

# **Proposal for resolution regarding (a) amendment of the LTIP 2021–2026 incentive program, (b) approval of transfer of treasury instruments issued in connection with the LTIP 2021–2026 incentive program and (c) exchange of outstanding stock options**

## **Background and reasons**

In 2021, Oatly Group AB (publ) (the “**Company**” or “**Oatly**”) adopted an incentive award plan (the “**Oatly Incentive Plan**”) under which the Company may, subject to approval by the shareholders at a general meeting, issue different types of awards, including stock options, restricted stock units (“**RSU**”) and other incentive awards.

Pursuant to the Oatly Incentive Plan, an extraordinary general meeting held on 6 May 2021 resolved to implement a long-term group-wide incentive program for members of the group management, key employees and other employees in the Company and within the Oatly group, as well as consultants who work full-time for the Oatly group and over a longer period (“**LTIP 2021–2026**”). LTIP 2021-2026 was amended through a resolution at the annual general meeting on 25 May 2023.

As of the date of this proposal, a total of 20,466,805 stock options and 8,235,384 RSUs are outstanding, *i.e.* are still subject to vesting or, for stock options, have vested and not been exercised (and have not otherwise expired, lapsed or terminated) under LTIP 2021-2026.

In connection with the implementation of LTIP 2021–2026, the Company issued a total of 68,106,582 warrants (Sw. *teckningsoptioner*) for purposes of securing delivery of shares, warrants or American depository shares in the Company (“**ADS**”) upon exercise of RSUs and stock options granted in LTIP 2021–2026. Based on the number of RSUs and stock options outstanding as of the date of this resolution proposal, 36,197,277 of the warrants issued in connection with the implementation of LTIP 2021–2026 remain to be used for hedging purposes. In addition, the Company may, pursuant to the Oatly Incentive Plan, also apply any warrants that become available if any award granted under the Oatly Incentive Plan expires, lapses or is terminated. Such warrants that are or may become available as hedging instruments for future grants under the Oatly Incentive Plan are in this resolution referred to as “**Treasury Warrants**”.

The board of directors of Oatly now proposes that the general meeting resolves on an amendment of LTIP 2021–2026 entailing certain changes to allocation principles and certain terms and conditions relating to vesting of stock options and RSUs granted under LTIP 2021–2026. The proposed changes in allocation principles aim to enable grants to a greater number of participants and to achieve appropriate and proportional annual allocations over the remaining duration of LTIP 2021-2026.

Further, the board of directors proposes that Oatly carries out an option exchange process, through which the Company intends to offer holders of outstanding stock options the opportunity to exchange such stock options for new RSUs (with special vesting conditions), as further set out in this proposal (the “**2024 Option Exchange Program**”).

The proposal on an amendment of LTIP 2021–2026 and the 2024 Option Exchange Program has been put forward as the remuneration committee and the board of directors determines that the amendment and the exchange program are of importance and in the best interests of Oatly and its shareholders for purposes of enabling the Company to attract and retain critical talent for current and future members of

the executive management team, top key personnel, selected senior key personnel, selected mid-level personnel and other personnel.

In view of the above, the board of directors proposes that the general meeting resolves on an amendment of LTIP 2021–2026, the 2024 Option Exchange Program, and on approval of transfer of Treasury Instruments (as defined below) in accordance with items (a), (b) and (c) below. The resolutions under items (a) and (b) are proposed to be conditional upon each other and for that reason it is proposed that such resolutions are passed as one resolution.

The terms and conditions of this resolution to amend LTIP 2021–2026 shall replace the terms and conditions of the resolution approved at the annual general meeting held on 25 May 2023 and shall apply to grants made after the date of this resolution. In the event this resolution is not passed, the current terms and conditions of LTIP 2021–2026 will remain in force in accordance with the resolution passed at the annual general meeting held on 25 May 2023.

