

An illustration of a man floating in water, surrounded by various sea creatures including fish and turtles. The man is wearing a blue t-shirt and shorts, and is holding a small object in his hands. The background is a deep blue with lighter blue wavy lines representing water. The text "Corporate Governance Report 2021" is centered over the man.

# Corporate Governance Report 2021



Sleep Cycle

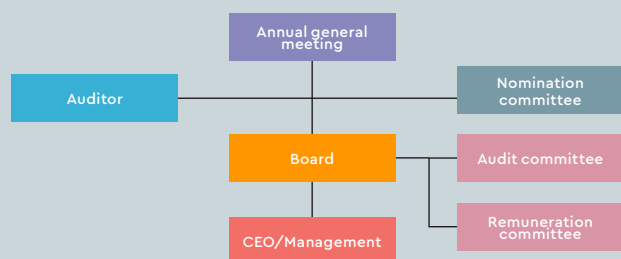
## THE BASICS OF SLEEP CYCLE'S CORPORATE GOVERNANCE

Sleep Cycle AB (publ) is a Swedish public limited liability company with offices in Gothenburg and Stockholm. Since 8 June 2021, the company's shares have been listed on Nasdaq Stockholm. The main decision-making bodies are the annual general meeting, the Board and Sleep Cycle's CEO. The annual general meeting appoints the Board, who in turn appoints the CEO, who takes care of day-to-day operations in accordance with the Board's guidelines. Corporate governance is an important aspect of ensuring that Sleep Cycle is managed sustainably, responsibly and as efficiently as possible in order to realize strategies and create value for customers and stakeholders. Sleep Cycle has followed the Swedish Corporate Governance Code from the date that its shares were listed on Nasdaq Stockholm. This corporate governance report is part of the Management Report and is submitted in accordance with the Annual Accounts Act and Code. B. The corporate governance report has been reviewed by Sleep Cycle's auditors, in accordance with what is stipulated in pages 60–62.

## SHARES

As of 31 December 2021, Sleep Cycle had 19,428,571 shares, all B-shares. Each share in the Company entitles the shareholder to one vote at the Annual General Meeting and each respective shareholder has the right to vote for all shares held by them in the Company. Shareholdings representing at least a tenth of the voting rights of all shares in Sleep Cycle are Maciek Drejak through a company with 43.9 percent of votes, along with Pierre Siri through a company with 23.7 percent of voting rights.

## ORGANIZATIONAL CHART



## ANNUAL GENERAL MEETING

The annual general meeting for 2020 was held on 19 May 2021 in Gothenburg. In accordance with the Board's proposal, the meeting decided to accept the annual report, and that no dividends shall be paid out for the financial year 2020.

The annual general meeting decided to discharge the Board members and the CEO from liability for the financial year 2020.

The annual general meeting decided that the number of Board members must be five without deputies, and that the number of auditors must be two without deputies. Lars Berg, Anne Broeng, Olof Nilsson, Rasmus Järborg and Ödgård Andersson were reelected as Board members for a period until the end of the next annual general meeting. Lars Berg was reelected as Chairman of the Board. It was decided that TSEK 500 shall be paid out as Board honoraria to the Board's chairman, and TSEK 250 to each of the other members, TSEK 50 to the President of the audit committee, and TSEK 25 to the other members of the audit committee, as well as TSEK 50 to the chairperson of the remuneration committee, and TSEK 25 to other members of the remuneration committee.

In accordance with the Board's proposal, the annual general meeting decided on guidelines for remuneration to senior executives, and principles for the appointment of the nomination committee.

## EXTRAORDINARY ANNUAL GENERAL MEETING 16 FEBRUARY 2021

On 16 February, an extraordinary general meeting was held. It was decided to appoint Ödgård Andersson as a new Board member for the period until the end of the next annual meeting. It was noted that the Board thereafter consists of Ödgård Andersson, Lars Berg, Anne Broeng, Rasmus Järborg and Olof Nilsson. An annual honorarium of TSEK 250 was adopted for Ödgård Andersson, which is the same honorarium that the other Board members receive.

