

Corporate Governance Report 2017



INTRODUCTION

Saniona AB (publ), Corporate Registration Number 556962-5345, the Parent Company and its subsidiaries, collectively the Group, is a publicly listed research and development company focused on drugs for diseases of the central nervous system, autoimmune diseases, metabolic diseases and treatment of pain. The Parent Company is a public limited liability company registered and headquartered in the municipality of Malmö in the county of Skåne, Sweden. The address of the head office is Baltorpvej 154, DK-2750 Ballerup, Denmark. Saniona is listed at Nasdaq Stockholm Small Cap. Saniona applies to the Swedish Code of Corporate Governance completely. This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Code and audited by the company's auditor.

APPLICATION OF AND DEPARTURE FROM THE SWEDISH CODE OF CORPORATE GOVERNANCE

The Swedish Corporate Governance Code (the "Code") applies to all Swedish companies whose shares are listed on a regulated marketplace in Sweden. The company is not obliged to adhere to all the regulations of the Code and is free to adopt alternative solutions deemed more suitable to its circumstances, provided that potential departures are reported, the alternative solution described and the reasons explained (Comply or Explain principle) in the Corporate Governance Report.

Saniona is today listed on Nasdaq Stockholm Small Cap and follows the applicable rules in the Swedish Companies Act, the regulations and recommendations resulting from the Nasdaq Stockholm's Rule Book for Issuers, the Code, as well as good practices in the stock market. Saniona has not departed from the Code in 2017.

COMPLIANCE WITH SWEDISH STOCK MARKET REGULATIONS AND ACCEPTED STOCK MARKET PRACTICE

Saniona has not been subject to any ruling by Nasdaq Stockholm's disciplinary commission or statements by the Swedish Securities Council relating to breaches of Nasdaq's regulatory framework for issuers or good accounting practice on the stock market in the financial year 2017.

OWNERSHIP STRUCTURE, SHARE CAPITAL AND VOTING RIGHTS

At December 31, 2017, Saniona had 5,195 (4,491) shareholders, excluding holdings in life insurance and foreign custody account holders. The company's CEO, Jørgen Drejer, was the largest shareholder with 10.8 percent (11.3) of the share capital and voting rights. The ten largest shareholders jointly accounted for 46.3 percent (48.2) of the share capital and voting rights. Apart from Jørgen Drejer, there were no other shareholders with a holding of more than one-tenth of the total number of shares and votes in the company at year-end.

Saniona's share capital totalled SEK 1,088,126 divided between 21,762,520 shares as of December 31, 2017. In 2016, Saniona's share capital totalled SEK 1,042,073 divided between 20,841,467 shares. There is only a single share class. All shares have a quotient value of SEK 0.05 and one vote and confer equal entitlement to the Company's assets and profits. Saniona's Articles of Association have no limitations regarding the number of votes each shareholder may cast at the Annual General Meeting.

DIVIDEND POLICY

Saniona may generate income through upfront payments, milestone payments, royalty payments and upon exits in relation to the sale of spinouts. The Board of Directors' has decided upon a residual dividend policy. This means that Saniona will only pay dividend on net income and internal generated equity after it has reserved capital to finance continued development and expansion of the business including its product pipeline. The Board of Directors' intention at present is to use any future profits made by Saniona to finance continued development and expansion of the business. Regular dividends will only be paid once the company has a product on the market and the company records annual net income through royalty payments. Consequently, the Board of Directors does not intend to propose any dividend resolution within the foreseeable future.

The Board of Directors may, however, propose to distribute Saniona's shareholding in a spinout company to its shareholders as dividend if it is the intention of such spinout company to obtain an independent listing at the stock market. This could be the case if Saniona's shares can be distributed as tax free dividends under the Lex

Asea rules in Sweden and the Board of Directors evaluate that the tax consequences for shareholders in other geographies may be financed through the sale of shares in the listed spinout company.

The Board of Directors proposes that no dividend be distributed for the 2017 financial year.

AUTHORIZATION FOR THE BOARD OF DIRECTORS REGARDING NEW ISSUES

At the Annual General Meeting held on May 23, 2017, it was resolved to authorize the Board of Directors proposes to, at one or several occasions, during the time up until the next Annual General Meeting, with or without deviation from the shareholders’ preferential rights, resolve to issue shares, convertibles and/or warrants. A new issue should be able to be made with or without provisions regarding contribution in kind, set-off or other conditions. In case the authorization is used for a new issue with deviation from the shareholders’ preferential rights, the number of shares, that may be issued or alternatively be issued through conversion of convertibles or by exercise of warrants, shall not exceed 30 percent of the total number of existing shares in the company at the time of the Annual General Meeting and the subscription price shall be on market terms (subject to customary new issue discount, as applicable). The purpose of the authorization is to be able to source working capital, to be able to execute and finance acquisitions of companies as well as to enable new issues to industrial partners within the framework of partnerships and alliances.

CORPORATE GOVERNANCE WITHIN SANIONA

Saniona’s internal controls and corporate governance are based on applicable legislation/regulations and on sector-specific parameters considered significant to the company. The control system encompasses all applicable regulatory frameworks as well as the specific demands Saniona places on its operations.