### **Item 16(a) – Proposal on amendment of LTIP 2021–2026**

The board of directors proposes that the general meeting resolves to amend LTIP 2021–2026. LTIP 2021–2026 was implemented, and is amended, under and pursuant to the Oatly Incentive Plan. Please refer to the section *Terms and conditions of the Oatly Incentive Plan* below.

Following the amendment, LTIP 2021–2026 is proposed to include grants of stock options and RSUs (together, “**Awards**”) to current and future members of the executive management team, top key personnel, selected senior key personnel, selected mid-level personnel and other personnel. In addition to the 20,466,805 stock options and 8,235,384 RSUs outstanding under LTIP 2021–2026 as of the date of this resolution proposal, 36,197,277 Awards may be granted under LTIP 2021–2026, in accordance with the terms and conditions of the Oatly Incentive Plan and the principal terms and conditions set out below. The number of Awards to be issued under LTIP 2021–2026 may change if shareholders approve and Oatly implements the 2024 Option Exchange Program, and the holders of outstanding stock options elect to exchange these against new RSUs.

If, pursuant to the Oatly Incentive Plan, the number of Treasury Warrants should exceed the total number of Awards contemplated by this resolution proposal, the number of stock options and RSUs, respectively, shall be increased in proportion with the number originally contemplated by this resolution proposal in accordance with the principles set out in the section *Allocation principles, etc.* below.

#### **LTIP 2021–2026 – Stock Options (with Treasury Warrants as a hedging arrangement)**

Each stock option entitles the holder to acquire either one share in the Company, one Treasury Warrant or one ADS in accordance with the following terms and conditions:

- (i) Stock options may be granted without consideration no later than 31 December 2026.
- (ii) Stock options may be granted to the chief executive officer, members of the executive management team and top key personnel, and selected senior key personnel, as set out below under the section *Allocation principles, etc.*
- (iii) Each stock option entitles the holder to acquire, as determined by the board of directors, either (a) one share in the Company; (b) one Treasury Warrant; or (c) one ADS, each at an exercise price equal to 100% of the fair market value of the relevant instrument, as determined in accordance with the Oatly Incentive Plan.

- (iv) The stock options will be subject to time-based vesting requirements. The stock options will vest and become exercisable in equal instalments on each of the first three annual vesting dates falling after the grant date. The first annual vesting date shall not fall earlier than six months following the date of grant, and the second and third annual vesting dates shall fall no earlier than the first and second anniversary of the first annual vesting date. Vesting is conditional upon the participant remaining employed or engaged by the Oatly group at the applicable vesting date. If the participant has ceased to be employed or engaged by the Oatly group due to the group's termination without Cause or due to death, Disability or Qualifying Retirement (as such terms are defined in the Oatly Incentive Plan), any unvested stock options may become immediately vested and exercisable.
- (v) The stock options may not be transferred or pledged.
- (vi) Upon vesting, stock options will remain exercisable for a period of up to five years (and in no event will be exercisable for longer than ten years from the grant date), provided that the holder does not cease to be employed or engaged by the Oatly group (in which case the stock options will be exercisable for a maximum period of one year from the date the holder ceased to be employed or engaged by the group).
- (vii) The terms and conditions for the stock options granted under LTIP 2021–2026 may differ between countries due to differences in local legislation, however the terms and conditions may not be more favourable for participants than the terms and conditions of this resolution proposal.

#### **LTIP 2021–2026 – RSUs (with Treasury Warrants as a hedging arrangement)**

The Company may grant participants RSUs, each giving the holder a right, subject to certain vesting conditions being met, to receive, as determined by the board of directors, either (i) one share in the Company; (ii) one Treasury Warrant; or (iii) one ADS, in each case free of charge or at an exercise price equal to the quota value of the Company's share at the time of exercise of the RSU. The following terms and conditions shall apply to the RSUs:

