

# **CORPORATE GOVERNANCE POLICY**

**Adopted by the board of directors on 3 September 2015**

## **CORPORATE GOVERNANCE POLICY**

### **1 INTRODUCTION**

Targovax ASA (the "**Company**") and together with its subsidiaries, the "**Group**") considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital.

In order to secure strong and sustainable corporate governance, it is important that the Group ensure good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations.

The Norwegian Corporate Governance Board (NCGB) has for company's listed on Oslo Børs and Oslo Axess issued "The Norwegian Code of Practice for Corporate Governance" most recently revised 30 October 2014 (the "**Code of Practice**"). The Code of Practice is available at [www.nues.no](http://www.nues.no). The Code of Practice is based on a "comply or explain principle" whereby listed companies must comply with the Code of Practice or explain why they have chosen an alternative approach. The Company will follow the Code of Practice, and any deviation from the Code of Practice will be included in the statement on corporate governance included in the annual report.

A description of the most important corporate governance principles of the Group shall also be made available for external interest groups on the Company's website.

### **2 MAIN OBJECTIVES FOR CORPORATE GOVERNANCE**

The Group's corporate governance policy (the "**Policy**") is based on the Code of Practice, and as such is designed to establish a basis for good corporate governance, to support achievement of the Company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability for its shareholders. The manner in which the Group is governed is vital to the development of the Group's value over time.

The Company believes good corporate governance involves openness and trustful cooperation between all parties involved in the Group: the owners, the board of directors (the "**Board**") and executive management, employees, contract parties, public authorities and society in general.

The Board has appointed a Corporate Governance Committee to assist the Board in fulfilling its responsibilities to implement sound corporate governance. The development of, and improvements in, the Company's corporate governance principles are an on-going and important process that the Board and the Corporate Governance Committee intend to focus on.

### **3 CORPORATE GOVERNANCE POLICY**

#### **3.1 Implementation and reporting**

This Policy was adopted by the Board on 3 September 2015 for and on behalf of the Company and is, in all material respects based on the Code of Practice, to which the Board has resolved that the Company shall adhere.

The Board shall ensure that the Company at all times has sound corporate governance.

The Board shall provide an overall review of the Company's corporate governance in the Company's annual report to the shareholders. The review shall include each individual point of the Code of Practice. If the Company does not fully comply with the Code, this shall be explained in the annual report of the Company.

### **3.2 Business**

In accordance with common practice for Norwegian incorporated companies, the Company's business activities are not precisely defined in the articles of incorporation. However, the fundamental objectives and strategy of the Company is to achieve substantial total returns for shareholders by (i) rapidly advance TG01 and ONCOS-102 into phase II clinical trials, (ii) progress further targeted therapeutic cancer vaccines candidates to the product development stage, (iii) explore the combination of the Group's peptide therapeutic cancer vaccines for RAS mutations together with its viral therapeutic cancer vaccines, (iv) evaluate the combination of ONCOS-102 and check point inhibitors (CPIs) in non-responding check point inhibitor (CPI) patients, (v) optimise the Group's manufacturing capabilities to ensure later stage clinical trials and commercial supply (vi) expand its intellectual property profile and (vii) selectively pursue partnerships and collaborations.

The Company's primary objectives and strategies shall be stated in the Company's annual report.

### **3.3 Equity and dividends**

The Company shall have an equity capital that is suitable for its objectives, strategy and risk profile.

The Company's long-term objectives include making distributions of net income in the form of dividends. The payment and level of any dividends will depend on a number of factors, including market outlook, cash flow, capital expenditure plans and funding requirements. These factors will be measured against the Company's need to maintain adequate financial flexibility, relevant restrictions on the payment of dividends under the laws of Norway and such other factors the Board may consider relevant.

The Board shall establish a clear and predictable dividend policy. The dividend policy shall be disclosed in the Company's annual report. The background to any proposal for the Board to be given a mandate to approve the distribution of dividends should be explained.

Mandates granted to the Board to increase the Company's share capital shall be restricted to defined purposes. If the general meeting is to consider mandates to the Board for the issue of shares for different purposes, each mandate shall be considered separately by the meeting. Mandates granted to the Board shall be limited in time to no later than the date of the next annual general meeting. This shall also apply to mandates granted to the Board for the Company to purchase its own shares.

### **3.4 Equal treatment of shareholders and transactions with close associates**

#### *3.4.1 General information*

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

#### *3.4.2 Share issues without pre-emption rights for existing shareholders*

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in the share capital shall be justified. Where the Board resolves to carry out a share issue without pre-emption rights for existing shareholders, then the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the share issue.

### *3.4.3 Approval of agreements with shareholders and other closely-related parties*

The Board shall arrange for a valuation to be obtained from an independent third party in the event of a not immaterial transaction between the Company and its shareholders, a shareholder's parent company, members of the Board, executive management or closely-related parties of any such parties. An independent valuation shall also be carried out in the event of transactions between companies within the same group where any of the companies involved have minority shareholders.

