



# Corporate Governance Guidelines

## APR Group

Version 1.0

October 2018

# TABLE OF CONTENTS

<b>1 – INTRODUCTION .....</b>	<b>3</b>
1.1 – Adoption.....	3
1.2 – Scope.....	4
1.3 – The APR Group of Companies .....	4
<b>2 – SHAREHOLDERS.....</b>	<b>5</b>
2.1 – Shareholders’ final decision authority .....	5
2.2 – Organization, conduction and resolutions .....	6
<b>3 – BOARD OF DIRECTORS .....</b>	<b>7</b>
3.1 – General matters .....	7
3.2 – Organization and remuneration .....	9
3.3 – Duties, powers and supervision .....	9
3.4 – Meetings, quorum and attendance .....	11
3.5 – Resolutions .....	12
<b>4 – MANAGEMENT.....</b>	<b>15</b>
4.1 – Composition, functions and meeting .....	15
4.2 – Signatory Authority.....	16
<b>5 – COMPLIANCE.....</b>	<b>17</b>
5.1 – APR’s Group Compliance Principles .....	17
5.2 – APR’s Group Compliance Bodies .....	17
5.3 – APR’s Group Compliance Procedures.....	19
5.4 – Compliance and Interactions with HCPs .....	19
<b>6 – AUDITING.....</b>	<b>21</b>
<b>7 – DISCLOSURES.....</b>	<b>22</b>

# 1. INTRODUCTION

## 1.1 Adoption and application

The Board of Directors (the “**Board**”) of the parent corporation APR Applied Pharma Research s.a. (the “**Company**” or “**APR**”) has adopted and approved this Corporate Governance Guidelines (the “**Guidelines**”) to assist the Board in the exercise of its responsibilities. These Guidelines, together with the Code of Ethics (the “**Code**”), the Data Protection Policy (Privacy) and the Policy on Interactions with Healthcare Professionals shall apply to each and all the companies belonging to the APR Group of companies (as defined below) and shall provide the framework for the governance of APR and the companies belonging to the APR Group.

The Board of Directors of each subsidiary company belonging to the APR Group of companies shall have the right and the authority to issue, adopt and implement local board regulations and guidelines in order to deal with specific local peculiarities of the subsidiary. In addition, the Board of Directors of each subsidiary company belonging to the APR Group of companies shall have the right and the authority to limit the signatory authority of the local CEO according to the principle “two signatures per each document”.

The present version of this guideline is identified as follows:

Abbreviated Name: **Corporate Governance Guidelines**

Identification Number: **Version 1.0**

Board Approval Date: **October 31<sup>st</sup>, 2018.**

Any future amendment, modification, addition or deletion shall be identified with a new Identification Number and shall require a new Board approval.

## 1.2 Scope

These Guidelines, together with the Articles of Association and Bylaws of the Company as well as the Code of Ethics, shall provide the framework for the governance of the Company in accordance with articles 716 and 716b of the Swiss Code of Obligations ("CO") and article 13 of the articles of association of the Company ("**Articles of Association**"). In case of conflicts between the Guidelines and the Article of Association, the latter shall prevail.

## 1.3 The APR Group of Companies

The Company is an operative company with several subsidiaries and affiliated companies, which are listed in [Annex A](#) of this Guidelines document. Together with the Company, said subsidiaries only shall form the APR group of companies (the "**APR Group**").

The APR Group operates as an independent, integrated pharma company focused in the identification, research, development, manufacturing, registration and commercialization of innovative, proprietary, science driven products designed to address patients' needs in niche or rare therapeutic areas on a global basis. The APR Group markets, promotes, distributes and sells its products directly in selected countries of Europe through its own subsidiaries, or indirectly, through its partner network of third party licensing or distribution companies in the other countries.

Each of the subsidiary companies belonging to the APR Group is legally independent from each other and manages its business independently. Nevertheless, this Corporate Governance Guidelines shall apply to all the companies belonging to the APR Group.