- (i) RSUs may be granted without consideration no later than 31 December 2026.
- (ii) RSUs may be granted to the chief executive officer, members of the executive management team and top key personnel, selected senior key personnel, selected mid-level personnel and other personnel, as set out below under the section *Allocation principles, etc.*
- (iii) The RSUs granted will be subject to time-based vesting requirements. The RSUs will vest and become exercisable in equal instalments on each of the first three annual vesting dates falling after the grant date. The first annual vesting date shall not fall earlier than six months following the date of grant, and the second and third annual vesting date shall fall no earlier than the first and second anniversary of the first annual vesting date. Vesting is conditional upon the participant remaining employed or engaged by the Oatly group at the applicable vesting date. If the participant has ceased to be employed or engaged by the Oatly group due to the group's termination without Cause or due to death, Disability or Qualifying Retirement (as such terms are defined in the Oatly Incentive Plan), any unvested RSUs may become immediately vested and exercisable.
- (iv) The RSUs may not be transferred or pledged.
- (v) The terms and conditions for the RSUs granted under LTIP 2021–2026 may differ between countries due to differences in local legislation, however the terms and conditions may not be more favourable for participants than the terms and conditions of this resolution proposal.

## **Recalculation due to share split, reverse share split, etc.**

The exercise price, and the number of shares, Treasury Warrants or ADSs, that each stock option or RSU entitles to subscription for will be adjusted in the event of a share split, reverse split, ADS ratio change, etc. pursuant to the terms of the Oatly Incentive Plan.

## **Allocation principles, etc.**

### General

The participants' right to be granted stock options and RSUs following the general meetings' resolution have been differentiated with reference to position, responsibility and working performance in the Oatly group. The participants have for this reason been divided into the below five categories, which may each comprise current and future employees or long-term consultants of the Oatly group.

The right to be granted stock options or RSUs out of LTIP 2021–2026 shall be reserved for participants in Categories A, B, C, D and E. Stock options and RSUs may be granted on one or more occasions during each financial year, but grants may not be made to a greater number of participants per Category and financial year than the maximum number set out below:

- **Category A: CEO (not more than one participant per financial year)**
- **Category B: Other members of the executive management team and top key personnel (not more than 25 participants per financial year)**
- **Category C: Selected senior key personnel (not more than 975 participants per financial year)**
- **Category D: Selected mid-level key personnel (not more than 999 participants per financial year)**
- **Category E: Other personnel (not more than 2,000 participants per financial year)**

The below allocation principles shall apply to the grant of stock options and RSUs within, respectively, Categories A, B, C, D and E. The maximum numbers listed below shall apply for each financial year irrespective of whether grants are made on one or more occasions and the board of directors shall not be prevented from allocating less Awards than the maximum numbers set out in the tables below. The board of directors intend to apply the allocation principles with an aim to achieve an appropriate allocation size on an annual basis. The size of annual allocations may vary depending on, among other things, individual seniority, total compensation mix, personnel changes and fluctuations in the market price of the Company's ADSs. Further, the total number of Awards granted may never exceed the number of Treasury Warrants available to secure the settlement of Awards. Thus, the number of Awards available to be granted during individual years for the duration of LTIP 2021–2026 may vary depending on the outcome of such factors. The development of such factors may entail that the number of Treasury Warrants available for grants during later years of LTIP 2021–2026 are insufficient to achieve a proportional annual allocation.

### Maximum allocation per participant and year within each Category

The below table outlines the maximum number of each type of Awards that may be allocated per participant and year within each Category. The column *All Awards* indicates the total maximum number of Awards that may be allocated to any participant within each Category per year, irrespective of how the number is distributed among the types of Awards.

	<b>Stock options</b> Maximum number per participant and year	<b>RSUs</b> Maximum number per participant and year	<b>All Awards</b> Total maximum number of Awards per participant and year
<b>Category A:</b>	1,687,500	1,200,000	2,887,500
<b>Category B:</b>	1,687,500	1,200,000	2,887,500
<b>Category C:</b>	612,500	118,750	731,250
<b>Category D:</b>	N/A	5,000	5,000
<b>Category E:</b>	N/A	2,500	2,500

Maximum allocation within each Category

The below table outlines the total maximum number of each type of Award that may be allocated within each Category per year. The column *All Awards* indicates the total maximum number of Awards that may be allocated within each Category and year, irrespective of how the number is distributed among the types of Awards.