## EXTRAORDINARY ANNUAL GENERAL MEETING 7 APRIL

On 7 April, an extraordinary annual general meeting was held. The annual general meeting decided on a new share issue for TSEK 350, as well as a reduction of share capital by a corresponding amount. The purpose of the reduction concerns provisions for a fund to be used in accordance with a decision by the annual general meeting for a bonus issue, taken on the same day. The meeting decided, in accordance with the Board's proposal, to change category of company from a private to public company, and to adopt new articles of association. The number of auditors was fixed at two, after which it was decided to, in addition to

the present auditors Mazars AB, with Samuel Bjälkemo as principal auditor, elect Anders O Persson, Mazars AB, as auditor.

## EXTRAORDINARY ANNUAL GENERAL MEETING 3 MAY 2021

On 3 May 2021, an extraordinary annual general meeting was held. The meeting decided to adopt new articles of association, the change meaning that the pre-emption clause is terminated, and that company shares are thus no longer under a pre-emption clause. The articles of association can be found on Sleep Cycle's website: [investors.sleepcycle.com](https://investors.sleepcycle.com).

The annual general meeting decided that the company's 150,000 issued shares, with a quota value of approximately SEK 3.33, shall be divided by means of a split (120:1) into 18,000,000 shares with a quota value of approximately SEK 0.03.

## EXTRAORDINARY ANNUAL GENERAL MEETING 7 JUNE 2021

On 7 June 2021, an extraordinary annual general meeting for Sleep Cycle AB was held. The annual general meeting decided on a long-term incentive program for employees and the CEO. The issue of a maximum of 204,546 warrants in Series 1, as a consequence of which the company's share capital can increase by a maximum of SEK 5,681.83, and 22,727 warrants in Series 2, as a consequence of which the company's share capital can increase by a maximum of SEK 631.31. The issue of a maximum of 340,909 warrants in programs designed for the CEO, as a consequence of which the company's share capital can increase by a maximum of SEK 9,469.69.

The annual general meeting also decided on a new issue of a maximum of 1,428,571 shares, as a consequence of which the share capital can increase by a maximum of SEK 39,682.53.

## ANNUAL GENERAL MEETING 2022

The next annual general meeting will be held on 10 May 2022.

## AUDITORS

At the 2021 annual general meeting, it was decided to reelect Mazars AB as auditors, with Samuel Bjälkemo and Anders Persson as principal auditors. The auditors report observations from their audit work to the Board, and the auditors check their audit and risk assessment plan with the audit committee, on an annual basis.

## THE BOARD

The Board is the company's highest decision-making body after the annual general meeting. According to the Swedish Companies Act, the Board of Directors is responsible for the Company's management and organization, which means that the Board is responsible, among other things, for establishing objectives and strategies, for ensuring procedures and systems for the evaluation of set objectives, for continuously evaluating the Company's performance and financial position, and for evaluating operational management. The Board is also responsible for ensuring that the annual report and interim reports are prepared in time. In addition, the Board appoints the company's CEO. The Board follows written rules of procedure, which are revised annually and adopted at the statutory board meeting. The rules of procedure regulate, among other things, the Board's practices, functions and allocation of work between the Board members and CEO. In connection with the statutory Board meeting, the Board also sets out instructions for the CEO, including for financial reporting. The Board also annually reviews and sets out rules of procedure for the Board's audit committee and remuneration committee. The Board is further responsible for preparing and adopting policies, as well as for monitoring compliance with any such policies.

## THE COMPOSITION OF THE BOARD

In 2021, the Board consisted of five Board members, three men and two women, appointed by the annual general meeting. The Board works to achieve equality, as well as diversity of skills, gender, experience and culture. Lars Berg was appointed as the company's Chairman. All Board members are independent in relation to the company and its management, and all members, with the exception of Lars Berg, are independent in relation to major shareholders. A more detailed presentation of the Board is found in pages 20–21.

