

**Statutory Corporate  
Governance Report for 2016,  
cf. art. 107b of the  
Danish Financial Statements Act**

This Statutory Corporate Governance Report covers the period 1 January 2016 to 31 December 2016 and is prepared pursuant to art. 107b of the Danish Financial Statements Act, and is an element of the Management review as included in the Annual Report for 2016. Appendix 1 is not a part of the auditor's reports in the Annual Report.

### **1. Corporate Governance Recommendations and Practices**

As a company listed on NASDAQ OMX Copenhagen, Veloxis is subject to the Danish Corporate Governance Recommendations designed by NASDAQ Copenhagen ([www.corporategovernance.dk](http://www.corporategovernance.dk)) prepared by the Danish Committee on Corporate Governance.

Veloxis broadly follows the latest recommendations and a detailed report of Veloxis's compliance with and deviations from the Danish Corporate Governance Recommendations can be found in Appendix 1.

### **2. Management**

Veloxis has a two-tier management structure consisting of the Board of Directors and the Executive Management. The two bodies are separated, and no person serves as a member of both the Board of Directors and Executive Management.

#### **Board of Directors**

The Company's Articles of Association stipulate that the Board of Directors is elected by the Company's shareholders at the Annual General Meeting (AGM) and members are elected for one-year terms. Members may stand for re-election for successive terms. The Board of Directors shall consist of not less than three and no more than nine members elected by the Company's shareholders at the general meeting.

Veloxis's Board of Directors is responsible for approving the corporate strategy, setting goals for Executive Management and ensuring that members of Executive Management and other senior managers have appropriate qualifications. The Board of Directors also evaluates Management's performance and remuneration. Furthermore, the Board of Directors has the overall responsibility for ensuring that adequate internal and external controls are in place, and for identifying and addressing any relevant risks. This responsibility is defined in the Danish Companies Act and stipulated in the rules of procedure for the Board of Directors.

In order to ensure that the Board of Directors has the appropriate expertise and diversity, the following principles have been set for the composition of the Board of Directors:

1. At least half of the members of the Board of Directors shall be independent in accordance with the Danish Corporate Governance Recommendations
2. At least half of the shareholder-elected members of the Board of Directors shall have substantial experience in pharmaceuticals
3. At least one third of the members of the Board of Directors shall be female and at

least one third of the member of the Board of Directors shall be male

In 2016, principles 1 and 2 were met. Principle 3 was not met in 2016 as the Board of Directors is comprised of 5 male members and 1 female member. However, the Board of Directors maintains its commitment to gender diversity and re-affirms its intention to comply with Principle 3 over the next two years. This fulfills the requirements of section 99b of the Danish Financial Statements Act.

As at 31 December 2016, the Board of Directors comprised of six members; three of whom were elected at the AGM. The other three members of the Board of Directors were elected at the Extraordinary General Meeting in July 2016.

In April 2016, the shareholders elected the following members to the Board of Directors:

- Michael Thomas Heffernan (Chairman of the Board)
- Mette Kirstine Agger (Deputy Chairman of the Board)
- Anders Götzsche (Member of the Board)
- Thomas Dyrberg (Member of the Board)

In July 2016, Thomas Dyrberg resigned from the Board of Directors and the shareholders elected the following members to the Board of Directors:

- Paul Kevin Wotton (Member of the Board)
- Robert Samuel Radie (Member of the Board)
- Lars Kåre Viksmoen (Member of the Board)

### **Board Committees**

The Board of Directors has established three advisory committees: (1) the Audit Committee; (2) the Nominating Committee; and (3) the Remuneration Committee. The three committees advise the Board of Directors on financial information and reporting, the Company's remuneration strategy including remuneration of Executive Management, and the selection of qualified personnel for the Board of Directors and Executive Management, respectively.

### **Executive Management**

Veloxis's Executive Management is responsible for the Company's day-to-day management. This responsibility comprises the Veloxis organization, allocation of resources, defining and implementing strategy and policies, achieving goals and reporting to the Board of Directors.

Veloxis's Executive Management consists of two members appointed by the Board of Directors:

- Craig A. Collard (Chief Executive Officer)
- Alastair S. McEwan (Chief Operating Officer)

### **Remuneration to the Board of Directors and Executive Management**

Remuneration to the Board of Directors and Executive Management is based on guidelines

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approved by the shareholders at the AGM. These guidelines are available at [www.veloxis.com/agm.cfm](http://www.veloxis.com/agm.cfm). The Board of Directors approves remuneration for Executive Management within the frame of the remuneration guidelines, while remuneration for the Board of Directors is approved by the shareholders at the AGM.

