

Corporate governance report

INTRODUCTION

Oncopeptides is a Swedish public limited liability company with its registered office in Stockholm, Sweden. The company's share is since February 22, 2017, listed on Nasdaq OMX Stockholm and is traded under the ticker symbol, ONCO. This report pertains to the 2016 financial year and has not been reviewed by the auditor as the company was listed in February 2017.

BACKGROUND

Oncopeptides' corporate governance has, prior to the listing on Nasdaq Stockholm, been governed by the Swedish Companies Act Sw. aktiebolagslagen (2005:551), the Swedish Annual Accounts Act Sw. årsredovisningslagen (1995:1554) and other applicable laws and regulations, the Company's articles of association and internal policy documents. The internal policy documents include first and foremost the rules of procedure for the board of directors, instructions for the CEO and instructions for financial reporting. Oncopeptides has also a number of policy documents and manuals containing rules and recommendations providing guidance in the Company's business operations and for its employees.

Following the listing on Nasdaq Stockholm, corporate governance will be based on Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the "Code"), good practices in the stock market and other applicable laws and recommendations. Companies obliged to apply the Code are not required to comply with every rule in the Code at all times. If the Company finds that a certain rule is inappropriate with respect to the Company's specific circumstances, the Company may choose an alternative solution, provided that the Company clearly describes the deviation and the alternative solution as well as provides the reason(s) for the choice of the alternative solution (all in accordance with the principle of "comply or explain"). Oncopeptides intends to apply the Code without any deviation, from the date on which the Company's shares are listed on Nasdaq Stockholm.

CORPORATE GOVERNANCE STRUCTURE



Shareholders and the share

The Company's registered share capital amounts to, as of December 31, 2016, to SEK 2,449,100 representing 22,041,900 shares. Oncopeptides shares are issued in six series, of which 3,275,100 are ordinary shares, 7,090,200 are preference shares of series A, 2,813,400 are preference shares of series A1, 1,193,400 are preference shares of series A2, 2,813,400 are preference shares of series A3 and 4,856,400 are preference shares of series A4.

The preference shares will be converted into ordinary shares in connection with the Listing, and there will only be that class of shares at the time of listing of the Company's shares.

Shareholders representing more than 10% of the shares as of December 31, 2016

Shareholders	Number	Precent
Industrifonden	10 296 000	46,71%
HealthCap VI L.P.	10 296 000	46,71%

General meetings of shareholders

The shareholders' right to decide on the Company's affairs is exercised through the highest decision-making body – the general meeting (annual general meeting or extraordinary general meeting). The general meeting resolves, for example, on changes to the articles of association, the election of the board of directors and auditors, adoption of the income statement and balance sheet, the appropriation of profit or loss, discharge from liability for the board of directors and the CEO the principles for the appointment of the nomination committee and on guidelines for remuneration of senior management and on incentive programs for co-workers.

Shareholders have the right to have a specified matter brought before the general meeting. Shareholders who wish to exercise this right must submit a written request to the Company's board of directors. Such a submission must normally have been received by the board of directors no later than seven weeks before the general meeting.

General meetings shall be held in Stockholm. Notice convening annual general meetings and extraordinary general meetings where amendments to the articles of association are to be addressed, shall be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice convening other extraordinary general meetings shall be issued no earlier than six weeks and no later than three weeks prior to the meeting. Notice shall be published in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and by making the notice available on the Company's website (www.oncopeptides.se). Furthermore, information regarding the notice shall be advertised in Dagens Industri.

To attend and vote at the general meeting, either in person or through a proxy, shareholders must be registered in the share register kept by Euroclear no later than five (5) business days prior to the meeting (i.e. on the record date) and also notify the Company of their participation no later than on the date specified in the notice convening the meeting. This date cannot be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth business day prior to the meeting. Shareholders may be accompanied by assistants at general meetings upon notification.

