

The Board's proposal to the Annual General Meeting of Vitrolife AB (publ) on 27 April 2022 concerning resolution on approval of the Board's remuneration report 2021 (agenda item 18)

Remuneration Report Vitrolife AB 2021

Introduction

This report describes how the guidelines for executive remuneration of Vitrolife AB, adopted by the Annual General Meeting 2021, were implemented in 2021. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related incentive programmes. The report has been prepared in accordance with the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes* (Remuneration Rules) issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 8 (Employees, personnel costs and Board fees) on page 59 in the Annual Report 2021. Information on the work of the Remuneration committee in 2021 is set out in the Corporate Governance Report available on pages 42-48 in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 8 on page 59 in the Annual Report 2021.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on pages 4-5 in the Annual Report 2021.

The company's remuneration guidelines: scope, purpose and deviations

Vitrolife's business goal is to be the leading supplier of products and services that reduce the time to achieve a healthy baby and improve the efficiency and control for IVF clinics. To achieve this, the company is working on a strategy of growth-promoting priorities and efficiency-enhancing measures. In addition, there is a great focus on the employees. The company's strategies are based on a values-driven culture and core values, on sustainability and community engagement. The company's business concept provides collaboration that creates an efficient and strong Group. Vitrolife's vision, strategy and various objectives are described in further detail on the company's website at www.vitrolife.com.

Successful implementation of Vitrolife's business strategy and the safeguarding of the Group's long-term interests, including its sustainability, rely on Vitrolife recruiting and retaining qualified employees with the right competence. To achieve this, it is necessary that Vitrolife can offer competitive remuneration. The guidelines allow executive management to be offered competitive total remuneration.

Remuneration paid to the CEO and other executive management comprises basic salary, variable remuneration, pension and other benefits. The guidelines apply until the 2022 Annual General Meeting, unless a general meeting of shareholders decides otherwise. The guidelines do not cover remuneration decided by a general meeting of shareholders, such as fees for Board members or share-based incentive programmes. All pension benefits are defined-contribution plans. Variable remuneration is prepared by the Remuneration Committee and decided by the Board. The CEO's variable remuneration is capped at a maximum of 75% of annual salary. For other executive management, variable remuneration is capped at a maximum of 50% of annual salary. The variable

remuneration for the CEO and other executive management is based on the outcome of two quantitative parameters compared with set targets. The quantitative parameters relate to the Company's sales and income (EBITDA). The total cost to the company of the total variable remuneration for the CEO and other executive management is not permitted to exceed SEK 20,000,000 (including social security expenses). A summary of guidelines for remuneration of executive management is available on pages 40-41 in the Annual Report 2021.

The auditor's report regarding the company's compliance with the guidelines is available on www.vitrolife.com. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of the company have resolved to implement long-term share-related incentive programmes. The performance standards used to assess the outcome of the programmes are clearly linked to the business strategy and to Vitrolife's long-term creation of value, including sustainability.

Table 1 – Total CEO remuneration in 2021 (kSEK)¹

	1 Fixed remuneration		2 Variable remuneration		3	4	5	6
Name of director (position)	Base salary ²	Non-monetary benefits ³	One-year	Multi-year ⁴	Extraordinary items ^r	Pension	Total remuneration	Proportion of fixed and variable remuneration ⁵
Thomas Axelsson (CEO)	6,110	69	4,300	-	-	1,971	12,449	65% /35%

¹ Except for Multi-year variable remuneration, the table reports remuneration earned in 2021. Multi-year variable remuneration is reported if vested in 2021, as set out in column 8 of Table 2 below (as applicable). Disbursement of any payments may or may not have been made the same year.

² Including holiday pay of kSEK 115.

³ Company car and health care benefits.

⁴ Vested share awards as set out in column 8 of Table 2 below

⁵ Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration

Share-based remuneration

Outstanding share-related incentive programmes

Vitrolife has three share-related incentive programmes outstanding, which were adopted by the 2019, 2020 and 2021 AGMs:

Long-term incentive programme 2019 (LTI)

The performance target set by the Board for the 2021 financial year with regard to the long-term incentive programme adopted by the 2019 Annual General Meeting amounted to SEK 5.40 EBITDA per share, with payment pro-rata in the interval SEK 4.68 – 5.40 EBITDA per share. The outcome for 2021 was SEK 5.79 EBITDA per share (excluding earnings and share issues attributable to the acquisition of Igenomix). The target was thus met and payment of the performance amount to participants will be made during 2022 in accordance with the agreement. For more information, see www.vitrolife.com.

