

# CORPORATE GOVERNANCE REPORT

In 2021 the following areas were in focus: the effects of the pandemic; continued development of the growth strategy; long-term financing through a directed new share issue; and the appointment of a new CEO.

Bactiguard Holding AB (publ.) is a public limited company that is listed on the main list of Nasdaq Stockholm. Corporate governance within Bactiguard is based on the Swedish Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), statements issued by the Swedish Securities Council, as well as other applicable Swedish and foreign laws and regulations.

This corporate governance report has been prepared as part of the Swedish Annual Accounts Act and the company's application of the Code. Bactiguard has in 2021 not deviated from any aspects of the Code. The auditors have performed an examination of this report.

## Articles of association

The articles of association were adopted by the Annual General Meeting on 28 April 2021 and can be found in their entirety on the website [bactiguard.com](http://bactiguard.com).

The company's registered office is Stockholm and the financial year is the calendar year.

The articles of association do not contain any provisions for the dismissal of Board members or changes to the articles of association.

## Shares and share capital

Bactiguard has two share series, A and B. Both share series carry the same right to dividends. One series A share carries ten votes, while one series B share carries one vote.

The articles of association stipulate the rules for the shares' pre-emptive rights for cash issues, set-off issues and bonus issues, as well as the right for holders of A shares to convert them into series B shares. The articles of association also contain rules of the right of first refusal for A shares.

The Bactiguard series B share has been listed on Nasdaq Stockholm since 2014. On 4 January 2021 Bactiguard moved from the Small Cap to the Mid Cap segment.

At the end of 2021 the share capital amounted to SEK 876,097 allocated among a total of 35,043,885 shares of which 4,000,000 were unlisted A shares and 31,043,885 B

shares. The total number of votes amounted to 71,043,885. In September 2021 both the number of B shares and the number of votes increased by 1,500,000 following the directed new share issue to the Swedish pension company AMF.

The 2021 Annual General Meeting granted the Board of Directors the authorisation to resolve to issue shares, warrants and/or convertible bonds on one or more occasions before the next Annual General Meeting, with or without deviation from the shareholders' pre-emptive rights. Based on the authorisation, a resolution can be made to issue new shares, exercise warrants and/or convert convertibles corresponding to a maximum of 10% of the total number of outstanding shares in the company at the time when the Annual General Meeting resolves to give its authorisation (which does not prevent convertibles from being combined with conversion terms which, if applied, may result in a different number of shares).

This authorisation includes the right to resolve that shares will be issued against cash payment, payment in kind or payment by way of set-off and the issue may otherwise be subject to conditions as set out in Chapter 2, Section 5, second paragraph, 1–3 and 5 of the Swedish Companies Act.

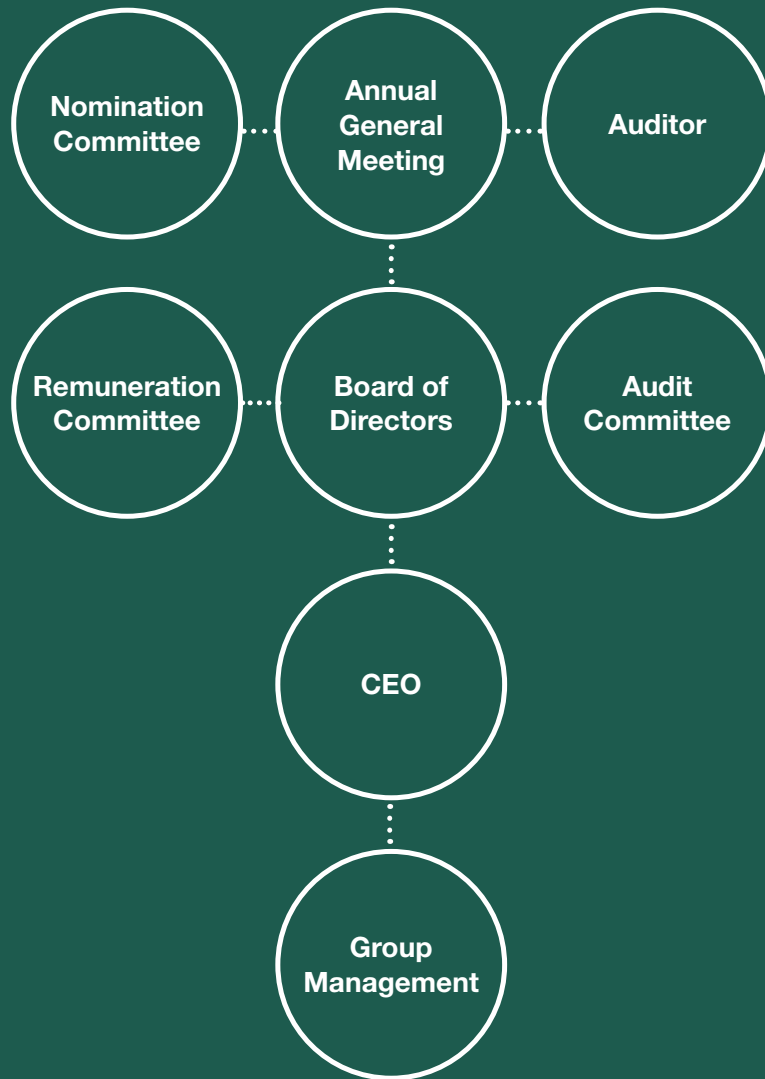
A cash issue or a set-off issue that takes place with deviation from the shareholders' pre-emptive rights must be on market terms.

