

**Statutory Statement and Corporate
Governance Report for 2017,
cf. art. 99b and 107b of the
Danish Financial Statements Act**

This Statutory Corporate Governance Report covers the period 1 January 2017 to 31 December 2017 and is prepared pursuant to art. 99b and 107b of the Danish Financial Statements Act, and is an element of the Management review as included in the Annual Report for 2017. 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) 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 (1) year terms. Members may stand for re-election for successive terms. The Board of Directors shall consist of not less than three (3) and no more than nine (9) members elected by the Company's shareholders at the AGM.

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 Executive 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; and
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 2017, principles 1 and 2 were met. Principle 3 was not met in 2017 as the Board of Directors is comprised of 5 male members and 1 female member. We did not achieve the target during this financial year as the Board of Directors was reelected at the General Meeting. However, the Board of Directors maintains its commitment to gender diversity and re-affirms its intention to comply with Principle 3 at the latest in 2020. This fulfills the requirements of section 99b of the Danish Financial Statements Act.

As at 31 December 2017, the Board of Directors comprised of six (6) members.

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At the AGM in April 2017, 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)
- Robert Samuel Radie (Member of the Board)
- Lars Kåre Viksmoen (Member of the Board)
- Paul Kevin Wotton (Member of the Board)

Board Committees

The Board of Directors has established three (3) advisory committees: (i) the Audit Committee; (ii) the Nominating Committee; and (iii) 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 currently consists of one (1) member appointed by the Board of Directors:

- Craig A. Collard (Chief Executive Officer)

Alastair S. McEwan was a member of Executive Management until he stepped down as Chief Operating Officer in September 2017.

Management levels in Veloxis only contain one person, namely the CEO. Thereby, Veloxis has obtained equal representation by gender in this regard.

Remuneration to the Board of Directors and Executive Management

Remuneration to the Board of Directors and Executive Management is based on guidelines approved by the shareholders at the AGM. These guidelines are available at www.veloxis.com/documents.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 April 2017, the following remuneration was approved for the Board of Directors by the shareholders at the AGM:

Remuneration to the Board of Directors and Board sub-committees for 2017	(USD)
Chairman of the Board of Directors	87,500
Members of the Board of Directors	37,500

Chairman of the Audit Committee	20,000
Members of the Audit Committee	10,000
Chairman of the Compensation Committee	15,000
Members of the Compensation Committee	7,500
Chairman of the Nomination and Corporate Governance Committee	10,000
Members of the Nomination and Corporate Governance Committee	5,000

In addition, each member of the Board of Directors was granted warrants equivalent to the value of USD 150,000 calculated at the share price on the day of grant.

Executive Management

The remuneration package for Executive Management 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 one hundred percent (100%) of his annual base salary as an annual bonus pay-out following the achievement of exceptional Company results.

In addition, each member of Executive Management participates in long-term incentive programs that include change of control bonus as well as 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 (2) 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 further evaluates each year if there is a need for an internal audit function. For now, this has not been deemed necessary.

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 Company's whistleblower system.

As at 31 December 2017, the Audit Committee comprised of the following three (3) members:

- Anders Götzsche (Chairman)
- Mette Kirstine Agger (Member)
- Robert Samuel Radie (Member)

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. The Committee also handles assignments related to recruitment of, and appointments to, Veloxis's senior management.

As at 31 December 2017, the Remuneration Committee comprised of the following three (3) members:

- Paul Kevin Wotton (Chairman)
- Michael Thomas Heffernan (Member)
- Mette Kirstine Agger (Member)

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.

As at 31 December 2017, the Nominating Committee comprised of the following two (2) members:

- Michael Thomas Heffernan (Chairman)
- Lars Kåre Viksmoen (Member)

All of the 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.

Additionally, Veloxis relies on third party contract manufacturers to manufacture its products. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, Veloxis's business may be adversely affected.

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.

In recent years, 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

Veloxis has interest-bearing debt with variable interest rates. Our interest rate risk also extends to our cash and cash equivalent balances. In order to mitigate such risk, Veloxis's treasury policy allows the Company to hold excess cash at deposits with major Danish and U.S. banks and in short-term Danish and U.S. 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 2017, the Company was not a party to any pending legal proceedings.

Governments around the world play a key role in Veloxis's industry as regulators, purchasers or payors for Veloxis's products. Most countries in which Veloxis does business have laws that forbid bribery. Veloxis maintains an anti-corruption and bribery policy that strictly prohibits the use of bribes and provides periodic training to employees.

