

The Board's proposal to the Annual General Meeting of Vitrolife AB (publ) on 25 April 2024 concerning resolution on approval of the Board's remuneration report 2023 (agenda item 17)

Remuneration Report Vitrolife AB 2023

Introduction

This report describes how the guidelines for executive remuneration of Vitrolife AB, adopted by the Annual General Meeting 2023, were implemented in 2023. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related incentive programs. 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 Programs* (Remuneration Rules) issued by the Swedish Corporate Governance Board.

During the year, there was a deviation from the principles decided by the general meeting regarding remuneration to senior executives. Further information on executive remuneration is available in note 8 (Employees, personnel costs and Board fees) on page 97–98 in the Annual Report 2023. Information on the work of the Remuneration committee in 2023 is set out in the Corporate Governance Report available on pages 59–65 in the Annual Report 2023.

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 98 in the Annual Report 2023.

Key developments 2023

The CEO summarizes the company's overall performance in his statement on pages 7–9 in the Annual Report 2023.

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 programs. 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 72–74 in the Annual Report 2023.

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 programs. The performance standards used to assess the outcome of the programs 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 2023 (kSEK)¹

	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Total remuneration	5 Proportion of fixed and variable remuneration (%) *****
Name of director (position)	Base salary **	Non-monetary benefits ***	Pension (premium determined) ****	One-year	Multi-year			
Thomas Axelsson (CEO Jan-Mar)	14,930	2,641	6,086	0	-	-	23,657	100/0
Jon Sigurdsson (temporary CEO Apr-July)	5,156	0	0	0	-	-	5,156	100/0
Bronwyn Brophy (CEO Aug-Dec)	5,545	1	966	927	-	-	7,439	88/12
TOTAL	25,631	2,642	7,051	927	-	-	36,252	100/97

¹ Except for Multi-year variable remuneration, the table reports remuneration earned in 2023. Multi-year variable remuneration is reported if vested in 2023, 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.

** Including holiday pay of kSEK 4,053.

*** Refers to share-based remuneration (LTIP 2020), company car and health care benefits.

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

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

Share-based remuneration

Outstanding share-related incentive programs

Vitrolife Group has three share-related incentive programs outstanding, which were adopted by the Annual General Meeting 2021, 2022 and 2023. During financial year 2023, the previous incentive program LTIP 2020 was finalized.

Long-term incentive program 2020 (LTI)

The incentive program LTIP 2020, implemented at the 2020 Annual General Meeting, was finalized in 2023 with all targets met. The maximum number of shares to be allotted was 40,000, which also happened.

This is a translation of the Swedish version. When in doubt, the Swedish wording prevails.

Long-term incentive program 2021 (LTIP)

The 2021 AGM adopted the Board's proposal to introduce a long-term incentive program (LTIP 2021) 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 2021 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 2021 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 2021 program will be allotted during a limited period after the 2024 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 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. 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 company hedged the financial exposure by acquiring 52,568 own shares (maximum number of shares plus a hedge for associated social charges).

Long-term incentive program 2022 (LTIP)

The 2022 AGM adopted the Board's proposal to introduce a long-term incentive program (LTIP 2022) with the same intention and principles as for the LTIP 2021. The LTIP 2022 will be directed towards certain key employees in the Vitrolife Group and the difference from the other two programs 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 the Performance Shares outstanding on 31 December 2023 was SEK 285.55, with a remaining expected life of approx. one year. To estimate the Performance Shares fair value the Black&Scholes model was used with the assumption of a risk-free rate of 2.95 percent and an expected volatility of 45 percent. At the time of the allotment the share price amounted to SEK 229.85.

Long-term incentive program 2023 (LTIP)

The 2023 AGM adopted the Board's proposal to introduce a long-term incentive program (LTIP 2023) with the same intention and principles as for the LTIP 2022. The LTIP 2023 will be 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 2023 will be made during a limited period of time following the AGM 2026. 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 2023. 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 2023, 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 2023. 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 the Performance Shares outstanding on 31 December 2023 was SEK 287.01, with a remaining expected life of approx. two years. To estimate the Performance Shares fair value the Black&Scholes model was used with the assumption of a risk-free rate of 2.25 percent and an expected volatility of 45 percent. At the time of the allotment the share price amounted to SEK 231.03.

For more information about the LTIP programs, 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 (CEO)	LTIP 2022***	2022-07 2025-06	2022-07-01	2025-06-30	2025-06-30	0	50,000****	0	50,000	50 000	0
Bronwyn Brophy (CEO)	LTIP 2023	2023-07 2026-06	2024-07-01	2026-06-30	2026-06-30	0	45,000*****	0	45,000	50 000	0
TOTAL						0	119,000	0	119,000	119,000	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 have received the shares as a "Good leaver", decided on the Board on 11 October 2022. According to the termination agreement his last working day was 31 March 2023. The cost of his program is split over the period July 2022 to middle of March 2023.

**** 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).

***** Value: kSEK 5,408 calculated as the market price per share at the time of award SEK 120.18, multiplied by the number of awards (45,000).

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 2023 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
Bronwyn Brophy (CEO)	The company's organic net sales growth in 2023	50%	a) 12.5% b) kSEK 185
	The company's EBITDA growth 2023 vs 2022	50%	a) 50% b) kSEK 742

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 programs 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 forth remuneration report, the information in the table below pertains only the financial years 2020 until 2023.

	2023	2023 vs 2022	2022 vs 2021	2021 vs 2020
CEO remuneration	36 252 *	51%	92%	31%
Group operating profit	710 819 **	9%	50%	18%
Average remuneration on a full-time equivalent basis of employees of the Group	645	11%	-18%	-1%

* During the financial year 2023 remuneration for the CEO has been paid to three different people, of which one person was only temporary due to the change of CEO.

** In the annual accounts 31 December 2023, the Group's operating profit is adjusted for a non-cash impairment of kSEK 4,300.