

## **BOARD OF DIRECTORS' COMPLETE PROPOSAL FOR INCENTIVE PROGRAM 2020 IN TOBII AB (PUBL) (ITEM 16)**

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The Board of Directors proposes that the annual general meeting resolves to implement a new long-term incentive program for employees and consultants with similar terms and conditions as permanent employees within the Tobii group (“**LTI 2020**”) in accordance with the below. LTI 2020 is proposed to include not more than 130 persons within the Tobii group.

### ***Proposal for resolution to adopt LTI 2020***

#### *The program in brief*

LTI 2020 is proposed to include the CEO, other members of the group management and selected other employees and long-term consultants with similar terms and conditions of employment, meaning that LTI 2020 is proposed to include a maximum of 130 individuals within the Tobii group. The participants will be given the opportunity to receive ordinary shares (“**Performance Shares**”) and a cash payment free of charge within the scope of LTI 2020, and in accordance with the terms and conditions set out below.

Within the scope of LTI 2020, the company will allot participants restricted stock units, entailing the right to, subject to certain conditions being met, receive a Performance Share free of charge (“**Restricted Stock Units**”). The company will also allot participants synthetic restricted stock units, entailing the right to, subject to certain conditions being met, the right to receive a cash payment corresponding to the value of one ordinary share at the time of settlement (“**Synthetic Restricted Stock Units**”) and, together with Restricted Stock Units, referred to as “**Stock Units**”).

#### *Terms and conditions*

The last date for allotment of Stock Units pursuant to LTI 2020 shall be the day before the annual general meeting of Tobii 2021. The allocated Stock Units will vest in three annual instalments during the period from the start of LTI 2020 and up to and including 31 May 2024. One third (1/3) of the allocated Stock Units shall be deemed vested on each of 31 May 2022, 2023 and 2024, respectively (each a “**Vesting Date**”).

Stock Units will vest provided that the participant, with certain exceptions, from the start of LTI 2020 for each participant up to and including the respective Vesting Date, is still employed within the Tobii group.

#### *Additional terms and conditions for the CEO and other members of the group management*

In addition to the requirement of the participant’s continued employment pursuant to the above, the final number of Performance Shares and the size of the cash payment that each participant who is a member of Tobii’s group management, including the CEO, is entitled to receive on each Vesting Date shall also be subject to annual growth in the total shareholder return (“**Total Shareholder Return**” or “**TSR**”), including increase in share price plus reinvestment of any dividends, on Tobii’s ordinary share during the period beginning on the start of LTI 2020 through the applicable Vesting Date (each, a “**Vesting Period**”), as specified in the table below.

Share price at the start of LTI 2020 for each participant (SEK)	Average annual growth in Total Shareholder Return (TSR)
47<	5 %
37-47	6 %
31-37	7 %
26-31	8 %
<26	9 %

The Total Shareholder Return for the company's ordinary share must amount to or exceed the values specified above during the Vesting Period, calculated as the average annual shareholder return from start of LTI 2020 to the respective Vesting Date, for vesting to occur. If the Total Shareholder Return for the company's ordinary share falls short of the relevant percentage for a given Vesting Period, Stock Units that are subject to vesting for such Vesting Period will not be vest, and these will be forfeited and become null and void. Any such forfeited Stock Units which have become null and void will not be eligible to vest at a later occasion, even if the Total Shareholder Return for the company's ordinary share at a later point in time exceeds any of the values specified above.

For participants who are members of Tobii's group management, including the CEO, a divestment condition will also apply regarding the Performance Shares received under LTI 2020. For Stock Units to entitle the participant to receive Performance Shares and a cash payment for the Vesting Periods ending on 31 May 2023 and 2024 respectively, it is required that previously obtained Performance Shares under LTI 2020 have not been divested.

