

Remuneration report 2020

Introduction

This report describes how the guidelines for executive remuneration of Swedish Orphan Biovitrum AB (publ), (Sobi™) (Reg. No. 556038-9321) (the “Company” or “Sobi”) (the “remuneration guidelines”), adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and the deputy CEO. In addition, the report provides a summary of the Company’s outstanding long-term incentive programmes. The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 10 (Employees, personnel costs and remuneration of board members and senior executives) on pages 67-72 in the annual report 2020.

Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 97-103 in the annual report 2020.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 10 on page 68 in the annual report 2020.

Key developments 2020

The CEO summarises the Company’s overall performance in his statement on pages 6-7 in the annual report 2020.

The Company’s remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the Company’s business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain highly qualified personnel. As an international company, a majority of the Company’s personnel is employed outside of Sweden. Remuneration for the Executive Committee is designed on a total remuneration approach. The position of total remuneration should be market competitive relative to competitors in each local market. The remuneration guidelines shall enable international hiring and support diversity within the Executive Committee.

Under the remuneration guidelines, the remuneration shall be on market terms and may consist of the following components: fixed base pay, variable pay, pension benefits and other benefits. The guidelines are found on pages 67-69 in the annual report 2020. During 2020, the Company has complied with the applicable remuneration guidelines adopted by the general meeting. No derogations or deviations have been made from the remuneration guidelines or from the decision-making process which, pursuant to the guidelines, is to be applied in order to set remuneration. The auditor’s report regarding the Company’s compliance with the guidelines is available on www.sobi.com/en/governance. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the Company have resolved to implement long-term incentive programmes.

Tables 1(1) and 1(2) – Total remuneration of the CEO and the deputy CEO, respectively, in 2020 (kSEK)¹⁾

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration ⁶⁾
	Base salary ²⁾	Other benefits ³⁾	One-year variable	Multi-year variable ⁴⁾				
Guido Oelkers (CEO)	9,625	0	8,126	34,979	0	2,840	55,571	Fixed: 22% Variable: 78%

¹⁾ Except for multi-year variable remuneration, the table reports remuneration earned in 2020. Multi-year variable remuneration is reported if vested in 2020, as set out in column 10 of Table 2 and column 8 of Table 3 below (as applicable). Disbursement of any payments may or may not have been made the same year.

²⁾ Including vacation allowance and car allowance.

³⁾ Allotment of shares under long-term incentive program 2017. Vesting period of three years (19 May 2017-19 May 2020) with allotment in 2020. The share price development (TSR) during the vesting period was 45.23%. Calculated as the market price per share at vesting (SEK 213) multiplied by the number of shares allotted. The value at vesting is not to be equated to the year’s cost for Sobi presented in the annual report 2020.

⁴⁾ Pension expense, which is a defined-contribution pension solution expressed as a percentage of base salary, has been counted entirely as fixed remuneration.

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration ⁶⁾
	Base salary ²⁾	Other benefits ³⁾	One-year variable	Multi-year variable ⁴⁾				
Henrik Stenqvist (deputy CEO)	4,155	117	2,100	0	0	1,245	7,617	Fixed: 72% Variable: 28%

¹⁾ The table reports remuneration earned in 2020. Disbursement of any payments may or may not have been made the same year.

²⁾ Including vacation allowance.

³⁾ Including company car, fuel and medical insurance.

⁴⁾ The first allotment of shares under long-term incentive will occur in 2021.

⁵⁾ Pension expense, which is premium defined, has been counted entirely as fixed remuneration.

Share-based remuneration

Share-related and share price-related incentive plans

The Company’s annual general meeting has adopted long-term incentive programmes (“LTIP”) that currently are outstanding (LTIP 2018, LTIP 2019 and LTIP 2020). LTIP 2017 vested in 2020. All programmes run for three years. The aim has been to create long-term commitment to the Company, to offer participants the opportunity to share in the Company’s long-term success and value creation, and to enable the Company to attract and retain senior executives and senior managers. Each of the 2017–2020 LTIPs has two sub-programmes: (i) the Management Programme covering the CEO, senior executives (including the deputy CEO) and managers, and (ii) the Employee Programme.

The 2017–2020 LTIPs are structured according to similar principles.

- The programmes have a three-year vesting period.
- The Employee Programmes require a personal investment in Sobi shares, and matching shares may be allotted free of consideration.
- The Management Programmes do not require a personal investment in Sobi shares, and no matching shares are allotted. Instead, under the Management Programmes, performance shares may be allotted if the programme criteria are met. However, the CEO and other members of the Executive Committee (including the deputy CEO) are recommended to accumulate a personal holding in Sobi shares.

