

# Corporate Governance Report

## INTRODUCTION

Oncopeptides is a Swedish public limited liability company with its registered office in Stockholm, Sweden. The company's share has been listed on Nasdaq Stockholm since February 22, 2017 and is traded under the ticker symbol ONCO. In addition to the rules laid down by law or other regulations, Oncopeptides applies the Swedish Corporate Governance Code (the "Code") with no exceptions. This report pertains to the 2019 financial year and has been reviewed by the company's auditors.

### Oncopeptides' corporate governance

The purpose of Oncopeptides' corporate governance is to create a clear allocation of roles and responsibilities among the owners, the Board of Directors and management. Corporate governance, management and control of Oncopeptides are allotted among the general meeting, the Board of Directors, its elected committees and the CEO.

### Examples of external regulations that affect corporate governance

- The Swedish Companies Act
- Regulatory framework for external statements
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Corporate Governance Code
- Other applicable regulations and recommendations

### Examples of internal regulations that are significant to corporate governance

- Articles of Association
- Board of Directors' rules of procedure, including instructions to Board committees
- Instructions for the CEO
- Guidelines for remuneration to senior management
- IT policy
- Financial manual
- Code of Conduct
- Information policy
- Insider policy

### Shareholders and the share

Oncopeptides had 8,826 shareholders at year-end 2019. The total number of shares was 55,413,417. There was only one share class. Each share entitles the holder to one vote at the AGM, and all shares carry equal rights to the company's assets and earnings. At December 31, 2019, HealthCap VI LP and Stiftelsen Industrifonden were the single largest shareholders in Oncopeptides, with a total of 11,322,400 and 7,420,805 shares, respectively, corresponding to 20.4 percent and 13.4 percent of the votes and capital. No shareholder other than HealthCap VI LP and Stiftelsen Industrifonden has a direct or indirect shareholding that represents at least one-tenth of the voting rights of all shares in the company. Further information about shareholders and the Oncopeptides share is available on pages 30–31 of the 2019 Annual Report.

The Articles of Association do not have any specific provisions regarding the appointment or dismissal of Board members or about amending the Articles.

### General meetings of shareholders

The company's highest decision-making body is the general meeting, where shareholders may exercise their right to decide on the company's affairs. The AGM is to be held within six (6) months of the end of the financial year. The AGM resolves, for example, on the election of the Board of Directors and, where appropriate, the auditors as well as the principles for the appointment of the Nomination Committee, and discharge from liability for the

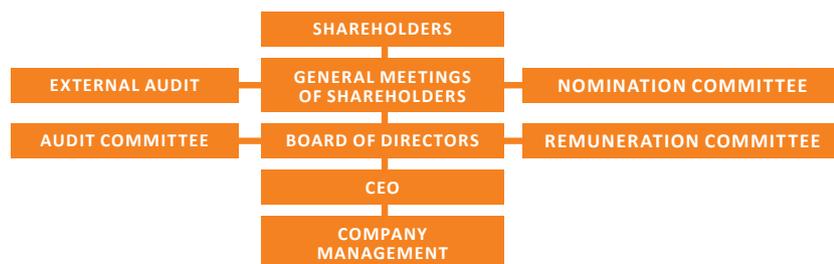
Board of Directors and the CEO for the preceding year. Other issues to be resolved include the adoption of the Annual Report, the appropriation of profit or loss, directors' and auditors' fees, guidelines for remuneration to the CEO and other members of senior management, and incentive programs for co-workers.

The Articles of Association state that the AGM is to be held in Stockholm. To attend and vote at general meetings, either in person or through a proxy, shareholders must be registered in the share register maintained by Euroclear no later than five (5) business days prior to the meeting and notify the company of their participation in accordance with the notice convening the meeting. Official notice of general meetings is to be made in the form of an announcement in Post- och Inrikes Tidningar and on the company's website ([www.oncopeptides.se](http://www.oncopeptides.se)). Information regarding the notice shall also be advertised in Dagens Industri.

### 2019 AGM

- The AGM for 2019 was held on May 21, 2019 in Stockholm. About 71 percent of the total votes were represented at the meeting. Attorney Johan Winnerblad was elected chairman of the meeting.
- The AGM passed resolutions including the following:
- Per Wold-Olsen, Brian Stuglik, Jonas Brambeck, Cecilia Daun Wennborg, Jarl Ulf Jungnelius, Per Samuelsson and Jennifer Jackson were re-elected as Board members. Per Wold-Olsen was re-elected as Chairman of the Board.

