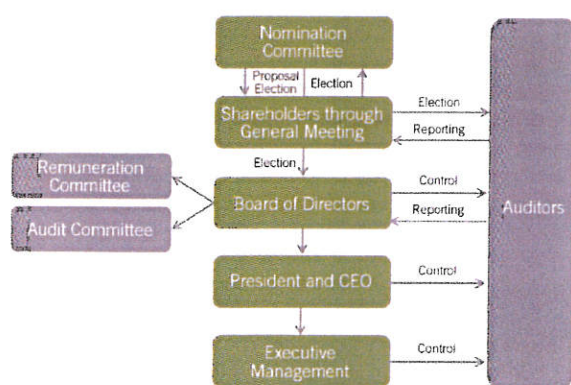


Corporate Governance Report for Orexo AB (publ)

- ◀ Orexo is a Swedish public limited liability company, with its registered office in Uppsala, Sweden. The company's shares are listed on Nasdaq (Mid Cap) Stockholm, with American Depositary Receipts (ADRs) traded on OTCQX under the symbol ORXOY. Corporate Governance in Orexo is based on applicable laws, rules and recommendations such as the Swedish Code of Corporate Governance ("the Code"), Orexo's articles of association and internal regulations and guidelines.
- ◀ The aim of corporate governance at Orexo is to create a clear division of roles and responsibilities between shareholders, the Board of Directors and Management.
- ◀ The company's auditors have reviewed this report.

Corporate Governance at Orexo



Shareholders

Orexo's share has been listed on Nasdaq Stockholm since 2005. On January 2, 2014, Orexo advanced to the Mid Cap segment. At year-end, the total number of shares amounted to 34,580,810 (34,345,697), distributed among 6,944 (6,979) shareholders.

The 10 largest shareholders held 62.5 (63.1) percent of the outstanding shares, management 0.2 (0.1) percent and other shareholders 37.3 (36.8) percent. At December 31, 2015, two shareholders each held shares representing 10 percent or more of the company – Novo A/S, 27.9 percent, and HealthCap, 11.5 percent. Non-Swedish shareholders accounted for approximately 57 (49) percent of the total number of shares. Institutions and industrial owners hold the majority of shares. At year-end, 79 (82) percent of the shares were held by legal entities, and 21 (18) percent by private individuals. Since November 13, 2013, the share is available in the US as an ADR on the OTCQX market.

Articles of Association

The Articles of Association are adopted by the General Meeting of Shareholders and outline a number of mandatory tasks of a fundamental nature for the company. Notification of the convening of the General Meetings is issued through an advertisement being placed on Orexo's website and in Post- och Inrikes Tidningar (Official Swedish Gazette). Confirmation that a General Meeting has been convened shall be announced in the Svenska Dagbladet newspaper. The Articles of Association state that Orexo shall conduct research and development, and manufacture, market and sell pharmaceuticals and diagnostic preparations. Orexo's Articles of Association also state that the Board of Directors shall have its registered office in Uppsala, Sweden, and shall consist of a minimum of three and a maximum of nine members, with a maximum of three deputies. The Articles of Association contain no special provisions on the appointment or dismissal of Board members. Amendments to the Articles of Association are made in accordance with the provisions of the Swedish Companies Act following a resolution of the General Meeting. The complete Articles of Association are available at www.orexo.com.

The governance, management and control of Orexo are divided between the General Meeting of Shareholders, the Board of Directors and the President.

External regulations influencing corporate governance

- Swedish Companies Act
- Regulations governing external reporting
- Nasdaq Stockholm rules for issuers
- OTCQX rules for companies trading ADRs on OTCQX
- Swedish Code of Corporate Governance

Internal rules of significance for corporate governance

- Articles of Association
- Formal work plan for the Board of Directors (including terms of reference for Board Committees)
- Terms of reference for the President
- Guidelines for remuneration of senior executives
- Finance policy
- IT policy
- Financial guidelines
- HR guidelines
- Code of Conduct

Board of Directors

The Board's responsibility is regulated in the Companies Act and the formal work plan that is established annually. The formal work plan establishes the division of the Board's work between the Board in its entirety and the Board's various committees and between the Board and the President. It also sets out the items to be addressed at Board meetings and the manner in which the President provides the Board with information and reports. The Board has appointed Audit and Remuneration Committees from within its ranks.

