

Corporate Governance Report

2018



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 and eating disorders. 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 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 in accordance with RevU16.

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 of the Swedish Companies Act, the regulations and recommendations resulting from the Nasdaq Stockholm's Rule Book for Issuers, the Code, as well as generally accepted practices in the stock market. Saniona did not depart from the Code in 2018.

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 generally accepted accounting practices on the stock market in the 2018 fiscal year.

OWNERSHIP STRUCTURE, SHARE CAPITAL AND VOTING RIGHTS

At December 31, 2018, Saniona had 5,569 (5,195) shareholders, excluding holdings in life insurance and foreign custody account holders. The company's CEO, Jørgen Drejer, was the largest shareholder with 10.1 percent (10.8) of the share capital and voting rights. The ten largest shareholders jointly accounted for 42.9 percent (46.3) 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 totaled SEK 1,166,284 divided among 23,324,413 shares as of December 31, 2018. In 2017, Saniona's share capital totaled SEK 1,088,126 divided among 21,762,520 shares. There is only a single share class. All shares have a quotient value of SEK 0.05 and confer one vote and 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 a dividend on net income and internally 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 within the foreseeable future.

The Board of Directors proposes that no dividend be distributed for the 2018 fiscal year.

AUTHORIZATION FOR THE BOARD OF DIRECTORS REGARDING NEW ISSUES

At the Annual General Meeting held on May 24, 2018, it was resolved to authorize the Board of Directors, on one or several occasions during the time up until the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, to decide to issue shares and/or convertibles. 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 shall not exceed 20 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 and to enable new issues to industrial partners within the framework of partnerships and alliances.

In case the authorization is used for issues of convertibles, such issue must only be made within the financing agreement that the company on 29 December 2017 entered with Nice & Green S.A. ("N&G") and

the total number of shares that may be issued upon conversion of convertibles issued thereunder shall not exceed 12,000,000 shares. The conversion rate shall be determined in accordance with the provisions in the financing agreement with N&G, which stipulate that the conversion rate for convertibles issued to N&G shall amount to the higher of SEK 6 and 92 percent of the lowest daily volume weighted average price for the company's share during the five trading days preceding the day of the conversion request. Due to issue-technical reasons, each issue resolution regarding convertibles must stipulate a minimum conversion rate, which pursuant to the financing agreement with N&G is stipulated to be SEK 6. At each issue resolution, this minimum conversion rate forms the basis for the maximum numbers of shares that may be issued upon conversion of issued convertibles. Each tranche of convertibles under the financing agreement amounts to SEK 6,000,000 and the stipulated maximum number of shares of 12,000,000 thereby enables the company to draw 12 tranches under the financing agreement with N&G prior to the next annual shareholders' meeting. It should, however, be noted that as long as 92 percent of the lowest daily volume weighted average price of the company's share during the five trading days preceding the day for the conversion request exceeds SEK 6, the conversion rate so calculated will be applied and the number of shares issued at conversion will then be lower than the maximum number as per the above. For further information regarding the financing agreement with N&G, please refer to the company's press release issued on 29 December 2017.

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 provide 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 so that they 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:

