

Remuneration report 2021

Introduction

This report describes how the guidelines for executive remuneration of Orexo AB, adopted by the annual general meeting 2021, were implemented in 2021. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 10 (Employees and personnel costs) on pages 80-81 in the annual report 2021. Information on the work of the remuneration committee in 2021 is set out in the corporate governance report available on pages 101-111 in the annual report 2021.

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 pages 80-81 in the annual report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on pages 6-9 in the annual report 2021.

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 can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed salary, variable remuneration, long-term incentive programs, pensions and other customary benefits. The variable cash remuneration shall be linked to financial or non-financial criteria. They may be individualized, quantitative or qualitative objectives. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The guidelines are found on pages 58-59 in the annual report 2021. During 2021, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on www.orexo.com. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the general meetings of the company have resolved to implement long-term share-related incentive plans.

Table 1 – Total CEO remuneration in 2021 (kSEK)*

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
	Base salary**	Other benefits***	One-year variable	Multi-year variable****	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration*****
Nikolaj Sørensen (CEO)	3,617	110	1,354	4,119	N/A	748	9,887	45/55*****

* Except for Multi-year variable remuneration, the table reports remuneration earned in 2021. Multi-year variable remuneration is reported if vested in 2021, 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.

** Including holiday pay of kSEK 147.4.

*** Company car and health insurance.

**** Vested share options and share awards as set out in in column 10 of Table 2 and in column 8 of Table 3 below.

***** Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

***** Pursuant to the company's remuneration guidelines adopted on the annual general meeting on April 13, 2021, the variable remuneration shall amount to a maximum of 40 percent of the annual fixed cash salary for the CEO. The variable remuneration reported in this column 6 of Table 1 exceeds 40 percent of the annual fixed cash salary for the CEO due to it including variable remuneration resolved by the general meeting.

Share-based remuneration

Outstanding share-related and share price-related incentive plans

The company has implemented one stock option program (LTIP 2011/2021) for the executive management.

LTIP 2011/2021

Each performance share shall give the right to acquire one (1) share in Orexo for payment of an exercise price corresponding to 100% of the volume weighted average price for the Orexo share during the ten trading days immediately prior to the allocation. The exercise price, determined as set out above, shall be rounded off to the nearest SEK 0.2, whereby SEK 0.10 shall be rounded off downwards. The right to acquire new shares through exercise of the performance shares shall, for each employee, be subject to vesting criteria. Of all performance shares allocated to a participant under the share program, 50% of the performance shares shall be vested according to time and internal operational criteria and 50% shall be vested according to share price performance and relative share performance. No performance shares shall be capable of being exercised following the 10th anniversary of the date of the shareholders' meeting adopting the share program. The LTIP 2011/2021 program expired on February 16, 2021 and 97,673 performance shares were exercised by the CEO.

The company has further implemented two share award programs (LTIPs 2018/2021 and 2019/2022) and four combined share award and employee stock option programs (LTIPs 2020/2023, LTIP Stay-On 2020/2023, LTIP 2021/2024 and LTIP Stay-on 2021/2024) for senior executives and key employees within the group, and for certain Global Management Team and US Leadership Team employees, respectively.

LTIP 2018/2021

The number of share awards that entitle to shares depends on the outcome of the performance conditions set by the board. The performance conditions focus on Orexo's financial and operational targets for 2018 ("Performance Target 1") and on the share-price development for the three-year vesting period ("Performance Target 2" and together the "Performance Targets"). Of each participant's granted share awards, 50% will pertain to Performance Target 1 and 50% will pertain to Performance Target 2. The allotment of shares that each participant later may receive depends on achievement of the Performance Targets. Vesting period means the three-year period from the start of the program. The program started on 15 June 2018. The CEO has been granted 62,000 share awards. In total, 363,500 share awards have been granted, which corresponds to 1,05% of the shares in the company on a diluted basis.