At year-end, Orexo's Board of Directors consisted of Chairman Martin Nicklasson and Board members David Colpman, Raymond G. Hill, Staffan Lindstrand, Michael Shalmi and Kristina Schauman. For a more detailed description of Board members, please refer to page 79.

The work of the Board

The Board's formal work plan establishes the items to be addressed at the scheduled Board meetings. Following presentations by the Audit Committee and President, the Board reviews all interim reports prior to publishing. The company's long-term targets and strategy and its budget are evaluated and approved by the Board. At each Board meeting, the President or another senior executive reports on the business situation and the status of development projects.

In addition to the statutory Board meeting, at least six scheduled Board meetings must be held. At the Board meeting during which the annual audit is to be considered, the Board meets with the auditors without the participation of the company's management.

It is incumbent upon the Board to ensure that the guidelines for remuneration to senior executives approved by the Annual General Meeting are followed and that the Annual General Meeting proposes guidelines for remuneration to senior executives.

Each year, the Board's work is evaluated by way of discussions and through external assessment. The results of the evaluation are presented to the Board and Orexo's Nomination Committee and form the basis for proposals for Board members.







In matters concerning ownership, Orexo is represented by the Chairman of the Board.


During the year, the Board held 16 (15) meetings, of which 9 (9) were telephone conferences or meetings by circulation. The Board mainly addressed and resolved on issues concerning the company's strategic direction, the status of projects, the follow-up of financial performance, financing, investment matters, external reporting, budget planning and follow-up. These issues are addressed by the Board in its entirety. Orexo's auditor participated at the Board meeting that approved the financial statements and presented the audit at this meeting.


Remuneration of the Board

The Annual General Meeting resolved that Board fees should amount to SEK 1,900,000, of which SEK 600,000 was to be paid to the Chairman of the Board, SEK 200,000 to each of the other Board members, and a total of SEK 300,000 to be divided among the members of the Audit Committee, so that the Chairman of the committee receives SEK 200,000 and the other committee members share SEK 100,000.

Composition of the Board

Name	Function	Independent	Elected	Present at Board meetings	Present at Remuneration Committee	Present at Audit Committee
Martin Nicklasson	Chairman of the Board		2012	16/16	1/1	4/5
David Colpman	Board member		2015	9/13*	-	-
Kristina Schauman	Board member		2012	15/16	-	5/5
Michael Shalmi	Board member		2010	12/16	1/1	-
Raymond G. Hill	Board member		2008	14/16	1/1	-
Staffan Lindstrand	Board member		2002	15/16	-	5/5

 Independent in relation to Orexo and its management

 Independent in relation to Orexo, its management and the company's largest shareholders

*David Colpman was elected Board member at the Annual General Meeting on April 15, 2015.

Board of Directors' Report on Internal Control and Risk Management regarding Financial Reporting

Internal governance, control and risk management concerning financial reporting are fundamental factors in Orexo's business control.

The aim of Orexo's risk management systems and processes is to ensure that the shareholders can have the utmost confidence in the financial operation and presented reports, including the information given in this Annual Report and all interim reports. Orexo has established a methodology for developing, implementing, driving and evaluating internal controls and risk management in respect of all parts of the company, including financial reporting.

This methodology conforms to internationally established standards in the industry and comprises a framework with five principal components: control environment, risk assessment, control activities, information and communication, and follow-up and evaluation.

Control environment

Pursuant to the Swedish Companies Act, the Board of Directors is responsible for the internal control and governance of the company. To maintain and develop a functional control environment, the Board has implemented a process of risk mapping and established a number of basic control documents and procedures that are of importance to financial reporting. These include the formal work plan for the Board of Directors and the terms of reference for the President, and accounting and reporting instructions, which are reviewed and approved annually by the Board.

In addition, the control environment is continuously updated and secured by means of continuous monitoring and regular evaluations of risk profiles within various functions.

Responsibility for the daily work of maintaining the control environment is primarily incumbent on the President. He reports regularly to the Board of Directors and the Audit Committee pursuant to established procedures. In addition, the Board also receives regular reports directly from the company's auditor. Company managers have defined authorities, control functions and responsibilities within their respective areas for financial and internal controls.

Risk assessment

Orexo regularly conducts evaluations of financial risks and other risks that may impact financial reporting. These reviews extend to all parts of the company and are carried out to ensure that there is no significant risk of errors occurring in financial reporting. There are several areas where the control of financial information is particularly important, and Orexo has established a comprehensive risk layout that highlights a number of key potential risks in the financial reporting system.

