

## The Remuneration Policy, including the General Guidelines for Incentive Remuneration, of the Board and Management in Bavarian Nordic A/S

Bavarian Nordic A/S' (the "Company") remuneration policy contains principles for remuneration, as well as the general guidelines for incentive remuneration, of the Board of Directors (the "Board") and the Executive Management.

### 1. Remuneration

#### The Board

Remuneration of the Board consists of the following:

- (i) fixed fees for Board and board committee membership;
- (ii) reimbursement of certain expenses;
- (iii) an overseas-travel fee or a fixed attendance fee; and
- (iv) restricted stock units with a value equivalent to 50% of the fixed fee for Board membership.

Section (iv) is subject to the guidelines described below under section 2.

The fixed fee to the Board for Board membership must be approved annually at the Company's annual general meeting based upon a proposal from the Board. The chairman's fee is 2.5 times and the deputy chairman's fee is 1.5 times the fixed fee of the ordinary Board members.

The members of the board committees will receive an additional fixed fee for committee membership. The chairman of each committee's fee is 1.5 times the fee of the ordinary board committee members.

The Board members' expenses for transportation and housing etc. in connection with Board and board committee meetings shall be reimbursed. In addition to reimbursement of travel expenses, Board members travelling overseas (meaning from the US/Asia to Europe or reverse) to participate in a Board or board committee meeting will receive an overseas-travel fee of USD 5,000 per meeting.

Further, the members of the Board receive a fixed attendance fee for each Board and/or board committee meeting he/she attends to. If a Board member receives an overseas-travel fee, the Board member will not receive an attendance fee for the same meeting. When Board meetings and board committee meetings are held in connection, the Board members shall not be entitled to attendance/overseas-travel fees for more than one meeting.

## Executive Management

Remuneration of the Executive Management consists of the following:

- (i) base wage, pension contribution, company car, certain other benefits and post-employment compensation;
- (ii) cash bonus scheme;
- (iii) participation in share-based incentive schemes; and
- (iv) remuneration for achieving certain milestones within certain deadlines.

Sections (ii), (iii), and (iv) are subject to the guidelines described below under section 2

The base wage of the Executive Management comprises a fixed annual wage. In addition, the members of the Executive Management may receive non-cash compensation such as education, health insurance coverage, company car, company phone, internet and allowances for reallocation expenses. Members not living in their home country may receive housing allowances or compensation for housing expenses or the Company may provide for living accommodation (provided the market value of the house/apartment at the time of first occupancy by the Executive does not exceed DKK 12 million).

Executive Management's expenses for work-related travel, conferences etc. are reimbursed.

## **2. Incentive remuneration**

In accordance with section 139 of the Danish Companies Act, the Board has drawn up the following guidelines for incentive remuneration for the Company's Board and such members of Executive Management, that have been registered with the Danish Business Authority. The Board has decided that the guidelines shall also apply to the incentive remuneration of other non-registered members of the Company's Executive Management who are based in Denmark. Any non-registered members of the Executive Management who are based outside of Denmark may receive different forms of incentive remuneration.

The guidelines cover all incentive remuneration of the Board and Executive Management, which is defined as variable remuneration, including share-based and performance-based schemes in which the amount of the remuneration is not known in advance.

Agreements about incentive remuneration for members of the Board or Executive Management entered into before the adoption of these guidelines will continue on the already agreed terms. Any amendment of existing agreements as well as conclusion of new agreements with the members of the Board and the Executive Management will be subject to the guidelines below.

## General principles

The policy of the Company is that remuneration of the Board and Executive Management must be competitive and comparable to remuneration in other Danish and international enterprises which the Company naturally compares to. It is important to be able to recruit, retain and motivate competent and loyal members to the Company's Board and Executive Management. In the opinion of the Company, remuneration, including incentive remuneration of the Board and the Executive Management, is an important element of this.

It is the opinion of the Board that incentive-based remuneration of the Board and the Executive Management contributes positively to motivating the recipient to deliver that extra performance needed to achieve short-term and long-term goals. Share-based schemes in particular create shared interests between the Board member, the Executive Management and shareholders, which helps to secure the shareholders' interest in increased value creation in the Company.

