

Corporate Governance Report

The Chairman's Statement

Medivir places great emphasis on sound corporate governance. It is a key factor in building confidence amongst shareholders and other stakeholders, and an important element of the Board's mandate to represent continuity and a long-term approach.

One of the important focal areas for the Board's work in 2015 entailed following up on the R&D strategy implemented in 2014, comprised of both reviewing strategic priorities within the existing portfolio and analysing the possible means to expand the portfolio. The Board membership possesses wide-ranging, in-depth research expertise in Medivir's core areas, and this expertise is a valuable cornerstone of our ability to support and challenge the company management team in a constructive way.

In 2015, the Board also worked on mapping and evaluating both concrete partners and collaboration opportunities with reference to both R&D and the commercial portfolio. The Board's discussions have focused heavily on promoting and enhancing the visibility of Medivir's shareholder value.

The percentage of foreign ownership of Medivir increased in 2015 from 28 to 43 per cent, and the new owners mostly have extensive industry expertise, a global view, and specialisation in investments in pharmaceutical development. I regard the fact that this group is increasing its ownership as evidence of a growing confidence in Medivir's ability to continue building long-term value – and both the Board as a whole and I share this confidence.

Birgitta Stymne Göransson
Chairman of the Board

The Medivir Group comprises eight companies. The Parent Company of the Group is the Swedish public limited company Medivir AB, whose shares are quoted on the Nasdaq Stockholm stock exchange.

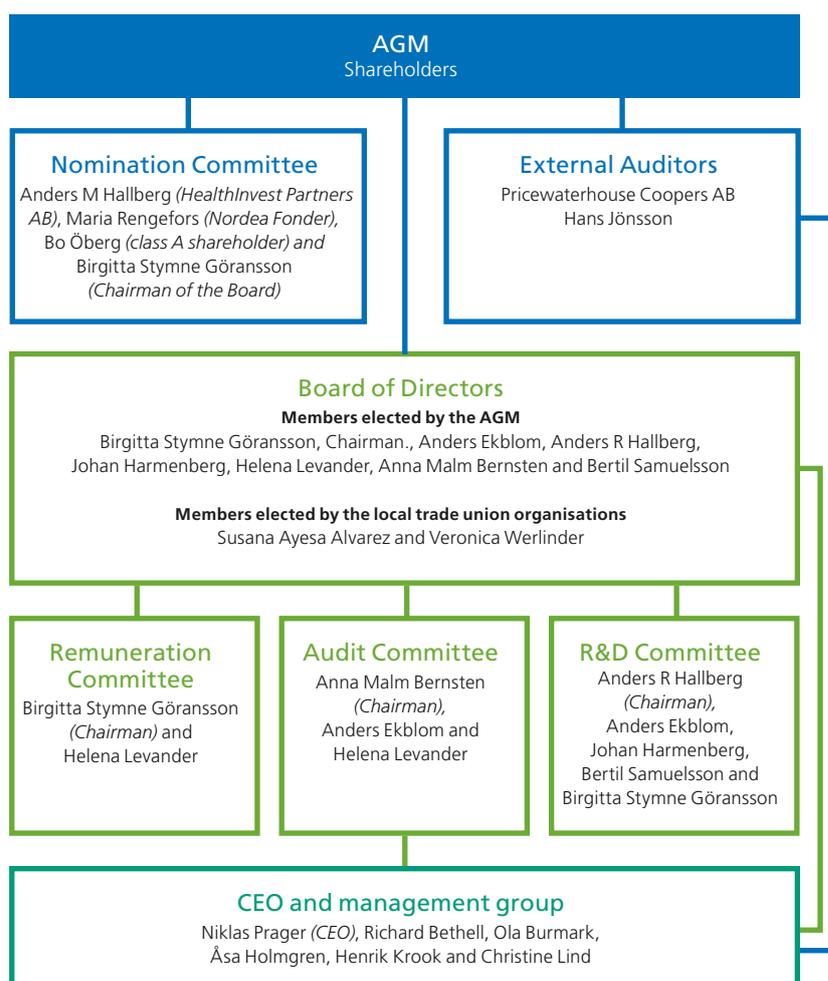
Good corporate governance is an essential component of Medivir's efforts to create value for its shareholders and to this end, we endeavour at all times to:

- Generate optimum conditions for active and responsible corporate governance.
- Achieve a well-balanced division of responsibility between owners, the Board of Directors, and the company management.