Every shareholder in the Company submitting a matter with sufficient foresight has the right to have the matter brought before the general meeting. To be able to determine who is entitled to attend and vote at general meetings, Euroclear shall, upon the Company's request, supply the Company with a list of all holders of shares per the record date in connection with each general meeting. Shareholders who have their shares nominee-registered need to instruct the nominee to register the shares temporarily in the name of the shareholder in order to be entitled to attend and vote for their shares at general meetings (voting rights registration). Such registration must be completed no later than on the applicable record date and ceases to be in force once after the record date. Shareholders who have their shares directly registered on an account in the Euroclear system will automatically be included in the list of shareholders.

2016 annual general meeting (AGM)

The AGM for 2016 was held on June 28, 2016 in Stockholm. The AGM resolved the following:

- Alan Hulme was re-elected as Chairman of the Board and re-election of the Board member Jonas Brambeck, Johan Christenson, Ulf Jungnelius, Per Samuelsson and Olof Tydén. Luigi Costa was elected as new ordinary Board member. Lars Henriksson was re-elected as deputy Board member.
- PricewaterhouseCoopers with Magnus Lagerberg as authorized public accountant was elected as the Company's auditor.
- Resolution on remuneration to the Chairman of the Board and Board members elected by the AGM, and the auditor.
- Resolution to issue warrants to subscribe for ordinary shares in the Company and authorize the Board of Directors to do so at one or several occasions up to the next AGM.
- Resolution to adopt the income statement and the balance sheet.
- Resolution on discharge from liability for the Board of Directors and the CEO as regards the financial year 2015.

Extraordinary general meetings 2016

The extraordinary general meeting in October 26, 2016 resolved the following:

- Resolution on new issue of shares by set-off.
- Approval of new articles of association including change in company category to public.
- Resolution on a share split.
- Resolution to establish a nomination committee.
- Resolution to adopt guidelines for remuneration to the executive management.
- Resolution to authorize the board of directors to resolve on issuances.
- Resolution on number of board members and election of board members.
- Since it was resolved to have no deputy members, Lars Henriksson was removed as deputy member.

The extra ordinary general meeting in December 7, 2016 resolved the following:

- Approval of new articles of association and re-classification of preference shares to ordinary shares which was under condition that Oncopeptides was approved for trading on Nasdaq Stockholm main market. These shares would be registered immediately after the listing.

2017 AGM

Oncopeptides' 2017 AGM will be held on Thursday May 18, 2017 at 4:00 p.m. in the Banquet room at IVA Conference center, Grev Turegatan 16, Stockholm, Sweden.

The minutes of the AGM will be available at www.oncopeptides.se.

Nomination committee

According to the Code, the Company shall have a nomination committee which duties shall include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for the board members and the auditors.

At the extraordinary general meeting held on October 26, 2016, it was resolved to establish a nomination committee and to adopt principles for the nomination committee according to which the nomination committee for the annual general meeting 2017 shall comprise of four members representing the three largest shareholders after the end of the third quarter of 2016, together with the chairman of the board of directors. The nomination committee resolved to have representatives of the two largest shareholders plus the chairman of the board for the period October 2016 until the listing in Feb 2017 after which it would be increased to representatives of the three largest shareholders plus the chairman of the board.

The largest shareholders refers to the registered shareholders or otherwise known shareholders after the end of the third quarter. Before accepting an invitation to join the nomination committee, a member must carefully consider whether there is a conflict of interest.

The composition of the nomination committee shall be publicly announced on the Company's website no

later than six months prior to the annual general meeting. However, due to the listing of the Company's shares February 22, 2017, the nomination committee for the AGM in 2017 will be announced as soon as possible after being appointed. Should a representative resign or leave before the assignment is completed, the shareholder that appointed the departing member shall appoint a new member. Should a shareholder that has appointed a member of the nomination committee substantially decrease its ownership in the Company, the next shareholder in size order shall, if the nomination committee so resolves, be offered to appoint a member of the nomination committee. When such a representative has been appointed, he or she shall be a member to the nomination committee and replace the former committee member who no longer represents one of the three largest shareholders.

