

Camurus work with corporate governance

This PDF document describes Camurus work with corporate governance. In the 2015 annual report this document is as part of the Directors report. The auditors' statement concerning this is on page 75.

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CORPORATE GOVERNANCE REPORT

Camurus is a Swedish public limited liability company with its registered office in Lund, Sweden. The company's share was listed on 3 December 2015 on Nasdaq OMX Stockholm and is traded under the ticker symbol, CAMX.

Camurus' corporate governance is based on the laws, regulations and recommendations applicable to listed companies, such as the Swedish Corporate Governance Code (the "Code"), the Nasdaq Stockholm Rule Book for Issuers, Camurus' Articles of Association and other rules and guidelines specific to the company. Camurus applies the Code.

This report pertains to the 2015 financial year and is a part of Camurus' directors' report, and has been reviewed by the company's auditors.

The aim of Camurus' corporate governance is to create a distinct allocation of roles and responsibilities between shareholders, the Board of Directors and the company's management.

Corporate governance at Camurus

The governance, management and control of Camurus is distributed between the general meeting of shareholders, Board of Directors and its elected Committees, and the CEO.

External regulatory frameworks that influence corporate governance

- The Swedish Companies Act
- Regulatory frameworks for external reporting
- Nasdaq Stockholm's Rule Book for Issuers
- The Swedish Corporate Governance code
- Other applicable rules and recommendations

Internal regulatory frameworks of significance to corporate governance

- Articles of Association
- Board of Directors' rules of procedure including instructions to the Board's Committees
- CEO's instructions
- Guidelines for remuneration to senior executives
- IT Policy
- Financial Manual
- Code of Conduct
- Communication/information Policy
- Insider Policy

Corporate governance structure

Shareholders and the share

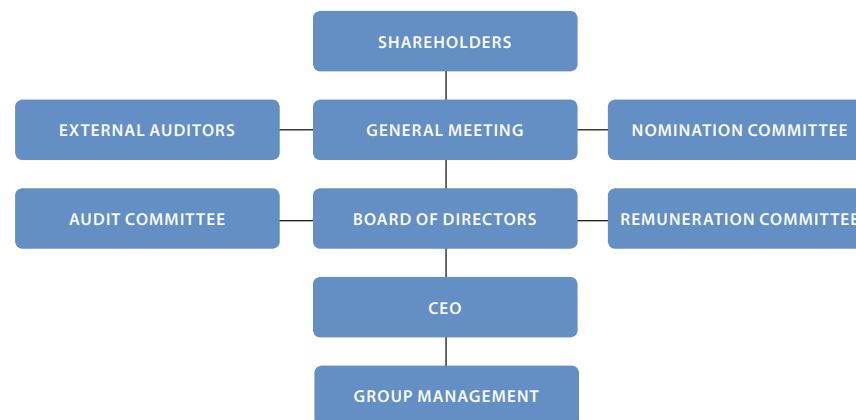
Camurus AB's share capital comprises one class of shares that entitles the holders to equal voting rights and equal rights to the company's assets. For information about shareholders and the Camurus share, see pages 28–29 or visit www.camurus.com.

General meetings of shareholders

Shareholders' exercise their influence at the general meeting, which is Camurus' highest decision-making body. The general meeting decide on the Articles of Association and at the Annual General Meeting (AGM), which is the scheduled annual general meeting of shareholders, shareholders elect the Board members, the Chairman of the Board and auditors, and resolve on their fees.

In addition, the AGM makes decisions on the adoption of the income statement and balance sheet, on the appropriation of the company's profits and on the discharge of Board members and the CEO from liability to

Corporate governance structure



the company. The AGM also makes decisions on the composition and work of the Nomination Committee, and on remuneration guidelines and terms of employment for the CEO and other senior executives.

Shareholders are entitled to participate in the general meetings and to vote for their own shares. Shareholders are also entitled to be represented by proxy at the meeting. The AGM is to be held in Lund each year before the end of June. Extraordinary general meetings (EGMs) are convened as needed.

