

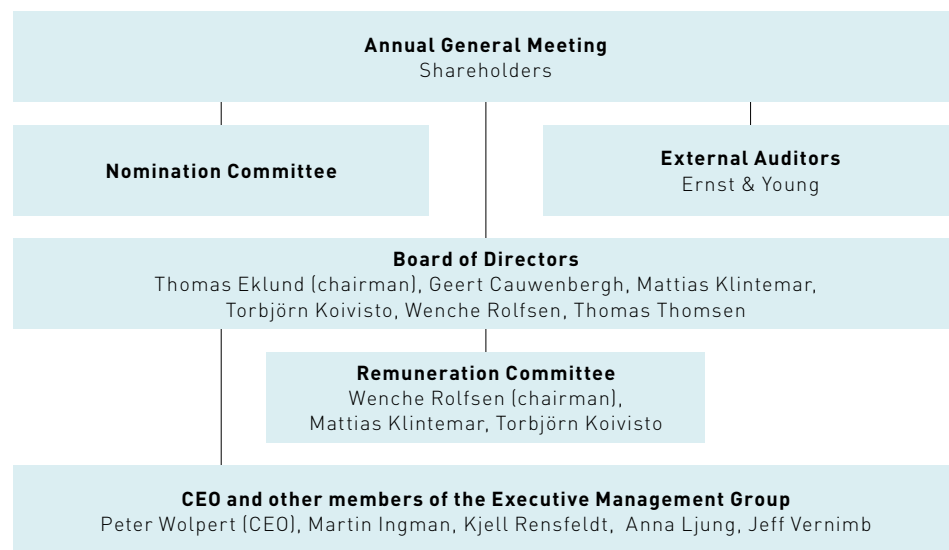
# CORPORATE GOVERNANCE REPORT

Moberg Pharma AB (publ), corporate registration number 556697-7426, is a Swedish limited liability Group headquartered in Stockholm, Sweden.

Prior to its listing on NASDAQ OMX Nordic Exchange Stockholm, the Group's corporate governance activities were based on Swedish law and internal rules and regulations. The Group was listed on the NASDAQ OMX Nordic Exchange Stockholm on May 26, 2011 and has adhered to NASDAQ OMX Nordic Exchange Stockholm's rules for issuers and applied the Swedish Code of Corporate Governance ("the Code") as of that date. This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Swedish Code of Corporate Governance. The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and must be applied in full from the date of listing. Companies are not required to comply with all rules contained in the Code but may choose alternative solutions that are deemed more appropriate for each Group's specific circumstances, provided that deviations are explained, the alternative solution is described and the reasons explained (the "comply or explain" principle) in the Group's Corporate Governance Report. Moberg Pharma has deviated from the Code only in the case of incentive schemes introduced before the Code was introduced (May 26, 2011). According to the Code, the vesting period for employee stock option plans must not be less than three years, which occurred in such schemes launched by the Group up to and including 2011. The Group's employee stock option plan 2010:2 was aimed at two Board members. According to the Code, stock options should not be included in schemes aimed at the Board of Directors.

Good corporate governance is an essential component of the work of generating value for Moberg Pharma's shareholders. The objective is to create sound prospects for an active and responsible ownership role, a well-balanced division of responsibility between the owners, Board of Directors and management and transparency towards owners, the capital markets, employees and society at large.

The figure below on the left illustrates Moberg Pharma's corporate governance model and how the central bodies operate.



## Internal regulatory structures and policies that affect corporate governance

- Articles of Association
- Board of Directors' Rules of Procedure and CEO's Instructions
- Remuneration Principles for Senior Executives
- Risk Management Policy
- Finance Policy
- IT Policy
- Finance manual
- Employee handbook
- Authorization manual
- Information policy
- Code of Conduct

## External regulatory structures that affect corporate governance

- Swedish Companies Act
- Accounting standards
- Nasdaq OMX Nordic Exchange Stockholm's issuer regulations
- Code of Corporate Governance

