



Remuneration report 2023

Introduction

This report describes how the guidelines for executive remuneration of Sleep Cycle AB (publ), adopted by the annual general meeting 2021, were implemented in 2023. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 11 (Number of employees, wages, other remuneration and social charges) on pages 58-59 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 38-41 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 11 on page 59 in the annual report 2023.

Key developments 2023

The CEO summarizes the company's overall performance in his statement on pages 4-5 in the annual report 2023.

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

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines, adopted by the annual general meeting, enable the company to offer executives a competitive total remuneration.

Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial or non-financial criteria. They may be individualized, quantitative or qualitative objectives. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example

being clearly linked to the business strategy or promote the executive's long-term development.

The remuneration guidelines are found on pages 40-41 in the annual report 2023. As set out in the guidelines, the board of directors may temporarily resolve to derogate from the guidelines if, in a specific case, there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. During 2023, the board of directors decided to deviate from the applicable remuneration guidelines in connection with the recruitment of a new CEO (see further "*Recruitment of a new CEO*" below). The remuneration committee recommended the board of directors to decide on deviation from the remuneration guidelines as set out below under "*Recruitment of a new CEO*". Against this background, and with regard to the importance of being able to offer the new CEO a competitive total remuneration on market terms, the board of directors considered that there was special cause to derogate from the guidelines and that the derogations were necessary to safeguard the company's long-term interests, including its sustainability.

No further deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. No remuneration has been reclaimed. The auditor's report regarding the company's compliance with the guidelines is available on investors.sleepcycle.com.

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 plans, and an extraordinary general meeting of the company held on 23 November 2023 resolved to implement a long-term share-related incentive plan for the new CEO recruited during 2023.

Recruitment of a new CEO

During 2023, in agreement with the board of directors, former CEO Carl Johan Hederoth stepped down as CEO of the company as of 30 September 2023. Erik Jivmark was recruited as new CEO and assumed his role as of 1 November 2023. The company's CFO Per Andersson acted as interim CEO from and including 1 October 2023 up until and including 31 October 2023, but retained no additional remuneration for this assignment and, hence, no remuneration with respect to his role as interim CEO is included in this report.

As a result of negotiations, the board of directors, in accordance with the remuneration committee's recommendation and for the reasons set out above, decided to make the following deviation from the remuneration guidelines in connection with the recruitment of the new CEO Erik Jivmark:

1. The employment agreement includes a severance benefit of SEK 600,000 if the company terminates the CEO before April 2024.
2. If the company terminates the CEO's employment, the notice period shall be twelve (12) months and the CEO shall have the right to a severance payment corresponding to six (6) fixed monthly salaries.

The existing remuneration guidelines stipulate that fixed cash salary during the notice period and severance payment may not together exceed an amount corresponding to the fixed cash salary for one year.

Total CEO remuneration in 2023 (kSEK)¹ - Table 1

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total remuneration	6 Proportion of fixed and variable remuneration ⁷
	Base salary	Other benefits	One-year variable	Multi-year variable				
Erik Jivmark (CEO), from 1 November 2023	440	1	-	-	-	93	534	100/0
Carl Johan Hederöth (former CEO), until 30 September 2023	2,635 ³	4	-	-	1,116 ⁴	623 ⁵	4,379	100/0

¹ Except for Multi-year variable remuneration and remuneration during notice period and severance pay to the former CEO, the table reports remuneration earned in 2023. Multi-year variable remuneration is reported if vested in 2023, as set out in Table 2. Disbursement of any payments may or may not have been made the same year.

² Pension expense (column 4), which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.

³ Including salary for notice period in accordance with employment agreement, of which kSEK 372 is paid out during 2024.

⁴ Refers to contractual severance pay, which is paid out during 2024.

⁵ Including pension expense for notice period in accordance with employment agreement, of which kSEK 88 is paid out during 2024.

Share-based remuneration

Outstanding share-related and share price-related incentive plans

The company has implemented four warrant programs (2020/2023, 2021/2024, 2021/2025 and 2022/2025) for all employees, also the Board of Directors were included in the program 2020/2023 prior to the Company being listed on Nasdaq Stockholm. During 2023, the company implemented a warrant program for the new CEO (TO 2023), decided at an extraordinary general meeting held on 23 November 2023. The warrants are issued against payment corresponding to the fair value of the warrant at the time of allocation. The fair value has been calculated on the basis of Black-Scholes valuation model. The new CEO was granted 100,000 warrants, which gives him the right to subscribe for 100,000 shares during the period from and including 1 December 2026 up to and including 2 January 2027.

In total, 700,031 warrants have been granted, corresponding to 700,031 shares, which corresponds to 3.5% of the shares in the company on a diluted basis.

Warrant program (CEO) – Table 2

The main conditions of warrant programs

	1 Name of program	2 Award date	3 Exercise period	4 Exercise price (SEK)	5 Warrants held at beginning of year	6 Warrants acquired during the year	7 Expired program during the year	8 Warrants held at end of year
Erik Jivmark (CEO), from 1 November 2023	TO 2023	2023-11-23	2026-12-01 – 2027-01-02	52.60	-	100,000	-	100,000
	TO 2020	2020-12-19	2023-12-01 – 2023-12-31	88.89	100	-	100	-
Carl Johan Hederöth (former CEO), until 30 September 2023 ¹	TO 2021	2021-06-07	2024-06-08 2024-08-07	94.50	45,000	-	-	45,000
	TO 2022	2022-05-24	2025-08-01 – 2025-08-31	71.20	6,840	-	-	6,840
	CEO LTIP	2021-06-07	2026-04-08 2026-06-07	241.17	340,909	-	-	340,909
Total					392,849	100,000	100	492,749

¹ Upon agreement to step down as CEO, Carl Johan Hederöth was offered and elected to retain the warrants previously granted to him.

Cash-based bonus performance program

In 2023, the board of directors approved a new cash-based bonus performance program, which is dependent on the fulfilment of certain operating targets, to further align management incentives with those of the shareholders. The program covers the executive management team, including the CEO. The performance criteria are the

number of paying subscribers and EBIT, weighted 60% and 40%, respectively. Performance is measured over a twelve month period, commencing on 1 October 2023.

Application of performance criteria

The performance measures for the CEO's cash-based variable remuneration, as set out above, have been selected to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. The performance under the cash-based bonus performance program is measured over a twelve month period, commencing on 1 October 2023, and hence, no variable remuneration has been awarded to the CEO in 2023.

Comparative information on the change of remuneration and company performance

Sleep Cycle was listed on Nasdaq Stockholm during 2021 and 2020 is the first reference year available. The comparative information between 2020, 2021, 2022 and 2023 has been presented in the table below. For future reports, coming years will be added so that the annual change over the last five years will be visible.

Remuneration and company performance over the last four reported financial years (kSEK) – Table 3

	2023 ¹	2022	2021	2020
CEO remuneration	4,912	2,937	3,419	1,242
Group operating profit	56,606	42,807	8,945	55,083
Average remuneration on a full time equivalent basis of employees ² of the parent company	761	692	662	590

¹ CEO remuneration includes remuneration to former CEO Carl Johan Hederöth, including severance pay, and remuneration to current CEO Erik Jivmark (for further information, see Table 1).

² Excluding members of the group executive management