



Proposal by the Board of Directors for an incentive program for the Group Management by way of (A) directed issue of subscription warrants and (B) transfer of subscription warrants of series 2022/2025

The Board of Directors of GARO Aktiebolag (publ) (“**GARO**” or the “**Company**”) proposes that the Annual General Meeting (the “**AGM**”) 2022 resolves on an incentive program for the Group Management (the “**Participants**”) based on issue and transfer of subscription warrants (“**Warrant Program 2022/2025**”) on the following conditions.

The purpose of the incentive program is to, in an easy way, offer the Group Management the opportunity to take part in the long-term increase in value that is related to GARO’s joint goals and the strategic initiatives that shall be given priority within the group. The Board of Directors believes that it is of benefit to the Company and the shareholders that the Participants are in this way given a personal ownership commitment in the Company. An incentive program is also expected to contribute to the possibilities to recruit and retain competent, motivated and committed employees and to being a competitive and attractive employer on a fast-growing market. The structure of the program with a three-year term is estimated to contribute to the fulfilment of the Company’s long-term business plan, strategy and financial targets.

A. Issue of subscription warrants

In order to implement the Warrant Program 2022/2025, the Board proposes that the AGM resolves on a directed issue of subscription warrants with deviation from the shareholders’ preferential right on the following conditions.

1. A maximum of 200,000 subscription warrants shall be issued.
2. The right to subscribe for the subscription warrants shall, with deviation from the shareholders’ preferential right, be granted to the Company, with right and obligation for the Company to transfer the subscription warrants to the Group Management in the GARO Group, in accordance with the principles below. The Company shall not be entitled to dispose of the subscription warrants in any other way.
3. The subscription warrants shall be issued free of charge to the Company.
4. Subscription for the subscription warrants shall be made on 30 June 2022 at the latest, with a right for the Board to extend the subscription period.
5. Each subscription warrant shall entitle to subscription for one (1) share in the Company.
6. Subscription for shares by virtue of the subscription warrants may be effected as from 5 June 2025 – 30 June 2025. There will be no over-subscription.
7. The subscription price per share shall correspond to 120 percent of the volume weighted average share price according to Nasdaq Stockholm’s official price list for share in the Company during the period from and including 12 May 2022 up to and including 25 May 2022.

8. If all subscription warrants are exercised for subscription of new shares, the share capital will increase by a maximum of SEK 80,000.
9. Shares that have been subscribed for by virtue of the subscription warrants will entitle to dividends as of the first record date for dividends occurring immediately after the shares have been registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*).
10. If the subscription price at subscription for new shares exceeds the quota value of the previous shares, the surplus amount shall be contributed to the unrestricted premium reserve.
11. The subscription warrants may be subject to re-calculation in accordance with customary principles for re-calculation due to, *inter alia*, bonus issue, consolidation or share split, rights issue or similar events.
12. The complete terms and conditions for the subscription warrants are set forth in the "*Terms and conditions for subscription warrants series 2022/2025*", Appendix 1.

B. Transfer of subscription warrants

In order to implement the Warrant Program 2022/2025, the Board proposes that the AGM resolves to approve that transfer of subscription warrants is made from the Company to the Participants on the following conditions.

1. The subscription warrants shall be transferred by the Company, on one or several occasions, to employees within the GARO Group in accordance with the guidelines stated below.
2. A maximum of 200,000 subscription warrants of series 2022/2025 may be transferred.
3. Transfer of the subscription warrants shall be made for a consideration corresponding to the market value of the subscription warrants at the time of transfer, to be established by an independent valuation institute, by application of the Black & Scholes valuation method, based on the market conditions at the time of transfer. The valuation is based on the variables risk-free interest rate, volatility, the term of the subscription warrants, expected share dividends during the term of the subscription warrants, the share price at the time of transfer and the subscription price for shares when exercising the subscription warrants (strike price).
4. Right to acquire subscription warrants shall, with deviation from the shareholders' preferential right, accrue to the Participants in accordance with the following guidelines:

Category	Number of subscription warrants
CEO	Maximum 50,000
Group Management (4 persons)	Maximum 25,000 per person

The first allotment is expected to take place during June 2022. There will be no over-subscription.

5. The total number of subscription warrants issued in Warrants Program 2022/2025 exceeds the number of subscription warrants expected to be allotted in the first allotment. The subscription warrants remaining after the first allotment may be allotted to future employees or employees who have been promoted at market value, applicable from time to time, in accordance with the allotment principles stated above, whereby the above stated number of employees in each category may be changed. Transfer of subscription warrants may not occur after the AGM 2023.
6. Right to allotment in the Warrants Program 2022/2025 requires that the employee, at the time for allotment, holds its position or has signed an agreement regarding it and has not, at such time, informed or been informed that the employment will be terminated.
7. When acquiring the subscription warrants, the warrant holder shall enter into a pre-emption agreement with the Company, on customary conditions established by the Board. The agreement shall entitle the Board, under certain circumstances and in whole or in part, to reclaim acquired subscription warrants (or value received from dispositions of subscription warrants), subject to the limitations which may follow from applicable law.

Reason for deviation from the shareholders' preferential right

The reason for the deviation from the shareholders' preferential right is that the Board wishes to create an incentive program which offers the Group Management the opportunity to take part in the long-term increase in value of the Company share. The basis for the subscription price is the market value of the share at the time of issue.

Participants in other jurisdictions

For participants in jurisdictions other than Sweden, it is implied that the further transfer of the subscription warrants is legally possible and that further transfer, in the Board's opinion, can be carried out with reasonable administrative and financial efforts at their established market value. The Board shall have the right to adjust the terms of the Warrants Program 2022/2025 to the extent required in order for allotment and exercise of subscription warrants to participants in other jurisdictions, to the extent practically possible, to be carried out under the same conditions imposed by the Warrants Program 2022/2025.

Costs, dilution etc.

The costs for the program will mainly consist of limited costs for the implementation and administration of the program. For this reason, no hedging arrangements for the program have been made.

Assuming that all 200,000 subscription warrants in the Warrants Program 2022/2025 are exercised for subscription of new shares, the Company's share capital will increase by a maximum of SEK 80,000, resulting in a maximum dilution effect equivalent to approximately 0.4 per cent calculated as the number of new shares in proportion to the number of existing shares. The above is subject to re-calculations of the subscription warrants in accordance with the customary terms stated in the complete terms and conditions.

The preparation of the proposal

The Board's proposal has been prepared by the Board's Remuneration Committee and the Board. The Remuneration Committee has consulted the Company's three largest shareholders in

connection with the preparation of the proposal in order to receive feedback and suggestions on the form of the proposal. These shareholders are positive to the final proposal although it shall be noted that they are not legally obliged to support the proposal at the general meeting.

Authorisation

The Board of Directors proposes that the Chairman of the Board, or a person appointed by the Board, is authorised to make any minor adjustments that might be required in connection with registration with the Swedish Companies Registration Office and Euroclear Sweden AB.

Majority requirement

The resolution of the general meeting above is proposed to be adopted as one joint resolution. A valid resolution requires that shareholders representing at least nine tenths (9/10) of the votes cast and the shares represented at the general meeting support the resolution.

Gnosjö in March 2022
GARO Aktiebolag (publ)
The Board of Directors