

Corporate governance report



Introduction

The Board of Directors of Hansa Medical AB (publ), corp. ID no. 556734-5359 (the “**company**”) hereby submits the 2015 corporate governance report in accordance with the requirements of the Swedish Annual Accounts Act (1995:1554) ((Sw. årsredovisningslagen) and the Swedish Code of Corporate Governance (the “Code”); see the Swedish Corporate Governance Board website at www.bolagsstyrning.se). The company's shares were admitted for trading on Nasdaq OMX Stockholm in November 2015. The company's shares were previously, since 2007, listed on Nasdaq First North. The company's corporate governance is mainly regulated by the provisions of the company's articles of association, the Swedish Companies Act (2005:551) (Sw. aktiebolagslagen) and other Swedish legislation, the Nasdaq OMX Stockholm Rulebook for issuers and the Code.

The corporate governance report has been reviewed by the company's auditors in accordance with the Swedish Annual Accounts Act. It does not constitute a part of the formal annual report documents.

The Group comprises the parent company, Hansa Medical AB, and its wholly-owned subsidiary Cartela R & D AB. The subsidiary does not currently conduct any operations.

Deviations from the Code

The company deviates from the Code on one point. According to the Code, a member of the board shall not be chairman of the nomination committee. In the company, board member Anders Blom is also chairman of the nomination committee. According to the principles for appointing the nomination committee adopted by the annual general meeting 2015, the shareholder representative who represents the largest shareholder shall be appointed chairman of the nomination committee, unless the nomination committee decides otherwise. Anders Blom, acting as representative for the company's largest shareholder, Nexttobe AB, was appointed chairman of the nomination committee.

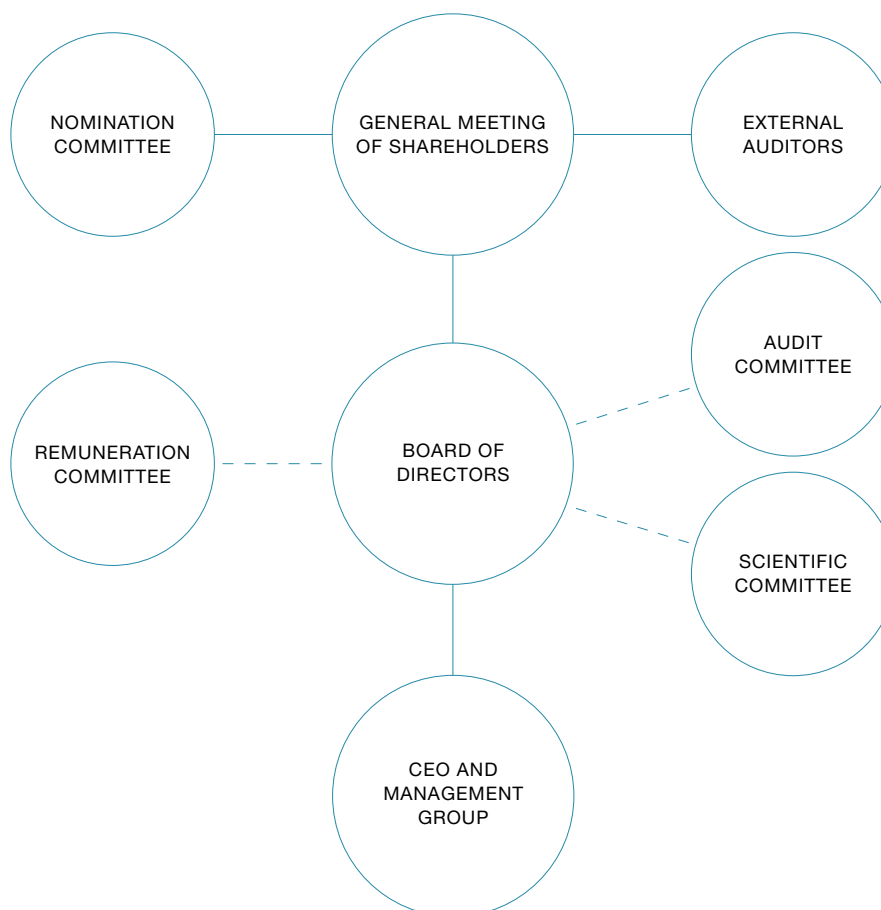
Shareholders

There are no limitations on the transferability of Hansa Medical's shares due to legal restrictions or provisions of the articles of association. To Hansa Medical's knowledge, no agreement has been entered into between any shareholders which might limit the transferability of the shares. Nexttobe AB is the only shareholder owning more than 10 percent of the company's shares, by its shareholdings of 29.1%. As per 31 December 2015, Farstorps Gård AB owned 16.5% of the company's shares, but has in the beginning of March 2016 reduced its shareholdings to circa 3%. Farstorps Gård AB has committed not to divest any further shares within the next 12 months (a so called 12 month lock-up period).

