

Xenon Pharmaceuticals Inc.
Form DEF 14A
April 27, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

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):

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

(2) Aggregate number of securities to which transaction applies:

(3) 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):

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(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 Element Vancouver Metrotown, 5988 Willingdon Avenue, Burnaby, British Columbia, on Monday, June 4, 2018 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, 2017 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 9, 2018 (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, June 1, 2018 (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, June 1, 2018 (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

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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

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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.

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 27th day of April, 2018.

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 4, 2018

GENERAL PROXY INFORMATION

Information in this Proxy Statement and Management Information Circular (this “Circular”) is provided as of April 9, 2018 (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 Element Vancouver Metrotown, 5988 Willingdon Avenue, Burnaby, British Columbia on Monday, June 4, 2018, 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 Friday, April 27, 2018.

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 9, 2018 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.

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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, June 1, 2018 (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, June 1, 2018 (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, June 1, 2018; 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 14,171,301 Common Shares and 2,868,000 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, 772,006 Preferred Shares are eligible to vote at the Meeting and 2,095,994 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:

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⁾	720,830 5.09%	2,868,000 100.00%	720,830 Common Shares 772,006 Preferred Shares 9.99%
Capital World Investors ⁽³⁾	1,429,000 10.08%	-	1,429,000 9.56%

(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 March 29, 2018, as of March 29, 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 2,868,000 Preferred Shares convertible for an aggregate of 2,868,000 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 March 29, 2018, the Beneficial Ownership Limitation limits the aggregate conversion of Preferred Shares by the Reporting Persons to 772,006 out of the 2,868,000 Preferred Shares owned by the Reporting Persons in the aggregate. In providing beneficial ownership described herein, the Reporting Persons have assumed that 772,006 Preferred Shares owned by BVF would be converted and the remaining 565,994 Preferred Shares owned by BVF, the 861,000 Preferred Shares owned by BVF2, the 238,000 Preferred Shares owned by Trading Fund OS and the 431,000 Preferred Shares held in certain of the Partners beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners management accounts (the “Partners Managed Accounts”) would not be converted, thereby bringing the Reporting Persons to the Beneficial Ownership Limitation. As of the close of business on March 29, 2018, BVF beneficially own 1,108,474 Common Shares, BVF2 beneficially own 216,694 Common Shares, and Trading Fund OS beneficially own 59,464 Common Shares. Partners OS, as the general partner of Trading Fund OS, may be deemed to beneficially own the 59,464 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 1,492,836 Common Shares beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners Managed Accounts, including 108,204 Common Shares held in the Partners Managed Accounts. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 1,492,836 Common Shares beneficially owned by Partners. Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 1,492,836 Common Shares beneficially owned by BVF Inc. The address of each of BVF Inc., Partners, BVF, BVF2, Trading Fund OS, Partners OS and Mr. Lampert is 1 Sansome Street, 30th Floor, San Francisco, California 94104, USA.

(3)

According to a Schedule 13G/A filed with the SEC on February 14, 2018, as of December 30, 2017, Capital World Investors, a division of Capital Research and Management Company (“CRMC”), is deemed to be the beneficial owner of 1,429,000 Common Shares as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. One or more clients of Capital World Investors have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Common Shares. Capital World Investors holds more than 5% of the outstanding Common Shares on behalf of Smallcap World Fund, Inc. The address for Capital World Investors is 333 South Hope Street, Los Angeles, California 90071, 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, 2017 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.

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	73	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.,	Director since March 1999	55,167 Common Shares

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.

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<p>Mohammad Azab⁽⁵⁾ San Francisco, CA, USA</p>	<p>Director 62</p>	<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>	<p>Director since October 2003</p>	<p>44,210 Common Shares</p>
<p>Steven Gannon⁽⁴⁾ Montreal, QC Canada</p>	<p>Director 56</p>	<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 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 of directors because of his financial expertise and his senior management experience in the pharmaceutical industry.</p>	<p>Director since May 2015</p>	<p>15,000 Common Shares</p>