Notice convening the annual general meetings and extraordinary general meetings where amendments to the articles of association are to be addressed, must be done no earlier than six weeks and no later than four weeks prior to the meeting. Notice convening other extraordinary general meetings must be done no earlier than six weeks and no later than three weeks prior to the meeting. Official notice must be given

through an announcement in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and on the company's website. Simultaneously therewith, the fact that notice has been given must be published in Svenska Dagbladet.

2015 Annual General Meeting (AGM)

At the AGM held on 11 May 2015, Per Olof Wallström was elected Chairman of the Board and Per-Anders Abrahamsson, Martin Jonsson, Per Sandberg, Björn Olsson, Svein Mathisen and Fredrik Tiberg were re-elected Board members.

The AGM resolved that: Fees to the Chairman of the Board and Board members elected by the AGM, the election of the company auditors: Mazars SET Revisionsbyrå AB with Gunilla Malmsten as Auditor in Charge, and PricewaterhouseCoopers AB, with Ola Bjärehäll as Auditor in Charge.

EGMs in 2015

At the EGM held on 10 August 2015, it was resolved that:

Election of Marianne Dicander Alexandersson and Kerstin Valinder Strinnholm as Board members, new fees to the Chairman of the Board and Board members, as well as fees for committee work.

At the EGM held on 7 October 2015, resolutions were passed on the following changes to:

the Articles of Association, the company's category being changed from private to public, the Board's registered office and the limits on share capital and the number of shares, the method of convening a meeting as well as the introduction of CSC provision and the classification of shares.

At the EGM held on 18 November 2015, resolutions were passed with regard to: A invitation to subscribe for shares in the company to the general public in Sweden and to institutional investors, as well as a direct issue to employees and Board members within the framework of fulfilling the company's share-bonus program, and a direct issue of shares to Sandberg Development AB in accordance with the agreement signed with the company to assume the costs of social-security contributions that arise, net after tax, from this share-bonus program.

2016 AGM

Camurus' 2016 AGM will be held on Tuesday, 3 May 2016 at 5:00p.m. at Elite Hotel Ideon, on Scheelevägen 27, Ideon Science Park, 223 63 Lund, Sweden. For further information and the right to participate, see page 81.

The minutes of the AGM and EGMs will be available at: www.camurus.com.

Nomination Committee

The Nomination Committee of Camurus is tasked with assignments including the preparation and drafting of proposals for the election of Board members, the Chairman of the Board, the Chairman of the Meeting and auditors. The Nomination Committee's duties also include the proposal of fees to Board members, committee members and auditors.

The EGM on 7 October 2015 resolved on the following instructions to Camurus' Nomination Committee, which apply until further notice. The Nomination Committee for the next AGMs is to comprise representatives of the three largest shareholders, in terms of votes, as registered at 30 September each year in the share register maintained by Euroclear Sweden AB. In view of the listing of the company's share on 3 December 2015, the Nomination Committee for the 2016 AGM is to comprise representatives of the three largest shareholders at 31 December 2015 in terms of votes, and the Chairman of the Board, who will also convene the

Nomination Committee for its first session. Unless unanimously resolved otherwise by the Nomination Committee, the Board member representing the largest shareholder in terms of votes is to be appointed Chairman of the Nomination Committee.

If, earlier than two months prior to the annual general meeting, one or more of the shareholders having appointed representatives to the Nomination Committee no longer are among the three largest shareholders in terms of voting rights, representatives appointed by these shareholders shall resign, and the shareholder or shareholders who has then become one of the three largest shareholders in terms of voting rights may appoint one representative each. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder or, if the shareholder is no longer one of the largest shareholders in terms of voting rights, the largest shareholder in turn. Changes in the composition of the Nomination Committee shall be made public immediately.