- Maintain a high level of transparency in relationships with owners, the capital market, employees and society at large.

Compliance with the Swedish Code of Corporate Governance

Medivir has applied the Swedish Code of Corporate Governance (Code) since 1 July 2008 and has undertaken to follow best practice, wherever possible, with regard to corporate governance. Medivir has not deviated from any of the regulations specified in the Code.



The model reflects the situation as of 31 December 2015.

Decision-making at shareholders' meetings

Medivir's shareholders exercise their right of decision at the Annual General Meeting (AGM) and any Extraordinary General Meetings (EGM). Class A shares carry 10 votes, while class B shares carry 1 vote. See page 22 for additional information on Medivir's share and shareholders.

Annual General Meeting

Shareholders exercise their control over the company at the AGM or, if called, at EGM's. Minutes from and information on Medivir's previous AGM's can be found on the company's website.

2015 Annual General Meeting

The 2015 AGM was held on 5 May 2015. 153 (155) shareholders attended the Meeting, either in person or through proxies, representing 33.75 (54.5) per cent of the votes. Attorney-at-Law, Erik Sjöman, was elected Chairman of the Board. The matters resolved by the Meeting were:

- › The re-election of Board Members Anders R Hallberg, Anna Malm Bernsten, Birgitta Stymne Göransson, Anders Ekblom and Bertil Samuelsson. The new election of two Board Members, Johan Harmenberg and Helena Levander. Birgitta Stymne Göransson was elected Chairman of the Board.
- › The Auditor's fee for the period until the next AGM shall be payable upon approval of their invoice within the framework of the amount quoted.
- › Guidelines for remuneration to senior executives.
- › Procedures for the appointment of the Nomination Committee and its work.
- › The Directors' fees for the period until the next AGM were maximised at SEK 2,750,000, divided between them as follows:
The Chairman of the Board shall receive SEK 575,000 and the other Members who are not employed by the company shall each receive SEK 240,000. Remuneration for committee work shall be paid in a combined sum of SEK 735,000, to be divided into SEK 210,000 in respect of the Audit Committee (of which SEK 80,000 shall be paid to the Committee's convening officer and

SEK 65,000 to each of the other two members), SEK 115,000 in respect of the Remuneration Committee (of which SEK 65,000 shall be paid to the Committee's convening officer and SEK 50,000 to one other member), and SEK 410,000 in respect of the R&D Committee (of which SEK 90,000 shall be paid to the Committee's convening officer and SEK 80,000 to each of the other four members).

- › Authorisation of the Board of Directors on one or more occasions before the next AGM, with or without deviation from the shareholders' preferential rights, to approve the new issue of class B shares in a number that shall not, collectively, exceed 10 per cent of the total number of class B shares outstanding after utilisation of the authorisation¹⁾.
- › The authorisation of the Board of Directors on one or more occasions before the next AGM, to approve the acquisition of as many of the company's own shares such that the company's holding shall not, at any point, exceed 10 per cent of all shares in the company. It was further resolved to authorise the Board of Directors on one or more occasions before the next AGM, to approve the transfer of its own shares. After exercise of the authorisation, the company holds 130,000 of its own shares.

2016 Annual General Meeting

Medivir's 2016 AGM will be held at 14.00 (CET) on 3 May at the "7A Centralen" conference facility at Vasagatan 7 in Stockholm. Shareholders wishing to raise a matter for consideration by the AGM must submit a written request to the Board of Directors in good time prior to the Meeting.

The Board of Directors can be contacted by means of letters in the post to the following address: Styrelsen, Medivir AB, Blasieholmsgatan 2, 111 48 Stockholm, or by means of emails to: info@www.medivir.se. For further information, see Medivir's website: www.medivir.com.

Nomination Committee

The Nomination Committee procedure adopted at the 2015 AGM means that the Chairman of the Board shall contact

the three biggest shareholders in terms of the number of votes at the end of the third quarter of the year and offer them the opportunity to each appoint a representative to the Nomination Committee. If any of these shareholders waive their right to appoint a representative, the right shall pass to the shareholder with the next largest shareholding after these shareholders. The Chairman of the Board shall, in accordance with the procedure, also be a member of the Nomination Committee. The Nomination Committee members shall jointly elect a Chairman to lead the work of the Committee.

Shareholders wishing to contact the Nomination Committee can do so by means of letters in the post to the following address: Valberedningen, Medivir AB, Blasieholmsgatan 2, 111 48 Stockholm, or by means of emails to: valberedning@medivir.se.

