

**The Board's proposal for a resolution on the introduction of a long-term incentive program for employees in the Company including a) resolution to introduce the incentive program and b) resolutions regarding hedging arrangements in respect of the incentive program (item 16)**

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## **Background**

The board of directors in BioArctic AB (publ), 556101-2679 ("**BioArctic**" or the "**Company**") proposes that the general meeting resolves to introduce a long-term incentive program for employees in the Company (the "**Program**").

The board of directors considers that it is essential and in all shareholders' interest that the Company's employees, who are considered to be important for the Company's further development has a long-term interest in a positive development in value of the shares in the Company. The board of directors believes that the Program will increase the interest in the Company's operations as well as increase the participants' motivation and sense of community with the Company and its shareholders. The board of directors intends to propose the introduction of additional incentive programs for employees in the Company at future annual general meetings and according to corresponding principles.

The Program includes all employees of the Company or other companies within the group. The board of directors may also, if the board deems it in the interest of the Company, offer one or more new employees to participate in the Program under the conditions described herein.

The Program is a three-year incentive program according to which the participants will be awarded performance based share units ("**PSU**") which, provided that certain conditions are met, entitle the holder to receive B-shares in the Company free of charge (participants in Category 1 and 2) or cash compensation which is determined based on the share price of the B-share (participants in Category 3) in accordance with the conditions set out in item 16 A below. As part of the implementation and execution of the Program, it is further proposed that the board of directors be authorized to repurchase shares in the Company, that a maximum of 125,000 warrants be issued, and that the general meeting approve transfers of shares and/or warrants in accordance with item 16.B below.

## **A. Introduction of the Program**

The board of directors proposes that the general meeting resolves to introduce the Program in accordance with the principal conditions set out below.

### *Requirements for participation in the Program and allocation of PSUs*

The Program covers a maximum of 125,000 PSUs. The board of directors has the right to resolve on the allocation of PSUs in accordance with the principles below. The PSUs shall be allocated free of charge. Allocation of the PSUs is expected to take place in June 2023.

PSUs may be allocated to persons who are employed by the Company or another company within the group as of June 1, 2023. Employees are defined as full- and part-time employees, including employees on a probationary period, but not employment by the hour. A person who has entered into an employment agreement with the Company or another group company but has not started his or her employment on the said date shall not be considered an employee. The board of directors has the right to grant exemptions from the employment requirement, including that someone employed after June 1, 2023, can be included in the Program, if the board of directors deems that it is favourable for the Company.

The board of directors may take into account the employee's performance and goal achievement when resolving on allocation, otherwise the allocation of PSUs is not conditional on performance criteria. The board of directors considers that this is justified in the light of the fact that the exercise of the PSUs is conditional on both vesting and the fulfilment of a share price-related target.

The Participants in the Program are divided into three categories:

- CEO ("**Category 1**") who can be awarded a maximum of 10,000 PSUs;
- members of the management and other key personnel ("**Category 2**") who can be awarded a maximum of 3,000 PSUs per person and a maximum of 81,000 PSUs for all participants in Category 2; and
- other employees ("**Category 3**") who can be awarded a maximum of 500 PSUs per person and a maximum of 34,000 PSUs for all participants in Category 3.

The participants are hereafter referred to individually as "**Participant**" and together as "**Participants**".

*Right to receive B-shares with the support of PSUs (Category 1 and 2)*

After vesting, each PSU allocated to Participants in Category 1 and 2 entails a right to receive one (1) B-share in the Company free of charge, provided that the share price condition is met (see below).

The number of B-shares to which each PSU entitles may be subject to recalculation as a result of certain company events (see under *Recalculation* below).

The board of directors has the right to resolve that Participants in Categories 1 and 2 shall receive, in whole or in part, cash compensation instead of B-shares, whereby what is stated below regarding Category 3 shall apply. However, the cash compensation to Participants in Category 1 and/or 2 shall not exceed SEK 500 per vested PSU.

*Right to receive cash compensation with support of PSUs (Category 3)*

After vesting, each PSU allocated to Participants in Category 3 entails a right to receive cash compensation corresponding to the volume-weighted average price of one (1) B-share on Nasdaq Stockholm during a period of thirty (30) trading days prior to the Vesting Date, provided that the share price condition is met (see below).

If recalculation has taken place regarding the number of B-shares to which each Share Right entitles, the cash compensation shall also be recalculated accordingly.

