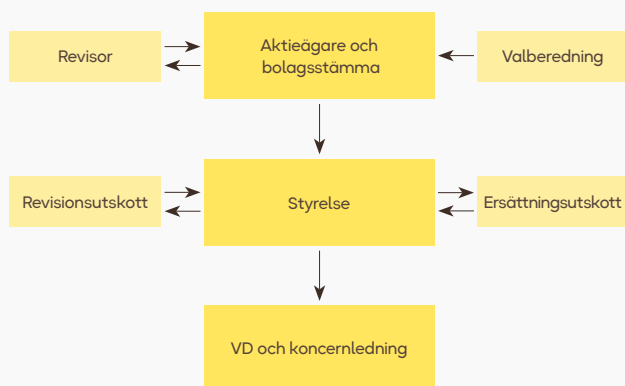


# Corporate governance report 2021

**Corporate governance in BioGaiA** BioGaiA AB (publ), a Swedish public limited company whose class B shares are listed on the Nasdaq Stockholm, applies the Swedish Corporate Governance Code (the Code). The Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se), where the Swedish model for corporate governance is also described. This corporate governance report is submitted in accordance with the Swedish Companies Act and the Code and describes BioGaiA's corporate governance during the 2021 financial year. In 2021, BioGaiA has not deviated from the rules set out in the Code nor committed any violations of Nasdaq Stockholm's rules or good practice in the Swedish securities market. The corporate governance report has been reviewed by BioGaiA's auditor, as set out on page 77.



**Shares** At year-end 2021 the share capital in BioGaiA amounted to SEK 20,196,462 consisting of 740,668 class A shares carrying 10 votes per share and 19,455,794 class B shares carrying one vote per share. Annwall & Rothschild Investment AB owns 4.2% of the capital and 27.9% of the voting rights in the company. Other individual shareholders hold less than 10% of the share capital and voting rights. Additional information about the company's shares, shareholders, etc., is presented on page 78 and on the company's website under the heading Investors.

**General Meeting of Shareholders** The General Meeting of Shareholders is the company's highest decision-making body. Notice of a general meeting of BioGaiA's shareholders is given through an announcement in Post- och Inrikes Tidningar and on the company's website. An announcement that notice has been given is published in Svenska Dagbladet.

Due to the impact of the Covid-19 pandemic, BioGaiA held its 2021 Annual General Meeting via advance voting pursuant to temporary legislation. The Meeting took place with no possibility of attending in person or through a proxy and shareholders exercised their voting rights through advance voting (postal vote).

BioGaiA's 2022 Annual General Meeting will be held on 6 May 2022 and a notice of the Annual General Meeting will be sent out in April 2022. Shareholders who wish to have items included on the agenda of the meeting have, in accordance with instructions on the company's website, had an opportunity to submit a proposal to the company no later than seven weeks prior to the meeting.

In addition to statutory rights of shareholders to attend a general meeting it is a requirement in BioGaiA's Articles of Association for shareholders who wish to participate in a General Meeting of Shareholders to notify the company no later than the day stipulated in the notice of the meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday prior to the meeting. Each shareholder in BioGaiA entitled to vote may vote for the full number of shares owned and represented by the shareholder with no limit to the number of votes. Class A shares carry entitlement to ten votes and class B shares carry entitlement to one vote. If relevant, notice shall also be given of whether the shareholder intends to be accompanied by an assistant. Documents related to general meetings as well as meetings from earlier annual general meetings and extraordinary general meetings are available on the company's website under the heading Investors/Corporate governance.

**Nominating Committee** The task of the Nominating Committee is to prepare recommendations regarding election and remuneration for decision by the Annual General Meeting.

The 2021 Annual General Meeting resolved that the Nominating Committee would be appointed as follows:

The Board Chairman shall convene the four largest shareholders in the company, each of which has the right to appoint a member to the Nominating Committee together with the Board Chairman. In determining the composition of the Nominating Committee, the largest shareholders in terms of voting power shall be based on the ownership situation at 30 June 2021. The Nominating Committee shall be chaired by the member representing the largest shareholder on that date. If any of the four largest shareholders should waive its right to appoint a member to the Nominating Committee, the next largest shareholder in order of voting power shall be given the opportunity to appoint a member. The names of the four shareholder representatives shall be made public as soon as they are appointed, but no later than six months prior to the 2022 Annual General Meeting. The Nominating Committee's term of office shall extend until a new Nominating Committee has been appointed.

In the event that the shareholder represented by a member is no longer one of the four largest shareholders in terms of voting power, and if the Nominating Committee deems it appropriate, the member shall leave and a representative for the next largest shareholder in order of voting power be given the opportunity to replace this member. In the event that an appointed member of the Nominating Committee resigns from the Nominating Committee for some other reason, the shareholder who has appointed the member in question has the right to appoint a new member to the Committee. If this shareholder waives its right to appoint a new representative, the Nominating Committee, if it deems so appropriate in respect of the remaining mandate period, shall ask the next largest shareholder in terms of voting power if it wishes to appoint a representative to the Nominating Committee.