The composition of the Nomination Committee prior to each AGM is to be publicly announced not later than six months prior to the AGM, but due to the listing of the company's share on 3 December, the composition of the Nomination Committee prior to the 2016 AGM is to be announced publicly as soon as possible after the members have been appointed. No fees are to be paid to members of the Nomination Committee. The company is to bear any necessary expenses for work performed by the Nomination Committee. The Nomination Committee's term of office extends until such time that the composition of the next Nomination Committee is publicly announced. The Nomination Committee's duties include submitting proposals for amendments of the instruction to the Nomination Committee to the extent deemed necessary.

The Nomination Committee comprises the three largest shareholders as registered with Euroclear Sweden AB at 31 December 2015, see above, and collectively represents about 65 percent of the number of shares and votes in the company. The Nomination Committee held two meetings in 2016.

The Nomination Committee for the AGM 2016 consists of the following

Representatives	Shareholders
Per Sandberg	Sandberg Development AB
Jan Andersson	Swedbank Robur Fonder
Mikael Hanell	Catella Fondförvaltning AB
Per Olof Wallström	Styrelseordförande i Camurus AB

¹⁾ The shareholder statistics used must be sorted according to voting power (shareholder groups) and comprise the 25 largest shareholders. In the event that these shareholder statistics comprises nominee-registered holdings, such holdings will only be taken into consideration if the administrator has declared the underlying shareholder's identity to Euroclear Sweden, or if the company – without implementing any own measures – obtains other information to indicate the underlying shareholder's identity.

²⁾ Fredrik Tiberg, the third-largest shareholder, has abstained from participation in the Nomination Committee and is to be replaced by the next largest shareholder

Board of Directors

Significant events in the Board's work in 2015

The work of the Board of Directors during the year was dominated by issues pertaining to decisions and preparations for the listing of the company's share on Nasdaq Stockholm. This included the adoption of updated company strategies, such as the establishment of an in-house commercial organisation for CAM2038 in selected key European markets, resolutions on financial targets and dividend policy, the change in the existing cash-bonus program for employees and the Board of Directors to a share-based bonus program, as well as decisions pertaining to the terms and conditions for the issue of new shares in Camurus.

Composition and independence

In accordance with the Articles of Association, Camurus' Board of Directors is to comprise a minimum of three and maximum of ten Board members elected by the AGM, for the period until the end of the next AGM. At the 2015 AGM, seven Board members were elected and at the EGM held on 10 August 2015, another two Board members were appointed. Camurus' CEO is included among the Board of Directors and the company's CFO functions as the Secretary to the Board. Other executives of Camurus participate at Board meetings to report on specific topics. According to the Code, a majority of the AGM-elected Board members must be independent in relation to the company and the company's management.

With the exception of CEO Fredrik Tiberg, all Board members are deemed to be inde-

pendent in relation to the company and the company's management. Five of these Board members are also deemed to be independent in relation to the company's major shareholders. Camurus' thus meets the requirements of the Code on independence.

At the close of the financial year, Camurus' Board of Directors comprised nine Board members: Chairman of the Board Per Olof Wallström and the Board members, Per-Anders Abrahamsson, Marianne Dicander Alexandersson, Martin Jonsson, Svein Mathisen, Björn Olsson, Per Sandberg, Fredrik Tiberg and Kerstin Valinder Strinnholm. Information about the Board members, with data about birth years, year of election to the Board of Directors, experience, ongoing and previous assignments, holdings of shares in other companies exceeding five percent and holdings in the company at 29 January 2016 are presented on pages 76–77. Holdings in the company include the individual's personal holdings and/or the holdings of closely related parties. Other Group assignments are not presented.

Responsibility and duties of the Board of Directors

The duties of the Board of Directors are regulated under the Swedish Companies Act and the Articles of Association, and, following the listing on Nasdaq Stockholm, the Swedish Corporate Governance Code. The work of the Board of Directors is further regulated by the written Rules of Procedure, which is adopted each year by the Board. The Rules of Procedure regulate the division of duties and responsibilities between the Board, the Chairman of the Board and the CEO. In addition, the Rules of Procedure govern the

resolutions procedure within the Board, the Board's meeting plans and the work of the Board on financial reporting and auditing issues, as well as the financial statements. The Board has also established instructions for the CEO and adopted other separate policy documents.