## THE BOARD'S WORK IN 2021

In 2021, the Board held 11 board meetings (of which 4 were per capsulam), in all of which the minutes were taken. The Board has established rules of procedure that describe in detail which points of order shall be covered during the different Board meetings throughout the year. In the first part of the year, the Board were focused on preparations for the IPO. Establishment of policies, evaluation of internal controls and risk assessment. One of the annual board meetings concerned the company's strategic orientation, in which the Board evaluated and established the company's overall objectives and strategy. Other points that were dealt with were the

establishment of the budget for the coming financial year, objectives and governance, technical development of the company's product, as well as sleep and health in relation to the market and product development. Reports from the audit and remuneration committees have been dealt with during the course of the year.

Each month, the CEO sends out a monthly report including, among other things, a financial report and current events in the business. The purpose is to keep the Board informed of the development of the company's activities. The Board also approves any financial reports before they are published. The Board regularly evaluates the work of the CEO, but once a year, a formal evaluation is made, in which the company's management are not involved.

Once a year, an evaluation of the work of the Board and its committees is made, in order to create a sound basis for the Board's and its committee's own development work. The Board's chairperson is responsible for the evaluation and its presentation to the nomination committee. In 2021, an internal evaluation was made by the Board's chairman, who conducted structured interviews with each individual Board member, to get their opinion of the Board's work. All viewpoints were compiled and discussed by the Company's Board of Directors. The result of the evaluation has been presented and discussed by the nomination committee. The conclusion was that there was a good mix of skills in the Board, and that the Board works well, which led to the conclusion that no changes need to be proposed at the annual general meeting.

#### THE BOARD'S COMMITTEE

Members of the committee are appointed at a statutory board meeting, which is held immediately after the annual general meeting.

#### AUDIT COMMITTEE

The audit committee's duties are described in instructions set out by the Board. The purpose and objective of the audit committee is to monitor the company's financial reporting, monitor efficiency of the company's internal checks and risk management, to stay informed about the audit for the financial year and the consolidated financial statement, to review and monitor the auditor's impartiality and autonomy, as well as to assist in the preparation of proposals for the annual general meeting's choice of auditor.

#### REMUNERATION COMMITTEE

The remuneration committee's duties are described in instructions set out by the Board. The purpose and objective of the remuneration committee is to prepare the Board's decisions in matters relating to remuneration principles, salary and other employment conditions for senior executives, remuneration guidelines, as well as the remuneration report, to monitor and evaluate programs for variable remuneration, both ongoing and any such programs that have been concluded during the year for senior executives, as well as to evaluate the application of remuneration guidelines for senior executives, adopted by the annual general meeting, as well as the current salary structures and salary levels in the company.

Name	Presence board member	Presence remuneration committee	Presence audit committee
Lars Berg	11/11	6/6	
Anne Broeng	11/11		6/6
Olof Nilsson	11/11		6/6
Rasmus Järborg	11/11	6/6	
Ödgård Andersson	10/10 *		

\* Ödgård Andersson was appointed as a Board member in February 2021.

#### NOMINATION COMMITTEE

The Nomination Committee shall nominate and present proposals to the Board of Directors and the Chairman of the Board at the Annual General Meeting. In accordance with the instructions that were adopted by Sleep Cycle's annual general meeting that was held on 19 May 2021, the company shall have a member appointed by each of the three largest voting shareholders or shareholder groups, together with the Board's chairperson. The member who represents the largest shareholder shall be appointed as the nomination committee's chairperson unless the nomination committee unanimously appoints another member as the nomination committee's chairperson. The instructions for the nomination committee can be found on Sleep Cycle's website: [investors.sleepcycle.com](https://investors.sleepcycle.com).

The composition of the Nomination Committee meets requirements regarding independent members. The Nomination Committee has appointed Anna Sundberg as chairman.

Member	Appointed by	% of votes as of 30 Sept 2021
Mathias Høyer	MCGA AB and H265 AB	Total 43.88
Alexander Hannerland	GLA Invest SA	23.7
Anna Sundberg	Handelsbanken Fonder	5.3

#### THE COMPANY'S ORGANISATION

The CEO is subordinate to the Board, and responsible for the company's day-to-day administration and for daily operations. The work allocation between the Board and CEO is given in the rules of procedure for the Board and the instructions to the CEO. The CEO is also responsible for preparing reports and compiling information from management for Board meetings, and is rapporteur of any material relating to board meetings.