## SHAREHOLDERS' MEETINGS

In accordance with the Swedish Companies Act, Moberg Pharma's highest decision-making body is a Shareholders' Meeting. At Shareholders' Meetings, shareholders exercise their right to vote on key issues, such as the adoption of the statement of comprehensive income and financial position, appro-

priation of the Group's earnings, discharge of the Board of Directors and Chief Executive Officer from personal liability, election of Board members and auditors, and remuneration of the Board of Directors and auditors. In addition to the Annual General Meeting, Extraordinary Shareholders' Meetings may also be convened. The Articles of Association state that official notice of an AGM or Extraordinary Shareholders' Meeting must be provided in the form of an advertisement in Post- och Inrikes Tidningar and published on Moberg Pharma's website. Information that the official notice of an AGM or Shareholders' Meeting has taken place is published in Dagens Industri.

#### Right to attend a Shareholders' Meeting

Shareholders who would like to attend a Shareholders' Meeting must be registered in the share register maintained by Euroclear five working days before the meeting, and must also notify the Group that they will attend the Shareholders' Meeting no later than the date stated in the notice of the Meeting. In addition to notifying the Group of their attendance, shareholders whose shares are registered in the name of a nominee via a bank or financial institution, must, via the nominee, temporarily register their shares in their own name with Euroclear in order to be entitled to attend the meeting. Shareholders should notify the nominee about this in good time before the reconciliation date. Shareholders may attend the Shareholders' Meeting in person or via an authorized representative and may be accompanied by up to two advisors. Shareholders are normally able to register for a Shareholders' Meeting in several ways, details of which are given in the notice of the meeting.

#### Shareholder initiatives

Shareholders who would like a particular issue to be addressed at a Shareholders' Meeting are required to submit a written request to the Board of Directors. Such requests should normally be received by the Board no later than seven weeks before the Shareholders' Meeting.

Given the composition of the Group's owners, it is not considered justified in view of the Group's financial status to provide simultaneous interpretation to another language nor to translate in full or in part Shareholders' Meeting material, including the minutes.

Information about past Shareholders' Meetings is available on Moberg Pharma's website. The website also provides information on shareholders' right to have matters considered at the meeting and the deadline before which such requests must reach the Group.

The 2016 AGM took place on May 18, 2016. The AGM was attended by 34 shareholders, in person or by proxy. These represented 39.0% of shares and votes in Moberg Pharma. The Chairman of the Board, Mats Pettersson, was elected Chairman of the meeting. The CEO and all Board members, in addition to Mats Pettersson, who decided to retire as Chairman of the Board, attended the AGM; Thomas Eklund was elected new Chairman of the Board. The minutes from the AGM are available at [www.mobergpharma.se](http://www.mobergpharma.se) under corporate governance. At the AGM, shareholders resolved to authorize the Board until the next AGM to decide on the issuance of new shares, on one or more occasions, either with preferential rights or disapplying the shareholders' preferential rights. The total number of shares encompassed by such new share issues may not exceed 20% of the shares in the Group at the time of the 2016 AGM.

#### Board of Directors and the work of the Board of Directors

After the Shareholders' Meeting, the Board of Directors is the Group's highest decision-making body. Under the Companies Act, the Board is responsible for the Group's administration and organization, which means that the Board is responsible for adopting goals and strategies, ensuring that procedures and systems for evaluating adopted goals are in place, monitoring Moberg Pharma's financial position and results and evaluating the Group's operational management. The Board is responsible for ensuring that the Annual Report and consolidated financial statements and interim reports are prepared in time. It also appoints the Chief Executive Officer. Board members are elected each year at the AGM for the period until the end of the next AGM. According to Moberg Pharma's Articles of Association, the Board should consist of at least three and no more than ten Board members and no more than two alternates. According to the Code, no alternates are to be appointed for AGM-elected Board members.

The Chairman of the Board is elected by the AGM and holds a special responsibility for leading the work of the Board and ensuring that the Board operates in an organized and efficient manner. The Chairman of the Board is not involved in the operational management of the Group.