The Nominating Committee shall prepare proposals for the following matters to be put before the 2022 Annual General Meeting for resolution:

- appointment of the Chairman of the Annual General Meeting
- election of the Board of Directors
- election of the Board Chairman and possible Deputy Chairman
- fees for Board members
- election of auditors
- fees for the auditors
- reasonable costs for the Nominating Committee
- appointment of the Nominating Committee ahead of the 2023 Annual General Meeting.

In accordance with the Annual General Meeting's resolution, the Nominating Committee has been appointed and consists of Board Chairman Peter Rothschild, Per-Erik Andersson (also Chairman of the Nominating Committee), appointed by Annwall & Rothschild Investment AB, the company's largest shareholder, Fredrik Åtting, appointed by the company's second-largest shareholder, EQT, Marianne Flink, appointed by the company's third-largest shareholder, Fjärde AP-fonden, and Carlos Moreno, appointed by the company's fourth-largest shareholder, Premier Milton Investors. All members of the Nominating Committee, except for Peter Rothschild, are independent in relation to the company and its Executive Management. No fees are paid by the company for work in the Nominating Committee but BioGaiA shall meet reasonable costs that the Nominating Committee deems necessary for completion of its assignment.

All shareholders have had the opportunity to contact the Nominating Committee with recommendations for Board candidates for further evaluation within the framework of the Committee's work. No suggestions or proposals have been submitted to the Nominating Committee as of today's date. The Nominating Committee presents a written motivation to the Annual General Meeting for election of Board members. In its motivation the Nominating Committee takes into account diversity and breadth in the Board and seeks an even gender distribution.

**Board of Directors' size and composition** The Board is ultimately responsible for BioGaiA's organisation and management of its business. According to BioGaiA's Articles of Association, the Board shall consist of no fewer than five and no more than nine members with no more than three deputies. The Board has consisted of eight members (without deputies) until the Annual General Meeting on 6 May 2021 and subsequently of nine members (without deputies). The Nominating Committee has applied the Code's rule 4.1 as a diversity policy when drafting the proposal to the Board. The Nominating Committee considers - which has also been the Nominating Committee's aim with the policy - that the Board has an appropriate composition and size and is characterised by diversity and breadth with regard to members' competence and experience within areas of strategic importance for BioGaiA. A presentation of the Board is provided on page 81.

**Board independence** According to the Code, a majority of the Board shall be independent of the company and its Executive Management. At least

two of the independent members shall also be independent in relation to the company's major shareholders. The composition of the Board meets the requirements in the Code related to board members' independence.

**The work of the Board** According to the Board's rules of procedure, the Board shall hold at least five Board meetings during the year, in addition to the statutory meeting. BioGaia has appointed an external lawyer to serve as Secretary at Board meetings. The CEO is not a member of the Board but, together with the company's CFO and Legal Counsel, is co-opted to attend all Board meetings. Other executives in the company take part in Board meetings in order to present reports. Every Board meeting has included an item on the agenda where the Board has had an opportunity for discussion without representatives of Executive Management being present.

The Board held 13 meetings in 2021. For information about attendance at these meetings, see the table below. Ahead of Board meetings, members have received an agreed agenda for the meeting together with written material regarding issues to be handled at the meeting. A key part of the work of the Board is the financial reports that are presented, including the six-month report, interim management statements and year-end report. In addition, during the year the Board dealt with matters relating to the incentive programme, M&As and other expansion issues, major investments and strategic issues. The Board also held details discussions about the overall strategy for BioGaia at its annual strategy review.

The Board has adopted rules of procedure for its work as well as CEO instructions which describe the division of work between the Board and the CEO. The Board has also adopted a number of instructions and policies for conducting operations, for example authorisation instructions, a Code of Conduct, Financial Policy, Communication Policy, Insider Trading Policy, Anti-Bribery and Anti-Corruption Policy, Data Protection Policy, Diversity Policy and Work Environment Policy.

**Evaluation of the Board** Within BioGaia's Board there are routines for an annual evaluation of the work of Board members. The evaluation provides a basis for an action plan for improvements as well as for the work of the Nominating Committee with the composition of the Board. With regard to 2021, an extensive evaluation of the work of the Board was carried out, helped by an external consultant, including interviews with each member. The purpose of the evaluation is to gain an idea of the opinions of Board members on how the work of the Board is conducted and what measures might be taken to streamline the work of the Board. The intention is also to find out what type of issues the Board considers should be given more space and in which areas additional competence might be required in the Board. The results of the evaluation have been discussed by the Board and reported to the Nominating Committee.