Members of the Board and executive management must notify the Board if they have a significant, direct or indirect, interest in any transaction carried out by the Company other than by virtue of their position within the Company.

### *3.4.4 Transactions with own shares*

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or at prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

## **3.5 Freely negotiable shares**

The Company's constituting documents do not impose any transfer restrictions on the Company's shares and the Company's shares are freely transferable, subject to any restrictions that may exist under applicable securities laws.

## **3.6 General meetings**

### *3.6.1 Exercising rights*

The Board shall take reasonable steps to ensure that as many shareholders as possible can exercise their voting rights in the Company's general meetings and that the general meetings are an effective forum for the views of shareholders and the Board.

Among other things, the Board must ensure that:

- the notice and the supporting documents and information on the resolutions to be considered at the general meeting are available on the Company's website no later than 21 days prior to the date of the general meeting;
- the resolutions and supporting documentation, if any, are sufficiently detailed to allow shareholders to understand and form a view on matters that are to be considered at the general meeting;
- the registration deadline, if any, for shareholders to participate at the general meeting is set as closely as practically possible to the date of the general meeting and pursuant to the provisions in the articles of association;
- the Board and the person who chairs the meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Board and committees, if applicable;
- representatives of the Board shall be present at general meetings, while representatives of the nomination committee as well as the auditor should be present at general meetings where matters of relevance for such committees/persons are on the agenda; and

- the board of directors shall make arrangements to ensure an independent chairperson for the general meeting.

### *3.6.2 Participation without being present*

Shareholders who cannot be present at the general meeting shall be given the opportunity to vote using proxies. The Company shall in this respect:

- provide information about the procedure for attending via proxy;
- nominate a person who will be available to vote on behalf of a shareholder as their proxy; and
- prepare a proxy form which shall, insofar as this is possible, be formulated in such a manner that the shareholder has the option to vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

### **3.7 Nomination Committee**

The Company shall have a Nomination Committee. The Company's general meeting elects the members and the Chairperson of the Nomination Committee and determines their remuneration.

The majority of the members of the Nomination Committee shall be independent of the Company's Board and executive management. At least one member of the Nomination Committee shall not also be a member of the Board. The CEO and other executive management shall not be members of the Nomination Committee.

The objectives, duties and functions of the Nomination Committee are described in the Company's "Charter for the Nomination Committee" which shall be adopted by general meeting. The Company shall provide information regarding the members of the nomination committee and deadlines for submitting proposals to the nomination committee.

### **3.8 Board; composition and independence**

The composition of the Board should ensure that it that the Board can attend to the common interest of all shareholders and meet the expertise, capacity and diversity appropriate to attend to the Company's goals and main challenges. Further, individuals of the Board should be willing and able to work as a team, resulting in the Board working effectively as a collegiate body.

The composition of the Board shall ensure that it can act independently of any special interests. The majority of the shareholder-elected members of the Board should be independent of the Company's executive personnel and material business connections. In addition, at least two of the members of the Board should be independent of the Company's major shareholder(s). For the purposes of this Policy, a major shareholder shall mean a shareholder that owns or controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The Board shall not include executive personnel. The Chairperson of the Board shall be elected by the general meeting.

The term of office for members of the Board of Directors shall not be longer than one year at a time. Members of the Board of Directors may be re-elected.

The Company's annual report shall provide information to illustrate the expertise of the members of the Board, and information on their record of attendance at Board meetings. In addition, the annual report shall identify which members of the Board that are considered to be independent. Members of the Board should be encouraged to own shares in the Company.

### **3.9 The work of the Board**

#### *3.9.1 General*

An annual plan for the Board's work should be produced, with particular emphasis on objectives, strategy and implementation. The Board shall issue instructions for its own work, as well as for the executive personnel, with particular emphasis on clear allocation of internal responsibilities and duties.

The Board shall provide details in the Company's annual report of any Board committees appointed.

#### *3.9.2 Audit Committee*

The Board shall have an Audit Committee as a preparatory and advisory committee for the Board in questions concerning accounting, audit and finance. The duties and composition of the audit committee shall be in compliance with the Norwegian Public Limited Companies Act. The entire Board shall not act as the Company's Audit Committee and the majority of the members of the Audit Committee should be independent of the Company's business.

#### *3.9.3 Compensation Committee*

The Board shall have a Compensation Committee as a preparatory and advisory committee for the Board in questions relating to the Company's compensation of the executive management. The purpose of the Compensation Committee is to ensure thorough and independent preparation of matters relating to compensation to the executive personnel. The members of the Compensation Committee should be independent of the Company's executive personnel.

#### *3.9.4 Annual evaluations*

The Board shall annually evaluate its performance and expertise in the previous year.

### **3.10 Risk management and internal control**

The Board shall ensure that the Company has sound internal controls in place and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal controls and systems for risk management should also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility.