## CORPORATE GOVERNANCE STRUCTURE



- Ernst & Young AB was elected as the company's auditor, with Björn Ohlsson as auditor in charge.
- Remuneration to the Chairman of the Board and Board members elected by the AGM, and the auditor.
- Adoption of the proposed guidelines for remuneration to senior management.
- Implementation of two incentive programs for members of senior management and key personnel as well as certain Board members where the company can enter into share swap agreements with third parties for the delivery of shares.
- Authorization for the Board of Directors to resolve on new share issues with or without preferential rights for shareholders. The authorization may be exercised on one or more occasions up until the 2020 AGM and the number of shares issued under the authorization may not, after full exercise of the authorization, correspond to a dilution of more than 20 percent of the total number of shares outstanding at the Annual General Meeting's resolution on the proposed authorization.
- Adoption of the balance sheet and income statement.

- Discharge from liability for the Board of Directors and the CEO with regard to the 2019 financial year.

The minutes and information from the AGM are available at [oncopeptides.se](http://oncopeptides.se).

### 2019 EGM

The EGM on December 17, 2019 passed the following resolutions:

- Decision to issue warrants to secure the delivery of shares under the incentive programs adopted at the 2019 AGM.
- Authorization for the Board of Directors to resolve on new share issues with or without preferential rights for shareholders. The authorization may be exercised on one or more occasions up until the 2020 AGM and the number of shares issued under the authorization may not, after full exercise of the authorization, correspond to a dilution of more than 20 percent of the total number of shares outstanding at the Annual General Meeting's resolution on the proposed authorization. The authorization replaced the previous authorization that was adopted at the 2019 AGM.

### Nomination Committee for the 2020 AGM

Representatives	Shareholders
Staffan Lindstrand, chairman	HealthCap VILP.
Patrik Sobocki	Stiftelsen Industrifonden
Max Mitteregger	Gladiator
Per Wold-Olsen	Chairman of the Board of Oncopeptides AB

### 2020 AGM

The 2019 AGM will be held on Tuesday, May 26, 2020 at 2:00 p.m. at Tändsticks-palatset, Västra Trädgårdsgatan 15, Stockholm, Sweden. For further information and the right to participate, see page 82 of Oncopeptides' 2019 Annual Report or visit [oncopeptides.se](http://oncopeptides.se).

The minutes of the AGM will be available at [www.oncopeptides.se](http://www.oncopeptides.se).

### Nomination Committee

The Nomination Committee represents the company's shareholders and is charged with preparing the AGM's resolutions on election and remuneration matters. The Nomination Committee consists of four members, three of whom are to represent the three largest shareholders in the company on the last business day in September 2019, according to statistics from Euroclear Sweden AB. If any of the three largest shareholders chooses to waive their right to appoint a member of the Nomination Committee, this right passes to the shareholder with the next largest shareholding after these shareholders. The fourth person is to be the Chairman of the Board of Directors. The composition of the Nomination Committee is to be publicly announced no later than six months prior to the AGM.

The Nomination Committee observes the rules governing the independence of Board members according to the Swedish Corporate Governance Code.

The Nomination Committee jointly represents approximately 44 percent of the number of shares and votes in the company based on shareholder information at the time of appointment.

### BOARD OF DIRECTORS

#### Composition and independence

According to Oncopeptides' Articles of Association, the Board of Directors is to consist of no fewer than three and no more than eight members elected by the AGM for the term until the end of the next AGM. Seven Board members were elected at the 2019 AGM.

According to the Code, the majority of the Board members elected by the general meeting are to be independent of the company and its management. All Board members are considered independent in relation to the company and its management. Five of the Board members, together with the Chairman of the Board, are also considered independent in relation to major shareholders. Accordingly, Oncopeptides fulfills the Code's requirement with regard to independence.

At the end of the financial year, Oncopeptides' Board of Directors comprised eight Board members: Chairman of the Board Per Wold-Olsen and Board members Jonas Brambeck, Cecilia Daun Wennborg, Ulf Jungnelius, Per Samuelsson, Brian Stuglik and Jennifer Jackson. For further information about the Board of Directors, see pages 78–79 or visit [oncopeptides.se](http://oncopeptides.se).