Nomination Committee duties

The duties of the Nomination Committee have changed over the years in order to comply with the requirements of the Code. The primary duty of the Nomination Committee continues, however, to be to propose candidates for election to the Board of Directors. The Nomination Committee must, in order to ensure its ability to evaluate the expertise and experience required of the Board Members, keep itself informed of the Group's strategy and the challenges it will face in the years ahead.

The Nomination Committee must also take into consideration all applicable rules governing the independence of the Members of the Board. The Nomination Committee shall also draw up proposals for resolution by the AGM regarding the remuneration and fees payable to:

- › Members of the Board who are not employed by the company and who are elected by the AGM.
- › The Auditor.
- › The members of the Nomination Committee.

The Nomination Committee has not, to date, proposed the payment of any remuneration to its members. The Nomination Committee proposes candidate auditors in consultation with the Board's Audit Committee.

¹⁾ The authorisation was not utilised in 2015.

The Board of Directors' attendance and fees (SEK k)¹⁰⁾

Members elected by the AGM	Elected	Born	Independent	PRESENT (TOTAL NUMBER OF MEETINGS)				TOTAL
				Board Meetings	Remuneration Committee	Audit Committee	R&D Committee	REMUNERATION
Birgitta Stymne Göransson, Chairman.	2013	1957	Yes	11 (11)	2 (2)		2 (2)	720,000
Björn C Andersson ²⁾	2008	1946	Yes	4 (4)		1 (1)		–
Anders Ekblom	2014	1954	Yes	11 (11)	1 (1)	3 (3)	2 (2)	385,000
Anders R Hallberg ³⁾	2012	1945	No ¹⁾	11 (11)			2 (2)	330,000
Johan Harmenberg ⁴⁾	2015	1954	Yes	5 (7)			2 (2)	320,000
Helena Levander ⁴⁾	2015	1957	Yes	7 (7)	2 (2)	3 (3)		355,000
Anna Malm Bernsten ⁵⁾	2006	1961	Yes	10 (11)	1 (1)	4 (4)		320,000
Bertil Samuelsson ⁶⁾	2014	1950	No ¹⁾	11 (11)			2 (2)	320,000
Members elected by the local trade union organisations								
Susana Ayesa Alvarez	2013	1970		10 (11)				
Christian Sund ⁷⁾	2013	1958		7 (7)				
Veronica Werlinder ⁸⁾	2013	1966		9 (11)				
Pia Appelqvist (Deputy Member) ⁹⁾	2015	1972		2 (3)				
Stina Lundgren (Deputy Member)	2013	1979		10 (11)				

¹⁾ Independent in relation to the company's major shareholders, but not independent in relation to the company and the company management.

²⁾ Resigned at the 2015 Annual General Meeting. For remuneration, see also Note 5 on page 59.

³⁾ Royalties in accordance with pre-existing agreements have, in addition to Director's fees, been paid to Uppsala Hallbechem AB in the sum of SEK 3,259 k (11,057) for 2015.

⁴⁾ Took up the position at the 2015 Annual General Meeting.

⁵⁾ Travel expenses totalling SEK 1 k (1) have, in addition to Director's fees, been paid in 2015.

⁶⁾ Royalties in accordance with pre-existing agreements have, in addition to Director's fees, been paid to SYBESAM AB in the sum of SEK 8,998 k (24,158) for 2015.

⁷⁾ Resigned in June 2015.

⁸⁾ Became an Ordinary Member of the Board in September 2015. Previously a Deputy Member.

⁹⁾ Took up the position in September 2015.

¹⁰⁾ The table refers to fees paid to the Board of Directors during the period from May 2015 – April 2016 (2015). The fee payable to Members of the Board elected by the Annual General Meeting is determined by the Annual General Meeting in line with a proposal by the Nomination Committee. Fees for 2015 have been paid in the amounts shown in the above table, which excludes travel expenses. Differences arise between the maximum fee approved by the Annual General Meeting and the actual amount disbursed, as the actual amount disbursed during the calendar year is a combination of the fees paid between the two most recent General Meetings.

Members of the Nomination Committee

The Nomination Committee prior to the 2016 AGM (appointed by the biggest shareholders in terms of the number of votes held as of 30 Sept. 2015)

Name	Representing	Proportion of votes, % on 30 Sept. 2015
Bo Öberg	Class A shareholders	19.8
Maria Rengefors	Nordea Fonder	5.1
Anders M Hallberg	HealthInvest Partners AB	4.1
Birgitta Stymne Göransson	Medivir's Board of Directors	0
Total		29.0

The Nomination Committee is also tasked with proposing a candidate for election as Chairman of the AGM.