There was no infringement of Nasdaq OMX Stockholms rules and no breach of good practice on the securities market reported by the stock exchange's disciplinary committee or the Swedish Securities Council during the financial year.

Hansa Medical's corporate governance model

The diagram set forth below illustrates Hansa Medical's corporate governance model and the central corporate bodies during 2015.



Significant external and internal regulations and policies which affect corporate governance

Significant internal regulations and policies:

- › Articles of association
- › Rules of procedure for the Board of Directors
- › Instruction for the CEO, including the financial reporting instruction
- › Disclosure policy
- › Insider instruction
- › Finance policy
- › Risk management policy
- › Financial handbook
- › Staff handbook

Significant external regulations:

- › Swedish Companies Act
- › Swedish Accounting Act
- › Swedish Annual Accounts Act
- › International standards for audits and financial reporting (IFRS)
- › Nasdaq OMX Stockholm Rulebook for issuers
- › Swedish Code of Corporate Governance

Information regarding Hansa Medical's shares

On 31 December 2015, the total number of shares was 32,412,003, with a quotient value of SEK 1. Each share carries one vote, and each person entitled to vote may vote for his or her full number of shares. Each share confers the right to an equally large percentage of the company's distributable profits.

On 2 June 2015, the annual general meeting resolved to authorize the board, on one or more occasions before the next annual general meeting, applying or not applying shareholders' pre-emptive rights, to resolve upon a new issue of shares or issue of convertible instruments or warrants, see Annual General Meeting 2015.

General meeting

The company's highest decision-making body is the general meeting, where the shareholders' influence over the company is exercised. Shareholders who wish to participate at a general meeting, personally or through a proxy, must be entered in the share register maintained by Euroclear Sweden AB five business days prior to the general meeting and must give the company notice of intention to attend as described in the notice to attend the general meeting. Notices to attend general meetings are given through advertisement as well as on the company's website (www.hansamedical.com). The annual general meeting must be held within six months from the close of the financial year. At the annual general meeting, the shareholders adopt resolutions regarding, among other things: the board and auditors; the procedure for appointing the nomination committee; and discharge from liability for the board and the CEO in respect of the preceding year. Resolutions are also adopted regarding: adoption of the annual report; disposition of profits or treatment of losses; fees for the directors and auditors; and guidelines for remuneration to senior executives.

2015 Annual General Meeting

At the annual general meeting which was held on 2 June 2015, 16 shareholders representing 52 percent of the total number of votes in the company were represented. The annual general meeting adopted the 2014 annual accounts, adopted a resolution regarding treatment of the company's loss, and granted the directors and CEO a discharge from liability. The general meeting resolved that no dividend would be paid. In accordance with the proposals of the nomination committee, the general meeting resolved to re-elect Birgit Stattin Norinder as chairman of the board, and Anders Blom, Stina Gestrelius, Per Olof Wallström and Cindy Wong as board members. Hans Schikan was elected as board member. The general meeting adopted resolutions regarding election of an auditor and remuneration to the board and auditors in accordance with the nominations committee's proposal. The general meeting also resolved on guidelines for remuneration to senior management in accordance with the board of directors' proposal.

The annual general meeting resolved that the board of directors shall be authorized to issue new shares, warrants or convertible instruments on one or more occasions prior to the next AGM, with or without regard to shareholders' pre-emption rights. The payment of issued shares may be in cash, by non-cash consideration, by set-off or otherwise subject to terms and conditions stated in The

Swedish Companies Act, chapter 2 section 5, second paragraph, points 1-3 and 5. The number of shares, warrants or convertible instruments to be issued pursuant to the authorization shall be limited to 10 percent of the shares from time to time outstanding. If the board of directors decides on an issue without regard to shareholders' pre-emption rights, the reason for deviation from the shareholders' pre-emption rights shall be for the purpose of expanding the circle of owners, acquire or render possible the acquisition of working capital, increase liquidity in the share, carry out corporate acquisitions, or acquire or render possible the acquisition of capital for corporate acquisitions. In conjunction with resolutions regarding share issues with a deviation from the shareholders' pre-emption rights, the subscription price shall be on market terms at the time of the adoption of the issue resolution.

In addition, the annual general meeting resolved on an incentive program as described below. Minutes from the annual general meeting are available at Hansa Medical's website www.hansamedical.com. The annual general meeting 2016 will take place on 11 May 2016.

2015/2019 incentive program

The annual general meeting 2015 resolved on an incentive program for all of the employees of the company as follows.

The employees were offered the opportunity to acquire warrants entitling them to exercise the warrants for subscription of shares in the company at a price equal to the market value of the share at the time of the issuance of the warrants (SEK 36.04) adjusted upwards annually in the amount of seven percent. Subscription for shares may take place during the period commencing 15 June 2018 up to and including 15 June 2019. This entails that the subscription price after three years will be approximately 122.5 percent of the current market value of the share and after four years will amount to approximately 131.1 percent.

