
| Dawn A. Svoronos | 60,760 | ⁽¹³⁾ * | — | — | * | |
| Steven R. Gannon | 30,976 | ⁽¹⁴⁾ * | — | — | * | |
| Richard H. Scheller | 26,062 | ⁽¹⁵⁾ * | — | — | * | |
| Ernesto Aycardi | 15,625 | ⁽¹⁶⁾ * | — | — | * | |
| All current executive officers and directors as a group (13 persons) | 2,265,963 | ⁽¹⁷⁾ 8.35% | — | — | 8.09 | % |

*Denotes less than 1% beneficial ownership

- (1) According to a Schedule 13G/A filed with the SEC on February 14, 2019, as of December 31, 2018, Biotechnology Value Fund, L.P. (“BVF”), Biotechnology Value Fund II, L.P. (“BVF2”), Biotechnology Value Trading Fund OS LP (“Trading Fund OS”), BVF Partners OS Ltd. (“Partners OS”), BVF Partners L.P. (“Partners”), BVF Inc. and Mark N. Lampert (“Mr. Lampert”) (referred to collectively as the “Reporting Persons”) hold an aggregate of 1,016,000 Preferred Shares convertible for an aggregate of 1,016,000 Common Shares. Each Preferred Share is convertible into one Common Share. The Preferred Shares may not be converted if, after such conversion, the Reporting Persons would beneficially own, as determined in accordance with Section 13(d) of the Exchange Act of 1934 (the “Exchange Act”), in excess of 9.99% of the number of Common Shares then issued and outstanding (the “Beneficial Ownership Limitation”). As of the close of business on December 31, 2018, the Beneficial Ownership Limitation limits the aggregate conversion of Preferred Shares by the Reporting Persons to 814,062 out of the 1,016,000 Preferred Shares owned by the Reporting Persons in the aggregate. In providing beneficial ownership described herein, the Reporting Persons have assumed that 488,000 Preferred Shares owned by BVF and 326,062 Preferred Shares owned by BVF2 would be converted and the remaining 56,938 Preferred Shares owned by BVF2, the 80,000 Preferred Shares owned by Trading Fund OS and the 65,000 Preferred Shares held in certain of the Partners beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners managed account (the “Partners Managed Account”) would not be converted, thereby bringing the Reporting Persons to the Beneficial Ownership Limitation. As of the close of business on December 31, 2018, BVF beneficially own 1,379,382 Common Shares, BVF2 beneficially own 1,024,181 Common Shares, and Trading Fund OS beneficially own 118,970 Common Shares. Partners OS, as the general partner of Trading Fund OS, may be deemed to beneficially own the 118,970 Common Shares beneficially owned by Trading Fund OS. Partners, as the general partner of BVF, BVF2, the investment manager of Trading Fund OS, and the sole member of Partners OS, may be deemed to beneficially own the 2,602,836 Common Shares beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and the Partners Managed Account, including 80,303 Common Shares held in the Partners Managed Account. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 2,602,836 Common Shares beneficially owned by Partners. Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 2,602,836 Common Shares beneficially owned by BVF Inc. The foregoing are based on a denominator that is the sum of: (i) 25,240,348 Common Shares outstanding, as of November 2, 2018, as disclosed in the Corporation’s Current Report filed on Form 10-Q with the Securities and Exchange Commission and the securities commissions in British Columbia, Alberta and Ontario on November 6, 2018 and (ii) certain or all of the 814,062 Common Shares that may be acquired upon the conversion of certain shares of Series 1 Preferred owned by the Reporting Persons, as applicable. The address of each of BVF Inc., Partners, BVF, BVF2, and Mr. Lampert is 44 Montgomery St., 40th Floor, San Francisco, California 94104, USA. The address of each of Trading Fund OS and Partners OS is PO Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (2) According to a Schedule 13G filed with the SEC on February 14, 2019, as of December 31, 2018, venBio Select Advisor LLC (“venBio”), which provides investment advisory and management services on behalf of venBio Select Fund LLC and certain managed accounts and Behzad Aghazadeh (“Dr. Aghazadeh,” and together with venBio, the “Reporting Persons”), who serves as the portfolio manager and controlling person of venBio are the beneficial owner of 2,400,000 Common Shares. The address for each of the Reporting Persons is 110 Greene Street, Suite 800, New York, NY 10012, USA.
- (3) According to a Schedule 13G filed with the SEC on February 14, 2019, as of December 31, 2018, SMALLCAP World Fund, Inc., an investment company registered under the Investment Company Act of 1940, which is advised by Capital Research and Management Company (“CRMC”), is the beneficial owner of 1,900,900 Common Shares. CRMC manages equity assets for various investment companies through three divisions, Capital Research Global Investors, Capital World Investors, and Capital International Investors. These divisions generally function separately from each other with respect to investment research activities and they make investment decisions and proxy voting decisions for the investment companies on a separate basis. The address for SMALLCAP World Fund, Inc. is 6455 Irvine Center Drive, Irvine, California 92618-4518, USA.
- (4)

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According to a Schedule 13G/A filed with the SEC on February 14, 2019, as of December 31, 2018, 1,405,476 Common Shares are held of record by Vivo Opportunity Fund, L.P. Vivo Opportunity, LLC is the general partner of Vivo Opportunity Fund, L.P. The voting members of Vivo Opportunity, LLC are Albert Cha, Gaurav Aggarwal, Shan Fu, Frank Kung and Michael Chang, none of whom has individual voting or investment power with respect to these Common Shares and each of whom disclaims beneficial ownership of such Common Shares. The address for Vivo Opportunity, LLC is 505 Hamilton Avenue, Suite 207, Palo Alto, CA 94301, USA.

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- (5) According to a Schedule 13G/A filed with the SEC on February 13, 2019, as of December 31, 2018, Adage Capital Partners, L.P. (“ACP”), Adage Capital Partners GP, L.L.C. (“ACPGP”), Adage Capital Advisors, L.L.C. (“ACA”), Robert Atchinson (“Mr. Atchinson”), and Phillip Gross (“Mr. Gross”) (referred to collectively as the “Reporting Persons”) are the beneficial owner of 1,300,000 Common Shares. ACP has the power to dispose of and the power to vote the Common Shares beneficially owned by it, which power may be exercised by its general partner, ACPGP. ACA, as managing member of ACPGP, directs ACPGP’s operations. Neither ACPGP nor ACA directly own any Common Shares. ACPGP and ACA may be deemed to beneficially own the shares owned by ACP. Messrs. Atchinson and Gross, as managing members of ACA, have shared power to vote the Common Shares beneficially owned by ACP. Neither Mr. Atchinson nor Mr. Gross directly own any Common Shares; however, each may be deemed to beneficially own the shares beneficially owned by ACP. The address for each of the Reporting Persons is 200 Clarendon Street, 52nd floor, Boston, Massachusetts 02116, USA.
- (6) Consists of (i) 228,135 Common Shares held by Dr. Pimstone; (ii) 16,460 Common Shares held by Dr. Pimstone’s spouse; and (iii) 485,322 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (7) Consists of (i) 107,562 Common Shares held by Dr. Hayden; (ii) 114,403 Common Shares held by Dr. Hayden’s spouse; (iii) 50,924 Common Shares held by Genworks, Dr. Hayden’s consulting company; (iv) 28,320 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Dr. Hayden; and (v) 41,152 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Genworks.
- (8) Consists of (i) 6,000 Common Shares held by Mr. Mortimer; (ii) 14,300 Common Shares held by Mr. Mortimer’s spouse; and (iii) 273,296 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (9) 118,955 Common Shares held by Mr. Holler; (ii) 1,184 Common Shares held by Mr. Holler’s spouse; and (iii) 81,199 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (10) Consists of (i) 62,512 Common Shares held by Mr. Tarnow; and (ii) 77,522 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (11) Consists of (i) 57,584 Common Shares held by Dr. Azab; and (ii) 35,726 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (12) Consists of (i) 19,459 Common Shares held by Dr. Patou; (ii) 12,500 Common Shares held by Patou Family Trust and (iii) 36,548 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (13) Consists of (i) 50,000 Common Shares held by Ms. Svoronos; and (ii) 10,760 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (14) Consists of (i) 15,000 Common Shares held by Mr. Gannon; and (ii) 15,976 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (15) Consists of (i) 7,000 Common Shares held by Dr. Scheller; and (ii) 19,062 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (16) Consists 15,625 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (17) Consists of (i) 897,870 Common Shares held; and (ii) 1,368,093 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.

