

Remuneration Policy

1. Objects and scope of the Remuneration Policy

Bavarian Nordic A/S' (the "Company") remuneration policy sets out the principles for the total remuneration of the Company's Board of Directors (the "Board") and the members of Executive Management as are registered with the Danish Business Authority (the "Executive Management").

The objects of the remuneration policy are to contribute to the Company's business strategy, long-term interests and sustainability by supporting the Company's abilities to recruit, retain and motivate competent and loyal members to the Company's Board and Executive Management. 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.

Furthermore, when establishing this remuneration policy, the salary and employment conditions of the employees of the Company were taken into account to ensure that the remuneration of the Board and Executive Management in general does not reach an unintended level. The remuneration of the Company's employees is based upon the same overall principles as set out in this policy in that remuneration is determined in order to support the successful delivery of the Company's strategy. Consequently, in addition to a fixed salary, employees are from time to time invited to participate in share-based incentive schemes (warrant or phantom share programs), in each case as decided by the Board of Directors.

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 as well as business strategies and sustainability. Share-based schemes in particular create shared interests between the Board member, the Executive Management and the Company's shareholders.

Agreements about incentive remuneration and other employment terms for members of the Board and Executive Management entered into before the adoption of this remuneration policy 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 this remuneration policy.

2. Remuneration

2.1. Remuneration of the Board

Remuneration of the Board consists of the following:

- (i) fixed fees for Board and board committee membership consisting of cash and restricted stock units;
- (ii) reimbursement of certain expenses;
- (iii) an overseas-travel fee or a fixed attendance fee.

The 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 fee of the ordinary Board members.

The members of the board committees will receive an additional fee for board committee membership. The chairman of each board 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. 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.

As part of the fixed fee the Board is entitled to receive a number of restricted stock units with a value equivalent to 50% of the cash 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 cash 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 cash fees, that is the chairman's RSU Fee is 2.5 times and the deputy chairman's RSU Fee is 1.5 times the cash 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.

2.2. Remuneration of the Executive Management

Remuneration of the Executive Management consists of the following:

- (i) fixed base wage, pension contribution, company car, relocation expenses, housing allowance, certain other benefits and post-employment compensation;
- (ii) cash bonus schemes, including remuneration for achieving certain milestones within certain deadlines; and
- (iii) share-based incentive schemes.

The Board is of the view that the combination of a fixed base wage, a cash bonus scheme, including the possibility to remunerate the achievement of certain milestones as defined by the Board, and participation in share-based incentive schemes supports the objectives of the remuneration policy.

2.2.1. Base wage and benefits

The base wage of the Executive Management comprises a fixed annual wage. In addition, the Executive Management may receive non-cash compensation such as education, health insurance coverage, company car, company phone, internet and allowances for relocation expenses. An Executive not living in his/her 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).

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

2.2.2. Cash bonus scheme

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 and business strategy, as well as long-term interests and sustainability on which Executive Management has an influence. Such results may be linked to i.a. financial, non-financial, operational and/or strategic performance criteria targets.

The cash bonus schemes consist in annually determining the maximum bonus that can be paid to the Executive Management if the targets for that year are met. The maximum cash bonus corresponds to six months' basic wage as of the end of the latest financial year but as set out below, separate bonus agreements may apply in exceptional cases.

Performance criteria for the Executive Management are set by 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, e.g. to contribute to the Company's business strategy, long-term interests and/or sustainability. The size of the cash bonus is determined annually by measuring the achievement of the performance criteria set by the Board on the basis of the results included in the Company's annual report for the financial year in question and on the basis of other data relevant to the Board's decision, e.g. internal or external reports regarding the level of achievement of the specific performance criteria.

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 and matching shares. Guidelines for the grant of restricted stock units and matching shares are set out below in section 2.2.3.2. The value of matching shares is not included when calculating if the maximum cash bonus (six months' basic wage) has been reached, as 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. Such agreements can be entered into for a given event, e.g. the Executive Management'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 with the Company.

2.2.3. Share-based incentive schemes

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

Share-based schemes consist of 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.

2.2.3.1 Warrants

The total number of shares which can be subscribed for based on warrants 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 has assessed that grant of warrants aligns interests between the Executive Management and the Company's shareholders.