#### 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 is responsible for the organization and management of the company's affairs, for example, by establishing targets and

strategies, ensuring that procedures and systems are in place for monitoring set targets, continuously assessing the company's financial position and evaluating its 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 statutory Board meeting. The rules of procedure govern, among other things, the practices and tasks of the Board of Directors, decision-making within the company, the Board's meeting agenda, the Chairman's duties and the 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 statutory Board meeting.

The Board of Directors' work is also carried out based on a yearly meeting schedule that fulfills 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 predetermined annual schedule and at least five ordinary Board meetings are to be held between each AGM. In addition to these meetings, extra meetings can be

arranged to address matters which cannot be deferred to any of the scheduled meetings.

In 2019, an anonymous survey-based evaluation was performed, through which all the Board members received the opportunity to express themselves about the work of the Board of the company. This information has been collected and compiled in a report prepared by the solicitor firm Vinge, as an independent party. The results will be taken into consideration for the Board's work in 2020. The Nomination Committee, through the Chairman of the Board, has received the evaluation report.

#### **Board of Directors' work and significant events in 2019**

The Board met on 18 occasions during the year, eight of which were held per capsulam.

The Board has primarily considered and made decisions on matters relating to the company's strategic focus, melflufen project development, external reporting, budget and budget follow-up. The Board has also been active in preparations and decisions on new share issues.

#### **Board committees**

The Board of Directors has set up two committees, the Audit Committee and the Remuneration Committee, which both work according to procedures established by the Board.

#### **Audit Committee**

The Audit Committee's role is primarily to monitor the company's financial position, and the effectiveness of the company's internal control and risk management. The committee is to remain informed about the audit of the Annual Report and consoli-

dated financial statements, and to review and monitor the auditor's impartiality and independence. The Audit Committee also assists the Nomination Committee in preparing proposals for resolution on the election and remuneration of the auditors. The Audit Committee has consisted of the following members since the AGM on May 21, 2019:

- Cecilia Daun Wennborg (Chairperson)
- Jonas Brambeck
- Per Samuelsson
- Per Wold-Olsen

The committee was convened four times in 2019. Oncopeptides' auditors participated in all of the meetings, at which the topics discussed included the auditors' planning of the audit, observations and examination of the company and its financial statements.

#### **Remuneration Committee**

The Remuneration Committee's role is primarily to prepare matters for recommendation to the Board regarding remuneration and other terms of employment for the CEO and CFO and to review with CEO his plans for remuneration for other members of senior management. The Remuneration Committee also formulates the CEO's bonus plan and monitors ongoing and completed programs for variable remuneration to the company's management, and monitors and evaluates the implementation of the guidelines for remuneration to senior management adopted by the AGM. The Remuneration Committee has consisted of the following members since the AGM on May 21, 2019:

- Per Wold-Olsen (Chairman)
- Jonas Brambeck
- Per Samuelsson

The Remuneration Committee was convened nine times in 2019, of which two meetings were held per capsulam. At these meetings, the committee discussed the company's existing remuneration systems and proposed guidelines for the remuneration of the CEO and members of senior management as well as the aims, terms and conditions of the incentive programs adopted by the AGM on May 21, 2019.

#### **CEO AND MANAGEMENT**

The role of the CEO is subordinate to the Board of Directors. The CEO's main task is to carry out the company's ongoing management and the daily activities of the company. The rules of procedure for the Board of Directors and the instructions for the CEO stipulate which matters the Board is to resolve upon, and which matters fall within the CEO's area of responsibility. Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to Board meetings and presenting the material at Board meetings.

Oncopeptides' management team consisted, as per December 31, 2019 of nine individuals. In addition to the CEO, management comprises the company's Chief Financial Officer, Head of Regulatory Affairs, Head of Clinical Development, Head of Research & CMC, Chief Medical Officer, Chief Scientific Officer, Chief Commercial Officer and President North America.

For information on the management team, see pages 80–81 or visit the company's website, [www.oncopeptides.se](http://www.oncopeptides.se).

## REMUNERATION TO THE BOARD OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

### Remuneration to Board members

The AGM on May 21, 2019 resolved that fees to Board members for the period up to and including the end of the 2020 AGM should comprise SEK 625,000 to the Chairman of the Board and SEK 250,000 to each of the other Board members. In addition to fees for regular Board work, it was resolved that each Board member residing in the US should receive an extra fee of SEK 90,000 and that each Board member residing in Europe outside the Nordic region should receive an extra fee of SEK 45,000.

