



## Corporate Governance Report

Corporate governance refers to the decision making systems through which the owners, directly or indirectly, govern the company. Good corporate governance requires ensuring that decision-making processes have been defined with a clear division of responsibilities and effective controls from all corporate bodies to all levels of the organisation, to ensure that they follow the company's strategy in unison and act in pursuance of the company's commercial goals. In a company like Swedish Orphan International Holding AB governance, management and control is shared among the shareholders, Board of Directors, Chief Executive Officer and management in compliance with applicable laws, regulations and instructions.

Swedish Orphan International Holding AB ("Swedish Orphan") is a privately owned Swedish limited liability company with registered office in Stockholm. Swedish Orphan applies the Swedish Corporate Governance Code (the "Code") and complies with this Code except in respect of what is specifically described in the following. The Corporate Governance Report describes Swedish Orphan International's corporate governance activities during the 2008/2009 financial year. It does not form part of the formal annual report documents and has therefore not been examined by the company's auditors.

## Deviations

Swedish Orphan deviates from the Code in the following respects:

- Certain formal requirements relating to notice of and the conduct of annual general meetings, as these are not deemed to be warranted in view of the composition of the company's shareholders.
- The Board of Directors has two Deputy Directors.
- The company does not have a nominating committee. The tasks incumbent on the nominating committee under the Code are performed jointly by Swedish Orphan International's three main owners.
- Systematic evaluation of the work of the Board of Directors.
- Systematic evaluation of the Chief Executive Officer.

## Share capital and voting rights

On April 30, 2009 Swedish Orphan had 23 shareholders. The company's main owners were Skandia Investment through Priveq and Investor Growth Capital, which each hold 42 per cent of the share capital. The company's share capital at April 30, 2009 was SEK 953,725, represented by 947,128 shares. All shares carry one vote and equal rights to a share in the company's assets and earnings.

## The General Meeting and Annual General Meeting

The highest decision-making body is the general meeting, where Swedish Orphan International's shareholders exercise their influence in the company. The ordinary general meeting, where the Board of Directors presents the annual report and audit report and the consolidated financial statements and consolidated audit report, is called the annual general meeting (AGM). Swedish Orphan's AGM is held in Stockholm during September–October. Notice of the AGM is given no later than two weeks before the meeting. At the AGM information is given about the company's performance and resolutions are adopted



on a number of central issues, such as amendments to the articles of association, the election of auditors, release from liability for the Board of Directors and auditors, resolutions on the number of Directors, the election of the Board of Directors for the period until the next AGM and the appropriation of the company's profit or loss. The company always strives to ensure that the Board of Directors, management team and chief auditor are present at the AGM.

### **2007/2008 Annual General Meeting**

The AGM's duties are regulated in the Swedish Companies Act and the company's articles of association. Swedish Orphan's 2007/2008 AGM was held at Stallmästaregården in Stockholm on September 22, 2008. The AGM was attended by 16 shareholders, representing 99.3 per cent of the votes and capital. Swedish Orphan's Board of Directors, parts of the management team and the auditor were present at the AGM.

#### **The following resolutions were adopted:**

In addition to adopting the income statement and balance sheet and the consolidated income statement and consolidated balance sheet, the AGM passed resolutions on the appropriation of the company's profit, release from liability for the Board of Directors and Chief Executive Officer, the composition of the Board, and Directors' and auditors' fees. PricewaterhouseCoopers were appointed as new auditors for the company and Group for a period of four years.

#### **Board of Directors**

The Board of Directors is appointed by the shareholders at the AGM for a mandate period lasting from the AGM until the end of the next AGM.

The Board of Directors' duties are regulated in the Swedish Companies Act and the company's articles of association. The current articles of association were adopted at the AGM held on December 10, 2007 and can be read in full at [www.swedishorphan.com](http://www.swedishorphan.com).

### **Swedish Orphan's Board of Directors in 2008/2009**

Since the 2008 AGM the Board of Directors has consisted of seven Directors and two Deputy Directors. At the 2008 AGM the shareholders re-elected Rolf Classon, Thomas Eklund, Bo Jesper Hansen, Louise Nilsson, Göran Pettersson, Per Olof Wallström and Claes Wilhelmsson as Directors and Christer Dahlström and Jakob Lindberg as Deputy Directors. Rolf Classon will remain as Chairman of the Board until the next AGM. The CEO, Bo Jesper Hansen, is the only Director who is also a member of management. He is also one of the company's three largest owners. The Directors Thomas Eklund and Louise Nilsson are not regarded as independent in relation to the company's owners but are deemed to be independent from the company and management. The other Directors are independent in relation to both Swedish Orphan and the company's owners. For more information about the company's Directors, see page 28 of the Annual Report 2008/2009.

#### **The rules of procedure governing the activities of the board**

The Board's work is governed, in addition to laws and recommendations, by the Board's rules of procedure. The rules of procedure are reviewed annually by the Board and adopted through a Board decision. They set out the duties of the Board and the division of responsibilities between the Board and CEO.



They specify which points should be included regularly at each meeting of the Board. The CEO, working in consultation with the Chairman of the Board, prepares the notice, agenda and decision guidance documents for each Board meeting. The notice and documentation are sent to the Directors no later than one week before each meeting. Minutes of meetings are sent to the Directors after the meetings and the originals are stored at the company. The rules of procedure also contain guidelines on which decisions the Board is permitted to delegate to the CEO. In other respects, the Board's work is governed by statutory instructions in the form of an instruction for the CEO and an instruction on financial reporting.

