

## **The board of directors' of Sinch AB (publ), reg. no 556882-8908 (the "Company"), comprehensive proposal for resolution regarding incentive program II 2021 and issue of employee stock options**

---

### **Background and reasons**

The Company has previously implemented a number of share-related incentive programs. In view of this, the board of directors proposes that the general meeting resolves to implement an additional long-term incentive program for senior executives and key employees within the Sinch group ("**LTI II 2021**"). The proposal to implement an incentive program has been put forward as the board of directors determines that it is important and in the interest of all shareholders to create even greater participation for current and future senior executives and key employees within the group with regards to the group's development. It is also important to be able to attract talent over time, and to encourage continued employment.

In the light of the above, the board of directors proposes that the general meeting resolves to implement the incentive program LTI II 2021 in accordance with items (a) and (b) below. The resolutions under item (a) and (b) below are proposed to be conditional upon each other and for that reason it is proposed that all resolutions are to be passed as one resolution. LTI II 2021 is proposed to include up to approximately 200 current and future senior executives and key employees within the Sinch group.

### **Item (a) - Proposal regarding the adoption of LTI II 2021**

LTI II 2021 comprises one (1) series comprising employee stock options (with warrants as a hedging arrangement) that will be granted to employees within the Sinch group outside Sweden.

The board of directors proposes that the general meeting resolves to issue not more than 3,210,000 warrants in order to secure delivery of shares upon exercise of stock options to participants in LTI II 2021. The right to subscribe for the warrants shall vest in the wholly-owned subsidiary Sinch Holding AB (the "**Subsidiary**"), which company shall keep the warrants in order to ensure delivery of shares upon exercise of the employee stock options. Each warrant entitles the holder to subscribe for one (1) share in the Company. The warrants shall be issued without consideration to the Subsidiary.

Below is a description of the terms and conditions for the LTI II 2021.

### **Employee stock options (with warrants as hedging arrangement)**

Each employee stock option entitles the employee to acquire one (1) share in the Company in accordance with the following terms and conditions:

- The employee stock options will be granted without consideration.
- Employee stock options may be granted to current and future employees of the Sinch group who work outside of Sweden.
- Each employee stock option entitles the holder to acquire one (1) share in the Company at an

exercise price equal to the fair market value of the share, as determined by the closing price of the Company's share on Nasdaq Stockholm on the last trading day immediately preceding the date of grant of each stock option (however, the exercise price may not be less than the shares' quota value (currently SEK 0.01)).

- Although the allocation of employee stock options is differentiated between employees with reference to, *inter alia*, position, responsibility and working performance, as well as participation in previously established incentive programs of the Sinch group, there are no defined performance conditions that need to be fulfilled in order to be granted employee stock options. However, the employee stock options are subject to both performance and time based vesting conditions as set out below.
- Provided that the holder's employment within the Sinch group has not been terminated as of a vesting date, and that the applicable Performance Condition (as defined below) has been satisfied as of the applicable vesting date, the employee stock options will vest on, and become exercisable soon after, (i) the first anniversary of the date of grant (the "**Initial Vesting Date**") with respect to 20 per cent of the total number of stock options granted to a participant, and (ii) the last day of each of the following 16 calendar quarters (each a "**Subsequent Vesting Date**"), with respect to an additional 5 per cent per calendar quarter of the total number of stock options granted to a participant. The total vesting period, after which all granted stock options will have vested (as applicable), is five (5) years from the date of grant.
- In order for the stock options to vest, the Company's consolidated adjusted EBITDA per share must, during a measurement period of between four (4) and twelve (12) calendar quarters as is further described below, have increased by an average of at least 10 per cent, where the change is measured as the relative change in adjusted EBITDA per share compared to the same quarter in the previous year (the "**Performance Condition**"). The Performance Condition will initially, in respect of the Initial Vesting Date, be measured over a period of four (4) calendar quarters, starting with the calendar quarter ongoing at the date of grant, after which the measurement period will gradually be increased by one (1) calendar quarter at each Subsequent Vesting Date. The measurement period will however never exceed twelve (12) calendar quarters and will always end on the last day of the calendar quarter immediately preceding the respective vesting date.
- If the applicable Performance Condition is not satisfied as of a vesting date, the stock options concerned will remain unvested and will immediately be deemed forfeited without consideration.
- Upon vesting, unless the employee's employment within the Sinch group ends sooner, employee stock options remain exercisable for a period of six (6) years from the date of grant.
- The detailed terms and conditions for participants in LTI II 2021 may differ between countries due to differences in local legislation, however the terms and conditions shall not be more favorable for participants than what is set out in this resolution proposal.