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.

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 AGM.

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 further requirements in the Danish Financial Statements Act. 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.

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
1. Communication and Interaction by the Company with its Investors and Other Stakeholders				
<i>1.1. Dialogue Between Company, Shareholders and Other Stakeholders</i>				
1.1.1. The Committee recommends 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			Veloxis ensures through its shareholder communications, website, AGM and investor meetings that it has effective communication between the Company and its shareholders. Veloxis holds investor meetings regularly and 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. Veloxis’s policy on investor relations is available on Veloxis’s website at: http://www.veloxis.com/documents.cfm .
1.1.2. The Committee recommends 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 ensures that the stakeholders’ interests are respected through formal policies such as the investor relations policy and its code of ethics. These policies govern the company’s relations with stakeholders and shareholders. Further, the Board has adopted procedures for the timely disclosure of price sensitive information.

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1.1.3. The Committee recommends that the Company publish quarterly reports.	X			Veloxis publishes quarterly financial reports. These reports can be found on the Company’s website at: http://www.veloxis.com/downloadCenter.cfm .
<i>1.2. General Meeting</i>				
1.2.1. The Committee recommends that when organizing the Company’s Annual General Meeting, the Board of Directors plans the meeting to support active ownership.	X			The Board of Veloxis takes active ownership into consideration when planning the AGM and, where practical, tries to facilitate this goal.
1.2.2. The Committee recommends that proxies or votes by post for the Annual General Meeting allow shareholders to consider each individual item on the agenda.	X			Veloxis’s proxies allow the shareholders to consider each individual item on the agenda.
<i>1.3. Takeover Bids</i>				
1.3.1. The Committee recommends 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 of the General Meeting, attempt to counter the takeover bid by making decisions which in reality prevent the	X			Veloxis intends to comply with this recommendation at such time where the Board of Directors has reason to believe a takeover bid is reasonably likely.

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shareholders from deciding on the takeover bid themselves.				
2. Tasks and Responsibilities of the Board of Directors				
<i>2.1. Overall Tasks and Responsibilities</i>				
2.1.1. The Committee recommends that, at least once a year, the Board of Directors take 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 recommends 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 with the goal of maximizing shareholder value.
2.1.3. The Committee recommends that the Board 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 shareholders and the Company, and that the Board of Directors presents this structure in the management commentary and/or on the Company’s website.	X			The Board of Directors assesses regularly, and at least once a year, whether the capital and share structure are in the best interest of the shareholders. As part of this assessment, the Board ensures that the Company is adequately capitalized and there is adequate liquidity of the share and a reasonable distribution of risk and influence.

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2.1.4. The Committee recommends that the Board of Directors annually review and approve guidelines for the Executive Board; this includes establishing requirements for the Executive Board reporting to the Board of Directors.	X			The Board of Directors regularly evaluates Executive Management’s work and performance against a set of annual goals. Further, the Board of Directors reviews the rules of procedure for Executive Management annually.
2.1.5. The Committee recommends that, at least once a year, the Board of Directors discuss the composition of the Executive Board, as well as developments, risks and succession plans.	X			At least once each year, the Board of Directors discusses the composition of the Executive Board, as well as developments, risks and succession planning.
<i>2.2. Corporate Social Responsibility</i>				
2.2.1. The Committee recommends that the Board of Directors adopt policies on corporate social responsibility.		X		Veloxis has not adopted a formal Corporate Social Responsibility policy. However, the Board of Directors has adopted specific policies within the areas of Corporate Social Responsibility that the Board considers to be of significant importance to Veloxis. These areas include anti-bribery/corruption and working environment.
<i>2.3. Chairman and Vice-Chairman of the Board of Directors</i>				
2.3.1. The Committee recommends 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 has elected both a Chairman and a Deputy Chairman.
2.3.2. The Committee recommends ensuring that, if the Board of	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

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<p>Directors, in exceptional cases, asks the Chairman of the Board of Directors or other Board members to perform special 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 independent, overall management and control function. Resolutions on the Chairman’s or other Board members’ participation in day-to-day management, and the expected duration hereof, should be announced.</p>				<p>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.</p>
<p>3. Composition and Organization of the Board of Directors</p>				
<p><i>3.1. Composition</i></p>				
<p>3.1.1. The Committee recommends that the Board of Directors annually evaluates and, in the management commentary, accounts for:</p> <ul style="list-style-type: none"> • the skills it must have to best perform its tasks; • the composition of the Board of Directors; and • the special skills of each Board member. 	<p>X</p>			<p>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.</p>
<p>3.1.2. The Committee recommends that once a year the Board of Directors discuss the Company’s activities to</p>		<p>X</p>		<p>The Board of Directors supports equal opportunities to ensure diversity at management levels. Veloxis is a small company and does not intend to formalize such objectives for the time being. However, the Company is an Equal Opportunity Employer. As such, Veloxis offers equal</p>