According to the instructions for financial reporting, the CEO is responsible for financial reporting in the company, and must therefore ensure that the Board receives sufficient information in order for the Board to be able to evaluate the company's financial position on a regular basis.

The senior management consists of six members including the CEO, four of whom are men. Any lack of equality is noted and taken into account for future recruitment. A more detailed presentation of the management is found in pages 22–23.

#### REMUNERATION

##### HONORARIA FOR THE BOARD

At the annual general meeting that was held on 19 May 2021, it was decided that TSEK 500 shall be paid out as Board honoraria to the Board's chairman, and TSEK 250 to each of the other members, TSEK 50 to the President of the audit committee, and TSEK 25 to the other members of the audit committee, as well as TSEK 50 to the chairperson of the remuneration committee, and TSEK 25 to other members of the remuneration committee.

##### GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The company has in respect of the CEO a 6-month notice of termination, while the CEO has a 12-month notice of termination. In the event of termination by the company, severance pay is payable corresponding to 6 months of salary.

The present guidelines for remuneration to senior executives ("The guidelines") include remuneration for Sleep Cycle AB (publ)'s ("Sleep Cycle" or "the Company") senior executives, including the CEO. The guidelines are forward-looking, i.e. they shall apply to any future remuneration that is agreed, and changes that will be made to already agreed remuneration after the guidelines are adopted by the 2021 annual general meeting. These guidelines do not cover remuneration that is decided upon by any annual general meeting.

##### THE GUIDELINES PROMOTION OF THE COMPANY'S BUSINESS STRATEGY, LONG-TERM INTERESTS AND SUSTAINABILITY

The Company's business strategy is, in brief, to give people the opportunity to sleep better in order to improve global health. Sleep Cycle is developing a solution for sleep health and an application for sleep monitoring. Sleep Cycle's vision is to become the market leader solution for sleep health globally. For more information about the Company's business strategy, please see: [www.sleepcycle.com](https://www.sleepcycle.com). A successful implementation of the Company's business strategy and securing of the Company's long-term interests, including its sustainability, assumes that the Company is able to recruit and keep qualified collaborators and senior executives. In order to achieve this, the Company is required to offer competitive remuneration. The present Guidelines enable the Company to offer senior executives a competitive remuneration in total. Sleep Cycle's remuneration must also aim to promote the Company's business strategy and long-term interests, including its sustainability. Long-term incentive programs based on shares and share prices have been introduced in the Company. Such programs were confirmed upon by the annual general meeting, and are therefore not covered by the present guidelines. The Board believes that the opportunity for a well-balanced fixed remuneration combined with the opportunity to participate in any share-based incentive programs that have been decided upon by annual general meeting, along with the opportunity for variable remuneration, is going to enable Sleep Cycle to recruit and keep qualified collaborators and senior executives, in its quality as a competitive employer.

##### FORMS OF REMUNERATION

Remuneration must be at market rates, and consist of the following elements: fixed cash salary, variable cash remuneration, pension benefits and other perks. The annual general meeting can, in addition, decide on share and share-based remuneration.

**FIXED REMUNERATION**

The fixed remuneration of senior executives is reviewed on an annual basis, and must be competitive and based on each person's skills, responsibility and performance.

**VARIABLE REMUNERATION**

Variable cash remuneration that is covered by the present Guidelines must aim to promote the Company's business strategy and long-term interests, including its sustainability. Variable cash remuneration must be based on pre-determined and measurable criteria, which can be financial or non-financial, must be directly or indirectly linked to the successful implementation of Sleep Cycle's business strategy, and must be measured over a period of one or more years. Such criteria can also be based on individualized, quantitative or qualitative objectives. The criteria must be defined in such a way as to promote the Company's business strategy and long-term interests, including its sustainability. Further variable cash remuneration can be awarded in extraordinary circumstances, either for the purpose of recruiting or keeping senior executives, or as remuneration for extraordinary performances that go beyond the person's normal work duties, provided that such extraordinary circumstances are limited in time and only apply on an individual basis. The total variable cash remuneration may amount up to a maximum of 100 percent of senior management's fixed, annual cash salary. The extent to which the criteria for awarding any variable cash remuneration has been met must be determined and evaluated after the measuring period has expired, and for financial goals, based on the latest financial information that is published by the Company. The remuneration committee evaluates variable cash remuneration for the CEO, and the CEO evaluates variable cash remuneration for other executives.

