

## **The Board of Directors' proposal regarding adoption of a long-term performance-based incentive program for the Company's employees (item 17)**

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The Board of Directors proposes that the Annual General Meeting resolves to adopt a long-term performance-based incentive program for employees within the Active Biotech group in accordance with items 17(a) – (c) below. The rationale for the program is to create conditions for motivating and retaining competent key individuals of the Active Biotech group as well as for the promotion of the Company's business strategy, long-term interest and a sustainable business, and for the alignment of the targets of the participants with those of the Company.

The resolutions under items 17(a) – (c) below are proposed to be conditional upon each other and for that reason it is proposed that all resolutions are to be passed as one resolution.

### **Adoption of the long-term performance-based incentive program (item 17(a))**

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#### ***Summary of the program***

The Board of Directors proposes that the Annual General Meeting resolves to adopt a long-term performance-based incentive program ("**Plan 2020/2024**"). The Plan 2020/2024 is proposed to include employees within the Active Biotech group, approximately eight persons today. The participants in the Plan 2020/2024 are required to invest in Active Biotech shares at market terms ("**Saving Shares**"). The participants will thereafter have the opportunity to receive further shares free of charge in accordance with the Plan 2020/2024 ("**Performance Shares**") as further set out below.

#### ***Personal investment***

In order to participate in the Plan 2020/2024, the participant must have made a private investment in the Company by acquiring Saving Shares at Nasdaq Stockholm. Such investment may amount to no more than 15 percent of the respective participant's annual gross base salary and shall be made no later than 31 March each year up to and including year 2023, however no later than 31 May in 2020.<sup>1</sup> For each Saving Share held under the Plan 2020/2024, the Company will grant participants a right to up to two Performance Shares free of charge provided that certain conditions are fulfilled ("**Rights**").

#### ***Terms and conditions***

A Right will be exercised provided that the participant has kept its own original Saving Shares and has maintained its employment within the Active Biotech group up to and including 31 December the year in which the investment in Savings Shares was made (the "**Vesting Period**").

In addition to the requirement for the participants' maintained employment and retained Saving Shares during the Vesting Period, certain conditions relating to the Company's performance during the year shall also have been achieved (the "**Performance Targets**"). The Board of Directors will define the Performance Targets on an annual basis, in accordance with the progress made in the business of the Company, to secure a continued positive value development. Such targets will comprise a combination of financial measures (costs) and portfolio progress (timing of initiation and completion of activities as well as type of results obtained). The fulfilment of the Performance Targets shall, with certain exceptions, be assessed within the financial year in which the investment in the Savings Shares was made. Should the Performance Targets be met to 100 percent or more, each Right entitles to two Performance Shares. Should the Performance Targets be met to 50 percent or more, but less than 100 percent, each Right entitles to one Performance Share. In the event of the Performance Targets being met to less than 50 percent, no Performance Shares will be awarded. Allotment of Performance Shares is conditional upon that the participant undertakes to maintain, for

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<sup>1</sup> If investment in Saving Shares is prohibited at such date due to applicable rules and regulations, the investment may be made at a later date.

the duration of Plan 2020/2024, a shareholding at least corresponding to the cumulative number of Saving Shares acquired by each respective participant over the years of the Plan 2020/2024.

### ***The Rights***

The Rights shall, in addition to what is set out above, be governed by the following terms and conditions:

- Rights are granted free of charge following investment in Saving Shares.
- Rights may not be transferred or pledged.
- Vested Rights shall be exercised automatically, and the corresponding number of Performance Shares shall be delivered within 30 days following that the Board has reviewed and determined the degree of completion of the Performance Targets.
- The number of Rights will be re-calculated in the event that changes occur in Active Biotech's capital structure, such as a bonus issue, merger, rights-issue, share split or reverse share split, reduction of the share capital or similar measures.

### ***Preparations of the proposal***

The Board of Directors has prepared the Plan 2020/2024 in consultation with external advisors.

### ***Finalization and administration***

The Board of Directors shall be responsible for preparing the detailed terms and conditions of the Plan 2020/2024, in accordance with the above terms and conditions. In connection therewith, the Board shall be entitled to make adjustments to meet foreign regulations or market conditions. The Board may also make other adjustments if significant changes in the Active Biotech group or its environment would result in a situation where the adopted terms and conditions of the Plan 2020/2024 no longer serve their purpose or the rationale for the proposal, including, *inter alia*, that adjustments may be decided with respect to the terms and conditions for measuring performance, and the basis for such calculation.