The Board operates in accordance with written rules of procedure that are reviewed and adopted annually at the statutory Board meeting. The rules of procedure regulate Board procedures, functions and the division of responsibilities between the Board members and CEO. In connection with the first Board meeting, the Board also establishes instructions for financial reporting and instructions for the CEO.

The Board normally convenes four to six times annually. In addition to these meetings, further meetings may be arranged to address issues that cannot be deferred to a scheduled meeting. In addition to Board meetings, the Chairman of the Board and CEO also engage in continuous dialog concerning the Group's significant issues. Moberg Pharma conducts an annual evaluation of the work of the Board. The 2016 evaluation primarily focused on internal issues relating to the quality of decisions, management of the Board, and the composition and competence of the Board. The results have been presented to and discussed by the Board and have also been disclosed to the nomination committee. Moberg Pharma's Board currently consists of six members. The Board of Directors are presented in the annual report on page 70.

	Attendance (no. of meetings 2016)		Directors' fees 2016, SEK thousand <sup>31</sup>	Elected	Independent in relation to	
	Board meetings (22)	Remuneration Committee (3)			The Group	Owners
Chairman of the Board, Thomas Eklund	22	1	340	2015	Yes	Yes
Board member, Wenche Rolfsen	21	3	230	2010	Yes	Yes
Board member, Geert Cauwenbergh	19		170	2012	Yes	Yes
Board member, Torbjörn Koivisto	22	3	170	2009	Yes	Yes
Board member, Mattias Klintemar	21	1	170	2015	Yes	No
Board member, Thomas Thomsen	16		170	2014	Yes	Yes

<sup>31</sup> Board members Wenche Rolfsen, Thomas Thomsen, Mattias Klintemar, Thomas Eklund and Geert Cauwenbergh have invoiced their directors' fees plus social security contributions and VAT through companies. This procedure is cost neutral for Moberg Pharma

### Remuneration Committee

The Board has a remuneration committee, which prepares proposals on remuneration issues. The remuneration committee consists of three Board members Wenche Rolfsen (Chairman), Mattias Klintemar and Torbjörn Koivisto (during the first half of 2016, Thomas Eklund was a member of the remuneration committee, he was replaced by Mattias Klintemar in the second half of 2016). All members are independent in relation to the Group and the Group's senior executives. The committee's principal tasks are to (i) prepare the Board's decisions on issues relating to principles of remuneration, remuneration and other terms of employment for management, (ii) monitor and evaluate ongoing and recently completed variable remuneration schemes for management, and (iii) monitor and evaluate the application of principles for remuneration of senior executives that are legally subject to approval by the AGM and of applicable structures and levels of remuneration in the Group. Decisions on remuneration issues must, after preparation by the committee, be adopted by the Board as a whole.

### Audit Committee

The Board currently has no audit committee. Instead, it is the Board's opinion that those duties that would otherwise be carried out by an audit committee under the Code are better conducted by the Board as a whole. The Board is to review the need for an audit committee on an annual basis. With regard to audit matters, it means that the Board must carry out the duties provided for in Chapter 8, Section 49b of the Swedish Companies Act (2005: 551) and the duties of the audit committee pursuant to the EU's audit directive. These obligations mainly comprise the following duties:

- Monitoring the Group's financial reporting and submitting recommendations and suggestions for ensuring the reliability of reporting.
- With regard to financial reporting, monitoring the effectiveness of the Group's internal control, internal audit and risk management.
- Staying informed about the audit of the annual accounts and consolidated financial statements, as well as the quality control of the Supervisory Board of Public Accountants.
- Looking at the way in which the audit contributed to the reliability of financial reporting and the function performed by the Board.
- Reviewing and monitoring the auditor's impartiality, paying special attention to whether the auditor is providing the Group with services other than auditing services.
- Assisting with the preparation of suggestions for the Shareholders' Meeting's decision on the election of auditor.
- Preparing the Board's decisions in the above matters.

### CEO AND OTHER SENIOR EXECUTIVES

The CEO reports to the Board and is primarily responsible for the Group's day-to-day operations. The division of responsibilities between the Board and CEO is set out in the rules of procedure governing the activities of the Board and the instructions for the CEO. The CEO is also responsible for drafting reports and compiling information from management in preparation for Board meetings and for presenting the material at the meetings.