LTIP 2019/2022

The number of share awards that entitle to shares depends on the outcome of the performance conditions set by the board. In addition to the condition that the holder is still employed by the Orexo group ("Performance Target 1"), the performance conditions focus on Orexo's financial and operational targets for 2019 ("Performance Target 2") and on the share-price development for the three-year vesting period ("Performance Target 3" and together the "Performance Targets"). Of each participant's granted share awards, 20% will pertain to Performance Target 1, up to 40% will pertain to Performance Target 2 and up to 40% will pertain to Performance Target 3. The allotment of shares that each participant later may receive depends on achievement of the Performance Targets. Vesting period means the three-year period from the start of the program. The program started on 15 June 2019. The CEO has been granted 25,800 share awards. In total, 228,750 share awards have been granted, which corresponds to 0,66% of the shares in the company on a diluted basis.

LTIP 2020/2023

The number of share awards and employee stock options that entitle to shares depends on the outcome of the performance conditions set by the board. The performance conditions focus on the holder still being employed by the Orexo group ("Performance Target 1") and on Orexo's financial and operational targets for 2020 ("Performance Target 2" and together the "Performance Targets"). Of each participant's granted share awards, approximately 33% (one third) will pertain to Performance Target 1 and up to approximately 67% (two thirds) will pertain to Performance Target 2. Of each Participant's granted employee stock options, 100% will pertain to Performance Target 1, meaning that no Employee stock options will vest unless the performance target is met. The allotment of shares that each participant later may receive depends on achievement of the Performance Targets. Vesting period means the three-year period from the award date. The program started on 8 June 2020. The CEO has been granted 23,030 share awards and 48,030 employee stock options. In total, 199,364 share awards and 447,448 employee stock options have been granted, which corresponds to 1,86% of the shares in the company on a diluted basis.

LTIP Stay-on 2020/2023

Qualification for participation in the program is conditional upon the participant (i) keeping shares from allocations in any of Orexo's implemented LTIPs between 1 May 2020 and 31 July 2020 ("Opt-in 1"), or (ii) investing in new Orexo shares with part of or the entire annual cash bonus of the participant between 1 February 2021 and 30 April 2021 ("Opt-in 2"). The number of share awards and employee stock options that entitle to shares depends on the outcome of the performance conditions set by the board. The performance conditions focus on the holder still being employed by the Orexo group ("Performance Target 1") and on Orexo's financial and operational targets for 2020 ("Performance Target 2" and together the "Performance Targets"). Of each participant's granted share awards, 50% will pertain to Performance Target 1 and 50% will pertain to Performance Target 2. Of each Participant's granted employee stock options, 100% will pertain to Performance Target 1, meaning that no employee stock options will vest unless the performance target is met. The allotment of shares that each participant later may receive depends on achievement of the Performance Targets. Vesting period means the three-year period from the award date. The part of the program relating to Opt-in 1 may not start later than 31 August 2020 and consequently end no later than on 31 August 2023. The part of the program relating to Opt-in 2 may not start later than 31 May 2021 and consequently end no later than on 31 May 2024. The CEO has been granted 4,230 share awards and 4,230 employee stock options. In total, 13,409 share awards and 13,409 employee stock options have been granted, which corresponds to 0,08% of the shares in the company on a diluted basis.

LTIP 2021/2024

The number of share awards and employee stock options that entitle to shares depends on the outcome of the performance conditions set by the board. The performance conditions focus on the holder still being employed by the Orexo group (“Performance Target 1”) and on Orexo’s financial and operational targets for 2021 (“Performance Target 2” and together the “Performance Targets”). Of each participant’s granted share awards, approximately 33% (one third) will pertain to Performance Target 1 and up to approximately 67% (two thirds) will pertain to Performance Target 2. Of each Participant’s granted employee stock options, 100% will pertain to Performance Target 1, meaning that no Employee stock options will vest unless the performance target is met. The allotment of shares that each participant later may receive depends on achievement of the Performance Targets. Vesting period means the three-year period from the award date. The program started on 15 June 2021. The CEO has been granted 28,800 share awards and 67,300 employee stock options. In total, 284,770 share awards and 664,180 employee stock options have been granted, which corresponds to 2,7% of the shares in the company on a diluted basis.