The nomination committee shall fulfil the composition requirements set out in the Code. If the major shareholders who have the right to appoint members to the nomination committee wish to appoint persons that would entail that the composition requirements, as set out in the Code, are not met, a larger shareholder shall have priority for their first choice of member over of a smaller shareholder. When appointing a new member as a result of significant changes in ownership, the shareholder who shall appoint a new member shall, when appointing a new member, consider the existing composition of the nomination committee.

The nomination committee shall appoint a chairman among its members. The chairman of the board of directors or other board member shall not be the chairman of the nomination committee. The mandate period of the appointed nomination committee applies until the appointment of a new nomination committee.

Fees may be paid to the members of the nomination committee after a resolution by the general meeting. The nomination committee has during 2016 had one meeting.

The nomination committee for the 2017 AGM consists of the following

Representatives

Staffan Lindstrand, ordförande
Nina Rawal
Max Mitteregger (1)
Alan Hulme

Shareholders

HealthCap Vi L.P.
Industrifonden
Max Mitteregger Kapitalförvaltning AB
Styrelseordförande i Oncopeptides AB

(1) Elected in March 2017

BOARD OF DIRECTORS

Composition and independence

Board members elected by the general meeting are elected annually at the annual general meeting for the period until the end of the next annual general meeting. According to Oncopeptides' articles of association as of December 31, 2016, the board of directors shall consist of no less than three (3) and no more than seven (7) members without any deputy members.

According to the Code, the majority of the board members elected by the general meeting shall be independent of the Company and its management. In determining whether or not a board member is independent, an overall assessment shall be made of all the circumstances that could call into question the independence of the board member in relation to the Company or its management. Furthermore, according to the Code, at least two of the board members who are independent in relation to the Company and its management shall also be independent in relation to major shareholders.

Major shareholders refer to shareholders who directly or indirectly control ten percent or more of all shares and votes in the Company. To determine a board member's independence, the extent of the member's direct and indirect relationships with the major shareholder must be considered.

A board member who is an employee or a board member of a company that is a major shareholder is not considered to be independent.

All Board members apart from the Chairman of the Board, Alan Hulme, are considered independent in relation to the Company and its management. Three of the Board members together with the Chairman of the Board, Alan Hulme, are considered in relation to major shareholders. Hence, Oncopeptides fulfils the Code's requirement with regard to independence.

At the end of the financial year 2016, Oncopeptides' Board of Directors comprised seven (7) Board members: Chairman of the Board, Alan Hulme and the Board members, Jonas Brambeck, Johan Christenson, Luigi Costa, Ulf Jungnelius, Per Samuelsson and Olof Tydén.

Responsibility and duties of the Board of Directors

After the general meeting, the board of directors is the Company's highest decision-making body. The board of directors shall be responsible for the organization and management of the Company's

affairs, for example by establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assess the Company's financial position and evaluate the operational management.

Furthermore, the board of directors is responsible for ensuring that correct information is given to the Company's stakeholders, that the Company complies with laws and regulations and that the Company prepares and implements internal policies and ethical guidelines. The board of directors also appoints the Company's CEO and determines his or her salary and other remuneration on the basis of the guidelines adopted by the general meeting.

The board of directors adheres to written rules of procedure which are reviewed annually and adopted at the inaugural board meeting. The rules of procedure govern, among other things, the practices of the board of directors, tasks, decision-making within the Company, the board's meeting agenda, the chairman's duties and allocation of responsibilities between the board of directors and the CEO. Instructions for financial reporting and instructions for the CEO are also determined in connection with the inaugural board meeting.

The board of directors' work is also carried out based on an annual briefing plan which fulfils the board's need for information. In addition to board meetings, the chairman and the CEO maintain an ongoing dialogue regarding the management of the Company.