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<p>ensure relevant diversity at management levels, prepares, and adopts a policy on diversity. The policy should be published on the Company’s website.</p>				<p>employment opportunities without regard to race, color, religion, sex (including pregnancy and gender identity), national origin, age, disability, genetic information, veteran status, and other protected class characteristics protected by U.S. state, local, or municipal law.</p>
<p>3.1.3. The Committee recommends that the selection and nomination of candidates for the Board of Directors be carried out through a thoroughly transparent process approved by the Board of Directors. When assessing its composition and nominating new candidates, the Board of Directors, in addition to the need for competences and qualifications, should take into consideration the need for the integration of new talent and diversity.</p>	X			<p>The Board of Directors conducts a transparent, formal process for assessing and selecting candidates for the Board of Directors. This process takes into account the needed competences for the Board. As part of this process, the Board of Directors also considers the need for additional talent/skills and diversity when assessing its composition.</p>
<p>3.1.4. The Committee recommends that the notice convening the General Meeting when election of members to the Board of Directors is on the agenda be accompanied by a description of the nominated candidates’ qualifications, including information about the candidates’:</p> <ul style="list-style-type: none"> • other executive functions, among these memberships in executive boards, boards of directors, and supervisory boards, including 	X			<p>The recommended information is provided in the AGM convening notice. Disclosure on independence is included in the Company’s Annual Report and on Veloxis’s website at: http://www.veloxis.com/about_bod.cfm.</p>

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<p>board committees in Danish and foreign enterprises; and demanding organizational tasks.</p> <p>Furthermore, it should be indicated whether candidates to the Board of Directors are considered independent.</p>				
<p>3.1.5. The Committee recommends that members of the Company’s Executive Board are not members of the Board of Directors and that a chief executive officer who is stepping down does not take up the position of Chairman or Vice Chairman for the same company.</p>	X			The Company complies with this recommendation.
<p>3.1.6. The Committee recommends that members of the Board of Directors elected by the General Meeting be up for election every year at the Annual General Meeting.</p>	X			Shareholder-elected Board members typically serve for a one (1) year term and can be re-elected by the AGM.
<p><i>3.2. Independence of the Board of Directors</i></p>				
<p>3.2.1. The Committee recommends 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.</p> <p>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"> • 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; • 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; • represent or are associated with a controlling shareholder; • 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 the executive management in companies with corresponding connection) with the Company, a subsidiary undertaking or an associate; • be or within the past three years have been employed or partner in the same company as the external auditor elected by the General Meeting; • have been chief executive in a company holding cross-memberships with the Company; 				

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<ul style="list-style-type: none"> • have been member of the Board of Directors for more than twelve years; or • have been close relatives with persons who are not considered independent. <p>Even if a member of the Board of Directors is not covered by the above criteria, certain conditions may exist that lead the Board of Directors to decide that one or more members cannot be regarded as independent.</p>				
<i>3.3 Members of the Board of Directors and the Number of Other Executive Functions</i>				
<p>3.3.1. The Committee recommends that each member of the Board of Directors assesses the expected time commitment for each function, in order to ensure that the member does not take on more functions than he/she can satisfactorily manage for the Company.</p>	X			Each member assesses his/her ability to properly discharge his/her Board duties in light of other commitments.
<p>3.3.2. The Committee recommends 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"> • the position of the relevant person; 	X			Veloxis discloses all of the recommended information in its Management commentary to the Annual Report.