Cartela R & D AB, the company's subsidiary, is entitled to subscribe for warrants. The warrants were issued without payment of any consideration and Cartela R & D AB subsequently transferred the warrants to employees of the company. The reason that the warrants were issued to Cartela R & D AB is that the company was able, in this way, to include terms and conditions with a right for the company to repurchase the warrants in the event the participant's employment with the company terminates, which would not have been possible if the warrants had been issued directly to the employees. The warrants were transferred to the company's employees on market terms and conditions at a price established based on a calculated market value for the warrants applying the Black & Scholes valuation model calculated by PricewaterhouseCoopers, a valuation institute independent of the company. The value was established as SEK 8.40 per warrant based on a share price of SEK 36.04. The total number of warrants issued by the shareholders' meeting on 2 June 2015 was 400,000, which corresponds to a dilution effect of 1.2 percent of the number of shares and votes if all of the warrants are exercised. All of the warrants were subscribed for by Cartela R & D AB. 296,000 warrants were subsequently transferred to the employees of the company, corresponding to a dilution effect of 0.9 percent of the number of shares and votes if

all of the warrants are exercised. For all employees, with the exception of the CEO, up to 60 percent of the employee's premium is subsidized and the employees have received a one-time bonus as a part of the warrant purchase. The degree of subsidization varies depending on the term of employment with the company. The bonus payment affected the company's earnings in the amount of approximately MSEK 1.40. The subsidy in the amount of approximately SEK 600,000 is booked as a current expense during the term of the warrants. In the event a warrant holder's employment with the company terminates before the warrants are exercised and the company elects to buy back the warrants according to the repurchase condition, the buyback must take place at market value less any subsidy received.

Nominating committee

Prior to the 2016 annual general meeting, Hansa Medical's nomination committee comprises Anders Blom (representing Nexttobe AB), Fredrik Bogren (representing Farstorps Gård AB) and Astrid Samuelsson (representing Handelsbanken Fonder). It also includes the chairman of the board Birgit Stattin Norinder as convener. Anders Blom has been elected chairman of the nomination committee.

The nomination committee prepares a proposal regarding the number of directors and persons to be elected as directors, including the chairman, and a proposal for remuneration to the chairman and the other board members, as well as a proposal for remuneration for the board members' committee work. The nomination committee also proposes election of auditors including remuneration to the auditor. Finally, the nomination committee proposes principles for the nomination committee. The proposals will be published in connection with the notice to the annual general meeting 2016.

External auditors

The external audit of the accounts of the parent company and the Group, as well as of the management by the board and the CEO, was carried out in accordance with generally accepted accounting standards in Sweden. The auditor participates in at least one board meeting per year, going through the accounts for the year and leading a discussion with the directors without the CEO or any other senior executive present.

Pursuant to the articles of association, Hansa Medical must have a registered accounting firm as its external auditor.

The accounting firm KPMG AB has been the auditor of the company since the 2015 annual general meeting, with certified public accountant Dan Kjellqvist as the auditor in charge. Dan Kjellqvist is a member of the Swedish Institute of Authorized Public Accountants. Dan Kjellqvist at KPMG AB was the company's auditor commencing at the time of the 2014 annual general meeting up to and including the annual general meeting held in 2015. Prior to this, Ann Theander, who is a member of the Swedish Institute of Authorized Public Accountants and who works at Grant Thornton Sweden AB, was the company's auditor. For information regarding fees paid to the auditors, please refer to note 5 in the 2015 annual report.

Board of directors

The overall task of the board is to manage the affairs of the company in the best possible manner on behalf of the shareholders. The board must continuously evaluate the Group's operations, development and financial situation, as well as the operative management. The board of directors decides upon, among other things: issues concerning the Group's strategic focus and organization; business plans; financial plans and budget; significant agreements; major investments and commitments; and finance, disclosure, and risk management policies. The board must also ensure that the company prepares insider instructions. The board works according to rules of procedure which are adopted annually and which govern the frequency and agenda of board meetings, distribution of materials for meetings, and matters to be presented to the board for information or for a decision. The rules of procedure also govern how the board work is allocated among the board and its committees. The board has also adopted CEO instructions which governs the allocation of work among the board, the chairman, and the CEO, and which defines the CEO's authority.

The chairman must keep herself well informed about, and monitor, the company's business. The chairman is responsible for ensuring that the board's work is carried out efficiently and that the board fulfils its obligations in accordance with applicable laws and regulations, the Code, the articles of association, resolutions of the general meeting, and the board's own rules of procedure. The chairman is also responsible for ensuring that the directors regularly update their knowledge about the company and that new directors receive necessary introductory training.

The chairman represents the company in ownership questions and is responsible for the day-to-day contact with the CEO and senior executives. The chairman must also approve remuneration and other employment terms and conditions for senior executives. The chairman is also responsible for the company's archives, in which minutes from all directors meetings and general meetings must be saved.

The chairman prepares board meetings together with the CEO. The notice of the meeting and the agenda are sent to the directors only after they have been approved by the chairman of the board of directors. After this, the notice is sent together with sufficient decision-making documentation to the directors. Each and every board meeting includes a review of the business, including development and advances within research and development, business development, consolidated earnings and financial position, financial reports, and forecasts.