The board of directors meets according to a pre-determined annual schedule and at least five ordinary board meetings shall be held between each annual general meeting.

In addition to these meetings, extra meetings can be arranged for processing matters which cannot be deferred to any of the scheduled meetings.

Board of Directors' work during 2016

During the year, the Board held 11 meetings, of which six were ordinary, one inaugural and four were conducted *per capsulam*.

The Board's work has during the year been dominated by addressing and taking decisions about the Company's strategy, budget and financial plan. The Board has also been active in issues, preparations and decision pertaining to the listing of the Company's share.

The Board has planned a total of eight (8) meetings for 2017 plus the inaugural meeting.

Board committees

The board of directors has set up two committees; the audit committee and the remuneration committee. The board of directors has adopted rules of procedure for both committees.

Audit committee

The audit committee's role is primarily to monitor the Company's financial position, the effectiveness of the Company's internal control, internal audit and risk management. The committee shall be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence.

The audit committee shall also assist the nomination committee in proposals for resolutions on the election and remuneration of the auditor.

As of December 31, 2016, the audit committee comprised of Jonas Brambeck (chairman), Johan Christenson and Luigi Costa. The committee complies with the Companies Act's requirements for independence and accounting and auditing expertise.

The committee's work commenced in the autumn 2016 and it has had three meetings during the year. The meetings addressed items such as the audit plan, the auditors' observations and the review of the company and the planned listing of the Company's share. Oncopeptides' auditors were present at one of these meetings.

Remuneration committee

The remuneration committee's role is primarily to prepare matters regarding remuneration and other terms of employment for the CEO and other members of senior management.

The remuneration committee shall also monitor and evaluate ongoing and completed programs for variable remuneration to the Company's management and monitor and evaluate the implementation of the guidelines for remuneration to senior management adopted by the annual general meeting.

The remuneration committee is comprised of Alan Hulme (chairman), Jonas Brambeck and Per Samuelsson.

The committee's work commenced in the autumn 2016 and it has had five meetings during the year. At these meetings, the committee discussed the company's existing remuneration systems and proposed guidelines for the remuneration of the CEO and senior executives.

CEO AND OTHER MEMBERS OF SENIOR MANAGEMENT

The role of the CEO is subordinate to the board of directors and the CEOs' main task is to carry out the Company's ongoing management and the daily activities of the Company. The rules of procedure of the board of directors and the instructions for the CEO stipulate which matters the board shall resolve upon, and which matters fall within the CEOs' area of responsibility.

Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to board meetings and presents the material at board meetings.

Oncopeptides' senior management consists of eight people and consists, in addition to the CEO, of the Company's Chief Financial Officer, Head of Regulatory Affairs, Head of Clinical Development, Head of CMC, Chief Medical Officer, Chief Commercial Officer and Head of Investor Relations.

For information about current senior executives at Oncopeptides, when they assumed their positions and their date of birth, education, experience, holdings in the Company and their current and previous assignments, see the Company's website, www.oncopeptides.se.

REMUNERATION FOR BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Remuneration for board members

Fees to board members elected by the general meeting are approved by the annual general meeting.

At the annual general meeting held on June 28, 2016, it was resolved that fees of GBP 12,500 was to be paid to the Chairman and that fees of SEK 60,000 were to be paid to each of Luigi Costa, Olof Tydén and Ulf Jungnelius.

For the financial year 2016, the members of the board of directors received remuneration as set out in the table below. All amounts in SEK unless otherwise

indicated. No remuneration was paid for work performed in the audit and remuneration committees.