## 2. SHAREHOLDERS

### 2.1 Shareholders' final decision authority

The Statute and the Articles of Association define the powers of the shareholders of the Company (the "Shareholders"). They alone are entitled to make decisions with regard to personnel matters at the board of directors level (electing and granting release to members of the Board of Directors and appointing the Company's auditors), the final approval of accounts (annual and consolidated financial statements) and policy on distributions and Shareholders' equity (dividends, increase in capital or reduction of capital). The Shareholders determine in the Articles of Association the purpose of the Company and other key elements and rules. Their approval is required for decisions on mergers, demergers, changes in the Articles of Association and liquidation.

The Articles of Association should be available in writing or in electronic form at any time.

The Shareholders shall exercise their rights in the General Shareholders' Meeting (the "GSM") and shall have the right to make motions on items prescribed by the agenda. They may also request information on Company matters not included in the agenda and, if appropriate, a special audit.

The Board shall inform the Shareholders in such a way that they can exercise their rights in the knowledge of the essential basis of their decisions.

The Company shall, when convening GSMs, provide concise explanations on agenda items and on motions put forward by the Board. Requests by Shareholders to place items on the agenda and motions made by them should, if received in time, be officially communicated.

The Board shall give notice of the date of the next ordinary GSM as early as possible. The Company shall give notice of the deadline for shareholders to propose items for the agenda as well as corresponding motions.

## 2.2 Organization, conduction and resolutions

The Chairman should use its powers to ensure that the Shareholders may exercise their rights. The Chairman should conduct the GSM in a balanced and purposeful way.

In the interest of the efficient running of the GSM, the Chairman shall take care that there be no rambling, repeated or unnecessarily derogatory statements. The Chairman may limit the time allotted to each speaker, if there are numerous requests to speak on the same agenda item.

The Chairman shall answer questions, which are in order and relate to the APR Group or arrange for a competent specialist or the Chief Executive Officer to respond. Complex questions or those having a number of different aspects should be submitted to the Board of Directors in writing in sufficient time to allow a response to be prepared.

The minutes of the GSM should be made available to the Shareholders as soon as possible but not later than 3 (three) weeks after the meeting's date.

The Chairman should implement the voting procedures in such a way that the majority will can be determined in as an unambiguous and efficient way as possible.

In the absence of a clear majority, the Chairman should arrange for voting to take place by written or electronic ballot. If voting takes place by a show of hands, the Shareholders may request votes against the motion and any abstentions to be recorded. The number of such votes cast should be communicated to the meeting.

The Chairman may arrange for a combined poll to be taken when electing members of corporate bodies or granting release to them, provided no opposition from the Shareholders is apparent and there is not a request for a separate vote on one or more individuals.

The Board of Directors should inform the Shareholders on the progress of the company also during the course of the financial year.

The Board of Directors should appoint a position for Shareholders relations. In the dissemination of information, the statutory principle of equal treatment should be respected.

## 3. BOARD OF DIRECTORS

### 3.1 General Matters

**Scope.** The business of APR shall be conducted in accordance with Swiss law, the Articles of Association of the Company, these Guidelines and the Code of Ethics.

These Guidelines aim at making the Board a body whose principal duty is to supervise the Company's business and to determine the Company's policies and strategies. Its responsibilities shall be, in principle, restricted to a diligent performance of the non-delegable powers in accordance with Art. 716a of the Swiss Code of Obligations (the "CO").

The Board shall delegate the operative and day-to-day business to the delegate of the Board or the Chief Executive Officer (the "CEO"). The CEO, in the performance of its duties, shall form an Executive Management Team (the "EXMT") formed by the Corporate Directors of the Company and the CEO (each a "Corporate Director" or together the "Corporate Directors"). These Guidelines shall directly apply to the Corporate Directors and all their activities for the Company and shall be interpreted as part of their employment agreements.

**General Guidelines.** The Board of Directors should be small enough in numbers for efficient decision-making and large enough for its members to contribute experience and knowledge from different fields and to allocate management and control functions among themselves. The size of the Board should always match the needs of each Company belonging to the APR Group of Companies.

Members of the Board of Directors should be persons with the abilities necessary to ensure an independent decision-making process in a critical exchange of ideas with the CEO and the Corporate Directors.

The majority of the Board should be, as a rule, composed of members who do not perform any line management function within the Company (non-executive members).