LTIP Stay-on 2021/2024

Qualification for participation in the program is conditional upon the participant (i) keeping shares from allocations in any of Orexo’s implemented LTIPs between 1 May 2021 and 31 July 2021 (“Opt-in 1”), or (ii) investing in new Orexo shares with part of or the entire annual cash bonus of the participant between 1 February 2022 and 30 April 2022 (“Opt-in 2”). The number of share awards and employee stock options that entitle to shares depends on the outcome of the performance conditions set by the board. The performance conditions focus on the holder still being employed by the Orexo group (“Performance Target 1”) and on Orexo’s financial and operational targets for 2021 (“Performance Target 2” and together the “Performance Targets”). Of each participant’s granted share awards, 50% will pertain to Performance Target 1 and 50% will pertain to Performance Target 2. Of each Participant’s granted employee stock options, 100% will pertain to Performance Target 1, meaning that no employee stock options will vest unless the performance target is met. The allotment of shares that each participant later may receive depends on achievement of the Performance Targets. Vesting period means the three-year period from the award date. The part of the program relating to Opt-in 1 may not start later than 31 August 2021 and consequently end no later than on 31 August 2024. The part of the program relating to Opt-in 2 may not start later than 31 May 2022 and consequently end no later than on 31 May 2025. The CEO has been granted 0 share awards and 0 employee stock options. In total, 3,037 share awards and 3,037 employee stock options have been granted, which corresponds to 0,02% of the shares in the company on a diluted basis.

Table 2 – Share option plans (CEO)

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)	8 Opening balance Share options held at beginning of year	During the year		Closing balance		
									9 Share options awarded	10 Share options vested	11 Share options subject to performance condition	12 Share options awarded and unvested	13 Share options subject to retention period
Nikolaj Sørensen (CEO)	LTIP 2011/2021	2011-2021	2011-10-17	2016-10-17	2021-02-16	2016-10-17 – 2021-02-16	29.0	97,763	0	97,763***	0	0	0
	LTIP 2011/2021	2011-2021	2013-05-03	2018-05-03	2021-02-16	2018-05-03 – 2021-02-16	51.2	97,860	0	97,860****	0	0	0
	LTIP 2020/2023	2020-2023	2020-06-08	2023-06-08	2023-06-29	2023-06-08 – 2023-06-29	78.61	43,800	0	0	43,800	43,800	43,800
	LTIP Stay on 2020/2023	2020-2023	2020-08-03	2023-08-03	2024-08-31	2024-08-03 – 2024-08-31	55.9	4,230	0	0	4,230	4,230	4,230
	LTIP 2021/2024	2021-2024	2021-06-15	2024-06-15	2024-06-15	2024-06-15	45.3	0	67,300**	0	67,300	67,300	67,300
Total							243,653	67,300	195,623	115,330	115,330	115,330	

* In 2021, 97,763 options were exercised regarding LTIP 2011/2021, where the CEO holds 97,763 options. In LTIP 2021/2024, the CEO was awarded 67,300 options in 2021.

** The aggregate market value of the underlying shares at the time of the award is SEK 2,685,270 and the aggregate exercise price is SEK 3,048,690 for LTIP 2021/2024.

*** The aggregate market value of the underlying shares at the time of the exercise is SEK 4,956,854 and the aggregate exercise price (strike price) is SEK 2,835,127 for LTIP 2011/2021.

**** Options not exercised due to market share price exceeds exercise price

Table 3 – Share award plans (CEO)

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	6 Opening balance Share awards held at beginning of year	During the year		Closing balance		
							7 Awarded	8 Vested	9 Subject to performance condition	10 Awarded and unvested at year end	11 Shares subject to retention period
Nikolaj Sørensen (CEO)	LTIP 2018/2021	2018-2021	2018-06-15	2021-06-14	2021-06-14	62,000	0	41,230**	0	0	0
	LTIP 2019/2022	2019-2022	2019-06-15	2022-06-15	2022-06-15	25,800	0	0	25,800	25,800	25,800
	LTIP 2020/2023	2020-2023	2020-06-08	2023-06-08	2023-06-29	18,800	0	0	18,800	18,800	18,800
	LTIP Stay on 2020/2023	2020-2023	2020-08-03	2024-08-03	2024-08-03	4,230	0	0	4,230	4,230	4,230
	LTIP 2021/2024	2021-2024	2021-06-15	2024-06-15	2024-06-15	0	28,800***	0	28,800	28,800	28,800
Total						110,830	28,800	41,230	77,630	77,630	77,630