### **Board of Directors**

Members of Veloxis's Board of Directors receive remuneration in the form of a fixed cash fee and are also included in the Company's incentive-based remuneration program through the issuance of warrants. In 2016, an ordinary member of the Board received \$25,000, while the Chairman received \$75,000. Each Chairman of the Remuneration, Nominating and Audit Committees received an additional fixed cash fee of \$25,000. In addition, each member of the Board of Directors was granted warrants equivalent to the value of \$150,000 calculated at the share price on the day of grant.

### **Executive Management**

The remuneration package for the Executive Management team is structured to reward the achievement of ambitious short-term objectives as well as provide incentives to encourage the achievement of long-term goals. As such, the remuneration package for each member of the Executive Management team consists of a base salary, short-term and long-term incentive programs, and other benefits. The base salary is benchmarked against the average salary of our peer companies. The short-term incentive is awarded as an annual bonus, if agreed upon targets for the preceding financial year are met. The Chief Executive Officer can receive up to nine months' base salary as an annual bonus pay-out following the achievement of exceptional Company results. The Chief Operating Officer can receive up to five months' base salary as an annual bonus payout, also on of the achievement of exceptional Company results.

In addition, members of the Executive Management team participate in long-term incentive programs that include share-based instruments, such as warrants. The programs are based on generating value for shareholders and are subject to appropriate vesting schedules. Upon termination of employment, members of the Executive Management team receive no more than two years' salary.

### **3. Audit Committee**

The Audit Committee provides advice to the Board of Directors on internal and external controls in financial reporting procedures, special finance and accounting issues, evaluation of financial reporting and other financial information, risk management and compliance.

The Audit Committee provides advice on the basis of:

- Meetings with Executive Management and independent auditors;
- Management's recommendation concerning accounting policies, accounting estimates, new accounting standards and significant single transactions;
- Critical guidelines and policies for internal controls and financial reporting procedures;
- Communication from independent auditors to the Board of Directors, including monitoring and control of auditors' independence, review of audit planning and

- drafting long-form audit reports;
- Systematic review of the Company's risk exposure; and
- Cases received through the whistleblower system.

In April 2016, the Board of Directors elected Anders Götzsche as Chairman of the Audit Committee and Mette Kirstine Agger as an ordinary member of the Audit Committee. In August 2016, the Board of Directors elected Robert Radie as an ordinary member of the Audit Committee.

The Chairman of the Board does not act as Chairman of the Audit Committee and more than half of the members of the Audit Committee are independent.

#### **4. Remuneration Committee**

The purpose of the Remuneration Committee is to provide the Board of Directors with the best possible basis for making decisions on the remuneration provided to the members of the Executive Management team, as well as the Company's overall remuneration policy.

In August 2016, the Board of Directors elected Paul Wotton as Chairman of the Remuneration Committee and Michael Heffernan and Mette K. Agger as ordinary members of the Remuneration Committee.

More than half of the members of the Remuneration Committee are independent.

#### **5. Nominating Committee**

The purpose of the Nominating Committee is to supervise the selection of qualified personnel for the Board of Directors and Executive Management.

In August 2016, the Board of Directors elected Mike Heffernan as Chairman and Lars Viksmoen as an ordinary member of the Nominating Committee.

Both members of the Nominating Committee are independent.

#### **6. Risk Management**

Veloxis is exposed to certain risks, some of which may significantly affect the Company's operations and ability to execute strategically. Close monitoring, systemic risk assessments and the ability to respond to a changing environment are essential for an effective risk management process at Veloxis.

The principal aim of Veloxis's risk management process is to strike the right balance between risk exposure and value creation. Our risk management processes are continually updated and adapted to match internal and external requirements. This gives our Executive Management an accurate and complete overview of the Company's activities and resources, and a clear basis for decision-making on Veloxis's overall risk exposure.

Veloxis assesses the likelihood of an event occurring and its potential impact on the Company in terms of financial loss or reputational damage. Risk identification, evaluation, qualification, recording and reporting are carried out by Executive Management and are continually reviewed throughout the year. The overall risk exposure is then evaluated in consultation with the Board of Directors.

Veloxis is exposed to critical risks within such areas as Market Risks, Financial Risks, Legal Risks and Reputational Risks.

The following are examples of these risks and how they are addressed:

### **Market Risks**

In general, the global pharmaceutical market is characterized by a number of risk factors including risks related to market acceptance, effective commercialization and competition, as well as the ability to attract and retain employees and partners.

Recently, the global pharmaceutical market has been subject to attempts by authorities to cap or reduce increasing healthcare costs. These cost containment measures may be structured in a number of ways, such as price controls or lengthy and resource-consuming market access processes in each country.

We continuously monitor and evaluate the market development of, and the competitive landscape for, our products and product candidates to proactively manage applicable market risks.

Additionally, our business strategy provides us with the freedom to seek partners for certain product candidates and develop our own sales and marketing organization for others.