The internal control and corporate governance tool provides overall control of all critical stages relating to the company. This provides Saniona’s Board and management with the conditions required to control and govern operations to satisfy the stringent demands of the company, the market, the stock market, the shareholders and the authorities.

The following legislation/regulations as well as the company’s own constitutional documents form the basis of Saniona’s corporate governance:

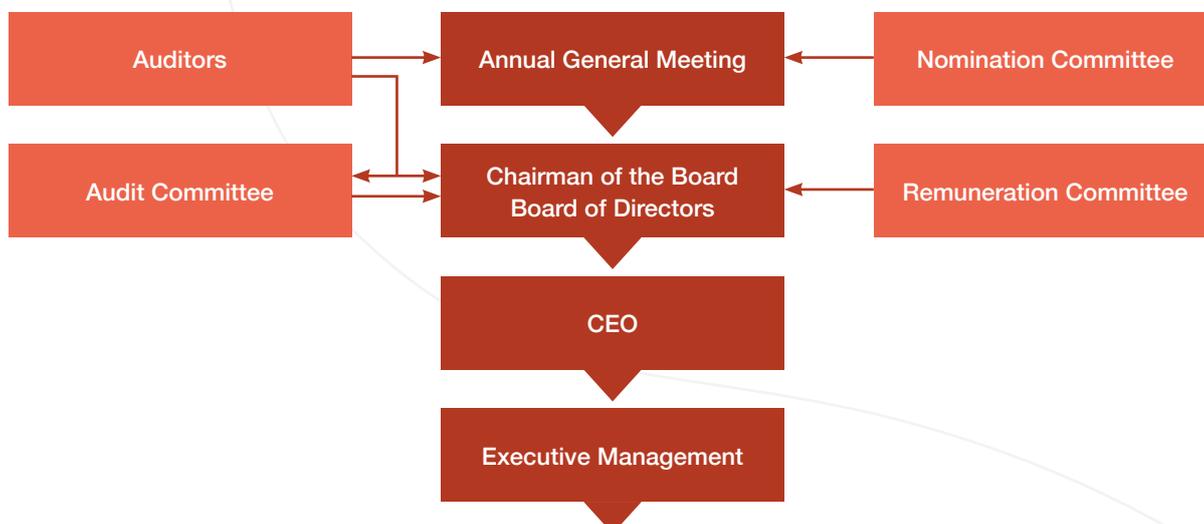
External Regulations

- The Swedish Companies Act
- Swedish and international accounting legislation
- The Swedish Corporate Governance Code
- Nasdaq Stockholm’s regulatory framework for issuers
- Other applicable rules and recommendations

Internal constitutional documents

- The Articles of Association
- Rules of procedure for the Board of Directors and Committees
- Instructions for CEO
- Guidelines for remuneration to senior executives
- Code of Conduct
- Information Policy
- Financial administration guidelines
- Insider Policy
- Instruction for insider List
- Instructions for financial reporting
- Risk Policy
- Finance Policy
- Finance manual
- Dividend Policy
- IT Policy

Saniona’s corporate governance structure is presented in the figure below and further described in the following sub sections.



ANNUAL GENERAL MEETING

The shareholders' rights to decide on the company's affairs is exercised at the general meeting of shareholders (annual general meeting and extraordinary general meeting), which is the highest decision-making body. For example, the general meeting decides on changes to the Articles of Association, election of members of the Board of Directors and Auditors, adoption of the income and balance sheet statement, the discharge of the Board of Directors and the CEO, appropriation of the profit or loss, the principles for the establishment of a Nominating Committee as well as the guidelines for remuneration of senior executives. Shareholders wishing to raise a matter at the annual general meeting must submit a written request to the Board of Directors. Such a request shall normally be received by the Board of Directors no later than seven weeks prior to the general meeting.

The general meeting is to be held in Malmö. Notice of general meetings should be made no earlier than six weeks and not later than four weeks before the meeting if the agenda comprise an amendment of the Articles of Association. The notice of other general meetings should be made no earlier than six weeks and not later than three weeks prior to the meeting. Notice of a general meeting is announced in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and on the company's website. An announcement that a meeting has been convened is published in Swedish daily newspaper Svenska Dagbladet.

To participate in the general meeting, shareholders shall be directly registered in the share register maintained by Euroclear Sweden AB five business days prior to the general meeting and notify the company of their intention to attend by no later than the date indicated in the invitation to the general meeting. This day may not be a Sunday, other public holiday, Saturday, midsummer Eve, Christmas Eve or New Year's Eve and may not fall earlier than the fifth weekday prior to the general meeting.

Annual General Meeting 2017

The Annual General Meeting for 2017 was held on May 23, 2017 in Malmö. The meeting was attended by 10 (2) shareholders, in person or by proxy, representing about 25 percent (16) of the total voting rights. Lawyer Ola Grahn was elected as Chairman of the meeting. The AGM passed the following resolutions:

- Re-election Claus Braestrup, Leif Andersson, Jørgen Drejer and Carl Johan Sundberg as ordinary Board members. Claus Braestrup was also re-elected as Chairman of the Board.
- Re-election of Deloitte AB as the accounting firm with authorized public accountant Elna Lembrér Åström as the auditor in charge.
- Remuneration to the Chairman of the Board of Directors and the Board of Directors and the auditor.
- Guidelines for remuneration to executive officers.

