

PAION CODE OF CONDUCT

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1 INTRODUCTION

- 1.1 The PAION group of companies (“PAION”) is currently focused on the development and out-licensing of its proprietary development product Remimazolam (INN), an ultra-short acting benzodiazepine. As a publicly listed specialty pharma company (Frankfurt Prime Standard), PAION bears major responsibility towards different stakeholders, first and foremost patients and/or volunteers enrolled in its clinical trials, regulatory authorities, healthcare professionals (HCPs) involved in its clinical trials and as key opinion leaders (KOLs) on its advisory boards, service providers (CROs, CMOs, consultants), and business partners such as its licensees, and last but not least its shareholders.
- 1.2 A diverse number of laws, directives and industry-specific codes define the framework for compliant, ethical and legally permissible conduct in the countries and areas of business in which PAION operates. These requirements substantially form the basis for this Code. This Code does not replace any laws, articles of association, rules of procedure or other regulations but forms the basis and common understanding for all PAIONeers. Violations are not tolerated and may, in addition to remedial action such as re-training, have potentially serious consequences such as disciplinary action or dismissal. For all employees this Code forms an integral part of the terms of employment. Contractual relationships with external vendors in breach of PAION’s core principles as outlined in this Code may be terminated. Serious violations may also result in criminal and/or civil charges. For clarity, a breach of this Code may, depending on the specific circumstances, include the failure to report a breach or perceived breach of this Code as outlined herein.
- 1.3 In case of doubt as to whether a specific conduct is compliant with this Code, PAIONeers should first be guided by common sense and their own ability to judge. Any indication with respect to violations against laws, articles of association, by-laws, this Code or other regulations or any doubts on their interpretation or application must be communicated to the Management Board or the Compliance Officer with a view to evaluating the situation and defining the appropriate remedial steps to be taken.

2 SCOPE

This Code of Conduct (“Code”) applies to all members of all boards and all members of staff. Service providers rendering services for and on behalf of PAION are expected to comply with the general principles of this Code.

3 POLICY

3.1 Compliance Officer

- 3.1.1 **PAION has appointed an internal Compliance Officer** who is, amongst other duties, responsible for monitoring compliance with the Code of Conduct, any laws, articles of association, rules of procedure or other regulations by all PAIONeers: Klaus-Peter Wehmeier, VP Legal and Compliance, Aachen, DDI: +49 (241) 4453-143, Mobile: +49 170 4166193; Fax: +49 (241) 4453 100; E-Mail: k.wehmeier@paion.com
- 3.1.2 For PAION staff, the Compliance Officer may be contacted for guidance on specific compliance topics. Furthermore, all PAIONeers as well as third parties are encouraged to report alleged breaches or perceived breaches of a serious nature to the Compliance Officer. For PAION staff, breaches of a lesser nature should be addressed with the responsible in-line manager first. In order to facilitate reporting PAION maintains a culture of trust and transparency and is committed to the protection of those who report compliance issues in furthering the best interests of the Company and its stakeholders.
- 3.1.3 While reporting to the Compliance Officer may be done anonymously PAION does not and cannot guarantee that any information provided to the Compliance Officer will be protected from discovery by or disclosure to state authorities in case of an investigation.

3.2 Compliance Principles at Paion

3.2.1 Integrity in Business Relationships: Anti-bribery and Corruption

- 3.2.1.1 PAION and its subsidiaries maintain diverse business relationships with their licence partners, service providers, suppliers, medical facilities, the medical profession and other important business partners. As a publicly listed company (Frankfurt Prime Standard) that is committed to the development of innovative pharmaceutical products PAION is obliged to operate within a stringent framework of compliance requirements imposed by law and enforced by various regulatory authorities globally. PAION and its subsidiaries are dependent on the competent and reliable support provided by their business partners to achieve their business objectives. The executive boards and members of staff are responsible for establishing and nurturing relationships based on trust with business partners and public officials. The correct approach to dealing with, and suitable conduct towards, business partners and public officials are therefore crucial for PAION's business success, business integrity and first and foremost its reputation.

3.2.1.2 Compliance with all pertinent laws and provisions, especially those aimed at fighting bribery and corruption, both nationally and internationally, is mandatory. Dishonest business practices will not be tolerated. Business practices that constitute improper attempts to influence business decisions by PAION or third parties, or which might be construed as such, are strictly forbidden.