Information about the Board and Corporate Governance

Our Board oversees the management of the business and affairs of Xenon as required under the applicable rules and regulations of the SEC and Nasdaq and under applicable Canadian laws. Our Board conducts its business through meetings of the Board and three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. A copy of the Corporation’s Corporate Governance Guidelines is attached hereto as Schedule A.

Our Board has established guidelines for determining director independence, and all current directors, with the exception of Dr. Pimstone, have been determined by our Board to be independent under applicable Nasdaq rules, the Board’s governance principles and Canadian securities laws. Dr. Pimstone is not considered independent due to his role as Chief Executive Officer of the Corporation.

Xenon has also adopted a written Code of Conduct in order to help directors, officers and employees resolve ethical issues in an increasingly complex business environment. The Code of Conduct applies to all of our and our subsidiaries' directors, officers and employees. The Code of Conduct covers topics including, but not limited to, conflicts of interest, confidentiality and compliance with laws. In addition, our Board adopted a set of Corporate Governance Guidelines as a framework within which the Board and its committees conduct business. The Corporation's President and Chief Financial Officer is responsible for overseeing and monitoring compliance with the Code of Conduct. The President and Chief Financial Officer reports directly to the Chief Executive Officer with respect to these matters and also will make periodic reports to the Corporation's Audit Committee regarding the implementation and effectiveness of the Code of Conduct as well as the policies and procedures put in place to ensure compliance with the Code of Conduct.

In addition, the Nominating and Corporate Governance Committee reviews actual and potential conflicts of interests of officers and members of our Board, other than related party transactions, which are reviewed by our Audit Committee. The Corporation is committed to maintaining high standards of corporate governance and this philosophy is continually communicated by our Board to management which in turn is emphasized to the employees of the Corporation on a continuous basis.

A copy of the most up-to-date version of our Code of Conduct is available within the "Investors" section on Xenon's website located at <http://www.xenon-pharma.com> and on SEDAR at <http://www.sedar.com>. A copy of our Code of Conduct is also available free of charge in print to any shareholder upon written request to 200 – 3650 Gilmore Way, Burnaby, British Columbia V5G 4W8, Canada, Attention: Vice President, Legal Affairs.

Risk Management

Our Board has an active role, as a whole and also at the committee level, in overseeing the management of our risks. Our Board is responsible for general oversight of risks and regular review of information regarding our risks, including operational risks. The Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. The Audit Committee is responsible for overseeing the management of risks relating to credit, liquidity, accounting matters and financial reporting. The Nominating and Corporate Governance Committee is responsible for overseeing the management of risks associated with the independence of our Board and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through discussions from committee members about such risks. Our Board believes its administration of its risk oversight function has not affected the Board's leadership structure.

Meetings

Our Board held ten (10) meetings in 2018. Michael Hayden, Frank Holler, Simon Pimstone and Dawn Svoronos attended each of these meetings. Gary Patou, Richard Scheller and Michael Tarnow attended nine (9) of these meetings. Mohammad Azab and Steven Gannon attended eight (8) of these meetings.

The three standing Board committees met the number of times shown in parentheses in 2018: Audit Committee (6); Compensation Committee (3); and Nominating and Corporate Governance Committee (2). Each incumbent director attended all meetings of all Board committees on which they served during such period, except for Michael Tarnow who missed one (1) Nominating and Corporate Governance Committee and Richard Scheller who missed one (1) Compensation Committee. No director attended fewer than 75% of the total number of meetings of the Board and the committees of which he or she was a member in 2018.

Xenon has a formal policy regarding attendance by directors at its annual meetings of shareholders which states that all directors are expected to attend, provided that a director who is unable to attend such a meeting is expected to notify the Chair of the Board in advance of any such meeting. Seven (7) directors attended Xenon's 2018 annual

general meeting.

Our Board has held six (6) meetings in 2019 up to the Record Date, which have been attended by all directors of the Corporation, except for Gary Patou and Richard Scheller who each attended five (5) of them.

Committees of the Board

Our Board currently has three standing committees: the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee. Our Board has not adopted descriptions for the positions of Chair of the Board or Chair for each of the Board committees; however the roles and responsibilities for each of the committees of the Board is set forth in the charter for each committee of the Board, which are summarized below.

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Audit Committee

Our Audit Committee oversees our corporate accounting and financial reporting process. Among other matters, our Audit Committee:

- approves the hiring, discharging and compensation of our independent auditors;
- oversees the work of our independent auditors;
- approves engagements of the independent auditors to render any audit or permissible non-audit services;
- reviews on a periodic basis, or as appropriate, our investment policy and recommends to our Board any changes to such policy;
- reviews compliance with our investment policy;
- reviews the qualifications, independence and performance of the independent auditors;
 - reviews and/or approves financial statements, critical accounting policies and estimates;
- reviews the adequacy and effectiveness of our internal controls; and
- reviews and discusses with management and the independent auditors the results of our annual audit, our quarterly financial statements and our publicly filed reports.

The current members of our Audit Committee are Mr. Holler, Mr. Gannon and Mr. Tarnow. Mr. Holler serves as the chair of our Audit Committee. All members of our Audit Committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq and under applicable Canadian securities laws. Each of Mr. Holler (chair) and Mr. Gannon is an Audit Committee financial expert, as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002, and possesses financial sophistication, as defined under Nasdaq rules. Under the rules of the SEC and Nasdaq, members of our Audit Committee must also meet heightened independence standards. Our Board has determined that each of Frank Holler (chair), Steven Gannon and Michael Tarnow meet these heightened independence standards, as well as the independence standards of Canadian securities laws. See the biographies for each member of our Audit Committee under the section of this Circular entitled “Item 2 – Election of Directors” for more information regarding their respective skills and experience with respect to financial statements, accounting principles and financial reporting.

