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THE BOARD'S PROPOSAL FOR RESOLUTION ON A LONG-TERM INCENTIVE PROGRAM FOR EXECUTIVES AND KEY EMPLOYEES (ITEM 16)

The Board of Directors of Sensys Gatso Group AB (publ) org. no. 556215- 4459 (the **"Company"**) proposes the introduction of a long-term incentive program for the Company's executives and key employees in accordance with the following.

The Board of Directors proposes that the Annual General Meeting resolves to implement a long-term incentive program in the form of a stock option plan for to up to 50 key executives and employees (**"LTIP 2021"**) in accordance with item 16a below.

LTIP 2021 is a program that spans over three award years and under which the participants will be granted, free of charge, options (**"Options"**) that entitle the acquisition of up to 44.0 million shares in the Company subject to three-year vesting periods, in accordance with the terms stipulated below. The 2021 grants will consist of up to 90 percent of awards, i.e. up to 39.6 million shares, and the balance will be granted separately in 2022 and 2023 to selected employees who join the Company or, in exceptional cases, have been promoted.

As part of the implementation of LTIP 2021, a total of up to 55.0 million shares (including shares acquired through warrants for the hedging of social security costs) may be issued in accordance with item 16b below (of which a maximum of 90 percent, 49.5 million shares may be issued in 2021). The Board wishes to promote share ownership but also to minimise dilution and therefore intends to "net settle" exercised options, i.e. the participant receives the value of the option gain in shares. The expected share usage is hence significantly less.

If the Meeting does not approve the proposal to issue and transfer warrants in accordance with item 16b below, the Board of Director proposes that the Company shall enter into one or more equity swap agreements, in accordance with item 16c below, in order to ensure delivery of the shares under LTIP 2021.

The Board of Directors intends to propose that the Annual General Meetings in 2022 and 2023 adopts similar proposals to ensure the delivery of the remaining 10 percent of the LTIP 2021 option grants to new employees and social security hedges during those financial years.

1 PROPOSAL REGARDING ADOPTION OF A LONG-TERM INCENTIVE PROGRAM FOR EXECUTIVES AND KEY EMPLOYEES (ITEM 16A)

1.1 The rationale for the proposal

LTIP 2021 is intended for the Company's key executives and employees. At least 50% of the Options will be granted to employees outside of the management team. The Board of Directors of the Company believes that an equity-based incentive program is a central part of an attractive and competitive remuneration package, facilitating the recruitment, retention and share ownership of key executives and employees, whilst aligning the interests of participants with shareholders and thus promoting sustainable, long-term value creation for the Company. LTIP 2021 is adapted to the Company's current position and needs.

1.2 Allocation

The participants can be granted Options over a maximum of 44.0 million shares in total, of which 39.6 million shares may be used for grants in 2021. The remaining 4.4 million shares will, provided that the delivery of shares for Option grants are approved by the Annual General Meetings in 2022 and 2023, be granted during the 2022 and 2023 financial years to selected new and, in exceptional cases, promoted employees. The Board of Directors shall resolve upon the allocation of Options to individual participants subject to a maximum grant of 6 million shares to any one individual. The Board does not intend to make any other long-term incentive awards to the participants in LTIP 2021 before the end of 2023.

1.3 Conditions for Options

The following conditions shall apply for the Options.