Under the instructions for financial reporting, the CEO is responsible for financial reporting in the Group and is thus required to ensure that the Board obtains sufficient information to enable it to continuously evaluate Moberg Pharma's financial position.

The CEO is required to keep the Board informed of Moberg Pharma's development, the Group's performance and financial position, liquidity and credit situation, important business events and other circumstances that cannot be assumed to be irrelevant for the Group's shareholders (including material disputes, the termination of agreements that are important to Moberg Pharma and significant circumstances affecting the Group's products and projects). The CEO and senior executives are presented in more detail in the annual report on page 69.

### REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

#### Remuneration of Directors

Fees and other remuneration of the Board of Directors, including the Chairman, are set by a Shareholders' Meeting. At the AGM on May 18, 2016, it was resolved that Board's fees for 2016 totaling a maximum of SEK 1,250,000 excluding social security contributions, would be paid and distributed as follows: SEK 340,000 to the Chairman and SEK 170,000 to each of the other Board members. The AGM also resolved that supplementary remuneration of SEK 60,000 would be paid to the Chairman of the remuneration committee.

With the exception of the employee stock options allocated to certain Board members, none of the Group's Board members are entitled to any benefits after stepping down from the Board.

#### Remuneration of senior executives

At the AGM on May 18, 2016, the following guidelines were resolved for senior executives of Moberg Pharma: Moberg Pharma is to offer a market-aligned total remuneration package that facilitates the recruitment and retention of qualified senior executives. The remuneration paid to the Chief Executive Officer and other senior executives is to comprise basic salary, variable remuneration, other benefits and pension benefits. The total remuneration is to be based on the basic salary and is to be proportionate to the executive's responsibilities and authority. Variable remuneration is capped at 25–50% of each executive's basic annual salary. Variable remuneration is based on results achieved in relation to individually defined qualitative and quantitative targets, as well as the Group's result in relation to goals set by the Board of Directors. The pensionable salary comprises only the basic salary. To the extent that Board members perform work for the Group or any other Group Group, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable.

In case of termination, the notice period is to be three months if this is on the initiative of the senior executive and between three and 12 months if the Group takes the initiative. Severance amounts are not payable. Any share and share-price-related programs must be adopted by a Shareholders' Meeting. Allocation from such programs must comply with a resolution from a Shareholders' Meeting. With the exception of the employee stock options that have been allocated and vested, and what is provided for under employment contracts as referred to above, senior executives are not entitled to any post-employment/assignment benefits.

The Board of Directors is to be entitled to disapply the aforementioned principles for remuneration of senior executives if there are special reasons for so doing.

	Basic salary	Variable salary <sup>32</sup>	Other benefits	Pension expenses	Share-based remuneration <sup>33</sup>	Other remuneration	Total
CEO, Peter Wolpert	2,100	822	-	567	233	-	3,722
Other senior executives (6 pers.)	7,129	2,287	-	917	1,009	-	11,342
<b>Total</b>	<b>9,229</b>	<b>3,109</b>	<b>0</b>	<b>1,484</b>	<b>1,242</b>	<b>0</b>	<b>15,064</b>

<sup>32</sup> Variable remuneration pertains to the 2016 fiscal year, but will be paid in 2017.

<sup>33</sup> These costs will not entail a payment and do not affect the Group's cash flow. Estimated social security costs are not included in the carrying amounts.

### Share-based incentive schemes

Moberg Pharma has introduced share-based incentive schemes comprising employee stock options designed to promote the Group's long-term interests by motivating and rewarding senior executives and other employees. The employee stock options have been granted free of charge. All permanent employees who had been employed for at least 12 months as of December 31, 2016 are included in the Group's incentive schemes. The number of shares and stock options held by Board members, the CEO and other senior executives is presented in the annual report on page 69-70.