As remuneration for committee work, it was resolved that the Chairman of the Audit Committee would receive SEK 75,000 and other members of the Audit Committee SEK 25,000 each. It was also resolved that the Chairman of the Remuneration Committee would receive SEK 50,000 while the other members of the Remuneration Committee would receive SEK 25,000 each.

The fees paid in 2019 to Board members elected by the AGM are shown in the table below.

### Remuneration to members of senior management

Issues pertaining to remuneration to members of senior management are addressed by the Board's Remuneration Committee. The Board decides on the CEO's remuneration based on the proposal presented by the Remuneration Committee. Remuneration and terms for members of senior management are to be based on market conditions and consist of a balanced mix of fixed

salary, variable remuneration, pension benefits and terms upon termination. For the 2019 financial year, the CEO and other members of senior management received salary and other remuneration as set out in Note 10 in the Annual Report.

### Guidelines for remuneration to senior management

Guidelines were adopted at the 2019 AGM valid for the period up to the closing of the 2020 AGM. The main points were as follows.

Oncopptides' starting point is that salary and other terms and conditions should always enable Oncopptides to attract and retain qualified members of senior management at a reasonable cost for the company. Remuneration to members of senior management is to be decided in accordance with Oncopptides' remuneration policy,

which is adopted annually by the Board and comprises a supplement to the guidelines.

Remuneration to members of senior management consists of a fixed salary, variable remuneration, pension and other benefits.

To avoid unnecessary risks being taken by members of Oncopptides' senior management, there should be a fundamental balance between fixed and variable remuneration. Furthermore, Oncopptides' AGM may, if so ordered, offer long-term incentive programs, such as share or share price-related incentive programs.

Each member of senior management is to be offered a market-level fixed salary based on the degree of difficulty of the work and the individual's responsibilities, experience and performance. In addition, each member of senior management may, from time to

time, be offered variable remuneration (bonus) to be paid in cash. Variable remuneration is to be based on clear predetermined and measurable performance criteria and financial results as well as predetermined individual objectives and business objectives, and is to be designed to promote Oncopptides' long-term value creation. Variable remuneration is to be paid in cash and is not to exceed 50 percent of annual fixed salary for the CEO and 30 percent of annual fixed salary for other members of senior management. Members of senior management are to be offered pension terms that are in accordance with market practice in the country where the individuals are domiciled. Non-monetary benefits are to facilitate the work of senior management and are to correspond to what is considered reasonable in relation to market practice.

### Reporting period January 1–December 31, 2019

Board member	Function	Independent in relation to		Remuneration, SEK thousand <sup>3)</sup>				Attendance <sup>1)</sup>		
		The company and its management	Major shareholders	Board fees	Audit Committee	Remuneration Committee	Total	Board of Directors <sup>2)</sup>	Audit Committee	Remuneration Committee <sup>3)</sup>
Per Wold-Olsen	Chairman	Yes	Yes	670	25	50	742.5	10/10	3/4	7/7
Jonas Brambeck	Board member	Yes	No	250	25	25	300	10/10	4/4	6/7
Cecilia Daun Wennborg	Board member	Yes	Yes	250	75	–	325	10/10	4/4	–
Per Samuelsson	Board member	Yes	No	250	25	25	300	10/10	4/4	7/7
Ulf Jungnelius	Board member	Yes	Yes	295	–	–	292.5	8/10	–	–
Brian Stuglik	Board member	Yes	Yes	340	–	–	335	9/10	–	–
Jennifer Jackson	Board member	Yes	Yes	340	–	–	167.5	9/10	–	–
Olof Tydén <sup>4)</sup>	Board member	Yes	Yes	–	–	–	0	4/10	–	–
<b>Total</b>				<b>2,395</b>	<b>150</b>	<b>100</b>	<b>1,970</b>			

1) Figures in table show the total number of meetings attended/total number of meetings

2) Excluding per capsulam meetings

3) Fee set by the AGM, excluding social security contributions for the May 2019 to May 2020 financial year

4) Stepped-down from Board membership at the AGM on May 21, 2019

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

The Board of Directors is entitled to deviate from the guidelines in individual cases should there be special reasons for doing so. Before every AGM, the Board of Directors is to consider whether or not additional share or share price-related incentive programs should be proposed to the general meeting.

It is the general meeting that resolves upon such incentive programs. Incentive programs are to promote long-term value growth and align the interests of participating members of senior management with those of the shareholders.

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 insofar as the AGM has taken, or will take, such decisions.