Pursuant to the articles of association, the board must comprise not less than three and not more than ten directors elected by the general meeting, with no alternate directors. The board is quorate when more than half of the directors are present. The articles of association do not contain any provisions regarding appointment or dismissal of directors or regarding amendment of the articles of association.

Directors' fees were set at the company's 2015 annual general meeting for a period up to and including the next annual general meeting. The fees for the board of directors' work in 2015 were set as follows. The chairman is paid SEK 300,000, and each other director is paid SEK 100,000, SEK 40,000 is paid to the chairman and SEK 30,000 is paid to each other board member in the audit committee, SEK 40,000 is paid to the chairman and SEK 25,000 is paid to each other board member in the remuneration committee and SEK 25,000 is paid to each board member in the scientific committee, however, that no fees were to be paid to Anders Blom. No remuneration other than the above mentioned fees have been paid to the board of directors for their duty as directors. No pension premiums or similar benefits were paid to directors. None of the directors are entitled to benefits after completion of their duties. Please see the management report and note 4 in the 2015 annual report for additional information regarding employment terms and conditions for the board and senior executives.

Directors

Pursuant to the articles of association, Hansa Medical's board must comprise not less than three and not more than ten directors. The board currently comprises six individuals, including the chairman. Each director's term continues until the end of the next annual general meeting.

The following is a list of the directors, containing information regarding their years of birth and election to the board, education, work experience, engagement in the company and other significant engagements and holdings in the company as of 4 February 2016. Holdings in the company includes one's own holdings as well as those of closely-related persons.



Birgit Stattin Norinder

Chairman of the board since 2014

Birgit has extensive experience from international pharmaceutical and biotechnology companies. She has managed several research and development departments, resulting in a number of novel pharmaceuticals. She has held positions such as CEO and Chairman at Prolifix Ltd., Sr VP Worldwide Product Development, Pharmacia & Upjohn and Dir. Int. Reg. Affairs Division, Glaxo Group Research Ltd. Birgit has also held a number of board and chairman positions of European biotechnology companies. She is director of the board at Jettesta AB, Nicox S.A. and AddLife AB. Director of the Board of Hansa Medical since 2012. Birgit holds an M.Sc. in Pharmacy from Uppsala University. Born 1948.

Birgit is Chairman of Hansa Medical's Remuneration Committee, and member of the Audit Committee and Scientific Committee

Independent of Hansa Medical and senior management.
Independent of major shareholders of Hansa Medical.

Shareholding: 29,205



Stina Gestrelius

Member of the board since 2007

Stina has 30 years of experience in the pharmaceutical and biotech industries. Entrepreneur and previously Head of Research at Biora AB and Deputy CEO of Medicon Valley Alliance. She is currently member of the board in BioActive Polymers in Lund AB and Hansa Medical AB and has held several board positions of Scandinavian biotechnology companies including Biogala AB (publ.), Clavis Pharma ASA (publ.) and Lipopeptide AB. Stina holds an M.Sc. and a Ph.D. in Applied Biochemistry from Lund University. Born 1949.

Stina is member of the Hansa Medical Scientific Committee and of the Remuneration Committee

Independent of Hansa Medical and senior management.
Independent of major shareholders of Hansa Medical.

Shareholding: 5,833



Hans Schikan

Member of the board since 2015

Hans has more than 25 years' international (bio) pharma company experience. He is currently Chairman of the Board of Directors of Asceneuron (Switzerland), Complix (Belgium) and InteRNA Technologies (The Netherlands) and member of the Board of Directors of Sobi and Wilson Therapeutics (Sweden). He is also Member of the Core Team of the Dutch Top Sector Life Sciences & Health and adviser to several biotech companies. His past experience includes inter alia CEO of Prosensa (The Netherlands).

Hans holds a Pharm.D. degree from the University of Utrecht, The Netherlands. Born 1958.

Hans is member of the Hansa Medical Scientific Committee.

Independent of Hansa Medical and senior management.
Independent of major shareholders of Hansa Medical.

Shareholding: 10,000



Dr. Cindy Wong

Member of the board since 2012

Cindy has extensive experience from clinical medicine, clinical research, and regulatory requirements for registration of new medicinal products and biotechnology products. She has held senior positions in the Department of Health in Australia and at the Swedish Medical Products Agency. She is currently the Chief Medical Officer and Head of Medical Affairs at Q-Med, a Galderma division, in Uppsala, Sweden. In this position she has overseen the clinical development of a number of biotechnology products for registration in Europe, the USA, China and in Japan. Cindy holds a M.D. from the University of Adelaide and is a medical specialist in both internal medicine and immunopathology qualified in Australia. Cindy is a Fellow of the Royal Australasian College of Physicians and a Fellow of the Royal College of Pathologists of Australasia. Born 1959.

Cindy is member of the Hansa Medical Scientific Committee.

