

## **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 programs 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's Compensation & Benefits committee*

The Board of Directors of Swedish Orphan Biovitrum has established a Compensation & Benefits committee, consisting of three Board members: Håkan Björklund (Chairman), Helena Saxon and Theresa Heggie, all of which are 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*

The Compensation & Benefits committee has held six meetings during 2016, with the presence of all three members at five of those meetings and with the presence of two members at one meeting. At these 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 program, 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 2017, 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 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 program approved by the 2016 Annual General Meeting and has concluded that while

the All Employee Program satisfies the intended purposes, the Management Program would benefit from certain amendments in order to avoid certain insider issues arising from the requirement for management to acquire investment shares. Furthermore, the Compensation & Benefits committee has found that the remuneration structures and levels of compensation in Swedish Orphan Biovitrum are appropriate. This is also 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, save for the deviations set out in the Board of Directors' proposal regarding guidelines for remuneration to management, been in accordance with and without any deviations from the guidelines established by the Annual General Meeting 2016.

The deviations referred to above were made due to extraordinary circumstances, and in light thereof the Compensation & Benefits committee concludes that there is no need to amend the guidelines proposed to the annual general meeting 2017 in relevant respects.

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Stockholm in March 2017

Swedish Orphan Biovitrum AB (publ)

The Board of Directors