

The Board's report on the monitoring and evaluation of remuneration to senior executives in 2019

The board of directors of Orexo has established a remuneration committee (the “**Committee**”). The Committee consists of the chairman of the board, Martin Nicklasson, who is also chairman of the Committee, David Colpman and Staffan Lindstrand. The Committee's tasks include monitoring and evaluating programs for variable remuneration to the management, the implementation of the guidelines for remuneration adopted by the annual general meeting and current remuneration structures in the company.

In accordance with the Swedish Corporate Governance Code, the board hereby submits the following statement regarding the outcome of this evaluation.

In accordance with the guidelines for remuneration adopted by the annual general meeting, Orexo shall offer the management remuneration consisting of a fixed salary, variable remuneration, long-term incentive programs, pension and standard benefits. Remuneration should be based on the individual's commitment and performance in relation to predetermined targets. The board is entitled to deviate from the above guidelines if the board determines that there are special reasons in an individual case that warrant such action.

The annual general meeting 2019 adopted a new performance based long-term incentive program for senior executives and key employees within the Orexo group (LTIP 2019). Share awards were allotted during the year in accordance with such resolutions.

The development of the program is evaluated regularly throughout the year. For a description of the company's long-term incentive program and additional information on all existing programs in the company, please see the 2019 annual report, note 9 and 23, as well as the company's website www.orexo.com.

The board's assessment is that the program for variable remuneration has been effective and forms a good balance between on the one hand motivating and rewarding management and on the other hand maintaining cost efficiency. However, in relation to the long-term incentive program, the board considers certain aspects of the performance criteria to be too onerous to attract, retain and motivate qualified employees within the Orexo group. It thus proposes that the annual general meeting 2020 adopts a long-term incentive program for senior executives and key employees within the Orexo group that includes an employee stock option portion in addition to the share award portion, as is elaborated in item 22 of the notice to the annual general meeting. It also proposes that such long-term incentive program is adopted for certain Global Management Team and US Leadership Team employees in order to create an incentive for such employees to keep shares in the company, as is elaborated in item 23 of the notice to the annual general meeting. Further, the company is now in a position, and view it as more favorable, to settle its obligations under its long-term incentive programs by way of repurchase of own ordinary shares as well as by way of cash settlement with internal funds, and has thus proposed such settling mechanisms for the company's current and proposed long-term incentive programs.

Orexo AB (publ)

The board of directors