Reporting period 1 January - 31 December 2016

Name	Position	Independent in relation to		Directors fee	Attendance		
		The Company and its management	Major shareholders		Board of Directors (3)	Audit Committee	Remuneration Committee
Alan Hulme	Chairman of the Board	No	Yes	12,500 (1)	7/7	-	5/5
Johan Christenson	Board member	Yes	No	-	7/7	3/3	-
Jonas Brambeck	Board member	Yes	No	-	7/7	3/3	5/5
Luigi Costa (2)	Board member	Yes	Yes	30,000	4/7	3/3	-
Olof Tydén	Board member	Yes	Yes	60,000	7/7	-	-
Per Samuelsson	Board member	Yes	No	-	7/7	-	5/5
Ulf Jungnelius	Board member	Yes	Yes	60,000	6/7	-	-
Total				292,998			

(1) Amount in GBP

(2) Since Luigi Costa was elected board member at mid-year 2016, only half of the decided remuneration has been paid and invited to board meetings thereafter

(3) Excluding per capsulam meetings

CEO AND OTHER MEMBERS OF SENIOR MANAGEMENT

Guidelines for remuneration to members of senior management

According to the Swedish Companies Act, the general meeting shall resolve on guidelines for remuneration to the CEO and other members of senior management. At the extraordinary general meeting held on 26 October 2016, guidelines were adopted with the following content.

The Company's starting point is that salary and other terms and conditions shall enable the group to attract and retain qualified management persons at a reasonable cost for the Company.

The remuneration for management persons shall be decided in accordance with Oncopeptides' remuneration policy. The remuneration for management persons consist of fixed salary, variable remuneration, pension and other benefits. In order to avoid that the management persons take unnecessary risks there shall be a fundamental balance between fixed and variable remuneration.

Furthermore, the annual general meeting in Oncopeptides may, if so ordered, offer long-term incentive programs such as share or share price related incentive programs. Each management person shall be offered a market level fixed salary based on the degree of difficulty, responsibilities, experience and performance.

In addition, each management person may from time to time, be offered a variable remuneration (bonus) to be paid in cash. The variable remuneration shall be based on clear predetermined and measurable performance criteria and economic results, as well as predetermined individual objectives and business objectives, and shall also be designed to promote Oncopeptides long-term value creation.

Management persons shall be offered pension terms that are in accordance with market practice in the country where the management persons habitually resides. Non-monetary benefits shall facilitate the work of the management persons and shall correspond to what is considered reasonable in relation to market practice.

The fixed salary during the notice period shall, together with severance pay, not exceed 24 months' fixed salary.

Insofar board members who are elected by the general meeting carry out work in addition to work on the board of directors, it shall be possible to remunerate them for such work. The remuneration shall be in accordance with market terms and shall be approved by the board of directors. The board of directors shall be entitled to deviate from the guidelines in individual cases should there be special reasons for doing so.

The board of directors shall, before every annual general meeting, consider whether or not additional

share or share price-related incentive programs shall be proposed to the general meeting.

It is the general meeting that resolves upon such incentive programs. Incentive programs shall promote long-term value growth. New share issues and transfers of securities resolved upon by the general meeting in accordance with the rules of Chapter 16 of the Swedish Companies Act are not covered by the guidelines to the extent the annual general meeting has taken, or will take, such decisions.

Remuneration to senior management

Remuneration to senior management consists of basic salary, variable remuneration, pension benefits, share-related incentive programs and other benefits and terms upon severance. For the financial year 2016, the CEO and other members of senior management received salary and other remuneration as set out in the table below. All amounts in SEK.

Reporting period 1 January - 31 December 2016					
	Fixed salary and other benefits	Invoiced fees	Bonus	Pension expenses	Total
CEO, Jakob Lindberg	1,511,537	-	385,880	278,196	2,175,613
Other senior executives (7)	1,467,641	3,702,523	200,939	364,427	5,735,530
Total	2,979,178	3,702,523	586,819	642,623	7,911,143

In addition to his monthly salary, the CEO is entitled to an annual bonus amounting to a maximum of 30 percent of the fixed annual salary. The bonus is linked to predetermined performance criteria. The Company contracts and pays premiums for the applicable pension plan up to a maximum of 19 percent of the CEOs fixed monthly salary. The notice period is mutually nine months.