Independent of Hansa Medical and senior management.
Independent of major shareholders of Hansa Medical.

Shareholding: 12,503



Per-Olof Wallström

Member of the board since 2011

Per Olof has extensive experience from various positions in the international pharmaceutical and biotechnology industry, including Senior Management positions at Merck, Astra, Pharmacia and Bristol-Myers Squibb. In addition, he has served as CEO of Q-Med AB, Melacure Therapeutics AB and Karo Bio AB. Per-Olof is also director of the boards at Camurus AB (Chairman), MB Eriksson Bygg och Fastighet AB (Chairman), Arosia Communication AB (Chairman), Patients Pending Ltd. (Chairman) and NeoDynamics AB* (Director). Per Olof holds an M.Sc. in Pharmacy from Uppsala University. Born 1949.

Per Olof is member of the Hansa Medical Audit committee and of the Remuneration Committee

Independent of Hansa Medical and senior management.
Independent of major shareholders of Hansa Medical.

Shareholding: 23,000



Anders Blom

Member of the board since 2014

Anders is Executive Vice President at Oasmia Pharmaceutical AB. Prior to that, Anders worked as CEO and partner at Nexttobe AB, the main owner of Hansa Medical. Prior to that he spent ten years at Q-Med in finance and heading the business- and corporate development departments. In addition, Anders has served as Business Controller in the EMEA region for Pharmacia Corp. and as auditor at the Swedish Tax Agency (Skatteverket). Anders has been board member, chairman and CEO in several companies, including EQUIDx AB, Svenska Elitskon AB, Vivalavida AB, Delta Projects AB, BioLamina AB and Selego AB. Anders holds a Bachelor of Science in Business Administration from Uppsala University. Born 1969.

Anders Blom is Chairman of Hansa Medical's Audit Committee.

Independent of Hansa Medical and senior management.

Shareholding: –

The Board of Director's work in 2015

During 2015, the board held twelve meetings, of which six were held per telephone and one was the constituent meeting. During 2015, the board primarily worked with the following issues: stock market adaptation through the adoption of management documents and the formation of board committees, a resolution to carry out a new share issue, the appointment of a new CEO, evaluation of indication area for IdeS, a decision to initiate part two of a phase II study at the Uppsala University Hospital and the Karolinska University Hospital in Huddinge, the decision to commence clinical

studies at Cedars-Sinai Medical Center with Dr. Stanley Jordan, and questions regarding CMC development.

At the board meetings held during the 2015 financial year, the directors were present as set forth below. The number of meetings and the maximum number of directors who could have been present are stated in parentheses, given that one of the directors was newly elected during the financial year.

The reporting period is 1 January – 31 December 2015

Director	Elected	Present at board meetings	Present at remuneration committee meetings	Present at audit committee meetings	Independent in relation to the company and corporate management	Independent in relation to the company's largest shareholders
Birgit Stattin Norinder	2012	12 (12)	4 (4)	5 (5)	Yes	Yes
Stina Gestrelus	2007	12 (12)	4 (4)	-	Yes	Yes
Per-Olof Wallström	2011	12 (12)	4 (4)	5 (5)	Yes	Yes
Cindy Wong	2012	11 (12)	-	-	Yes	Yes
Anders Blom	2014	12 (12)	-	5 (5)	Yes	No
Hans Schikan ¹	2015	4 (4)	-	-	Yes	Yes

¹ Joined the board in June 2015

Evaluation of the Board of Director's work

Pursuant to the Code, the board of directors is to evaluate its work annually, using a systematic and structured process, with the aim of developing the board's working methods and efficiency. The evaluation has been carried out by asking the directors to, in the end of 2015, fill out a questionnaire with questions about the work of the board of directors. The directors were to rate how well a number of statements corresponded with their opinion, but have also been invited to provide comments on their answers. The result of the responses have been compiled. The compilation has been reported to the directors and to the members of the nomination committee.

Board committees

The Board of Directors did not have any committees in 2014. In January 2015, the Board of Directors formed an audit committee, a remuneration committee and a scientific committee.

Remuneration committee

The remuneration committee which the company formed in January 2015 consists of Birgit Stattin Norinder, chairman, Stina Gestrelius and Per-Olof Wallström. The remuneration committee is charged with performing the duties set forth in the Swedish Corporate Governance Code. The committee is obligated to keep minutes of its meetings and make the minutes available to the Board of Directors.

The primary duties of the remuneration committee are to:

- › prepare decisions for the Board of Directors regarding remuneration principles, remuneration and other employment terms and conditions for senior management, among other things by proposing to the Board of Directors the guidelines for remuneration to senior management, to be adopted at the annual general meeting of the shareholders;
- › monitor and evaluate any programs pending or adopted during the year for variable compensation for senior management; and
- › monitor and evaluate the application of the guidelines for remuneration adopted by the annual general meeting, as well as applicable remuneration structures and levels for the company.