The company continuously monitors and evaluates these areas and regularly examines other areas in order to create a comprehensive set of control procedures that will minimize the risks in these areas. In addition, new and existing risks are identified, addressed and regulated through a process of discussion in forums such as the Executive Management team, Board and Audit Committee.

Control activities

In light of the risks identified in the risk layout, and the continuous monitoring of the methods used to manage financial information, Orexo has developed control activities that ensure good internal control of all aspects of financial reporting. A number of policy documents and procedures have been applied throughout the year to manage reporting and accounting. Standard procedures, attestation systems, financial guidelines and the risk layout are examples of such policy documents.

An additional level of control in the financial system has been achieved by separating the company's financial and controller functions. These units are responsible for ensuring that financial reporting is correct, complete and timely. Orexo strives to continually improve its internal control systems and has, on occasion, engaged external specialists when validating these controls.

Information and communication

Orexo is a listed company in one of the most regulated markets in the world – healthcare. In addition to the highly exacting requirements that Nasdaq Stockholm and the supervisory authorities impose on the scope and accuracy of information, Orexo also employs internal information and communication control functions designed to ensure that correct financial and other corporate information is communicated to employees and other stakeholders.

The Board receives monthly reports concerning financial performance, the status of Orexo's development projects and other relevant information.

The corporate intranet provides detailed information about applicable procedures in all parts of the company and describes the control functions and how they are implemented.

The security of all information that may affect the market value of the company and mechanisms to ensure that such information is communicated in a correct and timely fashion are the cornerstones of the company's undertaking as a listed company. These two factors, and the procedures for managing them, ensure that

Auditor's Report on the Corporate Governance Statement

**To the annual meeting of the shareholders of Orexo AB,
corporate identity number 556500-0600**

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 on pages 72-77 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, a Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Uppsala, March 18, 2016
PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant
Auditor in charge

Mikael Winkvist
Authorized Public Accountant

Management



EM, Member of Executive Management
GMT, Member of Global Management Team

1. Nikolaj Sørensen (b. 1972)

Chief Executive Officer since February 2013, employed since 2011.
M.Sc. Business and Economics.
Previous appointments: International commercial experience of the pharmaceuticals industry from Pfizer and Boston Consulting Group (BCG).
Holds 25,000 shares and stock options entitling to 384,888 shares.*

2. Henrik Juul (b. 1965)

EVP and Chief Financial Officer since 2013.
M.Sc. Economics and Business Administration.
Previous appointments: Extensive relevant experience from senior international management positions within the life science industry, including senior finance positions for Novo Nordisk and positions as CFO for NNE Pharmaplan and GN Resound.
Holds 25,000 shares and stock options entitling to 146,168 shares.*

3. Robert A. DeLuca (b. 1961)

President of Orexo US Inc. since 2013.
R. Ph.
Other appointments: Treasurer and Trustee – Academy of Managed Care Pharmacy Foundation, Member of the St. John's College of Pharmacy Advisory Board, Academy of Managed Care Pharmacy and the American and New Jersey Pharmacists Associations.
Previous appointments: Extensive experience establishing commercial operations in the US with a combined background in market access, marketing, and sales. Has held leadership positions at multinational pharmaceutical companies including Sanofi-Aventis, Schering-Plough, Berlex and Pharmacia, and most recently served as Chief Commercial Officer at Archimedes Pharmaceuticals.
Holds 2,703 shares and stock options entitling to 236,832 shares.*

4. Jesper Lind (b. 1960)

Chief Operating Officer since November 2013.
M.Sc. Chemical Engineering.
Previous appointments: Extensive senior global pharmaceutical manufacturing and supply chain experience from AstraZeneca, Pharmacia Biosensor and Alfa-Laval.
Holds 2,000 shares and stock options entitling to 59,600 shares.*

5. Michael Sumner (b. 1965)

Chief Medical Officer since 2013.
MB BS, MRCP (UK), MBA
Previous appointments: Extensive experience within the pharmaceutical industry from Novartis Pharmaceuticals, Aventis Behring, Novo Nordisk and most recently held the position of Vice President Clinical and Medical Affairs at Shire.
Other appointments: Scientific Advisory Board FirstString Research Inc.
Holds 2,300 shares and stock options entitling to 73,418 shares.*

Åsa Holmgren (b. 1965)

Head of Regulatory Affairs since 2008 until August 2015.

Peter Edman (b. 1954)

Chief Scientific Officer since 2012 until June 2015.

* As per December 31, 2015