### **Recalculation due to split, consolidation, new share issue etc.**

The exercise price for the employee stock options, determined as set out above, shall be rounded to the nearest SEK 0.1 whereby SEK 0.05 shall be rounded upwards. The exercise price and the number of shares that each stock option entitles to subscription of shall be recalculated in the event of, *inter alia*, a share split, consolidation, rights issue of shares etc. in accordance with customary recalculation conditions.

### **Allocation of employee stock options and the right to receive employee stock options**

The participants' right to be granted employee stock options is differentiated between employees with reference to, *inter alia*, position, responsibility and working performance as well as participation in previously established incentive programs of the Sinch group, and the participants have for this reason been divided into two (2) different categories:

**Category A** – Members of the group management and selected key employees

**Category B** – Other personnel

Only current and future employees of the Sinch group outside Sweden shall have the right to receive employee stock. The following allocation principles apply to the grant of stock options within each of the categories set out above.

	<b>Maximum number of stock options for each participant</b>	<b>Maximum number of stock options within the category</b>
<b>Category A – not more than 15 persons</b>	200,000	1,200,000
<b>Category B – not more than 185 persons</b>	50,000	2,010,000

In the event that all stock options within category A are not granted after the initial notification period, such non-granted stock options may be offered to employees in category B, and in the event that all stock options within category B are not granted after the initial notification period, such non-granted stock options may be offered to employees in category A. The maximum number of stock options per individual within each category as set out above may however not be exceeded for any individual. Stock options may be granted on more than one occasion.

Neither the Company's board members, nor the founders, shall be eligible to participate in LTI II 2021.

### **Item (b) - Proposal regarding issue of warrants to be used for hedging arrangement**

The board of directors proposes that the Company shall issue not more than 3,210,000 warrants, whereby the Company's share capital may be increased by not more than SEK 32,100 at full exercise of the warrants for subscription of shares, corresponding to approximately 0.44 per cent of the share capital in the Company as of the day of this proposal.

The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, only vest in the Subsidiary, with the right and obligation to dispose of the warrants as further described above. Each warrant entitles the holder to subscribe for one (1) share in the Company during the period from and including 26 October 2022 up to and including 26 October 2028, at an exercise price equal to the shares' quota value (currently SEK 0.01). The warrants shall be issued to the Subsidiary without consideration.

In order to fulfil the commitments arising from LTI II 2021, the board of directors proposes that the general meeting authorizes that the Subsidiary may transfer warrants to a third party, or otherwise dispose over the warrants, in accordance with the above.

A detailed resolution proposal for the issue of warrants to be used as hedging arrangements, including complete terms and conditions for the warrants, is set out in [Appendix A](#) (including its sub-appendix).

### **Market value of the employee stock options**

Based on a market value of the underlying share of SEK 183.25, the market value of the employee stock options is, in accordance with a preliminary valuation made by PwC, SEK 56.65, assuming an exercise price of SEK 183.25 per share. The Black & Scholes valuation model has been used for the preliminary valuation of the employee stock options, assuming a risk-free interest of -0.21 per cent and an estimated volatility during the term of the employee stock options of approximately 36 per cent.

### **Costs**

The employee stock options are expected to incur accounting costs (accounted for in accordance with the accounting standard IFRS 2), as well as social security costs during the term of the stock options. According to IFRS 2, the employee stock option costs shall be recorded as a personnel expense in the income statement during the vesting period. The total costs for employee stock options, calculated in accordance with IFRS 2, are estimated to amount to approximately SEK 181.9 million during the term of the program (excluding social security costs). The estimated costs have been calculated based on, *inter alia*, the following assumptions: (i) a market price of the Company's share of SEK 183.25 at the time of grant, (ii) an estimated future volatility in respect of the Company's share during the term of the stock options of 36 per cent, (iii) that the maximum number of stock options encompassed by this resolution proposal are granted to participants and (iv) that all granted stock options will vest and be exercised. Social security costs, which are expected to arise primarily in connection to the exercise of stock options, are estimated to amount to approximately SEK 23.6 million during the term of the program, based on, *inter alia*, the assumptions set out in items (i)–(iv) above, as well as an average social security rate of 2.7 per cent and an annual increase in the market price of the Company's share of 20 per cent during the vesting period.