**PENSION AND OTHER COMMON PERKS**

Pension benefits must come under defined contribution schemes, and are ensured by means of premium payments to the insurance company. Variable cash remuneration does not give entitlement to pension benefits. Other possible perks must be common and make it easier for senior executives to perform their duties, such as company healthcare, healthcare insurance or a company car. The size of pension benefits and other common perks must in total amount to a maximum of 30 percent of the fixed, annual cash salary. Sleep Cycle can instead offer a salary exchange at the request of a senior executive, provided that the total cost to the Company is more or less the same. For people who belong to the group's management and who are not resident in Sweden, appropriate adjustments may be made in order to comply with statutory regulations or established local practices, and by which the present Guidelines' overall objectives must be respected as far as possible.

**TERMINATION OF EMPLOYMENT**

In the event of termination of contract, the maximum notice of termination period is twelve months. Fixed cash salary during the notice of termination period and severance pay must, in total, not exceed an amount corresponding to the fixed cash salary for a year. In the event of termination of contract by the senior executive, the maximum notice of termination period is twelve months, and without entitlement to severance pay. In addition, compensation for any non-compete clauses may be paid. Such compensation should compensate for any income losses and may only be paid to the extent that the former senior executive is not entitled to severance pay. The compensation must amount to no more than 60 percent of the average monthly remuneration (both fixed and variable) that has been paid by the Company over the preceding twelve months from the time of notice of termination, and is paid while any non-compete clauses apply, which cannot be longer than twelve months after termination of employment for any senior executive.

**SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES**

While preparing the Board's proposal for the present Guidelines, salary and employment conditions for Company employees have been taken into account by noting information on employees' total remuneration, remuneration elements, as well as any increase in remuneration and the rate of such an increase over time.

**WAIVING OF THE GUIDELINES**

The Board may decide to temporarily waive the Guidelines, if, in an individual case, there are good reasons for this, and a deviation is necessary in order to ensure the Company's long-term interests, including its sustainability, or in order to ensure the Company's viability.

**DECISION-MAKING PROCESS IN ORDER TO ESTABLISH, REVIEW AND IMPLEMENT THE GUIDELINES**

The Board has set up a remuneration committee. The remuneration committee's duties include preparing the Board's decision on proposals for the guidelines on senior management remuneration. The Board shall draw up a proposal for new guidelines at least once every four years, and set out the proposal for adoption at the annual general meeting. The Guidelines shall apply until new guidelines are adopted by the annual

general meeting. The remuneration committee must also prepare decisions on remuneration-related matters, including decisions to waive the Guidelines, to follow and evaluate programs for variable remuneration for company management, the application of Guidelines for remuneration to senior management, as well as decisions concerning remuneration structures and remuneration levels in the Company. The Board has submitted a separate remuneration report, which can be accessed by investors at: [investors.sleepcycle.com](https://investors.sleepcycle.com).

**THE BOARD'S DESCRIPTION OF INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING**

The Board's responsibility for internal controls are regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. The Board adopts policies and other governing documents, and ensures that the contents are communicated to all interested parties. This report is limited to a description of the internal controls relating to financial reporting for the financial year 2021. The objective of internal controls at Sleep Cycle is to ensure reliable and accurate financial reporting, that the company's and the group's financial reports are prepared in accordance with the law and applicable accounting practices, that the company's assets are protected, and that there is compliance with other requirements.

**CONTROL ENVIRONMENT**

The control environment forms the basis of Sleep Cycle's internal controls, and includes how the Board and management act, share responsibilities and powers within the organization, provide information about the business' objectives, and communicate the general importance of internal controls. The control environment entails creating an appropriate risk culture, and is reinforced by factors such as corporate culture, privacy, ethics, skills, management philosophy, organizational structure, powers and responsibilities as well as governing documents and guidelines. For each financial key process, the CEO appoints a suitable process owner. The process owner is responsible for reducing major risks in the process by means of appropriately designed and documented controls, which are followed up. The process owner is also responsible for the existence of a flow chart, documented risk analyses, as well as risk and control matrices.