* In 2021, LTIP 2018/2021 vested, whereupon shares (41,230) were transferred to the CEO. No changes occurred regarding LTIP 2019/2022, where the CEO holds 25,800 share awards. No changes occurred regarding LTIP 2020/2023, where the CEO holds 25,800 share awards. In LTIP 2021/2024, the CEO was awarded 28,800 share awards in 2021. Not all share awards were vested due to the outcome of the performance targets.

** Value: SEK 1,911,423 calculated as the market price per share at vesting (SEK 46.36) multiplied by the number of awards (41,230) for LTIP 2018/2021.

*** Value: SEK 1,149,120 calculated as the market price per share at the time of award (SEK 39.90) multiplied by the number of awards (28,800) for LTIP 2021/2024 and SEK 238,572 calculated as the market price per share at the time of award (SEK 56.40) multiplied by the number of awards (4,230) for LTIP Stay-on 2020/2023.

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities defined and measured in the Business Scorecard for 2021 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Table 4(a) - Performance of the CEO in the reported financial year: variable cash remuneration*

Name of director (position)	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
Nikolaj Sørensen (CEO)	Finance Goals	40%	a) 100 % b) kSEK 541.6
	Business Processes – Initiatives with defined targets	30%	a) 100 % b) kSEK 406.2
	Customers & Society – Defined targets regarding Zubsolv and DTX	20%	a) 95 % b) kSEK 270.8
	People & Organization – Number and severity of compliance issues and staff engagement score in annual employee survey	10%	a) 100 % b) kSEK 135.4

*Based on the company's Balanced Scorecard for 2020.

Table 4(b) - Performance of the CEO in the reported financial year: share-based incentives

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
Nikolaj Sørensen (CEO)	LTIP 2011/2021	Time-vested performance shares, based on elapsed time since the allotment	50 %	a) 100 % b) kSEK 948*
		Share price-vested performance shares, Performance target 1, Development of Orexo's share price Performance target 2, Fulfillment of the company's operational performance and time	50 %	a) 77,5 % b) kSEK 1,220*
	LTIP 2018/2021 – Share awards**	Performance target 1, Fulfillment of the financial and operational targets for the financial year 2020 as established by the board of directors and relates to the company's key KPIs as per Balanced Scorecard	50 %	a) 100 % b) kSEK 1,466**
		Performance target 2, Development of Orexo's share price during the period from the 2018 Annual General Meeting to April 11, 2021	50 %	a) 33 % b) kSEK 484**
	LTIP 2021/2024 – Share awards**	Performance target 1, Being employed upon vesting	33 %	a) Achieved b) N/A***
		Performance target 2, Fulfillment of the financial and operational targets for the financial year 2021 as established by the board of directors and relates to the company's key KPIs as per Balanced Scorecard	67 %	a) 64 % b) N/A***
	LTIP 2021/2024 – Employee stock options**	Performance target 1, Being employed upon vesting	100 %	a) Achieved b) N/A***

* Total value is kSEK 2,169 for exercised 97,763 shares with an exercise price of SEK 29. The share price at the vesting amounted to SEK 51.20 with the benefit value amounting to SEK 22.20/share.

** The total value is kSEK 1,950 for exercised 41,230 shares with an exercise price of SEK 47.30. The program includes both share rights and employee stock options, see the description of the program under the section "Outstanding share-related and share price-related incentive programs" above.

*** Performance period still running.

Comparative information on the change of remuneration and company performance

Table 5 – Change of remuneration and company performance over the last five reported financial years (RFY) (kSEK)

	RFY 2021	RFY 2020
CEO remuneration	9,887	10,678
Group operating profit	-214,084	19,900
Average remuneration on a full time equivalent basis of employees* of the parent company	698	681

* Excluding members of the group executive management.