Employee Stock Option Scheme 2010:2 included Board Members Wenche Rolfsen and Mats Pettersson. According to the Code, stock options should not be included in schemes aimed at the Board of Directors. Moberg Pharma does not intend to introduce new stock option schemes aimed at Board members in future. The Group's employee stock option scheme up to 2012 had a vesting period of less than three years. As an adaptation to the Code, the employee stock option scheme from 2014 and thereafter has a vesting period of more than three years.

### AUDIT

The auditor must audit the Group's annual report and financial statements, as well as the administration of the Group by the Board and the CEO. After the end of each fiscal year, the auditor is required to submit an audit report and consolidated audit report to the AGM.

The audit firm Ernst & Young Aktiebolag has been the Group's auditor since 2007. Authorized Public Accountant Andreas Troberg has been the Auditor-in-Charge since fall 2016. The Group's auditor is presented in more detail in the annual report on page 70.

### Remuneration of auditors

The remuneration paid to the auditor is subject to approval by a Shareholders' Meeting. The AGM on May 18, 2016 resolved to approve remuneration of the auditor on a continuous basis.

In 2016, remuneration of SEK 0.8 million was paid to the auditor, of which audit assignments accounted for SEK 0.5 million, audit work in addition to the assignment for SEK 0.1 million and other assignments for SEK 0.2 million. Audit assignments are defined as the examination of the annual report and accounting records and of the Board of Directors and CEO's administration of the Group, other tasks incumbent on the auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit work in addition to the assignment comprises examinations of interim reports, prospectus, pro forma

and issue-in-kind certificates and preparing other opinions in accordance with the Companies Act. Other services in 2016 were primarily connected to acquisitions, divestments and capital procurement.

### NOMINATION COMMITTEE

The nomination committee submits proposals for electing the Chairman of the Board and other Board members, as well as proposals concerning remuneration and fees for Board members. The nomination committee also submits proposals concerning the election and remuneration of Auditors. The nomination committee's proposals will be presented in the official notice convening the 2017 AGM.

The AGM on May 18, 2016 resolved to commission the Chairman of the Board to contact the three largest shareholders or groups of owners in terms of the number of voting rights (hereby referring to both directly registered shareholders and nominee registered shareholders), according to Euroclear's share register on September 30, 2016. These parties are offered the opportunity to each appoint a representative, who together with the Chairman of the Board will make up the nomination committee for the time until a new nomination committee is appointed by mandate from the next AGM. If any of these shareholders declines the entitlement to appoint a representative, this entitlement transfers to that shareholder with the largest shareholdings after these shareholders until the Nomination Committee consists of four members.

If a member leaves the committee before their work is completed and if the committee considers it necessary to replace this member, the nomination committee will appoint a new member in accordance with the procedure above but based on Euroclear's share register applicable as soon as possible after the member steps down. Any change in the composition of the nomination committee must be announced immediately. No fee is paid to members for their work on the committee.

The nomination committee for the 2017 AGM was announced on Moberg Pharma's website and through a press release on November 4, 2016 and it consists of four members: Thomas Eklund, Chairman of the Board, Gillis Cullin, appointed by the Baltic Sea Foundation, Anders Rodebjer, appointed by Wolco Invest and Helen Fasth Gillstedt, appointed by Handelsbanken Fonder.

### INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING

The overall purpose of internal controls is to obtain reasonable assurance that the Group's operational strategies and goals are monitored and that shareholders' investments are protected. Additionally, internal controls should provide reasonable assurance that external financial reporting is reliable, and prepared in accordance with generally accepted accounting practice, that applicable laws and ordinances are complied with and that the requirements of listed companies are observed. At Moberg Pharma, internal control over financial reporting is designed, for example, to ensure efficient and reliable management and accounting of purchases and sales, other revenue recognition and accounting of the Group's financing arrangements.

The internal control environment mainly comprises the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

#### Control environment

The control environment at Moberg Pharma forms the framework of the direction and culture with which the Group's Board and management communicate their messages to the organization. Internal

management and control in accordance with customary frameworks is assigned high priority. Moberg Pharma's Board and management define and design decision paths, authorities and responsibilities that are clearly defined and communicated throughout the organization. The Group's Board also strives to ensure that steering documents, such as internal policies and principles, cover identified areas of significance, and that these provide the right guidance to the work of the various executives in the Group.