Other costs related to the LTI II 2021, including, *inter alia*, expenses related to fees to external advisors, external appraiser and administration of the incentive program, are estimated to amount to approximately SEK 2 million during the term of the program.

Based on the assumptions set out above, the total costs of the LTI II 2021 are estimated to approximately SEK 207.5 million in total during the term of the program. These costs shall be seen in relation to the

total employee benefits expenses of the Sinch group, which during the financial year 2020 amounted to SEK 869,4 million.

### **Effect on important key ratios**

If the LTI II 2021 had been implemented in 2020 and if the company had had costs in accordance with the example and based on the assumptions set out in the section "Costs" above, the adjusted EBITDA per share during the financial year 2020 would have decreased by SEK 0.13, from SEK 3.97 *pro forma* to SEK 3.84. The IFRS 2 costs will be accounted for during the vesting period, in accordance with the graded vesting schedule. The result of the graded vesting schedule is that 46 per cent (approximately SEK 95.8 million) of the total costs will be accounted for during the first year. The calculation has been based on adjusted EBITDA per share *pro forma* for 2020, assuming that (i) the acquired companies ACL Mobile Limited, SAP Digital Interconnect (SDI), Mobile Internet Móvel S.A., Wavy Global Holdings BV (Wavy), as well as the following acquisitions which have been signed but not yet closed: Inteliquent, MessageMedia, PathWire and Messenger People, had been a part of Sinch during the entire year 2020 and (ii) including estimated positive synergies related to the acquisitions of SDI and Wavy.

If the LTI II 2021 had been implemented in 2020 and if the total costs of the entire program of approximately SEK 207.5 million would have been accounted for during the financial year 2020, and otherwise based on the same assumptions as set out above, the adjusted EBITDA per share during the financial year 2020 would have decreased by SEK 0.29, from SEK 3.97 *pro forma* to SEK 3.69.

### **Dilution**

Upon exercise of all stock options issued within the frame of LTI II 2021, up to 3,210,000 shares (with reservation for any recalculation) may be issued, equivalent to a maximum dilution of approximately 0.44 per cent of the shares and votes of the Company (including shares that have been subscribed but not yet registered). Upon full exercise of the stock options, the Company's share capital will increase with SEK 32,100. Together with warrants and stock options which have been, or may be, transferred or granted to participants in LTI 2016, LTI 2018, LTI 2019, LTI 2020, LTI II 2020 and LTI 2021 and which have not yet been exercised for subscription or acquisition of shares as of the date of this resolution proposal, the maximum dilution will amount to approximately 3.95 per cent of the shares and votes of the Company (including shares that have been subscribed but not yet registered). The dilution calculations have been based on the maximum number of shares and votes which may be issued upon exercise of the warrants and stock options, divided by the total number of shares and votes in the Company after such share issues.

### **Motivation in respect of vesting and exercise conditions**

According to recommendations laid down by the Swedish Corporate Governance Board (Sw. *Kollegiet för svensk bolagsstyrning*), the vesting period, or the period between the date of grant until the date when a warrant or stock option may be exercised, shall as a general rule not be shorter than three (3) years. As set out further above, vesting of the employee stock options will start on the first anniversary of the date of grant of the stock options to participants. On the third anniversary of the date of grant, up to 60 per cent of the employee stock options granted to a participant may have vested (provided that all applicable vesting conditions have then been fulfilled). Further, vested stock options become exercisable soon after

they have vested. The reason for applying such terms, which are not in line with the recommendations of the Swedish Corporate Governance Board as set out above, is that the board of directors of the Company deem such terms to be in line with market practice for employee stock option programs in most of the countries where the intended participants in the LTI II 2021 are operative. It is therefore, in the opinion of the board of directors of the Company, in the best interest of the Company and its shareholders to apply such terms in order to fulfil the objectives of the LTI II 2021.

### **Preparation of the proposal**

This proposal in respect of LTI II 2021 has been prepared by the Company's remuneration committee and board of directors in consultation with external advisers.

### **The reason for the deviation from the shareholders' preferential rights**

The reason for the deviation from the shareholders' preferential rights is to implement LTI II 2021.

### **Majority requirement**

A resolution to approve the present proposal is valid only where supported by shareholders holding not less than nine-tenths (9/10) of the votes cast as well as the shares represented at the general meeting.

### **Authorization**

It is proposed that the board of directors, or a person appointed by the board of directors, shall be authorized to make such minor adjustments to this resolution that may be required for the registration with the Swedish Companies Registration Office (Sw. *Bolagsverket*) and Euroclear Sweden AB, and that the board of directors shall have the right to undertake minor adjustments to the incentive program due to applicable foreign rules and laws.