Our Audit Committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq and applicable Canadian securities laws. The Audit Committee’s current charter is attached hereto as Schedule B and is available under the “Investors” tab on Xenon’s website at <http://www.xenon-pharma.com>. The Corporation will disclose any amendments to, or waivers of, the charter on its website at <http://www.xenon-pharma.com> in accordance with applicable law and the requirements of the Nasdaq corporate governance standards.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee oversees and assists our Board in reviewing and recommending nominees for election as directors. Among other matters, our Nominating and Corporate Governance Committee:

- evaluates and makes recommendations regarding the organization and governance of our Board and its committees;
- assesses the performance of members of our Board and makes recommendations regarding committee and chair assignments;
- recommends desired qualifications for Board membership and conducts searches for potential members of the Board; and
- reviews and makes recommendations with regard to our Corporate Governance Guidelines.

The current members of our Nominating and Corporate Governance Committee are Gary Patou, Michael Tarnow and Dawn Svoronos. Dr. Patou serves as the Chair of our Nominating and Corporate Governance Committee. Each member of our Nominating and Corporate Governance Committee is an independent director under the applicable rules and regulations of the SEC and Nasdaq and applicable Canadian securities laws.

Our Nominating and Corporate Governance Committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq and applicable Canadian securities laws. Our Nominating and Corporate Governance Committee's current charter is available under the "Investors" tab on Xenon's website at <http://www.xenon-pharma.com>. The Corporation will disclose any amendments to, or waivers of, the charter on its website at <http://www.xenon-pharma.com> in accordance with applicable law and the requirements of the Nasdaq corporate governance standards.

Compensation Committee

Our Compensation Committee oversees our compensation policies, plans and benefits programs. Among other matters, our Compensation Committee:

- reviews and recommends policies relating to compensation and benefits of our directors, officers and employees;
- reviews and approves, after consultation with the Board, corporate goals and objectives relevant to compensation of our Chief Executive Officer;
- reviews and approves, after consultation with the Board and the Chief Executive Officer, corporate goals and objectives related to compensation of other senior officers;
- evaluates, after consultation with the Board and Chief Executive Officer, the performance of our officers in light of established goals and objectives;
- recommends compensation of our officers based on its evaluations; and
- reviews, approves and administers the issuance of stock options and other awards under our equity incentive plans to our employees and after consultation with the Board to our officers and directors.

The current members of our Compensation Committee are Mohammad Azab, Gary Patou and Richard Scheller. Dr. Azab serves as the Chair of our Compensation Committee. Pursuant to its charter, the compensation committee may form subcommittees and delegate to such subcommittees any power and authority the compensation committee deems appropriate, excluding any power or authority required by law, regulation or listing standard to be exercised by the compensation committee as a whole. Each of the members of our Compensation Committee is an independent director under the applicable rules and regulations of the SEC and Nasdaq and applicable Canadian securities laws and a non-employee director within the meaning of Rule 16b-3 under the Exchange Act. See the biographies for each member of our Compensation Committee under the section of this Circular entitled “Item 2 – Election of Directors” for more information regarding their respective skills and senior management and board experience related to compensation policies and practices in our industry.

Our Compensation Committee operates under a written charter that satisfies the applicable standards of the SEC and Nasdaq and applicable Canadian securities laws. Our Compensation Committee’s current charter is available under the “Investors” tab on Xenon’s website at <http://www.xenon-pharma.com>. The Corporation will disclose any amendments to, or waivers of, the charter on its website at <http://www.xenon-pharma.com> in accordance with applicable law and the requirements of the Nasdaq corporate governance standards.

Our Board may from time to time establish other committees.

Director Nominations

Our Nominating and Corporate Governance Committee identifies, selects and recommends to the Board individuals qualified to serve both on the Board and on Board committees, including persons suggested by shareholders and others. Please see “— Shareholder Recommendations for Nominations to the Board of Directors” below for additional information.

In identifying candidates for nominations to the Board, our Nominating and Corporate Governance Committee seeks to maintain at all times a Board with a diverse range of experience, talent, expertise and background appropriate for the business of the Corporation. Our Nominating and Corporate Governance Committee does not require any specific minimum qualifications or specific qualities or skills, but reviews each person’s qualifications on the whole, including a candidate’s particular experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that our Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board. Following that review, our Nominating and Corporate Governance Committee then selects nominees and recommends them to the Board for election by the shareholders or appointment by the Board, as the case may be. Our Nominating and Corporate Governance Committee also reviews the suitability of each Board member for continued

service as a director when that member's term expires or that member experiences a significant change in status (for example, a change in employment). Our Nominating and Corporate Governance Committee has not implemented any particular additional policies or procedures to address suggestions received from shareholders with respect to Board or committee nominees because the Committee intends to use the same criteria and manner of review to evaluate candidates (as outlined above), whether or not they are suggested by shareholders.

Pursuant to its charter, our Nominating and Corporate Governance Committee may conduct or authorize investigations or studies into matters within its scope of responsibilities and may retain, at the Corporation's expense, such independent counsel or other consultants or advisers as it may deem necessary from time to time.

The term of each director expires at the end of each annual meeting of shareholders, or when the successor of such director is elected or appointed to the Board, subject to earlier death, resignation, retirement, disqualification or removal of such director. The Corporation does not impose term limits on its directors as it takes the view that term limits are an arbitrary mechanism for removing directors which can result in valuable, experienced directors being forced to leave the Board solely because of length of service. Instead, the Corporation believes that directors should be assessed based on their ability to continue to make a meaningful contribution. Our Board's annual assessment of directors reviews the strengths and weaknesses of directors and is, in the Board's view, together with annual elections by the shareholders, a more meaningful way to evaluate the performance of directors and to make determinations about whether a director should be removed due to under-performance.

Diversity

Our Nominating and Corporate Governance Committee believes that having a diverse Board and senior management team offers a depth of perspective and enhances Board and management operations. Our Nominating and Corporate Governance Committee takes gender into consideration as part of its overall recruitment and selection process in respect of its Board and senior management. However, the Corporation does not have a formal policy on the representation of women on the Board or senior management of the Corporation as our Board does not believe that a formal policy will necessarily result in the identification or selection of the best candidates. In searches for new directors and senior management, our Nominating and Corporate Governance Committee will consider the level of female representation and diversity on the Board and in management and this will be one of several factors used in its search process.

The Corporation has not yet set measurable objectives for achieving gender diversity. Our Board does not support fixed percentages for any selection criteria, as the composition of the Board is based on the numerous factors established by the selection criteria and it is ultimately the skills, experience, character and behavioral qualities that are most important in determining the value which an individual could bring to the Board. There is currently no female executive officer of the Corporation and one (1) of nine (9) directors on our Board is female.

Shareholder Recommendations for Nominations to the Board of Directors

One or more shareholders holding in the aggregate not less than five per cent (5%) of our Common Shares or our Preferred Shares that are entitled to vote at a meeting of our shareholders may make a shareholder proposal for the nomination of a director in accordance with the requirements of the Canada Business Corporations Act (the "CBCA"). Upon receipt of a proposal in compliance with the requirements of the CBCA, the Corporation must set out such proposal in the proxy statement and management information circular sent to shareholders in advance of the Corporation's next annual meeting.