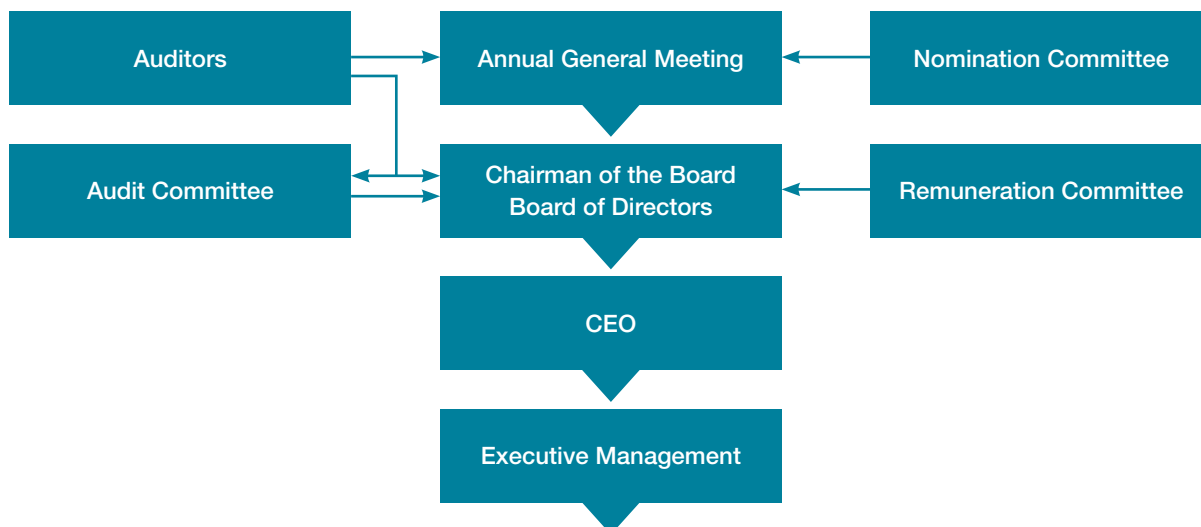
External Regulations

- 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 of 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
- GDPR Policy

Saniona's corporate governance structure is presented in the figure below and further described in the following subsections.



ANNUAL GENERAL MEETING

The shareholders' rights to decide on the company's affairs is exercised at a general meeting of shareholders (Annual General Meeting and Extraordinary General Meeting), which is the highest decision-making body. For example, the general meeting resolves on amendments to the Articles of Association, election of Members of the Board and Auditors, adoption of the income statement and balance sheet, the discharge of the Board of Directors and the CEO from personal responsibility, appropriation of the profit or loss, the principles for the establishment of a Nominating Committee and 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 includes 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 the Swedish daily newspaper Svenska Dagbladet.

To participate in the general meeting, shareholders must 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 2018

The Annual General Meeting for 2018 was held on May 24, 2018 in Malmö. The meeting was attended by 5 (10) shareholders, in person or by proxy, representing about 24 percent (25) of the total voting rights. Lawyer Ola Grahn was elected as Chairman of the meeting. The AGM passed the following resolutions:

- Re-election of J. Donald deBethizy, Claus Bræstrup, Jørgen Drejer, Anna Ljung and Carl Johan Sundberg as ordinary Board members. J. Donald deBethizy was also re-elected as Chairman of the Board. It was noted that Leif Andersson had declined re-election.
- Re-election of Deloitte AB as the auditing firm. It was noted that Deloitte AB had informed that Jeanette Roosberg will be the auditor in charge.
- Remuneration of the Chairman of the Board, the Members of the Board and the auditor.
- Guidelines for remuneration of senior executives.

- Implementation of an employee option program for certain employees and key consultants in accordance with the Board of Directors' proposal.
- Implementation of option program for certain Members of the Board in accordance with the Nomination Committee's proposal.
- Authorization of the Board of Directors on one or several occasions, during the time up until the next annual shareholders' meeting, with or without deviation from the shareholders' preferential rights, to decide to issue shares, convertibles and/or warrants.
- Resolution on discharge from liability in relation to the company for the Members of the Board and the CEO for the 2017 fiscal year.
- Approval of instruction and charter for the Nomination Committee.
- Amendment of the Articles of Association in accordance with the Board of Directors' proposal.

The minutes and information from the Annual General Meeting 2018 are available on www.saniona.com.

Annual General Meeting 2019

The Annual General Meeting for 2019 will be held at Setterwalls Advokatbyrå AB's office at Stortorget 23, Malmö, Sweden on May 29, 2019 at 4 pm CET.

NOMINATION COMMITTEE

At the Annual General Meeting on May 24, 2018, it was resolved to adopt instructions and a charter for the Nomination Committee pursuant to which the Nomination Committee shall comprise three members, who should represent the two largest shareholders as of last September, together with the Chairman of the Board.