- Implementation of employee option program for certain employees and key consultants in accordance with the Board of Directors' proposal.
- Authorization for the Board of Directors to at one or several occasions, during the time up until the next annual shareholders' meeting, with or without deviation from the shareholders' preferential rights, resolve to issue shares, convertibles and/or warrants.
- Resolution on discharge from liability in relation to the company for the members of the Board of Directors the CEO for the financial year 2018.
- Approval of instruction and charter for the Nomination Committee.

The minutes and information from the Annual General Meeting 2017 are available on www.saniona.com.

Annual General Meeting 2018

The Annual General Meeting for 2018 will be held at Setterwalls Advokatbyrå AB's office at Stortorget 23, Malmö, Sweden on May 24, 2018 at 4 pm CET.

NOMINATION COMMITTEE

At the Annual General Meeting on May 23, 2017, it was resolved to adopt instructions and charter for the Nomination Committee pursuant to which the Nomination Committee shall comprise three members, who should be representative for the two largest shareholders as of last September, together with the Chairman of the Board of Directors.

If one of the two largest shareholders abstains from appointing an owner representative, or such owner representative resigns before the assignment is completed without the relevant shareholder appoints a new member, the Chairman of the Board of Directors shall request the next owner (e.g. initially the third-largest owner) to appoint an owner representative within one week of such request. The procedure shall be continued until the Nominating Committee consists of three members.

If there is a significant change in ownership six weeks prior to the annual general meeting, a new owner representative shall be elected. The Chairman shall then contact the one of the two largest shareholders who does not have an owner representative and ask him to appoint one. The new owner representative shall replace the previous member of the Nomination Committee who no longer represents one of the two largest shareholders.

The Nominating Committee shall appoint the Chairman of the Nomination Committee. The Chairman of the Nomination Committee shall not be the Chairman or any other members of the Board of Directors. The term of office of the appointed Nominating Committee shall run until a new Nomination Committee has been appointed.

The composition of the Nomination Committee for the annual general meeting 2017 was announced in a press release on November 23, 2017 and is as follows:

Name/Represented	Share of votes December 31, 2017	Share of votes September 30, 2017
Søren Skjærbæk (Chair) Partner at Saxo Lawyers, Vejle, Denmark. Appointed by Jørgen Drejer	10.8%	10.8%
John Haurum CEO of F-star Biotechnology Limited Cambridge, UK Appointed by Thomas Feldthus	8.6%	8.6%
Claus Bræstrup*) Chairman of Saniona AB's Board	3.4%	3.4%
Total	22.8%	22.8%

* On January 19, 2018, the extraordinary shareholders' meeting resolved, in accordance with the proposal from the Nomination Committee, to elect J. Donald deBethizy as new board members and new chairman of the board of directors.

In 2017/18, the Nomination Committee held two (2016/17: one) meeting and also maintained contact by telephone. As a basis for its work, the Nomination Committee has taken note of the Chairman's presentation of the Board's work.

The Nomination Committee has prepared proposals to the Extraordinary General Meeting Held on January 19, 2018 and the Annual General Meeting, including proposals for Board members, remuneration to Board and Committee members, proposals for auditors and fees to the auditors and the Chairman for the AGM. When preparing its proposals, the Nomination Committee, has applied paragraph 4.1 of the Code as Diversity Policy.

Shareholders who would like to submit proposals to the Nomination Committee can do so via e-mail to tf@saniona.com marked "Recommendation to the Nomination Committee" or by ordinary mail to the address: Saniona AB, Att. Thomas Feldthus, Baltorpvej 157, DK-2750 Ballerup, Denmark.

BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body under the annual general meeting. Pursuant to the company's articles of association, the Board of Directors shall be composed of not less than three and not more than eight ordinary members with not more than two deputy members.

The Board is responsible for the company's organisation and management of the company's affairs, for example by setting objectives and strategy, establish routines and systems for monitoring of the established objectives, continuously assess the company's financial position and evaluate the operational management. Furthermore, it is the Board's responsibility to ensure that accurate information is provided to the company's stakeholders, that the company complies with laws and regulations and that the company develops and implements internal policies and ethical guidelines. The Board also appoints the CEO and determines the salary and other remuneration to the latter on the basis of the guidelines adopted by the general meeting.

The work of the Board of Directors is regulated by applicable legislation and recommendations, and by the Board of Directors' rules of procedure, which are adopted annually. The rules of procedure contain stipulations

regulating the division of responsibilities between the Board of Directors and the CEO, financial reporting and audit matters. At the Board meeting, following election, the Board of Directors adopts other requisite rules of procedure, policies and guidelines that form the basis for the Company's internal regulatory framework.

Composition of the Board

Members of the Board of Directors are to be appointed for a period extending no longer than to the end of the next annual general meeting.

