

## **Report by the Board of Directors of Swedish Orphan Biovitrum AB (publ) on the Compensation & Benefits committee's evaluation of remuneration to senior management**

---

According to the Swedish Corporate Governance Code, the Board of Directors shall establish a remuneration committee, whose task is to prepare the Board of Directors' decisions in matters concerning remuneration principles, remuneration and other employment terms for the senior management, to monitor and evaluate existing and during the year completed programmes for variable remuneration to the senior management, to monitor and evaluate the application of the guidelines for remuneration to the senior management that the Annual General Meeting by law decides upon, as well as the current remuneration structures and levels of remuneration in the company.

### **Swedish Orphan Biovitrum AB (publ)'s Compensation & Benefits committee**

The Board of Directors of Swedish Orphan Biovitrum AB (publ) has established a Compensation & Benefits committee, consisting of four Board members: Håkan Björklund (Chairman), Helena Saxon, David Allsop and Matthew Gantz, all independent in relation to the senior management. The Company's director of Human Resources serves as secretary of the committee, but is not a member.

### **The Compensation & Benefits committee's work**

In 2018, the Compensation & Benefits committee has held five meetings, with the presence of all members at one of those meetings, three members at one of those meetings and two members at three of those meetings (the committee members David Allsop and Matthew Gantz were elected board members at the Annual General Meeting in May 2018). At 2018 year's meetings the committee discussed and followed up on, among other things, the annual salary revision and short term incentives for the managing director and senior management. The committee has also presented proposals for nominations to and design of the long-term incentive programmes, as well as a proposal regarding guidelines for remuneration to the senior management. Proposal regarding guidelines for remuneration to the senior management will be presented to the Annual General Meeting in May 2019, for the approval of the shareholders.

### **The Compensation & Benefits committee's evaluation and assessment**

The Compensation & Benefits committee has in its work considered that Swedish Orphan Biovitrum AB (publ) shall apply remuneration levels that ensure that the company can attract and retain the best people in order to support the vision and strategy of the company. The position of total remuneration should be market competitive without being leading relative to competitors in each local market. The remuneration principles should also enable international hiring and support diversity within senior management.

In its assessment, the Compensation & Benefits Committee has evaluated the long-term incentive programme approved by the 2018 Annual General Meeting and has concluded that while the All Employee Programme satisfies the intended purposes, the Management Programme would benefit from certain amendments in order to further increase the ability to attract and retain competence on internationally competitive terms on senior management

level. The amendments include an increase in the value of underlying shares at commencement of the programme for members of the Executive Committee (excluding the CEO) and a few selected key employees, as well as the implementation of a combined performance share and employee stock option programme for the CEO, other members of the Executive Committee and a few selected key employees.

The Compensation & Benefits Committee has further evaluated the existing short term incentive programme and has concluded that it is appropriate to increase the maximum short term remuneration level for the CEO to align it with market practice. Further, in order to enhance the transparency and foreseeability, certain clarifications have been made as to the circumstances and extent of any additional compensation payable to the senior management and the CEO in case of extraordinary circumstances or efforts.

The Compensation & Benefits Committee has found that, subject to the above-mentioned adjustments of the short and long term incentive programmes, the remuneration structures and levels of compensation in Swedish Orphan Biovitrum AB (publ) are appropriate. This also holds true for other conditions of employment for the senior management.

The Compensation & Benefits Committee has further concluded that the compensation paid to the senior management has been in accordance with and without any deviations from the guidelines established by the Annual General Meeting 2018. Accordingly, the application of the guidelines regarding remuneration to the senior management has been correct.

---

Stockholm in March 2019

**Swedish Orphan Biovitrum AB (publ)**

*The Board of Directors*