#### Risk assessment

The Group's Board conducts continuous and systematic risk-assessment work aimed at identifying risks and taking the necessary actions to cope with them. Risk assessment is also designed to identify such risks that have a significant impact on internal control of financial reporting.

The commercialization and development of new drugs is a risky and capital-intensive process. Risk factors considered of particular significance for Moberg Pharma's future development include results of competition and price scenario, production, business partners and distributors, clinical studies, actions of public authorities, liability risks and insurance, integration risks, patent and trademarks, key individuals, cyclical sensitivity, future capital requirements and financial risk factors. A more detailed description of Moberg Pharma's exposure to risk and how the Group manages this is provided in the Annual Report on Page 23.

#### Control activities

The primary purpose of control activities is to prevent, discover and rectify misstatements in financial reporting. Processes and activities have been structured to manage and address significant risks related to financial reporting. These activities include analytical updates and comparisons of the progress in terms of profits or items, reconciliation of accounts and balances, and approval of all business transactions and collaboration agreements, powers of attorney and certification instructions, as well as accounting and valuation policies. Access to ERP systems is limited by authority, responsibility and role.

#### Information and communication

Moberg Pharma is a listed Group in one of the most regulated industries in the world – pharmaceuticals. In addition to the high demands that NASDAQ OMX Nordic Stockholm and the supervisory authorities impose on the scope and accuracy of information, Moberg Pharma's internal information and communication functions are designed to ensure that correct financial and other corporate information is communicated to employees and other stakeholders.

The Group's internal instructions and policies, which are available for all employees, provide information on applicable procedures in all parts of the Group and describes control functions and how they are implemented.

The security of all information that could affect the market value of the Group and the mechanisms to ensure that such information is communicated in a correct and timely fashion are cornerstones of the Group's undertaking as a listed Group. These two factors, and the procedures for managing them, ensure that financial reports are received by all players in the financial market at the same time, and that they provide an accurate presentation of the Group's financial position and performance.

#### Monitoring compliance

Monitoring of compliance with internal policies, principles, manuals and codes, as well as of the appropriateness and functionality of established control activities, is conducted regularly. Measures and procedures for financial reporting are subject to regular follow up. Moberg Pharma's management conducts monthly performance follow-up, including an analysis of deviations from budget and the preceding period, also on a project level. The Board reviews the annual report and interim reports prior to publication. The Board meets the Group's external auditor each year to discuss the Group's internal control and financial reporting procedures.

#### Assessment of the need for internal audit

Moberg Pharma has no separate auditing function (internal audit). The Board evaluates the need for such a function annually and, in view of the Group's size, with relatively few employees, and the scope of transactions, in which most significant transactions are similar in character and relatively uncomplicated, has not found it necessary to establish a formal internal audit function.

#### Compliance with the Swedish stock exchange rules, etc. during the fiscal year

During 2016, Moberg Pharma was not subject to decisions passed by the NASDAQ OMX Nordic Exchange Stockholm's disciplinary committee or statements by the Swedish Securities Council regarding infringement of Nasdaq OMX Nordic Exchange Stockholm's regulations or accepted market practices.

Stockholm den 10 april 2017



**Thomas Eklund**  
Chairman



**Geert Cauwenbergh**  
Board member



**Mattias Klintemar**  
Board member



**Torbjörn Koivisto**  
Board member



**Wenche Rolfsen**  
Board member



**Thomas Thomsen**  
Board member



**Peter Wolpert**  
CEO



# AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of Moberg Pharma AB  
Corp. ID. No. 556697-7426

## ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2016 on pages 63–67 and that it has been prepared in accordance with the Annual Accounts Act.

## THE SCOPE OF THE AUDIT

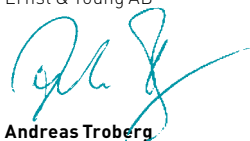
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 11, 2017

Ernst & Young AB



**Andreas Troberg**  
Authorized Public Accountant