The Board of the company shall comprise at least three, and not more than eight, members. Following the annual general meeting 2017, the Board consisted of four members, all of whom were re-elected at the AGM on May 23, 2017. On January 19, 2018, the extraordinary shareholders' meeting resolved, in accordance with the proposal from the Nomination Committee, to elect J. Donald deBethizy and Anna Ljung as new ordinary board members for the period up until the next annual shareholders' meeting alongside the board members elected at the annual shareholders' meeting held on May 23, 2017.

Consequently, the Board consist of six members at the time of the publication of this report. One of current board members is a woman and five are men. The company will continue to pursue a better gender balance. For more information about the Board, see Board of Directors.

Independence

The company complies with the Swedish Corporate Governance Code such that the majority of the board members elected at the annual general meeting are independent of the company and management, and that at least two of them are independent in relation to the larger shareholders. In 2017, three of the four board members were independent of the company, management and major shareholders. The new board members, J. Donald deBethizy and Anna Ljung, elected at the extraordinary shareholders meeting on January 19, 2018, are both independent of the company, management and major shareholders.

Chairman of the Board

The Chairman represents the Board of Directors externally and internally. The Chairman leads the Board's work, monitors the work and assumes responsibility for the Board completing its duties according to applicable legislation, the Articles of Association, the Swedish Code of Corporate Governance and the Board of Director's rules of procedure.

The Chairman shall monitor the company's progress through contact with the CEO, consult with the CEO on strategic matters and ensure that strategic considerations are recorded and addressed by the Board of Directors. The Chairman shall also ensure that the Board of Directors, through the CEO's agency, receives information on the company on an ongoing basis to enable analysis of the company's position.

The Chairman is responsible for contacts with the shareholders regarding ownership issues and communicate shareholders' views to the Board.

Evaluation of the work of the Board of Directors

The Board evaluates the work of the Board at least annually. The work is evaluated along various parameters such as whether the number of board meetings and their duration are appropriate, the quality of the board

material, whether the agenda items are relevant and comprehensive, the preparedness and performance of individual board members, the composition of the Board and desirable experience of potential new board members, the role and performance of the chairman and the executive management. The conclusions are taken to minutes and shared with the Nomination Committee.

Number of meetings

The Board is to meet at least six times per year, usually in conjunction with the publication of interim and annual financial statements and the AGM. Additional meetings or teleconferences are convened as necessary. The Board carries out an in-depth strategic review of the operations during at least one board meeting each year.

The Board work in 2017

In 2017, the Board held a total of 10 meetings, of which 6 were scheduled and 4 were extra meetings. In addition, thereto, the Board has also at 11 occasions passed additional resolution through written resolutions. Saniona's CEO is member of the Board and Saniona's CFO participates in Board meetings. Other Saniona employees participates and present reports as needed.

February

Review and adoption of Year-end report, strategy matters, finance matters, Nasdaq listing resolution about internal audit

April

Review of Q1 report and general policies. Evaluation of systems for internal control. Review of draft corporate governance report

Questions related to the AGM including the Board's proposal regarding guidelines for compensation to senior management, finance matters, strategy matters

May

Adoption of Annual Report

Adoption of Q1 Interim Report

Review of general policies and listing prospectus, resolution about private placement and admission for trading on Nasdaq Stockholm Small Cap

Constitutional board meeting. Rules and procedure for the Board of Directors, Instruction for managing director, Instruction for financial Reporting, Rules and procedure for the Audit Committee, Rules of Procedure for the Remuneration Committee, Resolution to authorise Saniona's auditor to review Saniona's nine-month report, establishment of work plan for the Board in the coming period and appointing members of Board Committees, Determination on other policies and guidelines

June

Approval of listing prospectus, implementation of employee share option program

August

Adoption of Q2 Interim Report

Finance and strategy matters

September

Resolution on evaluation of the Board' work and the work of the managing director respectively, review and adoption of policies, finance and strategy matters

November

Adoption of Q3 Interim Report

Revision of business plan and guidelines for budget, finance matters, review of general policies

December

Adoption of the business plan and budget for the coming financial year including investment budget, review of policies, resolution on insurance for the Board, resolution on convertible note financing, resolution to call for extraordinary general meeting for election of new board members in accordance to recommendation from the Nomination Committee

	Elected	Independence	Audit Committee	Remuneration Committee	Attendance Board of Directors	Attendance Audit Committee	Attendance Remuneration Committee
Claus Bræstrup	2014	Yes	Chair	Chair	10/10	5/5	0/0
Leif Andersson	2014	Yes	Member	Member	10/10	5/5	0/0
Carl Johan Sundberg	2015	Yes	Member		10/10	5/5	
Jørgen Drejer	2014	¹⁾			10/10		
J. Donald deBethizy	2018	Yes	²⁾	²⁾	²⁾	²⁾	²⁾
Anna Ljung	2018	Yes	²⁾	²⁾	²⁾	²⁾	²⁾

1) Affiliated to the company, Management and major shareholders

2) On January 19, 2018, the extraordinary shareholders' meeting resolved, in accordance with the proposal from the Nomination Committee, to elect J. Donald deBethizy and Anna Ljung as new ordinary board members. J. Donald deBethizy was elected as new chairman of the board of directors and new chairman of the remuneration committee. Anna Ljung was elected as new chairman of the Audit Committee.

