	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

Santhera Pharmaceuticals Holding Ltd


Organizational Rules

1. BASIC PRINCIPLES

These Organizational Rules are issued by the Board of Directors of Santhera Pharmaceuticals Holding Ltd (**Company**) pursuant to Article 716b of the Swiss Code of Obligations (**CO**) and Article 17 of the Company's Articles of Incorporation. They govern the internal organization and the powers, duties and responsibilities of the following non-executive and executive bodies and persons of the Company:

- the board of directors (**Board**; *Verwaltungsrat*)
- the chairman of the Board (**Chairman**; *Präsident des Verwaltungsrates*)
- the vice-chairman of the Board (**Vice-Chairman**; *Vizepräsident des Verwaltungsrates*)
- the committees of the Board (*Ausschüsse*)
- the Chief Executive Officer (**CEO**; *Vorsitzender der Geschäftsleitung*)
- the Chief Financial Officer (**CFO**; *Finanzchef*)
- the executive management (**Executive Management**; *Geschäftsleitung*)

The Company is the holding company of an international group of companies active in the pharmaceuticals business. As such it performs strategic, financial and management functions not only for the Company itself but also with respect to the companies controlled by it (**Group Companies**). In view of this Group-wide function, the executive bodies and officers of the Company have to resolve on matters that pertain both to the Company and to other Group Companies. Notwithstanding this, in any event, the executive bodies of the Company shall give due respect to the legal independence of all Group Companies and to the local laws applicable to them.

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

2. BOARD OF DIRECTORS

2.1. Constitution

On the occasion of the first meeting following the Shareholders' Meeting electing members and Chairman of the Board, the Board shall appoint its Vice-Chairman from its members.

The Board shall further appoint a secretary (**Secretary**) who need not be a member of the Board.

The appointments shall be for the term of office of the member of the Board appointed, or for such shorter term as determined by the Board.

In the case of a vacancy occurring during a term of office, the Board shall without delay appoint from its members a substitute for the remaining term of the vacant office.

2.2. Board Meetings: Convocation and Agenda


The Board shall convene as often as may be required, but at least four times a year. Board meetings may be held by telephone, videoconference, or otherwise if simultaneous communication can be ensured.

The meetings of the Board shall be called by the Chairman or, if he is prevented or incapacitated from doing so, on his behalf by the Vice Chairman or by the Secretary of the Board. Each member of the Board and the CEO may request that the Chairman convene a meeting as aforesaid; any such request must state the purpose of said meeting, agenda items and the motions proposed by the relevant member.

Notice of meetings shall be given seven days in advance by letter or e-mail. The notice shall set forth the agenda and the motions to be carried. The documentation required to deliberate on the agenda items shall be delivered to the members of the Board no less than five days before the meeting.

Urgent items which are brought up after the notice of the meeting has been distributed, may be discussed at the meeting. Resolutions on such matters may, however, only be passed if all Board members attending the meeting agree to resolve on such matter.

Each member of the Board may request that items be placed on the agenda. The relevant request shall be submitted in writing or by e-mail to the Chairman at least fourteen days before the meeting.

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

The Chairman, or in his absence the Vice-Chairman, shall preside over the meetings of the Board. If neither the Chairman nor the Vice-Chairman is present, another member of the Board shall be designated as meeting chairman. Members of the Executive Management may participate in the meetings of the Board in an advisory capacity, unless otherwise directed by the presiding member of the Board.

2.3. Quorum, Decisions and Minutes

Unless stated otherwise in these Organizational Rules, the quorum for any meeting of the Board shall be the majority of the members of the Board. Absent members may not be represented. If the Board consists of two members only, a quorum shall be met if the Chairman is present.

No quorum is required if the meeting is called to


- (a) certify an increase of capital and to effect the amendment of the Articles of Incorporation related thereto;
- (b) approve the execution of a merger agreement in case of a simplified merger pursuant to Arts. 23 s. of the Merger Act;
- (c) approve the execution of a transformation agreement pursuant to Art. 70 of the Merger Act in case that the transferred assets do not exceed 10% of the total assets of the Company.

Resolutions of the Board shall be adopted by a majority of the votes cast. In case of a tie, the acting chairman has the casting vote (Article 713 CO).

Resolutions may also be passed in writing, provided a member does not request oral deliberation immediately after having been notified of the proposal. To be valid, resolutions in writing must have been communicated to all members of the Board who are capable of being reached, and must have been approved in writing by a majority of the members of the Board.