The Board is responsible for the Group's organisation and the management of its affairs, the establishment of the Group's overall objectives, development and follow-up activities pertaining to the overall strategies, resolutions regarding major acquisitions, divestments and capital expenditures, resolutions regarding possible investments and loans in accordance with financial policy, continuous monitoring of operations, the adoption of quarterly and year-end accounts, and the continuous assessment of the CEO and other members of Group management. The Board is also responsible for ensuring quality in financial reporting, including systems for the monitoring and internal control of Camurus' financial statements and financial position (see also "Internal controls" below). Furthermore, the Board is to ensure that Camurus' external disclosure is characterised by transparency and is correct, relevant and reliable. The Board is also responsible for the establishment of the requisite guidelines and other policy documents, such as a Communication Policy and Insider Policy. At Board meetings, the following recurring items are on the agenda: state of business, project status, market issues, adoption of interim reports, strategic review, future prospects and economic and financial reporting.

The Chairman of the Board monitors Camurus' operations through continuous contact with the CEO. The Chairman organ-

ises and directs the work of the Board and is responsible for ensuring that other Board members receive satisfactory information and decision data. The Chairman is also responsible for ensuring that both existing and new Board members continuously update and deepen their knowledge of Camurus and that they otherwise receive further training required for the work of the board to operate effectively. It is also the Chairman who is responsible for managing contacts with shareholders on ownership issues and for the annual evaluation of work of the Board of Directors. In 2015, an anonymous survey-based evaluation was performed, through which all the Board members received the opportunity to express themselves about the work of the Board of the company. This information has been collected, compiled and presented by the company's solicitors. The Nomination Committee, through its Chairman, has reviewed the evaluation of the Board and received information about the company's development. The principal requirements that should be imposed on Camurus' Board of Directors and the importance of independent Board members have been discussed.

In addition to the inaugurating Board meeting, a minimum of five ordinary Board meetings are to be held. The Board meets with auditors at the Board meeting when the audit is reviewed.

Board of Directors' work during 2015

During the year, the Board held 11 meetings, of which five were scheduled and six were extraordinary meetings. Three of the six extraordinary meetings pertained to decisions made *per capsulam*. The Board has mainly

addressed and taken strategic decisions on matters pertaining to the listing of the company's share. The Board has planned a total of six meetings for 2016.

Board committees

Within itself, the Board of Directors has established two committees, an Audit Committee and a remuneration Committee, which operates according to rules of procedure adopted by the Board of Directors.

Audit Committee

The main duties of the Audit Committee are to supervise the Company's financial reporting, monitor efficiency in its internal controls, internal audit and risk management, and apprise itself of information regarding the audit of the annual report and consolidated financial statements, review and monitor the auditor's impartiality and independence and, in so doing, 1 Björn Olsson was the Chairman of the Board up to and including 20 April 2015. Take particularly into account whether the auditor provides Camurus with services other than audit services. The Audit Committee shall also assist the Nomination Committee with proposal to the general meeting for election of auditors. The Audit Committee has regular contacts with the auditors of Camurus. The members of the Audit Committee are Martin Jonsson (Chairman), Per Olof Wallström, Svein Mathisen and Björn Olsson. The committee complies with the Companies Act's requirements for independence and accounting and auditing expertise. The Committee has convened four times during the year and one meeting concerning risk management was conducted together with the Group management. Camurus' audi-

tors were present at three of these meetings. The meetings addressed items such as the audit plan, the auditors' observations and the review of the company and the company's quarterly reports. Information regarding fees to auditors is provided in Note 8.

Remuneration Committee

The main duties of the Remuneration Committee are to prepare decisions by the Board of Directors on issues concerning remuneration principles, remuneration and other employment terms for the CEO and other members of the Group management, and to monitor and assess ongoing programs for variable remuneration to the Group management, as well as such programs as have been completed during the year. Furthermore, the Committee shall monitor and assess the application of the guidelines for remuneration to the executive management resolved by the annual general meeting, as well as applicable remuneration structures and remuneration levels in the Company. The members of the Remuneration Committee are Per Olof Wallström (Chairman), Martin Jonsson and Svein Mathisen. The Committee is assessed to comply with the Code's requirements for independence and appropriate knowledge and experience in questions related to remuneration of executive management.

