

# Corporate Governance Report

## Introduction

Calliditas Therapeutics AB (publ), "Calliditas" is a Swedish public limited liability company with its registered office in Stockholm. The company's share was listed on June 29, 2018 on Nasdaq Stockholm and is traded under the ticker CALTX. This report pertains to the financial year of 2019 and has been examined by the company's auditors.

## Background

Corporate governance refers to the systems through which shareholders, directly or indirectly, control the company. Good corporate governance is an essential part of efforts to generate value for Calliditas' shareholders. Corporate governance in Calliditas is based on Swedish law, Nasdaq Stockholm's Rule Book for Issuers and internal rules and regulations. The company also applies the Swedish Code of Corporate Governance (the "Code"). The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden. The company need not comply with all of the rules of the Code as the Code itself offers an opportunity to deviate from the rules, on the condition that any such deviation, and the chosen alternative solution, is described and the reasons explained in the Corporate Governance Report (according to the comply or explain principle). However, the company has not deviated from any of the rules established in the Code during the year.

## Examples of Important Rules and Regulations

### Important internal rules and regulations

- Articles of Association
- Rules of procedure of the Board of Directors and Committees
- Directives for the CEO
- Policy documents

### Important external rules and regulations

- Swedish Companies Act
- Swedish and international accounting legislation
- Nasdaq Stockholm's Rule Book for Issuers
- Swedish Code of Corporate Governance

## Shareholders

Calliditas' shares were admitted to trading on Nasdaq Stockholm, Mid Cap, in June 2018. At the end of 2019, the total number of shares and voting rights amounted to 38,707,638, distributed between 2,835 shareholders. The ten largest shareholders held 73.0% of shares outstanding and other shareholders 27.0%. As of December 31, 2019, three shareholders owned shares that each represented 10% or more of the total number

of shares and voting rights in the company: Stiftelsen Industrifonden, 18.4%, Investinor AS 13.2% and Linc AB / Bengt Julander 12.5%.

## Dividend Policy

The company has so far not paid out any dividend.

Any future dividend and the size thereof, will be determined based on long-term growth, earnings trends and capital requirements of Calliditas. It is the view of the Board of Directors, that the company should prioritize progression of the development program, and until the future commercial launch of Nefecon, financial resources should mainly be used to finance the company's development programs. In view of Calliditas' financial position and negative earnings, the Board of Directors does not intend to propose any dividend before the company generates long-term sustainable profits and positive cash flow. Dividends shall, as far as a dividend is proposed, be balanced with regard to the business risk.

## Annual General Meeting

### Right to participate in the Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting (AGM) must be included in the shareholders' register maintained by Euroclear Sweden on the day falling five workdays prior to the meeting, and notify the company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the AGM in several different ways as indicated in the notice of the meeting. A shareholder may vote for all company shares owned or represented by the shareholder. Notice of the AGM shall be published in the Swedish Official Gazette and on the company's website, within such time as set forth in the Swedish Companies Act (2005:551). It shall be announced in Svenska Dagbladet that a notice has been issued.

### Annual General Meeting 2020

Calliditas' 2019 AGM will be held on Thursday, June 25, 2020, at 4:30 p.m. at Hotel Frey's premises on Bryggargatan 12, Stockholm, Sweden.

The minutes from the AGM will be made available at [www.calliditas.se](http://www.calliditas.se).

### Participation at the Annual General Meeting

The notification must be made in writing by e-mail to [finance@calliditas.com](mailto:finance@calliditas.com), or by post to Calliditas Thera-

peutics, "General meeting", Kungsbron 1, SE-111 22 Stockholm, Sweden. The notification must be done no later than June 18, 2020.

Shareholders who wish to have a matter brought before the AGM must submit a written request to the Board of Directors. Such request must normally be received by the Board of Directors no later than seven weeks prior to the Meeting.

### Nomination Committee

Companies applying the Code shall have a Nomination Committee. According to the Code, the AGM shall appoint the members of the Nomination Committee or resolve on procedures for appointing the members. The Nomination Committee shall, pursuant to the Code, consist of at least three members of which a majority shall be independent in relation to Calliditas and the Group Management. In addition, at least one member of the Nomination Committee shall be independent in relation to the largest shareholder in terms of voting rights or group of shareholders who cooperate in terms of the company's management.

At the Extraordinary General Meeting held on September 14, 2017, it was resolved that the Nomination Committee shall be composed of the Chairman of the Board of Directors together with one representative of each of the three largest shareholders, based on ownership in Calliditas as of the end of the third quarter of the fiscal year. The Nomination Committee in 2019 consists of:

- Patrik Sobocki, appointed by Stiftelsen Industriefonden (Chairman)
- Ann-Tove Kongsnes, appointed by Investinor AS
- Karl Tobieson, appointed by Linc AB
- Elmar Schnee, Chairman of the Board.