Audit committee

The audit committee established by the company in January 2015 consists of Anders Blom, chairman, Birgit Stattin Norinder and Per-Olof Wallström. The committee is obligated to keep minutes of its meetings and make the minutes available to the Board of Directors. The audit committee shall perform the duties incumbent upon audit committees as required by law and the Swedish Code of Corporate Governance.

The primary duties of the audit committee are to:

- › monitor the company's financial reporting;
- › with respect to the financial reporting, monitor the effectiveness of the company's internal controls, internal audit and risk management;
- › inform itself of the audit of the annual reports and group accounts;
- › review and monitor the auditor's impartiality and independence and, in this context, particularly monitor whether the auditor is providing the company with services other than auditing services;
- › take decisions regarding guidelines for services other than the auditing services which the external auditor can provide the company;
- › assume responsibility for the preparation of the Board of Directors' work by ensuring that the company's financial reporting maintains high standards;

- › assist the nomination committee in the preparation of proposals for resolutions by the shareholders' meeting regarding the choice of auditor and fees for the auditor's work;
- › meet with the company's auditor on a regular basis in order to obtain information regarding the focus and scope of the audit and to discuss the coordination between the external auditor and internal procedures for overview and insight into the company's risks;
- › evaluate the auditor's work and inform the company's nomination committee or, where applicable, special nomination committee regarding the results of the evaluation; and
- › assist the nomination committee in the preparation of proposals for nomination of the external auditor prior to the annual general meeting and proposals for fees for the external auditor's work.

Scientific committee

The scientific committee which the company established in January 2015 consists of Lars Björck, chairman, Hans Wigzell, Stina Gestrelius, Birgit Stattin Norinder and Cindy Wong. The committee is obligated to keep minutes of its meetings and make the minutes available to the Board of Directors.

The primary duties of the scientific committee are to:

- › assist the Board of Directors with recommendations regarding the company's research and development strategies and possibilities;
- › perform such other duties as are considered necessary and appropriate in conjunction with the work set forth above; and
- › perform such other duties as instructed by the Board of Directors from time to time.

Company management

The board appoints a CEO to manage the company. In addition to the CEO, there are five individuals who make up company management: the Chief Financial Officer; the Chief Scientific Officer; the Clinical Research Director; Director, Corporate Development and Investor Relations and the Chief Medical Officer. The management group holds meetings every month to discuss the Group's earnings and financial position, the status of research and development projects, strategic issues, and follow-up of budgets and forecasts.

The CEO's responsibility

The CEO is responsible for managing the company's day-to-day operations pursuant to the board's guidelines and instructions. The CEO is also responsible, in accordance with the board's written instructions, for preparing and presenting to the board issues which fall beyond the scope of day-to-day management and he must act in accordance with the instructions to the CEO adopted by the board, the decisions of the board and the general meeting, and in the best interests of all shareholders. He must also respect the fiduciary duty and duty of confidentiality which apply to affairs and circumstances which might cause damage to the company if disclosed, as well as the duty to report matters and circumstances which are material to the company.

The CEO must take any and all measures which are necessary to ensure that the company's bookkeeping is legally compliant and to ensure that funds are managed in a satisfactory manner. Accordingly, it is the CEO's responsibility to ensure that the company has good internal management and routines to ensure application of the adopted principles for financial reporting and internal control. The CEO shall each month (with the exception of January and July) compile a report regarding the company's financial situation. He is responsible for ensuring that the company complies with applicable laws and guidelines, including Swedish law, the Nasdaq OMX Stockholm Rulebook for issuers and the Code. The CEO must ensure, at a minimum, that the six-month report or the nine-month report is examined by an auditor. The CEO also has specific responsibility to ensure the competitive supply of all purchases of goods or services exceeding SEK 1 million. The CEO must provide the board with all necessary background information and documentation, both before and between board meetings. The CEO must attend board meetings unless the chairman informs him that he need not attend. The CEO must also attend all general meetings of the company, including both annual general meetings and extraordinary general meetings. The CEO may not have any engagements outside of the company without the board's approval.

The CEO is also responsible for implementing the strategy approved by the board and to propose such other strategies and operational measures to the board which he deems appropriate. The CEO is responsible for the company's internal organization, but must obtain the board's approval prior to major organizational changes. The CEO is responsible for issuing and maintaining instructions for delegation to senior executives of the company. He is also responsible for entering into or terminating employment agreements and for other employment terms and conditions; however the chairman's approval is necessary for such issues in respect of senior executives. In a serious crisis situation, it is the CEO's responsibility to inform the board immediately and, if necessary, to form and instruct a crisis committee and to prepare a contingency plan for the business. The CEO must immediately report any event or procedure which he suspects may be significantly adverse to the business or the company's financial position, e.g. a liquidity crisis, to the chairman.

Information regarding the CEO's age, primary education, work experience, significant engagements outside of Hansa Medical, and his holdings of shares in the company and those of closely-related persons are set forth below.