The Committee convened four times during the year. At these meetings, the Committee discussed the company's existing remuneration systems, proposed guidelines for the remuneration of the CEO and senior executives, and the focus of future share-based incentive programs aimed at attracting and retaining competent and motivated employees. The incentive

programme will be presented at the AGM in May 2016, for resolution by the shareholders.

Information regarding salaries and fees to the CEO and senior executives is provided in Note 9.

CEO and Group management

The CEO is responsible for the ongoing administration and development of Camurus in accordance with applicable legislation and rules, including the Nasdaq Stockholm Rule Book for Issuers and the Code, as well as the guidelines, instructions and strategies established by the Board of Directors. The CEO is to ensure that the Board of Directors receives the requisite factual and relevant information to enable taking well-founded decisions. Furthermore, the CEO is to ensure adherence to Camurus' goals, policies and strategic plans as established by the Board of Directors and the CEO is responsible for keeping the Board updated on Camurus' development in-between Board meetings.

The CEO directs the work of the Group management, which is responsible for overall business development. In addition to the CEO, Camurus' Group management comprises the CFO, the Vice President for Project Management and Planning, the Vice President for Pharmaceutical and Analytical Development, the Vice President for Technical Operations, the Vice President for Clinical and Regulatory Development, Vice President for Business Development and Alliance Management, and the Vice President for Investor Relations (a total of eight individuals). For information about current senior executives at Camurus, when they assumed their positions and their year of birth, education, experience, holdings in the Company and

current and previous assignments, see pages 78–79. Their holdings in the Company at 29 January 2016 are also presented. Holdings in the Company include the individual's personal holdings and/or the holdings of closely related parties. Other Group assignments are not presented.

Remuneration for Board of Directors and senior executives

Remuneration for Board members

The AGM of 11 May 2015 resolved that for the period up to the closing of the 2016 AGM, fees totalling SEK 350,000 are to be paid, divided between the Board members as follows: SEK 170,000 to the Chairman of the Board and SEK 60,000 to each of the other Board members who is not an employee of the company or dependent in relation to the company's largest shareholder. No fees beyond the standard directors' fees are to be paid for committee work. At the EGM on 10 August 2015, it was resolved that from this day, a fee of SEK 300,000 be paid to the Chairman of the Board and SEK 150,000 to each and every other non-executive director, considering the planned listing of Camurus on Nasdaq Stockholm. Fees to Per Sandberg and Martin Jonsson are to be paid proportionally as of 1 January 2016. The EGM further resolved that for committee work, a fee of SEK 50,000 be paid, according to the same principle above, to the Chairman of the Audit Committee and SEK 25,000 to each other member of the Committee, while no fees be paid for work in the Remuneration Committee.

Fees to Board members elected by the AGM are decided by the AGM in accordance with proposals from Nomination Committee.

Resolved fees and benefits 2015

Board member	Function	Independence	Remuneration, SEK thousand					Attendance		
			Directors' fee ⁹⁾	Audit Committee ⁹⁾	Remuneration Committee ⁹⁾	Sharebased program ended 2015 ⁹⁾	Total	Board of Directors	Audit Committee	Remuneration Committee
Björn Olsson ³⁾	Board member	2	128	25	–	3,005	3,152	11/11	3/4	–
Per-Anders Abrahamsson	Board member	•	128	–	–	3,005	3,133	9/11	–	–
Marianne Dicander Alexandersson ^{4,5)}	Board member	•	112	–	–	601	713	6/11	–	–
Martin Jonsson	Board member	2	56	25	–	3,005	3,080	11/11	4/4	4/4
Svein Mathisen ⁵⁾	Board member	•	128	25	–	3,005	3,152	11/11	4/4	4/4
Per Sandberg	Board member	2	56	–	–	–	56	11/11	–	–
Fredrik Tiberg ⁷⁾	Board member, President and CEO	1	–	–	–	–	–	11/11	–	–
Kerstin Valinder Strinnholm ⁴⁾	Board member	•	112	–	–	601	713	6/11	–	–
Per Olof Wallström ⁵⁾	Chairman of the Board	•	268	25	–	3,005	3,292	11/11	4/4	4/4
Totalt			988	100	0	16,227	17,291			

¹⁾ The Board member is to be regarded as dependent in relation to the company and its Management.