If a provision of these Organizational Rules requires a special quorum for a resolution by the Board, the respective provision may only be amended by a resolution in compliance with such quorum.

Minutes shall be taken with regard to all resolutions. The minutes shall be signed by the acting chairman and the Secretary. The minutes shall be approved by the Board at the following meeting of the Board. If meetings are held or resolutions passed by telephone or in writing, the Secretary shall record such resolutions in minutes and communicate the outcome to the members of the Board as soon as practicable.

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

2.4. Conflicts of Interest

No member of the Board shall participate in the deliberations and resolutions on matters which affect the interest of that member, or of a person related or affiliated to that member (a **Related Person**), where such interest is of such significance to the Board member or Related Person that the interest would reasonably be expected to interfere with the Board member's judgement if he were called upon to vote on the transaction.

A conflict of interest has to be disclosed by the respective member prior to the deliberations and has to be entered into the minutes. The Board, other than the member having a conflict of interest shall decide


- (a) whether the conflict is insubstantial and the respective member(s) may vote on the matter;
- (b) whether the member with a conflict of interest may participate in deliberations on the matter without voting thereon;
- (c) whether the member with a conflict of interest may not participate in deliberations, but has a right to receive the minutes of the meeting with respect to the agenda item in question;
- (d) whether the member with a conflict of interest has no right to receive the minutes of the meeting with respect to the agenda item in question.

2.5. Powers and Duties of the Board

The Board shall resolve all business matters which are not reserved to the authority of the General Meeting of Shareholders or to other executive bodies of the Company by law, the Articles of Incorporation, or these Organizational Rules.

The Board has the following inalienable powers and duties:

- (a) the ultimate direction of the business of the Company and the Group, the giving of the necessary instructions, and the establishment of Company and Group policies;
- (b) the determination of the organization of the Company, in particular (i) the approval and amendment of these Organizational Rules and (ii) the establishment of Board committees, the appointment of committee members, and the establishment of the terms of reference of these committees;

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

- (c) the administration of accounting, financial control (including the Company's internal control system), risk management, and, to the extent necessary for the management of the Company, financial planning;
- (d) the appointment, removal and determination of the functions of the persons entrusted with the management and representation of the Company, in particular the CEO and the other members of the Executive Management;
- (e) the ultimate supervision of the persons entrusted with the management of the Company, namely in view of their compliance with the law, the Articles of Incorporation, these Organizational Rules and other by-laws and instructions;
- (f) the determination of signatory powers for the Company;
- (g) the preparation of the annual report (including the corresponding financial results releases, the corporate governance report and the compensation report);
- (h) the preparation of the meetings of shareholders and the implementation of the resolutions adopted by the meeting of shareholders;
- (i) any resolutions reserved to the Board in connection with capital increases or transactions under the Swiss Merger Act;
- (j) the notification of the court if liabilities exceed assets.


In addition, the Board shall approve, upon motion of the CEO, the matters set forth in **Annex 1**.

2.6. Committees of the Board

The Board may commission committees or individual members with any specific function or task lying within the Board's competence by defining objectives, authority, reporting, term of office and remuneration.

The Board shall appoint the following permanent committees:

- (a) Audit Committee (**AC**)
- (b) Compensation Committee (**CC**)

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

The Board shall establish a charter for each of these Committees which defines the composition of the Committee, its powers and duties and its terms of reference.

2.7. Information Rights

Each member of the Board is entitled to request and receive information on all matters of the Company in accordance with Article 715a CO.

Requests for information or consultation of business documents between meetings shall be presented in writing or e-mail to the Chairman.

At each meeting the CEO and/or the Executive Management shall inform the Board about the ongoing business and the most important business transactions.

2.8. Compensation

The Board shall propose to the shareholders the compensation of the Board members and of Executive Management based upon their exposure and responsibilities.

2.9. Assessment and Evaluation of the Board

No less frequently than annually, the Board shall assess its effectiveness as a body and take any necessary steps to improve its collective capacity to represent the shareholders in overseeing and guiding the Company. In the event it is believed that an individual member is not making meaningful contributions to the overall effectiveness of the Board, the Chairman of the Board should raise the matter with the Board to make a recommendation regarding the future role of the member in question.


2.10. Signatory Powers

The Chairman, the Vice-Chairman as well as other members of the Board shall be recorded in the Register of Commerce with joint signature power by two.

The Board may register further persons in the Register of Commerce with joint signature power by two and may determine their title.