Considering that a significant part of the Company's operations is abroad, the Board of Directors should also include members having long-standing international experience or members from abroad.

The Board of Directors should plan for the succession of its members and ensure that members receive continuing education.

The ordinary term of office for members of the Board of Directors should, as a rule, not exceed 2 (two) years.

The Board of Directors should ensure that newly elected members receive appropriate introduction and that Board Members, where required, receive further training with respect to their responsibilities.

**Conflicts of Interest.** Each member of the Board of Directors should arrange his/her personal and business affairs so as to avoid, as far as possible, conflicts of interest with the Company.

In case of a conflict of interest, the member of the Board of Directors or the Corporate Directors concerned shall have to inform the Chairman of the Board. The Chairman, or Vice-Chairman, should request a decision by the Board of Directors, which reflects the seriousness of the conflict of interest. The Board shall decide without participation of the conflicted person concerned.

No one who has interests in conflict with the Company or is obligated to represent such interests on behalf of third parties should participate to that extent in decision-making. No one having a permanent conflict of interest should be a member of the Board of Directors or of the EXMT.

Transactions between the Company and members of corporate bodies or related persons should be carried out "at arm's length" and should be approved without participation of the party concerned. If necessary, a neutral opinion should be obtained.



## 3.2 Organization and remuneration

**Organization.** The Board shall determine its own organization. Whenever necessary or advisable, the Board shall constitute separate committees, e.g. audit committee, compensation, corporate governance and/or nomination committee, as the development and the particular needs of the Company may require. In such case, special regulations may be issued.

It shall appoint its chairman (the “**Chairman**”) and its vice-chairman (the “**Vice-Chairman**”) from time to time. The Chairman has all duties and competencies conferred to him by law, the Articles of Association and these Guidelines.

If and to the extent the Chairman is unavailable, has a conflict of interest, or is otherwise not able to act, the Vice-Chairman shall assume the powers and duties of the Chairman.

The Board shall also appoint a delegate of the Board (“**Delegate of the Board**” or “**Chief Executive Officer**” or “**CEO**”) and delegate all the operational and day-to-day management of the Company to such delegate and the Senior Management.

**Remuneration.** Unless otherwise resolved by the Board from time to time, each Director being a Shareholder of the Company or representing a Shareholder of the Company or being an independent board member shall not receive any remuneration for his/her function as a member of the Board throughout his/her term as a Director. Upon presentation of appropriate receipts, the Company shall reimburse each Director for all business expenses (including travel costs and hotel accommodation) reasonably incurred by such Director in connection with his/her function as a member of the Board.

## 3.3 Duties, powers and supervision

**Duties and Powers.** The Board has the following duties and powers which by law (Art. 716a CO) are inalienable and may not be delegated:

- a) to ultimately manage the Company and issue the necessary directives;

- b) to determine the Company's organization;
- c) to organize the accounting system, the financial control, as well as the financial planning;
- d) to appoint and remove the persons entrusted with the management and representation of the Company, including the Managers;
- e) to exercise the ultimate supervision over the persons entrusted with the management (including the Managers), in particular with respect to compliance with the law and with the Articles, regulations and directives;
- f) to prepare the business report, as well as the General Meeting of the shareholders, and to implement the latter's resolutions;
- g) to pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares (Art. 634a CO);
- h) to pass resolutions confirming increases in share capital and amending the Articles in that respect (Art. 651 al.4, 651a, 652g, 652h, 653g and 653h CO);
- i) to inform the judge in case of insolvency or over-indebtedness.
- j) any resolution pursuant to Section 2.6 below.
- k) to resolve on any other matter, which is subject to board resolution pursuant to the Articles or mandatory law.

**Supervision.** The Board is responsible for the supervision of (i) the Delegate of the Board and (ii) to the extent such supervision is not delegated to the Delegate of the Board, the Senior Management. For this purpose, the Board shall be provided with the following reports prepared by the Senior Management:

- a) within ninety (90) days of the end of the fiscal year, audited financial statements prepared on the basis of Swiss accounting standards;
- b) within thirty (30) days prior to the end of each business year, the annual budget for the next following fiscal year; and
- c) within thirty (30) days of the end of each fiscal quarter, unaudited quarterly financial statements;

These reports and statements shall be reviewed critically by the Board and it shall, if required, take the appropriate measures to remedy critical situations.