- The Options shall be granted free of charge to the participants.
- The Board of Directors shall resolve upon the allocation of Options (the date of an Option grant being the "**Grant Date**").
- Each Option entitles the holder to acquire one share in the Company for a pre-determined exercise price. The exercise price will be 110 percent of the Volume Weighted Average Price ("VWAP") of the Company's shares traded on Nasdaq Stockholm during the ten trading days before the Grant Date. The calculated exercise price shall be converted to the nearest whole öre.
- The Options shall vest over a three-year period, whereby all Options shall vest on the third anniversary of the Grant Date, provided that the participant, with some customary exceptions (including good-leaver provisions, retirement and permanent incapacity to work due to illness or accident), is still employed by Company at the time.
- The latest point in time at which vested Options may be exercised shall be the fifth anniversary of the Grant Date.
- The Options shall not constitute securities and shall not be able to be transferred or pledged. However, in the event of a participant's death, the rights constituted by vested Options shall accrue to the beneficiaries of the holder of the Options.
- At the Board of Directors' sole discretion, the number of Options can be re-calculated in the event that changes occur in the Company's equity capital structure, such as a bonus issue, merger, rights issue, share split or reverse share split, reduction of the share capital or similar measures, to achieve an outcome as neutral as possible for the participants.
- In the event that the control over the Company changes so that one party, or several parties acting in concert, gains control over shares representing more than 50 percent of the total number of votes in the Company, all Options shall vest immediately.

- The Options shall be governed by separate agreements with each participant. The Board of Directors shall be responsible for the preparation and management of LTIP 2021 within the above-mentioned guidelines. The Board of Directors has the right, within the framework of the agreement with each participant, to make the reasonable changes and adjustments of the terms and conditions of the Options that are deemed suitable or appropriate as a result of local employment law or tax law or administrative conditions. The Board of Directors has the right to, in extraordinary cases, limit the scope of, or prematurely terminate, LTIP 2021 in whole or in part.

1.4 Preparation and administration

The Board of Directors is responsible for preparing the detailed terms and conditions of LTIP 2021, in accordance with the above mentioned terms and guidelines.

1.5 Preparation of the proposal

LTIP 2021 has been initiated by the Board of Directors based on an evaluation of comparable incentive programs, carried out by an external consultant.

2 PROPOSAL REGARDING ISSUE AND TRANSFER OF WARRANTS (ITEM 16B)

2.1 Issue and transfer of warrants

In order to ensure the delivery of shares granted in 2021 under LTIP 2021 and for the hedging of social security costs, the Board of Directors proposes that the Annual General Meeting resolves to issue a maximum of 11,000,000 warrants, whereby the Company's share capital may be increased by not more than SEK 550,000 in accordance with the following:

1. The right to subscribe for the warrants shall, with deviation from the shareholders' pre-emptive rights, only vest with Sensys Gatso Sweden AB, a wholly-owned subsidiary of the Company. The reason for the deviation from the shareholders' pre-emptive rights is the implementation of LTIP 2021. Sensys Gatso Sweden AB shall be entitled to transfer the warrants free of charge to the participants or to a financial intermediary in connection with exercise, or in another way dispose of the warrants in order to be able to secure the Company's commitments and costs in relation to LTIP 2021.
2. The warrants shall be issued free of charge and shall be subscribed for no later than 30 June 2021.
3. The warrants may be exercised during the time period from the registration of the warrants with the Swedish Companies Registration Office (Sw. *Bolagsverket*) up to and including 31 December 2026.
4. The exercise price for subscription for shares based on the warrants shall correspond to the share's quota value.
5. Shares issued upon exercise of warrants shall confer right to dividend in accordance with Clause 7 of the terms and conditions of the warrants.
6. The detailed terms and conditions of the warrants are set out in [Schedule 1](#) hereto.
7. The Chairman of the Board of Directors shall be authorized to make such minor adjustments that may be required to register the issuance.

2.2 Dilution

The maximum number of shares that may be issued pursuant to an exercise of Options under LTIP 2021 is 55.0 million shares (including hedging of social security costs), technically corresponding to a maximum dilution of approximately 6 percent. However, to promote continued share ownership and to minimise

dilution, the Company will seek to meet its obligations through “net settled” arrangements, where the participant receives the net value in shares. To illustrate this, if the Company grants the maximum 90% of options in 2021 when the share price is SEK 1.40, the exercise price will be 10% higher at SEK 1.54 and the total number of options will be 49.5 million, including a 25% hedge for social security. If the options are settled with a corresponding number of shares the dilution will be 5.4%. But if the option is “net settled”, only the value increase will need to be met. For example, at a 100% share price increase this would require **22.3** million shares, or **2.4%** dilution over a three year period, equalling an average of 0.8% dilution per year.

