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1. Governing documents

Generating impact and income from intellectual property (IP) through technology transfer is one of the missions of IST Austria. IST Austria encourages the development of its IP through spin-off companies and/or licenses to other commercial enterprises. One of the principles (“Grundsätze”) laid down in §2 IST Austria Act 2006 is IST Austria’s contribution to spin-offs. In light of this principle and in accordance with the Principles of Technology Transfer in the Rules for Professors/Employees of IST Austria (Appendix C) and the Principles of Spin off and Investment Policy of Twist GmbH the following policy on spin-offs is adopted.

2. Applicability and scope

This policy is binding for the Institute, Twist GmbH and their employees.

3. General principle

Licensing Intellectual Property (IP) to spin-offs, i.e. newly created companies based fully or partially on IP held by IST Austria (IST), is one way in which IST can promote the development and commercialization of inventions, ideas and technologies. Other options include out-licensing to established larger or smaller companies (SMEs), and co-development with translational research organizations.

IST Austria operates a dedicated subsidiary, Twist GmbH, managing all technology transfer aspects, including IP licensing, pre- and post-foundation support for spin-off companies, and support for IST Park, the technology park adjacent to the Institute. Capacity permitting, IST Austria provides also access to its facilities to spin-off and other companies.

The optimal route of commercialization shall be determined by Twist GmbH in consultation with the inventors. Priority shall be given according to (i) likelihood of success in creating impact and (ii) expected returns to Twist GmbH, respectively IST. If a founder team including IST inventors is interested and suitable to develop the idea, Twist GmbH will cooperate with them to shape the basis of a potential spin-off.

4. Pre-spin off

IST and Twist GmbH shall facilitate and support spin-off projects in the pre-spin-off phase. As soon as practically possible, a clear allocation of people and Institute resources between research activities and preparatory activities for a spin off shall be sought, ideally within the framework of the Twist fellowship program.

5. Licensing of Intellectual Property

5.1. IP should be licensed rather than assigned to spin-offs to maximize the chances of regaining control of IP in case of non-compliance or insolvency. The granting of assignment options should only be done in minor cases or cases where insolvency risk of the spin-offs has been minimized, e.g. after series B equity investments, and shall lead to substantially similar economic results as the licensing arrangement.

5.2. As a principle, licensing arrangements with spin-offs shall include a combination of equity or equity like instruments in spin-off companies and cash payments dependent on revenues or development progress.

5.3. The standard shareholding level shall be – subject to founders' choice - either

- 10%, on a fully dilutive basis, or

- 5%, on a non-dilutive basis until in aggregate an amount of EUR 3mln has been invested as equity or equity like instruments in the company.

Exceptions from the standard level as well as all later decisions to actively change or maintain (in case of a dilution event) the level of shareholding in the company must be made by the Board of Twist GmbH on a case-by-case basis.

5.4. Shares will typically be acquired at foundation, against payment of the nominal purchase price by Twist GmbH. However, Twist GmbH shall be free to determine the structure of the equity investment, equity like structures including call option agreements with substantially similar economic effects are permissible.

5.5. The primary purpose of shareholding in a spin-off or other company is to ensure an adequate economic share. Normally Twist GmbH does not seek particular rights with the aim of influencing the strategy or operations of the company. In the case of spin-off companies, Twist GmbH may maintain veto rights on certain kinds of company decisions that can impact the reputation of Twist GmbH respectively the Institute, or the value of its IP.

In case of employees holding a significant fraction of shares of a spin-off or other company in which Twist GmbH and/or IST Austria have an interest, whether as inventors, co-founders, advisors, or for other reasons related to their employment with IST Austria, IST Austria and Twist GmbH shall endeavor to ensure that they commit to not using their voting rights in any way that is detrimental to the Institute.

5.6. As a general rule, Twist GmbH shall not make cash investments in spin-off or other companies except nominal capital contributions or other contributions required by law, and/or investments required to maintain a certain shareholding level. Cash investments exceeding nominal capital contributions always require the approval of the Board of Twist GmbH.