## 3.4 Meetings, quorum and attendance

**Meetings.** Meetings of the Board shall be convened by the Chairman, or in his absence the Vice-Chairman, as often as the business of the Company requires and whenever a member, indicating the reasons therefore, requests, but at least four (4) times a year.

The notice of any board meeting shall be dispatched in writing by courier, mail, fax or e-mail not less than fourteen (14) days prior to the date of the meeting. Such advance notice may be reasonably shortened in case urgent matters require an earlier or immediate meeting.

The notice shall specify the place, date and time of the meeting as well as the agenda and, if at all possible, the proposed wording of suggested resolutions. Together with the notice, the members shall be provided with all information reasonably necessary for them to prepare for the meeting and make an informed decision on the agenda items.

Each member of the Board may request that meetings are exceptionally held or that such member may participate in a meeting by video or telephone conference.

The person calling the meeting may also – if specifically justified - invite Corporate Directors, other managers or third parties to the Board meetings.

**Quorum and Attendance.** A Board meeting is validly constituted, if at least half of all Directors in office including both the Existing Investor Director and the New Investor Director as set forth in the Shareholders Agreement (each an “Investor Director” and together the “Investor Directors”) are present (including by video, computer or telephone conference).

The Shareholders and the members of the Board hereby agree that, if and when the Chairman has for 2 (two) consecutive times duly convened a Board meeting and any of the Directors mentioned in the preceding paragraph has both times not been present or has informed he/she could not be present, the third time the presence of such Director is not required for the Board meeting to be deemed validly constituted and entitled to transact business.

No quorum requirement applies for meetings at which the Board confirms the execution of a capital increase and resolves on changes of the

Articles in connection with a share capital increase resolved by the General Meeting of Shareholders (in particular art. 634a, 651 par. 4, 651a, 652e, 652g and 653g CO).

## 3.5 Resolutions

**Resolutions.** Except as set forth below, Board resolutions are taken by the majority of the votes of the Directors present. In the event of equality of votes cast, the Chairman shall not have the casting vote.

In addition, any affirmative decision on any of the following resolutions (the “**Important Board Matters**”), including without limitation any amendment of the Board Regulations, shall require (i) the consent of the majority of all the Directors in office and, cumulative (ii) the consent of each of the Investor Directors.

Each of the following decisions shall be an Important Board Matter and shall require the consent requirements set forth above:

- a) adoption of and changes to this Guidelines;
- b) approval of the annual budget and five (5) years plan;
- c) transactions with any Shareholders or a party related or being an Affiliate to any Shareholders including the employment of relatives of the Shareholders, including changes to the compensation (salary and bonus);
- d) appointment and removal of members of the Senior Management, including any changes, modifications or alterations of employment agreements with Senior Management;
- e) changes in the employment agreements or other agreements between Shareholders and the Company;
- f) bonus to Senior Management or any of the Shareholders of the Company;
- g) changes and amendments of the employee stock option plan;
- h) remuneration of non-executive board members, if any;
- i) investments, acquisition or disposal of products or assets, acquisitions or participation in other companies, if total investment or disposal

exceeds CHF 500'000, whether as a single transaction or a series of related transactions;

j) dealing with intellectual property rights, entering or terminating patents, license or distributions agreements or know how agreements or any other agreement materially affecting the Company and which is outside the approved Budget;

k) any material change (including cessation) in the nature of the business of the Company and, the taking of any other steps which are materially inconsistent with the Budget or the Business Plan;

l) new borrowings, the creation of encumbrances and/or financial guaranties or arrangements for business expansion purposes in excess of CHF 500'000 (five hundred thousand Swiss Francs).

m) sale of the Company and any major preparation steps in connection with a sales process;

n) listing of the Company's shares and any major preparatory steps.

o) all other extraordinary business decisions outside the approved Budget materially affecting the Company.

**Circular Resolutions and Other Forms of Resolutions.** If a written proposal for a resolution has been submitted, the resolution may be taken by circular letter, telefax or email, unless a Director requests a discussion in a formal meeting. A resolution by circular letter shall require the approval of all members of the Board.