Nominations for directors not made in accordance with the shareholder proposal requirements of the CBCA shall be considered by our Nominating and Corporate Governance Committee in accordance with the requirements of our by-laws. Under our by-laws, shareholders of record may nominate a candidate for election as a director at an annual meeting of the Corporation by submitting a notice to our Corporate Secretary not less than 30 days and not more than 65 days prior to an annual meeting; provided however that in the event that the annual meeting is held less than 50 days after the first public announcement of the annual meeting is made, notice by shareholders must be given to the Corporation not later than 10 days following the date of such public announcement. A notice providing a nomination must include, among other things, certain prescribed information about the nominee and the recommending shareholder; a certification by the recommending shareholder that the recommending shareholder's notice does not contain an untrue statement and does not omit to state a material fact; and written consent of the nominee to serve as a director of the Corporation, if elected. Shareholders should refer to Section 5.5 of our by-laws for more details relating to the requirements for such notice.

Any nomination or shareholder proposal for the nomination of directors should be sent in writing to 200 - 3650 Gilmore Way, Burnaby, British Columbia, V5G 4W8, Canada, Attention: Corporate Secretary. Shareholder proposals for the nomination of a director at our 2020 annual meeting must be received by us on or before December 31, 2019 pursuant to Rule 14a-8 of the Exchange Act. Shareholders who do not wish to use the mechanism provided by the Exchange Act may submit proposals to be considered at the 2020 annual meeting of our shareholders under the provisions of the CBCA no later than January 29, 2020. Nominations for directors pursuant to our by-laws must be received by us no earlier than February 29, 2019 and no later than May 3, 2019 for consideration at the Meeting. Shareholders wishing to nominate a director for election should review the relevant provisions of the CBCA and our by-laws.

Shareholder Communications with the Board of Directors

Shareholders wishing to communicate with a member of our Board may do so by writing to such director, and mailing the correspondence to: Xenon Pharmaceuticals Inc., 200 - 3650 Gilmore Way, Burnaby, British Columbia, V5G 4W8, Canada, Attention: Vice President, Legal Affairs. The Vice President, Legal Affairs will forward the messages to the appropriate member of our Board.

Director Independence

Under Nasdaq rules, independent directors must comprise a majority of a listed company's board of directors within a specified period of the completion of its initial public offering. In addition, Nasdaq rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. Under Nasdaq rules, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

To be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

Our Board has undertaken a review of its composition, the composition of its committees and the independence of directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our Board has determined that none of Mohammad Azab, Steven Gannon, Michael Hayden, Frank Holler, Gary Patou, Michael Tarnow, Richard Scheller or Dawn Svoronos, being eight of our nine current directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under Nasdaq rules and Canadian securities laws. Our Board also determined that Frank Holler (chair), Steven Gannon and Michael Tarnow, who comprise our Audit Committee, Mohammad Azab (chair), Gary Patou and Richard Scheller who comprise our Compensation Committee, and Gary Patou (chair), Michael Tarnow and Dawn Svoronos who comprise our Nominating and Corporate Governance Committee, satisfy the independence standards for those committees established by applicable SEC and Nasdaq rules and Canadian securities laws.

In making this determination, our Board considered the relationships that each non-employee director has with us and all other facts and circumstances our Board deemed relevant in determining their independence, including the beneficial ownership of our Common Shares by each non-employee director.

The Chair of our Board is Michael Tarnow. Michael Tarnow is "independent" as that term is defined under Nasdaq rules and Canadian securities laws. The roles of Chief Executive Officer and Chair of our Board are currently separated in recognition of the differences between the two roles. We believe that it is in the best interests of our shareholders for the Board to make a determination regarding the separation or combination of these roles each time it elects a new Chair or appoints a Chief Executive Officer, based on the relevant facts and circumstances applicable at such time.

In accordance with the Corporate Governance Guidelines, meetings of the independent directors of the Corporation, without the presence of non-independent directors and members of management, are generally held following each regularly scheduled Board meeting and at such other times as requested by independent directors. The independent directors met four (4) times without the presence of non-independent directors and members of management during 2018. To date during 2019, our Board has met two (2) times without the presence of non-independent directors and members of management.

Orientation and Continuing Education

The Corporation has traditionally retained experienced people as directors and hence the orientation needed is minimized. When new directors are appointed, they are acquainted with the Corporation's operations, its charters and policies, and the expectations of directors. All new and continuing directors are encouraged to review the Board

materials prepared by the Corporation consisting of filings, the charters of the Board's committees, the Corporate Governance Guidelines and the Corporation's Code of Conduct. Board meetings regularly include presentations or discussions with respect to the Corporation's corporate governance policies. Board meetings generally also include presentations by the Corporation's senior management in order to give the directors full insight into the Corporation's operations.

Assessments

Our Nominating and Corporate Governance Committee assesses the participation, contributions and effectiveness of the Chair and the individual members of the Board on an annual basis. Our Board also annually monitors the effectiveness of the Board and its committees and the actions of the Board as viewed by the individual directors and senior management.

Serving on other Boards

The following directors are also directors of the following public companies:

| Director | Company |
|------------------|----------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> Aurinia Pharmaceuticals Inc. |
| Michael Hayden | <ul style="list-style-type: none"> Ionis Pharmaceuticals, Inc. Harvest One Cannabis Inc. |
| Frank Holler | <ul style="list-style-type: none"> Sernova Corp. |
| Richard Scheller | <ul style="list-style-type: none"> Alector, Inc. Good Blood Therapeutics PTC Therapeutics, Inc. |

Dawn Svoronos • Theratechnologies Inc.

Michael Tarnow, Mohammad Azab, Steven Gannon, Gary Patou and Simon Pimstone do not currently serve on the board of directors of any other publicly listed company.

Overseeing the Chief Executive Officer

Dr. Simon Pimstone, our Chief Executive Officer, is responsible for managing the affairs of the Corporation. In accordance with its charter, our Compensation Committee, in consultation with the Board, annually establishes corporate objectives for our Chief Executive Officer and evaluates the performance our Chief Executive Officer against these corporate objectives. Our Board has not developed a written position description of the Chief Executive Officer role.

Director Compensation Policy

For the purposes of the director compensation policy (the “director compensation policy”), our Compensation Committee classifies each director into one of the three following categories: (1) a “management director” is a director who is also an officer or otherwise employed by us in a management role; (2) a “non-management director” is a director who is not an officer and not otherwise employed by us in a management role; and (3) the chair of the Board.

Non-management directors and the chair of our Board are eligible to receive compensation in the form of equity and cash under the director compensation policy, as described below. Management directors receive no compensation for their services on our Board.

In September 2015, our Compensation Committee amended our director compensation policy (the “2015 amended director compensation policy”) to change the currency of cash compensation from U.S. dollars to Canadian dollars and to increase the equity compensation component of the director compensation policy.

Effective June 2018, our director compensation policy was amended to change the equity compensation component of director compensation (the “2018 amended director compensation policy”). Our Compensation Committee considered publicly available director compensation data from companies in the biotechnology industry to help guide its decision with respect to director compensation, using the same peer companies as those identified by Radford in 2017. No changes to cash compensation were made from the 2015 amended director compensation policy.

In January 2019, Radford was engaged by the Compensation Committee to evaluate both director and executive compensation and, following the Compensation Committee's review of the director compensation data from the peer companies identified by Radford (please see the section of this Circular entitled "Use of Compensation Consultants and Market Benchmarking"), the Compensation Committee decided not to make any changes to the 2018 amended director compensation policy for either equity or cash compensation.

Equity Compensation

Pursuant to the 2018 amended director compensation policy, new directors will receive an option to purchase 25,000 Common Shares upon joining the Board and each non-management director will be eligible to receive, on an annual basis, an option to purchase 15,000 Common Shares, which will be granted in connection with the Meeting.

