



## Item 20: Resolution in respect of Employee LTIP 2023

The Board of Directors proposes that the Annual General Meeting resolves to establish a long-term share-related incentive plan in the form of a share option plan for members of Group Management and other employees of the Company on the terms and conditions set out below (the “**Employee LTIP 2023**”).

### Background and purpose

The reason for establishing the Employee LTIP 2023 is to align the interests of the members of Group Management and other employees with the interests of the shareholders as well as to provide market appropriate reward for a new business reflecting continuity, commitment and share price appreciation. The Board of Directors believes that the Employee LTIP 2023 will provide the Company with a crucial component to a competitive total compensation package to attract and retain employees who are critical to the Company’s future success.

The Employee LTIP 2023 follows the same principles as the long term incentive plan resolved upon by the Extraordinary General Meeting 2022. The Employee LTIP 2023 is offered as a complement to base salaries to create an overall remuneration approach that further emphasises the long-term sustainable growth and strategic success of the Company.

### Terms and conditions

Subject to the terms and conditions of the Employee LTIP 2023, the Company will grant options (“**Employee Options**”) free of charge to members of Group Management and other employees as allocated by the Board of Directors, or the Compensation Committee of the Board of Directors, pursuant to the following principles.

1. The maximum number of Employee Options that may be granted is 7,000,000. Each Employee Option shall entitle the holder to purchase one share in the Company subject to continued employment within the Group. Accordingly, the maximum number of shares available for the participants under the Employee LTIP 2023 shall be 7,000,000.
2. The Board of Directors shall at its discretion be entitled to grant Employee Options to any employees (expected to grant to approximately 30 employees). The Chief Executive Officer may be granted up to 2,290,000 Employee Options and other employees may be granted up to 1,074,000 Employee Options each (subject to the cap of 7,000,000 Employee Options in total).
3. The purchase price per share in the Company upon exercise of an Employee Option (the “**Exercise Price**”) shall correspond to the volume weighted average price for the Company’s share on Nasdaq Stockholm during 22–26 May 2023, or a later period of five trading days as determined by the Board of Directors in the event the volume weighted average price during 22–26 May 2023 is not deemed to be an appropriate Exercise Price due to intervening changes in the Group, the market or otherwise in the industry.
4. Instead of participants purchasing shares by paying the Exercise Price at exercise of the Employee Options, the primary settlement method shall be to “net equity settle” the Employee Options, meaning that the purchase price for each share shall be equal to the quotient value of the share (currently approximately SEK 0.01 per share) and that the number of shares that may be purchased shall be reduced by applying the following formula:

Adjusted number of shares = ((A minus B) multiplied by D) divided by (A minus C), where:

- A = the volume weighted average price for the Company’s share on Nasdaq Stockholm during the five trading days immediately preceding the date of exercise of the Employee Option
- B = the Exercise Price
- C = the quotient value of the Company’s share
- D = the number of Employee Options exercised by the participant

Only whole shares (no fractions) may be delivered and the number of shares delivered at net equity settlement shall thus be rounded down to the nearest number of whole shares.

5. In the event a participant cannot exercise its Employee Options to purchase shares in the Company under applicable laws or regulations or at reasonable cost or with reasonable administrative effort by the

participant or the Company, the Board of Directors shall have the right to decide to wholly or partly settle the Employee Options in cash. The Board of Directors shall also have the right to in its own discretion decide that shares and/or cash shall be withheld by the Company in order to cover or facilitate the payment of applicable taxes.

6. The intention is that the Board of Directors shall grant Employee Options on 1 June 2023, but the Board of Directors shall be authorised to in its own discretion finally determine the date of grant taking into account any potential restrictions under applicable laws or regulations. The Employee Options shall vest on 31 May 2026 (the “**Vesting Date**”). The three-year period from 1 June 2023 to the Vesting Date is referred to as the “**Vesting Period**”. After the end of the Vesting Period, participants shall be entitled to exercise all or part of the Employee Options until 31 May 2030.
7. In the event of a change of control of the Company or a direct or indirect sale, transfer or other disposal of all or substantially all of the business and assets, the Vesting Period shall be deemed to have completed and the participants shall be entitled to exercise the Employee Options as of the date when the transaction becomes unconditional.
8. Continued employment within the group during the entire Vesting Period shall be a condition for the Employee Options to vest. If the participant resigns after the expiry of the Vesting Period, the participant shall only be entitled to exercise Employee Options during a period of three months following the last day of employment, which may be reasonably extended taking into account any potential restrictions under applicable laws or regulations. The Board of Directors shall be authorised to waive and alter these conditions according to circumstances deemed reasonable.
9. The Board of Directors shall be entitled to recalculate the maximum number of shares (per Employee Option and in total) and the Exercise Price in the event of intervening rights issues, bonus issues, share splits, reverse share splits, dividends or similar events.
10. In order to further align the interests of the members of Group Management with the interests of the shareholders, each member of Group Management shall be required to undertake to retain a minimum of 50 per cent of the shares received when exercising the Employee Options (net after taxes) until the participant has built a personal ownership of shares in the Company equal to 100 per cent of the participant’s annual gross base salary (200 per cent for the Chief Executive Officer).
11. The Board of Directors, or the Compensation Committee of the Board of Directors, shall be responsible for the detailed terms and the administration of the Employee LTIP 2023 within the scope and framework of this proposal. In connection therewith, the Board of Directors shall be entitled to adopt different terms and conditions e.g. due to new recruitment, illness, disability, death, redundancy, contractual retirement and other exceptional circumstances determined by the Board of Directors.