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 appointing a new member, the Chairman of the Board is to request the next owner in line (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 is to 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 must not be the Chairman or any other member of the Board. 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 2018 Annual General Meeting was announced in a press release on December 13, 2018 and is as follows:

Name/Represented	Share of votes December 31, 2018	Share of votes September 30, 2018
Søren Skjærbæk (Chair) Owner of Ursus law firm, Vejle, Denmark. Appointed by Jørgen Drejer	10.1%	10.3%
John Haurum Professional board member of life science companies and former CEO of F-star Biotechnology Limited Cambridge, UK Appointed by Thomas Feldthus	8.0%	8.2%
J. Donald deBethizy Chairman of Saniona AB's Board	-	-
Total	18.1%	18.5%

In 2018/19, the Nomination Committee held one (2017/18: two) 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 Annual General Meeting, including proposals for Board members, remuneration of Board and Committee members, proposals for auditors and fees to the auditors and the Chairman of the AGM. When preparing its proposals, the Nomination Committee has applied paragraph 4.1 of the Code as its 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, Attn. 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.

The Board is responsible for the company's organization and management of the company's affairs, for example by setting objectives and strategy, establishing procedures and systems for monitoring of the established objectives, continuously assessing the company's financial position and 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 of the latter based on 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 statutory Board meeting, the Board of Directors adopts other requisite rules of procedure, policies and guidelines that form the basis of the company's internal regulatory framework.

Composition of the Board

Members of the Board are to be appointed for a period extending no longer than to the end of the next Annual General Meeting.

Pursuant to the company's articles of association, the Board of Directors shall be composed of not fewer than three and not more than eight ordinary members. Following the 2018 Annual General Meeting, the Board consisted of five members, all of whom were re-elected at the AGM on May 24, 2018.

One of the current board members is a woman and four are men. The company will continue to pursue the objective of achieving 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 major shareholders. In 2018, four of the five Board members were 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, consultation with the CEO on strategic matters and by ensuring that strategic considerations are recorded and addressed by the Board of Directors. The Chairman is also to 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 for communicating the 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 included in the 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's work in 2018

In 2018, the Board held a total of 9 (10) meetings, of which 6 were scheduled and 3 (4) were unscheduled meetings. In addition, the Board passed additional resolutions on 11 (11) occasions through written resolutions. Saniona's CEO is member of the Board and Saniona's CFO participates in Board meetings. Other Saniona employees participate and present reports as needed.

February

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

April

Adoption of Corporate Governance Report and Annual report. Questions related to the AGM, including the Board's proposal regarding guidelines for remuneration of senior management.

May

Adoption of Q1 Interim Report. Review of general policies. Strategy and finance matters.

Statutory Board meeting. Rules and procedure for the Board of Directors, Instruction for the CEO, Instruction for financial Reporting, Rules of Procedure for the Remuneration Committee, Resolution to authorize Saniona's auditor to review Saniona's nine-month report, establishment of a work plan for the Board in the period ahead and appointing members of Board Committees. Determination on other policies and guidelines.

July

Implementation of share option program.

August

Adoption of Q2 Interim Report. Strategy matters, business plan and finance matters. Review of rules and procedure for the Audit Committee.

November

Adoption of Q3 Interim Report. Strategy and finance matters, revision of business plan and guidelines for budget. Review of the company's insurance coverage including insurance for the Board. Evaluation of the Board' work and the work of the CEO, respectively. Review of general policies.

December

Adoption of the business plan and budget for the coming fiscal year including investment budget. Resolution on allotment of shares.

	Elected	Independence	Audit Committee	Remuneration Committee	Attendance Board of Directors	Attendance Audit Committee	Attendance Remuneration Committee
J. Donald deBethizy	2018	Yes		Chair	9/9		2/2
Anna Ljung	2018	Yes	Chair		9/9	6/6	
Claus Bræstrup	2014	Yes	Member	Member	9/9	6/6	2/2
Jørgen Drejer	2014	¹⁾			9/9		
Carl Johan Sundberg	2015	Yes	Member	Member	9/9	6/6	
Leif Andersson ²⁾	2014	Yes			5/5		2/2

1) Affiliated to the company, Management and major shareholders

2) At the AGM on May 24, 2018, Leif Andersson stepped down from the Board of Directors

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 main task of the Audit Committee is to oversee the company's financial position, to monitor the effectiveness of the company's internal control, internal audit and risk management, to keep itself informed of the audit of the annual accounts and consolidated accounts and to review and monitor the independence of the auditor. The Audit Committee is also to 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 2018, the Audit Committee was composed of Anna Ljung (Chairman), Claus Bræstrup and Carl Johan Sundberg.