The exercise price per share of each of the above grants will be the fair market value of one of our Common Shares (determined pursuant to our then-effective equity plan) on the date of the grant.

All of the above stock options granted to new and non-management directors will be under our then-effective equity plan. The stock options underlying the above initial and annual grants to each non-management director will vest as to one-third of the total stock options on the one year anniversary of the grant date, one-third of the total stock options on the two year anniversary of the grant date and the balance of the total stock options on the three year anniversary of the grant date.

The vesting of each grant described above will be subject to the recipient's continued service as a director through each vesting date and the other terms and conditions of our then-effective equity plan and the applicable stock option agreement with that director.

Cash Compensation

Pursuant to the 2015 and 2018 amended director compensation policies, for each fiscal year, each non-management director (including the chair of our Board) will receive an annual cash retainer of CAD\$47,000 for serving on the Board. In addition to the annual retainer, the chair of our Board will receive an additional annual cash retainer of CAD\$34,000.

The chairs of the three standing committees of our Board will be entitled to the following cash retainers for each fiscal year as follows:

| | CHAIR RETAINER (CAD\$) |
|-----------------------------------------------|------------------------------|
| BOARD COMMITTEE | |
| Audit Committee | \$ 20,500 |
| Compensation Committee | 13,500 |
| Nominating and Corporate Governance Committee | 10,000 |

The non-chair members of the three standing committees of our Board will be entitled to the following cash retainers for each fiscal year as follows:

| | MEMBER RETAINER (CAD\$) |
|-----------------------------------------------|-------------------------------|
| BOARD COMMITTEE | |
| Audit Committee | \$ 10,500 |
| Compensation Committee | 7,000 |
| Nominating and Corporate Governance Committee | 5,500 |

All cash payments will be payable in four equal installments on the date of our annual meeting and on the last day of the third month, sixth month and ninth month thereafter, during which such individual served as a director or chair of our Board or of the applicable committee (such payments to be prorated for service during a portion of such quarter).

All directors will be reimbursed for standard travel expenses incurred in their capacities as directors and/or committee members.

The following table sets forth information concerning the compensation paid or accrued for services rendered to us by members of our Board for the year ended December 31, 2018. Dr. Simon Pimstone, our Chief Executive Officer, did not receive any additional compensation for service on our Board. Compensation paid or accrued for services rendered to us by Dr. Pimstone in his role as Chief Executive Officer is included in our disclosures related to executive compensation under the section of this Circular entitled "Executive Compensation."

| Name | Fees Earned or Paid in | | Option Awards ⁽²⁾⁽³⁾ | Total |
|----------------------------------|---------------------------------|-----------|------------------------------------|-----------|
| | Cash ⁽¹⁾ | | | |
| | (\$) | (\$) | | (\$) |
| Mohammad Azab | \$46,712 | \$ 67,986 | | \$114,698 |
| Steven R. Gannon | 44,396 | 67,986 | | 112,382 |
| Michael R. Hayden | 36,289 | 67,986 | | 104,275 |
| Frank A. Holler | 52,117 | 67,986 | | 120,103 |
| Gary Patou | 49,414 | 67,986 | | 117,400 |
| Richard H. Scheller | 41,693 | 67,986 | | 109,679 |
| Dawn A. Svoronos | 40,535 | 67,986 | | 108,521 |
| Michael M. Tarnow ⁽⁴⁾ | 74,894 | 67,986 | | 142,880 |

(1) Compensation amounts denominated in Canadian dollars have been converted to U.S. dollars. For 2018, the U.S. dollar per Canadian dollar exchange rate used for such conversion was 0.7721 which was the average Bank of Canada foreign exchange rate for the 2018 fiscal year.

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- (2) Represents the aggregate grant date fair value of stock option awards granted in 2018. These amounts have been computed in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see the notes to our financial statements which are included in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC and on SEDAR. For further information regarding the equity compensation of our directors, please see the section of this Circular entitled “Director Compensation Policy for Fiscal Year 2018.”
- (3) As of December 31, 2018, the following directors beneficially held outstanding stock options to purchase the number of Common Shares indicated: Dr. Azab (46,894 stock options); Mr. Gannon (27,144 stock options); Dr. Hayden (80,640 stock options, of which 39,488 stock options are held by Dr. Hayden and 41,152 stock options are held by Genworks, Dr. Hayden’s consulting company); Mr. Holler (124,259 stock options); Dr. Patou (47,716 stock options); Dr. Scheller (30,230 stock options); Ms. Svoronos (23,644 stock options) and Mr. Tarnow (88,690 stock options).
- (4) Chair of our Board.

EXECUTIVE COMPENSATION

Executive Officers

The following table sets forth information about our executive officers as of the Record Date:

| Name | Age | Position(s) |
|-----------------------------------|-----|------------------------------------------------------------|
| Simon N. Pimstone, MBChB, Ph.D. | 51 | Chief Executive Officer and Director |
| Ian C. Mortimer, M.B.A., CPA, CMA | 43 | President, Chief Financial Officer and Corporate Secretary |
| Ernesto Aycardi, M.D. | 56 | Chief Medical Officer |
| Robin P. Sherrington, Ph.D. | 58 | Executive Vice President, Strategy & Innovation |
| James R. Empfield, Ph.D. | 58 | Senior Vice President, Drug Discovery |

The biography of Dr. Pimstone can be found under “Item 2 – Election of Directors.” The biographies of our other executive officers are as follows:

Ian C. Mortimer, M.B.A., CPA, CMA has served as our President and Chief Financial Officer since March 2018 and additionally as Corporate Secretary since June 2015. Mr. Mortimer previously served as our Chief Financial Officer and Chief Operating Officer since March 2015 and as our Chief Financial Officer since October 2013. Prior to joining us, Mr. Mortimer served as Executive Vice President and Chief Financial Officer at Tekmira Pharmaceuticals Corporation (“Tekmira”) (now Arbutus Biopharma Corporation), a Nasdaq-listed biotechnology company, from 2007 until October 2013. Mr. Mortimer was responsible for all aspects of Tekmira’s finance and capital markets activities and led Tekmira’s listing on Nasdaq in 2010. From 2004 to 2007, Mr. Mortimer was Chief Financial Officer at Inex Pharmaceuticals and held various other positions at Inex Pharmaceuticals from 1997 to 2004. Since November 2017, Mr. Mortimer has served on the board of directors and as chair of the audit committee for Appili Therapeutics, a private biopharmaceutical company focused on developing treatments for infectious diseases. Mr. Mortimer has an M.B.A. from Queen’s University, a B.Sc. in Microbiology from the University of British Columbia and is a Chartered Professional Accountant, Certified Management Accountant.