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<ul style="list-style-type: none"> • the age and gender of the relevant person; • the respective person’s competences and qualifications that are relevant to the Company; • whether the member is considered independent; • the date of appointment to the Board of Directors of the member; • expiry of the current election period; • the member’s participation in the meetings of the Board of Directors and committee meetings; • other executive functions, e.g., memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organizational tasks; and • the number of shares, options, warrants and similar in the Company, and other group companies of the Company, owned by the member, as well as changes in the portfolio of the Board member of the securities mentioned which have occurred during the financial year. 				
<p>3.3.3. The Committee recommends that the annual evaluation procedure, cf. section 3.5, includes an evaluation of what is regarded as a responsible</p>	X			<p>As part of its annual evaluation, the Board of Directors assesses what would constitute a reasonable level of other executive functions that each member of the Board of Directors holds.</p>

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<p>level for the number of other executive functions, where the number, level and complexity of the other individual executive functions are taken into account.</p>				
<i>3.4. Board Committees</i>				
<p>3.4.1. The Committee recommends that the Company publish the following on the Company’s website:</p> <ul style="list-style-type: none"> • the terms of reference of the Board committees; • the most important activities of the committees during the year, and the number of meetings held by each committee; and 		X		<p>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.</p> <p>The Company does not publish the terms of reference of the committees or the most important activities/number of meetings of the committees because it does not believe this information to be useful to the shareholders.</p>

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<ul style="list-style-type: none"> the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications. 				
<p>3.4.2. The Committee recommends that a majority of the members of a Board committee be independent.</p>	X			<p>The majority of the members of Veloxis’s Audit Committee, Remuneration Committee and Nominating Committee are independent, each respectively.</p>
<p>3.4.3. The Committee recommends that the Board of Directors set up an <u>audit committee</u> and a that a chairman of the committee is appointed who is not the Chairman of the Board of Directors.</p>	X			<p>The Board of Directors has established an Audit Committee with three (3) 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 enhanced insight into and experience in the financial, accounting and audit aspects of the Company.</p>
<p>3.4.4. The Committee recommends that, prior to the approval of the 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"> significant accounting policies; significant accounting estimates; related party transactions; and uncertainties and risks, including those in relation to the outlook for the current year. 	X			<p>The Audit Committee complies with this recommendation.</p>
<p>3.4.5. The Committee recommends that the Audit Committee:</p>	X			<p>The Audit Committee complies with this recommendation.</p>

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<ul style="list-style-type: none"> annually assesses the need for an internal audit, and in such case, makes mandates and recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function; ensures that if an internal audit has been established, a description of its functions is available and approved by the Board of Directors; ensures that if an internal audit has been established, that adequate resources and competences are allocated to carry out the work; and monitors the Executive Board's follow-up on the conclusions and recommendations of the internal audit function. 				
<p>3.4.6. The Committee recommends that the Board of Directors establish a <u>nomination committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> 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 	X			The Company has established a Nomination Committee in compliance with this recommendation.

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<p>as assess the competences, knowledge and experience of the two governing bodies combined;</p> <ul style="list-style-type: none"> 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; annually assess the competences, knowledge, and experience of the individual members of Management, and report to the Board of Directors in this respect; recommendation of candidates for the Board of Directors and the Executive Board; and propose an action plan to the Board of Directors on the future composition of the Board of Directors, including proposals for specific changes. 				
<p>3.4.7. The Committee recommends that the Board of Directors establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> 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 	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>

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<p>of Directors prior to approval by the Annual General Meeting;</p> <ul style="list-style-type: none"> • 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 • recommend a remuneration policy applicable for the Company in general; and • assist with the preparation of the annual remuneration report. 				
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the Executive Board of the Company.</p>	X			<p>The Remuneration Committee complies with this recommendation.</p>

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<i>3.5. Evaluation of the Performance of the Board of Directors and the Executive Board</i>				
<p>3.5.1. The Committee recommends that the Board of Directors establish an evaluation procedure for an annual evaluation of the Board of Directors and the individual members. External assistance should be obtained at least every third year. Inter alia, the evaluation should include:</p> <ul style="list-style-type: none"> • contribution and results; • cooperation with the Executive Board; • the Chairman’s leadership of the Board of Directors; • the composition of the Board of Directors (including competences, diversity and the number of members) • the work in the committees and the committee structure; • the organization and quality of material that is submitted to the Board of Directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the Company website. The Chairman should account for the evaluation of the Board of Directors, including the process and general conclusions, at</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 its collaboration with the Executive Board. The Chairman of the Board is in charge of this procedure.</p> <p>The Company does not currently disclose on its website the evaluation procedure and general conclusions as the Company does not believe this information to be useful to the shareholders.</p>