3.2.1.3 **PAIONeers are required to comply with the following principles:**

- Bribery is forbidden – this includes any business transaction designed to procure any dishonest, illegal or improper advantage (e.g. facilitation payments)
- Gifts may only be accepted if these are reasonable and modest in value – cash or cash equivalents must never be given or accepted
- Hospitality must be reasonable and in accordance with applicable guidelines and/or industry standards
- Grants or any type of sponsorship must never be offered for an improper purpose (e.g. to procure a personal advantage or an advantage for PAION)

3.2.2 Collaboration with HCPs and Medical Facilities

3.2.2.1 As a specialty pharma company involved in development activities the collaboration with HCPs (healthcare professionals) and medical facilities is particularly important for PAION. Of specific importance is PAION's role in the development and improvement of innovative clinical drugs within the framework of its research projects and specifically as sponsor of clinical studies.

3.2.2.2 Cooperation with HCPs and clinical facilities must counter any suspicion of threat to the impartiality and independence of PAION, on the one hand and the HCPs and medical facilities on the other. Compliance with particular rules for dealing with HCPs and medical facilities therefore serves to protect both PAION's partners in the healthcare sector and their interests as well as PAION's own members of staff and the company itself.

3.2.2.3 Compliance with the principles of separation, transparency, equivalence and documentation is therefore absolutely mandatory when collaborating with HCPs and medical facilities.

3.2.2.4 PAIONeers are required to comply with the following principles:

- Written contracts must be in place for all business relationships with HCPs and medical institutions (such as University Clinics) in whatever capacity their services are being used
- Remuneration for services provided by HCPs and /or institutions must be reasonable and represent fair market value
- Established self-regulatory and regulatory guidelines for the interaction with HCPs must be observed
- Any unethical behaviour (whether actual or perceived) must immediately be reported to PAION Management or the Compliance Officer.

3.2.3 Quality, Ethics and Patient Safety in Research and Development (R&D)

3.2.3.1 PAION is committed to the research and development (R&D) of medicinal products that are safe, effective, fit for their intended purpose and comply with all legal and regulatory requirements such as prerequisites for Clinical Trials and Marketing Authorisation. Adequate safeguards must be in place at all times ensuring patient safety as the highest priority. For this purpose PAION must at all times continue to improve and adapt its GxP Quality Management System.

3.2.3.2 Research and Development at PAION must be conducted in accordance with relevant laws and regulations including internationally accepted standards such as GLP (Good Laboratory Practice), GCP (Good Clinical Practice), GMP (Good Manufacturing Practice) – collectively referred to as GxP.

3.2.3.3 PAION's medical research involving human subjects must be conducted in accordance with legal requirements and further including internationally recognized standards such as the principles of the Declaration of Helsinki by the World Medical Association. All clinical research data must possess the highest degree of integrity possible and be subject to the principles of transparency in accordance with PAION's legal, ethical, and moral obligations as a respected member of the medical research community.

3.2.3.4 The safety of patients and volunteers participating in its clinical studies is accorded highest priority for PAION. PAION is committed to the monitoring and prevention of adverse events in individuals administered its investigational products to the highest degree possible and in accordance with applicable laws and regulations.

3.2.3.5 Pre-clinical studies in animals must be conducted with the objective to replace, reduce and refine the use of animals in scientific research whenever possible while at the same time meeting regulatory requirements.

3.2.3.6 **PAIONeers are required to comply with the following principles:**

- All R&D activities must be conducted in accordance with GxP requirements as mandated by PAION's Quality Management System
- The rights, safety and integrity of patients and study subjects participating in PAION's clinical studies must be protected at all times and be given priority ahead of any other considerations
- Any reports on adverse events or other reports or complaints about PAION's products must be forwarded by all employees and consultants immediately to the responsible PAION Pharmacovigilance Department (which is conducting regular awareness trainings throughout the Group of Companies) and will be reported to the competent authorities as required
- Patient/volunteer data must be kept in a format that does not allow individual patient identification unless the necessary informed consent requirements have been fulfilled or if permitted by law

3.2.4 **Protection of Intellectual Property and non-disclosure of Confidential Information**

3.2.4.1 Intellectual property and confidential information are very valuable assets for a company like PAION that develops and intends to market or out-license pharmaceutical products. Patents, trademarks, domains, copyrights, expertise, business secrets, data, processes, know-how, technical and other knowledge constitute the primary intangible assets of PAION.

3.2.4.2 Information is deemed confidential if it relates to business secrets of PAION or its business partners, or if it is generally not intended for the public domain. The careful handling of information and provision of the same in keeping with the principles of necessity and confidentiality is deemed to be the responsibility of all PAIONeers. The executive boards and members of staff may only pass on confidential information as is absolutely necessary for the assignment in question ("need-to-know" principle).

3.2.4.3 All confidential information and business secrets must be treated in strict confidence and, wherever possible, intellectual property rights registered or acquired to protect the company's ability to compete. When performing their assignments, the executive boards and members of staff at PAION will constantly be exposed to confidential information relating to PAION, its subsidiaries, or its business partners. Compliance with non-disclosure obligations and with statutory data protection provisions forms a fundamental basis for the trust of its business partners and is very important for PAION.