3. CHAIRMAN OF THE BOARD

The Chairman is responsible together with the CEO for the strategic management of the Company. The Chairman supervises

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

- (a) the different relationships between the Board, the Board Committees and the Executive Management;
- (b) the execution of Board resolutions.

The Chairman shall prepare and call the meetings of the Board.

If the Chairman is unable to perform his functions or in a case he cannot be reached, his functions shall be assumed by the Vice-Chairman or, if the Vice-Chairman is unable to perform his functions or if he cannot be reached, by the member of the Board with the longest term of office.

The Chairman shall provide all information necessary and required to enable the Board to timely fulfill its duties and obligations and to ensure that the periodical reporting as well as the reporting on extraordinary events and developments is timely and properly effected. He is responsible for the minutes of the meetings and for the files of the Company.

4. CHIEF EXECUTIVE OFFICER

4.1. Basic Principles

The CEO is the head of the Executive Management. The CEO may be a member of the Board and in this role serve as managing director (*Delegierter des Verwaltungsrates*).

4.2. Function and Responsibilities

The CEO is responsible for the achievement of the short and mid-term goals defined by the Board, and is responsible for the proper functioning of Executive Management.


4.3. Reporting to the Board

The CEO shall report regularly to the Board about the ongoing business and the main business transactions of the Group. Extraordinary transactions or issues have to be reported immediately to the Board Members.

5. EXECUTIVE MANAGEMENT

5.1. Constitution

The Board shall determine the functions represented in the Executive Management.

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

The Board appoints and removes members of the Executive Management upon proposal of the Compensation Committee and the CEO.

Compensation and terms and conditions of the Executive Management's contracts shall be approved by the Shareholders based upon a proposal by the Board.

5.2. Organization

The Executive Management shall resolve on its own organization.

5.3. Functions and Responsibilities

To the extent not otherwise restricted by law, by the Articles of Incorporation or by these Organizational Rules, the Board delegates the operational management of the Company to the CEO and, under his direction, the Executive Management. In particular, the Executive Management is responsible for the day to day management of the Company in line with the policies, guidelines and other decisions established by the Board.

In addition, the CEO shall have the powers and duties set forth in **Annex 1**.

5.4. Subsidiaries

The Management of the subsidiaries of the Company shall be constituted as lean as possible. In general, CEO, CFO and General Counsel (**GC**) shall be members of the Board of Directors of Group subsidiaries.

5.5. Ad-hoc Publicity


The Chairman and the CEO are responsible for fulfilling all requirements of ad-hoc publicity defined by the Swiss or any other, if applicable, Stock Exchange.

6. GENERAL PROVISIONS

6.1. Share Register and Reporting of Shareholdings

The administration of the Company's share register is delegated to the GC.

The Board shall be informed about material changes of the shareholdings at each meeting and receive a list of all shareholders with an interest of more than 2%.

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

6.2. Confidentiality

Each member of the Board and of the Executive Management shall at all times keep confidential from third parties (which are not related to the Company) any confidential information or business secrets of the Company or its subsidiaries which may come to their attention in the performance of their function. Non-members who are present in the meetings are to be explicitly obliged to obey secrecy, unless they are already bound by their professional duties to obey secrecy.

If a member of the Board intends to disclose confidential information to third parties, he/she has the duty to inform the Board and the Executive Management thereof beforehand and to disclose the identity of the persons to whom the information is proposed to be disclosed. The Board and the Executive Management are to be granted an opportunity to issue a statement on such proposed disclosure. The statements are to be issued by the Chairman and the CEO, respectively. The disclosure may only be made if such third parties for their part explicitly undertake to keep such information confidential, except where they are already under a professional duty of confidentiality.

The members of the Board remain subject to their duties of confidentiality as set forth above even after expiry of their term of office.

Business documents of the Company shall be returned by the members of the Board and the Executive Management upon termination of their office at the latest.


6.3. Conflicting Activities of Directors and Officers

In order to avoid potential conflicts of interest, the members of the Board are not allowed to take up a management position in a company which is a direct competitor of the Company or its subsidiaries, or to take up a similar position as the office of a Board membership in a company which is active in the field of neuro-muscular and/or mitochondrial diseases. Before accepting any new mandate, the members of the Board shall obtain the approval by the Chairman of the Compensation Committee.

The members of the Board shall disclose to the Company all similar positions in other companies, which they hold at the commencement of the office.

7. FINAL PROVISIONS

These Organizational Rules shall enter into force on the date of their approval by the Board.