**Minutes.** The meetings of the Board shall be recorded in minutes. Such minutes shall in particular contain the declarations made by any one member with the request to be recorded as well as all the resolutions.

The minutes shall be signed by the Chairman of the meeting and a secretary, who does not to be a member of the Board or another member of the Board (CEO).

**Information.** Any members of the Board may request information about all matters concerning the Company.

At meetings, all persons engaged in the management of the Company shall be required to provide the information requested. Outside meetings, each Board member has the right to request information from the



Managers regarding the general business affairs and, with the approval of the Chairman, also regarding particular business transactions.

## 4. MANAGEMENT

### 4.1 Composition, Functions and meetings

The operational management of the Company is entrusted to the Delegate of the Board and the Executive Management Team (the “EXMT”).

**Composition.** The EXMT shall be composed of the Delegate of the Board, having also the function of Chief Executive Officer (“CEO”) and any other managers as the CEO may determine from time to time. In particular, the EXMT shall be composed by the Group Corporate Directors of each function within the organization.

**Organization.** The EXMT shall be headed by the Delegate of the Board (CEO). The CEO shall be responsible for the management of the Company and each other Corporate Director shall report directly to the CEO. The CEO shall properly instruct and supervise the Corporate Directors and shall delegate individual responsibilities among the Corporate Directors.

**Meetings.** The EXMT shall meet at least monthly and whenever a meeting is requested by any one Corporate Director. Meetings may also be held by video or telephone conference unless a Corporate Director requests a discussion in a physical meeting.

**Functions.** The operational management of the Company shall be delegated to the Delegate of the Board and the EXMT in accordance with article 13 of the Articles of Association to the extent the management is not by law, the Articles of Association or these Guidelines reserved to the Board. Without limiting the generality of the foregoing, the CEO and the EXMT shall implement the business policies, strategies and resolutions of the Board for the Company, establish the business plan, under the Board's supervision and control, and manage the operational and day-to-day business of the Company.

**Reporting.** At each meeting of the Board, the CEO, or, if so required by the Board, any other Corporate Director shall inform the Board on the state of affairs of the Company so as to allow the Board to comply

with its statutory duty to ultimately manage and supervise the Company. If deemed necessary or appropriate, the CEO or the Board may request the participation of other Corporate Directors.

At any time, the CEO shall report without delay to the Board all significant changes, developments and events affecting the business of the Company.

## 4.2 Signature authority

The Board appoints the persons authorized to sign on behalf of the Company and determines their signing authority. Unless otherwise resolved by the Board, each of its members shall have joint signatory power by two (Firma collettiva a due).

In principle, only the CEO of the parent company APR Applied Pharma Research s.a., subject to the limitations set forth by its Board, shall have individual signing power. The Delegate of the Board or the CEO of any other company belonging to the APR Group shall have collective signatory authority and shall be subject to the local Board Regulation and all the limitations as set forth by the local board of directors.

Finally, the CEO shall propose to the Board members of the Executive Management Team entrusted with collective signatory authority for specific company documents.



## 5. COMPLIANCE

### 5.1 APR's Group Compliance Principles

To realize APR's vision, the Company and all employees need to earn and maintain the trust of patients, associates, healthcare professionals, shareholders, employees and the society we serve. We recognize society's expectations of our industry and of APR, and everybody must go beyond just doing what is legal in order to meet legitimate expectations of society.

APR's aim is to prevent issues from occurring, drive personal accountability for behaviors, and generate learnings that can be applied across the organization.

APR does not tolerate unethical behavior by our associates anywhere, and we will take all necessary steps to ensure compliance with the Code of Ethics and all applicable laws. At the same time, APR cannot exclude the possibility of misconduct by individuals. APR therefore is putting into place extensive measures in an effort to ensure that reports of suspected misconduct are investigated thoroughly. Where misconduct is found, APR works to take swift and appropriate action.

With a goal of ensuring accountability of local country organizations and subsidiaries, the CEO, together with the Executive Management Team shall be responsible to maintain and implement consistent standards of business practices across APR, ultimately enabling us to provide the best possible care for patients globally.

