

# The Board of Directors' proposal to adopt a long-term incentive program based on employee stock options for employees at Hansa Biopharma

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The Board of Directors proposes that the Annual General Meeting resolves to adopt a long-term incentive program for employees of the Hansa Biopharma group, within the framework of LTIP 2020, (“**Option Program 2020**”) in accordance with items 19(a) – 19(b) below. The resolutions under items 19(a) and (b) below are proposed to be conditional upon each other, respectively. In the event that the majority requirement for item 19(b) below is not met, the Board of Directors proposes that the company be able to enter into an equity swap arrangement with a third party in accordance with item 19(c) and the subsequent decisions under items 19(a) and (c) shall then be conditional upon each other. The Option Program 2020 is proposed to include a maximum of 15 employees within the Hansa Biopharma group.

## ***Proposal regarding the adoption of Option Program 2020 (item 19 (a))***

### *The program in brief*

The Option Program 2020 consist of employee stock options that can be allotted to the CEO and other senior executives. The employee stock options have a vesting period of 3 years, after which the holder is entitled to exercise the options for ordinary shares during a period of one month. The last day for allotment under the Option Program 2020 shall be the day before the Annual General Meeting for Hansa Biopharma 2021.

The Board of Directors therefore proposes, for delivery of ordinary shares under the Option Program 2020, that the meeting resolves on the transfer of a maximum of 658,164 warrants. The right to subscribe for warrants shall vest with the wholly owned subsidiary Cartela R&D AB, which shall hold the warrants to ensure delivery of shares to participants upon exercise of employee stock options as well as to dispose of the warrants to secure costs for social contributions, respectively. Each warrant entitle the holder to subscribe for one ordinary share. The warrants are issued free of charge to Cartela R&D AB.

### *Terms and conditions*

The company will allot employee stock options to the CEO and other senior executives. Each option entitles the employee to acquire one share in Hansa Biopharma in accordance with the following terms and conditions:

- The employee stock options will be allotted free of charge.
- Allotment requires that an acquisition of employee stock options can take place legally and that, according to the Board of Director’s assessment, it can be carried out with reasonable administrative and financial efforts. The last day for allotment of employee stock options shall be the day before the Annual General Meeting 2021.
- Each employee stock option that is transferred entitles the holder to acquire one share in the company, provided that the participant, with certain exceptions, is still employed within the group, at an exercise price corresponding to the higher of (i) 125 per cent of the volume weighted average share price during the 10 trading days immediately preceding the respective allotment of the employee stock options, or (ii) SEK 125.
- The employee stock options are vested over a period of three years from the time when allotment to the participants has taken place. The employee stock options entitle, after they

have been vested in accordance with the above, the holder to subscribe for shares during one month.

- The employee stock options shall not constitute securities and may not be transferred or pledged.

*Recalculation due to split, consolidation, new share issue, etc.*

The exercise price for employee stock options, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each employee stock option entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. Upon full exercise of the options, the share capital will increase by SEK 658,164.

*Preparation of the proposal, design and administration*

The Board of Directors, or a special committee set up by the board, shall be responsible for preparing the detailed design and administration of the terms and conditions of the Option Program 2020, in accordance with the presented terms and guidelines including provisions on recalculation in the event of an in-between bonus issue, share split, rights issue and/or similar measures. In connection therewith, the Board of Directors shall be entitled to make adjustments to meet specific foreign regulations or market conditions. The Board of Directors shall also be entitled to make other adjustments if significant changes occur in the Hansa Biopharma group or in its environment that would result in that the adopted terms for the Option Program 2020 no longer fulfils their objectives or the rationale for the proposal including, inter alia, that adjustments may be decided due to potential effects from or related to COVID-19.

*Allocation of employee stock options*

The right to receive employee stock options shall accrue to the CEO and senior executives, current and future. The maximum allotment amounts to 128,760 employee stock options to the CEO and 377,520 employee stock options for other senior executives, as applicable.

<b>Category</b>	<b>Maximum number of persons</b>	<b>Maximum number of employee stock options</b>	<b>Maximum number of employee stock options per person within the category</b>
CEO	1	128,760	128,760
Other senior executives	14	377,520	64,380

Board members shall not be eligible to participate in the Option Program 2020.

*Scope and costs for the Option Program 2020*

Costs related to the employee stock options are estimated to amount to SEK 11.2 million, excluding social contributions, accounted in accordance with IFRS 2 based on the following assumptions: (i) that 506,280 employee stock options are allotted, (ii) that the share price, at the beginning of the Option Program 2020, is SEK 120.00 per ordinary share, and (iii) an estimated annual turnover of personnel of 5 per cent. Based on the same assumptions as above, and subject to social contributions of 30 per cent, and a share price increase of 75 per cent from the start of the Option Program 2020 until the employee stock options are exercised, the costs for social contributions are

estimated to amount to SEK 7.8 million. The total cost, including costs according to IFRS 2, is therefore estimated to SEK 6.3 million per year, based on the same assumptions as above.