²⁾ The Board member is to be regarded as dependent in relation to major shareholders.

³⁾ The company's Chairman of the Board up to and including 25 mars 2015.

⁴⁾ Elected at the EGM held on 10 August 2015.

⁹⁾ The fee refers to directors' fees excluding social security contributions paid to the Board member's company.

⁶⁾ Refers to share-related bonus program, refer also to Note 28.

⁷⁾ For remuneration to the CEO, refer to Note 28.

⁸⁾ AGM resolved fees, proportionally accounted, for the period May 2015–May 2016.

The table below shows the fees paid to the elected Board members in 2015.

Remuneration to Group management

Guidelines for remuneration and other employment terms for senior executives, 2015

Guidelines for remuneration and other employment terms for senior executives, 2015

The EGM of 7 October 2015 resolved to approve the Board of Directors' proposal on the principles of remuneration to the company's senior executives as follows, until the time of the 2016 AGM. In this context, the

term senior executives refers to Camurus' CEO and the managers reporting to the CEO at any time, who are part of the company's management team.

Reason for the motion

The company is to offer a market-aligned terms that facilitate the recruitment and retention of qualified senior executives. Remuneration comprises a balanced composition of fixed salary, variable remuneration, pension benefits, other benefits as well as conditions for termination. Cash remuneration comprises fixed salary and, when applicable, variable remuneration. The fixed salary and variable

remuneration should be proportionate to the executive's responsibilities and authorities.

Long-term incentive programs may be offered as a complement to the above, but must be referred to the general meeting for adoption. Remuneration is primarily based on the individual's position and performance, and the company's and the individual's fulfilment of pre-defined targets.

Fixed salary

The fixed salary of the CEO and other senior executives should be monthly, at market rates, and reflect the requirements and responsibilities that their positions entail.

Variable salaries

Variable remuneration is based on outcomes in relation to pre-determined, well-defined targets. These targets are set with the aim of promoting the company's/Group's development, and to generate value and financial growth in the long term. Variable remuneration payments are to be maximised and may not exceed 30 percent of the fixed annual salary. Variable remuneration may also be paid in the form of long-term incentive programs.

Share-based program

Long-term incentive programs are to be available as a complement to fixed salaries and

variable remuneration. Decisions on share-based programs are made by the general meeting. Programs for variable remuneration should be designed to allow the Board of Directors, if exceptional financial conditions prevail, to restrict or omit payment of the variable remuneration if such action is deemed reasonable and consistent with the company's responsibility towards shareholders, employees and other stakeholders.

The company has had a long-term cash-settled incentive program in place since 2013, aimed at employees and Board members at Camurus, in which the right to receive a bonus in relation to bonus shares issued entered force in conjunction with a public listing of Camurus' shares. On 12 June 2015, the cash-regulated program was amended to the extent that Camurus' participants on the day of listing would receive a share bonus, referred to below as the share-bonus program, in the form of Camurus shares. The shares were to be received in exchange for payment of the share's quota value, i.e. essentially free of charge. Should an exit event have occurred involving the transfer of more than 90 percent of all shares in Camurus, employees and Board members would have been entitled to receive cash.

The Camurus share was listed on 3 December 2015. Accordingly, the terms of the share bonus program had been met and the employees and Board members who were employed at that point in time were entitled to an allocation of shares in accordance with the bonus agreement.