Ernesto Aycardi, M.D. is employed by our wholly owned subsidiary, Xenon Pharmaceuticals USA Inc. and has served as our Chief Medical Officer since March 2018. Prior to joining us, Dr. Aycardi was at Teva Pharmaceutical from 2014 to 2018, most recently as Vice-President and Head of Clinical Trial Operations, Biostatistics & Data Sciences and Clinical Pharmacology. Prior to this, he was Teva Pharmaceutical’s Vice-President, Therapeutic Area Head, Clinical Development, Migraine and Headache from 2016 to 2017, and previously Teva Pharmaceutical’s Senior Director, Clinical Development, Migraine & Headache from 2014 to 2016. From 2013 to 2014, Dr. Aycardi was

Senior Director Head of Neuro-Degenerative Disorders for EMD Serono, Inc. Previously, he was Director, Medical Research focused on neurology development at Biogen Idec from 2009 to 2013. Dr. Aycardi held a series of roles with increasing responsibility at Merck from 1998 to 2009, both in Colombia and in the United States, where he was Worldwide Clinical Research Senior Director for various therapeutic areas throughout late phases of global drug development from 2006 to 2009. Having received his M.D. from the National University of Colombia, and neurology training at the Military Hospital in Colombia, Dr. Aycardi holds a current medical license in Colombia, and was a practicing neurologist beginning in 1993.

Robin P. Sherrington, Ph.D. has served as our Executive Vice President, Strategy & Innovation since March 2019. Dr. Sherrington previously served as our Executive Vice President, Business & Corporate Development since March 2018, as our Senior Vice President, Business & Corporate Development since February 2012, as our Vice President, Business & Corporate Development from January 2010 to February 2012, and has held various positions in business development and other departments since joining us in March 2001. Prior to joining us, Dr. Sherrington worked at Pfizer, Inc., a global pharmaceutical company, as a neuroscientist from 1999 to 2001. Dr. Sherrington also previously served as Director of Neuroscience, from 1996 to 1999, at the biotechnology companies Axys Pharmaceuticals and Sequana Therapeutics. Prior to 1996 Dr. Sherrington was a post-doctoral fellow at University of Toronto and received his Ph.D. from the University College London, and his B.Sc. with honors from University of Reading.

James R. Empfield, Ph.D. is employed by our wholly owned subsidiary, Xenon Pharmaceuticals USA Inc. and has served as our Senior Vice President, Drug Discovery since February 2016. Prior to joining us, Dr. Empfield served as Vice President, Drug Discovery and Chemistry; Co-Site Head of Research, Boston at Vertex from 2011 until August 2015. At Vertex Pharmaceuticals Inc. (“Vertex”), Dr. Empfield was jointly responsible for the entire Boston research organization and for delivery of lead optimization projects into preclinical development. From 2006 to 2011, Dr. Empfield was Director, CNS Chemistry Department at Astrazeneca Pharmaceuticals LP and held various other positions at Astrazeneca Pharmaceuticals from 1990 to 2006. Dr. Empfield has a Ph.D. in Chemistry from the University of Pennsylvania, a M.S. in Chemistry from Bucknell University and a B.Sc. in Chemistry from Lebanon Valley College.

Our executive officers are appointed by, and serve at the discretion of, our Board. There are no family relationships among any of our directors or executive officers.

Discussion of Executive Compensation Practices

This discussion of our compensation program for named executive officers should be read in conjunction with the accompanying tables below and text disclosing the compensation awarded to, earned by or paid to the named executive officers. The information set forth in this discussion captioned “Discussion of Executive Compensation Practices” has been provided to comply with National Instrument 51-102 – Continuous Disclosure Obligations and is not otherwise required to be disclosed by an emerging growth company pursuant to Regulation S-K promulgated by the SEC.

Executive Summary

This section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers and the most important factors relevant to an analysis of these policies and decisions. This section also describes the material elements of compensation awarded to, earned by or paid to our “named executive officers” for 2018, consisting of the following persons:

- Simon N. Pimstone, our Chief Executive Officer;
- Ian C. Mortimer, our President, Chief Financial Officer and Corporate Secretary; and
- Ernesto Aycardi, our Chief Medical Officer.

Dr. Pimstone, Mr. Mortimer and Dr. Aycardi are included in this Circular as “named executive officers” for 2018 for purposes of Item 402 of Regulation S-K promulgated by the SEC and National Instrument 51-102 – Continuous Disclosure Requirements. In addition, this section provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our executive officers and is intended to place in perspective the data presented in the tables and narrative that follow.

Our Compensation Committee oversees our policies governing the compensation of our executive officers. In this role, our Compensation Committee reviews and, following consultation with the remaining non-management directors, approves all compensation decisions relating to our executive officers. Our Compensation Committee

consists of three members of our Board, all of whom have extensive experience in our industry and each of whom is an independent director. Our Compensation Committee uses its judgment and experience and considers the recommendations of our Chief Executive Officer when determining the amount and appropriate mix of compensation for each of our executive officers. Specifically, our Chief Executive Officer provides input and recommendations, via an annual review of executive performance and otherwise, regarding salary adjustments, the goals used to determine annual performance-based cash bonuses and appropriate equity incentive compensation levels. Our Chief Executive Officer provides input to the Compensation Committee on his own compensation, but has not had any control over setting the amount or mix of his compensation and is not present when the Compensation Committee discusses and determines his compensation. See the section of this Circular entitled “Information about the Board and Corporate Governance — Committees of the Board — Compensation Committee” for additional information as to the composition and skills of our Compensation Committee.

Our Compensation Committee periodically evaluates the need for revisions to our executive compensation program to ensure our program is competitive with the companies with which we compete for executive talent.

Objectives and Philosophy of Our Executive Compensation Program

The primary objectives of our Compensation Committee with respect to executive compensation are to:

- attract, retain and motivate experienced and talented executives;
- ensure executive compensation is aligned with our corporate strategies, research and development programs and business goals;
- recognize the individual contributions of executives, but foster a shared commitment among executives by aligning their individual goals with our corporate goals;
- promote the achievement of key strategic and operational performance measures by linking compensation to the achievement of measurable corporate and individual performance goals; and
- align the interests of our executives with our shareholders by rewarding performance that leads to the creation of shareholder value.

To achieve these objectives, our Compensation Committee evaluates our executive compensation program with the goal of setting compensation at levels that are justifiable based on each executive's level of experience, performance and responsibility and that our Compensation Committee believes are competitive with those of other companies in our industry and our region that compete with us for executive talent. In addition, our executive compensation program ties a portion of each executive's overall compensation to the achievement of key corporate goals. We provide a portion of our executive compensation in the form of stock options that vest over time, which we believe helps to retain our executives and aligns their interests with those of our shareholders by allowing them to participate in the longer term success of the Corporation as reflected in the appreciation of the price of our Common Shares.

Use of Compensation Consultants and Market Benchmarking

In designing our executive compensation program, our Compensation Committee considers publicly available compensation data for companies in the biotechnology industry to help guide its executive compensation decisions at the time of hiring and for subsequent adjustments in compensation. Our Compensation Committee has also retained the services of Radford, an Aon Hewitt company ("Radford"), an independent compensation consultant, to provide it with additional comparative data on executive compensation practices in our industry and to advise it on our executive compensation program generally. Although our Compensation Committee considers Radford's advice and recommendations about our executive compensation program, our Compensation Committee ultimately makes its own decisions about these matters. None of our Compensation Committee members and none of our executive officers or directors have any relationship with Radford or the individual consultants employed by Radford. Radford has not provided any other services to the Corporation other than compensation consulting services to the Compensation Committee for executive compensation analysis and to management for non-executive compensation analysis. Our Compensation Committee has determined that no conflicts of interest exist between the Corporation and Radford.