The reason for the right to deviate from the shareholders' pre-emptive rights is to allow flexibility when raising capital or making potential acquisitions.

## Shareholders

At the end of the year the number of shareholders was 3,767 (4,999) and the largest owners were (the figures in brackets represent the proportion of capital and votes respectively):

Christian Kinch with family and companies (17.5%, 34.0%); Thomas von Koch with companies (17.5%, 34.0%); Jan Ståhlberg (9.6%, 4.7%); Fjärde AP Fonden (9.5%, 4.7%); and Nordea Nordic Small Cap Fund (9.1%, 4.5%).



## Organisation and governance

The shareholders exercise their influence on Bactiguard at the annual general meeting and other general meetings. The general meeting is the company's highest decision-making body. The Board of Directors and the CEO are responsible for the company's organisation and administration in accordance with the Swedish Annual Accounts Act, other laws and ordinances, Nasdaq Stockholm's Rule Book for Issuers, the articles of association and the Board's internal steering instruments.

## Annual General Meeting

The annual general meeting is the highest decision-making body of the company and it is at the annual general meeting and any extraordinary general meetings that all shareholders can exercise their voting rights and decide on matters affecting the company and its operations.

Notice to attend a general meeting shall be issued no earlier than six and no later than four weeks prior to the meeting. Notice to attend an extraordinary general meeting, in which a matter concerning amendments to the articles of association will not be dealt with, shall be issued at the latest three weeks before the general meeting.

Notice to attend a general meeting shall be issued in the form of an announcement in the government newspaper Post- och Inrikes Tidningar and on the website [bactiguard.com](http://bactiguard.com). The fact that notice has been issued shall be announced in Dagens Industri.

A general meeting may be held in Stockholm, Huddinge or Botkyrka.

At the annual general meeting resolutions shall be passed with respect to the adoption of the income statement and balance sheet, the appropriation of the profit or loss for the year, dividends, and the discharge of liability for the Board members and the CEO. Resolutions are also passed on the fees for the Board of Directors and the auditors. The Board of Directors and auditor are elected until the next annual general meeting. Other statutory matters are also addressed, such as the adoption of the guidelines for remuneration to senior executives.

All shareholders registered in the share registry as of the record date and who have provided timely notice of their intention to participate in the general meeting in accordance with the provisions of the articles of association are entitled to participate in the meeting and vote proportionally to their shareholdings. Shareholders may be represented by proxies, provided that the number of proxies has been registered by the shareholder by the day specified in the notice to attend the general meeting.

### Annual General Meeting 2021

Bactiguard's Annual General Meeting was held on 28 April 2021 at the company's headquarters in Tullinge. Due to the continuing pandemic, the Annual General Meeting was conducted without the physical presence of shareholders, proxies and third parties. The shareholders were able to exercise their voting rights by post before the meeting. The lawyer Magnus Lindstedt was elected Chairman.

The Annual General Meeting adopted, inter alia, the following resolutions in line with the proposals of the Board of Directors and the Nomination Committee:

- Adoption of the income statements and balance sheets for 2020 and a resolution that no dividend be paid.