The Board shall conduct an annual review of the Company's most important areas of exposure to risk and such areas internal control arrangements.

The Company shall have relevant corporate manuals and procedures, which provide descriptions of procedures for all aspects of managing the operational business. The procedures and manuals shall be continuously revised to incorporate best practice derived from experience or adopted through regulations.

The Company shall be focused on frequent and relevant management reporting to the Board of both operational and financial matters, both in order to ensure that the Board has adequate information for decision-making and to respond quickly to changing conditions. Board meetings shall be held frequently.

The Board shall provide a description in the annual report of the Company's internal control and risk management systems as they relate to the Company's financial reporting. This covers the culture of control, risk assessment, controlling activities and culture information, communication and follow-up. The Board is obligated to ensure that it is updated on the Company's financial situation, and continuously evaluate whether the Company's equity and liquidity are adequate in terms of the risk from, and scope of, the Company's activities, and shall immediately take the necessary action if it is demonstrated at any time that the Company's equity or liquidity is inadequate.

### **3.11 Remuneration of the board**

The remuneration of the Board is to be proposed by the Nomination Committee and decided by the shareholders at the annual general meeting of the Company. The level of remuneration of the Board shall reflect the responsibility of the Board, its expertise and the level of activity in both the Board and any Board committees.

The remuneration of the Board shall not be linked to the Company's performance, unless proposed by the Nomination Committee in order to attract and retain highly qualified board members. Other than share options already granted or as proposed by the Nomination Committee in accordance with the above, the Company shall not grant share options to members of the Board.

Board members, or companies associated with Board members, shall not take on specific assignments for the Company in addition to their appointments as members of the Board. If they, nonetheless, do take on such assignments this must be reported to the Board and the remuneration for such additional duties must be approved by the Board.

Any remuneration paid to members of the Board in addition their Board remuneration shall be specifically identified in the annual report.

### **3.12 Remuneration of executive personnel**

The Board shall establish guidelines for the remuneration of the executive personnel. Such guidelines should set out the main principles applied in determining the salary and other remuneration of the executive personnel and should contribute to aligning the interests of shareholders and executive management. These guidelines shall be communicated to the annual general meeting.

Performance-related remuneration of the executive personnel in the form of share option grants, bonus programmes or similar shall be linked to value creation for shareholders or the Company's profit over time. Such arrangements shall incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration shall be subject to an absolute limit (while there shall be no upside limit on granted share options nor or granted shares).

### **3.13 Information and communication**

#### *3.13.1 General information*

The Company shall provide timely and precise information about the Company and its operations to its shareholders, the Oslo Stock Exchange and the financial markets in general (through Oslo Stock Exchange's information system). Such information will be given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed most suitable. The Company shall seek to clarify its long-term potential, including strategies, value drivers and risk factors. The Company shall maintain an open

and proactive policy for investor relations, a website designed to incorporate "sound practices", and shall give regular presentations in connection with annual and provisional results.

The Company shall publish an annual, electronic finance calendar with an overview of the dates for important events such as the annual general meeting, publishing of interim reports, public presentations and payment of dividends, if applicable.

Unless exceptions apply and are invoked, the Company shall promptly disclose inside information (as defined by the Norwegian Securities Trading Act) on an on-going basis. In all circumstances, the Company will provide information about certain events, e.g. by the Board and general meeting(s) concerning dividends, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by the Company and related parties.

#### *3.13.2 Information to shareholders*

The Company shall have procedures for establishing discussions with shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of shareholders. However, such discussions must be done in compliance with the provisions of applicable laws and regulations and always taking into account, the principle of equal treatment of the Company's shareholders.

Information to the Company's shareholders shall be published on the Company's website at the same time that it is sent to the shareholders.

### **3.14 Take-overs**

#### *3.14.1 General*

In the event of a take-over process, the Board and the Company's executive management each have an individual responsibility to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board has a particular responsibility in ensuring that the shareholders have sufficient information and time to form a view on the offer.

#### *3.14.2 Main principles for action in the event of a take-over bid*

In the event of a take-over process, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code of Practice. The Board shall ensure that the following take place:

- the Board shall not seek to hinder or obstruct any takeover bid for the Company's activities or shares;
- the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board will be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

If an offer is made for the Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether the Board is of the opinion that the shareholders

should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on an offer shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board shall consider whether to arrange a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held such position, but has ceased to hold such a position, is either the bidder or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder. Any such valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

### **3.15 Auditor**

The Company's auditor shall annually submit the main features of the plan for work with the audit of the Company to the Board or the Audit Committee.

The auditor shall participate in meeting(s) of the Board that deal with the annual accounts, accounting principles, assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the executive management of the Company and/or the Audit Committee.

The auditor shall at least once a year present to the Board or the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

The Board shall hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

The Board shall specify the right of the executive management to use the auditor for purposes other than auditing.

The Board must report the remuneration paid to the auditor to the shareholders at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments, if any.