### **Financial Risks**

Our expenses are primarily in US Dollars (USD). However, our revenues and expenses include currencies other than USD, including Euros (EUR) and Danish Kroner (DKK). Therefore, our expenses and income may be vulnerable to fluctuations in exchange rates.

We actively mitigate such fluctuations by placing some of our cash position in demand deposits in EUR and DKK. If we fail to adequately manage foreign exchange risk, the results of our operations and expectations, and the value of Veloxis, may be adversely affected.

Veloxis has interest-bearing debt with fixed interest rates. Our interest rate risk is therefore limited to our cash and cash equivalent balances. Veloxis's treasury policy allows the Company to hold excess cash at deposits with major Danish and US banks and in short-term Danish and US government bonds or Danish mortgage bonds with limited duration.

### **Legal Risks**

Biotechnology and pharmaceutical companies are often involved in legal proceedings concerning a variety of issues including product liability claims, regulatory violations and infringement of intellectual property rights. As at 31 December 2016, the Company was not

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a party to any pending legal proceedings.

The appropriateness of Veloxis's insurance coverage, including products liability coverage, is assessed on an annual basis by the Board of Directors.

Veloxis maintains a detailed quality assurance system for in-house company activities as well as for our external partners and suppliers.

### **Reputational Risks**

Strong corporate governance is essential to maintaining Veloxis's reputation. Accordingly, Veloxis has implemented systems and processes to ensure proactive risk management.

Marketing of pharmaceutical products is strictly regulated and Veloxis is committed to complying with these regulations. Our employees and third parties involved in the marketing of our products are trained to comply with all relevant laws and regulations.

Veloxis maintains a Code of Conduct that helps ensure that all employees comply with applicable international laws and regulations. Our internal procedures are continually updated to address changing regulations and implement best practices.

Veloxis is committed to having an open and honest dialogue about ethical dilemmas. Accordingly, Veloxis has a whistleblower system that all employees may use anonymously if they experience non-compliance with Veloxis's policies and procedures.

No incidents have been reported during 2016.

### **7. Articles of Association**

Unless otherwise provided in the Danish Companies Act, the adoption of any resolution to amend the Veloxis Pharmaceuticals A/S Articles of Association shall require the affirmative vote of not less than two-thirds of the votes cast as well as two-thirds of the share capital represented at the general meeting.

### **8. Internal Controls and Risk Management in Relation to Financial Reporting**

This section contains supplementary information on Veloxis's internal controls in relation to the financial reporting process.

Veloxis's internal controls and risk management processes are planned with a view towards presenting financial reports in accordance with International Financial Reporting Standards (IFRS), as approved by the EU, and other disclosure requirements applicable to annual reports of listed companies. It is the Company's intent to provide a true and fair view of its financial condition by selecting and applying appropriate accounting policies that are reasonable in the circumstances.

The Board of Directors and Executive Management determine and approve the Company's overall policies, procedures and controls in material areas relating to the financial reporting process.

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The Board of Directors has set up an Audit Committee to assist the Board of Directors and Executive Management in monitoring the financial reporting process, as well as the efficiency of internal control and risk management systems at Veloxis.

The maintenance of an efficient control environment as well as internal control and risk management systems are the responsibility of Executive Management. As a tool to identify and manage the critical risks, Veloxis has implemented a control environment with internal systems designed to reduce identified risks to an acceptable level.



## NASDAQ OMX Copenhagen Danish Corporate Governance Recommendations

| Recommendations  | The Company Complies | The Company Complies Partially | The Company Does Not Comply | The Explanation for Complying Partially/Not Complying with the Recommendations  |
|--|----------------------|--------------------------------|-----------------------------|---|
| <b>1. Communication and Interaction by the Company with its Investors and Other Stakeholders</b>   |                      |                                |                             |   |
| <i>1.1. Dialogue Between Company, Shareholders and Other Stakeholders</i>  |                      |                                |                             |   |
| 1.1.1. The Committee <b>recommends</b> that the Board of Directors ensure ongoing dialogue between the Company and its shareholders in order for the shareholders to gain relevant insight into the Company’s potential and policies, and in order for the Board of Directors to be aware of the shareholders’ views, interests and opinions on the Company. | X                    |                                |                             | <p>Veloxis ensures through its shareholder communications, website, Annual General Meeting and investor meetings that it has effective communication between the Company and its shareholders. Veloxis ensures that investor meetings occur regularly and that the Board of Directors receives feedback from such meetings. Investor relations and other shareholder reporting is available on Veloxis’s website, as are all investor presentations.</p> <p>Veloxis’s policy is available on Veloxis’s website <a href="http://www.veloxis.com">www.veloxis.com</a>. Further, the</p> |