*Vesting and share price conditions*

The PSUs are connected to the Participant's employment with the Company or another group company and are subject to vesting in accordance with what is stated below.

All PSUs shall be considered vested if the Participant is still employed by the Company or another group company on the date which is three (3) years after the board of directors' decision on the allocation of PSUs ("**Vesting Date**"). A Participant who has resigned his/her employment or has been dismissed on the said day but who is still employed shall not be considered an employee. PSUs may also be vested by a Participant who, as of the Vesting Date, is not employed by the Company or another group company but who, according to the board of directors' assessment, is a so-called good leaver in the manner defined in more detail in the agreement regarding the PSUs (e.g. a Participant who has retired or who has been dismissed due to redundancy).

If the employment with the Company or another group company is terminated before the Vesting Date, all of the Participant's PSUs expire, with the exception where the Participant is considered to be a good leaver as described above.

The Participant's right to receive B-shares or cash compensation based on the vested PSUs is conditional on that the volume-weighted average price of the Company's B-share on Nasdaq Stockholm during a period of thirty (30) trading days prior to the Vesting Date amounts to at the least the higher of (i) SEK 350, or (ii) 130 percent of the volume-weighted average price for the Company's B-share on Nasdaq Stockholm during a period of thirty (30) trading days prior to the general meeting on June 1, 2023 (the share price condition). The board of directors may resolve that the share price condition shall be adjusted in the event of a division or consolidation of shares or other similar corporate events.

### *Recalculation*

The number of B-shares to which each PSU entitles may be subject to recalculation as a result of a bonus issue, merger or division (split) of shares, rights issue or similar measures. Resolutions on recalculation are made by the board of directors. The terms of recalculation in the full terms for warrants of series 2023/2026 (see under item 16B below) shall be applied as far as possible and otherwise the recalculation shall consider customary practice for similar incentive programs.

### *Other conditions*

The right to participate in the Program is conditional on the Participant entering into an agreement regarding the PSUs with the Company or another group company. The agreement shall be in accordance with the terms and conditions in this proposal and otherwise contain customary conditions for this type of incentive program. The board of directors shall be responsible to draw up the agreement and for the implementation and execution of the Program within the framework of the main conditions and guidelines stated above.

The board of directors has the right, within the framework of the agreement with the respective participants, to make the reasonable changes and adjustments to the terms of the PSUs that are deemed appropriate or expedient as a result of local labour law or tax law rules or administrative conditions. It can i.e. mean that continued vesting of PSUs may take place in certain cases where this would not otherwise have been the case. The board of directors also has the right to advance the vesting and the timing of the exercise of PSUs, such as in the event of a public takeover offer, certain ownership changes in the Company, liquidation, merger and similar measures. Finally, the board of directors has the right to limit the scope of or prematurely terminate the Program, in whole or in part, in extraordinary cases.

The PSUs shall not constitute securities and may not be transferred, pledged or otherwise disposed of by the holder. However, the rights according to vested PSUs are transferred to the estate in the event of the Participant's death.

Participation in the Program assumes that such participation can legally take place, and that, according to the board of directors' assessment, such participation can take place with reasonable administrative costs and financial efforts

The board of directors shall have the right to resolve on minor deviations in the Program that may be necessary to fulfil the purpose of the Program. In that regard, the board of directors shall have the right to make the necessary adjustments to these terms and conditions in order to meet special rules or market conditions outside Sweden.

## **B. Hedging arrangements in respect of the Program**

In order to be able to implement the Program in a cost-effective and flexible manner, the board of directors has considered various methods for the delivery of B-shares within the Program, such as repurchasing and transfer of own shares in the Company to Participants in the Program as well as issuing and subsequent transfer of warrants entitling to the subscription of new B-shares to Participants in the Program. The board of directors has also taken into account that the delivery of B-shares within the Program shall take place in 2026 at the earliest. In order to secure the Company's commitments according to item 16.A as well as secure related costs, the board of directors also proposes that the general meeting resolves in accordance with the proposals below under item 16.B.1 proposal for resolution on the approval of the transfer of own shares in the Company, 16.B.2 proposal for a resolution on authorization for the acquisition of shares in the Company, and 16.B.3 proposal for a resolution on the directed issue of warrants and approval of the transfer of warrants and shares subscribed with support of warrants, with the right for the board of directors to combine or choose any of them.

### *1. Proposal for resolution on transfer of repurchased shares to Participants*

The board of directors proposes that the annual general meeting resolves to approve the transfer of the Company's own shares acquired and subsequently held in accordance with B.2 below, under the following terms.