The work of the Nomination Committee ahead of the 2016 AGM

The work of the Nomination Committee begins with a review of a checklist detailing all of the duties of the Nomination Committee as prescribed by the Swedish Code of Corporate Governance and by the Nomination Committee's Rules of Procedure as adopted by the AGM. A timetable is also set for the work to be carried out. A good understanding of Medivir's operations is vital in enabling

the members of the Nomination Committee to carry out their duties.

The Chairman of the Board is responsible for the annual appraisal of the work of the Board of Directors, including the efforts of the individual Members of the Board. The Nomination Committee has been informed of the results of these appraisals, including the appraisal of the Chairman of the Board. The Nomination Committee is able, on the basis of this information, to adjudge the expertise and experience required on the part of the Members of the Board. The Nomination Committee has also studied the Group's and Audit Committee's apprais-

als of the quality and efficiency of the Auditor's work, including recommendations for auditors and audit fees.

The Nomination Committee has held five meetings, at which all members were present, by 29 February 2016.

The Nomination Committee's full proposal for the 2016 AGM was published in conjunction with the issue of the notice convening the AGM.

Duties and work of the Board of Directors

The primary duty of the Board of Directors is to manage the Group's operations on behalf of the owners in such a way

that the owners’ interests, in terms of a long-term healthy return on capital invested, are optimally protected. The Board of Directors manages and decides on Group-wide issues such as:

- › Strategic orientation and significant objectives.
- › Significant issues in relation to the optimisation of capital structure, investments, acquisitions and divestments.
- › Following up and monitoring of operations, information provision and organisational issues, including appraisals of the Group’s executive management.
- › Appointment and, when required, dismissal of the company’s CEO.
- › Overall responsibility for setting up efficient systems for internal monitoring and risk management.
- › Significant policies.

The composition of the Board of Directors

The Members of the Board shall serve from the end of the AGM at which they were elected until the end of the next AGM. There is no limit on the number of consecutive periods during which a person may be a Member of the Board. The Board of Directors elected by the share-

holders at the 2015 AGM for the period until the end of the 2016 AGM comprised seven Members of the Board and no Deputy Members, including the Chairman of the Board. The Board also includes two Members elected by the local trade union organisations, each with their own Deputy Members. Women make up 43 per cent of the company’s Board of Directors.

The CEO, CFO and Secretary to the Board also attend Board Meetings, other than in conjunction with matters where disqualification may be an issue or where it is otherwise inappropriate for them to attend, e.g. in conjunction with the evaluation of the CEO’s work.

See pages 40–41 for a presentation of the Members of the Board.