**Remuneration Committee** The Board has appointed a Remuneration Committee from among its members to prepare recommendations and other terms of employment for the CEO and other senior executives who together make up the Executive Management. The Remuneration Committee complies with the guidelines for senior executives as resolved at the 2020 Annual General Meeting. The Remuneration Committee consists of David Dangoor (chairman), Peter Rothschild and Peter Elving. The Remuneration Committee held two minutes meetings in 2021 where all members of the committee were present.

**Audit Committee** The Board has appointed an Audit Committee from among its members. The key task of the Audit Committee is to support the Board with quality assurance of the financial reporting. The Audit Committee also prepares matters relating to regulatory compliance. The Committee holds regular meetings with the company's auditors and evaluates audit work. The Committee discusses significant accounting issues that affect the Group and assists the Nominating Committee in the preparation of proposals for auditors and their remuneration. The chairman of the Audit Committee is responsible for ensuring that the entire Board is kept informed about the work of the Committee as well as, when necessary, presenting the Board with matters for decision. The Audit Committee's members comprise Anthon Jahreskog (chairman) and David Dangoor. The Audit Committee held four minutes meetings during 2021. The members of the Audit Committee attended each meeting. The auditors have attended and reported to the meeting that examined the interim report for the second quarter and in conjunction with the year-end report.

**CEO and Executive Management** The company's chief executive officer (CEO) is appointed by the Board. The CEO is responsible for overseeing the company's business development and for supervising and coordinating its day-to-day operations. The Board has established instructions for the CEO that, among other things, regulate management and development of the company and the provision of reports and decision data to the Board. According to the CEO Instructions, the CEO shall refer the following matters to the Board for decision:

- Investments and similar in amounts in excess of SEK 2 million
- Decisions on the purchase and sale of real property, shares or acquisition of another company's operations in excess of SEK 2 million
- Decisions on the formation of subsidiaries
- Raising loans
- Entering agreements with a term of more than seven years
- Initiating processes of major scope as well as settlement of disputes of material significance
- Other matters of material financial or other significance.

The CEO prepares requisite information and basis for decisions such as reports relating, among other things, to the company's finances, order situation, significant transactions and strategic issues ahead of Board meetings, and makes presentations including motivated proposals for decision. The CEO also keeps the Board Chairman regularly informed about the company's operations. The Board evaluates the work of the CEO annually. No member of Executive Management is present at this evaluation.

Executive Management is presented on page 80. The management team is headed by the CEO and is responsible for planning, supervising and monitoring the company's day-to-day operations. Minuted meetings are normally held once a month. The responsibilities and powers of the Executive Management are defined in the job descriptions and in signature authority instructions.

**Auditors** BioGaia's auditors are normally appointed by the Annual General Meeting to serve for a period of one year. The 2021 Annual General Meeting resolved on re-election of the registered auditing firm of Deloitte AB to serve for the period until the end of the Annual General Meeting to be held in 2022. The auditing firm appointed Birgitta Lööf as Auditor in Charge. By decision of the Annual General Meeting, auditing fees are paid according to approved account.

## Board attendance and remuneration in 2021<sup>1)</sup>

Name	Elected in	Independent in relation to the company/shareholders	Board meeting attendance	Audit Committee attendance	Remuneration Committee attendance	Board fee	Fee Audit Committee	Fee Remuneration Committee	Fixed salary
Peter Rothschild	2018	No	13 of 13		2 of 2	650,000		20,000	704,032
David Dangoor	2003	Yes	13 of 13	4 of 4	2 of 2	450,000	50,000	40,000	
Ewa Björling	2015	Yes	12 of 13			250,000			
Peter Elving	2018	Yes	13 of 13		2 of 2	250,000		20,000	
Anthon Jahreskog <sup>2)</sup>	2015	Yes	13 of 13	4 of 4		250,000	100,000		
Vanessa Rothschild	2020	No	12 of 13			250,000			
Maryam Ghahremani	2020	Yes	11 of 13			250,000			
Niklas Ringby <sup>3)</sup>	2020	Yes	10 of 13			-			
Christian Bubenheim <sup>4)</sup>	2021	Yes	8 of 13			250,000			

<sup>1)</sup> All members of the Board who have been prevented from participating in a Board meeting have been given the opportunity to present their views to the Chairman prior to the meeting.

<sup>2)</sup> Is not independent in relation to shareholder Sebastian Jahreskog, who is not a major shareholder.

<sup>3)</sup> Is not independent in relation to shareholder EQT, who is not a major shareholder.

<sup>4)</sup> Elected to the Board at the Annual General Meeting in May 2021

The auditors examine the administration of the company by the Board of Directors and the CEO and the quality of the company's financial reporting. At the request of the Board, the auditors also review the semi-annual report and the year-end report.