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|   |                      |                                |                             | Board has adopted procedures for the timely disclosure of price sensitive information.   |
| 1.1.2. The Committee <b>recommends</b> that the Board of Directors adopt policies on the Company's relationship with its stakeholders, including shareholders and other investors, and that the Board of Directors ensures the interests of the shareholders are respected in accordance with Company policies. | X                    |                                |                             | Veloxis has processes to ensure that the stakeholders' interests are respected. The Board of Directors oversees the activities in this area. Veloxis has a communication policy and a Code of Conduct with guidelines for interaction with stakeholders. |
| 1.1.3. The Committee <b>recommends</b> that the Company publish quarterly reports.  | X                    |                                |                             | Veloxis publishes quarterly financial reports.   |
| <i>1.2. General Meeting</i>   |                      |                                |                             |  |
| 1.2.1. The Committee <b>recommends</b> that when organizing the Company's Annual General Meeting, the Board of Directors plans the meeting to support active ownership.   | X                    |                                |                             | The Annual General Meeting is convened with not less than three weeks' notice, as in line with the Danish Companies Act. The notice includes complete descriptions of the proposals.   |
| 1.2.2. The Committee <b>recommends</b> that proxies granted for the General Meeting allow shareholders to consider each individual item on the agenda.  | X                    |                                |                             | Proxies include the position of the shareholders in relation to each item on the agenda.   |

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| <i>1.3. Takeover Bids</i>   |                      |                                |                             |  |
| 1.3.1. The Committee <b>recommends</b> that the Company set up contingency procedures in the event of takeover bids from the time that the Board of Directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the Board of Directors should not, without the acceptance at the General Meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves. | X                    |                                |                             | Veloxis intends to comply with this recommendation in the case of takeover bids.   |
| <b>2. Tasks and Responsibilities of the Board of Directors</b>  |                      |                                |                             |  |
| <i>2.1. Overall Tasks and Responsibilities</i>  |                      |                                |                             |  |
| 2.1.1. The Committee <b>recommends</b> that, at least once a year, the Board of Directors takes a position on the matters related to the Board's performance of its responsibilities.   | X                    |                                |                             | The Board of Directors regularly discusses and assesses its control and supervision procedures as well as its rules of procedure. The Board of Directors ensures, via a fixed annual calendar, that it addresses necessary tasks in a timely manner. |
| 2.1.2. The Committee <b>recommends</b> that, at least once a year, the Board of Directors takes a position on the overall strategy of the Company with a view towards ensuring value creation in the Company.   | X                    |                                |                             | At least once each year, the Board of Directors assesses the Company's overall strategy.   |
| 2.1.3. The Committee <b>recommends</b> that the Board   | X                    |                                |                             | The Board of Directors assesses regularly,   |

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| <p>of Directors ensures that the Company has a capital and share structure ensuring that the strategy and long-term value creation of the Company are in the best interest of the Company and its shareholders, and that the Board of Directors presents this structure in Management’s commentary on the Company’s Annual Report and/or on the Company’s website.</p>                                |                      |                                |                             | <p>and at least once a year, whether the capital and share structure are in the best interest of the shareholders.</p>   |
| <p>2.1.4. The Committee <b>recommends</b> that the Board of Directors annually reviews and approves guidelines for the Executive Board; this includes establishing requirements for the Executive Board on timely, accurate and adequate reporting to the Board of Directors.</p>   | X                    |                                |                             | <p>The Board of Directors regularly evaluates Executive Management’s work and performance. Further, the Board of Directors annually reviews the procedures for Executive Management.</p>       |
| <p>2.1.5. The Committee <b>recommends</b> that, at least once a year, the Board of Directors discusses the composition of the Executive Board, as well as developments, risks and succession plans.</p>   | X                    |                                |                             | <p>At least once each year, the Board of Directors discusses the composition of the Executive Board, as well as developments, risks and succession plans.</p>                                  |
| <p>2.1.6. The Committee <b>recommends</b> that, once a year, the Board of Directors discusses the Company’s activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and noting the progress made in achieving such objectives in Management’s commentary on the Company’s Annual Report and/or on the Company’s website.</p> |                      |                                | X                           | <p>The Board of Directors supports equal opportunities for both sexes to ensure diversity. Veloxis is a small company and does not intend to formalize such objectives for the time being.</p> |