Long-term incentive programme 2020 (LTI)

The 2020 Annual General Meeting adopted the Board's proposal to introduce a long-term incentive programme (LTIP 2020) for certain key employees in order to encourage a personal long-term shareholding in Vitrolife and also to increase and strengthen opportunities for recruiting, retaining and motivating employees. The aim was also to use LTIP 2020 to align the interests of employees with those of shareholders. Each participant is entitled, after the end of a qualifying period, conditional upon continued employment (with the exception of "Good Leavers"), and dependent on the meeting of particular performance standards linked to

Vitrolife's EBITDA per share, to receive an allotment of Vitrolife shares ("Performance Shares"). Allotment of Performance Shares to participants shall be free of charge. Performance Shares shall consist of ordinary shares. LTIP 2020 is aimed at a maximum of 8 employees, divided into 2 categories of participants:

Category 1 (max 1 person): a maximum of 12,000 shares per person.

Category 2 (max 7 persons): a maximum of 4,000 shares per person.

Allotment of Performance Shares under the LTIP 2020 programme will be carried out for a limited period of time after the 2023 Annual General Meeting. The period up until this date is a qualifying period (vesting period). A condition for a participant being entitled to receive an allotment of Performance Shares is that the participant continues to be employed at Vitrolife during the entire qualifying period up until allotment. In addition, for allotment of Performance Shares it is necessary that performance standards linked to Vitrolife's EBITDA are met. The Board shall determine the customary definition of Good Leavers and whether any allotment is to be given to participants considered to be a Good Leaver. Performance standards are based on the average growth rate of Vitrolife's EBITDA per share as from the 2020 financial year up until the 2022 financial year (with the 2019 financial year as a benchmark). The minimum level has been set at 4% and the maximum level at 12 percent. 0 percent of the Performance Shares will be vested at or under the minimum level. 100 percent of the Performance Shares will be vested at or above the maximum level. The number of shares that may be allotted increases linearly between the minimum and maximum levels. Shareholders will be informed of the outcome after the allotment of Performance Shares to participants. Before allotment of Performance Shares the Board shall assess whether the allotment is reasonable in relation to the Group's financial results, position and development, as well as other factors. The Annual General Meeting resolved to enter an equity swap agreement with a third party to hedge LTIP 2020's financial exposure. During 2020, Vitrolife entered an equity swap agreement to hedge 52,568 shares (maximum number of shares in LTIP 2020 and associated social charges). For more information, see www.vitrolife.com.

Long-term incentive programme 2021 (LTIP)

The 2021 Annual General Meeting adopted the Board's proposal to introduce a long-term incentive programme (LTIP 2021). LTIP 2021 follows the same principles as LTIP 2020 above, the difference being that the company hedged the financial exposure by acquiring own shares as compared with the equity swap agreement for LTIP 2020. LTIP 2021 is directed to eight employees who can together receive a maximum of 40,000 shares. The performance requirements are based on the average growth rate of Vitrolife's EBITDA per share as from the 2021 financial year up to the 2023 financial year (using the 2020 financial year as a base). The minimum level has been set at 4 percent and the maximum level at 12 percent. For more information, see www.vitrolife.com.

Table 2 – Share award plans (CEO)

	The main conditions of share award plans					Information regarding the reported financial year					
						Opening balance	During the year		Closing balance		
Name of director (position)	1 Name of plan	2 Performance period	3 Award date	4 Vesting date	5 End of retention period	6 Share awards held at beginning of year	7 Awarded	8 Vested	9 Subject to performance condition	10 Awarded and unvested at year end	11 Shares subject to retention period
Thomas Axelsson (CEO)	LTIP 2020	2020-07-2023-06	2020-07-01	2023-06-30	2023-06-30	0	12,000*	0	12,000	12,000	0
Thomas Axelsson (CEO)	LTIP 2021	2021-07-2024-06	2021-07-01	2024-06-30	2024-06-30	0	12,000**	0	12,000	12,000	0
Totalt						0	24,000	0	24,000	24,000	0

* Value: kSEK 2,648, calculated as the market price per share at the time of award (SEK 220.65) multiplied by the number of awards (12,000).

** Value: kSEK 4,090 calculated as the market price per share at the time of award (SEK 340.80, multiplied by the number of awards (12,000).

The CEO did not participate in the LTI 2018 or LTI 2019

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2021 have been taken into account

Table 3(a) – Performance of the CEO in the reported financial year: variable cash remuneration

Name of director (position)	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) actual award/ remuneration outcome
Thomas Axelsson (CEO)	The company's net sales 2021	50%	a) 100% b) kSEK 2,150
	The company's EBITDA 2021	50%	a) 100% b) kSEK 2,150

Table 3(b) - Performance of the CEO in the reported financial year: share-based incentives

Since the performance period is still ongoing for all incentive programmes in which the CEO holds instruments, there is nothing to report in this section.

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance over the last five reported financial years (RFY) (kSEK)

Since this is Vitrolife's second remuneration report, the information in the table below pertains only to the 2021 and 2020 financial years.

	2021	2021 compared to 2020
CEO remuneration	14,036*	+38%
Group operating profit	435,379	+18%
Average remuneration on a full-time equivalent basis of employees of the Group	710	-1%

* Based on expensed remuneration.