

Proposal for resolution regarding (a) amendment of the LTIP 2021–2026 incentive program and (b) approval of transfer of treasury warrants issued in connection with the LTIP 2021–2026 incentive program

Background and reasons

Oatly Group AB (publ) (the “**Company**” or “**Oatly**”) has in 2021 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 currently comprises a total maximum of 28,936,359 RSUs and 39,170,223 stock options, of which a total of 9,069,498 RSUs and 15,443,383 stock options granted to participants are outstanding or have vested as of the date of this proposal.

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 or vested as of the date of this resolution proposal, 43,593,701 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 duration of LTIP 2021-2026 by establishing allocation limits calculated on an annual basis. The proposed changes in vesting terms and conditions aim to reduce administration and costs, as well as to facilitate grants in connection with new hires, by aligning the vesting schedule with the annual vesting period generally applied by Oatly.

The proposal on an amendment of LTIP 2021–2026 has been put forward as the remuneration committee and the board of directors determines that such amendment is 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 and on approval of transfer of Treasury Warrants in accordance with items (a) and

(b) below. The resolutions under items (a) and (b) are proposed to be conditional upon each other and for that reason it is proposed that both 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 by the extraordinary general meeting held 6 May 2021 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 by the extraordinary general meeting held on 6 May 2021.

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 9,069,498 RSUs and 15,443,383 stock options outstanding or vested under LTIP 2021–2026 as of the date of this resolution proposal, 43,593,701 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. 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, respectively, stock options and RSUs 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 (1) share in the Company, one (1) Treasury Warrant or one (1) 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 (1) share in the Company; (b) one (1) Treasury Warrant; or (c) one (1) ADS, each at an exercise price equal to 100 per cent 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 (3) annual vesting dates falling after the grant date. The first annual vesting date shall not fall earlier than six (6) 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 (5) years (and in no event will be exercisable for longer than ten (10) 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 (1) 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 (1) share in the Company; (ii) one (1) Treasury Warrant; or (iii) one (1) ADS, in each case free of charge or to 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 (3) annual vesting dates falling after the grant date. The first annual vesting date shall not fall earlier than *six (6)* 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 stock options 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 that each stock option or RSU entitles to subscription for will be adjusted in the event of a share split, reverse split, 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 (5) 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 (1) 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 (1) 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.

	Stock options Maximum number per participant and year	RSUs Maximum number per participant and year	All Awards Total maximum number of Awards per participant and year
Category A:	1,687,500	675,000	2,362,500

Category B:	1,376,570	346,618	1,723,188
Category C:	612,500	118,750	731,250
Category D:	N/A	5,000	5,000
Category E:	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.

	Stock options Maximum number within the Category per year	RSUs Maximum number within the Category per year	All Awards Total maximum number of Awards per Category and year
Category A:	1,687,500	675,000	2,362,500
Category B:	5,793,501	3,930,098	9,723,599
Category C:	3,100,625	4,266,259	7,366,884
Category D:	N/A	2,747,250	2,747,250
Category E:	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 43.6 million 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, or due to the maximum number of Awards not having been allocated during any year, 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:

- (a) The number of additional Treasury Warrants having become available as hedging instruments during the previous year shall be divided by the number of years remaining up to and including 2026, 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.
- (b) 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 Warrants

Oatly retains, and will in the future retain, the Treasury Warrants (43,593,701 Treasury Warrants are retained as of the date of this resolution proposal). Each Treasury Warrant gives a right to subscribe for one (1) 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). 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, 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 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).

Additional information

Dilution

Upon exercise of all Treasury Warrants currently held by the Company, 43,593,701 shares in the Company may be issued, equivalent to a maximum dilution of approximately 6.85 per cent of the shares and votes in the Company as of the date of this resolution proposal. Upon exercise of all Treasury Warrants, the Company's share capital will increase with SEK 65,390.5515.

Upon exercise of all Treasury Warrants, together with all the warrants used as hedging instruments for grants of stock options and RSUs already granted under LTIP 2021–2026, 68,106,582 shares in the Company may be issued, equivalent to a total dilution of approximately 10.31 per cent 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. Prior to the amendment of LTIP 2021–2026 contemplated by this resolution proposal, stock options and RSUs under LTIP 2021–2026 may be granted to eight (8) different categories of employees and consultants in the Oatly group. In total 15,443,383 stock options and 9,069,498 RSUs are outstanding or have vested. Upon exercise of all stock options and RSUs already granted under LTIP 2021–2026, a total of 24,512,881 shares in the Company may be issued, equivalent to a dilution of approximately 3.97 per cent.

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>.