Otherwise, the CEO is subject to customary terms of employment, containing provisions on confidentiality, non-competition and non-solicitation.

SHARE-RELATED INCENTIVE PROGRAMMES

Oncopeptides has three ongoing share-related incentive programs which are presented below. Closely-related parties of the Company are participants in the mentioned incentive programs.

Founder Option Program

At the annual general meeting held on June 20, 2013 it was resolved to establish an option program, "Founder Option Program". In total, 114 options have been assigned free of charge to participants in the program without consideration being paid. Assigned options are vested immediately.

Each founder option entitles the holder to acquire 900 new ordinary share in the Company at an exercise price of approximately SEK 8.88 (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting

held on October 26, 2016). The option may be utilised at the earliest in connection with a trade sale of the Company or its assets, or in connection with the finalisation of a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than November 2, 2019.

More information about the program can be found in the Company's prospectus dated 7 February 2017.

Employee option program 2012/2019

At the annual general meeting held on June 20, 2013 it was resolved to establish an employee option program, "Employee Option Program series 2012/2019". In total, 1,505 employee options have been assigned free of charge to participants in the program. Granted employee options are vested gradually over a four year period. Continued vesting requires that the holder is employed by the Company and that the employment is not terminated as per the day of vesting of each employee option.

In the event the participant ceases to be an employee or terminates his employment with the Company prior to a vesting date, employee options already vested can be exercised at the ordinary date for exercise according to that stated below, but no further vesting will occur.

Each option entitles the holder to acquire 900 new ordinary shares in the Company at an exercise price of approximately SEK 0.11 (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016).

Vested employee options may be utilised at the earliest in connection with a trade sale of the Company or its assets, or in connection with a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than November 2, 2019. The options are subject to customary recalculation conditions in connection with share issues etc.

The delivery of shares in connection to utilisation of the options is secured through an issue of warrants to the Company's subsidiary, to be utilised on behalf of the option holders by the subsidiary upon utilisation of the employee options.

Should all the assigned employee options be exercised, the Company's share capital will increase by SEK 150,500 through the issue of 1,354,500 ordinary shares (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016).

Employee option program 2016/2023

At the board meeting held on November 22, 2016 it was resolved to establish an employee option program, "Employee Option Program series 2016/2023". In total, 307 employee options have been assigned free of charge to participants in the program. Granted employee options are vested gradually over a four year period. Continued vesting requires that the holder is employed by the Company and that the employment is not terminated as per the day of vesting of each employee option.

In the event the participant ceases to be an employee or terminates his employment with the Company prior to a vested date, employee options already vested can be exercised at the ordinary date for exercise according to that stated below, but no further vesting will occur.

Each option entitles the holder to acquire 900 new ordinary shares in the Company at an exercise price of approximately SEK 0.11 (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016).

Vested employee options may be utilised at the earliest after a trade sale of the Company or its assets, or after a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than November 30, 2023. The options are subject to customary

recalculation conditions in connection with share issues etc.

The delivery of shares in connection to utilisation of the options is secured through an issue of warrants to the Company's subsidiary, to be utilised on behalf of the option holders by the subsidiary upon utilization of the employee options.

Should all the assigned employee options in Employee Option Program 2016/2023 be exercised, the Company's share capital will increase by SEK 30,700 through the issue of 276,300 ordinary shares (after recalculation in pursuance of the share split 1:900 decided upon at the extraordinary general meeting held on October 26, 2016).

EXTERNAL AUDITORS

At the annual general meeting held on June, 28 2016, PricewaterhouseCoopers AB was appointed as the Company's auditor with authorized public accountant Magnus Lagerberg as auditor in charge. At the general meeting, it was also resolved that the fees for the auditor shall be paid in accordance to current account. The auditor's fee for the financial year 2016 amounted to a total of SEK 570,600.