To ensure that the value of the share-based remuneration in the form of warrants 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 does not, at the time of the grant, exceed a value equal to that person's current fixed annual base wage. The value of the warrants must be based on the Black-Scholes formula.

In exceptional cases, separate agreements may be entered into with 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 fixed annual base wage. 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 with the Company.

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 of warrants recommended for each recipient reflects the recipient's participation in achieving the sustainability and 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 after 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. As the exercise price is set at the market price at the time of grant plus a premium of minimum 15%, the warrants automatically include a performance criteria, as an increase in the Company's share price from grant to exercise is a condition for the warrants being exercisable.

- The right to exercise warrants in connection with termination of employment shall be primarily regulated by the good leaver/bad leaver provisions of the original Danish Stock Option Act from 2004, 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 changes in the Company's share capital, 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.

2.2.3.2. Restricted stock units

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.

As compensation for the postponement of the payment of cash bonus due to conversion into restricted stock units, the members of Executive Management who receive restricted stock units will be granted additional restricted stock units free of charge on expiry of the 3 years (so-called "matching shares"), provided the member of Executive Management has not passed away and is still 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 provided performance criteria set by the Board are met. The number of such extra matching shares to be granted is determined by the Board by measuring the achievement of the performance criteria set by the Board on the basis of the results included in the Company's annual report for

the financial year(s) in question and on the basis of other data relevant to the Board's decision, e.g. internal or external reports regarding the level of achievement of the specific performance criteria.

Other terms and conditions, including regulation clauses in connection with changes in the Company's share capital, 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.

3. Miscellaneous

3.1. Duration of contracts

Board members are elected for one year at a time by the shareholders at the general meeting.

Contracts with members of Executive Management are open ended. The termination periods on the part of the Company may be up to 18 months and may be prolonged to up to 24 months in case of change of control situations, and periods during which severance payment can be made may be up to 12 months, provided, however, that the total period for payment of termination pay and severance pay may not exceed 24 months. The termination periods on the part of the Executive Management is 6 months.

The main characteristics of supplementary pension schemes or early retirement schemes and payments linked to termination must be competitive and comparable to remuneration in other Danish and international enterprises which the Company naturally compares to.

3.2. Derogation from the remuneration policy

The Board may in exceptional circumstances derogate from the remuneration policy if the Board assesses that a derogation is necessary to support the long-term interests of the Company, including the sustainability of the Company and its business. The elements that may be derogated from concern only the Executive Management and include (i) design of other share-based schemes using call options or the like in compliance with this remuneration policy and where the exercise price and the value of such share-based schemes must be determined based on principles similar to those applicable to the warrants, and (ii) the notice of termination period.

Any proposal to derogate from the remuneration policy shall be decided by the Board upon a recommendation from the Nomination and Compensation Committee to the Board and a derogation shall be disclosed in the Remuneration Report.

3.3. Claw back

The Board may decide that payment of variable remuneration in the form of cash bonus or share-based incentives (including restricted stock units, matching shares and warrants) are subject to recovery or "claw back" by the Company, provided the variable remuneration was paid on the basis of data which the Board subsequently finds to have been incorrect and provided this is in accordance with Danish law.

3.4. Review and approval of the remuneration policy etc.

The establishment, review and implementation of this remuneration policy is based on recommendations from the Nomination and Compensation Committee to the Board. It is the Board's assessment that no conflicts of interest in connection with the determination of the remuneration policy exist as the Board's total remuneration is subject to vote by the Company's shareholders at a general meeting, and as the remuneration of the Executive Management is determined by the Board upon recommendation from the Nomination and Compensation Committee, a sub-committee of the Board that relies on national and international market practice on the question of remuneration of the Executive Management.

Any changes to this remuneration policy proposed by the Board will be submitted for approval by the Company's shareholders at a general meeting.

This remuneration policy has been dealt with and approved at the Annual General Meeting of the Company on June 12, 2020, and will be in force until the general meeting decides to change the guidelines. However, the remuneration policy must be submitted for approval by the Company's shareholders at a General Meeting at least every four years and upon any material changes thereto.