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<p>Michael Hayden Vancouver, BC, Canada</p>	<p>Director 66</p>	<p>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 is currently employed by Teva Pharmaceutical in an advisory capacity, which is expected to end in August 2018. Dr. Hayden has served on the Board of Directors of Aurinia Pharmaceuticals Inc., a publicly-traded biopharmaceutical company, since February 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 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</p>	<p>259,021⁽⁷⁾ Common Shares</p>
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<p>Frank Holler⁽⁴⁾ North Vancouver, BC, Canada</p>	<p>Director 61</p>	<p>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. 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.</p>	<p>Director 120,139⁽⁸⁾ since March 1999 Common Shares</p>
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<p>Gary Patou⁽⁵⁾⁽⁶⁾ Los Altos Hills, CA, USA</p>	<p>Director 59</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>24,528⁽⁹⁾ Common Shares</p>
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Simon N. Pimstone Vancouver, BC, Canada	Chief Executive Officer and Director	50 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., a private specialty pharmaceutical company, 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.	Director since November 1996	244,595 ⁽¹⁰⁾ Common Shares
Richard Scheller ⁽⁵⁾ Stanford, CA, USA	64	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 February 2015, Dr. Scheller has served as a member of the Board of Directors for ORIC Pharmaceuticals, Inc. Since June 2015, Dr. Scheller has served as a member of the Board of Directors for Affinita Biotech, Inc.	Director since March 2015	7,000 Common Shares

Since January 2018, Dr. Scheller has served as a member of the Board of BridgeBio 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.

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Dawn Svornos ⁽⁶⁾ Hudson, QC Canada	Director 64	Ms. Svornos has served as a member of our Board since September 2016. Ms. Svornos sits on the board of directors of PTC Therapeutics, a publicly-traded biopharmaceutical company, and is currently chair of the board for Theratechnologies Inc., a publicly-traded biopharmaceutical company. Ms. Svornos 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. Svornos 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. Svornos previously sat on the board of Medivation Inc. Ms. Svornos received a B.A. in English and French Literature from Carleton University. Our Board believes that Ms. Svornos is qualified to serve on our Board because of her experience in commercialization of pharmaceutical products and her senior management experience in the pharmaceutical industry.	Director since September 2016	50,000 Common Shares
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- (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.”
- (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) 131,607 Common Shares held by Dr. Hayden; (ii) 97,066 Common Shares held by Dr. Hayden’s spouse; and (iii) 30,348 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) 12,028 Common Shares held by Gary 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. On December 5, 2008, Chemokine and its subsidiary Chemokine (B.C.) Ltd. filed Notices of Intention to make proposals under the Bankruptcy and Insolvency Act, and a trustee was subsequently appointed under said proposals. Such proposals and the sale of Chemokine and Chemokine (B.C.) Ltd.’s assets were approved by orders of the Supreme Court of British Columbia. In addition, a Chapter 15 petition was filed in the U.S. Bankruptcy Court for the District of Delaware, and by order on April 28, 2009, the U.S. Court recognized the prior Canadian order. Cease trade orders were issued against Chemokine by the Manitoba Securities Commission on April 20, 2009 and 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

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.

The percentage of beneficial ownership shown in the table is based upon 14,171,301 Common Shares and 2,868,000 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⁾	720,830	5.09 %	2,868,000	100.00 %	9.99 %
Capital World Investors ⁽²⁾	1,429,000	10.08 %	—	—	9.56 %
Executive Officers and Directors					
Simon N. Pimstone	649,663	(3) 4.46 %	—	—	4.23 %
Michael R. Hayden	341,735	(4) 2.40 %	—	—	2.27 %
Frank A. Holler	225,896	(5) 1.58 %	—	—	1.50 %
Ian C. Mortimer	202,972	(6) 1.41 %	—	—	1.34 %
Robin P. Sherrington	140,640	(7) *	—	—	*
Michael M. Tarnow	137,700	(8) *	—	—	*
Y. Paul Goldberg	118,177	(9) *	—	—	*

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Mohammad Azab	85,976	(10)*	—	—	*		
Charles J. Cohen	84,566	(11)*	—	—	*		
Gary Patou	64,029	(12)*	—	—	*		
Dawn A. Svoronos	52,880	(13)*	—	—	*		
James R. Empfield	43,072	(14)*	—	—	*		
Steven R. Gannon	23,642	(15)*	—	—	*		
Richard H. Scheller	18,728	(16)*	—	—	*		
Ernesto Aycardi	—	—	—	—	*		
All current executive officers and directors as a group (15 persons)	2,189,676	(17)	14.13%	—	—	13.46	%