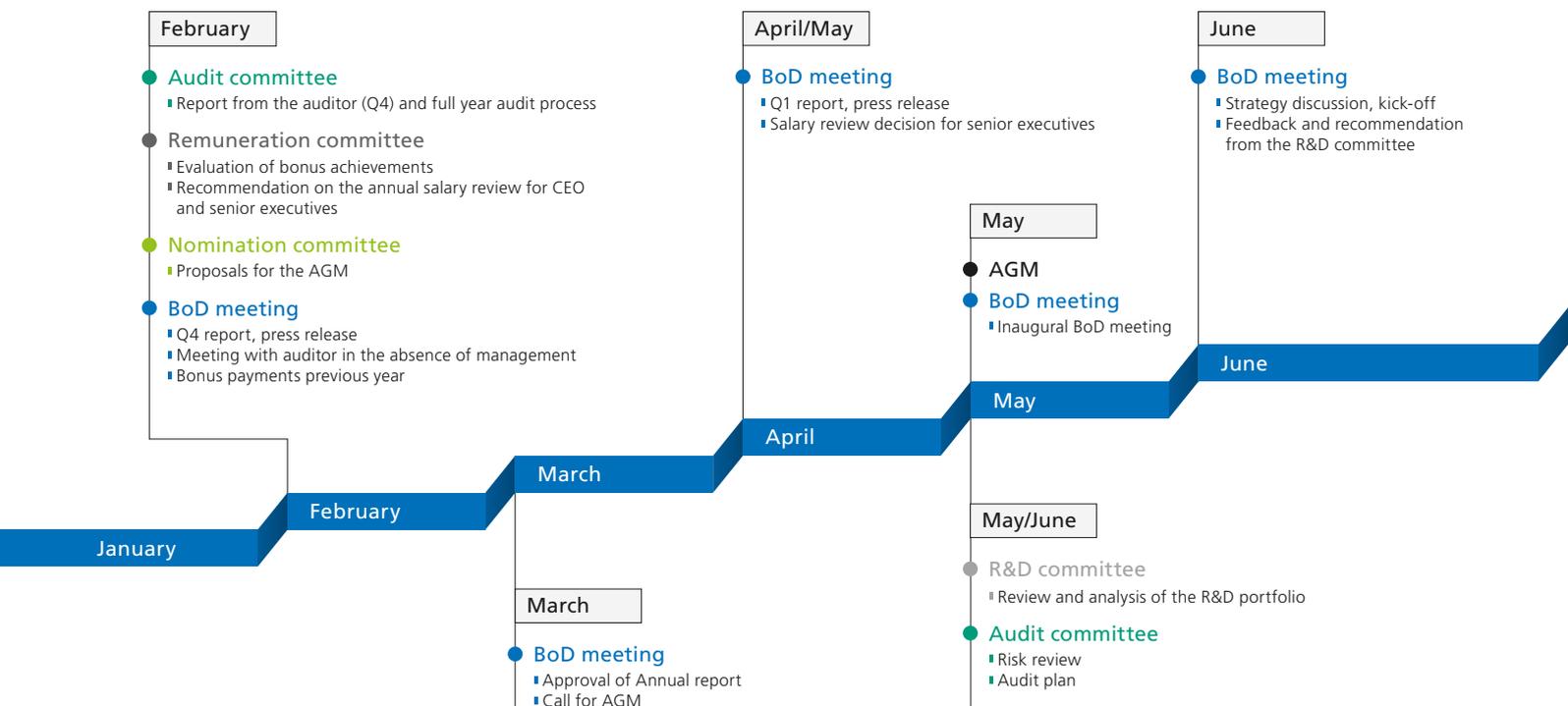
Rules of Procedure and Board Meetings

The Board of Directors adopts written Rules of Procedure every year, clarifying the duties of the Board and regulating the division of labour of the Board and its Committees, including the role of the Chairman, the decision-making process within the Board, the Board’s schedule of meetings, notices convening Board

meetings, agendas and minutes. The Rules of Procedure also regulate the ways in which the Board shall receive information and documentation in order to ensure its ability to take well-founded decisions. The Board of Directors also adopts written instructions for the CEO each year, clarifying the CEO’s responsibility for the ongoing administration, methods of reporting to the Board, the requirement for internal control instruments, and other matters requiring a decision by the Board or which must be reported to the Board.

The Rules of Procedure require an inaugural Board Meeting to be held immediately after the AGM. The Board normally also holds a minimum of six further Meetings each year. Four of these Meetings are held in conjunction with the publication of the Group’s annual and interim financial reports. At least one of the Meetings deals with the research portfolio and at least one deals with specific strategic issues. The budget and economic outlook are addressed during the final Meeting of each calendar year. Additional Meetings, including telephone conferences, are held as required.

The Board’s annual work



The duties of the Chairman of the Board

The Chairman of the Board is responsible for ensuring that the work of the Board is well-organised, conducted efficiently, and that the Board fulfils its obligations. The Chairman monitors company operations in dialogue with the CEO and is also responsible for ensuring that other Board Members receive the information and documentation required to enable a high standard of discussion and decision-making, and for monitoring the implementation of the Board's decisions. The Chairman is, furthermore, responsible for conducting an annual appraisal of the Board's work and for ensuring that the Nomination Committee is provided with the results of the appraisals. The Board of Directors has evaluated its work during the year by means of a questionnaire comprising approximately 50 questions in seven separate areas. The area receiving the highest rating was that of reporting and controls, whilst scope exists for an improved balance between the scope of Board material and meeting lengths. The results of the evaluation have been submitted to the Nomination Committee.

The Chairman represents Medivir on ownership issues.