	<b>Stock options</b> Maximum number within the Category per year	<b>RSUs</b> Maximum number within the Category per year	<b>All Awards</b> Total maximum number of Awards per Category and year
<b>Category A:</b>	1,687,500	1,200,000	2,887,500
<b>Category B:</b>	6,104,431	3,930,098	10,034,529
<b>Category C:</b>	3,100,625	4,266,259	7,366,884
<b>Category D:</b>	N/A	2,747,250	2,747,250
<b>Category E:</b>	N/A	3,000,000	3,000,000

Adjustments for additional available Treasury Warrants

The numbers of Awards available to be granted within each Category per year are based on the total of approximately 36,197,277 Treasury Warrants available as hedging instruments for future grants as of the date of this resolution proposal, and the number of years remaining of LTIP 2021–2026. If additional Treasury Warrants become available for grants, *inter alia* due to the expiration, lapsing or termination of grants made prior to or following this resolution proposal, due to the maximum number of Awards not having been allocated during any year, and/or the 2024 Option Exchange Program, such additional available Treasury Warrants shall be applied to increase the number of stock options and RSUs available to be granted during the remaining years of LTIP 2021–2026 in accordance with the following principles:

- (i) The number of additional Treasury Warrants having become available as hedging instruments during a year shall be divided by the number of years remaining up to and including 2026 (such calculation to include the year the hedging instruments have become available), and the quotient

shall then increase the maximum number of stock options and RSUs available to be granted in Categories A, B, C, D and E in proportion to the maximum number of Awards in each Category as stated in the table above.

- (ii) The maximum number of participants per year in each Category and the maximum number of Awards per participant in each category may not be exceeded.

#### Non-allocated Awards

In the event all stock options or RSUs within Categories A, B, C, D and E are not granted, such non-granted stock options and RSUs may be offered to participants in another category with less stock options and/or RSUs available for allotment during the relevant financial year. The maximum number of stock options and/or RSUs per participant within each category as set out above may however not be exceeded for any individual.

#### **Settlement**

The board of directors shall be entitled to decide that participants may, instead of delivery of Treasury Warrants, ADSs or shares in the Company, be offered cash settlement upon exercise of stock options or RSUs granted under LTIP 2021–2026 in accordance with the provisions of the Oatly Incentive Plan.

#### **Item 16(b) – Proposal on approval of transfer of Treasury Instruments**

Oatly retains, and will in the future retain, the Treasury Warrants. Each Treasury Warrant gives a right to subscribe for one share in the Company at a price equal to the quota value of the Company's share (currently SEK 0.0015) before or on 31 December 2040.

The board of directors proposes that the general meeting approves that transfers of Treasury Warrants, shares or ADSs resulting from the exercise of the Treasury Warrants (jointly the “**Treasury Instruments**”) may occur on the following terms and conditions:

- (i) The right to acquire Treasury Instruments shall be granted to participants covered by the terms and conditions of LTIP 2021–2026 (as amended, including for the avoidance of doubt in relation to the 2024 Option Exchange Program). Transfers may be made against no consideration, against consideration corresponding to the quota value of shares in the Company or against consideration in another amount, in each case pursuant to the terms of Awards granted under LTIP 2021–2026.
- (ii) Treasury Instruments may be transferred to third parties engaged or established for settlement of exercises of Awards within LTIP 2021–2026 and ancillary services, or otherwise sold or disposed of, for purposes of securing delivery of shares or ADSs or otherwise settling exercises of Awards under LTIP 2021–2026. Treasury Instruments may be transferred to and by such third parties against no consideration, against consideration corresponding to the quota value of shares in the Company or against consideration in another amount.
- (iii) Treasury Instruments may be transferred during such periods as may be necessary or appropriate for purposes of securing delivery of shares or ADSs or otherwise settling exercises of Awards under LTIP 2021–2026.
- (iv) The number of ADSs in the Company that may be transferred under LTIP 2021–2026 may be subject to recalculation in the event of a split, reverse split, ADS ratio change, etc. pursuant to the terms of the Oatly Incentive Plan.