*Denotes less than 1% beneficial ownership

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- (1) According to a Schedule 13G/A filed with the SEC on March 29, 2018, as of March 29, 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 2,868,000 Preferred Shares convertible for an aggregate of 2,868,000 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, 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 March 29, 2018, the Beneficial Ownership Limitation limits the aggregate conversion of Preferred Shares by the Reporting Persons to 772,006 out of the 2,868,000 Preferred Shares owned by the Reporting Persons in the aggregate. In providing beneficial ownership described herein, the Reporting Persons have assumed that 772,006 Preferred Shares owned by BVF would be converted and the remaining 565,994 Preferred Shares owned by BVF, the 861,000 Preferred Shares owned by BVF2, the 238,000 Preferred Shares owned by Trading Fund OS and the 431,000 Preferred Shares held in certain of the Partners beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners management accounts (the “Partners Managed Accounts”) would not be converted, thereby bringing the Reporting Persons to the Beneficial Ownership Limitation. As of the close of business on March 29, 2018 BVF beneficially own 1,108,474 Common Shares, BVF2 beneficially own 216,694 Common Shares, and Trading Fund OS beneficially own 59,464 Common Shares. Partners OS as the general partner of Trading Fund OS may be deemed to beneficially own the 59,464 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 1,492,836 Common Shares beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners Managed Accounts, including 108,204 Common Shares held in the Partners Managed Accounts. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 1,492,836 Common Shares beneficially owned by Partners. Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 1,492,836 Common Shares beneficially owned by BVF Inc. The address of each of BVF Inc., Partners, BVF, BVF2, Trading Fund OS, Partners OS and Mr. Lampert is 1 Sansome Street, 30th Floor, San Francisco, California 94104, USA.
- (2) According to a Schedule 13G/A filed with the SEC on February 14, 2018, as of December 30, 2017, Capital World Investors, a division of CRMC, is deemed to be the beneficial owner of 1,429,000 Common Shares as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. One or more clients of Capital World Investors have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Common Shares. Capital World Investors holds more than 5% of the outstanding Common Shares on behalf of Smallcap World Fund, Inc. The address for Capital World Investors is 333 South Hope Street, Los Angeles, California 90071, USA.
- (3) Consists of (i) 228,135 Common Shares held by Dr. Pimstone; (ii) 16,460 Common Shares held by Dr. Pimstone’s spouse; and (iii) 405,068 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (4) Consists of (i) 131,607 Common Shares held by Dr. Hayden; (ii) 97,066 Common Shares held by Dr. Hayden’s spouse; (iii) 30,348 Common Shares held by Genworks, Dr. Hayden’s consulting company; (iv) 20,986 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Dr. Hayden; and (v) 61,728 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Genworks.
- (5) Consists of (i) 118,955 Common Shares held by Mr. Holler; (ii) 1,184 Common Shares held by Mr. Holler’s spouse; and (iii) 105,757 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (6) Consists of (i) 6,000 Common Shares held by Mr. Mortimer; (ii) 14,300 Common Shares held by Mr. Mortimer’s spouse; and (iii) 182,672 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (7)

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- Consists of (i) 5,892 Common Shares held by Dr. Sherrington; and (ii) 134,748 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (8) Consists of (i) 55,167 Common Shares held by Mr. Tarnow; and (ii) 82,533 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (9) Consists of (i) 6,000 Common Shares held by Dr. Goldberg; and (ii) 112,177 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (10) Consists of (i) 44,210 Common Shares held by Dr. Azab; and (ii) 41,766 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (11) Consists of (i) 4,079 Common Shares held by Dr. Cohen; and (ii) 80,487 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.