The work of the Board of Directors in 2015

The Board of Directors has held eleven minuted Meetings in 2015. The attendance of the individual Members of the Board at these Meetings is shown in the table on page 33. All of the Meetings during the year have followed an approved agenda which, together with the documentation for every item on the agenda, was supplied to the Members before the relevant Board Meeting. An ordinary Board Meeting usually lasts for half a day in order to ensure sufficient time for presentations and discussions. An appointed Attorney-at-Law has acted as Secretary at the majority of Board Meetings. The CEO and CFO participate in the majority of Board Meetings. Reviews of the current business position, the Group's results and financial position, and the outlook for the rest of the year are conducted at every ordinary Board Meeting. A member of the Group's management group will usually also review a relevant strategic issue. Reports on the

work of the Committees are usually also presented at each Board Meeting by the Chairmen of the respective Committees.

The work of the Board during the year has largely focused on:

- › Interim Reports, the Financial Statement, and the Annual Report.
- › Development of the project and research portfolio.
- › Strategy and business intelligence analysis.
- › Financial development, optimisation of the Group's capital structure.
- › Collaborations and partnerships.

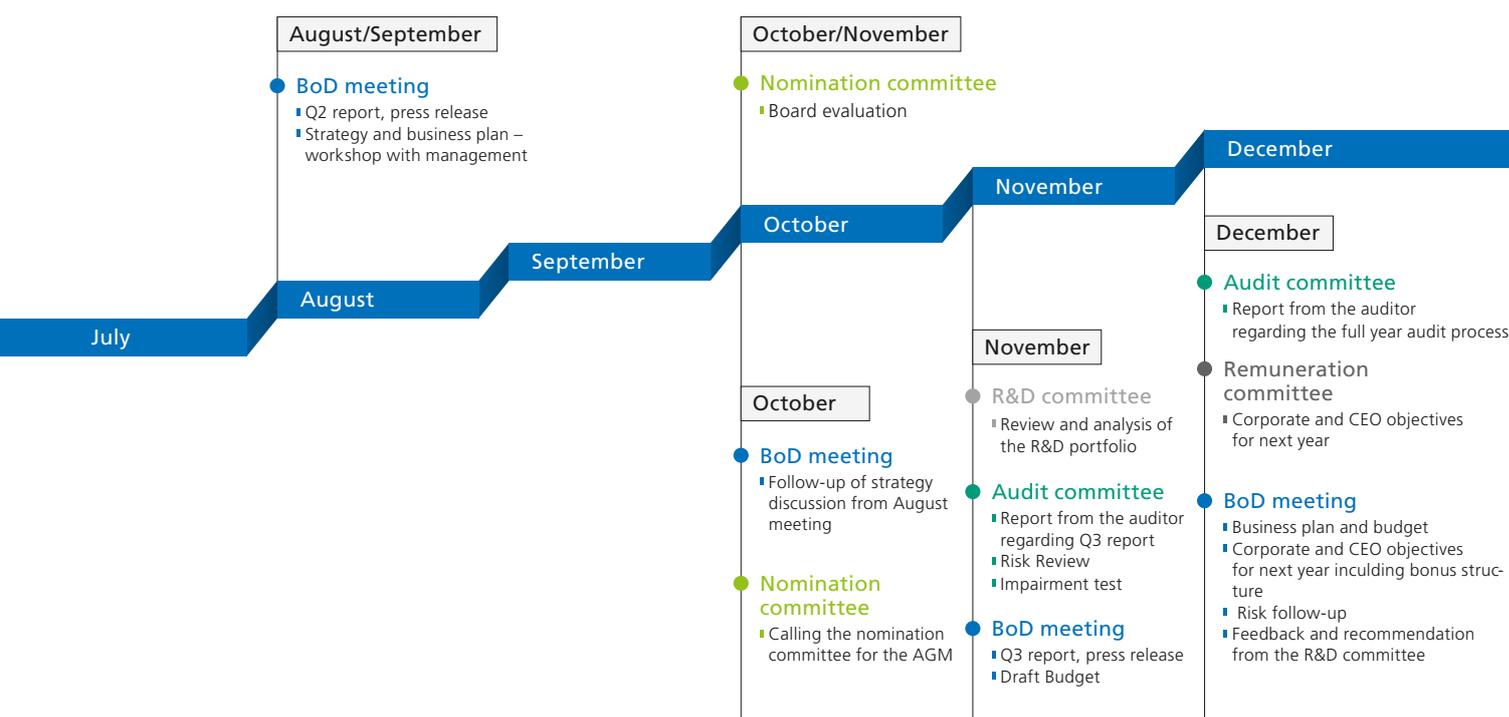
Board Committees

There are three consultative committees within the Board of Directors: the Remuneration Committee, the Audit Committee, and the R&D Committee.