#### *The Restricted Stock Units*

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

- The Restricted Stock Units are allotted free of charge no later than the day before the annual general meeting in Tobii 2021.
- The Restricted Stock Units will become vested in three installments over all Vesting Periods, where one third (1/3) shall be deemed vested as of 31 May 2022, 2023 and 2024, respectively.
- The Restricted Stock Units may not be transferred or pledged.
- Each Restricted Stock Unit entitles the participant to receive one Performance Share free of charge after the end of the respective Vesting Period (with certain exceptions where the Vesting Period may be accelerated) if the participant, with certain exceptions, is still employed within the Tobii group by the end of the respective Vesting Period.
- In order to align the interests of the participants and the shareholders', the company will also compensate the participants for dividends paid by recalculating the number of Performance Shares that each unvested Restricted Stock Unit entitle to after the Vesting Period.
- For participants who are members of Tobii's group management, including the CEO, additional performance and divestment conditions apply in accordance with the above.

### *The Synthetic Restricted Stock Units*

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

- The Synthetic Restricted Stock Units are allotted free of charge no later than the day before the annual general meeting in Tobii 2021.
- The Synthetic Restricted Stock Units will become vested in three instalments over all Vesting Periods, where one third (1/3) shall be deemed vested as of 31 May 2022, 2023 and 2024, respectively.
- The Synthetic Restricted Stock Units may not be transferred or pledged.
- Each Synthetic Restricted Stock Unit entitles the participant to, after the end of the respective Vesting Period (with certain exceptions where the Vesting Period may be accelerated), receive a cash payment corresponding to the average volume-weighted value of one ordinary share in Tobii as quoted on Nasdaq Stockholm during the ten trading days immediately prior to the end of each Vesting Period, if the participant, with certain exceptions, is still employed within the Tobii group by the end of the Vesting Period.
- In order to align the interests of the participant and the shareholders', the company will also compensate the participants for dividends paid by recalculating the cash payment that each unvested Synthetic Restricted Stock Unit entitle to after the Vesting Period.
- For participants who are members of Tobii's group management, including the CEO, additional performance and divestment conditions apply in accordance with the above.

### *Allotment*

The participants are divided into three categories; the CEO, Other members of the group management, and Other participants. The number of Stock Units a participant may be allocated is subject to which category such participant belongs.

Up to 50 per cent of the initial allocation consists of Synthetic Restricted Stock Units to cover the tax expense incurred for the participant. The remaining portion consists of Restricted Stock Units.

The allocation within each category is illustrated in the table below.

Category	Maximum number of participants	Maximum number of stock units (whereof up to 50 per cent in Synthetic Restricted Stock Units)	Maximum number of stock units per participant (whereof up to 50 per cent in Synthetic Restricted Stock Units)
CEO	1	70,000	70,000
Other members of the group management	6	334,000	94,000
Other participants	120	332,000	30,000

In total, a maximum of 736,000 Stock Units may be allocated to participants. Stock Units can be issued by the company or other group companies.

#### *Settlement of Restricted Stock Units and Synthetic Restricted Stock Units*

Stock Units that vest upon achievement of the applicable vesting conditions will be settled in Performance Shares or cash (as applicable) within 90 days of the respective Vesting Date.

#### *Preparation of the proposal, design and administration*

The Board of Directors shall be responsible for preparing the detailed design and administration of LTI 2020, subject to the stipulated terms and guidelines including provisions on recalculation in the event of changes in Tobii's capital structure such as an in-between bonus issue, reverse share split, share split, rights issue and/or similar events. In connection therewith, the Board of Directors shall be entitled to make adjustments to meet specific foreign regulations or market conditions. If significant changes in the Tobii group or in its environment would result in a situation where the adopted terms and conditions for allocation and vesting of Stock Units pursuant to LTI 2020 no longer are appropriate, the Board of Directors shall be entitled to make other adjustment including, among other changes, that adjustments may be decided with respect to the terms and conditions for measuring the Performance Conditions for Tobii's group management, including the CEO, and the basis for such calculation, and the growth rate targets under LTI 2020 due to potential effects from or related to Covid-19. Prior to the Board of Directors' determination of the vesting and settlement in accordance with the terms and conditions for the Stock Units, the Board of Directors shall assess if the outcome of LTI 2020 is reasonable. This assessment is made in relation to the company's financial result and position, the conditions on the stock market and in general. If the Board of Directors, in its assessment, deems that the outcome is unreasonable, the Board of Directors shall decrease the number of ordinary shares allocated and reduce the cash payment.