For the avoidance of doubt, the approval of transfers of Treasury Instruments under this Item 16(b) shall not be deemed to limit, restrict or prevent any assignment, transfer or other disposal of warrants in the

Company approved by the extraordinary general meeting held on 6 May 2021 or the annual general meeting on 25 May 2023 with respect to grants of RSUs or stock options made prior to the approval of this resolution proposal, and transfer of such warrants may also occur on the terms and conditions of this Item 16(b).

### **Item 16(c) – Proposal regarding 2024 Option Exchange Program**

Between May 2021 and July 2023, the Company granted stock options on several occasions to approximately 38 senior key employees (the “**Exchange Holders**”). As of the date of this proposal, a total of 18,964,730 stock options are outstanding and held by the Exchange Holders (the “**Relevant Options**”).

The Relevant Options have an exercise price between USD 17.00 and USD 1.56 (equal to 100% of the fair market value of an ADS at the time of grant of the relevant stock option). The exercise price for each Relevant Option is thus greater than the market value of an ADS in the Company as of the date of this proposal (often referred to as “underwater” or “out-of-the-money”).

Given the period of time that some Relevant Options have remained significantly underwater, and the need to retain and continuously incentivize our senior key employees, the remuneration committee and the board of directors consider that it is in the best interest of the Company to create the 2024 Option Exchange Program.

The 2024 Option Exchange Program will provide a retention benefit for the senior key employees, while reducing the need to grant additional equity awards. Further, as a result of the Exchange RSUs (as defined below) having a new vesting period compared to the Relevant Options, the senior key employees will be better retained for an additional period of time.

The board of directors therefore proposes that Oatly carries out the 2024 Option Exchange Program through which the Company will offer the Exchange Holders the opportunity to exchange the Relevant Options for new RSUs with special vesting conditions (the “**Exchange RSUs**”), as further set out below.

The terms and conditions set out in this section *Item 16(c) – Proposal regarding 2024 Option Exchange Program* shall prevail and apply notwithstanding anything contrary set out otherwise in this proposal.

- The offer to exchange the Relevant Options against Exchange RSUs (the “**Exchange Offer**”) shall be made to all Exchange Holders. Notwithstanding the foregoing, the board of directors shall, provided that this is allowed under the Oatly Incentive Plan and applicable rules and laws, have the right to exclude individual Exchange Holders from the Exchange Offer if this is deemed to be in the best interest of the Company and/or if the Exchange Offer cannot be directed to certain Exchange Holder(s) due to applicable rules and laws.
- The Exchange Offer shall be made no later than 31 December 2024.
- The Exchange Holders shall be offered the opportunity to receive such number of Exchange RSUs as is equal in value to the Relevant Options being exchanged by the Exchange Holder, provided, however, that one Relevant Option shall never entitle to more than one Exchange RSU. The total number of Exchange RSUs that can be granted under the Option Exchange Program will accordingly be limited to 18,964,730 (equal to the number of Relevant Options).