### **The board's work in 2008/2009**

The company's Board of Directors held 13 minuted meetings during the financial year. Boardroom work is also conducted in committees appointed from among the members of the Board.

The remuneration committee, which consists of Rolf Classon, Thomas Eklund and Per-Olof Wallström, handles issues relating to compensation to senior executives and general salary increases in the Group. The committee held three meetings during the financial year. Information about management's compensation and other employment terms is given in Note 7 on page 58. Information on outstanding incentive schemes is provided in Note 30 on page 63.

The audit committee deals with issues relating to interim statements, the year-end financial statement and annual report, and quality assurance and control of financial reporting. It consists of Rolf Classon, Louise Nilsson and Thomas Eklund. The audit committee held six meetings during the financial year. The company's auditors report to the Board at those meetings where interim statements and the year-end financial statement are discussed.

The product committee, which consists of Claes Wilhelmsson, Göran Pettersson and Bo Jesper Hansen, handles issues relating to investments in new products. The committee held one meeting during the financial year.

### **The CEO and senior management**

The Chief Executive Officer, Bo Jesper Hansen, is responsible for the company's day-to-day operations. The division of responsibility between the CEO and Board is specified in a written instruction. The CEO leads the day-to-day work and is responsible for ensuring that the Board is informed about developments in the company and that the company's activities comply with the Board's guidelines and instructions. The CEO has appointed a management team, which is responsible for various parts of the company's operations. The management team consists of six individuals. For a more detailed presentation of the CEO and management team, see page 29 of the Annual Report 2008/2009.

The management team held nine formal meetings during the year and a large number of informal meetings.

### **Auditors**

The auditors are appointed by the AGM for a period of four years. The company's auditor is PricewaterhouseCoopers AB with Claes Dahlén as chief auditor. PricewaterhouseCoopers AB has been Swedish Orphan's auditor since September 2008. The auditors report to the company's Board and audit committee on a regular basis.



## **The Board's report on internal control in respect of financial reporting for the financial year 2008/2009**

### **Introduction**

Under the Swedish Companies Act and the Swedish Corporate Governance Code, responsibility for internal control rests with the Board. This report has been prepared in accordance with the Section 10.5 of the Code, and is thus limited to internal control in respect of financial reporting. It does not constitute a part of the formal annual report documents. In 2008/2009 work on streamlining and developing processes in the finance department continued. Swedish Orphan's process for internal control over financial reporting is structured in accordance with the COSO framework, which is divided into the following five components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

### **Control environment**

The control environment forms the basis for Swedish Orphan's internal control. Control environment refers mainly to the culture that inspires the Board's and management's communications and activities. This comprises values, management philosophy, procedures and policies. Policies, guidelines and detailed process descriptions have been developed for each stage of Swedish Orphan's business flows, from transaction management to book keeping and the preparation of external reports. Governance documents are updated when required to ensure that they always reflect applicable laws and regulations as well as changes to processes. In 2008/2009 Swedish Orphan's accounting handbook was updated and a series of workshops on "risk management and internal control" were held to further develop the company's control environment and risk management.

### **Risk assessment**

Risk assessment, which refers to the identification and evaluation of the company's risks, has previously not been a structured process at Swedish Orphan. During the financial year an initiative was taken to structure this process. In partnership with PricewaterhouseCoopers, Swedish Orphan made a structured assessment of the risks affecting the business and developed action plans where this was deemed necessary. The results of the risk assessment have been addressed by the audit committee and the Board. This structured risk assessment will henceforward be repeated as an annual process in Swedish Orphan.

### **Control activities**

To ensure that the company's operations are conducted in an efficient manner and that financial reports provide a true and fair view, a number of control activities are integrated into each process. These activities include analytical evaluations and comparisons of the company's financial performance or individual items, reconciliation of accounts, monitoring, approval and accounting of business transactions and partnership agreements, powers of attorney and instructions on authorisation as well as accounting policies and valuation principles.

Swedish Orphan has no separate audit function (internal audit). It has been deemed that there are no special circumstances in the business that would warrant the establishment of such a function.



### **Information and communication**

Swedish Orphan has information and communication paths that are designed to ensure efficient and correct provision of information in respect of financial reporting. Internal communications to the company's employees are provided through a number of different fora: meetings of the management team, meetings of country managers and quarterly web conferences for presentations of financial results, etc. The Board receives monthly financial reports on the Group's financial position and earnings.

As Swedish Orphan is not listed on an exchange, the external information is limited to the company's website, where press releases, news and interim reports are published on a regular basis.

### **Financial reporting and monitoring**

Swedish Orphan does not have an internal audit function. Financial reporting and governance are conducted in accordance with well defined processes and policies. Monitoring takes place at several levels internally in the Group and also in consultation with the external auditors.

Reports with analyses of outcomes at company and product level are prepared and sent to the Board on a monthly basis. The Board also reviews the quarterly interim reports and the annual report.

Each year Swedish Orphan prepares a three-year strategic plan and a budget for the coming year, which are submitted to the Board for approval.