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- (12) Consists of (i) 12,028 Common Shares held by Dr. Patou; (ii) 12,500 Common Shares held by Patou Family Trust and (iii) 39,501 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) 2,880 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (14) Consists of (i) 10,000 Common Shares held by Dr. Empfield; and (ii) 33,072 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (15) Consists of (i) 15,000 Common Shares held by Mr. Gannon; and (ii) 8,642 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (16) Consists of (i) 7,000 Common Shares held by Dr. Scheller; and (ii) 11,728 Common Shares issuable upon exercise of options exercisable within 60 days of the Record Date.
- (17) Consists of (i) 865,931 Common Shares held; and (ii) 1,323,745 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, Corporate Affairs and Investor Relations.

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 nine (9) meetings in 2017. Steven Gannon, Frank Holler, Gary Patou, Simon Pimstone and Michael Tarnow attended each of these meetings. Michael Hayden, Richard Scheller and Dawn Svoronos attended eight (8) of these meetings. Mohammad Azab attended seven (7) of these meetings. No director attended fewer than 75% of the total number of meetings in 2017 of the Board and the committees of which he or she was a member.

The three standing Board committees met the number of times shown in parentheses: Audit Committee (4); 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. 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 2017 annual general meeting.

Our Board has held three (3) meetings in 2018 up to the Record Date, which have been attended by all directors of the Corporation, except for Mohammad Azab who attended two (2) 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.

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 Frank Holler, Steven Gannon and Michael 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.

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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 an outside director within the meaning of Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, 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 2019 annual meeting must be received by us on or before December 28, 2018 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 2019 annual meeting of our shareholders under the provisions of the CBCA no later than January 26, 2019. Nominations for directors pursuant to our by-laws must be received by us no earlier than March 31, 2018 and no later than May 5, 2018 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, Corporate Affairs and Investor Relations. The Vice President, Corporate Affairs and Investor Relations 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.

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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 three (3) times without the presence of non-independent directors and members of management during 2017. To date during 2018, our Board has met one (1) time 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
Michael Hayden	• Aurinia Pharmaceuticals Inc.
Frank Holler	• Sernova Corp.
Dawn Svoronos	• Theratechnologies Inc. • PTC Therapeutics, Inc.

Michael Tarnow, Mohammad Azab, Steven Gannon, Gary Patou, Simon Pimstone and Richard Scheller 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 will be 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 (please see the section of this Circular entitled “Use of Compensation Consultants and Market Benchmarking”).

Equity Compensation

Pursuant to the 2015 amended director compensation policy, new directors receive an option to purchase 5,144 Common Shares upon joining the Board, each non-management director (including the chair of our Board) is eligible to receive, on an annual basis, an option to purchase 3,500 Common Shares and the chair of our Board is eligible to receive, on an annual basis, an option to purchase an additional 1,250 Common Shares.

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 (including the chair of our Board) 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 stock options underlying the additional grant to the chair of our Board will vest fully on the one 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.

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 (including the chair of our Board) 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. All of the stock options granted pursuant to the 2018 amended director compensation policy will be under our then-effective equity plan and vest in accordance with the schedule set forth above with respect to the 2015 amended director compensation policy.

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.

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

BOARD COMMITTEE	CHAIR RETAINER (CAD\$)
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:

BOARD COMMITTEE	MEMBER RETAINER (CAD\$)
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, 2017. 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 Cash ⁽¹⁾	Option Awards ⁽²⁾⁽³⁾	Total
	(\$)	(\$)	(\$)
Mohammad Azab	\$46,633	\$ 10,229	\$56,862
Steven R. Gannon	44,321	10,229	54,550
Michael R. Hayden	36,228	10,229	46,457
Frank A. Holler	52,029	10,229	62,258
Gary Patou	49,331	10,229	59,560
Richard H. Scheller	41,623	10,229	51,852
Dawn A. Svoronos	40,467	10,229	50,696
Michael M. Tarnow ⁽⁴⁾	74,768	13,882	88,650