## Guidelines for cash bonus schemes

The Board has assessed that incentive remuneration in the form of cash bonus can be advantageously offered to the Executive Management for the purpose of, within a short timeline, promoting specific and measurable results within the business area on which the member has an influence.

The cash bonus schemes consist in annually determining the maximum bonus that can be paid to individual members of the Executive Management if they meet their targets for that year. The maximum cash bonus corresponds to six months' basic wage as of the end of the latest financial year, but see below concerning matching shares and separate bonus agreements in exceptional cases.

Targets for the President & CEO are set by the board, and for other members of the Executive Management by the President & CEO and the chairman of the Board. Bonus targets are set in the fourth quarter for the following year but can, in exceptional cases, be linked to targets, which extend over a longer period of time.

The Board may decide to postpone the payment of all or part of an achieved cash bonus for 3 years, converting the postponed bonus into a number of restricted stock units. Guidelines for the grant of restricted stock units are set out below. In the event of a grant of matching shares as described below, the value of such shares will not be included in the calculation of the cash bonus corresponding to a maximum of 6 months' basic wage, because matching shares are considered compensation for the postponement of the payment of part of the cash bonus.

In exceptional cases, separate agreements may be entered into with members of the Executive Management, which can result in payment of a bonus of up to an additional 1 year's basic wage for that member of the Executive Management. Typically, such agreements would be expected to be entered into for a given event, e.g. an Executive Management member's continued employment up to a given time either defined by date or a period after the occurrence of a given event or in connection with sign-on compensation (e.g. to compensate for the loss which a new member of the Executive Management may suffer in terms of loss of warrants, stock options, RSUs, bonus etc.) as a result of taking the new position.

## Guidelines for share-based schemes

The Board has assessed that incentive remuneration in the form of share-based schemes can be advantageously offered to the Board and to the Executive Management with the purpose of promoting and achieving long-term goals and strategies for the Company, and thereby contributing to the Company's development and growth.

Share-based schemes must basically be designed as either (i) a grant of warrants free of charge or (ii) the grant of restricted stock units in connection with the postponement of payment of a cash bonus. However, the Company can also, after specific evaluation, design other share-based schemes using call options or the like in compliance with these guidelines. The exercise price for other share-based instruments must be determined based on principles similar to those applicable to the warrants.

Members of the Board may only receive share-based incentive remuneration in the form of restricted stock units as set out below.

### Re (i) warrants

The Board submits a motion to the Annual General Meeting for a resolution on the issue of warrants or authorization to the Board to issue warrants. Prior to submission of the motion for the resolution, the Board must assess the need for the grant/authorization. The Board must assess to what extent the grant/authorization is relevant for the shareholders' interests with respect to value creation in the Company, and based on the principles of good corporate governance, and relevant legislation.

Prior to submitting the motion for a resolution on the grant or the use of the authorization, the Board must assess to what extent the total number of shares which can be subscribed for in outstanding warrant schemes (granted, but not yet exercised) and the intended scheme, constitute a suitable and normal level compared to the total number of shares in the Company. It is the opinion of the Board that the total number of shares which can be subscribed for based on the warrants, and which have been granted to the Executive Management

and other employees in the Bavarian Nordic Group, may not exceed 10 % of the total number of shares in the Company.

The Board's motions for a resolution must be based on the following framework:

To ensure that the value of the share-based remuneration does not reach an unintended level in relation to other remuneration, the Board must ensure in connection with its recommendation to the General Meeting for grants and/or in connection with its use of the authorization on grants, that the value of the warrants granted to the Executive Management for each member of the Executive Management does not, at the time of the grant, exceed a value equal to that person's current basic yearly wage. The value of the warrants must be based on the Black-Scholes formula.

In exceptional cases, separate agreements may be entered into with members of the Executive Management, which can result in grant of warrants with a value at the time of grant of up to an additional 1 year's basic wage for that member of the Executive Management. Typically, such agreements would be expected to be entered into for a given event, e.g. in connection with sign-on compensation (e.g. to compensate for the loss which a new member of the Executive Management may suffer in terms of loss of warrants, stock options, RSUs, bonus etc.) as a result of taking the new position.