### **Delivery of shares and hedging of costs**

In order to secure the delivery of shares to the participants and cover potential costs (including taxes and social security charges) at exercise of Employee Options under the Employee LTIP 2023, the Board of Directors proposes that the Annual General Meeting resolves to issue up to 7,350,000 warrants of series 2023:1 (see item 21 a) of the proposed agenda).

In the event the nine-tenth (9/10) majority requirement applicable to the Board of Directors’ proposal to issue and transfer warrants of series 2023:1 under item 21 a) of the proposed agenda is not satisfied, the Board of Directors proposes that the Annual General Meeting resolves to approve that the Company hedges its obligations under the Employee LTIP 2023 by entering into an equity swap arrangement with a third party, whereby the third party in its own name shall be entitled to acquire and transfer shares (including to the participants) in accordance with the terms and conditions of the Employee LTIP 2023 (see item 21 b) of the proposed agenda).

### **Estimated costs**

The Employee LTIP 2023 grants participants the right on vesting to purchase shares in the Company for a price equivalent to the Exercise Price. The Employee LTIP 2023 will be accounted for in accordance with the accounting standard IFRS 2 and the costs will be charged to the income statement over the period the Employee Options are earned.

The maximum cost for granting Employee Options under the Employee LTIP 2023 (assuming 100 per cent vesting), excluding costs related to delivery of shares and social security charges, is approximately SEK 28.6 million. Under a scenario where the share price grows by 10 per cent per annum, the maximum cost for social security charges is estimated to be approximately SEK 2.9 million if Employee Options are exercised on the Vesting Date.

### **Effects on key figures**

The effects on key figures depend on the share price development. Assuming a share price and Exercise Price no lower than SEK 10.0; a volatility of 35 per cent; a risk-free rate of 2.28 per cent; a 0 per cent dividend yield; and exercise after 7 years, the number of shares required under the Employee LTIP 2023 amounts to approximately 7 million shares in the Company (subject to final determination of the Exercise Price), corresponding to approximately 2.4 per cent of the total number of shares and votes in the Company. If the Exercise Price is set above SEK 10.0 the maximum number of shares will decrease with the expected costs constant, and if the Exercise Price is set below SEK 10.0, the maximum number of shares will be constant with a decrease in expected costs. The Employee LTIP 2023 is expected to have only marginal effects on the Company's key figures.

If the Employee Options are "net equity settled", the number of shares used can be significantly reduced. Under a scenario where the share price grows by 10 per cent per annum, the use of shares if all Employee Options were exercised on vesting just after the end of the Vesting Period would decrease from a maximum of 2.4 per cent to approximately 0.6 per cent and if all Employee Options were exercised just before the end of the exercise period on 31 May 2030 to approximately 1.2 per cent.

If the warrant settlement method proposed under item 21 a) of the proposed agenda is not approved with the requisite majority and the Company's obligations under the Employee LTIP 2023 are settled by way of an equity swap arrangement with a third party, no dilution effect will arise.

### **Other long-term incentive plans**

For a description of the Company's other outstanding long-term incentive plans (Board LTIP 2022 and Employee LTIP 2022), please see the Company's annual and sustainability report for 2022 (note 22) and the Company's website, [www.orrön.com](http://www.orrön.com).

### **Preparation of the proposal**

The Employee LTIP 2023 proposal has been prepared by the Compensation Committee and has been approved by the Board of Directors in consultation with external advisers.

### **Majority requirement**

A resolution in accordance with the Board of Directors' proposal regarding the establishment of the Employee LTIP 2023 requires support from shareholders representing more than half (1/2) of the votes cast at the Annual General Meeting.

A resolution in accordance with the Board of Directors' proposal regarding the issue and transfer of warrants of series 2023:1 under item 21 a) of the proposed agenda requires support from shareholders representing not less than nine-tenth (9/10) of both the votes cast and the shares represented at the Annual General Meeting. A resolution in accordance with the Board of Directors' proposal regarding the equity swap arrangement under item 21 b) of the proposed agenda requires support from shareholders representing more than half (1/2) of the votes cast at the Annual General Meeting.

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Stockholm in March 2023  
**Orrön Energy AB (publ)**  
*The Board of Directors*