Radford was originally retained by the Corporation in 2013, 2015 and 2017 and was most recently retained in January 2019 to provide our Compensation Committee with comparative data showing where our total compensation and each element of our compensation ranked among (1) public companies in the biotechnology industry generally, according to compensation data from Radford, and (2) a peer group of publicly traded companies in the biotechnology industry at a stage of development, market capitalization or company size comparable to ours at the time with which our Compensation Committee believed we competed for executive talent, according to publicly available compensation data.

The peer group is used for purposes of gathering data to compare against our existing executive compensation practices and for guiding future compensation decisions. Radford also makes suggestions for changes to our executive compensation practices based on the data they provide to us as well as compensation trends in our industry. However, although our Compensation Committee may consider peer group and other industry compensation data and the recommendations of Radford when making decisions related to executive compensation, to date, it has not made and does not intend to make adjustments to overall executive compensation or any element thereof solely or primarily

either to target a specified threshold level of compensation or market benchmark within the peer group, our larger industry or some other group of comparable companies or to act on the recommendations of Radford.

For the 2016 annual compensation review, the Compensation Committee confirmed that the peer group identified by Radford in January 2015 remained the same for 2016, which peer group consisted of Ardelyx, BIND Therapeutics, Bio Blast Pharma, Calithera Biosciences, Cerulean Pharma, Concert Pharmaceuticals, Dermira, Dicerna Pharmaceuticals, Endocyte, Epizyme, Flexion Therapeutics, Ignyta, Stemline Therapeutics, Arbutus Biopharma, TetraLogic Pharmaceuticals, Threshold Pharmaceuticals, Trevena, Verastem, Vitae Pharmaceuticals, Xencor and XOMA. The Compensation Committee reviewed the public disclosures made throughout 2015 by those companies and other relevant data, and performed an internal update of the data used in 2015.

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For the 2017 annual compensation review, the companies included in the peer group in the Radford 2017 analysis were Adamas Pharmaceuticals, Aquinox Pharmaceuticals, Arbutus Biopharma, Asterias Biotherapeutics, Calithera Biosciences, Cidara Therapeutics, Concert Pharmaceuticals, Endocyte, Epizyme, Fate Therapeutics, Flex Pharma, Flexion Therapeutics, GlycoMimetics, Ignyta, Novan, Revance Therapeutics, Sierra Oncology, Stemline Therapeutics, Trevena and Zogenix.

For the 2018 annual compensation review, the Compensation Committee confirmed that the peer group identified by Radford in January 2017 remained the same for 2018, reviewed the public disclosures made throughout 2017 by those companies and other relevant data, and performed an internal update of the data used in 2017.

For the 2019 annual compensation review, the companies included in the peer group in the Radford January 2019 analysis were Adamas Pharmaceuticals, Aquinox Pharmaceuticals, Arbutus Biopharma, Calithera Biosciences, ChemoCentryx, Cidara Therapeutics, Concert Pharmaceuticals, Correvio Pharma, Epizyme, GlycoMimetics, Kura Oncology, Marinus Pharmaceuticals, Ovid Therapeutics, Prothena, Revance Therapeutics, Sierra Oncology, Stemline Therapeutics, Voyager Therapeutics, Zynerva Pharmaceuticals and Zymeworks.

The following table sets forth the fees paid to Radford in 2018 and 2017:

| | Twelve months ended December 31, 2018 | Twelve months ended December 31, 2017 |
|----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Executive and Director Compensation - Related Fees | \$ — | \$ 25,484 |
| All Other Fees ⁽¹⁾ | 4,600 | — |

(1) These fees were for an update to compensation information for non-executive employees.
Annual Compensation Review Process

After the end of each calendar year, we evaluate each executive's performance for the completed year. Our Chief Executive Officer, with respect to each executive other than himself, prepares a written evaluation based on his evaluation of the executives and input from others within the Corporation. Our Chief Executive Officer also prepares his own self-assessment. This process leads to a recommendation by our Chief Executive Officer to our Compensation Committee with respect to each executive officer, including himself, as to:

- the achievement of stated corporate and individual performance goals;
- the level of contributions made to the general management and guidance of the Corporation;
- the need for salary increases and the amount of salary increases;
- the amount of bonuses to be paid; and
- whether or not stock option awards should be made and a recommended number of stock options to be granted.

These recommendations are reviewed by our Compensation Committee and are taken into account along with input from the Board when it makes a final determination on all such matters.

Components of Our Executive Compensation Program

The primary elements of our executive compensation program are:

- base salary;

- annual performance-based cash bonuses;
- equity incentive awards;
- broad-based health benefits; and
- severance and change of control benefits.

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We do not have a formal or informal policy for allocating between long-term and short-term compensation, between cash and non-cash compensation or among different forms of non-cash compensation. Instead, our Compensation Committee, after reviewing information provided by Radford and other relevant data, determines subjectively what it believes to be the appropriate level and mix of the various compensation components. We generally strive to provide our executive officers with a balance of short-term and long-term incentives to encourage consistently strong performance. Ultimately, the objective in allocating between long-term and currently paid compensation is to ensure adequate base compensation to attract and retain personnel, while providing incentives to maximize long-term value for the Corporation and our shareholders. Therefore, we provide cash compensation in the form of base salary to meet competitive salary norms and reward good performance on an annual basis and in the form of bonus compensation to incent and reward superior performance based on specific annual goals. To further focus our executives on longer-term performance and the creation of shareholder value, we rely upon equity-based awards that vest over a meaningful period of time. In addition, we provide our executives with benefits that are generally available to our salaried employees and severance benefits to incentivize them to continue to strive to achieve shareholder value in connection with change of control situations.

Base salary

We use base salaries to recognize the experience, skills, knowledge and responsibilities of our employees, including our executive officers. Base salaries for our executive officers are typically established through arm's length negotiation at the time the executive is hired, taking into account the position for which the executive is being considered and the executive's qualifications, prior experience and prior salary. None of our executive officers is currently party to an employment agreement that provides for automatic or scheduled increases in base salary.

However, on an annual basis, our Compensation Committee reviews and evaluates, with input from our Chief Executive Officer, the need for adjustment of the base salaries of our executives based on changes and expected changes in the scope of an executive's responsibilities, including promotions, the individual contributions made by and performance of the executive during the prior fiscal year, the executive's performance over a period of years, overall labor market conditions, the relative ease or difficulty of replacing the executive with a well-qualified person, our overall growth and development as a company and general salary trends in our industry and among our peer group and where the executive's salary falls in the salary range presented by that data. In making decisions regarding salary increases, we may also draw upon the experience of members of our Board with other companies. No formulaic base salary increases are provided to our executive officers, and we do not target the base salaries of our executive officers at a specified compensation level within our peer group or other market benchmark. All of our executive officer's base salaries are benchmarked to the U.S. dollar, with Canadian resident executive officers paid in Canadian dollars and U.S. resident executive officers paid in U.S. dollars.

Please refer to the sections of this Circular entitled “— Summary Compensation Table” and “— Executive Employment Arrangements” for a listing of the base salaries of each of our named executive officers.

Annual Performance-Based Cash Bonuses

We have designed our annual performance-based cash bonus program to emphasize pay-for-performance and to reward our executive officers for the achievement of specified annual corporate objectives. Each executive officer is eligible to receive an annual performance-based cash bonus, which we refer to as an annual cash bonus, in an amount equal to a percentage of his base salary, or bonus percentage.