3.2.4.4 The premature release of scientific data may cause significant commercial damage as it may prevent the claim of inventions if such information has been disclosed to the general public prior to any invention based on that information having been claimed with relevant patent authorities. The PAION publication policy is designed to mitigate this risk.

3.2.4.5 **PAIONeers are required to comply with the following principles:**

- Written confidentiality or non-disclosure agreements must be in place for the exchange of any confidential information with third parties
- Confidential information must only be shared on a need-to-know basis
- The competitive advantage offered by the careful management of confidential information is acknowledged and understood
- It is understood that confidentiality obligations extend beyond termination of agreements (such as employment contracts) as documented in such contracts
- The PAION publication policy must be adhered to in order to prevent any “prior art” blocking the claim of inventions with patent authorities worldwide
- PAION intellectual property rights must be protected as a core asset of the company – in case of uncertainty experts must be consulted
- Intellectual property rights of third parties must be observed and protected to prevent infringement action

3.2.5 Financial Reporting

3.2.5.1 PAION is committed to issuing proper and transparent financial reports as required by law.

3.2.5.2 In its efforts to ensure proper financial reporting procedures, PAION demands that all transactions of relevance to the accounting process must be completely and correctly entered and documented. The management of the accounting records and associated documentation must be both complete and accurate.

3.2.5.3 **PAIONeers are required to comply with the following principles:**

- Any financial information reported by PAION must be complete, true, accurate, fair and not in any form false or misleading

3.2.6 Insider Trading

3.2.6.1 The shares of PAION AG are admitted to trading on the Frankfurt Stock Exchange (Prime Standard). As such, the company is subject to strict laws and regulations governing insider trading.

3.2.6.2 The correct handling of inside information is therefore extremely important. Legislation has stipulated strict rules governing inside information. If these rules are ignored this could have major consequences for both PAION, their executives, and the individual(s) involved.

3.2.6.3 As defined by the Market Abuse Regulation (Regulation (EU) No 596/2014; MAR) “Inside Information” represents *inter alia* “information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.”

Inside Information includes, for example, information relating to planned capital measures, acquisitions, company mergers, licensing contracts, product acquisitions or product sales, research and trial results (including interaction and communication with regulatory authorities such as FDA, EMA, etc.), conclusion of important contracts or legal disputes.

3.2.6.4 The executive boards and members of staff who gain access to Inside Information relating to PAION or any other companies with which PAION conducts business are forbidden by law to purchase or sell securities for their own or any third party’s benefit on the basis of such Inside Information. Moreover, the executive boards and members of staff are forbidden to communicate or make otherwise accessible any Inside Information to third parties without authorisation or to recommend or otherwise induce a third party to purchase or sell insider securities.

3.2.6.5 **PAIONeers are required to comply with the following principles:**

- Insider trading is strictly forbidden
- Inside Information must be kept strictly confidential
- Inside Information must not be used to give trading advice to anyone
- Inside Information must not be used for one’s own gain or anyone else’s gain
- Any requests by the Investor Relations Department for information required in relation to insider trading lists must be promptly adhered to

3.2.7 Conflicts of Interest

3.2.7.1 The executive boards and members of staff must be solely guided by the best business interests of PAION in all of their decisions and activities. Each individual must make every effort to avoid the emergence of conflicts of interest between their assignments within the company and their private, family or financial interests. Even the mere suggestion of a conflict of interest must be avoided. Any business relationship or business transaction initiated between PAION and/or its subsidiaries on one side and companies or private individuals, on the other must be based on purely objective criteria (e.g. qualification, price, quality, reliability, existence of a long-term and sustainable business relationship). Another important area that could give rise to potential conflicts of interest is investment in, or the assumption of

responsibilities for, other companies with whom PAION maintains a business relationship or with whom PAION competes. Conflicts can also arise in respect of personnel-related decisions if private interests or relationships become involved.

3.2.7.2 PAIONeers are required to comply with the following principles:

- Situations in which conflicts of personal interests with the interests of PAION arise should be avoided
- If a conflict or a perceived conflict has arisen the conflict must be notified to the in-line manager to resolve the issue
- Never use one's own position within PAION for any personal advantage including friends, family members, business partners or any associated person

3.2.8 Communication with External Stakeholders

3.2.8.1 As a publicly listed company its business activities are closely observed and tracked by shareholders, investors, analysts, brokers, the media, regulators and the general public. It is therefore of crucial importance to ensure that any external communication, whether written or verbal, reflects a professional attitude and awareness of the legal conditions applying to the capital market.

