

The Board's report on the monitoring and evaluation of remuneration to senior executives in 2018

The Board of Directors of Orexo AB 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, Henrik Kjaer Hansen and Raymond Hill. 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. In 2018 the Board approved bonus beyond the guidelines for the two US participants of the Management Team. This was done as part of a special bonus scheme driven by US profit contribution to secure focus on profitability.

The Annual General Meeting 2018 adopted a new performance based long-term incentive program for senior executives and key employees within the Orexo group (LTIP 2018). Share awards were allotted during the year in accordance with such resolutions. The development of the program is evaluated regularly throughout the year. The latest review resulted in a proposal to introduce a new long-term incentive program as described in Annual General Meeting notice, item 20.

For a description of the company's long-term incentive program and additional information on all existing programs in the company, please see the 2018 Annual Report, note 12 and 24, and the company's website www.orexo.com.

The Board's assessment is that the program for variable remuneration and the long-term incentive program combined with other remuneration to the company's management has been effective and that these collectively form a good balance between on the one hand motivating and rewarding management and on the other hand maintaining cost efficiency. It is the Board's assessment that the long-term incentive programs implemented in 2016, 2017 and 2018 achieves its purpose to attract, retain and motivate key employees and hence it is proposed that the Annual General Meeting 2019 adopts a similar long-term incentive program.

Orexo AB (publ)

The Board of Directors