The auditors report the results of their review to the shareholders through an audit report, which is presented to the Annual General Meeting. In addition, the auditors submit written and oral reports to the Executive Management, the Audit Committee and the Board. The auditors take part in and report to the Audit Committee in conjunction with the interim report for the second quarter and the year-end report. In addition, the auditors participate in at least one Board meeting a year in accordance with the Code.

The auditors also submit an auditor's statement on the corporate governance report, the sustainability report and a report on the examination of remuneration to senior executives. Information about remuneration to the auditors can be found in Note 4 of the annual report.

Furthermore, the entire Board of Directors meets with the auditors at least once a year without the presence of the CEO or other members of the Executive Management.

### The Board's report on internal control over financial reporting for the financial year 2021

Introduction Pursuant to the Swedish Companies Act, the Swedish Annual Accounts Act and the Code, the Board of Directors is responsible for internal control. This description has been prepared in accordance with these rules and provisions and is thereby limited to internal control over financial reporting.

**Internal control of financial reporting** The Board is responsible for ensuring that the company's organisation is suitably structured so that the financial accounts, cash management and other financial conditions can be controlled satisfactorily.

Every year, the Board of Directors adopts rules of procedure for the Board's activities and instructions regulating the division of responsibilities between the Board and the CEO. The instructions state which matters require approval or authorisation from the Board. At Board meetings, the CEO reports on matters requiring consideration by the Board.

The CEO ensures that the Board is provided with the objective, detailed and relevant information needed for the Board to make well-founded decisions and that the Board is continuously informed about the company's business development and financial position.

Aside from the instructions between the Board and the CEO, BioGaia's control structure is based on the company's organisation and way of conducting operations, where roles and responsibilities are defined. There is a high level of employee awareness about the importance of maintaining good control over financial reporting. The company's financial development is assessed and monitored monthly. Financial reports and summaries are prepared by the Group's finance department and are presented to the Board quarterly and to the Executive Management monthly.

**The company's values** BioGaia has a set of shared values and the company's employees are well aware of these. This is ensured through interviews in connection with new recruitment and through regular workshops with each department.

**Risk assessment** The company works continuously with risk assessment and risk management to ensure that the risks to which the company is exposed are handled within the limits ultimately established by the Board. The Executive Management continuously analyses the company's business processes with regard to efficiency and risks.

This work includes identifying significant risks for misstatements and deficiencies in the financial reporting and ensuring that there are suitable processes and controls in the company's operations to limit these risks. The most critical business processes and the absolutely largest values, in terms of both assets and business/product development, are found in the Parent Company. In addition, the bulk of sales take place in the Parent Company. Processes that are deemed to be of special importance to BioGaia are sales including quality assurance, R&D and manufacturing.

**Control activities** The risks identified in the financial reporting are managed through a number of control activities in the company's processes. Processes and controls are reviewed and updated regularly in order to detect, prevent and correct any errors or deficiencies. The control structure also includes the division of powers and responsibilities and the Executive Management's monthly review of the company's financial information.

**Information and communications** BioGaia has information and communication paths that are designed to promote the completeness and accuracy of the financial reporting. Authorisation instructions and policies are distributed to all employees and can be viewed on the company's intranet. All of BioGaia's employees normally meet once a year to increase their knowledge about the company's processes and goals and to exchange information and experiences.

**Monitoring** The Executive Management performs a yearly evaluation of the effectiveness of internal control. Every year, the company's elected auditing firm, Deloitte AB, also reviews a selection of BioGaia's routines and internal controls. The Board then evaluates this information and ensures that measures are taken in respect of the identified deficiencies and resulting recommendations.

The company has no special review function (internal audit). In light of the company's size and the volume of transactions, together with the expertise in this area possessed by the Board of Directors and the Board's meeting with the independent auditor, the Board has determined that there is no reason to set up a formal internal audit function.

### Stockholm, 25 March 2022

Peter Rothschild Board Chairman	David Dangoor Vice Chairman
Ewa Björling Member of the Board	Peter Elving Member of the Board
Maryam Ghahremani Member of the Board	Anthon Jahreskog Member of the Board
Niklas Ringby Member of the Board	Vanessa Rothschild Member of the Board
Christian Bubenheim Member of the Board	

Auditor's report on the corporate governance report  
To the general meeting of the shareholders in BioGaia AB (publ) corporate identity number 556380-8723

### Engagement and responsibility

It is the Board of Directors which is responsible for the corporate governance statement for the financial year from 1 January 2021 to 31 December 2021 on pages 75-77 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing 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.

### 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 of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

### Stockholm, 25 March 2022

Deloitte AB

Birgitta Löf  
Authorised Public Accountant