Board committees

The company has established two committees to support the Board, the Audit Committee and the Remuneration Committee. The Board has adopted rules of procedure for both committees.

THE AUDIT COMMITTEE

The Audit Committee is primarily to oversee the company's financial position, to monitor the effectiveness of the company's internal control, internal audit and risk management, to keep informed about the audit of the annual accounts and consolidated accounts as well as to review and monitor the independence of the auditor. The Audit Committee shall also assist the Nominating Committee in the proposal for a decision on the choice of and remuneration of the auditor. The Audit Committee consists of three members, all of whom are independent of management. In 2017, the Audit Committee was composed by Claus Bræstrup (Chairman), Carl Johan Sundberg and Leif Andersson. Following the extraordinary shareholders' meeting on January 19, 2018, the Audit Committee is composed by Anna Ljung (Chairman), Claus Bræstrup and Carl Johan Sundberg.

THE REMUNERATION COMMITTEE

The Remuneration Committee is primarily proposing guidelines and principles for compensation and other terms of employment for the CEO and senior executives. The remuneration Committee shall also monitor and evaluate ongoing and completed application for variable compensation for executive management and monitor and evaluate the implementation of the guidelines for remuneration of senior executives that the annual general meeting decided on. In 2017, the Remuneration Committee consisted of two members, Claus Bræstrup (Chairman) and Leif Andersson, all of whom are independent of management. Following the extraordinary shareholders' meeting on January 19, 2018, the Remuneration Committee is composed by J. Donald deBethizy (Chairman), Claus Bræstrup and Carl Johan Sundberg.

CHIEF EXECUTIVE OFFICER AND OTHER SENIOR MANAGERS

The CEO is appointed by the Board of Directors. The CEO's work follows the written instructions adopted annually by the Board of Directors at the Board meeting following election.

The instructions for the CEO regulates customary areas such as the CEO's undertaking in relation to the company and the Board of Directors, including responsibility for presenting expedient reports to the Board of Directors relevant to the Board's completion of its evaluation of the company. The CEO shall ensure that ongoing planning, including business plans and budgets, is completed and presented to the Board of Directors for resolution.

The CEO shall exercise good leadership in the management of operations to ensure that the company progresses according to plan and follows the strategies and policies adopted. When departure from these plans and special events of a significant nature are feared, the CEO must inform the Board of Directors through the Chair immediately. The CEO shall ensure that the company's operations, including its administration, are organized so that they satisfy market requirements, and shall ensure efficient and secure organizational control of operations.

Within the framework of the directives provided by the Board of Directors for the company's operations, management deals with consultation regarding, and monitoring of, strategies and budgets, the distribution of resources, the monitoring of operations and preparation for board meetings.

In addition to the CEO, executive management consists of Saniona's CFO and CSO. Information about executive management, see Board of Directions and Management and Auditors below.

For information about salaries and remuneration of the CEO and senior executives, see the table under remuneration below and Note 9.

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Annual General Meeting resolves on remuneration to the Chair of the Board and other board members. The Annual General Meeting also resolves on guidelines for remunerating the CEO and other senior executives.

At the Annual General Meeting on May 23, 2017, it was resolved that board members, who are not co-founders of Saniona AB, shall be entitled to a directors' fee of SEK 110 000 SEK. This means that directors' fees were only to be paid to Carl Johan Sundberg. At the extraordinary general meeting on January 19, 2018, it was resolved that board remuneration shall be paid with SEK 68,750 to J. Donald deBethizy in capacity as the chairman of the Board of Directors for the time period up until the next annual shareholders' meeting (corresponding to a yearly remuneration of SEK 275,000) and with SEK 27,500 to Anna Ljung for the time period up until the next annual shareholders' meeting (corresponding to a yearly remuneration of SEK 110,000). A separate remuneration of SEK 7,500 shall be paid to Anna Ljung in capacity as the chairman of the Audit Committee for the time period up until the next annual shareholders' meeting (corresponding to a yearly remuneration of SEK 30,000).

At the Annual General Meeting on May 23, 2017, it was decided that the following guidelines should apply for remuneration of executive officers. In general, Saniona shall offer a remuneration that enables the company to recruit and retain executive officers. The remuneration to executive officers shall consist of a basic salary and other customary benefits as may be

considered reasonable in relation to market practices. The executive officers shall be offered a fixed salary based on the individual's work duties, expertise, position, responsibilities, performances and other considerations. Salary shall be determined per calendar year with salary revision on 1 January each year. Saniona shall not offer a variable remuneration or any separate pension benefits to the executive officers. Certain part of the executive officer's salary, however, may be allocated to pension provisions. The amount of such pension provisions may be decided by the executive officer. The notice period shall be 6 months from both Saniona and the executive officers. However, an adjusted notice period may be applied for the managing director and the CFO during an initial period of six months after a transaction with the outcome that a majority shareholding in Saniona or Saniona A/S has been acquired by one or more persons. The adjustment shall mean that the notice period, upon termination by Saniona, may be extended to twelve months immediately after the relevant change in ownership. Apart from the salary, there shall not be any severance pay during the notice period. The Board of Directors is entitled to deviate from the above guidelines if the Board considers there are special reasons to justify such departure in individual cases. The Board of Directors has proposed that the Annual General Meeting to be held on May 27, 2018, should resolve on essentially unchanged guidelines for remuneration to apply until the Annual General Meeting in 2019.