#### *Dilution and effects on key ratios*

Upon maximum allotment of employee stock options, 506,280 warrants will be issued for new subscription of ordinary shares pursuant to the Option Program 2020, together with 151,884 warrants that can be used to cover social contributions as a result of the Option Program 2020, the dilution effect will amount to approximately 1.6 per cent of the number of ordinary shares in the company.

Given the above assumptions regarding scope and costs, and that Option Program 2020 was introduced in 2018 instead, it is estimated that the key figure earnings per share for full year 2019 would have decreased from SEK -9.00 to approximately SEK -9.15.

If all outstanding incentive programs in the company are included in the calculation, including the Board of Director's proposal for the Annual General Meeting 2020 on the adoption of a long-term incentive program (performance-based share rights), the corresponding maximum dilution, at the time of the Annual General Meeting, amounts to approximately 5.3 per cent of the share capital.

#### *Delivery of shares pursuant to the Option Program 2020*

In order to ensure delivery of shares in accordance with the Option Program 2020 and to cover costs related to social contributions, the Board of Directors proposes that the Annual General Meeting resolves on the issue and exercise of warrants in accordance with item 19(b) below, or, that an equity swap is entered into in accordance with item 19(c).

#### ***Proposal regarding issue and transfer of warrants (item 19 (b))***

The Board of Directors proposes that the company shall issue not more than 658,164 warrants to secure the delivery of ordinary shares and to secure social contribution costs, of which the company's share capital may be increased by a maximum of SEK 658,164.

The right to subscribe for warrants shall only vest with the subsidiary Cartela R&D AB, with the right and obligation to dispose of the warrants as described above, primarily with regard to transfer to participants in the Option Program 2020 and transfer to a participating bank for hedging of social contributions due to the Option Program 2020. Each warrant entitles the holder to subscribe for one ordinary share. The warrants shall be issued free of charge to Cartela R&D AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in Appendix A.

#### ***Equity swap arrangements with third parties (item 19(c))***

In the event that the required majority for item 19(b) above cannot be achieved, the Board of Directors proposes that the Annual General Meeting 2020 resolves to hedge the Option Program 2020 by allowing Hansa Biopharma to enter into equity swap arrangements with third parties on market terms, where the third party in its own name will be able to acquire and transfer ordinary shares in Hansa Biopharma to the participants.

#### *The background and rationale for the proposal*

The purpose of the Option Program 2020 is to create the conditions for motivating and retaining competent employees within the Hansa Biopharma group and to increase the coherence between the employees', shareholders' and the company's objectives, as well as to increase the motivation to reach and exceed the company's financial targets. The Option Program 2020 has been designed so that the program includes both current and future senior executives.

By offering options that are based on the share price development, the participants are premiated for increased shareholder value. The Option Program 2020 also rewards employees' continued loyalty and thus the long-term value growth of the company. After these considerations, the Board of Directors considers that the Option Program 2020 will have a positive effect on the future development of the Hansa Biopharma group and will consequently be beneficial for both the company and its shareholders.

*The preparation of the proposal*

Option Program 2020 has been prepared by the company's Board of Directors and its Remuneration Committee in consultation with external advisors. Option Program 2020 has been discussed by the Board of Directors at a meeting held in May 2020.

*Previous incentive programs in Hansa Biopharma*

For a description of the company's other long-term incentive programs, please refer to the company's Annual Report for 2019, pages 62-66, and the company's website, [www.hansabiopharma.com](http://www.hansabiopharma.com). In addition to the described incentive programs, there are no other long-term incentive programs in Hansa Biopharma.

*Majority requirement*

The resolution of the General Meeting pursuant to item 19(a) and (b) above, respectively, is valid only where supported by shareholders holding not less than nine-tenths of both the shares voted and of the shares represented. For a valid decision according to the proposal under item 19(a) and 19(c) above, a majority of more than half of the votes cast shall be required.

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**Option Program 2020 – issue of warrants**

The Board of Directors proposes that the shareholders' meeting resolves to issue not more than 658,164 warrants.

1. The right to subscribe for warrants shall, with deviation from the shareholders' pre-emptive rights, vest with the subsidiary Cartela R&D AB, a wholly owned subsidiary of Hansa Biopharma AB (publ), for further transfer to participants in the Option Program 2020 and transfer to a participating bank for hedging of social contribution costs.
2. Each warrant entitles the holder to, during the period from 15 July 2023 up to and including 30 July 2024, subscribe for one new ordinary share in Hansa Biopharma AB (publ) at an exercise price corresponding to the quota value of the share. Upon full exercise of the options, the share capital will increase by SEK 658,164.
3. The subscription for warrants shall be made no later than 15 July 2020. However, the Board of Directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix A.1.

It is further proposed that the CEO should be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Companies Registration Office and Euroclear Sweden AB.

There can be no over-subscription.

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The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive program for senior executives in the company.