

***Proposal regarding guidelines for remuneration for the Management (item 16)***

The Board of Directors proposes that the annual general meeting resolves on guidelines for remuneration for the Management as set forth below which shall apply until the annual general meeting 2018. The Management is defined as the managing director of Swedish Orphan Biovitrum AB and the executives who report to the managing director and are members of the senior management. In addition members of the Board of Directors who are employed or consulting for Sobi are included in the Management.

*Objective*

The objective of the guidelines is to ensure that the company can attract and retain the best people in order to support the vision and strategy of the company. Remuneration for the Management is designed on a total remuneration approach. The position of total remuneration should be market competitive without being leading relative to competitors in each local market. The market comparisons should be made against a set of peer group companies with comparable sizes, industries and complexity. The remuneration guidelines should enable international hiring and should support diversity within the Management. The remuneration may consist of the following components:

- A, Fixed Base Pay
- B, Variable Pay - so-called Short Term Incentives
- C, Long Term Incentives
- D, Pensions
- E, Other Benefits

To the extent a member of the Board of Directors carries out work for the company or for another group company, in addition to the board work, consulting fees and/or other remuneration for such work may be payable.

*Fixed Base Pay*

The fixed base pay of the Management should be based on competence, responsibility and performance. The company uses an international evaluation system in order to evaluate the scope and responsibility of the position.

### *Variable Pay*

The annual Short Term Incentive plan is based on the achievement of annual performance objectives (corporate, departmental<sup>1</sup> and individual). Payment is based on achievement of the pre-determined objectives. The annual performance objectives are defined in advance by the Compensation & Benefits Committee and approved by the Board of Directors.

These objectives are determined for the promotion of the company's long-term development, value creation and financial growth and shall be designed in a way that does not encourage an excessive risk-taking. The Short Term Incentives are limited to 75% of the annual gross salary for the managing director and 50% of the fixed annual salary for the other members of the management (pension compensation for the managing director may be included in the annual gross salary and therefore also be included as a basis for calculating Short Term Incentives).

### *Long-term Incentives*

The company can introduce long-term incentive programs for all or some of its employees. The objectives of such a program should be to align the employees' interests with those of the shareholders, to create a long-term commitment to the company, to be a tool to retain and attract executives and top talent, to offer participants to take part in the company's long-term success and value creation, and to contribute to a competitive total remuneration.

For more information on the company's current incentive programs, see the annual report 2016 note 12 to be published 12 April 2017.

### *Pensions*

The preferred pension plan design is defined contribution<sup>2</sup>. If the operating environment requires the establishment of a defined benefit pension plan by law or other regulations, such a plan may be established. The defined benefit level should in such cases be limited to the mandatory level.

### *Other Benefits*

Fixed salary during notice periods and severance pay, including payments for any restrictions on competition, shall in total not exceed an amount equivalent to the fixed base pay for two years. In addition to this restriction, the total severance payment shall be limited to the existing monthly salary for the remaining months up to the age of 65.

Additional compensation may also be paid out in extraordinary circumstances, provided that such arrangement is made for management recruitment or retention purposes and is agreed on an individual basis. Such extraordinary arrangements shall be in line with market practice and may for example

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<sup>1</sup> Departmental objectives are not applicable for the managing director.

<sup>2</sup> A defined contribution pension plan defines the level of contribution that will be paid into the pension plan for each employee.

include a one-time cash payment, a support package including relocation and tax filing support, retention bonus or severance payment in case of a change of control, or similar.

*Deviation from the guidelines*

The Board of Directors may resolve to deviate from the guidelines if the Board of Directors, in an individual case, is of the opinion that there are special circumstances justifying that, including for example if the Board of Directors is of the opinion that a deviation is necessary or appropriate for the purpose of recruiting the most competent individual as the new managing director.

*Deviations from the 2016 guidelines*

In connection with the implementation of the company's long-term incentive program 2016 ("**LTI 2016**") several employees, including members of the Management, were legally prohibited from participating in the program due to them, at that point in time, being in possession of inside information. In light of the 2016 annual general meeting's resolution to approve the proposal for the LTI 2016, which meant that, amongst others, members of Management were envisaged to participate in the LTI 2016, and since the Board of Directors considers that a long-term incentive program is a crucial component of a competitive total remuneration package with which to attract and retain executives who are critical to the company's long-term success, the Board of Directors resolved on a deviation from the guidelines to allow the employees who were legally prohibited from participating in the LTI 2016 to instead participate in a long-term cash-based incentive program ("**LCI**"). The deviation was made in accordance with the provision in the remuneration guidelines approved by the 2016 annual general meeting. Similar to the LTI 2016, the LCI has a three-year term with certain performance measures which must be satisfied in order for any compensation to be payable to the Management. For the Management, the performance measures are related to profitability and revenue growth. The company's maximum costs for the LCI cannot on an individual basis exceed the maximum costs that otherwise may have arisen under the LTI 2016.

Furthermore, since the CEO, Geoffrey McDonough will leave the company in July 2017, the company has entered into an agreement with him which deviates from the remuneration guidelines for the management approved by the annual general meeting 2016. The deviation is that the fixed salary during the notice period together with the severance pay will total an amount equivalent to approximately 27 monthly fixed salaries, i.e. more than the maximum two years that is stipulated in the guidelines. Given that it is in both the company's and the shareholders' interest to keep the CEO for as long as possible while the company is recruiting a successor and that Geoffrey McDonough intends to be in service during the entire notice period up until 1 July 2017, the Board of Directors resolved to deviate from the remuneration guidelines for the management approved by the annual general meeting 2016 in this individual case.