Senior executives

Hansa Medical's senior executives currently comprise six individuals: the CEO Göran Arvidson, the Chief Financial Officer Eva-Maria Joed, the Chief Scientific Officer Christian Kjellman, Chief Research Director Lena Winstedt, Director, Corporate Development and Investor Relations Emanuel Björne and the Chief Medical Officer Steven Glazer.

Hansa Medical's current senior executives, the years when they assumed their positions, their years of birth, education, work experience, significant engagements outside the company and holdings in Hansa Medical as of 4 February 2016 are listed below. Holdings in the company includes both one's own holdings and/or those of closely-related persons.



Göran Arvidson

President and CEO

Göran Arvidson is CEO of Hansa Medical since April, 2015. Göran Arvidson has significant experience from the life science sector. He has been Executive Vice President and CFO of Swedish Orphan Biovitrum AB (publ), Co-founder of Biovitrum and has held senior positions with Procordia AB and Pharmacia AB. Göran holds B.Sc. in Business Administration from Stockholm School of Economics. Born 1960.

Shareholding: 63,000
Share warrants: 150,000



Emanuel Björne

Director, Corporate Development and Investor Relations

Emanuel joined Hansa Medical in 2007 counting more than 10 years of operational experience from Scandinavian Pharma and Biotech industry (Biolin Scientific, Polypeptide Labs and Hansa Medical) serving as Business Analyst, Analytical Chemist and CEO. Emanuel holds a M.Sc. in Engineering Physics (biophysics core) from Lund University and the University of California at Santa Barbara.

Shareholding: 21,300
Share warrants: 15,000



Dr. Steven Glazer

Chief Medical Officer

Steven Glazer joined Hansa Medical in August 2015. He has extensive experience in drug development from pharmaceutical and biotechnology companies. He served as Senior Vice President Development at BioInvent AB, Vice President Development at Zealand Pharma and Medical Director at NovoNordisk. Steven holds a Doctor of Medicine from the University of Copenhagen and trained in Internal Medicine.

Shareholding: -
Share warrants: -



Eva-Maria Joed

Chief Financial Officer

Eva-Maria joined Hansa Medical in 2015 and brings long and wide experience within finance to the company. She has held positions both as Chief Accountant and CFO and worked in international companies such as Kemira Kemi AB, Johns Manville AB within the Berkshire Hathaway group and Procordia Food AB. She has also been responsible for implementing new financial systems and policies, and for IT. Eva-Maria holds a Master of Science in Business and Economics from Lund University.

Shareholding: 1,000
Share warrants: -



Dr. Christian Kjellman

Chief Scientific Officer

Christian joined Hansa Medical in 2008 after serving at BioInvent AB as Senior Scientist focusing on novel target evaluation and antibody technology. Prior to that, he functioned as Head of Research at the biopharmaceutical development company Cartela AB, mainly focusing on novel drug target evaluation. He has extensive research experience in cell- and molecular biology and as an Assistant Professor in Molecular Genetics at Lund University. Christian holds a M.Sc. in Chemical Biology and a Ph.D. in Tumour Immunology from Lund University.

Shareholding: -
Share warrants: 40,000



Dr. Lena Winstedt

Clinical Research Director

Lena carries extensive experience from clinical development of biopharmaceuticals and small molecules. Before joining Hansa Medical in 2011, she served as Clinical Project Manager at BioInvent International AB focusing on Phase I clinical trials for biopharmaceuticals in Europe and in the United States. Prior to that she functioned as International Clinical Project Manager at Genmab A/S and Clinical Research Associate at H. Lundbeck AB. Lena holds an M.Sc. in Molecular Biology from Lund University and the University of Glasgow and a Ph.D. in Microbiology from Lund University.

Shareholding: 665
Share warrants: 30,000

Internal control and risk management in respect of the financial reporting

Introduction

The following description is based on guidelines issued in 2008 by the Confederation of Swedish Enterprise and FAR.

The company's internal control procedures in respect of the financial reporting have been formulated to ensure, with reasonable certainty, quality and accuracy in the reporting. The procedures are designed to ensure that the reporting is prepared in accordance with applicable laws and regulations as well as the requirements which are imposed on companies with shares admitted for trading on a regulated marketplace in Sweden. The important prerequisites for achieving this are: (i) the existence of a satisfactory control environment; (ii) the execution of reliable risk assessments; (iii) the existence of established control structures and control activities; and (iv) satisfactory information, communications and follow-up.

Internal audit

The board has evaluated the need for an internal audit function and has concluded that it is not warranted for Hansa Medical due to the scope of the operations and because the board's follow-up of the internal control is deemed sufficient to ensure that the internal control is effective. The board will review the need in the event of changes which may give rise to re-evaluation and at least once annually.

Control environment

Internal control is based on Hansa Medical's control environment, which comprises the values and ethics from which the board, the audit committee, the CEO, the management group, and other employees communicate and operate. The control environment also includes the company's organizational structure, leadership, decisional structure, decision-making authority, responsibility, and employee proficiency.