The annual corporate objectives component of the annual cash bonus focuses on the achievement of specific research, clinical, regulatory, operational and financial milestones, with a focus on the advancement of our product candidates in preclinical and clinical development, the pursuit of various internal initiatives and ensuring the adequate funding of the Corporation. The corporate objectives are proposed by senior management each year in our annual operating plan that is reviewed and approved, following consultation with the non-management directors, by our Compensation

Committee, with such modifications as the Compensation Committee deems appropriate. In determining whether the corporate objectives for each year have been met, our Compensation Committee takes into consideration the percentage achievement of each specific corporate objective, including in circumstances where achievement of the particular goal was exceeded, as well as any additional objectives that were not contemplated when the corporate objectives were initially determined.

Our Compensation Committee has the authority to shift corporate goals to subsequent fiscal years and eliminate them from the current year's bonus calculation if it determines that circumstances that were beyond the control of the executives were the primary cause of a goal being unattainable. The corporate objectives are designed to require significant effort and operational success on the part of our executives and the Corporation, but also to be achievable with hard work and dedication.

Please see the section of this Circular entitled "Non-Equity Incentive Plan Compensation & Bonuses" for a summary of the bonus payments made to each executive officer.

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Equity Incentive Awards

Our equity award program is the primary vehicle for offering long-term incentives to our executives. While we do not currently have any equity ownership guidelines for our executives, we believe that equity grants provide our executives with a strong link to our long-term performance, create an ownership culture and help to align the interests of our executives and our shareholders. Because our executives profit from stock options only if the price per share of our Common Shares increases relative to the stock option's exercise price, we believe that stock options provide meaningful incentives to our executives to achieve increases in the value of our Common Shares over time. In addition, the vesting feature of our equity grants contributes to executive retention by providing an incentive to our executives to remain employed by us during the vesting period.

We use stock options to compensate our executive officers both in the form of initial grants in connection with the commencement of employment and generally on an annual basis thereafter. Our Compensation Committee may also make additional discretionary grants, typically in connection with the promotion of an employee, to reward an employee, for retention purposes or for other circumstances recommended by management. Typically, one quarter of the stock options that we grant to our executive officers vest on the one-year anniversary of grant, with the remaining three-quarters of the stock options vesting in equal monthly installments over the next three years. Vesting and exercise rights cease shortly after termination of employment, except in the case of mutual agreement, death or disability. Prior to the exercise of a stock option, the holder has no rights as a shareholder with respect to the Common Shares subject to such stock option, including voting rights or the right to receive dividends or dividend equivalents.

The exercise price of all stock options granted since the closing of our initial public offering on November 10, 2014 (the "IPO") is equal to the fair market value of our Common Shares on the date of grant, which generally is determined by reference to the closing market price of our Common Shares on the date of grant. It is our intention to grant equity awards on, at minimum, an annual basis.

In determining the size of the annual stock option grants to our executive officers, our Compensation Committee considers recommendations developed by Radford, including information regarding comparative stock ownership of and equity grants received by the executives in our peer group and our industry. In addition, our Compensation Committee considers our corporate performance, the potential for enhancing the creation of value for our shareholders, the amount of equity previously awarded to the executives and the vesting of such awards.

Benefits and Other Compensation

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. We maintain broad-based benefits that are provided to all employees, including medical insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment insurance, long term disability insurance, paramedical coverage and contributions equivalent to 5% of base salary intended for retirement savings. All of our executive officers are eligible to participate in all of our employee benefit plans, in each case on the same basis as other employees. Certain of our executive officers are also entitled to supplemental long-term disability insurance, life insurance and critical illness insurance coverage that is not available to our other employees of the Corporation. Consistent with our compensation philosophy, we intend to continue to maintain our current benefits for our executive officers. Our Compensation Committee in its discretion may revise, amend or add to the executive officer's benefits and perquisites if it deems it advisable.

In particular circumstances, we sometimes award cash signing bonuses when executive officers first join us or cash bonuses in connection with the achievement of major corporate objectives. Such cash signing bonuses typically must be repaid in full if the executive officer voluntarily terminates employment with us or is terminated for cause prior to the first anniversary of the date of hire. Whether a signing bonus is paid and the amount of the bonus is determined on a case-by-case basis under the specific hiring circumstances. For example, we will consider paying signing bonuses to compensate for amounts forfeited by an executive upon terminating prior employment, to assist with relocation

expenses or to create additional incentive for an executive to join the Corporation in a position where there is high market demand. Cash bonuses made outside of our annual performance-based cash bonus program may sometimes be awarded in connection with the achievement of major corporate objectives.

Severance and Change of Control Benefits

Pursuant to amended and restated employment agreements we have entered into with our executive officers, our executive officers are entitled to specified benefits in the event of the termination of their employment under specified circumstances. We believe that providing these benefits helps us compete for executive talent. After reviewing the practices of companies represented in the compensation peer group, we believe that our severance and change of control benefits are generally in-line with severance packages offered to executives of the companies in our peer group. Please refer to the section of this Circular entitled “— Executive Employment Arrangements — Termination Benefits” for a more detailed discussion of these benefits.

Risk Considerations in Our Compensation Program

Our Compensation Committee has reviewed and evaluated the philosophy and standards on which our compensation plans have been developed and implemented across the Corporation. It is our belief that our compensation programs do not encourage inappropriate actions or risk taking by our executive officers. We do not believe that any risks arising from our employee compensation policies and practices are reasonably likely to have a material adverse effect on the Corporation. In addition, we do not believe that the mix and design of the components of our executive compensation program encourage management to assume excessive risks. We believe that our current business process and planning cycle fosters the behaviors and controls that would mitigate the potential for adverse risk caused by the action of our executives, including the following:

- annual establishment of corporate objectives for our performance-based cash bonus programs for our executive officers that are consistent with our annual operating and strategic plans, that are designed to achieve the proper risk/reward balance, and that should not require excessive risk taking to achieve;
- the mix between fixed and variable, annual and long-term and cash and equity compensation are designed to encourage strategies and actions that balance our short-term and long-term best interests; and
- stock option awards vest over a period of time, which we believe encourages executives to take a long-term view of our business.

Limits on Hedging and Pledging

As part of our insider trading policy, all employees, including executive officers, and members of our Board are prohibited from engaging in transactions in publicly-traded options, such as puts and calls, and other derivative securities with respect to the Corporation's securities. This prohibition extends to any hedging or similar transaction designed to decrease the risks associated with holding Corporation securities. Stock options, share appreciation rights, other securities issued pursuant to Corporation benefit plans or other compensatory arrangements with the Corporation, and broad-based index options, futures or baskets are not subject to this prohibition. Our insider trading policy also prohibits certain types of pledges of our securities by certain of our employees, including executive officers and members of our Board, specifically holding our securities in margin accounts or pledging our securities as collateral for a loan.

Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers during the years ended December 31, 2018, 2017 and 2016.

| Name and Principal Position | Year | Salary ⁽¹⁾ | Non-equity Option | | Bonus | All Other Compensation ⁽¹⁾ | Total |
|-----------------------------|------|-----------------------|----------------------------------|-----------------------|-------|---------------------------------------|-------|
| | | | Incentive Plan ⁽¹⁾⁽²⁾ | Awards ⁽³⁾ | | | |
| Simon N. Pimstone | 2018 | \$400,555 | \$250,347 | \$485,471 | — | \$28,822 | (4) |