	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

8. REVISION HISTORY

Revision	Approved by	Date	Revision Notes
1	BoD	Sept 19, 2006	Invitation periods
2	BoD	Dec 5, 2006	Deletion of Insider Trading provisions as they went into separate policy (GD-13)
3	BoD	Nov 15, 2007	Amendments to approval limits (job titles, cash out, contracts, legal proceedings, IPR, short-term financing)
4	BoD	Sept 3, 2009	Simplified decision making by introduction of e-mail approval
5	BoD	Oct 24, 2011	Amendments due to leaner organization
6	BoD	April 4, 2017	Amendments due to increased size of Board

Liestal, April 4, 2017

Santhera Pharmaceuticals Holding AG

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	3 March 2017
	Valid Version:	Version 6.0

ANNEX 1

RESPONSIBILITIES OF CORPORATE BODIES

1. Appointment of Corporate Bodies

Corporate Body	Responsible
BoD	Shareholders' Meeting
Chairman of the Board	Shareholders' Meeting
Members of the Compensation Committee	Shareholders' Meeting
Constitution of BoD	BoD
Secretary to the BoD	BoD
Committees of the BoD	BoD
Secretary to the committees of the BoD	Individual BoD committees
Executive Management (EM)	BoD
Signatory Powers (of holding company)	BoD
Direct reports to the CEO (other than members of Executive Management)	CEO


All signatory powers need to be registered in the commercial register of the Company upon approval from the Board of Directors. All approved signatories will be registered with signatory power by two.

2. Financial Responsibilities

NOTE: In all cases mentioned in sections 2 to 3, the CEO may decide on his own or delegate decision-making authority to another member of EM.

A. Investments/Divestitures (if not in budget)

Mergers, acquisitions, incorporations of new group companies (not approved by business/strategic plan)	BoD
Yearly budget for investments	BoD
Cash out, not budgeted, ≤ CHF 1,000,000	CEO
Cash out, not budgeted, > CHF 1,000,000 and ≤ CHF 2,000,000	Chairman
Cash out, not budgeted, > CHF 2,000,000	BoD
Acquisition of material product, development and/or marketing licenses (excluding licenses for operational business such as IT etc.)	BoD

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

Divestitures of material licenses (as above)	BoD
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Investments/cash-outs within budget do only require approval by the competent bodies as foreseen in the Competencies & Responsibilities Guideline (GD-18), as amended from time to time.


B. Financing

Strategic financing policy	BoD
Equity, equity-linked financing instruments (if by way of ordinary, extraordinary, conditional or authorized capital increases)	Shareholders' Meeting, BoD (to the extent permitted by Articles of Incorporation)
Financing through fixed income instruments (loans, bonds)	BoD
Collateralized financing	BoD
Guarantees, comfort letters ≤ CHF 2,000,000	CEO
Guarantees, comfort letters > CHF 2,000,000	BoD
Cash Management/ Short-time financing	in accordance with Treasury Policy to be approved by Audit Committee

3. Other

A. Legal proceedings and organizational/legal structure

Of general major importance to the group or the holding company including but not limited to material organizational changes	BoD
Legal structure of the group	CEO
Incorporation and liquidation/dissolution of subsidiaries	CEO
Legal proceedings	
Amount in dispute ≤ CHF 1,000,000	CEO (based upon proposal by GC)
Amount in dispute > CHF 1,000,000 and ≤ CHF 2,000,000	Chairman of BoD (based upon proposal by EM and GC)
Amount in dispute > CHF 2,000,000	BoD (based upon proposal by EM and GC)

	Group Directive Title:	Organizational Rules
	Group Directive Number:	GD-01
	Group Directive Owner:	CEO
	Approved by:	Board of Directors
	Effective Date:	April 4, 2017
	Version:	Version 6.0

B. Contract Approvals (if not in budget)

Approval of contracts (only to the extent not budgeted for)	
Contract value ≤ CHF 1,000,000	CEO
Contract value > CHF 1,000,000 and ≤ CHF 2,000,000	Chairman of BoD
Contract value > CHF 2,000,000	BoD

Contracts within budget do only require approval by the competent bodies as foreseen in the Competencies & Responsibilities Guideline (GD-18), as amended from time to time.

C. Intellectual Property Rights

Patent filing	CEO
Patent administration	CEO
Application for orphan drug designation	CEO
Patent disposals	CEO

In the area of Intellectual Property Rights, the CEO may delegate his competences to an internal committee.

D. External information

Annual financial reports	BoD
Interim financial reports	BoD
Analyst meetings	CEO
R&D days	CEO
News releases	Chairman of the BoD
General media relations	CEO