Risk assessment

Risk identification and evaluation must be carried out in the manner described above including regarding risks in respect of the financial reporting. As part of this procedure, items in the income statement and balance sheet entailing a great risk of significant error are identified. For Hansa Medical, accrued project costs in the company's clinical projects have, at various times, involved significant amounts. The size of these is based, to great extent, on senior management's assessment of the degree of completion. For Hansa Medical, cash and equivalents, as well as current investments, comprise a significant percentage of the company's total assets and are therefore deemed to give rise to a risk in the financial reporting. Moreover, the fact that Hansa Medical's administration is handled by a small number of individuals is listed as a risk since the dependency on a small number of key individuals becomes great and the possibility to allocate tasks and responsibility becomes limited. The company's financial handbook includes controls to prevent and detect shortcomings in these areas.

Control structure and control activities

The board's rules of procedure and the instructions for the CEO and board committees ensure a clear allocation of roles and responsibility. The board has overall responsibility for internal controls. The CEO is responsible for the development of the system of routines, procedures and controls for the day-to-day operations. This includes, among other things, guidelines and role descriptions for the various decision-makers as well as regular reporting to the board based on established routines. Policies, procedures, routines, instructions and templates for the financial reporting and the day-to-day administrative financial operations and financial issues are documented in Hansa Medical's Financial Handbook. Routines and activities have been designed to manage and rectify significant risks which are related to the financial reporting and which are identified in the risk analysis. The most significant, overall, group-wide corporate governance documents are the work procedures for the Board of Directors, instructions for the CEO, financial policy, disclosure policy, insider instructions, and risk management policy.

The primary purpose of control activities is the prevention and early-stage detection of errors in the financial reporting so that they can be addressed and corrected. There are both manual and automated control activities on both the overall and more detailed levels. Access to IT systems is limited in accordance with powers and authorization. The CFO must compile monthly financial reports which, among other things, are to report earnings and cash flow for the preceding period and state budget deviations. These reports, and above all the budget deviations, must be analyzed and commented upon by company management. Follow-up takes place through regular meetings for review of these reports and analyses with the various managers and project managers. In this way, significant fluctuations and deviations are followed-up, minimizing the risk of errors in the financial reporting. The work involved with annual accounts and annual reports are processes which pose additional risks for errors in the financial reports. This work is of a less repetitive nature and contains more evaluative elements. Important control activities include, among other things, ensuring that there is a properly functioning reporting structure in which the various managers and project managers report pursuant to standardized reporting templates, and that important income statement and balance sheet items are specified and commented upon.

Information and communication

The informational activities are governed by an information policy. There are guidelines for external communications which ensure that the company meets high standards for providing correct information to the shareholders and the financial market. Hansa Medical's communications must be characterized by transparency and must be correct, relevant, reliable and clear; they may not be misleading. A uniform strategy for external communications reduces the risk of erroneous information, rumours, and misunderstandings. All communications must take place in accordance with Nasdaq OMX Stockholm's Issuer Rules, the Swedish Code of Corporate Governance, and the laws and requirements imposed on Swedish

companies whose shares are admitted for trading on a regulated marketplace. The policy applies to all employees and directors of Hansa Medical and applies to both oral and written information.

The board adopts annual reports, financial statements and interim reports. All financial reports are published on the website www.hansamedical.com after having first been published pursuant to Nasdaq OMX Stockholm's rules and regulations. The annual report is made available on the website and is provided as a hard copy to those shareholders who so wish.

Follow-up

The board's follow-up of internal controls in respect of the financial reporting takes place, among other things, through follow-up of the work and reports of the CFO and the external auditors. The work includes ensuring that measures are taken in respect of the shortcomings and proposed measures generated in conjunction with the external audit. The focus of the follow-up is Hansa Medical's compliance with its own rules and the existence of efficient and suitable processes for risk management, operational management, and internal control. Each year, the external auditor follows up on the selected elements of the internal control within the parameters of the statutory audit.

The auditor reports the results of the examination to the board and company management. Significant observations are reported, where applicable, directly to the board.

The CEO is responsible for compiling all experience from the company's risk management work and, following discussions with company management, proposing any changes which the CEO deems necessary or applicable. The board will decide on any changes.

Auditors' statement on the corporate governance report

To the Annual General Meeting of Hansa Medical AB (publ), corp. ID no. 556734-5359.

The Board of Directors is responsible for the corporate governance report for 2015 set forth on pages 57–69 and for ensuring that it is prepared in accordance with the Annual Accounts Act. We have read the corporate governance report and evaluated its statutorily-required content based on our knowledge of the company in order to form our opinion regarding whether the corporate governance report has been prepared and is consistent with the Annual Accounts Act and the consolidated accounts. We believe that a corporate governance report has been prepared and that its statutorily-required information is consistent with the Annual Accounts Act and the consolidated accounts.

Malmö, 30 March 2016
KPMG AB

Dan Kjellqvist
Authorized Public Accountant
Lead auditor

Jonas Nihlberg
Authorized Public Accountant