5.7. Licensing arrangements shall include a royalty based on sales of products using the licensed technology or other cash license fees or other milestone payments, which shall take

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into account the scope, quality and relevance of licensed IP, business plan, any further technology licensing needs, future (equity) funding requirements of the company and market circumstances. These payments shall conform to market standards taking into account the equity component (5.3.) as well as scope and maturity of IP. In practice, industry specific royalty rates not exceeding the observed median value in publicly available licensing databases (e.g. ktMINE) shall be taken as proxy values for market standard.

5.8. Inventor remuneration paid by IST Austria shall be financed by license fees IST Austria receives from Twist GmbH. The Board of Twist GmbH can decide to pay a license fee in form of shares or similar assets to IST Austria, which may then be used by IST Austria to pay the inventor remuneration via such assets.

6. Shareholding by Institute employees

Institute employees who wish to take on a significant role at an outside company endorsed by Twist GmbH, including a spin-off based on their own inventions, are required and usually offered to take a temporary leave of absence from IST Austria for the duration of their external engagement. If they do not take such a leave, professors may request to provide personal consulting services to the outside company within the time, remuneration, and IP rules for faculty consulting. If an employee receives shares, including “founders’ shares,” or any other form of equity consideration from a spin-off, or from any other company, the compensation is presumed to be IP-related and therefore split 60/40 between the Institute and the employee. For the avoidance of doubt, Institute employees shall have no additional claim on inventor remuneration on the Institute’s stake.

However, any equity consideration that results in cumulative ownership of up to 1% of the company can be deemed to be customary and commensurate as remuneration for personal consulting services, if so declared by the company, and does not have to be split. In all cases, all details of every agreement between any employee of IST Austria and any company they advise or otherwise serve, support, collaborate with, or own, or are supported by, must be fully disclosed to the Institute and approved by the Authorized Person for IP.

7. Maximum institutional shareholding level

In order to maximize the chances of successful development, any shareholding or equity like instrument shall not exceed 25% of the total share capital on a fully diluted basis. If a shareholding level would arithmetically arrive at a higher level resulting from the provisions 5.3. and 6., the shareholding under 6. shall be reduced accordingly, while maintaining the 60/40 split as per 6. In effect, this means that IST employees can hold up to 10% of a spin off company.

8. Patent cost reimbursement

The spin-off shall bear the cost of patent filing and maintenance. Past patent expense shall be recovered from spin-offs and paid to Twist GmbH, on a deferred basis and commensurate with the spin-off's financing capacity. Twist GmbH will usually request reimbursement of external patent costs incurred by Twist GmbH or IST Austria before the date of the licence agreement. Typically, patent costs not exceeding EUR 30,000 will be payable once cumulative funding (other than grants) reaches at least €1 million. The remaining balance of patent costs will be payable upon cumulative funding reaching at least €3 million. If the licence is non-exclusive or if the licence does not extend to all fields, Twist GmbH may agree to accept a partial reimbursement of external patent costs.

9. Portfolio decisions

The principal portfolio manager of financial assets in which IST Austria has an interest, in particular publicly traded shares, is the Institute's endowment. Shares in spin-off companies as well as shares of other companies that result from sublicensing by Twist GmbH of IP owned by IST Austria shall be held by Twist GmbH, disposed of, or transferred to the Institute's endowment, in particular should the shares become publicly owned and traded, in compliance with legal requirements and subject to case-by-case decisions by the Board of Twist GmbH. Twist GmbH shall not own shares of companies that are unrelated to IST Austria or its IP. All portfolio decisions, in particular, all decisions about the (partial) disposal of shares, shall be based on the objective of long-term capital appreciation. Short-term liquidity considerations of Twist GmbH can be taken into account only in unusual and exceptional circumstances, and require approval by the Board of Twist GmbH.

10 Signatures

Klosterneuburg, 29 June, 2021

Prof. Thomas Henzinger
President IST Austria

11 Amendment Protocol

Document nr.	Document group	Owner	Approved by	Date
V1.0 2021-06-29	Policy	Markus Wanko, MD TWIST	President IST Austria	2021-06-29