### **Outstanding incentive programs**

The Company has the following outstanding share-related incentive programs.

**LTI 2016.** An annual general meeting held on 5 December 2016 approved the board's proposal regarding an incentive program for key employees and resolution to issue of not more than 1,500,000 warrants and resolution of approving transfer of warrants. In total, 1,500,000 warrants were subscribed by the Subsidiary and 1,215,700 warrants and employee stock options have been acquired by or granted to participants, of which a number of warrants and stock options have been exercised (series 1, 2, 4 and 5) as of the date of this resolution proposal. No more warrants or employee stock options will be offered out of LTI 2016. Each warrant and employee stock option entitles the holder to subscribe for ten (10) shares each (after recalculation due to the share split 10:1 carried out in June 2021, below referred to as the "**2021 Share Split**"). The exercise price is SEK 12.77 per share (after recalculation due to the 2021 Share Split). Upon exercise of all warrants and employee stock options that have been acquired by or granted to participants and which have, as of the date of this resolution proposal, not yet been exercised, a maximum of 3,344,990 shares (after recalculation due to the 2021 Share Split) in the Company will be issued, equivalent to a dilution of approximately 0.46 per cent.

**LTI 2018.** An annual general meeting held on 18 May 2018 approved the board's proposal regarding an incentive program for key employees and resolution to issue of not more than 1,500,000 warrants and resolution of approving transfer of warrants. In total, 1,500,000 warrants were subscribed by the Subsidiary and 1,380,920 warrants and employee stock options have been acquired by or granted to participants. No more warrants or employee stock options will be offered out of LTI 2018. Each warrant and employee stock option entitles the holder to subscribe for ten (10) shares each (after recalculation due to the 2021 Share Split). The exercise price is SEK 9.13 per share (after recalculation due to the 2021 Share Split). As of the date of this proposal, 4,278,220 shares have been subscribed by exercise of employee stock options and warrants, of which 209,160 shares have not yet registered or admitted to trading. Upon exercise of all warrants and employee stock options that have been acquired by or granted to participants and which have, as of the date of this resolution proposal, not yet been exercised, a maximum of 9,530,980 shares (after recalculation due to the 2021 Share Split) in the Company may be issued, equivalent of a dilution of approximately 1.29 per cent.

**LTI 2019.** An annual general meeting held on 17 May 2019 approved the board's proposal regarding an incentive program for key employees and resolution to issue of not more than 510,000 warrants and resolution of approving transfer of warrants. In total, 510,000 warrants were subscribed by the Subsidiary and 326,000 warrants and employee stock options have been acquired by or granted to participants. No warrants or employee stock options under the LTI 2019 have been exercised as of the date of this resolution proposal, and no more warrants or employee stock options will be offered out of LTI 2019. Each warrant and employee stock option entitles the holder to subscribe for ten (10) shares each (after recalculation due to the 2021 Share Split). The exercise price is SEK 17.41 per share (after recalculation due to the 2021 Share Split). Upon exercise of all warrants and employee stock options that have been acquired by or granted to participants, a maximum of 3,260,000 shares (after recalculation due to the 2021 Share Split) in the Company will be issued, equivalent to a dilution of approximately 0.45 per cent.

**LTI 2020.** An annual general meeting held on 15 May 2020 approved the board's proposal regarding an incentive program for senior executives and key employees and resolution to issue not more than 580,000 warrants and resolution of approving transfer of warrants. In total, 580,000 warrants were subscribed by the Subsidiary and 327,800 warrants and employee stock options have been acquired by or granted to participants. No more warrants or employee stock options will be offered out of LTI 2020. Each warrant and employee stock option entitles the holder to subscribe for ten (10) shares each (after recalculation due to the 2021 Share Split). The exercise price of warrants and stock options series 1–6 is SEK 60.20 per share (after recalculation due to the 2021 Share Split). As regards series 7, stock options have been granted on three different occasions; in June 2020, November 2020 and February 2021. Consequently, the exercise price for stock options series 7 (which shall be equal to the fair market value of the share, as determined by the closing price of the Company's share on Nasdaq Stockholm on the last trading day immediately preceding the date of grant of each stock option) varies and has been set to, respectively, SEK 62.40 per share, SEK 104 per share and SEK 142.20 per share (each after recalculation due to the 2021 Share Split). The employee stock options in series 7 that were granted in June 2020, which have vested to 20 per cent, can be exercised in accordance with the terms of LTI 2020. At the time of this resolution proposal 166,400 shares have been subscribed by exercise of stock option, but not yet registered or admitted to trading. Upon full exercise of all warrants and employee stock options or warrants that have been acquired by or granted to participants and that have not yet been exercised as of the date of this resolution proposal, a maximum of 3,111,600 shares (after recalculation

due to the 2021 Share Split) will be issued in the company, equivalent of a dilution of approximately 0.43 per cent.