## SHARE-BASED INCENTIVE PROGRAMS

At year-end 2018, Oncopeptides had eight active programs covering the company's management, certain Board members, founders and other employees. Two incentive programs were established in 2013: "Founder Option Program" and "Employee Option Program 2012/2019". Both of these programs expired in 2019. "Employee Option Program 2016/2023" was established in 2016. In May 2017, two incentive programs were established: "Co-worker LTIP 2017" and "Board LTIP 2017". At the 2018 AGM, two incentive programs were established: "Co-worker LTIP 2018" and "Board LTIP 2018". At an EGM in December 2018, "Board LTIP 2018.2" was estab-

lished, and at the 2019 AGM, it was resolved that two new incentive programs were to be introduced: "Co-worker LTIP 2019" and "Board LTIP 2019". A brief description of the programs follows below. See Note 24 in the 2019 Annual Report for further information on the incentive programs.

### Employee Option Program 2016/2023

Employee options were allotted free of charge to participants. Allotted employee options are vested gradually over a four-year period calculated from the starting date (aside from 60 options in the series that vest and are allotted over a period of 12 months). Vesting requires that the holder remains employed by the company and that the employment is not terminated as per the day of vesting of each employee option. Each vested option entitles the holder to subscribe for 900 new shares in the company up to and including November 30, 2023 at the latest.

### Co-worker LTIP 2017

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a pre-determined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

### Co-worker LTIP 2018

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a pre-determined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

### Co-worker LTIP 2019

The options were allotted free of charge to participants of the program. The options have a three-year vesting period calculated from the allotment date, provided that, with customary exceptions, the participants remain as employees of, or continue to provide services to, Oncopeptides. Once the options are vested, they can be exercised within a four-year period.

Each vested option entitles the holder to acquire one share in the company at a pre-determined price. The price per share is to be equivalent to the weighted average price that the company's shares were traded for on Nasdaq Stockholm during the five trading days preceding the allotment date.

### Board LTIP 2017

The share awards were allotted to participants free of charge. The share awards are subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from

the date of the 2017 AGM through May 31, 2020. The share price's performance will be measured as the volume-weighted average price of the company's share 90 trading days immediately after the AGM and 90 trading days immediately before May 31, 2020. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested.

In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each vested share award entitles the holder to obtain one share in Oncopeptides free of charge, provided that the holder, with some customary "good leaver" exceptions, is still a Board member of Oncopeptides on June 1, 2020.

Vested share awards can be exercised no earlier than June 1, 2020 and no later than November 30, 2020.

### Board LTIP 2018

The share awards were allotted to participants free of charge. Share awards are vested over a three-year period, with one-third per year during the period from one AGM to the next. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the date of the 2018 AGM up to and including the date of the 2021 AGM. The share price's performance will be measured as the volume-weighted average price of the company's share 30 trading days immediately after the 2018 AGM and 30 trading

days immediately before the 2021 AGM. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge.

Vested share awards are automatically exercised the day after the 2021 AGM.

### Board LTIP 2018.2

The share awards were allotted to participants free of charge. Share awards are vested over a three-year period, with one-third per 12-month period after the allotment date. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the allotment date up to and including the final vesting date. The share price's performance will be

measured as the volume-weighted average price of the company's share 10 trading days immediately after the allotment date and 10 trading days immediately before the final vesting date. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge.

Vested share awards can be exercised on the final vesting date at the earliest.

### Board LTIP 2019

The share awards were allotted to participants free of charge. Share awards are vested over approximately three years until either the 2022 AGM or June 1, 2022 (whichever occurs first) with one-third per year during the period from one AGM to

the date immediately before the next AGM or the final vesting date. The share awards are also subject to performance-based vesting, based on the performance of Oncopeptides' share price during the period from the allotment date up to and including the day before the final vesting date. The share price's performance will be measured as the volume-weighted average price of the company's share 10 trading days immediately after the allotment date and 10 trading days immediately before the final vesting date. If Oncopeptides' share price has then increased by over 60 percent, 100 percent of the share awards will be vested, and if the share price has increased by 20 percent, 33 percent of the share awards will be vested. In the event of an increase in the share price by 20 to 60 percent, the share awards will be vested in a linear manner. If the share price increases by less than 20 percent, there will be no vesting. Each time-based and performance-based vested share award entitles the holder to obtain one share in Oncopeptides free of charge.

Vested share awards can be exercised on the final vesting date at the earliest.