THE REMUNERATION COMMITTEE

The Remuneration Committee is to primarily propose guidelines and principles for remuneration and other terms of employment of the CEO and senior executives. The Remuneration Committee is also to monitor and evaluate ongoing and completed application for variable remuneration of executive management and monitor and evaluate the implementation of the guidelines for remuneration of senior executives as resolved by the Annual General Meeting. In 2018, the Remuneration Committee consisted of 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 statutory Board meeting.

The instructions for the CEO regulate 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 is to 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 is feared, the CEO must immediately inform the Board of Directors through the Chairman. The CEO is to ensure that the company's operations, including its administration, are organized so that they satisfy market requirements, and 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. For information about executive management, see Board of Directors 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 of the Chairman 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 24, 2018 it was resolved that the Board members who are not co-founders of Saniona AB will be entitled to a Board fee. Furthermore, it was resolved that the Board be remunerated so that SEK 275,000 is paid to the Chairman of the Board and SEK 110,000 to each of Anna Ljung and Carl Johan Sundberg. Finally, it was resolved that remuneration for committee work will be paid in an amount of SEK 30,000 to the Chairman of the Audit Committee. No additional remuneration shall be paid for other committee work.

At the Annual General Meeting on May 24, 2018, it was resolved that the following guidelines should apply for remuneration of senior executives. In general, Saniona shall offer remuneration that enables the company to recruit and retain senior executives. The remuneration of senior executives is to consist of a basic salary and other customary benefits as may be considered reasonable in relation to market practices. The senior executives are to be offered a fixed salary based on the individual's work duties, expertise, position, responsi-

bilities, performances and other considerations. Salary is to be determined per calendar year with salary revision on January 1 each year. Saniona shall not offer a variable remuneration or any separate pension benefits to the senior executives. However, a certain part of the senior executive's salary may be allocated to pension provisions. The amount of such pension provisions may be decided by the senior executive. The notice period shall be six months from both Saniona and the senior executives. However, an adjusted notice period may be applied for the CEO 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 will 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, no severance pay is to be defrayed 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 29, 2019, resolve on essentially unchanged guidelines for remuneration to apply until the Annual General Meeting in 2020.

The remuneration of the Board of Directors and senior executives is set out below.

Salaries and remuneration for 2018 Group and Parent Company

KSEK	Board fee	Basic salary	Pension costs	Share-based payment	Social security expenses	Other staff expenses	Total
J. Donald deBethizy, Chairman*	275	-	-	878	-	-	1,153
Claus Bræstrup, Board member	-	-	-	-	-	-	-
Carl Johan Sundberg, Board member*	110	-	-	-	35	-	145
Anna Ljung, Board member*	140	-	-	-	44	-	184
Jørgen Drejer, CEO and Board member*	-	1,656	-	-	5	26	1,687
Thomas Feldthus, CFO	-	1,973	197	-	5	26	2,201
Palle Christophersen, CSO	-	1,316	-	-	5	26	1,347
Total CEO, CFO and CSO	0	4,945	197	0	15	78	5,235
Other employees	-	14,756	1,512	608	99	527	17,502
Total	525	19,701	1,709	1,486	193	605	24,219

*The Board fees to J. Donald deBethizy, Carl Johan Sundberg and Anna Ljung and the salary to Jørgen Drejer relate to fee and salaries in the Parent Company

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 Authorized Public Accountant Jeanette Roosberg 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 24, 2018, Deloitte was elected as auditor until the end of the 2019 Annual General Meeting.