3.2.8.2 For this reason, only the Investor Relations/Public Relations department, the Management Board or other individuals authorised by the Management Board in specific instances may issue official statements on behalf of PAION. The Investor Relations/Public Relations department is responsible for coordinating and ensuring the implementation of a uniform and professional approach to communication between PAION and its external stakeholders.

3.2.8.3 PAIONeers are required to comply with the following principles:

- The release of official statements on behalf of PAION is the prerogative of the Investor Relations/Public Relations Department and representatives of the Management Board
- No official statements on behalf of PAION must be made unless prior approved by the Management Board or the Investor Relations/Public Relations Department and pursuant to PAION's publication policy

3.2.9 Communication with Authorities/Investigations

3.2.9.1 PAION strives to ensure that communications with public authorities and other official bodies is professional, open, transparent, and pro-active. The information that is provided to authorities must be complete, accurate, prompt and intelligible in all aspects.

3.2.9.2 Any questions relating to proper conduct when cooperating and dealing with investigative authorities must be addressed to both the Management Board and Compliance Officer.

3.2.9.3 **PAIONeers are required to comply with the following principles:**

- No false or misleading information must ever be provided to public authorities
- Any requests for information by law enforcement agents must be strictly and promptly adhered to under involvement of the Management Board

3.2.10 Health and Safety

3.2.10.1 Members of staff are PAION's key asset and crucial for securing the success of its business. The company's goals can only be achieved through an atmosphere of transparency and trust. PAION ensures that all of its members of staff are treated with dignity and respect. PAION demands and encourages the open exchange of opinions, constructive criticism, and new ideas. PAION places great importance on these values and strives to ensure that all members of staff are given equal opportunities for career and personal development.

3.2.10.2 PAION and its subsidiaries do not tolerate any form of discrimination on the grounds of gender, ethnic origin, skin colour, nationality, age, religion, sexual preference, disability or any other prohibited grounds. Any act of discrimination or harassment in the course of employment may incur serious consequences including instant dismissal in serious cases.

3.2.10.3 PAION is committed to a safe and healthy working environment in accordance with applicable laws and regulations. Dedicated members of staff trained in health and safety have been appointed to oversee compliance with these requirements.

3.2.10.4 **PAIONeers are required to comply with the following principles:**

- Any form of discrimination or harassment must not be tolerated and staff are strongly encouraged to speak up if they observe any manifestation of this behaviour
- Show leadership acting in the best interest of PAION and the common goal of establishing a trustful and transparent working environment
- Maintain a safe and healthy workplace in accordance with occupational health & safety requirements and immediately report any risks or deviations from agreed standards to management or the appointed health and safety representatives

3.2.11 Data Protection

3.2.11.1 PAION is committed to the protection of "Personal Data" meaning data about identified or identifiable natural persons whose data PAION collects and

processes in the ordinary course of business. In accordance with legal requirements PAION has appointed an **external Data Protection Officer**: Secure Data Service, Dipl. Ing. (FH) Mr. Nicholas Vollmer, Priorstraße 63, 41189 Mönchengladbach. Ph: +49 2166 310932; Fax: +49 2166 998 8484; E-Mail: n.vollmer@securedatasevice.de

3.2.11.2 PAION's Compliance Officer is the internal window person for the external Data Protection Officer, provides internal guidance, and liaises with the external Data Protection Officer as required. A comprehensive Data Protection Concept is in place.

3.2.11.3 **PAIONeers are required to comply with the following principles:**

- Great care must be taken in the collection, storage and processing of Personal Data, specifically:
 - The necessary consent must be in place for the processing of any Personal Data
 - Personal Data must only be processed for the purpose it was collected for
 - Subject to legally mandated retention requirements, Personal Data no longer needed (for the purpose it was collected for) must be deleted
 - Personal Data must be kept secure and protected from loss, destruction or unauthorised disclosure
 - The highest degree of care is required for the processing of sensitive personal data such as data relating to patients and volunteers participating in clinical trials
 - Any deviations and/or breaches must be reported to the external Data Protection Officer and/or the Compliance Officer
 - In case any Personal Data has been transferred to PAION by mistake the data must be deleted immediately and the sender notified

3.3 Ongoing Compliance Management

3.3.1 Ongoing compliance management is the shared responsibility of all PAIONeers with the support of management. PAIONeers are obliged to foster compliance by supporting audit activities, whether internal or by third parties, and proactively assist in the implementation of corrective and preventive action as required. In external relationships PAION's business partners and service providers are expected to meet the requirements as outlined in this Code. Audits may be performed to safeguard compliance with these requirements as well as applicable laws, rules, regulations or guidelines.

Aachen, December 2017

The Management Board - PAION AG

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