Should any of the three largest shareholders renounce its right to appoint one representative to the Nomination Committee, such right shall transfer to the shareholder who then in turn, after these three, is the largest shareholder in Calliditas. The Board of Directors shall convene the Nomination Committee. The member representing the largest shareholder shall be appointed Chairman of the Nomination Committee, unless the Nomination Committee unanimously appoints someone else. Should a shareholder having appointed a representative to the Nomination Committee no longer be among the three largest shareholders at a point in time falling three months before the AGM at the latest, the representative appointed by such shareholder shall resign and the shareholder who is then among the three

largest shareholders shall have the right to appoint one representative to the Nomination Committee. Unless there are specific reasons otherwise, the already established composition of the Nomination Committee shall, however, remain unchanged in case such change in the ownership is only marginal or occurs during the three-month period prior to the AGM. Where a shareholder has become one of the three largest shareholders due to a material change in the ownership at a point in time falling later than three months before the AGM, such a shareholder shall however in any event have the right to take part of the work of the Nomination Committee and participate at its meetings. Should a member resign from the Nomination Committee before his or her work is completed, the shareholder who has appointed such member shall appoint a new member, unless that shareholder is no longer one of the three largest shareholders, in which case the largest shareholder in turn shall appoint the substitute member. A shareholder who has appointed a representative to the Nomination Committee shall have the right to discharge such representative and appoint a new representative.

Changes to the composition of the Nomination Committee shall be announced immediately. The term of the office for the Nomination Committee ends when the next Nomination Committee has been appointed. The Nomination Committee shall carry out its duties as set out in the Code.

The Nomination Committee will be constituted and will meet in advance of the 2020 AGM and its proposals will be presented in the convening notice of the AGM and on Calliditas' website. Shareholders may submit proposals to the Nomination Committee in accordance with what has been published on the company's website, [www.calliditas.se](http://www.calliditas.se), prior to the AGM.

### Auditor

In accordance with the Articles of Association, Calliditas must appoint a registered firm of accountants as external auditor. The 2019 AGM elected the registered firm of accountants Ernst & Young AB as auditor, up to the 2019 AGM. The Auditor-in-Charge is Fredrik Norrman. The auditor examines the Parent Company's and the Group's accounts and administration on behalf of the AGM. The external audit of the Parent Company's and the Group's accounts and the Board's and CEO's administration is conducted using generally accepted auditing standards in Sweden. The company entrusted the auditor to review one interim reports in 2019, which satisfies the requirements of the Code. For information about remuneration of the auditor, refer to Note 6 Auditors' Fee.

## Corporate governance

### Board of Directors

The Board of Directors is the second highest decision-making body of the company after the AGM. According to the Swedish Companies Act, the Board of Directors is responsible for the organization of Calliditas and the management of the company's affairs, which means that the Board of Directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The Board of Directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the Board of Directors appoints the CEO.

Members of the Board of Directors are normally appointed by the AGM for the period until the end of the next AGM. According to Calliditas' Articles of Association, the members of the Board of Directors elected by the AGM shall be not less than three and not more than ten members with no deputy members of the Board of Directors.

According to the Code, the Chairman of the Board of Directors is to be elected by the AGM and have a special responsibility for leading the work of the Board of Directors and for ensuring that the work of the Board of Directors is efficiently organized.

The Board of Directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the Board of Directors, functions and the division of work between Board members and the CEO. At the

inaugural board meeting, the Board of Directors also adopts instructions for the CEO, including instructions for financial reporting.

The Board of Directors meets according to an annual predetermined schedule. In addition to these meetings, additional Board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the Board meetings, the Chairman of the Board of Directors and the CEO continuously discuss the management of the company.

Currently, the company's Board of Directors consists of six ordinary members elected by the AGM.

### Board Independence

The company satisfies the requirements of the Code as most of the Board members elected by the AGM are independent of the company and management, and that at least two of these are independent in relation to major shareholders. The table below presents the independence of members at the date on which this report was published.

### Work of the Board in 2019

During 2019, the Board of Directors held a total of 15 meetings, of which 6 were ordinary and 9 extraordinary meetings. Calliditas' CEO participates in Board meetings, as does the company's CFO, who was secretary at the meetings. Other employees from Calliditas have reported on particular issues at the meetings. The extraordinary meetings were a result of the company's work with license affairs and capital raise.