- (1) Compensation amounts denominated in Canadian dollars have been converted to U.S. dollars. For 2017, the U.S. dollar per Canadian dollar exchange rate used for such conversion was 0.7708 which was the average Bank of Canada foreign exchange rate for the 2017 fiscal year.
 - (2) Represents the aggregate grant date fair value of stock option awards granted in 2017. 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, 2017 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 2017.”
 - (3) As of December 31, 2017, the following directors beneficially held outstanding stock options to purchase the number of Common Shares indicated: Dr. Azab (45,268 stock options); Mr. Gannon (12,144 stock options); Dr. Hayden (86,216 stock options, of which 24,488 stock options are held by Dr. Hayden and 61,728 stock options are held by Genworks, Dr. Hayden’s consulting company); Mr. Holler (112,345 stock options); Dr. Patou (43,003 stock options); Dr. Scheller (15,230 stock options); Ms. Svoronos (8,644 stock options) and Mr. Tarnow (86,035 stock options).
 - (4) Chair of our Board.
- Outstanding Equity Awards at Year End

The following table sets forth information regarding all outstanding stock options held by our non-management directors as of December 31, 2017.

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Option Awards ⁽¹⁾						
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$/share)	Value of Unexercised In-The-Money Options ⁽²⁾	Option Expiration Date	
	Mohammad Azab	10,288	—	CAD\$ 3.74	—	06/26/2018
3,086		—	CAD\$ 3.74	—	12/31/2018	
3,086		—	CAD\$ 3.74	—	12/31/2019	
3,086		—	CAD\$ 3.74	—	12/31/2020	
3,086		—	CAD\$ 3.74	—	12/31/2021	
3,086		—	CAD\$ 2.67	2,150	12/31/2022	
823		—	CAD\$ 10.78	—	01/13/2024	
3,497		—	CAD\$ 10.78	—	01/13/2024	
5,144		—	USD\$ 9.00	—	11/03/2024	
2,056		1,030	⁽³⁾ USD\$ 13.48	—	05/03/2025	
1,166		2,334	⁽⁴⁾ USD\$ 7.38	—	06/01/2026	
—		3,500	⁽⁵⁾ USD\$ 3.85	—	05/31/2027	
Steven R. Gannon		3,428	1,716	⁽⁶⁾ USD\$ 12.57	—	05/20/2025
	1,166	2,334	⁽⁴⁾ USD\$ 7.38	—	06/01/2026	
	—	3,500	⁽⁵⁾ USD\$ 3.85	—	05/31/2027	
Michael R. Hayden	20,576	—	CAD\$ 3.74	—	08/31/2019	
	10,288	—	CAD\$ 3.74	—	12/31/2021	
	30,864	—	CAD\$ 2.67	21,504	12/31/2022	
	5,144	—	CAD\$ 2.67	3,584	12/31/2022	
	1,028	—	CAD\$ 10.78	—	01/13/2024	
	3,086	—	CAD\$ 10.78	—	01/13/2024	
	5,144	—	USD\$ 9.00	—	11/03/2024	
	2,056	1,030	⁽³⁾ USD\$ 13.48	—	05/03/2025	
	1,166	2,334	⁽⁴⁾ USD\$ 7.38	—	06/01/2026	
	—	3,500	⁽⁵⁾ USD\$ 3.85	—	05/31/2027	
	Frank A. Holler	3,086	—	CAD\$ 3.74	—	03/16/2018
3,086		—	CAD\$ 3.74	—	06/26/2018	
3,086		—	CAD\$ 3.74	—	12/31/2018	
25,720		—	CAD\$ 3.74	—	02/01/2019	
3,086		—	CAD\$ 3.74	—	12/31/2019	
3,086		—	CAD\$ 3.74	—	12/31/2020	
36,008		—	CAD\$ 3.74	—	12/31/2020	
3,086		—	CAD\$ 3.74	—	12/31/2021	
5,144		—	CAD\$ 3.74	—	12/31/2021	
3,086		—	CAD\$ 2.67	2,150	12/31/2022	
4,115		—	CAD\$ 2.67	2,867	12/31/2022	
1,440		—	CAD\$ 10.78	—	01/13/2024	
3,086		—	CAD\$ 10.78	—	01/13/2024	
5,144		—	USD\$ 9.00	—	11/03/2024	
2,056		1,030	⁽³⁾ USD\$ 13.48	—	05/03/2025	
1,166		2,334	⁽⁴⁾ USD\$ 7.38	—	06/01/2026	
—	3,500	⁽⁵⁾ USD\$ 3.85	—	05/31/2027		