The external auditors discuss the external audit plan and risk management with the Audit Committee. In 2018, 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 enough 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 that apply to companies listed on Nasdaq Stockholm. Saniona has decided to adopt the COSO framework as a basis of internal control of 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;
- Organizational structure and descriptions of positions; and
- Administrative processes, guidelines and instructions such as powers, authorization 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 is to 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 that 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 continuous work is conducted to strengthen the internal control of financial reporting. The responsibility and duties of the CFO, inter alia, 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 Saniona's internal control annually.

Risk assessment

At least once a year, the CFO conducts an overall risk assessment to assess the risk exposure in Saniona with regards to financial reporting, as well as identify potential problem areas. The risk 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 to identify and analyze 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 impression on each reporting date, control activities are implemented to address risks at all levels of the organization. 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 authorization instructions, as well as accounting and valuation principles.

The CFO is responsible for maintaining internal controls and ensuring that they are developed as necessary. The CFO monitors the operations through a variety of control measures, such as forecasts and budgets, income statement 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 financial transactions and ensuring that the performed transactions comply with the established signatory powers and authorization powers. The VP of Finance reviews the project costs and activities together with project and line management on quarterly basis. Furthermore, several control activities are carried out on monthly basis 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 several governing documents such as internal policies, guidelines and instructions relating to financial reporting. These documents are made available in company-wide 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 at 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 include 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 their 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 organization. The Board of Directors and Audit Committee perform an annual assessment of 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, Chairman of the Boards of Albumedix A/S and Noxxon Pharma NV (ALNOX.EN Paris), board member of argenx N.V. (ARGX BR), Newron Pharmaceuticals SpA (NWRN.SWX) 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., Enbiotix Inc., LigoCyte Pharmaceuticals Inc., Rigontec GmbH, Serendex Pharmaceuticals A/S, Targacept Inc. and Albumedix A/S. 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)

No. of warrants: 217,625 (0)

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



JØRGEN DREJER (born 1955)

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

Education: Ph.D. in neurobiology

Other assignments: Member of the Board and CEO of Saniona A/S. Member of the Board of 2CureX AB.

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 Atonomics A/S, Delta, NsGene A/S, Origio A/S, Poseidon Pharmaceuticals A/S, Zgene A/S, Azign Bioscience A/S, Ellegaard Göttingen Minipigs ApS and Monta Biosciences A/S

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

Affiliated to the management, the company and major shareholders



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)

No. of warrants: 4,000 (0)

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



CLAUS BRÆSTRUP (born 1945)

Member of the Board since 2014, Chairman and Board in 2014–2018 and co-founder of the company

Education: Doctor of Medicine and graduate in biochemistry

Other assignments: Member of the Board of Saniona A/S. Board member of Evotec AG and 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 Probiodrug AG. Member of the Board of Santaris Pharma A/S, Gyros AB, Bavarian Nordic A/S and, Evolva Holding SA

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

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



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 Institute, Stockholm, Sweden. Board member of Cobra Biologics Holding AB, Arne Ljungqvist Anti-doping Foundation AB and Medkay Konsulting AB, partner in Medkay Konsulting HB. Head of the Department of Learning, Informatics, management and Ethics at Karolinska Institute, 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, Karolinska Development AB and NsGene A/S

No. of shares: 0 (0)

No. of warrants: 4,000 (0)

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

Management



JØRGEN DREJER (born 1955)

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

Education: Ph.D. in neurobiology

Other assignments: Member of the Board and CEO of Saniona A/S. Member of the Board of 2CureX AB

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 Atonomics A/S, Delta, NsGene A/S, Origio A/S, Poseidon Pharmaceuticals A/S, Zgene A/S, Azign Bioscience A/S, Ellegaard Göttingen Minipigs ApS and Monta Biosciences 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. Member of the Board of Scandion Oncology A/S

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 of 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

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors that is responsible for the Corporate Governance Statement for the fiscal year from January 1, 2018 through December 31, 2018 on pages 1-13 (Annual report pages 80-92) and that it 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, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same act are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, April 30, 2019

Deloitte AB

Jeanette Roosberg
Authorized Public Accountant



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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.