- The number of performance shares that employees are entitled to receive differs according to the organisational level.
- One requirement for all programmes is that the employee must be permanently employed throughout the entire vesting period and, in relation to the Employee Programmes, investment shares must be retained throughout the entire vesting period.
- The performance targets for the Management Programmes are that the share price increases (as adjusted for any dividends: absolute TSR) by a certain rate over a three-year period (60% weight). In order for any vesting related to absolute TSR increase to occur, the TSR must increase by more than 15% over the vesting period. In order for full vesting related to absolute TSR increase to occur, the TSR must increase by at least 50% over the vesting period. If the TSR increase is between 15% and 50% over the vesting period, a linear vesting related to absolute TSR increase will occur. Furthermore, the actual annual revenues over a three-year period must meet or exceed the budget for annual revenues (40% weight).

In addition to the possibility to be allocated a number of performance shares, the CEO, other members of the Executive Committee (including the deputy CEO) and a limited number of key individuals in the Company have been granted a number of share options under the Management Programmes of the 2019–2020 LTIPs (the “**Option Programmes**”). Subject to the satisfaction of the performance target (actual average revenues must meet or exceed the budgets over a three-year period) and other programme criteria, each option entitles the holder to acquire one Sobi common share (“**Option Share**”) at a strike price equivalent to 105 % of the volume-weighted average price paid for the Sobi common share at Nasdaq Stockholm, adjusted for any dividend

payments, during a period of ten trading days immediately prior to the commencement of the vesting period. The value of each Option Share received upon exercise of options is capped to three times the strike price in the 2020 Option Programme and to five times the strike price in the 2019 Option Programme, meaning that the number of shares delivered to the participant upon exercise of options may be reduced. The vesting periods of the Option Programmes are three years, followed by a two-year exercise period.

For employees in the US and Canada, the Company has three outstanding cash-based programmes and had one cash-based programme that vested in 2020 (“**Cash-Based Programmes**”). Each of the Cash-Based Programmes 2017-2019 has a four-year vesting period, whereas the Cash-Based Programme 2020 has a three-year vesting period. Each of the Cash-Based Programmes consists of two components: a time-based component (50% weight) and a performance-based component (50% weight) based on two performance targets. The first performance target (50% weight of the performance-based component) is that the share price must increase by at least 10% over the vesting period. The second performance target (50% weight of the performance-based component) is that sales in North America must be at least 95% in relation to the budget over the vesting period. These programs do not include any members of the Executive Committee.

Further information on share-related and share price-related incentive plans is available in note 10 (Employees, personnel costs and remuneration of board members and senior executives) on pages 67-72 in the annual report 2020.

Tables 2-3 below set forth information on relevant share and option-based programmes granted or offered to the CEO and the deputy CEO (including the main conditions for exercising the rights under such programmes).

Table 2 – Option Programmes

Name of director (position)	The main conditions of share option plans							Information regarding the reported financial year					
	1 Name of plan	2 Performance period	3 Award date	4 Vesting date	5 End of retention period	6 Exercise period	7 Exercise price (SEK)	Opening balance			Closing balance		
								8 Options held at beginning of year	9 Options awarded	10 Options vested	11 Options subject to performance condition	12 Options awarded and unvested	13 Options subject to retention period
Guido Oelkers (CEO)	2019 Option Programme	2019-2021	2019-05-28	2022-05-28	2022-05-28	2022-05-28 2024-05-28	180.65	301,973	0	0	301,973	0	0
	2020 Option Programme	2020-2022	2020-05-28	2023-05-28	2023-05-28	2023-05-29 2025-05-29	213.86	0	322,158 ¹⁾	0	322,158	0	0
Total								301,973	322,158	0	624,131	0	0
Henrik Stenqvist (deputy CEO)	2019 Option Programme	2019-2021	2019-05-28	2022-05-28	2022-05-28	2022-05-28 2024-05-28	180.65	74,315	0	0	74,315	0	0
	2020 Option Programme	2020-2022	2020-05-28	2023-05-28	2023-05-28	2023-05-29 2025-05-29	213.86	0	69,271 ²⁾	0	69,271	0	0
Total								74,315	69,271	0	143,586	0	0

¹⁾ The aggregate market value of the options at the time of award, based on a Black & Scholes valuation method, was kSEK 14,526. The exercise of the options is subject to performance targets (actual average revenues meeting or exceeding the budgets over a three-year period). The aggregate market value of the underlying shares at the time of the award was kSEK 65,617. The aggregate exercise price is kSEK 68,897.