### Board Remuneration

Fees to members elected by the AGM are decided by

### Board members' independence, attendance and remuneration in 2019

Name	Position	Board member since	Independent in relation to		Attendance			Total remuneration, SEK thousand
			The company and management	Major shareholders	Board meetings	Audit Committee meetings	Remuneration Committee meetings	
Elmar Schnee	Board Chairman	2019	Yes	Yes	10/10	-	2/2	503
Thomas Eklund	Board member	2017	Yes	Yes	15/15	6/7	1/2	317
Lennart Hansson	Board member	2009	Yes	Yes	14/15	-	1/2	139
Ann-Tove Kongsnes	Board member (until May)	2013	Yes	No	5/5	3/3	-	-
Bengt Julander	Board member	2004	Yes	No	15/15	-	2/2	102
Hilde Furberg	Board member	2014	Yes	Yes	14/15	7/7	-	217
Olav Hellebö	Board member (until May)	2014	Yes	Yes	5/5	-	-	58
Diane Parks	Board member	2019	Yes	Yes	10/10	-	2/2	238

the AGM. The AGM of May 8, 2019, decided that the fees payable to the Board for the period up to the end of the next AGM shall be as follows.

The directors' fees shall be paid with SEK 550,000 to the chairman of the board of directors and SEK 160,000 to each one of the other members who are not employed in the group, SEK 40,000 to the chairman of the audit committee and SEK 20,000 to the other members of the audit committee who are not employed in the group as well as SEK 30,000 to the chairman of the remuneration committee and SEK 15,000 to the other members of the remuneration committee who are not employed in the group. In addition to the above proposed remuneration for ordinary board work, it is proposed that board members residing in the United States shall receive an additional amount of SEK 140,000 and that board members residing in Europe, but outside the Nordics, shall receive an additional amount of SEK 50,000.

For more information regarding remuneration of Board members, refer to Note 9 Employees and Personnel Costs, and the table on page 46.

## Board Committees

### Audit Committee

Calliditas has an Audit Committee consisting of two members: Thomas Eklund (Chairman) and Hilde Furberg. The Audit Committee shall, without it affecting the responsibilities and tasks of the Board of Directors, monitor the company's financial reporting, monitor the efficiency of the company's internal controls, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the company, and assist in the preparation of proposals for the AGM's decision on election of auditors.

The Committee held seven meetings in 2019. The company's auditors took part in six of the meetings, where discussions included the auditors' planning of the audit, their observations and examination of the company and the company's financial statements.

### Remuneration Committee

Calliditas has a Remuneration Committee consisting of two members: Elmar Schnee (Chairman) and Diane Parks. The Remuneration Committee shall prepare matters concerning remuneration principles, remuneration and other employment terms for the CEO and the executive management.

The Committee held four meetings in 2019. At these meetings, the Committee discussed the current compensation system in the company, including a proposal for remuneration of the CEO and senior executives and the direction and terms of the incentive program that was approved for implementation by the Annual General Meeting on May 8, 2019.

## Remuneration of the CEO and Executive Management 2019

Calliditas shall offer remuneration in accordance with market practice to enable the recruitment and retention of qualified executive management. Remunerations within Calliditas shall be based on principles of performance, competitiveness and fairness. The executive management refer to the CEO and other members of the executive management, as well as board members. The remuneration to the executive management may consist of fixed remuneration, variable remuneration, share and share-price related incentive programs, pension and other benefits. If local conditions justify variations in the remuneration principles, such variations may occur. The fixed remuneration shall reflect the individual's responsibility and experience level. The fixed remuneration shall be reviewed annually. The executive management may be offered cash bonuses. Variable remuneration paid in cash may not exceed 40% of the annual fixed remuneration. Variable remunerations shall be connected to predetermined and measurable criteria, designed with the aim of promoting the company's long-term value creation.

Share and share-price related incentive programs shall, if resolved on, be decided by the AGM. Pension shall, where possible, be premium-based. For the CEO and other members of executive management, the premium may, in situations where premium-based pension is applicable, amount to a maximum of 30 percent of the fixed salary. Notwithstanding the above, the Board of Directors is entitled to offer other solutions which, in terms of cost, are equivalent to the above.

## Evaluation of the Board and CEO

Every year, the Board Chairman initiates an evaluation of the Board's work. The evaluation aims to gain an opinion of the views of Board members on how the work of the Board is progressing and what measures can be implemented to enhance the efficiency of the Board. The aim is also to gain an opinion of the type of issues the Board believes should be offered more space and areas where further expertise may be needed on the Board. The Board of Directors continuously assesses the work of the CEO by monitoring the performance of the operations compared with established targets and makes a formal assessment each year.

## Corporate governance

### CEO and Management Team

The role of the CEO is subordinate to the Board of Directors, and his or her primary task is to attend to the company's daily management and operations in the company. The Rules of Procedure for Decision-making for the Board and instructions for the CEO present which issues that the company's Board of Directors are to consider and decide and which are the responsibility of the CEO. The CEO is also responsible for preparing reports and required documentation for decision-making prior to board meetings and is the reporting person on the material at board meetings.