The fair value of the bonus program was based on the enterprise value when Camurus' shares were listed on the stock exchange. The

share price on the redemption date for the share bonus program was SEK 57. The total number of allocated shares was 1,909,483 shares. The total cost for the bonus programme, which was charged to earnings in 2015, was SEK 108.9 million after tax, with a corresponding increase in equity of SEK 108.8 million and a social security liability of SEK 30.8 million.

The terms of the share bonus program have now been met in full and no additional costs will be charged against Camurus' earnings under this program.

Other remuneration and terms of employment

Pension benefits are payable in accordance with applicable ITP plans or otherwise be premium-based and amount to a maximum of 35 percent of the salary. Benefits other than fixed salary, variable remuneration and pension benefits are to be applied with restriction.

A termination notice of 12 months from the company and 6 months from the CEO applies between the company and its CEO. In the event that the CEO's employment in the company is terminated due to, or in connection with, the transfer of the company to new owners, a 24-month notice of termination from the company applies. During the period of notice, fixed monthly salaries and other forms of remuneration are to be paid in accordance with the applicable employment contracts. In such an event, remuneration from the company is not to be reduced by other forms of compensation that the CEO may receive during the period of notice. If notice of termination is issued by the CEO, no severance payments will be made.

A mutual notice period of 3 to 6 months applies to termination of contract between the company and other senior executives.

To the extent that Board members perform work for the company, in addition to work on the Board of Directors, a market-aligned consultancy fee may be payable for such work. Remuneration is to be in line with market terms and the amount, as with other terms, is decided by the Board of Directors.

Deviation from the guidelines

The Board is entitled to deviate from these guidelines if the Board warrants that there are particular grounds for doing so in individual cases.

For one of the senior executives, in order to attract staff with key skills, deviations against the above guidelines have been made during the year. These deviations means that the agreed conditions provide the opportunity to receive variable compensation of a maximum of 45 percent of the fixed basic salary, and that a compensation of MSEK 2.2 was paid in connection with the signing of the employment contract with the senior executive. This amount, net after withheld tax, have been used in full to subscribe for shares in Camurus. Also as deviation from the guidelines established at the EGM in October 2015, the Board has, in order to provide the CEO with market-based conditions, resolved to allow variable cash remuneration of a maximum of 40 percent. The resolution shall enter into force 1 January, 2016. Without constituting a deviation, it is hereby also informed of that the variable remuneration, for the year of 2015, to the CEO was resolved before the adoption of the new guidelines at the EGM, 7 October, 2015. Thus the results of

the variable remuneration in 2015 of about 38 percent of the annual fixed salary, exceeded the later adopted guidelines with a ceiling on variable remuneration of 30 percent. The variable remuneration is based on the outcome of the activities previously agreed and approved by the Board objectives. Other benefits to the CEO and other senior executives are part of the total compensation. With pension costs means costs of pension payable under the agreement

Long-term incentive program

Camurus had no outstanding share-based program at the close of 2015.

Guidelines for remuneration and other employment terms for senior executives, 2016

In essence it is proposed that the guidelines in its design is unchanged against the decision by the Extraordinary General Meeting on 7 October 2015. The guidelines for 2015 are provided on pages 42–43.

Regarding the variable cash remuneration for the CEO an adjustment is proposed to limit the amount to a maximum of 40 percent of the basic salary.

Internal control and risk management

The Board of Directors' responsibility for internal controls are regulated by the Companies Act, the Annual Accounts Act – which includes requirements that the Corporate Governance Report must contain disclosures concerning the principal features of Camurus' internal-control and risk-management systems in connection with the annual financial reporting and the preparation of the consolidated financial statements – and

the Code. The Board of Directors is to ensure that Camurus has appropriate internal controls and formalised procedures to ensure its compliance with established policies for financial reporting and internal controls, and the existence of appropriate systems for the monitoring and control of the company's activities and the risks associated with the company and its operations.

Camurus applies COSO's framework for the internal control of financial reporting. The procedures for internal controls on financial reporting were designed with the aim of ensuring reliable overall financial reporting and external reporting in accordance with IFRS, applicable laws and regulations, and other requirements applicable to companies listed on Nasdaq Stockholm. This work involves the Board of Directors, Group management and other employees.