#### *Receiving Performance Shares under LTI 2020 and hedging arrangements*

The Board of Directors has considered different methods for transfer of ordinary shares to participants who have been allocated Restricted Stock Units in order to implement LTI 2020 in a cost-effective and flexible manner. The Board of Directors has found the most cost-effective alternative to be, and thus proposes that the annual general meeting resolves (a) to authorise the Board of Directors to resolve on a directed share issue of not more than 900,000 class C shares to the participating bank, of which not more than 164,000 class C shares may be issued to secure social contributions arising as a result of LTI 2020 and (b) to authorise the Board of Directors to resolve on the repurchase of all issued class C shares in accordance with the below.

Following conversion of the class C shares to ordinary shares, the ordinary shares are intended to be both transferred to LTI 2020 participants as well as sold in the market in order to cover the cash-flow related to social contribution costs associated with LTI 2020. For this purpose, the Board of Directors proposes that the annual general meeting resolves (c) to transfer not more than 736,000 ordinary shares free of charge to participants in accordance with LTI 2020 and that not more than 164,000 ordinary shares may be sold to cover social contribution costs arising as a result of LTI 2020.

#### *Costs and effects on key ratios*

Assuming a share price of SEK 30.00 at the time of allocation and a maximum outcome for LTI 2020, the cost, including estimated charges for social contributions, is estimated to amount to approximately SEK 27.0 million during the full four-year period. The cost corresponds to approximately 3.0 per cent of the payroll expense for the Tobii group 2019. The aggregated maximum cost for the company depends on the development in value of the Tobii share price.

LTI 2020 will be reported in accordance with IFRS 2, which means that the Restricted Stock Units will be expensed as personnel costs and accrued over the Vesting Period. Furthermore, this also means that the Synthetic Restricted Stock Units' fair value at the time of allocation will be expensed

as a personnel costs and accrued over the Vesting Period and continuously be reevaluated at each reporting date.

Given the above assumptions regarding scope and costs, and that LTI 2020 was introduced in 2018 instead, it is estimated that the key figure earnings per share for the financial year 2019 would have decreased from SEK -0.49 to approximately SEK -0.56.

#### *Dilution of existing shares and votes*

Upon maximum allotment of Performance Shares, up to 736,000 ordinary shares may be allocated to participants pursuant to LTI 2020, and 164,000 ordinary shares may be used to secure social contributions arising as a result of LTI 2020, which would entail a maximum dilution effect of approximately 0.9 per cent of the existing number of shares in the company. If all outstanding incentive programs in the company are included in the calculation, the maximum dilution amounts 4.8 per cent.

Information about Tobii's current incentive programs is available in the annual report for the financial year 2019, note 8, and on the company's website, [www.tobii.com](http://www.tobii.com).

#### *Changes in the articles of association*

In order to enable an issue of class C shares pursuant to LTI 2020 as described above, the Board of Directors proposes that the annual general meeting resolves on changes in the articles of association. The proposed changes entails, among other, that a new class of shares will be introduced, class C shares, whereby Section 5 of the articles of association is supplemented.

The Board of Directors proposes the following:

- 5 § shall be supplemented so that shares can be issued in two classes, as ordinary shares and class C shares. The ordinary shares have one vote and the class C shares have 1/10 vote. Shares of any kind can be issued to a number corresponding with the share capital.
- 5 § shall be supplemented so that class C shares do not qualify to dividend. At a dissolution of the company class C shares qualifies to an equal amount of the company's assets as other shares, however not with a higher amount than the equivalent of the quota value.
- 5 § shall be supplemented with specific writings regarding pre-emption rights.
- 5 § shall be supplemented so that the Board of Directors may resolve on reduction of the share capital through redemption of every class C share. Class C shareholders shall be obliged to redeem their class C share to a ransom corresponding to the share's quota value.
- 5 § shall be supplemented so that class C shares owned by the company, upon resolution of the Board of Directors, may be converted to ordinary shares.