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| <i>2.2. Corporate Social Responsibility</i>  |                      |                                |                             |   |
| 2.2.1. The Committee <b>recommends</b> that the Board of Directors adopt policies on corporate social responsibility.  |                      | X                              |                             | Veloxis does not have a formal Corporate Social Responsibility policy. However, the Board of Directors has adopted specific policies within certain areas related to Corporate Social Responsibility that the Board considers to be of significant importance to Veloxis - such as working environment and conduct with business partners.            |
| <i>2.3. Chairman and Vice-Chairman of the Board of Directors</i>   |                      |                                |                             |   |
| 2.3.1. The Committee <b>recommends</b> appointing a Vice-Chairman of the Board of Directors who will assume the responsibilities of the Chairman in the event of the Chairman's absence, and who will also act as effective sparring partner for the Chairman.   | X                    |                                |                             | The Board of Directors elected a Chairman and a Deputy Chairman.  |
| 2.3.2. The Committee <b>recommends</b> ensuring that, if the Board of Directors, in exceptional cases, asks the Chairman of the Board of Directors to perform special operating activities for the Company, including briefly participating in the day-to-day management, a Board resolution to that effect be passed to ensure that the Board of Directors maintains its independence, overall management and control function. Resolutions on the Chairman's participation in day-to-day | X                    |                                |                             | The Chairman's tasks, duties and responsibilities are described in the rules of procedure for the Board of Directors, which can be found on Veloxis's website. In such cases where the Chairman of the Board of Directors would be appointed to perform day-to-day management tasks, a Board resolution would be published in a Company announcement. |

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| management, and the expected duration hereof, should be published in a Company announcement.   |                      |                                |                             |   |
| <b>3. Composition and Organization of the Board of Directors</b>   |                      |                                |                             |   |
| <i>3.1. Composition</i>  |                      |                                |                             |   |
| 3.1.1. The Committee <b>recommends</b> that the Board of Directors annually accounts for: <ul style="list-style-type: none"> <li>• the skills it must have to best perform its tasks;</li> <li>• the composition of the Board of Directors; and</li> <li>• the special skills of each Board member.</li> </ul>   | X                    |                                |                             | The Board of Directors annually assesses the competences that are required of a Board member as well as the composition of the Board. Proposals for a Board member’s nomination/replacement are based on such assessment. A profile of each Board member is included in the Company’s Annual Report.          |
| 3.1.2. The Committee <b>recommends</b> that the selection and nomination of candidates for the Board of Directors be carried out through a thoroughly transparent process approved by the overall Board of Directors. When assessing its composition, and nominating new candidates, the Board of Directors must take into consideration the need for the integration of new talent and diversity in relation to age, international experience and gender. | X                    |                                |                             | A formal process for assessing and selecting candidates is carried out in connection with nominating/replacing members of the Board of Directors in order to ensure needed competences. The Board of Directors takes the need for new talent and diversity into consideration when assessing its composition. |
| 3.1.3. The Committee <b>recommends</b> that a description of the nominated Board candidates’ qualifications, including information about the Board candidates’:  | X                    |                                |                             | The recommended information is provided in the notice convening the relevant general meeting. Disclosure on independence is included in the Company’s Annual Report and on Veloxis’s website.   |

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| <ul style="list-style-type: none"> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including Board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of Board members to the Board of Directors is on the agenda;</li> <li>• demanding organizational tasks, and information; and</li> <li>• whether candidates to the Board of Directors are considered independent.</li> </ul> |                      |                                |                             |   |
| <p>3.1.4. The Committee <b>recommends</b> that the Company's Articles of Association stipulate a retirement age for members of the Board of Directors.</p>   | X                    |                                |                             | According to the Company's Articles of Association, members of the Board of Directors must retire at the first annual general meeting after having reached the age of seventy-five. |
| <p>3.1.5. The Committee <b>recommends</b> that members of the Board of Directors elected by the general meeting be up for re-election every year at the Annual General Meeting.</p>  | X                    |                                |                             | Shareholder-elected Board members generally serve for a one-year term and can be re-elected by the Annual General Meeting.  |
| <p><i>3.2. Independence of the Board of Directors</i></p>  |                      |                                |                             |   |
| <p>3.2.1. The Committee <b>recommends</b> that at least half of the members of the Board of Directors elected by the general meeting be independent persons, in order for the Board of Directors to be able to act independently of special interests. To be considered independent, this person may not:</p>  | X                    |                                |                             | The majority of the members of the Company's Board of Directors are independent, as defined by the Danish corporate governance rules.   |

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| <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the Executive Board, or senior staff member in the Company, a subsidiary undertaking or an associate;</li> <li>• within the past five years, have received larger emoluments from the Company/group, a subsidiary undertaking or an associate in another capacity than as a member of the Board of Directors;</li> <li>• represent the interests of a controlling shareholder;</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as a partner or employee, shareholder, customer, supplier or member of Executive Management in companies with corresponding connection) with the Company, a subsidiary undertaking or an associate;</li> <li>• be or within the past three years have been employed or partner at the external auditor;</li> <li>• have been Chief Executive Officer in a company holding cross-memberships with the Company;</li> <li>• have been member of the Board of Directors for more than twelve years; or</li> <li>• have been close relatives with persons who are not considered independent.</li> </ul> |                      |                                |                             |  |
| <p><i>3.3. Members of the Board of Directors and the Number of Other Executive Functions</i></p>   |                      |                                |                             |  |