- a) Only B-shares in the Company may be transferred, and a maximum of 91,000 B-shares may be transferred free of charge to Participants.
- b) The right to acquire B-shares in the Company, free of charge, shall be granted to Participants, notwithstanding shareholders' preferential rights. The Company's subsidiaries or financial intermediaries engaged by the Company shall also be entitled to acquire B-shares in the Company free of charge, notwithstanding shareholders' preferential rights. Such acquirer shall be obliged to immediately transfer the B-shares to Participants, in accordance with the Program's terms.
- c) B-shares in the Company shall be transferred free of charge, at the time and under the other terms in the Program according to which Participants are entitled to receive B-shares.
- d) The number of B-shares in the Company that may be transferred under the Program shall be subject to recalculation to take into account bonus issues, share splits, rights issues, dividends and/or other similar corporate events in the corresponding manner that applies to the recalculation of PSUs.

*2. Proposal for resolution on authorization for the board of directors to resolve on acquisition of shares in the Company to ensure delivery within the Program*

To ensure the Company's commitment to deliver shares to the Participants in the Program, the board of directors proposes that the annual general meeting authorizes the board of directors to resolve on repurchase of shares in the Company in accordance with the following:

- a) Acquisition of shares in the Company must be made on Nasdaq Stockholm.
- b) The authorization may be used on one or several occasions during the period up to the annual general meeting 2024.
- c) The number of shares required for the delivery of shares to the Participants in the Program and/or to finance social security contributions or other costs related to the Program, however no more than 125,000 shares, may be acquired to ensure such delivery as well as to be held for a possible future disposal to finance social security contributions or other costs related to the Program.
- d) Acquisition of shares in the Company shall be made against cash payment and at a price within the market price interval registered at any given time, such interval being the interval between the highest purchase price and the lowest sales price.
- e) The board of directors may resolve on other conditions for the acquisition.

*3. Proposal for resolution on a directed issue of warrants and approval of transfer of warrants to ensure delivery within the Program*

To ensure the Company's commitment to deliver B-shares to the Participants in the Program as well as for a possible future disposal to finance social security contributions or other costs related to the Program, the board of directors proposes that the general meeting resolves on a directed issue of warrants with the right to subscribe for new B-shares in the Company, in accordance with the proposal below.

The board of directors' proposal entails that the general meeting shall decide on a directed issue of 125,000 warrants with the right to subscription of new B-shares in the Company, on the terms and conditions set out below.

1. The warrants are issued free of charge. Each warrant will give the right to subscribe for one new B-share in the Company. If all warrants are used for subscription of shares, the Company's share capital will increase with SEK 2,500.

2. The right to subscribe for new warrants shall, with deviation from the shareholders pre-emption rights, belong to BioArctic AB.
3. Subscription of warrants shall be made no later than June 30, 2023. The board of directors shall have the right to extend the subscription period.
4. Subscription of B-shares in the Company can be made from the registration of the warrants with the Swedish Companies Registration Office and up to and including 31 December 2026.
5. Each warrant entitles to subscription for one new B-share in the Company at a subscription price corresponding to the share's quota value, SEK 0.02.
6. The new B-shares that have been issued by virtue of the warrant entitle to dividends for the first time on the first record date for dividend to take place after the subscription of new B-shares has been registered with the Swedish Companies Registration Office.
7. The number of B-shares that may be issued under each warrant may be recalculated in accordance with the terms and conditions for the warrants due to a bonus issue, share split or consolidation, rights issue and/or any similar event.
8. The complete terms and conditions for the warrants, including recalculation principles, will be included in [Appendix 1](#).

#### *Reason for the deviation from the shareholders' preferential right*

The reason for deviating from the shareholders' preferential rights is to ensure the Company's commitment to deliver B-shares in accordance with the Program and otherwise dispose of the warrants to cover costs for, or fulfil commitments under, the Program.

#### *Transfer of the warrants and shares subscribed with support of warrants*

Furthermore, the board of directors proposes that the general meeting resolves to approve that BioArctic AB, on one or more occasions, may transfer warrants and/or shares subscribed with support of warrants to the Participants in the Program or a financial intermediary engaged by the Company (for further transfer to the Participants in the Program) in accordance with the terms and conditions of the Program, and dispose of the warrants in order to cover costs related to, or fulfil obligations occurring under, the Program.

