Item 20: Resolution in respect of Employee LTIP 2024

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 2024").

Background and purpose

The reason for establishing the Employee LTIP 2024 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 2024 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 2024 follows the same principles as the long-term incentive plans resolved upon by the Extraordinary General Meeting 2022 and the Annual General Meeting 2023 (together, the "Employee LTIPs"). The Employee LTIP 2024 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.

The Employee LTIPs were introduced as part of a new holistic remuneration approach within the updated Policy on Remuneration for Group Management, where base salaries and annual bonus opportunities were set below the market average, and in return, the long-term incentives were designed to strongly emphasise Group Management's delivery of material shareholder returns, which is appropriate for a newly formed entrepreneurial organisation focused on growth. The Employee LTIPs are designed to promote business decisions that support long-term value creation and share price appreciation, rather than delivering scale and size without clear shareholder return. As the Company operates in a business environment where renewable energy projects take a long time to mature and ultimately crystallise value, the Employee LTIPs have been designed to incentivise decision making in support of this long-term value creation, which is being reflected in the length of the exercise and vesting periods. The Employee LTIPs are further fully aligned with the interest of shareholders as any pay-out will require a share price increase, which is considered to be an appropriate performance criterion given the Company's current phase of development. The share price is the best measure to determine shareholder value creation, and the Employee LTIPs will only deliver value to the extent that Group Management are able to increase the Company's valuation. It is also challenging to find a suitable peer group at this phase of the Company's development, or other performance conditions, which would adequately assess the Company's performance against market. A performance condition focused on growth targets may not lead to share price appreciation and could in essence reward outcomes, which are not aligned with value appreciation for shareholders, in particular under current market conditions. The Board of Directors therefore believes that the Employee LTIPs are the best way to ensure a clear alignment between performance outcomes for both shareholders and Group Management.

It is also considered that the Employee LTIPs are best financed through delivery of shares allowing the Company to allocate all available capital towards growth. To minimise dilution and impact on shareholders, the net equity settlement method has been chosen to ensure that only the value created over and above the market price of the share at award is delivered, leading to a significantly lower dilution than the headline amount of options issued. As an example, assuming a scenario with an average share price growth of 10 percent per annum over seven years, the dilution to shareholders would reduce by 50 percent compared to the headline dilution shown.

Terms and conditions
Subject to the terms and conditions of the Employee LTIP 2024, 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.

The maximum number of Employee Options that may be granted is 5,300,000. 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 2024 shall be 5,300,000.

The Board of Directors shall at its discretion be entitled to grant Employee Options to any employees. The Chief Executive Officer may be granted up to 1,850,000 Employee Options and other employees may be granted up to 870,000 Employee Options each (subject to the cap of 5,300,000 Employee Options in total).

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 20–24 May 2024, or a later period of five trading days as determined by the Board of Directors in the event the volume weighted average price during 20–24 May 2024 is not deemed to be an appropriate Exercise Price due to intervening changes in the Group, the market or otherwise in the industry.

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.

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 and social security charges.

The intention is that the Board of Directors shall grant Employee Options on 1 June 2024, 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 2027 (the "Vesting Date"). The three-year period from 1 June 2024 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 2031.

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.

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.

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.

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). As of the date of this notice, the Chief Executive Officer holds 500,000 shares in the Company and the remainder of Group Management hold 160,000 shares in aggregate.

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 2024 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 2024, the Board of Directors proposes that the Annual General Meeting resolves to issue up to 5,300,000 warrants of series 2024:1 (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 2024:1 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 may hedge its obligations under the Employee LTIP 2024 by entering into (or maintaining) 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 2024 (see item 21 b) of the proposed agenda).

Estimated costs
The Employee LTIP 2024 grants participants the right on vesting to purchase shares in the Company for a price equivalent to the Exercise Price. The Employee LTIP 2024 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 2024 (assuming 100 per cent vesting), excluding costs related to delivery of shares and social security charges, is approximately SEK 15.3 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 1.5 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 of approximately SEK 7.0; a volatility of 35 per cent; a risk-free rate of 2.40 per cent; a 0 per cent dividend yield; and exercise after seven years, the number of shares required under the Employee LTIP 2024 amounts to approximately 5.3 million shares in the Company (subject to final determination of the Exercise Price), corresponding to approximately 1.85 per cent of the total number of shares and votes in the Company. The maximum headline dilution of the Employee LTIP 2024 is approximately 1.85 per cent of outstanding shares. As such, the number of Employee Options awarded to each participant will not increase if the share price decreases, and the number of Employee Options awarded to participants would decrease if the Exercise Price is set above SEK 14.0. The costs for the program will remain constant unless the Exercise Price is set above SEK 14.0, where both the number of Employee Options and expected costs will decrease. The Employee LTIP 2024 is expected to have only marginal effects on the Company's key figures.

The Company plans to "net equity settle" the Employee LTIP 2024, where the number of shares delivered to participants is significantly reduced compared to the headline number of Employee Options granted. If the warrant settlement method proposed under item 21 a) of the proposed agenda is approved with the requisite majority and the Company's obligations to deliver shares to the participants under Employee LTIP 2024 are settled by way of a transfer and exercise of warrants, and assuming a scenario where the share price grows by 10 per cent per annum, the number of shares issued, if all Employee Options were exercised on vesting just after the end of the Vesting Period, would decrease from a maximum of 1.85 per cent to approximately 0.46 per cent and if all Employee Options were exercised just before the end of the exercise period on 31 May 2031, to approximately 0.90 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 2024 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, Employee LTIP 2022 and Employee LTIP 2023), please see the Company's annual and sustainability report for 2022 (note 22) and for 2023 (note 23) and the Company's website, www.orron.com.

Preparation of the proposal

The Employee LTIP 2024 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 2024 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 2024:1 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.

Stockholm in April 2024
Orrön Energy AB (publ)
The Board of Directors