### Dilution

To ensure the delivery of shares to participants in the company's incentive programs as well as to cover social security contributions when share awards and employee options are exercised, the Parent Company has issued warrants to its subsidiary Oncopeptides Incentive AB, which entitle holders to subscribe for a total of 5,279,995 shares in the Parent Company.

The full utilization of granted options and share awards as of December 31, 2019, corresponding to 2,569,177 shares, would result in a dilution for shareholders of

4.4 percent. The full utilization of all resolved warrants corresponding to a total of 5,279,995 shares (including unallotted employee options and hedging of social security contributions) would result in a dilution for shareholders of 8.7 percent.

The table is a summary of the total number of shares to which allotted employee options and share awards may entitle the holder at December 31, 2019.

### EXTERNAL AUDITOR

Oncopeptides' auditor is the accounting firm Ernst & Young AB (EY), with authorized public accountant Björn Ohlsson as auditor in charge. At the 2019 AGM, EY was selected as the auditor for Oncopeptides, for the first time, until the conclusion of the 2020 AGM.

The auditor performs a review engagement of the quarterly report for the third quarter, and audits the annual and consolidated financial statements. The auditor also comments on whether this Corporate Governance Report has been prepared and whether certain information herein is consistent with the annual and consolidated financial statements. The auditor reports on the results of its audit of the Annual Report and consolidated financial statements and review of the Corporate Governance Report via the Auditor's Report as well as a separate opinion on the compliance with guidelines for remuneration to senior management, which the auditor submits to the AGM. In addition, the auditor issues detailed statements on the audits performed to the Audit Committee two times per year as well as to the Board in its entirety once per year. The fees invoiced by the auditor in the last two financial years are disclosed in Note 8 of the 2019 Annual Report.

#### Number of shares to which granted employee options may entitle the holder

Employee Option Program 2016/2023	276,300
Co-worker LTIP 2017	1,618,939
Co-worker LTIP 2018	430,543
Co-worker LTIP 2019	166,017
<b>Total number of shares to which granted employee options may entitle the holder</b>	<b>2,491,799</b>
Number of granted share awards in program Board LTIP 2017	21,266
Number of share awards granted in program Board LTIP 2018	30,451
Number of share awards granted in program Board LTIP 2018.2	2,170
Number of share awards granted in program Board LTIP 2019	2,170
<b>Total number of shares to which granted employee options and share awards may entitle the holder</b>	<b>2,569,177</b>

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors' responsibility for internal control is governed by the Swedish Companies Act and the Swedish Corporate Governance Code. Internal control primarily consists of the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Among other tasks, the Board is responsible for ensuring that Oncopeptides has sufficient internal control and formalized procedures to ensure that established principles for financial reporting and internal control are adhered to and that there are appropriate systems in place 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 is to ensure, with reasonable certainty, that the external financial reporting is reliable and prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with.

In addition to the aforementioned internal control, there is also an internal, business-specific control of data regarding research and development as well as quality control including systematic monitoring and evaluation of the company's development and manufacturing operations and the company's products.

### Control environment

In order to create and maintain a functioning control environment, the Board has adopted a number of policies and steering 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 financial policy. The company also has a financial manual which contains principles, guidelines and process descriptions for accounting and financial reporting.

Furthermore, the Audit Committee's main task is to monitor the company's financial position and the effectiveness of the company's internal control, internal audit and risk management, to remain informed about the audit of the Annual Report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. 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 as it related to the company's financial reporting. The Board also conducts an annual review of the risk situation.

### Control activities

Control activities limit 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 is 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-supplier's fulfillment 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 the 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 to the co-workers concerned and ensuring the co-workers are familiar with them. The Board of Directors has also adopted an

information policy governing Oncopeptides' disclosure of information.

### Monitoring, evaluation and reporting

Compliance with 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 earnings 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 steering documents and guidelines is assessed annually. The results from these assessments are compiled by the company's CFO and then reported to the Board of Directors and the Audit Committee.

The Board deems that the internal controls are effective in all material respects and, on this basis, has determined that there is no need to establish a special internal-audit function.

### EXTERNAL AUDIT

The company's auditor is appointed by the AGM for the period until the end of the next AGM. The auditor examines the Annual Report and accounts as well as the Board of Directors' and the CEO's fulfillment of their fiduciary duties and responsibilities. Following each financial year, the auditor submits an Auditor's Report to the general meeting. Each year, the company's auditor reports his observations from the audit and his assessment of the company's internal control to the Board of Directors.