

Remuneration Report 2022

Introduction

This remuneration report provides an outline of how VEF AB (publ)'s ("VEF" or the "Company") guidelines for executive remuneration (the "Remuneration Guidelines"), adopted by the annual general meeting 2021 and revised by the annual general meeting 2022, have been implemented with respect to the financial year 2022. The report also provides details on the remuneration of VEF's CEO. In addition, the report contains a summary of the Company's outstanding share and share-price related incentive programs. The report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551), the Swedish Corporate Governance Code and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programs* issued by the Swedish Corporate Governance Board.

Numbers presented in this report relate to all compensation paid out in or otherwise related to the financial year 2022, irrespective of accrual for accounting purposes. For this reason, numbers may vary from those presented in the Company's annual report for 2022. Information required by Chapter 5, Sections 40-44 of the Swedish Annual Accounts Act (1995:1554) is available in Note 8 on pages 61-64 in the annual report for 2022.

Information on the work of the remuneration committee in 2022 is set out in the Corporate Governance Report starting on page 87 in the annual report for 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 62 in the annual report for 2022.

Key Developments 2022

The CEO summarizes the Company's overall performance in his statement on pages 10-13 in the annual report for 2022.

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

A prerequisite for the successful implementation of VEF'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 Remuneration Guidelines enable VEF 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. Additionally, the general meeting may – irrespective of these guidelines – resolve on share or share price-related remuneration as well as other forms of remuneration without limitation.

The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. The criteria 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 page 88 in the annual report for 2022. During 2022, the Company has complied with the Remuneration Guidelines. No deviations from the Remuneration Guidelines have been decided and no derogations from the procedure for implementation of the Remuneration Guidelines have been made. The auditor's report regarding the Company's compliance with the Remuneration Guidelines is available on <https://vef.vc/governance/>. No remuneration has been reclaimed.

In addition to remuneration covered by the Remuneration Guidelines, the general meetings of VEF have resolved to implement long-term share-related incentive plans (prior to the Group's change of domicile from Bermuda to Sweden the incentive programs were approved by VEF Ltd.'s general meetings and implemented by the Company in connection with change of domicile) and on remuneration to the Board of Directors.

Table 1.1 – Total remuneration of the CEO in 2022 (USD thousands)

Name of director (position)	Fixed remuneration		Variable remuneration		Extraordinary items ⁵⁾	Pension expense ⁶⁾	Total remuneration	Proportion of fixed and variable remuneration
	Base salary ¹⁾	Other benefits ²⁾	One-year variable ³⁾	Multi-year variable ⁴⁾				
David Nangle (CEO)	491	3	384	139	38	116	1,171	52%/48%

1) Includes statutory holiday pay of USD 0 thousand.

2) Refers to health insurance and life insurance not included as remuneration in Note 8 of the Company's annual report.

3) The variable remuneration for 2022 of USD 290 thousand was determined and paid in February 2023. In addition, the variable remuneration for 2021 of USD 384 thousand was paid in February 2022.

4) This column includes the value of the shares vested under the Company's LTIPs during the year.

5) Remuneration to facilitate participation in the LTIP, as the Company subsidizes the acquisition cost of participants, is fully recognized as variable remuneration.

6) Pension expense, which in its entirety relates to base salary, has been counted entirely as fixed remuneration.

Table 1.2 – Total remuneration of the CEO in 2021 (USD thousands)

Name of director (position)	Fixed remuneration		Variable remuneration		Extraordinary items ⁵⁾	Pension expense ⁶⁾	Total remuneration	Proportion of fixed and variable remuneration
	Base salary ¹⁾	Other benefits ²⁾	One-year variable ³⁾	Multi-year variable ⁴⁾				
David Nangle (CEO)	475	8	367	147	261	50	1,309	41%/59%

1) Includes statutory holiday pay of USD 0 thousand.

2) Refers to health insurance and life insurance not included as remuneration in Note 8 of the Company's annual report.

3) The variable remuneration for 2021 of USD 384 thousand was determined and paid in February 2022. In addition, the variable remuneration for 2020 of USD 367 thousand was paid in April 2021.

4) This column includes the value of the shares vested under the Company's LTIPs during the year.

5) Remuneration to facilitate participation in the LTIP, as the Company subsidizes the acquisition cost of participants, is fully recognized as variable remuneration.

6) Pension expense, which in its entirety relates to base salary, has been counted entirely as fixed remuneration.

Share-based remuneration

A prerequisite for the successful and sustainable implementation of VEF's business strategy and safeguarding of its long-term interests is that VEF is able to attract, motivate and retain the best talent in Sweden and globally. To achieve this, it is necessary that VEF offers competitive remuneration that creates incentives to execute strategic plans and deliver excellent operating results, and to align these incentives with the interests of VEF's shareholders. Over the years, VEF has implemented several long-term share and share-price related incentive programs for the employees. The share incentive plans are resolved upon by the general meetings and prepared by VEF's Remuneration Committee in consultation with major shareholders and external advisors.

During 2022, there were a total of three outstanding long-term share-based incentive programs in the Company, in which the CEO has participated, LTIP 2020, 2021 and 2022. Furthermore, in May 2022, vesting of LTIP 2019 took place. The main features and status of the LTIPs are set out below. For further details, see Note 8 of the annual report for 2022.