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| <p>3.3.1. The Committee <b>recommends</b> that each member of the Board of Directors assesses the expected time commitment for each function, in order to ensure that each Board member does not take on more functions than he/she can satisfactorily manage for the Company.</p>   | X                    |                                |                             | <p>Each member assesses his/her ability to properly discharge his/her Board duties in light of other commitments.</p>   |
| <p>3.3.2. The Committee <b>recommends</b> that the Management’s commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the Board of Directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant Board member;</li> <li>• the age and gender of the relevant Board member;</li> <li>• whether the Board member is considered independent;</li> <li>• the Board member’s date of appointment to the Board of Directors;</li> <li>• expiry of the current election period;</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises;</li> <li>• demanding organizational tasks; and</li> <li>• the number of shares, options, warrants and similar in the Company, and other group companies of the Company, owned by the Board member, as well as changes in the portfolio of</li> </ul> | X                    |                                |                             | <p>Veloxis discloses, in its Management’s commentary, the following information about the members of its Board of Directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant Board member;</li> <li>• whether the Board member is considered independent;</li> <li>• the date of the Board member’s appointment to the Board of Directors;</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises;</li> <li>• demanding organizational tasks; and</li> <li>• the number of shares, options, warrants and similar in the Company, and other group companies of the Company, owned by the Board member, as well as changes in the portfolio of the securities mentioned which have occurred during the financial year.</li> </ul> |

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| the Board member of the securities mentioned which have occurred during the financial year.  |                      |                                |                             | <ul style="list-style-type: none"> <li>the age and gender of the relevant Board member; and</li> <li>expiry of the current election period.</li> </ul>   |
| <i>3.4. Board Committees</i>   |                      |                                |                             |  |
| 3.4.1. The Committee <b>recommends</b> that the Company publish the following on the Company’s website: <ul style="list-style-type: none"> <li>the terms of reference of the Board committees;</li> <li>the most important activities of the committees during the year, and the number of meetings held by each committee; and</li> <li>the names of the members of each committee, including the chairmen of the committees, as well as information on which Board members are independent Board members and which Board members have special qualifications.</li> </ul> |                      | X                              |                             | The Company publishes the names of the members of each committee, including the chairmen of the committees, as well as information on which Board members are independent Board members and which Board members have special qualifications in its Annual Report or on its website.                    |
| 3.4.2. The Committee <b>recommends</b> that a majority of the Board members of a Board committee be independent.   | X                    |                                |                             | The majority of the members of Veloxis’s Audit Committee, Remuneration Committee and Nominating Committee are independent.   |
| 3.4.3. The Committee <b>recommends</b> that the Board of Directors set up a formal Audit Committee composed such that: <ul style="list-style-type: none"> <li>the Chairman of the Board of Directors is not Chairman of the Audit Committee, and</li> <li>between them, the Committee members should</li> </ul>  | X                    |                                |                             | The Board of Directors has established an Audit Committee with three members. The Chairman of the Audit Committee is not the Chairman of the Board of Directors. Between the Committee members, they possess such expertise and experience as to provide an updated insight into and experience in the |

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| <p>possess such expertise and experience as to provide insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</p>   |                      |                                |                             | <p>financial, accounting and audit aspects of the Company.</p>                 |
| <p>3.4.4. The Committee <b>recommends</b> that, prior to the approval of the Company’s Annual Report and other financial reports, the Audit Committee monitors and reports to the Board of Directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies;</li> <li>• significant accounting estimates;</li> <li>• related party transactions; and</li> <li>• uncertainties and risks, including those in relation to the outlook for the current year.</li> </ul>  | X                    |                                |                             | <p>The Audit Committee complies with this recommendation.</p>                  |
| <p>3.4.5. The Committee <b>recommends</b> that the Audit Committee:</p> <ul style="list-style-type: none"> <li>• annually assesses the need for an internal audit, and when appropriate, make recommendations on the selection, appointment and removal of the head of the internal audit function as well as annually assess the need for internal audit on the budget of the internal audit function; and</li> <li>• monitor the Executive Board’s follow-up on the conclusions and recommendations of the internal audit function.</li> </ul> | X                    |                                |                             | <p>The Audit Committee complies with this recommendation.</p>                  |