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the General Meeting prior to the election of the Board of Directors.				
3.5.2. The Committee recommends that at least once every year, the Board of Directors evaluate the work and performance of the Executive Board in accordance with predefined criteria. Furthermore, the Board of Directors should evaluate the need for changes to the structure and composition of the Executive Board, in light of the Company’s strategy.	X			The Board of Directors performs an annual review of the Executive Board in accordance with predefined criteria.
3.5.3. The Committee recommends that the Executive Board and the Board of Directors establish a procedure according to which their cooperation is evaluated annually through a formalized dialogue between the Chairman of the Board of Directors and the Chief Executive Officer with the outcome of the evaluation be presented to the Board of Directors.	X			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 Board of Directors and Management is part of regular meetings held by the Chairman of the Board of Directors and the Chief Executive Officer.
4. Remuneration of Management				
<i>4.1. Form and Content of the Remuneration Policy</i>				
4.1.1. The Committee recommends that the Board of Directors prepares a remuneration policy for both the	X			The Board of Directors has adopted a Remuneration Policy with incentive guidelines, which are described and disclosed on the Company’s website at: http://www.veloxis.com/documents.cfm . Any changes to the incentive guidelines are subject to approval at the AGM. The remuneration policy identifies the key incentives provided to Management in order to drive long-term value creation.

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<p>Board of Directors and the Executive Board, including:</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the Board of Directors and the Executive Board; • the reasons for choosing the individual components of the remuneration; • a description of the criteria on which the balance between the individual components of the remuneration is based; and • an explanation for the connection between the remuneration policy and the Company’s long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting and published on the Company’s website at least every fourth year and upon any critical amendments.</p>				
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components:</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package; 	X			The variable components of the Company’s incentive programs comply with the recommendations.

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<ul style="list-style-type: none"> • a reasonable and balanced linkage be ensured between remuneration for governing body members and the value creation for shareholders in the short and long-terms; • there be clarity about performance criteria and measurability for award of variable components; • it is ensured that variable remuneration only consists of short and long-term remuneration components, and that long-term components must have an earning and maturity period of at least three years; and • ensures the opportunity for 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. 				
<p>4.1.3. The Committee recommends that remuneration of members of the Board of Directors does not include share options.</p>			X	<p>One component of the remuneration of the Board of Directors consists of warrant awards. 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 recommends that if in relation to long-term incentive programs, a share-based remuneration is used, the programs should have an earning and maturity period of at least three years after</p>	X			<p>Warrants are granted annually but vest over a period of typically thirty-six months. Warrants typically expire after seven years, and are always granted at least at market price on the day of grant.</p>

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being allocated and should be roll over programs, i.e., the options should be granted periodically.				
4.1.5. The Committee recommends that the total value of the remuneration during the notice period, including severance pay, should not exceed two years remuneration, including all components of the 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 recommends 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 AGM.
4.2.2. The Committee recommends that shareholders take up proposals for approval of remuneration for the Board of Directors for the current financial year at the General Meeting.	X			The remuneration of the Board of Directors is presented for approval by the shareholders at the Company’s AGM.
4.2.3. The Committee recommends that the Company prepares a remuneration report that includes information on the total remuneration granted to each member of the Board of Directors and the Executive Board			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 together with an explanation of the components.

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<p>by the Company and other companies in the group as associates for the least three years, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the Annual Report and that the linkage between the remuneration and Company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the Company website.</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>
<p>5. Financial Reporting, Risk Management and Audits</p>				
<p><i>5.1. Identification of Risks and Transparency About Other Relevant Information</i></p>				
<p>5.1.1. The Committee recommends that the Board of Directors in the management 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.</p>	<p>X</p>			<p>The Company’s Annual Report includes information on Veloxis’s strategic and business-related risks and risk management activities.</p>
<p><i>5.2. Whistleblower Scheme</i></p>				
<p>5.2.1. The Committee recommends that the Board of Directors establish a whistleblower scheme for expedient</p>	<p>X</p>			<p>Veloxis has established a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.</p> <p>The scheme is published on the Company’s website at: http://www.veloxis.com/</p>

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and confidential notification of possible or suspected wrongdoing.				
<i>5.3. Contact to Auditor</i>				
5.3.1. The Committee recommends that the Board of Directors ensure regular dialogue and exchange of information between the auditor elected by the General Meeting and the Board of Directors, including that the Board of Directors and the Audit Committee at least once a year meet with the auditor elected by the General Meeting 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 recommends that the audit agreement and auditors' fee be agreed between the Board of Directors and the auditor elected by the General Meeting based on a recommendation from the Audit Committee.	X			The audit agreement and the auditor's fee are agreed upon between the auditor and the Board of Directors. The Audit Committee provides a recommendation to the Board regarding the same.