#### **Special authorization**

The board of directors proposes that the board of directors, or anyone appointed by the board of directors, shall be entitled to make the minor adjustments to the above proposed resolution that may be necessary upon registration of the resolution with the Swedish Companies Registration Office or due to any other formal requirement.

#### **Preparation of the matter**

The proposed Program and related hedging measures have, according to guidelines issued by the board of directors, been prepared by the Company's remuneration committee, with the help of external advisers. The remuneration committee has presented the work to the board of directors, after which the board of directors has decided to propose that the Program and associated hedging measures be adopted at the annual general meeting 2023.

## Cost of the Program and the Program's effects on key numbers

The Program will be reported in accordance with IFRS 2, which means that the PSUs shall be expensed as a personnel cost and accrued over the vesting period and continuously revalued at each reporting occasion.

The expected annual costs of MSEK 11.5, including social security costs, are equal to approximately 9.9 per cent of the Company's total personnel costs for the financial year 2022. The Program's effect on the Company's earnings per share and other key ratios are limited.

The table below contains an estimate of the Company's total costs for the Program for different share price outcomes at the Vesting Date, assuming that all PSUs are vested, that the share price target is met and that the percentage for social security costs is 31.42 percent.

	<i>Assumed share price</i>		
	SEK 350	SEK 400	SEK 450
Estimated annual cost	10.8 MSEK	11.5 MSEK	12.1 MSEK

It should be noted that all calculations are preliminary, based on assumptions and only intended to provide an illustration of the costs that the Program may entail. Actual costs may thus deviate from what is stated above.

## Dilution

Assuming the maximum allotment of PSUs and that no company events causing recalculation occur during the vesting period, the number of B-shares to be allotted free of charge under the Program amounts to a maximum of 91,000 B-shares in the Company.

If warrants are utilized for the purpose of delivering B-shares according to the terms and conditions of the Program or financing the Company's costs for the Program, it will result in a dilution effect for existing shareholders. At full utilization of the warrants, the number of outstanding B-shares in the Company will increase by 125,000. These B-shares constitute 0.14 per cent of the number of shares and 0.06 per cent of the votes, calculated as the number of new shares in relation to the sum of existing shares and new shares in the Company.

If repurchased shares (in accordance with the board of directors' proposal for acquisition and transfer of own shares) are fully or partly transferred to the Participants in the Program instead of exercising warrants, the dilution will be reduced.

## Conditions

The general meeting's resolution to introduce the Program in accordance with 16.A above is subject to the general meeting having resolved either to pass the proposal to transfer own shares to the Participants in accordance with 16.B.1 above, together with the proposal to acquire own shares in accordance with 16.B.2 or in accordance with the proposal for the issue of warrants and the approval of the transfer of such warrants and/or shares subscribed with warrants in accordance with 16.B.3 above.

## Majority requirements

The resolution under Item 16.A above on the Program's introduction requires a majority of shareholders representing more than half of the votes cast represented at the general meeting. The resolution under Item 16.B.1 on the transferring of own shares to Participants requires the approval of shareholders representing no less than nine-tenths of the votes cast, and the shares represented at the meeting. The resolution under Item 16.B.2 on authorization for the Board to

resolve on acquisition of own shares requires the approval of shareholders representing at least two thirds of both the votes cast and the shares represented at the general meeting. The resolution under Item 16.B.3 on a directed issue of warrants and approval of transfer of warrants requires the approval of shareholders representing no less than nine-tenths of the votes cast, and the shares represented at the meeting.

### **Previous incentive programs in BioArctic**

BioArctic has a long-term incentive program (program 2019/2028) in the form of an employee stock option program for the Company's management, researchers and other employees. The employee stock option program 2019/2028 includes up to 1,000,000 employee stock options. To enable the Company's delivery of shares under the employee stock option program 2019/2028, the annual general meeting resolved on a directed issue of a maximum of 1,000,000 warrants. The dilutive effect of the employee stock option program 2019/2028 is estimated to be a maximum of 1.1 percent of the share capital and 0.5 percent of the votes in the Company (calculated on the number of existing shares in the Company), assuming full exercise of all employee stock options. The employee warrants can be exercised three years after allocation at the earliest. As of December 31, 2022, 845,000 employee warrants were allocated. The number of forfeited warrants amounted to 10,000 and the number of exercised employee warrants amounted to 71,586, which means that 763,414 employee warrants remain outstanding at year-end.

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Stockholm in May 2023

**BioArctic AB (publ)**

*The Board of Directors*