- The value of each Relevant Option and each Exchange RSU shall be calculated using the Black–Scholes formula, and be based on the weighted average price of the Company’s ADS for a period of at least twenty trading days prior to the Exchange Offer. Assuming a weighted average price of the Company’s ADS for the relevant period of USD 1.00, one Relevant Option would entitle the Exchange Holder to approximately 0.04 to 0.48 Exchange RSUs (depending on the exercise price for the Relevant Option). Assuming a weighted average price of the Company’s ADS for the relevant period of USD 1.50, one Relevant Option would entitle the Exchange Holder to approximately 0.07 to 0.59 Exchange RSUs (depending on the exercise price for the Relevant Option). The total number of Exchange RSUs that an Exchange Holder shall receive will be rounded down to the nearest whole number.
- The terms and conditions for RSUs set out in the section *Item 16(a) – Proposal on amendment of LTIP 2021–2026* above shall apply to the Exchange RSUs, subject to the following:
  - Exchange RSUs may be granted without consideration no later than 31 December 2024.
  - Exchange RSUs may only be granted to Exchange Holders that accept the Exchange Offer and exchange Relevant Options.
  - The allocation principles and maximum allocation restrictions set out in the section *Allocation principles, etc.* above shall not apply to the Exchange RSUs, and the Exchange RSUs shall not be counted towards such maximum allocation restrictions.
  - Exchange RSUs granted will be subject to time-based vesting requirements. The granted Exchange RSUs will vest and become exercisable in equal instalments on each of the first two annual vesting dates falling after the grant date. The first annual vesting date shall not fall earlier than six months following the date of grant, and the second annual vesting date shall fall no earlier than the first anniversary of the first annual vesting date. Vesting is conditional upon the participant remaining employed or engaged by the Oatly group at the applicable vesting date. If the participant has ceased to be employed or engaged by the Oatly group due to the group’s termination without Cause or due to death, Disability or Qualifying Retirement (as such terms are defined in the Oatly Incentive Plan), any unvested Exchange RSUs may become immediately vested and exercisable.
  - The terms and conditions for the Exchange RSUs may differ between countries due to differences in local legislation, however the terms and conditions may not be more favourable for participants than the terms and conditions of this resolution proposal.

## **Additional information**

### **Dilution**

Upon exercise of all Treasury Warrants, together with all the warrants used as hedging instruments under LTIP 2021–2026 that have already been exercised, 68,106,582 shares in the Company may be issued, equivalent to a total dilution of approximately 10.27% of the shares and votes in the Company as of the date of this resolution proposal. Upon exercise of all Treasury Warrants and the other warrants

used as hedging instruments under LTIP 2021–2026, the Company’s share capital will increase with SEK 102,159.873.

The currently retained Treasury Warrants were initially issued as hedging instruments in connection with the original resolution to implement LTIP 2021–2026 but are not currently used in order to secure settlement of Awards. Accordingly, the amendment of LTIP 2021–2026 will not lead to any dilution in excess of the dilution that would have occurred if LTIP 2021–2026 had been fully allocated to participants and exercised in accordance with its current terms.

The above dilution calculations have been based on the maximum number of shares and votes which may be issued upon exercise of warrants, divided by the total number of shares and votes in the Company after such issues.

### **Preparation of the proposal**

This proposal has been prepared by the Company’s remuneration committee together with external advisers.

### **Majority requirements**

A resolution to approve this proposal is valid only where supported by shareholders holding not less than nine-tenths (9/10) of both the shares voted for and of the shares represented at the general meeting.

### **Authorization**

The board of directors, or the person(s) appointed by the board of directors, shall be authorized to make minor adjustments to this proposal to the extent deemed necessary or appropriate due to foreign applicable rules and laws.

### **Overview of outstanding share-related incentive programs**

LTIP 2021–2026 is the only currently outstanding incentive program in the Company. As of the date of this proposal, in total 20,466,805 stock options and 8,235,384 RSUs are outstanding. Upon exercise of all stock options and RSUs already granted under LTIP 2021–2026, a total of 28,702,189 shares in the Company may be issued, equivalent to a dilution of approximately 4.60% (based on the maximum number of shares and votes which may be issued, divided by the total number of shares and votes in the Company after such issues).

### **Terms and conditions of the Oatly Incentive Plan**

The complete terms and conditions of the Oatly Incentive Plan is included in Oatly’s post-effective amendment of a Form S-8 Registration Statement under the Securities Act of 1933, filed with the United States Securities Exchange Commission on 4 May 2022, available on the following link: <https://investors.oatly.com/sec-filings/sec-filing/s-8-pos/0001193125-22-140659>.