**RISK ASSESSMENT**

Risk assessment is the basis of internal checks, the starting point for the setting up of controls. Risk is defined as the possibility for an event to occur and negatively impact the chances of delivering a service. Risk assessment takes place continuously throughout the year, and the finance department evaluates the risk of critical errors in financial reporting. Focus is put on the key results and balance sheet entries that, relatively speaking, have a higher risk depending on their complexity or where the effect of any errors risks being major.

**CONTROL OPERATIONS**

Control operations refer to the measures that are introduced by means of policies and procedures that help to ensure risk reduction. The goal is to have an effective series of controls that are adapted to the business' conditions and risk tolerance. In order to ensure that financial reporting gives a true and fair picture, there are control operations that involve several parties in the organization, from the Board and company management to the finance department and other collaborators. Financial controls in Sleep Cycle's business process includes, among other things, approval of business transactions, reconciliations and monthly performance monitoring. Reporting and analysis of financial outcomes are regularly submitted to the Board and management.

**INFORMATION AND COMMUNICATION**

There should be fully functional two-way communication and flow of information between the Board and management and Sleep Cycle's employees. An important part of internal controls is the ensuring of the efficient dissemination of relevant information to both internal and external interested parties. Sleep Cycle's information policy, adopted by the Board, covers, among other things, the handling of financial information. Sleep Cycle must ensure that all applicable policies and guidelines remain accessible to all relevant parties.

Sleep Cycle has a whistleblowing system that is accessible on Sleep Cycle's website. If needed, it can be used anonymously.

**MONITORING**

The Board continually evaluates any information submitted by company management, which includes both financial information and key issues about internal controls. Sleep Cycle performs self-assessments and independent tests in order to assess the effectiveness of internal controls, and this is done at least once a year, and the evaluation results are reported to the audit committee. Proposals for action plans and improvements are identified and implemented on an ongoing basis.

## AUDITOR'S REPORT

To the general meeting of the shareholders of Sleep Cycle AB, corporate identity number 556614-7368.

### Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Sleep Cycle AB for the year 2021 with the exception of the corporate governance report on pages 31–33. The annual accounts and consolidated accounts of the company are included on pages 29–59 in the Annual Report 2021.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence I (we) have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Revenue recognition

See notes 2 and 6 in the annual report and consolidated accounts for detailed information and a description of the area.

### Description of key audit matter

The absolute largest part of the Parent Company and the Group's revenues consist of revenues from subscription services which are reported over time. The accounting for revenue includes manual procedures, which increases the risk of revenue recognition in the wrong period or to a wrong amount.

### How the area has been considered in the audit

We have audited the company's procedures to ensure that internal controls linked to the revenue accounting are appropriate. We have reviewed the calculation model used to accrue revenue and performed tests on the model to ensure correct and consistent application.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts

and consolidated accounts and is found on pages 1–28. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures

- made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

#### **Report on other legal and regulatory requirements** **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sleep cycle AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and

the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

#### **The auditor's examination of the Esef report** **Opinion**

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Sleep cycle AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### **Basis for opinion**

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sleep Cycle AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4

a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts [and consolidated accounts]. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts [and consolidated accounts].

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

#### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 31–33 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Mazars AB, with Samuel Bjälkemo as principal, Box 1317, 111 83 Stockholm, was appointed auditor of Sleep Cycle AB by the general meeting of the shareholders on the 19th of May 2021 and has been the company's auditor since the 9th of September 2014. Anders Persson, Mazars AB Box 159, 261 22 Landskrona, was appointed auditor by the general meeting of the shareholders on the 19th of May 2021 and has been the company's auditor since the 19th of April 2021.

Stockholm 30th of March 2022

Mazars AB

Samuel Bjälkemo  
Authorized Public Accountant

Anders Persson  
Authorized Public Accountant