²⁾ The aggregate market value of the options at the time of award, based on a Black & Scholes valuation method, was kSEK 3,123. The exercise of the options is subject to performance targets (actual average revenues meeting or exceeding the budgets over a three-year period). The aggregate market value of the underlying shares at the time of the award was kSEK 14,109. The aggregate exercise price is kSEK 14,814.

Table 3 – LTIP

Name of director (position)	The main conditions of share award plans					Information regarding the reported financial year					
	1 Name of plan	2 Performance period	3 Award date	4 Vesting date	5 End of retention period	Opening balance	During the year		Closing balance		
						6 Share awards held at beginning of year ¹⁾	7 Awarded	8 Vested	9 Subject to performance condition	10 Awarded and unvested at year end ²⁾	11 Shares subject to retention period
Guido Oelkers (CEO)	2017 Share Programme	TSR: 2017-05-19 - 2020-05-19 Annual revenues (each year): 2017 - 2019	2017-05-19	2020-05-19	2020-05-19	178,844	0	164,223 ²⁾	0	0	0
	2018 Share Programme	TSR: 2018-05-11 - 2021-05-11 Annual revenues (each year): 2018 - 2020	2018-05-11	2021-05-11	2021-05-11	136,940	0	0	82,164	54,776	0
	2019 Share Programme	TSR: 2019-05-28 - 2022-05-28 Annual revenues (each year): 2019 - 2021	2019-05-28	2022-05-28	2022-05-28	81,948	0	0	60,095	21,853	0
	2020 Share Programme	TSR: 2020-05-28 - 2023-05-28 Annual revenues (each year): 2020 - 2022	2020-05-28	2023-05-28	2023-05-28	0	70,100	0	60,753	9,347	0
Total						397,732	70,100	164,223	203,012	85,976	0
Henrik Stenqvist (deputy CEO)	2018 Share Programme	TSR: 2018-05-11 - 2021-05-11 Annual revenues (each year): 2018 - 2020	2018-05-11	2021-05-11	2021-05-11	13,622	0	0	8,173	5,449	0
	2019 Share Programme	TSR: 2019-05-28 - 2022-05-28 Annual revenues (each year): 2019 - 2021	2019-05-28	2022-05-28	2022-05-28	17,393	0	0	12,755	4,638	0
	2020 Share Programme	TSR: 2020-05-28 - 2023-05-28 Annual revenues (each year): 2020 - 2022	2020-05-28	2023-05-28	2023-05-28	0	15,074	0	13,064	2,010	0
Total						31,015	15,074	0	33,992	12,097	0

¹⁾ Refers to the maximum number of shares at the award date subject to performance conditions under the respective performance periods.

²⁾ Value at vesting: kSEK 34,979, calculated as the market price per share at vesting (SEK 213) multiplied by the number of shares allotted, 164,223. The value at vesting is not to be equated to the year's cost for Sobi presented in the annual report 2020.

³⁾ Refers to shares awarded which were subject to achieved targets with regards to annual revenues. The shares will not be allotted until after the respective vesting date.

Application of performance criteria

The performance measures for the variable remuneration of the CEO and the deputy CEO have been selected for the promotion of the Company's business strategy, long-term development including its sustainability, value creation and financial growth and have been designed in a way that encourages compliant behaviour.

Set out below is a description of how the criteria for payment of variable short- and long-term compensation have been applied during the financial year.

Performance of the CEO and the deputy CEO in the reported financial year: short term variable cash remuneration

As to the short-term variable remuneration ("STI"), the board of directors has made both quantitative and qualitative assessments. This has involved the application of judgement and discretion to ensure that the outcome will reflect broader considerations and remain appropriate and proportionate, in addition to the

formulaic outcome on the basis of scorecards. Accordingly, the short-term variable cash remuneration for the financial year 2020 was determined by both financial and non-financial performance criteria. The financial performance criteria consisted of STI adjusted annual revenue (relative weighting 52.5%) and STI adjusted EBITA (relative weighting 22.5%). The non-financial performance criteria were selected based on strategic objectives as well as short-term and long-term business development goals for 2020 (relative weighting 25%).