The Company currently has one outstanding share-based incentive plan. Upon the recruitment of the CEO, shareholders approved a one-off stock option plan with a similar structure to this proposal, which vested in 2020 remains exercisable until 2022.

2.3 Scope and costs of the program

LTIP 2021 will be accounted for in accordance with “IFRS 2 – Share-based payments”. IFRS 2 stipulates that the Options shall be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the Company’s cash flow. Social security costs will be expensed in the income statement according to UFR 7 during the vesting period.

Assuming a share price at the time of allocation of SEK 1.40 and that all Options are vested and exercised up-front, the annual cost for LTIP 2021 according to IFRS 2 is estimated to approximately SEK 6,23 million per year before tax and approximately SEK 18.69 million over the lifespan of the program. Within these amounts, the annual and total costs for Options granted in 2021 are estimated to be approximately SEK 5.57 million and SEK 16.71 million respectively. Since the social security costs associated with LTIP 2021 are covered by hedging measures through the issue of warrants, which will be exercised by a financial intermediary in connection with the exercise of the Options, the social security costs associated with LTIP 2021, estimated at 25 percent, will be fully covered. The hedging measures will instead result in an additional dilution of the Company’s current shareholders (which is included in the dilution calculations presented under the heading “Dilution” above). Further, the costs associated with the establishment and administration of LTIP 2021 are estimated to be a total of SEK 850,000 upto the vesting period. In addition, minor brokerage costs will arise in connection with the exercise of hedging warrants by a financial intermediary.

The costs associated with LTIP 2021 are expected to have a marginal effect on the Company’s key performance indicators.

2.4 Majority requirement

A valid resolution in respect of item 16b above requires that the proposal is supported by shareholders holding at least nine-tenths of both the votes cast and the shares represented at the Annual General Meeting.

3 PROPOSAL REGARDING AUTHORIZATION FOR THE BOARD OF DIRECTORS TO ENTER INTO EQUITY SWAP ARRANGEMENTS TO COVER OBLIGATIONS UNDER LTIP 2021 (ITEM 16C)

3.1 Equity swap arrangements

The Board of Directors proposes that the Annual General Meeting authorizes the Board of Directors to pass a resolution, on one or more occasions, for the period up until the next Meeting, to direct the Company to enter into one or more equity swap agreements with a third party (e.g., a bank), on terms and conditions in accordance with market practice, to hedge the obligations of the Company under LTIP 2021. Under such equity swap arrangements, in exchange for certain fees paid by the Company, the third party acquires (in its

own name) such number of shares in the Company as are necessary to cover the Company's obligations under the LTIP 2021 and then, transfer (in its own name) such shares to the participants per the terms of the LTIP 2021.

3.2 Scope and costs of the program

LTIP 2021 will be accounted for in accordance with "IFRS 2 – Share-based payments". IFRS 2 stipulates that the Options shall be expensed as personnel costs over the vesting period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the Company's cash flow. Social security costs will be expensed in the income statement according to UFR 7 during the vesting period.

Assuming a share price at the time of allocation of SEK 1.40 and that all Options are vested and exercised up-front, the annual cost for LTIP 2021 according to IFRS 2 is estimated to approximately SEK 6,23 million per year before tax and approximately SEK 18,69 million over the lifespan of the program. Within these amounts, the annual and total costs for Options granted in 2021 are estimated to be approximately SEK 5,57 million and SEK 16,71 million respectively. Further, the costs associated with the establishment and administration of LTIP 2021 are estimated to a total of SEK 850,000. The costs associated with LTIP 2021 are expected to have a marginal effect on the Company's key performance indicators.

The costs above do not include the costs for entering into equity swap arrangements with a third party.