Individual grants must be made on recommendation by the Nomination and Compensation Committee and finally approved at a Board meeting. For each grant, the Board must assess to what extent the number recommended for each recipient reflects the recipient's participation in achieving the long-term targets and strategies of the Company.

- Grants can take place once for a given scheme, or the Board can, after evaluation, decide that the scheme shall consist of continuous grants over a longer period.
- No warrants can be exercised to subscribe for shares before at the earliest three years and at the latest six years after the date of grant, thus a scheme can run for a maximum of six years from the date of grant.
- It must be possible to exercise granted warrants in one or more of at least four trading windows. The trading windows must be placed in extension of publication of the Company's annual/interim reports.
- The exercise price for warrants must be set at a price equivalent to an average of the closing price of the Company's shares over a period of at least 10 and maximum 30 trading days prior to the date of grant, with an addition of minimum 15%, however such that the exercise price must at least correspond to the closing price of the Company's shares on the day before the day of the formal decision to grant warrants.
- The right to exercise warrants in connection with termination of employment shall be primarily regulated by the good leaver/bad leaver provisions of the former Danish Stock Option Act, or on other conditions as the Board of Directors may decide from time to time.
- Other terms and conditions for company law issues including regulation clauses in connection with financial restructuring or company restructuring, dividend payments, practical issues relating to exercise, the underlying shares, tax management, etc., must be determined taking into consideration current regulations and in accordance with standard practice for similar schemes in other companies which the Company can be compared to.

As an example of value determination of existing schemes, refer to the notes on personnel costs and the notes on incentive schemes in the Company's Annual Report.

#### Re (ii) restricted stock units

##### a) For Executive Management:

The Board may decide to postpone for 3 years all or part of the payment of a cash bonus achieved by a member of the Executive Management, converting the postponed bonus into a number of restricted stock units. The number of restricted stock units is calculated by dividing the postponed bonus amount by the price of the Company's shares. The price of the Company's shares is calculated on the basis of an average of the closing price over a period of at least 10 and no more than 30 trading days within a period of three months prior to the date of grant of the restricted stock units. The acquisition of restricted stock units may e.g. be conditional

upon the recipient not having passed away prior to the expiry of a 3-year period after the date of grant. The Board may decide to grant additional restricted stock units free of charge on expiry of the 3 years (so-called "matching shares"). The grant of matching shares may e.g. be conditional upon the recipient not having passed away and the recipient still being employed at the time of the grant of the matching shares. One matching share will be granted for each two acquired restricted stock units. Consequently, if the recipient has acquired 10 restricted stock units, he/she will receive five additional matching shares free of charge. In special circumstances, it will be possible to agree on the grant of one matching share for each acquired restricted stock unit.

**b) For the Board:**

The Board is entitled to receive a number of restricted stock units with a value equivalent to 50% of the fixed fee for Board membership to each member of the Board as approved annually at the Company's annual general meeting (the "RSU Fee"). E.g. if the fixed fee is DKK 300,000, the RSU Fee shall have a value of DKK 150,000. The number of restricted stock units to be granted to the chairman and the vice chairman shall be based on their fixed fees, that is the chairman's RSU Fee is 2.5 times and the deputy chairman's RSU Fee is 1.5 times the fixed fee of the ordinary Board members. Any additional fees, including fees for membership of committees, shall not be included in the calculation of the RSU Fee. The number of restricted stock units is calculated by dividing the RSU Fee by the price of the Company's shares. The price of the Company's shares is calculated on the basis of an average of the closing price over a period of 15 trading days after the date of grant of the restricted stock units. The acquisition of restricted stock units may e.g. be conditional upon the recipient not having passed away prior to the expiry of a 3-year period after the date of grant. The Board members are not entitled to receive matching shares. The Board members shall not be entitled to dispose of the RSUs prior to the expiry of a 3-year period after the date of grant.

**Approval**

This remuneration policy and these general guidelines for incentive remuneration for the Board and Executive Management in Bavarian Nordic A/S have been dealt with and approved at the Annual General Meeting of the Company on 24 April 2019, and will be in force until the General Meeting decides to change the guidelines.