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| <p>3.4.6. The Committee <b>recommends</b> that the Board of Directors establish a Nomination Committee chaired by the Chairman of the Board of Directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describe the qualifications required by the Board of Directors and the Executive Board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined;</li> <li>• annually assess the structure, size, composition and results of the Board of Directors and the Executive Board, as well as recommend any changes to the Board of Directors;</li> <li>• annually assess the competences, knowledge and experience of the individual members of management, and report to the Board of Directors in this respect;</li> <li>• consider proposals from relevant persons, including shareholders and members of the Board of Directors and the Executive Board for candidates for the Board of Directors and the Executive Board; and</li> <li>• propose an action plan to the Board of Directors on the future composition of the Board of Directors, including proposals for specific changes.</li> </ul> | X                    |                                |                             | <p>The Company has established a Nomination Committee in compliance with this recommendation.</p> |

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| <p>3.4.7. The Committee <b>recommends</b> that the Board of Directors establish a Remuneration Committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the Board of Directors and the Executive Board for approval by the Board of Directors prior to approval by the Annual General Meeting;</li> <li>make proposals to the Board of Directors on remuneration for members of the Board of Directors and the Executive Board, as well as ensure that the remuneration is in compliance with the Company's remuneration policy and the assessment of the performance of the persons concerned. The Committee should have information about the total amount of remuneration that members of the Board of Directors and the Executive Board receive from other companies in the group; and</li> <li>recommend a remuneration policy applicable for the Company in general.</li> </ul> | X                    |                                |                             | <p>The Board has established a Remuneration Committee. The Committee's purpose is to evaluate and make recommendations to the Board of Directors regarding remuneration paid to the members of Management and the Board of Directors. The Board has approved a charter for the Remuneration Committee, which sets out its responsibilities and powers and is generally in line with the recommendations.</p> |
| <p>3.4.8. The Committee <b>recommends</b> that the remuneration committee may not consult with the same external advisers as those consulted by the Executive Board of the Company.</p>  | X                    |                                |                             | <p>The Compensation Committee may itself choose its external advisors.</p>   |
| <p><i>3.5. Evaluation of the Performance of the Board of Directors and the Executive Board</i></p>   |                      |                                |                             |  |

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| <p>3.5.1. The Committee <b>recommends</b> that the Board of Directors establish an evaluation procedure where contributions and results of the Board of Directors and the individual Board members, as well as collaboration with the Executive Board are annually evaluated. Significant changes deriving from the performance evaluation should be included in the Management’s commentary or on the Company’s website.</p> | X                    |                                |                             | <p>The Board of Directors has established a procedure for evaluating the contributions and results of the Board of Directors and the individual Board members, as well as collaboration with the Executive Board. The Chairman of the Board is in charge of this procedure.</p>           |
| <p>3.5.2. The Committee <b>recommends</b> that in connection with the preparation of the general meeting, the Board of Directors considers whether the number of Board members is appropriate in relation to the requirements of the Company. This should help ensure a constructive debate and an effective decision-making process in which all Board members are given the opportunity to actively participate.</p>        | X                    |                                |                             | <p>The Board consists of six members which number is deemed sufficient to allow for both a constructive debate and an effective decision-making process. According to Veloxis’s Articles of Association, the Board of Directors must consist of between three and nine Board members.</p> |
| <p>3.5.3. The Committee <b>recommends</b> that, at least once every year, the Board of Directors evaluate the work and performance of the Executive Board in accordance with clear and predefined criteria.</p>   | X                    |                                |                             | <p>The Board of Directors performs an annual management review in accordance with predefined criteria.</p>  |
| <p>3.5.4. The Committee <b>recommends</b> that the Executive Board and the Board of Directors establish a procedure according to which their cooperation is evaluated annually through a</p>  | X                    |                                |                             | <p>The Board of Directors has adopted a formal evaluation procedure to ensure systematic evaluation of the work of the Board of Directors and Management. Further, ongoing evaluation of the cooperation between the</p>  |

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| formalized dialogue between the Chairman of the Board of Directors and the Chief Executive Officer with the outcome of such evaluation to be presented to the Board of Directors.  |                      |                                |                             | Board of Directors and Management is part of regular meetings held by the Chairman of the Board of Directors and the Chief Executive Officer.  |
| <b>4. Remuneration of Management</b>   |                      |                                |                             |  |
| <i>4.1. Form and Content of the Remuneration Policy</i>  |                      |                                |                             |  |
| <p>4.1.1. The Committee <b>recommends</b> that the Board of Directors prepare a clear and transparent remuneration policy for both the Board of Directors and the Executive Board, including:</p> <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the Board of Directors and the Executive Board;</li> <li>• the reasons for choosing the individual components of the remuneration; and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the Annual General Meeting and published on the Company's website.</p> | X                    |                                |                             | The Board of Directors has adopted a Remuneration Policy with incentive guidelines, which are described and disclosed on the Company's website. Any changes to the incentive guidelines are subject to approval at the Annual General Meeting. |
| 4.1.2. The Committee <b>recommends</b> that, if the remuneration policy includes variable components:  | X                    |                                |                             | The incentive programs are designed to promote both short-term and long-term behavior and they comply generally with the   |