The remuneration to the Board of Directors and executive officers is set out below.

Salaries and remuneration for the year 2017 Group and Parent Company

KSEK	Board fee	Basic salary	Pension costs	Share based payment	Social security expenses	Other staff expenses	Total
Claus Bræstrup, Chairman**	-	-	-	-	-	-	-
Leif Andersson, Board member	-	-	-	-	-	-	-
Carl Johan Sundberg, Board member*	133	-	-	-	-	-	133
Jørgen Drejer, CEO and Board member*	-	1,125	-	-	3	45	1,173
Thomas Feldthus, CFO	-	1,696	170	-	3	45	1,914
Palle Christophersen, CSO	-	1,161	-	-	3	45	1,209
Total, CEO, CFO and CSO	-	3,982	170	-	9	135	4,296
Other Employees (average 21.1)	-	15,466	1,408	359	65	944	18,242
Total	133	19,448	1,578	359	74	1,079	22,671

*The board fee to Carl Johan Sundberg and the salary to Jørgen Drejer relates to fee and salaries in the Parent Company

** On January 19, 2018, the extraordinary shareholders' meeting resolved, in accordance with the proposal from the Nomination Committee, to elect J. Donald deBethizy and Anna Ljung as new ordinary board members. J. Donald deBethizy was elected as new chairman of the board of directors.

The Board of Directors and Executive Management have no option in the Company as of December 31, 2017. Please see note 9 for additional details regarding employment terms and conditions for the Board and senior management.

AUDITORS

Saniona's auditor is the auditing firm Deloitte AB, with Authorised Public Accountant Elna Lembrér Åström as auditor in charge.

Deloitte has been Saniona's auditor since the formation of the Group in 2014. At the annual general meeting on May 23, 2017, Deloitte was elected as auditor until the end of the 2018 Annual General Meeting.

The external auditors discuss the external audit plan and risk management with the Audit Committee. In 2017, the auditors performed a review of the interim report for the third quarter and audited the annual accounts and consolidated financial statements. The auditors also express an opinion on whether this Corporate Governance Report has been prepared in accordance with, and whether certain disclosures herein are consistent with, the annual accounts and consolidated financial statements.

The auditor's report the results of their audit of the annual accounts and consolidated financial statements, their review of the Corporate Governance Report in the auditor's report, and a separate opinion on the Corporate Governance Report, in a presentation to the Annual General Meeting. In addition, the auditors present detailed findings from their reviews to the Audit Committee and to the Board of Directors in its entirety once per year.

For information regarding fees for the company's auditors, see Note 8.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING

The Board of Directors is ultimately responsible for the internal control of the company. The responsibility is governed by the Swedish Companies Act, the Swedish Annual Reports Act and the Swedish Corporate Governance Code. The Board of Directors is required to ensure that Saniona has sufficient formalized procedures for ensuring compliance with established principles for financial reporting and internal control. The procedures for internal control with respect to financial reporting have been designed to ensure reliable and accurate reporting in accordance with IFRS, applicable laws and regulations as well as other requirements, which apply to companies listed on Nasdaq Stockholm. Saniona has decided to adopt the COSO-framework as a basis of internal control over financial reporting. The framework consists of the following five components: control environment, risk assessment, control activities, information and communication and monitoring.

Control environment

The control environment constitutes the basis of Saniona's internal control. The control environment comprises a clear organizational structure, decision-making processes, powers and responsibilities that are documented and communicated in governing documents. The guidelines for Saniona's business activities include the following:

- Rules and procedure for the Board of Directors and the instruction to the CEO;
- Saniona's business model, vision, strategies, objectives, business plans and values;
- Saniona's Code of Conduct;
- Organisational structure and descriptions of positions; and
- Administrative processes, guidelines and instructions such as powers, authorisation instructions, risk policy, finance policy, instruction for financial reporting and the finance manual.

The governing documents such as internal policies, guidelines and instructions relating to financial reporting have been adopted by the Board of Directors to ensure an effective control environment.

In accordance with the instruction to the CEO, the CEO shall keep the Board of Directors continuously informed about the development of the company's operations, profit/loss and financial position as well as other events which are likely to be significant to the company and its shareholders. The CEO is also responsible for preparing reports and compiling information from management before board meetings and to present the material at board meetings.

The CFO is responsible for ensuring that internal controls are performed and obeyed and that there is a continuous work with the aim of strengthening the internal control in financial reporting. The responsibility and duties of the CFO, among other things in this regard, are regulated in detail in the company's finance policy, instruction for financial reporting and the financing manual.

The Audit Committee is responsible for ensuring that the internal control regarding financial reporting and reporting to the Board of Directors is effective. The Audit Committee performs quarterly reconciliations with the company's CFO. In addition, The Audit Committee reviews and evaluates also Saniona's internal control annually.