The evaluation of the performance criteria resulted in a remuneration outcome for the CEO Guido Oelkers amounting to kSEK 8,126, whereof kSEK 3,622 pertains to STI adjusted annual revenue, kSEK 2,127 to STI adjusted EBITA and kSEK 2,376 to the non-financial objectives. For the deputy CEO Henrik Stenqvist, the evaluation of the performance criteria resulted in a remuneration outcome amounting to kSEK 2,100, whereof kSEK 936 pertains to STI adjusted annual revenue, kSEK 550 to STI adjusted EBITA and kSEK 614 to the non-financial objectives.ⁱ

ⁱ STI adjusted annual revenue for 2020 was MSEK 15,561 and STI adjusted EBITA for 2020 was MSEK 6,730.

Table 4 – Performance of the CEO and the deputy CEO in the reported financial year: share-based incentives¹

Name of director (position)	Name of plan	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) actual award/ remuneration outcome
Guido Oelkers (CEO)	2017 Share Programme	Absolute TSR increase 2017-05-19 - 2020-05-19	60%	a) 45.23% ² b) kSEK 19,742
	2018 Share Programme	Absolute TSR increase 2018-05-11 - 2021-05-11	60%	N/A ⁴
		Annual Revenues 2018 - 2020	40%	a) MSEK 15,261 b) kSEK 3,033 ³
	2019 Share Programme	Absolute TSR increase 2019-05-28 - 2022-05-28	60%	N/A ⁴
		Annual Revenues 2019 - 2021	40%	a) MSEK 15,261 b) kSEK 1,815 ³
	2020 Share Programme	Absolute TSR increase 2020-05-28 - 2023-05-28	60%	N/A ⁴
		Annual Revenues 2020 - 2022	40%	a) MSEK 15,261 b) kSEK 1,552 ³
	Henrik Stenqvist (deputy CEO)	2018 Share Programme	Absolute TSR increase 2018-05-11 - 2021-05-11	60%
Annual Revenues 2018 - 2020			40%	a) MSEK 15,261 b) kSEK 302 ³
2019 Share Programme		Absolute TSR increase 2019-05-28 - 2022-05-28	60%	N/A ⁴
		Annual Revenues 2019 - 2021	40%	a) MSEK 15,261 b) kSEK 385 ³
2020 Share Programme		Absolute TSR increase 2020-05-28 - 2023-05-28	60%	N/A ⁴
		Annual Revenues 2020 - 2022	40%	a) MSEK 15,261 b) kSEK 334 ³

¹ Any right to exercise the options under the Option Programmes requires that the actual average revenues meet or exceed the budgets over a three-year period. The outcome of the 2019-2020 Option Programmes will be concluded in 2022 and 2023, respectively. The Option Programmes are therefore not included in Table 4.

² The increase corresponds to 86.37% of the maximum possible vesting subject to the Absolute TSR increase performance target for the 2017 Share Programme. The value at vesting is not to be equated to the year's cost for Sobi presented in the annual report 2020.

³ Based on market price per share at balance date 31 December 2020 (SEK 166,1) multiplied by the number of shares awarded. Vesting period still running, and the shares will not be allotted until after the respective vesting date. The value at balance date, 31 December 2020, is not to be equated to the year's cost for Sobi presented in the annual report 2020.

⁴ Performance period still running.

Comparative information on remuneration and company performance

Table 5 – Remuneration of the CEO and deputy CEO compared with company performance and remuneration of other employees¹

Total Remuneration CEO and deputy CEO (kSEK)	RFY 2020
Guido Oelkers (CEO)	55,571 ²
Henrik Stenqvist (deputy CEO)	7,617 ³
Company's Performance (MSEK)	
Total Revenue	15,261
Adjusted EBITA ⁴	6,301
Average remuneration on a full-time equivalent basis of employees (kSEK)⁵	
Employees of the parent company	1,210 ⁶

¹ The table will be extended over time to include a five-year historical comparison.

² Total Remuneration as set out in column 5 of Table 1(1), including the value at vesting for multiple-year variable remuneration (vesting period of three years, 19 May 2017-19 May 2020) with allotment in 2020.

³ Total Remuneration as set out in column 5 of Table 1(2).

⁴ Alternative Performance Measures (APMs), see page 136 in the annual report 2020.

⁵ Excluding members of the group executive management.

⁶ Average remuneration for the Company's other employees includes the total remuneration, including the value at vesting for multiple-year variable remuneration (vesting period of three years, 19 May 2017-19 May 2020) with allotment in 2020. The one-year variable cash remuneration amount included in the table is preliminary related to the 2020 financial year which will be finally approved and disbursed during the spring of 2021.