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| <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package;</li> <li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long-terms;</li> <li>• there be clarity about performance criteria and measurability for award of variable components;</li> <li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year; and</li> <li>• an agreement is made which, in exceptional cases, entitles the Company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul> |                      |                                |                             | <p>recommendations made. In accordance with the recommendations, in exceptional cases, the Company is entitled to reclaim in full or in part financial benefits received by the Executive Board.</p>  |
| <p>4.1.3. The Committee <b>recommends</b> that remuneration of members of the Board of Directors does not include share options.</p>   |                      |                                | X                           | <p>The remuneration of the Board of Directors includes of warrant schemes. All members of the Board of Directors have been issued warrants conferring a right to subscribe shares in Veloxis. Veloxis believes that the ability to offer warrants as well as other forms of shares as incentive compensation is necessary to attract key people from within the industry (whether as Board members, managers or employees).</p> |
| <p>4.1.4. The Committee <b>recommends that</b> if share-based remuneration is provided, such programs be</p>   | X                    |                                |                             | <p>Warrants are granted annually but vest over a period of typically thirty-six months.</p>   |



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| established as roll-over programs, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.  |                      |                                |                             | Warrants typically expire after seven years, and are always granted at least at market price on the day of grant.  |
| 4.1.5. The Committee <b>recommends that</b> agreements on termination payments should not amount to more than two years' annual remuneration.   | X                    |                                |                             | None of the members of the Board of Directors are entitled to termination payments. None of the members of Executive Management are entitled to severance payments exceeding two years of annual remuneration.   |
| <i>4.2. Disclosure of the Remuneration Policy</i>   |                      |                                |                             |  |
| 4.2.1. The Committee <b>recommends</b> that the Company's remuneration policy and compliance with this policy be explained and justified annually in the Chairman's statement at the Company's Annual General Meeting.  | X                    |                                |                             | The Remuneration Policy is described by the Chairman of the Board of Directors at the Annual General Meeting.  |
| 4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the Board of Directors for the current financial year be approved by the shareholders at the general meeting.   | X                    |                                |                             | The remuneration of the Board of Directors is presented for approval by the shareholders at the Company's Annual General Meeting.  |
| 4.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the Board of Directors and the Executive Board by the Company and other companies in the group, including information on the most important contents of retention and retirement/resignation |                      |                                | X                           | The total remuneration to each member of the Board of Directors and Executive Management is not disclosed in the Company's Annual Report. The total remuneration to the entire Board of Directors and the entire Executive Management team, respectively, is disclosed |

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| schemes, be disclosed in the Annual Report and that the linkage with the remuneration policy be explained.   |                      |                                |                             | <p>together with an explanation of the components.</p> <p>It is the Company's judgment that disclosure of the remuneration paid to each individual member of the Executive Management team will not add additional value for shareholders and other stakeholders.</p>         |
| <b>5. Financial Reporting, Risk Management and Audits</b>  |                      |                                |                             |   |
| <i>5.1. Identification of Risks and Transparency About Other Relevant Information</i>  |                      |                                |                             |   |
| 5.1.1. The Committee <b>recommends</b> that the Board of Directors, in the Management's commentary, review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the Company's risk management. | X                    |                                |                             | On an annual basis, a strategic plan with identification and evaluation of strategic risk factors is prepared by Management. The Board of Directors reviews and approves this strategic plan. The Annual Report includes information on Veloxis's risk management activities. |
| <i>5.2. Whistleblower Scheme</i>   |                      |                                |                             |   |
| 5.2.1. The Committee <b>recommends</b> that the Board of Directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.   | X                    |                                |                             | Veloxis established a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.   |
| <i>5.3. Contact to Auditor</i>   |                      |                                |                             |   |

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| 5.3.1. The Committee <b>recommends</b> that the Board of Directors ensure regular dialogue and exchange of information between the auditor and the Board of Directors, including that the Board of Directors and the Audit Committee meet with the auditor at least once a year without the Executive Board present. This also applies to the internal auditor, if any. | X                    |                                |                             | A regular dialogue and exchange of information is maintained between the auditor and the Board of Directors. The Audit Committee monitors the audit process on an on-going basis. The result of the audit is discussed by the Board of Directors, among other things, on the basis of the long-form audit report. |
| 5.3.2. The Committee <b>recommends</b> that the audit agreement and auditors' fee be agreed between the Board of Directors and the auditor on the basis of a recommendation from the Audit Committee.   | X                    |                                |                             | The auditor agreement and the auditor's fee are agreed upon between the auditor and the Board of Directors.   |