**LTI II 2020.** An extraordinary general meeting held on 27 November 2020 approved the board's proposal regarding an incentive program for senior executives and key employees and resolution to issue not more than 470,260 warrants and resolution of approving transfer of warrants. In total, 470,260 warrants were subscribed by the Subsidiary and 422,889 warrants and employee stock options have been acquired by or granted to participants. No warrants or employee stock options under the LTI II 2020 have been exercised as of the date of this resolution proposal, and no more warrants or stock options will be offered out of LTI II 2020. Each warrant and employee stock option entitles the holder to subscribe for ten (10) shares each (after recalculation due to the 2021 Share Split). The exercise price is SEK 136.10 per share (after recalculation due to the 2021 Share Split) subscribed by exercise of warrants of series 1–3. As regards series 4, employee stock options have been granted on three different occasions; in November 2020, December 2020 and February 2021. Consequently, the exercise price for employee stock options series 4 (which shall equal to the fair market value of the share, as determined by the closing price of the Company's share on Nasdaq Stockholm on the last trading day immediately preceding the date of grant of each stock option) varies and has been set to, respectively, SEK 104 per share, SEK 120.60 per share and SEK 142.20 per share (each after recalculation due to the 2021 Share Split). Upon exercise of all warrants and employee stock options that have been acquired by or granted to participants, a maximum of 4,228,890 shares (after recalculation due to the 2021 Share Split) in the Company will be issued, equivalent to a dilution of approximately 0.58 per cent.

**LTI 2021.** An annual general meeting held on 18 May 2021 approved the board's proposal regarding an incentive program for senior executives and key employees and resolution to issue not more than 323,000 warrants and resolution of approving transfer of warrants. In total, 323,000 warrants were subscribed by the Subsidiary and 185,580 warrants and employee stock options have been acquired by or granted to participants. Each warrant and employee stock option entitles the holder to subscribe for ten (10) shares each (after recalculation due to the 2021 Share Split). The Company may offer additional warrants and employee stock options out of LTI 2021. No warrants or employee stock options under the LTI 2021 have been exercised as of the date of this resolution proposal. The exercise price is, respectively, SEK 140.10, SEK 152.80 and SEK 165.50 per share with respect to the warrants of series 1–3 and SEK 153.80 per share with respect to employee stock options in series 4 (each after recalculation due to the 2021 Share Split). Upon exercise of all warrants and employee stock options that have been, or may be, acquired by or granted to participants, a maximum of 3,230,000 shares (after recalculation due to the 2021 Share Split) in the Company will be issued, equivalent to a dilution of approximately 0.44 per cent.

The dilution calculations above have been based on the maximum number of shares and votes which may be issued upon exercise of the warrants and stock options, divided by the total number of shares and votes in the Company after such issues (based on the total number of shares and votes outstanding as of the date of this resolution proposal, including shares that have been subscribed by exercise of warrants and employee stock options, but which, at the time of this resolution proposal, have not yet been registered or admitted to trading).



**LTI II 2021 – ISSUE OF WARRANTS**

---

The board of directors proposes an issue of not more than 3,210,000 warrants.

1. The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, only vest in the Sinch Holding AB, a wholly owned subsidiary of the Company.
2. The warrants will be issued without consideration (*Sw. vederlagsfritt*).
3. The subscription for warrants shall be made up to and including 26 November 2021. The board of directors shall be entitled to prolong the subscription period.
4. Upon exercise of all warrants, up to 3,210,000 shares (with reservation for any recalculation) may be issued. Upon full exercise of the warrants, the Company's share capital will increase with a maximum of SEK 32,100.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix A.1.

The reason for the deviation from shareholders' preferential right is to implement LTI II 2021.

It is furthermore proposed that the board of directors, or a person appointed by the board of directors, is authorized to undertake such minor adjustments in the resolution that may be required for the registration with the Swedish Companies Registration Office and Euroclear Sweden AB.

---