The Remuneration Committee

The Committee advises the Board of Directors and has no independent right of decision.

The primary duty of the Remuneration Committee is to represent the Board of Directors on issues relating to remuneration and employment terms for the



CEO and senior executives who report directly to the CEO, based on remuneration and employment terms for the CEO and other senior executives adopted by the AGM. The Committee reports continuously on its work to the Board of Directors.

The Remuneration Committee has held five minuted meetings in 2015. The attendance of individual Board Members is shown in the table on page 33. The Committee has also held a number of consultations by telephone and email.

The Committee has largely focused on:

- › Reviews of proposals regarding salaries and remuneration for the CEO and other senior executives.
- › Reviews of proposals for a programme for short-term performance-related pay.
- › Review of the results of existing long-term incentive plans.
- › Evaluation of existing long-term incentive plans by means of a survey addressed to all employees.

The Audit Committee

The members are independent and have audit competence. The Committee advises the Board of Directors and has no independent right of decision.

The primary duty of the Audit Committee is to support the Board of Directors in its work with Medivir's risk management, governance and internal control, and to quality assure the financial reporting. The Committee considers significant auditing issues that affect the Group and meets on an ongoing basis

with Medivir's auditors and evaluates the audit process. The Committee also assists the Nomination Committee in the production of proposals for auditors and the fees payable to auditors, and approves the supplementary services that the company may purchase from its external auditors.

The Chairman of the Audit Committee is responsible for ensuring that the entire Board of Directors is kept continuously informed of the work of the Committee and, when necessary, submits matters to the Board for decision.

The Audit Committee has held four minuted meetings in 2015. The attendance of the respective Board Members is shown in the table on page 33. The CFO has attended all meetings. The Committee has largely focused on:

- › The scope and accuracy of the year-end financial statement.
- › Reviews of the company's risk management, governance and internal controls.
- › Significant audit issues.
- › Reviews of reports from the company's Auditor elected by the Annual General Meeting, including the Auditor's audit plan.

The R&D Committee

The Committee is an advisory one and has no independent right of decision.

The primary duties of the R&D Committee are to review and evaluate the R&D portfolio and to provide the Board with supporting data ahead of decisions on strategic assessments and resource

allocation within R&D. The R&D Committee also has an advisory role in relation to the company management with regard to specific scientific matters.

The R&D Committee has held two minuted meetings in 2015, each of which lasted two days. A number of physical, non-minuted working meetings and telephone conferences have also been held during the year. The attendance of the respective Board Members is shown in the table on page 33.

The Group management

The Board appoints the CEO and, where necessary, the Deputy CEO. The CEO leads the work of the Group management and is, together with the Group management, responsible for ensuring that the operating activities are conducted in accordance with the provisions of the Swedish Companies Act, other legislation and regulations, applicable regulations for listed companies, the Articles of Association, and the CEO's Instructions. The Group management has a broad composition of individuals with in-depth and extensive experience of research and development, the marketing and sale of pharmaceuticals, and the requisite expertise in accounting, finance and communication. For a presentation of the Group management, see pages 42–43. The role of the Group management is to:

- › Set goals, allocate resources, and follow up on the operating units' results.
- › Produce information and documentation as support data that enables the Board to take well-founded decisions.

Remuneration to senior executives (SEK k)

Function	Year	Fixed salary	Performance-related pay	Benefits	Severance pay	Total	Pension	Total, incl pension
CEO, Niklas Prager ¹⁾	2015	3 600	1 194	153	0	4 947	813	5 760
	2014	1 279	580	3	0	1 862	298	2 160
CEO, Maris Hartmanis ²⁾	2014	2 496	0	88	4 646	7 230	826	8 056
Other senior executives ^{3–6)}	2015	9 374	1 703	304	853	12 234	1 628	13 862
	2014	10 811	2 394	506	5 459	19 170	2 193	21 363
Total	2015	12 974	2 897	457	853	17 181	2 441	19 622
	2014	14 586	2 974	597	10 105	28 262	3 317	31 579

¹⁾ Niklas Prager took over as President & CEO on 1 September 2014, succeeding Maris Hartmanis.

²⁾ Severance pay refers to remuneration paid in conjunction with contractual departure from the Group, see Note 5. Severance pay totalling SEK 3,098 k has been disbursed to Maris Hartmanis in 2015 and is carried as an expense in 2014.