The Board of Directors propose that existing shares within the company are ordinary shares.

#### *Authorisation for the Board of Directors to issue new class C shares*

The Board of Directors proposes that the annual general meeting resolves to authorise the Board of Directors, during the period until the annual general meeting 2021 on one or more occasions, to increase the company's share capital by not more than SEK 6,531.240192 by the issue of not more than 900,000 class C shares, each with a quota value of SEK 0.007257. With deviation from the shareholders' pre-emption rights, the participating bank shall be entitled to subscribe for the new class C shares at a subscription price corresponding to the quota value of the shares. The purpose of the authorisation and the reason for the deviation from the shareholders' pre-emption rights in

connection with the issue of shares is to ensure delivery of shares to participants under the long-term incentive program, as well as to secure potential social contributions arising as a result of LTI 2020.

#### *Authorisation for the Board of Directors to repurchase class C shares*

The Board of Directors proposes that the annual general meeting resolves to authorise the Board of Directors, during the period until the annual general meeting 2021, on one or more occasions, to repurchase class C shares. The repurchase may only be effected through an offer directed to all holders of class C shares and shall comprise all outstanding class C shares. Repurchases shall be effected at a purchase price corresponding to the quota value of the share. Payment for the acquired class C shares shall be made in cash. The purpose of the proposed repurchase authorisation is to ensure delivery of Performance Shares under LTI 2020 and to secure possible social contributions arising as a result of LTI 2020.

#### *Decision to transfer own ordinary shares*

The Board of Directors proposes that the annual general meeting resolves that class C shares that the company acquires based on the authorisation to repurchase class C shares in accordance with the above, may, following the re-classification into ordinary shares, be transferred free of charge to participants of LTI 2020 in accordance with the adopted terms and conditions in order to secure possible social contributions arising as a result of LTI 2020.

The Board of Directors therefore proposes that the annual general meeting resolves that not more than 736,000 ordinary shares may be transferred to participants in accordance with the terms and conditions of LTI 2020 and that not more than 164,000 ordinary shares shall be transferred on Nasdaq Stockholm, including through a financial intermediary, at a price within the registered price range at the relevant time, to cover any social contributions in accordance with the terms and conditions of LTI 2020. The number of shares to be transferred is subject to re-calculation in the event of an in-between bonus issue, reverse share split, share split, rights issue and/or similar measures.

#### *The background and rationale for the proposal*

The rationale for the proposal is to create opportunities to increase retention and motivation among strategic key employees and consultants with similar terms and conditions of employment in the group, and to increase the group's ability to attract top talents to strategic positions. The Board of Directors considers that the adopting of the incentive program as described above is in the favor of the group and the shareholders in the company. LTI 2020 has been designed so that the program includes both current and future members of the executive management, other employees and consultants with similar terms and conditions of employment. LTI 2020 also rewards employees' and consultants with similar terms and conditions of employment continued loyalty and thus the long-term value growth of the company. After these considerations, the Board of Directors considers that LTI 2020 will have a positive effect on the future development of the Tobii group and will consequently be beneficial for both the company and its shareholders.

#### *Preparation of the proposal*

In accordance with guidelines provided by the Board of Directors, LTI 2020 has been prepared by the company's Compensation Committee, group management and external advisors and has been reviewed at the meeting of the Board of Directors held on 3 April 2020.

#### *Majority requirement*

A resolution to approve LTI 2020 is valid only where supported by shareholders holding not less than nine-tenths (9/10) of both the shares voted and of the shares represented at the general meeting.

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