INTERNAL CONTROL AND RISK MANAGEMENT

The internal control primarily consists of the following five components, which are listed below. The board of director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act – which requires that information about the main features of Oncopeptides' system for internal control and risk management related to financial reporting each year must be included in the corporate governance report – and the Code.

The board shall, among other things, see to it that Oncopeptides has sufficient internal control and formalized routines to ensure that established principles for financial reporting and internal control are adhered to and that there are effective systems to monitor and control the Company's operations and the risks associated with the Company and its operations.

The overall purpose of the internal control is to ensure that the Company's operating strategies and targets are monitored and that the owners' investments are protected, to a reasonable degree. Furthermore, the internal control shall ensure that

the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with generally accepted accounting practice, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with.

In addition to the abovementioned internal control, there is also internal, business specific control of data as regards research and development, as well as quality control including systematic surveillance and evaluation of the Company's development and manufacturing operations and the Company's products.

Control environment

The board of directors has the overall responsibility for the internal control of scientific data, pharmaceutical materials, and financial reporting.

In order to create and maintain a functioning control environment, the board has adopted a number of policies and regulatory documents governing financial reporting. These documents primarily comprise the rules of procedure for the board of directors, instructions for the CEO and instructions for financial reporting.

The board has also adopted special authorization procedures and a finance policy. The Company also has a financial manual which contains principles, guidelines and process descriptions for accounting and financial reporting.

Furthermore, the board of directors has established an audit committee whose main task is to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence.

The responsibility for the ongoing work of the internal control over financial reporting has been delegated to the Company's CEO. The CEO regularly reports to the board of directors in accordance with the established instructions for the CEO and the instructions for financial reporting. The board also receives reports from the Company's auditor.

Risk assessment

Risk assessment includes identifying risks that may arise if the basic requirements for the financial

reporting of the Company are not met. Oncopeptides' management team has, in a specific risk assessment document, identified and evaluated the risks that arise in the Company's operations, and has assessed how these risks can be managed.

Within the board of directors, the audit committee is primarily responsible for continuously assessing the Company's risk situation, after which the board also conducts an annual review of the risk situation.

Control activities

Control activities limit the identified risks and ensure accurate and reliable financial reporting. The board of directors is responsible for the internal control and monitoring of the Company's management. This is done through both internal and external control activities, and through examination and monitoring of the Company's steering documents related to risk management.

The effectiveness of the control activities are assessed annually and the results from these assessments are reported to the board of directors and the audit committee.

In agreements with sub-suppliers the Company has secured the right to audit each respective sub-suppliers' fulfilment of relevant services, including quality aspects.

INFORMATION AND COMMUNICATION

The Company has information and communication channels to promote the accuracy of the financial reporting and to facilitate reporting and feedback from operations to the board and senior management, for example by making corporate governance documents such as internal policies, guidelines and instructions regarding the financial reporting available and known to the employees concerned.

The board of directors has also adopted an information policy governing the Company's disclosing of information.

MONITORING

The compliance and effectiveness of the internal controls are constantly monitored. The CEO ensures that the board of directors continuously receives reports on the development of the Company's activities, including the development of the Company's results and financial position, as well as

information on important events, such as research results and important contracts. The CEO also reports on these matters at each board meeting.

The Company's compliance with all relevant policies and guidelines is assessed annually. The results from these assessments are compiled by the CFO in the Company and then reported to the board of directors and the audit committee.

EXTERNAL AUDIT

The Company's auditor is appointed by the annual general meeting for the period until the end of the next annual general meeting. The auditor examines the annual report and accounts as well as that the board of directors and the CEO have fulfilled their fiduciary duties and responsibilities. Following each financial year, the auditor shall submit an audit report to the general meeting. The Company's auditor annually reports his observations from the audit and his assessment of the Company's internal control to the board of directors.