

The Board's proposal on a resolution regarding a long-term share incentive program (2024/2027) for employees in the company including a) resolution to introduce an incentive program and b) resolutions regarding hedging arrangements in respect of the incentive program (item 16)

Background

The board of directors in BioArctic AB (publ), 556601-2679 ("**BioArctic**"), proposes that the general meeting resolves to introduce a long-term incentive program for employees in the company (the "**Program**"). At the 2023 annual general meeting, it was resolved to introduce a long-term share-based incentive program based on performance share rights aimed at the company's employees. The board's intention is for the performance share program to be recurring annually and, against this background, the board presents the proposal regarding 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 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 below.

The Program is a three-year incentive program under 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 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 authorised to repurchase shares in the company, that a maximum of 210,000 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 160,000 PSUs. The board of directors has the right to resolve on the allocation of PSUs on one or more occasions (but no later than 31 August 2024) in accordance with the principles below. The PSUs shall be allocated free of charge.

PSUs may be allocated to persons who are employed by the company or another company within the group upon the board's decision on allocation. Employees are defined as full- and part-time employees, including employees on a probationary period, but not hourly employees. A person who has entered into an employment agreement with the company or another company within the group but has not started his or her employment on the said date shall not be considered an employee. A person who has resigned their employment or been dismissed on the said date but is still employed, 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 31 August 2024, can be included in the Program, if the board of directors deems that it is favorable 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 by the fact that the exercise of the PSUs is conditional on both vesting and that the performance-related condition is met.

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 111,000 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 39,000 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

After vesting, each PSU allocated to Participants entails a right to receive one (1) B-share in the company free of charge provided that the performance conditions are met (see under the heading *Vesting and Performance conditions* 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 shall receive, in whole or in part, cash compensation instead of B-shares. The cash compensation per assigned and vested PSU shall amount to 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. However, the total cash compensation cannot exceed 20 percent of the Participant's fixed annual salary.

Vesting

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.

Performance conditions

The Participants are entitled to receive B-shares based on the vested PSUs if and to the extent that the performance conditions are met as set out below:

- Conditions regarding the development of the company's share price as set out below (share price condition): 30 percent of the allocated and vested PSUs
- One or more operational conditions that relate to the company's research and development and/or partnerships and that are determined by the board (the operational conditions): 60 percent of the allocated and vested PSUs if the conditions are fully met. If the condition is partially met, the board may decide that a smaller portion of the allocated and vested PSUs may be used (as a starting point in proportion to the fulfillment of the condition).
- One or more sustainability-related conditions set by the board (sustainability conditions): 10 percent of the allocated and vested PSUs if the condition is fully met. If the condition is

partially met, the board may decide that a smaller portion of the allocated and earned PSUs may be used (as a starting point in proportion to the fulfillment of the condition).

Fulfillment of the performance conditions shall be assessed as of the Vesting Date.

The share price condition is fulfilled if 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 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 22 May 2024. The board of directors may resolve that the share price condition shall be adjusted in the event of a split or reverse split or other similar corporate events.

The operational conditions and sustainability conditions shall be determined by the board in connection with the allocation of PSUs. The board shall have the right to adjust the operational conditions and sustainability conditions during the vesting period if there are special reasons that justify such an adjustment, for example extraordinary events, reorganizations and structural changes.

After the end of the vesting period, the board shall publish the operational conditions and sustainability conditions, the extent to which these have been met and how allocation has taken place based on the fulfillment of such conditions.

Recalculation

The number of B-shares to which each PSU entitles may be subject to recalculation as a result of a bonus issue, reverse split or 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 2024/2027 (see under item 16.B below) shall be applied as far as possible and otherwise the recalculation shall consider customary practices 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 company within the group. 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 labor 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 2027 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 authorisation 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 B-shares to the Participants, under the following terms.

- a) Only B-shares in the company may be transferred, and a maximum of 160,000 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.
- e) Transfers of no more than the number of B-shares held by the company from time to time may also take place at Nasdaq Stockholm, including through a financial intermediary, at a price within the price range registered at any time to cover any social charges in accordance with the terms of the Program and/or the performance share program decided at the 2023 annual general meeting (LTIP 2023).

2. Proposal for resolution on authorisation 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 and the performance share program decided at the 2023 annual general meeting (LTIP 2023), the board of directors proposes that the annual general meeting authorises the board of directors to resolve on repurchase of B-shares in the company in accordance with the following terms:

- a) Acquisitions may take place at Nasdaq Stockholm.
- b) The authorisation may be used on one or more occasions, but no later than the 2025 annual general meeting.
- c) The number of shares required for the delivery of shares to the Participants in the Program and/or LTIP 2023 and to finance social security contributions or other costs related to the Program and/or LTIP 2023, however no more than 285,000 B-shares (subject to recalculation), 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 secure the company's commitment to deliver B-shares to the Participants in the Program as well as to enable possible future disposals 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 210,000 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 4,200.
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 30 June 2024. 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 2027.
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 has been issued by virtue of the warrants entitles to dividend 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, are set out 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 authorisation

The board of directors proposes that the board of directors, or anyone appointed by the board of directors, shall be entitled to make 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 2024.

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 MSEK 12.5, including social security costs, are equal to approximately 6.2 percent of the company’s total personnel costs for the financial year 2023. 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 all performance conditions are met in full and that the percentage for social security costs is 31.42 percent.

	<i>Assumed share price</i>		
	SEK 275	SEK 300	SEK 325
Estimated annual cost	MSEK 12.1	MSEK 12.5	MSEK 12.9

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 to occur during the vesting period, the number of B-shares to be allotted free of charge under the Program amounts to a maximum of 160,000 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 210,000. These B-shares constitute 0.24 percent of the number of shares and 0.10 percent 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.

Majority requirements

A resolution in accordance with the proposal under item 16.A on the Program's introduction and 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.

Previous incentive programs in BioArctic

BioArctic has two outstanding long-term share-related incentive programs, Employee Share Option Program 2019/2028 and Performance Share Program 2023/2026.

Employee Share Option Program 2019/2028 is 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 employee stock options may be used for share subscriptions no earlier than three years after allocation.

As of 31 March 2024, 915,000 employee options have been assigned and no further assignment can take place within the framework of the program. The number of forfeited and redeemed options on the same date amounted to 15,000 and the number of exercised employee stock options to 322,700, which means that 577,300 employee stock options are outstanding. The outstanding employee stock options may entail a dilution effect corresponding to 0.65 percent of the share capital and 0.26 percent of the votes in the company (calculated based on the number of existing shares in the company), provided that full utilization of all outstanding employee stock options takes place.

BioArctic has another outstanding long-term incentive programs (program 2023/2026), a performance share program aimed at the company's senior executives, researchers and other personnel. The performance share program 2023/2026 includes up to 125,000 PSUs. To enable the company's delivery of shares under the performance share program 2023/2026, the annual general meeting 2023 resolved on a directed issue of a maximum of 125,000 warrants. The PSUs entail a right to receive B-shares without free of charge or cash compensation after a three-year vesting period, provided that a condition regarding the development of the company's share price is met. As of 31 March 2024, 117,500 PSUs have been allocated and no further allocation can take place within the framework of the program. The number of forfeited PSU on the same date amounted to 500, which means that 117,000 PSUs are outstanding.

The maximum dilution effect of the performance share program 2023/2026 is estimated to amount to 0.13 percent of the share capital and 0.05 percent of the votes in the company (calculated based on the number of existing shares in the company), provided that all PSU are fully exercised and that the delivery of shares takes place through exercise of warrants.

Stockholm April 2024

BioArctic AB (publ)

The board of directors