Calliditas' management consists of nine individuals and includes, in addition to the CEO, the Chief Financial Officer, Vice President of Pharmaceutical Development, Vice President Project Management, Chief Medical Officer, Chief Science Officer, Vice President Regulatory Affairs, Vice President North America Commerce and Head of Investor Relations. For information about current senior executives at Calliditas, when these assumed their positions, and date of birth, education, experience, shareholding in the company and current and previous assignments, refer to page 78 and the company's website, [www.calliditas.se](http://www.calliditas.se).

### Internal Control and Risk Management

The Board of Director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act – which requires that information about the main features of Calliditas' system for internal control and risk management related to financial reporting each year must be included in the corporate governance report – and the Code. The Board of Directors shall, among other tasks, ensure that Calliditas has sufficient internal control and formalized routines to ensure that established principles for financial reporting and internal control are adhered to and that there are effective systems to monitor and control the company's operations and the risks associated with the company and its operations.

The overall purpose of the internal control is to ensure that the company's operating strategies and targets are monitored and that the owners' investments are protected, to a reasonable degree. Furthermore, the internal control shall ensure that the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with generally accepted accounting practice, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with. The internal control primarily consists of the following five components.

### Control environment

The Board of Directors has the overall responsibility for the internal control in relation to financial reporting. In order to create and maintain a functioning control environment, the Board of Directors has adopted a number of policies and guidelines governing financial reporting. These documents primarily comprise the rules of procedure for the Board of Directors, instructions for the CEO, rules of procedure for the Audit Committee and instructions for financial reporting. The Board of Directors has also adopted a delegation of signatory authority and a treasury policy. The company also has a financial manual which contains principles, guidelines and process descriptions for accounting and financial reporting. Furthermore, the Board of Directors has established an Audit Committee whose main task is to monitor the company's financial position, to monitor the effectiveness of the company's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The responsibility for the ongoing work of the internal control over financial reporting has been delegated to the company's CEO. The CEO regularly reports to the Board of Directors in accordance with the established instructions for the CEO and the instructions for financial reporting. The Board of Directors also receives reports from the company's auditor. The responsibility for the internal, business-specific control in the daily operations lies with the CEO.

### Risk assessment

Risk assessment includes identifying risks that may arise if the basic requirements for the financial reporting of the company are not met. Calliditas' management team has, in a specific risk register, identified and evaluated the risks that arise in the company's operations, and has assessed how these risks can be managed. Calliditas' management shall annually perform a risk assessment of strategic, operational and financial risks and present the assessment to the Audit Committee and the Board of Directors. The CEO is responsible for the presentation. The management's risk assessment shall be reviewed on an annual basis by the CFO.

### Control activities

Control activities limit the identified risks and ensure accurate and reliable financial reporting. The Board of Directors is responsible for the internal control and monitoring of the company's management. This is done through both internal and external control activities, and through examination and monitoring of the company's guidelines related to risk management. The effectiveness of the control activities are assessed annually and

the results from these assessments are reported to the Board of Directors and the Audit Committee. In agreements with essential subcontractors, the company has secured the right to audit each respective subcontractors' fulfillment of relevant services, including quality aspects.

### **Monitoring**

Compliance with, and effectiveness of, the internal controls are constantly monitored. The CEO ensures that the Board of Directors continuously receives reports on the development of the company's activities, including the development of the company's results and financial position, as well as information on important events, such as research results and important contracts. The CEO also reports on these matters at each ordinary Board meeting. The company's compliance with relevant policy's and guidelines are assessed annually. The results from these assessments are compiled by the CFO in the company and then reported to the Board of Directors and the Audit Committee annually

### **Information and communication**

The company has information and communication channels to promote the accuracy of the financial reporting

and to facilitate reporting and feedback from operations to the Board of Directors and senior management, for example by making corporate governance documents such as internal policies, guidelines and instructions regarding the financial reporting available and known to the employees concerned. The Board of Directors has also adopted an information policy governing the company's disclosure of information.

In addition to the abovementioned internal control, there is also internal, business-specific control of data as regards research and development, as well as quality control including systematic surveillance and evaluation of the company's development and manufacturing operations.

### **Internal Audit**

The Board of Directors has assessed the need for an internal audit function and decided that such a function is not justified in Calliditas, taking into account the scope of operations and that the Board's monitoring of internal control is considered sufficient to ensure that internal control is effective. The Board of Directors reassess the requirement when changes take place that may give rise to a reassessment and at least once per year.

## **Auditor's report on the corporate governance statement**

*To the general meeting of the shareholders of Calliditas Therapeutics AB (Publ), corporate identity number 556659-9766*

### **Engagement and responsibility**

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019 on pages 70-75 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, 27 April 2020

Ernst & Young AB

Fredrik Norrman  
Authorized Public Accountant