LTIP 2019, 2020, 2021 and 2022 are all based on a structure where the participants may purchase a certain number of Class C shares ("**Plan Shares**") in the Company. However, participation in the LTIP also requires the participant to have their own holdings of ordinary shares in the Company ("**Investment Shares**") which the participants must set aside when they register their participation in the

respective LTIP. Participants must retain the holding of Investment Shares during the vesting period under the respective LTIP. Depending on the performance of both the Company's net asset value per share and of the Company's share price, some or all of the Plan Shares will be redeemed or reclassified as ordinary shares. If the performance conditions are not fulfilled, then the Plan Shares will be redeemed at nominal value and cancelled. The participants are compensated for dividends and other value transfers to the shareholders during the term of the programs, in accordance with the respective LTIP terms. The participants are also entitled to vote for the Plan Shares during the measurement period. To facilitate participation in the LTIPs the Company has compensated the participants with a cash subsidy for the subscription price. The measurement period of LTIP 2020, 2021 and 2022 is five years. For LTIP 2019, however, the measurement period was three years. The vesting period for LTIP 2019 was also three years. In LTIP 2020 and 2021, the vesting period corresponds to the five-year measurement period, but in LTIP 2022 the vesting of the shares instead takes place partly over three years, one third per year.

In May 2022, the Board noted that the development of the Company's net asset value and share price during the performance measurement period of LTIP 2019 (1 January 2019 – 31 December 2021) met the so-called stretch level, and therefore decided that each Plan Share held by the participants in LTIP 2019 would be converted into ordinary shares on 15 July 2022. A total of 12,400,00 Plan Shares were converted into ordinary shares, of which 4,960,000 were allocated to the CEO.

In addition to the long-term share-based incentive programs, VEF also has an option plan that was adopted 2015, under which current and future employees are granted call options entitling the option holder to acquire shares in VEF. The options entitle the option holder, five years after the holder was granted the options, to acquire shares at an exercise price of 120 percent of the market value of the shares at the time the options were granted. As of 31 December 2022, a total of 1,000,000 options were outstanding, none of which were granted to the Company's CEO.

Table 2 – Share award plans (CEO)

Name of director (position)	The main conditions of share award plans				Information regarding the reported financial year ¹⁾				
					Opening balance	During the year		Closing balance	
	Name of plan	Performance period	Award date	Vesting date	Share awards held at beginning of year	Awarded	Vested	Subject to performance condition	Awarded and unvested at year end
David Nangle (CEO)	LTIP 2019	2019-2021	24 June 2019	Publication of the Q1 report 2022	4,960,000	-	4,960,000	-	-
	LTIP 2020	2020-2024	29 June 2020	Publication of the Q1 report 2025	13,300,000	-	-	13,300,000	13,300,000
	LTIP 2021	2021-2025	2 September 2021	Publication of the Q1 report 2026	3,325,000	-	-	3,325,000	3,325,000
	LTIP 2022	2022-2026	8 August 2022	One third per year. Upon publication of the Q1 report for 2023, 2024 and 2025 respectively	-	3,335,326	-	3,335,326	3,335,326
Total					21,585,000	3,335,326	4,960,000	19,960,326	19,960,326

1) During the financial year 2022, the so-called vesting of the LTIP 2019 took place, whereby 4,960,000 C-shares held by the CEO were converted into ordinary shares. In addition, 3,335,326 C-shares in LTIP 2022 were granted to the CEO during the year. Investment shares, in which the CEO has invested to become eligible to participate in the LTIP programs, are not included in the table.

The value of shares of Series C 2019, C 2020, C 2021 and C 2022 issued under LTIP 2019, LTIP 2020, LTIP 2021 and LTIP 2022, respectively, is calculated on the basis of the market price of the Company's ordinary shares on the grant date and prevailing market conditions by using a Monte Carlo valuation method.

Application of performance criteria

The performance criteria applied to the Company's long-term share-based incentive programs are related to the increase in net asset value per share over the term of the respective program, adjusted for market conditions, which correlates to the value created over the same period.

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. When establishing the performance measures, the strategic objectives and short-term and long-term business priorities for 2022 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the Company's values.

Specific performance targets set by the Board of Directors for the Company's variable cash-based compensation for the financial year 2022 included (i) the uplisting from Nasdaq First North Growth Market to Nasdaq Stockholm Main Market, (ii) securing the group's capital needs through well executed transactions on the public market, (iii) successfully securing the Company's investors and recruiting new investors and (iv) securing good management of major portfolio companies; each of these factors contributed equally to the outcome. All of these objectives were substantially met during the year, motivating a variable remuneration of 55 percent of one year's fixed annual cash salary (USD 528 thousand) to the CEO which was allocated and paid on 24 February 2023.

Comparative information on the change of remuneration and Company performance

Table 3 – Change of remuneration and Company performance over the last reported financial year (RFY)¹⁾
(USD thousands)

	2020 vs 2021	2021 vs 2022	2022
CEO remuneration	3.9%	-10.5%	1,171
Share price (SEK)	49.8%	-59.5%	2.45
Net asset value per share (USD)	55.3% ³⁾	-49.9%	0.37
Net result	246.8%	-237.0%	-377,359
Average group-wide employee remuneration ²⁾	9.6%	42.4%	203

1) Numbers presented in this Table 3 correspond to the Company's annual report for the respective year and percentages represent year-on-year changes.

2) Full-time employees in the group, excluding members of the executive management.

3) 71.2% adjusted for the rights issue carried out in 2021.

March 2023

The Board of Directors of VEF AB (publ)