Control environment

The Board of Directors has established instructions and governing documents with the aim of regulating the CEO's and the Board of Directors' roles and division of responsibilities. The manner in which the Board of Directors monitors and assures the quality of internal controls is documented in the Board of Directors' rules of procedure and Camurus' financial policy, as well as the policy for internal control, where the Board of Directors has established a number of fundamental guidelines of significance to the work with internal control. These guidelines include the regular control and follow-up of outcomes in comparison with expectations and preceding years, as well as supervision of the accounting policies applied by Camurus. The responsibility for maintaining an effective

control environment and the ongoing work on risk assessment and internal control over the financial reporting is delegated to the CEO. However, the Board of Directors has ultimate responsibility. In turn, managers at various levels at Camurus have corresponding responsibilities within their respective spheres of responsibility.

Group management reports regularly to the Board of Directors in accordance with established procedures. The financial reporting control environment collectively comprises various responsibilities and authorities, instructions, guidelines, manuals and policies, in combination with laws and regulations.

Based on an efficient control environment and external reviews by auditors, the Board of Directors has deemed that there are no special circumstances in Camurus' operations or other circumstances to warrant the establishment of an internal-audit function.

Risk assessment

Camurus performs continuous risk assessment to identify risks pertaining to financial reporting, as well as risks associated with the company's operations. These risks include inaccurate reporting as well as impropriety and fraud. Risk management is incorporated in each process and various methods are used to evaluate, identify and curtail risks, and to ensure that the risks to which Camurus is exposed are managed in line with the set policies, instructions and monitoring procedures.

Control activities

The formulation of control activities is of particular importance to Camurus' work to prevent and identify risks and shortcomings in the financial reporting. The control struc-

ture comprises distinct roles in the organisation that facilitate an efficient division of responsibilities for specific control activities, including authorisation control, IT systems and attestation control. The continuous analyses carried out of the financial reporting are crucial to ensuring that the financial reports do not include any material errors.

Information and communication

Camurus has information and communication procedures aimed at promoting completeness and accuracy in financial reporting. Policies, guidelines and internal instructions with regard to financial reporting are available in digital and printed form. Regular updates on amendments to accounting policies, reporting requirements or other forms of information disclosure are accessible and known to the employees concerned. For external disclosure of information, guidelines have been designed with the aim of ensuring that Camurus meets the requirements covering the disclosure of accurate information to the market.

Monitoring, evaluation and reporting

The Board of Directors continuously evaluates the information submitted by Group management. The Board of Directors obtains regularly updated financial information about Camurus' development between Board meetings. The Group's financial position, strategies and capital expenditures are discussed at each Board meeting. The Board of Directors is also responsible for monitoring internal controls. This work entails ensuring that measures are taken to manage any shortcomings, as well as following-up on any proposed measures highlighted in connec-

tion with external reviews. The company performs an annual self-assessment of its work with risk management and internal controls. This process includes a review of the manner in which established procedures and guidelines are applied. The Board of Directors receives information about important conclusions from this annual assessment process, and about proposed actions, if any, with regard to the company's internal control environment. In addition, the external auditors report on a regular basis to the Board of Directors, partly through the Audit Committee and partly to the Board of Directors in its entirety.

External audit

The AGM appoints external auditors for a period of one year at a time. The auditors review the annual accounts and book-keeping, as well as the Board of Directors' and CEO's administration in accordance with an audit plan established in consultation with the Board's Audit Committee. In connection with the review, the auditors report their findings to Group Management for discussion and subsequently to the Board of Directors through the Audit Committee. Reporting to the Audit Committee is carried out in conjunction with the completion of the examination of the administration and the review of the hard close of the annual accounts. The Board of Directors meets with the auditors not less than once a year, when the auditors report their observations directly to the Board of Directors without the presence of Camurus' CEO and CFO. The auditor's also participate at the AGM, where they present a summary of their auditing work and their recommendations in the audit report.