³⁾ The management group, including the CEO, comprised eight persons at the beginning of 2015 and six persons at the end of the year.

⁴⁾ At the 2015 year-end, the booked remuneration to be disbursed to other senior executives in 2016 totalled SEK 2,329 k.

⁵⁾ Remuneration totalling SEK 8,325 k that was carried as an expense in 2014 has been disbursed to other senior executives in 2015.

⁶⁾ At the 2015 year-end, the booked remuneration from 2014 to be disbursed to other senior executives in 2016 totalled SEK 1,448 k.

- › Implement the strategy adopted by the Board for the entire organisation on the basis of the annual strategic work. Following up on established goals is a key tool in the management of our operational work.

Guidelines for remuneration to senior executives

Remuneration principles for senior executives of Medivir are determined by the AGM. The guidelines for remuneration to senior executives broadly conform to the principles applied in the past. Senior executives, in this context, refers to the CEO and other members of the Group management. The guidelines apply to contracts of employment entered into after the adoption of the guidelines by the AGM or amendments to existing contracts made after the adoption of the guidelines. Medivir shall offer a competitive total compensation package that enables the recruitment and retention of qualified senior executives. Remuneration payable to the senior executives may comprise a fixed salary, performance-based pay, AGM-approved incentive plans, pensions and other benefits. The fixed salary shall take into account the individual's areas of responsibility and experience. Performance-based pay, as a cash bonus, may comprise a maximum of 50 per cent of the annual fixed salary. Performance-based pay shall be linked to predetermined and quantifiable criteria formulated in order to promote the company's long-term value creation. Variations to the remuneration principles are

permissible if warranted by local conditions. For additional information, see Note 5 on page 59–61.

Evaluation of principles for remuneration to senior executives

Medivir has complied, in 2015, with the remuneration principles for senior executives approved by the AGM.

The principles proposed to the 2016 Annual General Meeting have been expanded to also include the option for senior executives to invest part of their performance-related pay in Medivir shares. See the Medivir web, medivir.com for the Board's full proposal to the 2016 AGM.

Long-term incentive plans

The purpose of long-term incentive plans is to generate the conditions for retaining and recruiting competent personnel to the Group and to offer employees an attractive opportunity to acquire a stake in the company, so as to encourage continued company loyalty by combining the interests of the shareholders and the employees. The 2013 and 2014 AGM's accordingly each approved a three-year share saving plan, LTI 2013 and LTI 2014. Medivir believes that the plans will have a positive effect on the Group's further development and that LTI 2013 and LTI 2014 are, therefore, to the benefit of both the shareholders and the company. The Board withdrew its proposal for the approval of a renewal of a long-term incentive plan ahead of the 2015 AGM as it was deemed not to comply with

international institutional guidelines.

The Board has conducted an evaluation of the existing plans. The goal of the evaluation was to determine whether the plans have fulfilled their stated objectives, have transparent goals and also include reviews of the results and costs of the outstanding plans.

Election of Auditors

The duties of the Nomination Committee include proposing an auditor to the AGM

PricewaterhouseCoopers AB (PwC) was appointed as the company's external auditors for a one-year period up to and including the 2016 AGM. Authorised Public Accountant, Hans Jönsson, is the Auditor-in-Charge for Medivir.

- › The auditors work to an audit plan and report their observations on a rolling basis to the Audit Committee and the Board, both during the course of the audit and in conjunction with the preparation of the annual accounts.
- › The auditors review one interim report and the annual financial statement in order to assess their accuracy, completeness and the correspondence of the accounts with generally accepted accounting practice and relevant accounting principles.
- › The Auditor-in-Charge attends the AGM at which he or she presents details of the audit work and observations made.

When additional services are requested from PwC over and above the audit engagement, such as consultancy on tax issues and on a range of different accounting and financial issues, such services are provided, subject to the approval of the Audit Committee.

Auditors' fees

Fees for auditing Medivir's accounts are determined by the AGM in line with proposals by the Nomination Committee. Auditors' fees in 2015 and 2014 are shown in the table.

Auditors' fees (SEK k)

	2015	2014
PwC		
Audit engagement	1,176	1,294
Auditing services over and above the audit engagement	394	454
Tax advice	492	457
Other services	17	516
Subtotal	2,080	2,721
EY		
Audit engagement	34	33
Auditing services over and above the audit engagement	0	0
Other services	0	100
Subtotal	34	133
Total	2,113	2,854