In the event of a public take-over offer, asset sale, liquidation, merger or any other such transaction affecting Active Biotech, the Board of Directors is entitled to resolve that the Rights shall vest on beforehand upon completion of such transaction and/or to amend the Performance Targets as deemed appropriate given the situation at hand.

### ***Scope, costs and dilution of the Plan 2020/2024***

The Plan 2020/2024 will be accounted for in accordance with IFRS 2 which stipulates that the Rights should be recorded as personnel expenses during the Vesting Period. The costs for the Plan 2020/2024 are estimated to amount to approximately 7.5 MSEK calculated in accordance with IFRS 2 based on the following assumptions: (i) that 1,262,000 Rights are allotted, (ii) a price of the Company's share at 2.74 SEK based on the closing price on Nasdaq Stockholm on 16 April 2020, (iii) an estimated average annual increase in the share price of 20 percent and (iv) an average fulfilment of the Performance Targets of 100 percent. In addition to what is set forth above, the costs for the Plan 2020/2024 have been based on that each participant exercises its maximum investment in the Plan 2020/2024 and that all participants have maintained their employment by the end of the Vesting Period.

Upon maximum allotment of Performance Shares, 2,524,000 shares will be allotted under the Plan 2020/2024, meaning a dilution of approximately 1.7 percent of the number of outstanding shares in the Company. The annual cost of the Plan 2020/2024, under the above assumptions, corresponds to approximately ten percent of Active Biotech's total personnel costs in 2019, including social charges.

### ***Tax implication of Plan 2020/2024***

Participants in Plan 2020/2024, residing in Sweden for tax purposes, who receive Performance Shares, are considered to have received a benefit that is taxable as ordinary income at the time when the Rights are vested and automatically exercised and the Performance Shares are obtained.

Active Biotech is required to pay social security charges based on an amount corresponding to the taxable benefit, as set forth above.

The market value of the Performance Shares at time of transfer equals the value of the taxable benefit and corresponds to the acquisition cost of the shares. When the shares at a later stage are sold, such transaction will be taxed in the capital income category.

***Delivery of shares under Plan 2020/2024***

In order to ensure the delivery of shares under Plan 2020/2024, the Board of Directors proposes that the Meeting resolves to issue warrants in accordance with item 17(b) below.

### **Proposal regarding issue of warrants (item 17(b))**

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In order to ensure the delivery of shares under Plan 2020/2024, the Board of Directors proposes that the Annual General Meeting resolves to issue not more than 2,524,000 warrants, whereupon the Company's share capital may be increased by not more than approximately SEK 13,034. The following terms shall apply.

1. The right to subscribe for the warrants shall, with deviation from the shareholders' pre-emptive rights, only vest with Active Security Trading AB, a wholly-owned subsidiary of Active Biotech, for the purpose of subscription and subsequent transfer of the subscribed for shares to the participants in accordance with the terms of Plan 2020/2024. The reason for the deviation from the shareholders' pre-emptive rights is the implementation of Plan 2020/2024.
2. The subscription for warrants shall be made on a subscription list no later than 31 May 2020. However, the Board of Directors shall be entitled to extend the subscription period.
3. The warrants shall be issued free of charge.
4. The terms and conditions for the warrants are set out in Appendix.
5. The CEO is authorized to make such minor adjustments to this resolution that may be necessary in connection with the registration of the new issue.

**VILLKOR FÖR TECKNINGSOPTIONER I ACTIVE BIOTECH AB (PUBL)**  
**TERMS AND CONDITIONS OF WARRANTS IN ACTIVE BIOTECH AB (PUBL)**

*[Full terms and conditions, in Swedish and English, available in Swedish proposal for adoption of  
Plan 2020/2024]*

**Proposal regarding transfer of shares (item 17(c))**

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The Board of Directors proposes that the Annual General Meeting resolves to approve that Active Security Trading AB may transfer such shares that are subscribed for based on the warrants issued in accordance with item 17(b) above, or other shares as deemed appropriate, to the participants in Plan 2020/20204 and pursuant to the terms thereof.

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