Risk assessment

At least once a year the CFO conducts an overall risk assessment in order to assess the risk exposure in Saniona with regards to financial reporting, as well as identify potential problem areas. The risks assessment includes identifying risks that may arise if the fundamental standards of financial reporting in Saniona are not satisfied. A review takes place to ensure that the company has an infrastructure that enables effective and expedient control, and an assessment of the company's financial position and significant financial, legal and operational risks.

On an annual basis the CFO conducts an operational risk assessment in order to identify and analyse relevant events and risks that could have a negative impact on Saniona's ability to achieve its set goals.

Control activities

To ensure that business is conducted efficiently, and that financial reporting gives a fair and accurate picture on each reporting date, control activities are implemented to treat risks at all levels of the organisation. Control activities include manuals, processes and policies that ensure that directives and decisions are implemented.

The aim of the control activities is to prevent and detect errors and irregularities with regards to the financial reporting, and to propose subsequent corrective actions should any such irregularities occur. Activities include analytical monitoring and comparison of financial performance; account reconciliation; monitoring, approval and reporting of business transactions and partnership agreements, policies and procedures, mandate and authorisation instructions, as well as accounting and valuation principles.

The CFO is responsible for maintaining internal controls and ensuring that this is developed as necessary. The CFO monitors the operations through a variety of control measures, such as forecasts and budgets, profit/loss and balance sheet analyses and reconciliations. The result of this work is reported to the Audit Committee and/or the Board of Directors.

Saniona's VP of Finance is responsible for the recording and accounting of financial transactions and ensuring that the performed transactions follow the established signatory powers and authorization powers. The VP of Finance review the project costs and activities together with project and line management on quarterly basis. Furthermore, a number of control activities are carried out on monthly basis in order to further detect and correct errors and deviations. The results are presented to the CFO on monthly basis.

Information and communication

The company has information and communication paths intended to promote the accuracy of financial reporting and ensure reporting and feedback from operations to the Board of Directors and management. The information and communication procedures are described in a number of governing documents such as internal policies, guidelines and instructions relating to financial reporting. These documents are made available at the company's common IT-drives and presented to the relevant employees.

In addition to written information, news, risk management and control results are orally communicated and discussed in physical meetings. Meetings are held within the company in the Saniona Management Group

as well as at meetings in which all employees participate. The Board of Directors receives quarterly financial updates relating to the company's financial position and performance.

To ensure timely communication of relevant, reliable and accurate information concerning Saniona's development and financial status to the market, the company has established procedures for providing external information and financial reporting. The information policy and the procedures contain, among other things, a description of the roles and tasks of the employees, finance department, executive management and Board as well the procedures in relation to publication of financial reports and press releases.

All financial reports and press releases are published on the company's website and forwarded to the Board of Directors and all employees in connection with the publication.

Monitoring

The Board of Directors and the Audit Committee decide on the forms of monitoring activities of internal controls. The CFO is responsible for ensuring that internal controls are maintained in accordance with the Board of Directors' and the Audit Committee's decisions.

The Board of Directors is regularly updated on the company's financial position and profit/loss against budget as well as on development projects in relation to the relevant project budgets. The CEO and CFO present a written report at each regular board meeting, or when the need arises.

The Audit Committee monitors the audit of internal controls. The company's external auditors personally report their observations and assessment of internal controls to the Audit Committee.

INTERNAL AUDIT

In view of the Company's size, with relatively few employees, and the scope of transactions, in which most significant transactions are similar in character and relatively uncomplicated, Saniona has not found it necessary to establish a formal internal audit function but has chosen to conduct monitoring and the annual evaluation of compliance with the internal control and risk management related to financial reporting through the existing organisation. The Board of Directors and Audit Committee perform an annual assessment whether there is a need for an internal audit function.

Board of Directors



J. DONALD deBETHIZY (born 1950)

Chairman of the Board since 2018

Education: Ph.D. and M.Sc. in Toxicology from Utah State University and a B.Sc. in Biology from the University of Maryland

Other assignments: Chairman of the Board of Saniona A/S. President of White City Consulting ApS and board member of Albumedix A/S, argenx N.V. (ARGX BF), Newron Pharmaceuticals SpA (NWRN.SWX), Noxxon Pharma NV (ALNOX.EN Paris) and Proterris, Inc.

Previous assignments: President and CEO of Santaris Pharma A/S. Executive Chairman of Contera Pharma ApS. Member of the board of Asceneuron SA, Biosource Inc., Enbix Inc., LigoCyte Pharmaceuticals Inc., Rigontec GmbH, Serendex Pharmaceuticals A/S and Targacept Inc. He was also the Co-Founder and CEO of Targacept, Inc., a NASDAQ-listed U.S. biotechnology company from 1997-2012

No. of shares: 0 (0)

Non-affiliated to the management, the company and major owners



JØRGEN DREJER (born 1955)

Board member and CEO of Saniona AB since 2014 and co-founder of the company

Education: PhD in neurobiology

Other assignments: Member of the Board and CEO of Saniona A/S. Member of the Board of Directors of Ellegaard Göttingen Minipigs ApS

