

The Board's proposal to the Annual General Meeting of Vitrolife AB (publ) on 27 April 2023 concerning resolution on approval of the Board's remuneration report 2022 (agenda item 18)

Remuneration Report Vitrolife AB 2022

Introduction

This report describes how the guidelines for executive remuneration of Vitrolife AB (publ), adopted by the Annual General Meeting 2022, were implemented in 2022. 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 111-112 in the Annual Report 2022. Information on the work of the Remuneration committee in 2022 is set out in the Corporate Governance Report available on pages 71-77 in the Annual Report 2022.

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 112 in the Annual Report 2022.

Key developments 2022

The CEO summarizes the company's overall performance in his statement on pages 10-12 in the Annual Report 2022.

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

Vitrolife Group'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 Group's strategies are based on a values-driven culture and core values, on sustainability and community engagement. The Group's business concept provides collaboration that creates an efficient and strong Group. Vitrolife Group's vision, strategy and various objectives are described in further detail on the company's website at www.vitrolifegroup.com.

Successful implementation of Vitrolife Group's business strategy and the safeguarding of the Group's long-term interests, including its sustainability, rely on Vitrolife Group recruiting and retaining qualified employees with the right competence. To achieve this, it is necessary that Vitrolife Group 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 2023 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 83-85 in the Annual Report 2022.

The auditor's report regarding the company's compliance with the guidelines is available on www.vitrolifegroup.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 Group's long-term creation of value, including sustainability.

Table 1 – Total CEO remuneration in 2022 (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 ⁵	Pension	Total remuneration	Proportion of fixed and variable remuneration ⁵
Thomas Axelsson (CEO)	12,355	69	7,525	-	-	4,014	23,963	69% /31%

¹ Except for Multi-year variable remuneration, the table reports remuneration earned in 2022. 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 229.

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 Group has three share-related incentive programmes outstanding, which were adopted by the 2020, 2021 and 2022 AGMs:

Long-term incentive programme 2020 (LTI)

In accordance with the Board's proposal, the 2020 AGM resolved to introduce a long-term incentive program (LTIP 2020) for certain key employees to encourage personal long-term shareholding in Vitrolife AB (publ), as well as to increase and strengthen opportunities to recruit, retain and motivate employees. The aim was also to use the LTIP 2020 to unite employees' and shareholders' interests. Each participant is entitled to receive an allotment of Vitrolife AB (publ) shares (performance shares) after the end of a qualifying period, conditional upon continued employment (with the exception of "good leavers") and the achievement of particular performance standards linked to the Vitrolife Group's EBITDA per share. Allotment of performance shares to participants shall be free of charge. Performance shares shall consist of ordinary shares. LTIP 2020 is directed to no more than eight employees in two categories of participants as follows:

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

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

Performance shares under the LTIP 2020 programme will be allotted during a limited period after the 2023 AGM. The period up to that date is the qualification period (vesting period). A condition that must be met for the participant to be entitled to receive the allotment of performance shares is for the participant to continue to be employed by the Group during the entire qualification period up to the allotment. Allotment of the performance shares also requires that the performance requirements associated with the Group's EBITDA are met. The Board will establish a customary definition of good leavers and whether any shares should be allotted to a participant regarded as a good leaver. The performance requirements are based on the average growth rate of the Group's EBITDA per share as from the 2020 financial year up to the

2022 financial year (using the 2019 financial year as a base). The minimum level has been set at 4 percent and the maximum level at 12 percent. 0 percent of the performance shares will be earned at or under the minimum level. 100 percent of the performance shares will be earned at or over the maximum level. The number of performance shares that can be allotted increases on a straight line basis between the minimum and maximum levels. The outcome will be announced to the shareholders after allotment of the performance shares to the participants. Before allotment of the performance shares, the Board will determine if the allotment is reasonable in relation to such factors as the Group's financial results, position and development. The AGM resolved to enter an equity swap agreement with a third party to hedge LTIP 2020's financial exposure. During 2020, the Group entered an equity swap agreement to hedge 52,568 shares (maximum number of shares in LTIP 2020 and associated social charges).

Long-term incentive programme 2021 (LTIP)

The 2021 AGM adopted the Board's proposal to introduce a long-term incentive programme (LTIP 2021). LTIP 2021 follows the same principles as LTIP 2020, 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 the Vitrolife Group'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.

Long-term incentive programme 2022 (LTIP)

The 2022 AGM adopted the Board's proposal to introduce a long-term incentive programme (LTIP 2022) with the same intention and principles as for the LTIP 2020 and LTIP 2021. The LTIP 2022 will be directed towards certain key employees in the Vitrolife Group and the difference from the other two programmes is that participants may, after a qualifying period, receive allotments of Vitrolife AB (publ) ordinary shares without consideration ("Performance shares"). LTIP 2022 is directed towards a maximum of 25 employees, divided in two categories: CEO and other executive members or key employees, who can together receive a maximum of 170,000 shares. Allotment of Performance Shares within LTIP 2022 will be made during a limited period of time following the AGM 2025. The period up to this date is referred to as the qualification period. The performance target is based on the total share return ("TSR") during the term of LTIP 2022. TSR is to be calculated based on the volume-weighted average price of the Group's share on Nasdaq Stockholm during the ten business days that follow immediately after the AGM 2022, compared with the volume-weighted average price of the share on Nasdaq Stockholm during the last ten business days of the three year period following the AGM 2022. The performance target is fulfilled by an average annual TSR of at least 7.5 percent (the minimum level). 0 percent of the Performance Shares will vest at or below the minimum level. 100 percent of the Performance Shares will vest above the minimum level. Prior to the allotment of Performance Shares, the Board shall assess whether the allotment is reasonable in relation to the financial results, position and performance, as well as other factors. Exercise price for options outstanding on 31 Dec 2022 was SEK 285.55, with a remaining expected life of two years. To estimate the options' fair value the Black&Scholes model was used with the assumption of a risk free rate of 0.4 percent, expected volatility of 40 percent, and share price of SEK 229.85 at the time of the allotment. For more information about the LTIP programmes, see www.vitrolifegroup.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
Thomas Axelsson (VD)	LTIP 2022****	2022-07 2023-03	2022-07-01	2025-06-30	2025-06-30	0	50 000***	0	50 000	50 000	0
Totalt						0	74,000	0	74,000	74,000	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).

*** Value: kSEK 5,255 calculated as the market price per share at the time of award (SEK 105.1, multiplied by the number of awards (50,000).

**** The CEO will receive his shares as a good leaver. According to the termination agreement his last working day is 31 March 2023. The cost of his program is split over the period July 2022 to middle of March 2023.

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 2022 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 2022	50%	a) 75% b) kSEK 3,225
	The company's EBITDA 2022	50%	a) 100% b) kSEK 4,300

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 Group's third remuneration report, the information in the table below pertains only to the 2022, 2021 and 2020 financial years.

	2022	2022 vs 2021	2021 vs 2020
CEO remuneration	23 963	92%	31%
Group operating profit	653 789	50%	18%
Average remuneration on a full-time equivalent basis of employees of the Group	579	-18%	-1%