### 5.2 APR's Group Compliance Bodies

The APR Group's Board of Directors is ultimately responsible for securing compliance at both corporate and local level and throughout the

Companies of the Group. In order to secure compliance, the Board of Directors has appointed a Board Compliance Committee (the “**Board Compliance Committee**”).

The Board Compliance Committee shall be elected from time to time by the Board of Directors and shall consist of 3 (three) individuals selected as follows:

- The CEO, and
- 2 (two) board members selected from those not having any executive function within the Company (non-executive directors).

The Board Compliance Committee shall be the ultimate reporting authority within the APR Group for any compliance issue and shall have the duty and responsibility to appoint the Group Compliance Board (the “**Compliance Board**”).

The Board Compliance Committee shall meet regularly to review and process any compliance issue escalated and brought up to its attention; the Board Compliance Committee shall have final decision-making authority for the resolution of any unresolved compliance issue and for any consequent or related disciplinary action.

The Compliance Board shall be elected by the Board Compliance Committee and shall consist of, from time to time, the following individuals:

- Corporate Director Legal
- Corporate Director Marketing & Sales
- Corporate Director Finance & Administration
- Corporate Quality Assurance

## 5.3 APR's Group Compliance Procedures

The Compliance Board shall define written procedures and guidelines (the "**Compliance Guidelines**") in order to monitor and secure compliance at both corporate and local level.

The Compliance Board shall meet regularly in shall make regular audits at both Corporate and local level and shall report and issue, violation to the EXMT or to the CEO.

## 5.4 Compliance and Interactions with HCPs

APR is committed to collaborating with physicians and other healthcare professionals (the "**HCPs**"), to developing new healthcare products, to educating healthcare professionals, patients, and consumers about our medicines and to sharing clinical experience with the use of our products. Our ambitious Vision reflects the broader role society expects APR to take in improving the human condition and experience.

APR is committed to ensuring that its educational efforts benefit patients and consumers and that its programs and collaborations do not have, or appear to have, an undue influence on medical judgment, prescribing, or product recommendations. To this end, APR is guided by the Company Values, the high ethical standards and the commitment to compliance with applicable legal, regulatory and professional requirements in the countries in which APR operates. APR's relationships with healthcare professionals, including its interactions with physicians, nurses, pharmacists and others who administer, prescribe, purchase or recommend regulated healthcare products, must meet the highest standards of integrity and must comply with applicable laws and regulations.

To that end, APR has adopted a Compliance Policy on Interactions with Healthcare Professionals. The Compliance Policy on Interactions with HCPs governs interactions with healthcare professionals by APR around the world, including marketing, medical, sales and research and development operations, with the limited exception of certain business-to-business



interactions, which are defined by and must comply with other applicable laws, policies and guidelines. Irrespective of the type of interaction, all interactions with healthcare professionals by APR around the world must comply with applicable laws, regulations, professional requirements and industry codes of conduct or practice.

## 6. AUDITING

The function of the external audit is performed by the statutory auditors elected by the Shareholders and, should that be the case, the group auditors.

The external auditors should discharge the functions assigned to them in accordance with the guidelines relevant to them. They should cooperate in an appropriate way with those in charge of internal auditing.

Auditors and group auditors should comply with the guidelines on maintaining independence applicable to them.

## 7. DISCLOSURES

The Company should disclose information on Corporate Governance in its annual report and in its corporate website.

## Annex A

### Subsidiaries and Affiliated Companies

#### Subsidiary Companies

#	Name of the Company	% Ownership
1.	APR Applied Pharma Research - Holding s.a. Via Corti 5, CH – 6828 Balerna, Switzerland	100%
2.	APR Applied Pharma Research - Italy s.r.l. Via Cavour 2, Lomazzo (CO), Italy	100%
3.	APR Applied Pharma Research – Germany GmbH	100%
4.	APR Nanotechnologies s.a. Via Corti 5, CH – 6828 Balerna, Switzerland	60%

#### Affiliated Companies

#	Name of the Company	% Ownership
1.	Breej Technologies Inc. 44 Stedman Street, Unit 8, Lowell, 01851 MA, USA	5%