Previous assignments: Executive Vice President, Research Director and co-founder of NeuroSearch A/S. Chairman of the Board of Delta Reader A/S. Member of the Board of Directors of Atonomics A/S, Delta, NSGene A/S, Origio A/S, Poseidon Pharmaceuticals A/S, Zgene A/S, Aktieselskabet af 20. November 2003 and Azign Bioscience A/S

No. of shares: 2,344,711 (2,344,711) privately owned

Affiliated to the management, the company and major owners



ANNA LJUNG (born 1980)

Member of the Board and chairman of the Audit Committee since 2018

Education: M.Sc. in Economics and Business Administration from the Stockholm School of Economics

Other assignments: Member of the Board of Saniona A/S. CFO of Moberg Pharma AB

Previous assignments: CFO of Athera Biotechnologies AB, CFO of Lipopeptide AB and independent consultant in the field of technology licensing

No. of shares: 0 (0)

Non-affiliated to the management, the company and major owners

**CLAUS BRÆSTRUP** (born 1945)

Member of the Board since 2014, chairman and Board in the period 2014 - 2018 and cofounder of the company

Education: Doctor of Medicine and graduate in biochemistry

Other assignments: Member of the Board of Saniona A/S. Board member of Bavarian Nordic A/S, Evolva Holding SA and Evotec AG., CEO of Kastan Aps

Previous assignments: CEO of H. Lundbeck A/S, Executive Vice President for Research and Development of H. Lundbeck A/S. CEO of Nordic Biotech General Partner II ApS. Chairman of the Board of Directors of Probiodrug AG. Member of the Board of Santaris Pharma A/S and Gyros AB

No. of shares: 735,700 (735,700) privately owned

Non-affiliated to the management, the company and major owners

**LEIF ANDERSSON** (born 1957)

Member of the Board since 2014

Education: Trained journalist

Other assignments: Member of the Board of Saniona A/S. Chairman of the Board of Sensitivus Gauge ApS. CEO of Leif Andersson Consulting ApS

Previous assignments: CEO of Sensitivus ApS. Chairman of the Board of KANMalmö AB. Board member of Grayling and Citigate Norden AB. Co-founder of Sund Kommunikation AB

No. of shares: 1,003,437 (1,003,437) through companies

Non-affiliated to the management, the company and major owners

**CARL JOHAN SUNDBERG** (born 1958)

Member of the Board since 2015

Education: MD

Other assignments: Member of the Board of Saniona A/S. Professor at the Department of Physiology & Pharmacology at Karolinska Institutet, Stockholm, Sweden. Board member of Karolinska Development AB, Cobra Biologics Holding AB, Arne Ljungqvist Anti-doping Foundation AB and Medkay Konsulting AB, bolagsman in Medkay Konsulting HB. Head of research at the Unit for Bio entrepreneurship at Karolinska Institutet, member of the International Olympic Committee's Medical Commission and an elected member of the Royal Swedish Academy of Engineering Sciences (IVA)

Previous assignments: Board member of Alfa Rehab Holding AB, KI Management AB, KI Management Partners AB and NSGene A/S

No. of shares: 0 (0)

Non-affiliated to the management, the company and major owners

Management



JØRGEN DREJER (born 1955)

Board member and CEO of Saniona AB since 2014 and co-founder of the company

Education: PhD in neurobiology

Other assignments: Member of the Board and CEO of Saniona A/S. Member of the Board of Directors of Ellegaard Göttingen Minipigs A/S

Previous assignments: Executive Vice President, Research Director and co-founder of NeuroSearch A/S. Chairman of the Board of Delta Reader A/S. Member of the Board of Directors of Atonomics A/S, Delta, NSGene A/S, Origio A/S, Poseidon Pharmaceuticals A/S, Zgene A/S, Aktieselskabet af 20. November 2003 and Azign Bioscience A/S

No. of shares: 2,344,711 (2,344,711) privately owned



THOMAS FELDTTHUS (born 1960)

CFO of Saniona AB since 2014, EVP since 2015 and co-founder of the company

Education: M.Sc. in Engineering, M.Sc. in Management (MBA, Sloan Fellow)

Other assignments: CFO of Saniona A/S. CEO of Fertilizer Invest ApS

Previous assignments: CFO and co-founder of Symphogen A/S

No. of shares: 1,870,000 (1,870,000) privately owned



PALLE CHRISTOPHERSEN (born 1958)

CSO and Saniona AB since 2014 and co-founder of the company

Education: Ph.D. in physiology

Other assignments: CSO of Saniona A/S

Previous assignments: Vice President and member of the NeuroSearch A/S VP management group. Director of in Vitro Pharmacology, NeuroSearch A/S

No. of shares: 820,000 (820,000) privately owned

Auditors' report on the Corporate Governance Statement

To the general meeting of the shareholders in Saniona AB (publ),
corporate identity number 556962-5345

This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the corporate governance statement for the financial year 2017-01-01 - 2017-12-31 on pages 1-12 (Annual Report 2017 pages 76-88) and that is has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINION

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, April 26, 2018

Deloitte AB

Elna Lembrér Åström
Authorised Public Accountant



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