- The Board and the CEO were granted discharge from liability for 2020.
- The remuneration for the next mandate period shall be SEK 750,000 to each of the Chairman of the Board and the Deputy Chairman of the Board, SEK 400,000 to the Board Member Anna Martling and SEK 200,000 to each of the other members. For work as the Chairman of the Audit Committee, the remuneration shall be SEK 100,000. There is no remuneration to the Chairman of the Remuneration Committee nor for other committee members.
- Cecilia Edström, Christian Kinch, Thomas von Koch, Anna Martling and Jan Ståhlberg were re-elected as ordinary Board members.
- Thomas von Koch was elected as the Chairman of the Board.
- Deloitte AB was re-elected as the auditing company until the end of the next Annual General Meeting and a resolution was taken for fees to the auditor to be paid according to approved invoices.
- Approval of the remuneration report.
- Amendment to the articles of association.
- Authorisation for the Board of Directors to resolve to issue new shares, warrants and/or convertible bonds, with or without deviation from the shareholders' pre-emptive rights.
- Updated instructions for the Nomination Committee.

### Annual General Meeting 2022

Bactiguard's 2022 Annual General Meeting will be held on Friday 29 April 2022. Postal voting will be used for the Annual General Meeting as a result of the pandemic. The notice to convene the meeting contains more information about voting procedures.

## Nomination Committee

At the 2021 Annual General Meeting the following instructions were adopted for the Nomination Committee of Bactiguard.

The Nomination Committee shall comprise five members. The Chairman of the Board of Directors shall contact the five largest shareholders of the company, in terms of voting power, pursuant to Euroclear Sweden AB's print-out of the share register on 31 August. Each of these shareholders shall be afforded the opportunity, within a reasonable time, to appoint one member of the Nomination Committee. In the event that any of them fails to exercise their right to appoint a member, such right to appoint a member shall pass to the next largest shareholder in terms of voting power who has not already appointed a member to the Nomination Committee. The Chairman of the Board of Directors shall be an adjunct member without voting rights. The Chairman of the Nomination Committee shall be the member who repre-

sents the largest shareholder in terms of voting power, unless otherwise agreed by the members.

The names of the members of the Nomination Committee shall be published as soon as the Nomination Committee has been appointed, but no later than six months prior to the next Annual General Meeting. The Nomination Committee is appointed for a term commencing from the time its composition is published until a new Nomination Committee has been appointed.

In the event of any change to the ownership structure of the company after 31 August but more than 12 weeks prior to the next Annual General Meeting, and provided that a shareholder after this change becomes one of the five largest shareholders of the company in terms of voting power and, submits a request to the Chairman of the Nomination Committee to be included in the Nomination Committee, such a shareholder shall be entitled, at the discretion of the Nomination Committee, either to appoint an additional member to the Nomination Committee or to replace the member appointed by the shareholder with less voting power after the change in ownership.

If a member appointed by a shareholder leaves the Nomination Committee during its term or if such a member is unable to fulfil its assignment, the Nomination Committee shall request the shareholder who has appointed the member to appoint a new member within a reasonable time. In the event that the shareholder fails to exercise its right to appoint a new member, the right to appoint such a member shall pass to the next largest shareholder in terms of voting power who has not already appointed a member to the Nomination Committee or waived their right to appoint a member to the Nomination Committee. Changes to the composition of the Nomination Committee shall be published immediately.

The Nomination Committee shall perform its duties in accordance with these instructions and applicable rules. The duties include, inter alia, submitting proposals for:

- Chairman of the Annual General Meeting;
- Chairman and other members of the Board of Directors to be elected at the Annual General Meeting;
- fees payable to the Board of Directors, with a breakdown between the Chairman and other members of the Board of Directors, and any compensation for committee work;
- where applicable, election of auditors;
- fees payable to the auditors; and
- any changes in these instructions to the Nomination Committee to the extent deemed necessary.

The Nomination Committee has the right to incur costs for its work.

These instructions regarding the composition of the Nomination Committee and its work shall apply until otherwise resolved by a general meeting.

The Nomination Committee for the 2022 Annual General Meeting was announced on 29 October 2021 and comprises:

Helena Borglund, appointed by TomBact AB; Christian Kinch, appointed by KK Invest AB; Mats J Andersson, appointed by Nordea Fonder; Jan Ståhlberg, appointed by Jan Ståhlberg; and Per Colleen, appointed by Fjärde AP Fonden.

The Chairman of the Board, Thomas von Koch, is an adjunct member of the Nomination Committee without voting rights.

The shareholders were able to submit proposals and opinions to the Nomination Committee by 16 January 2022.

## Board of Directors and its governance

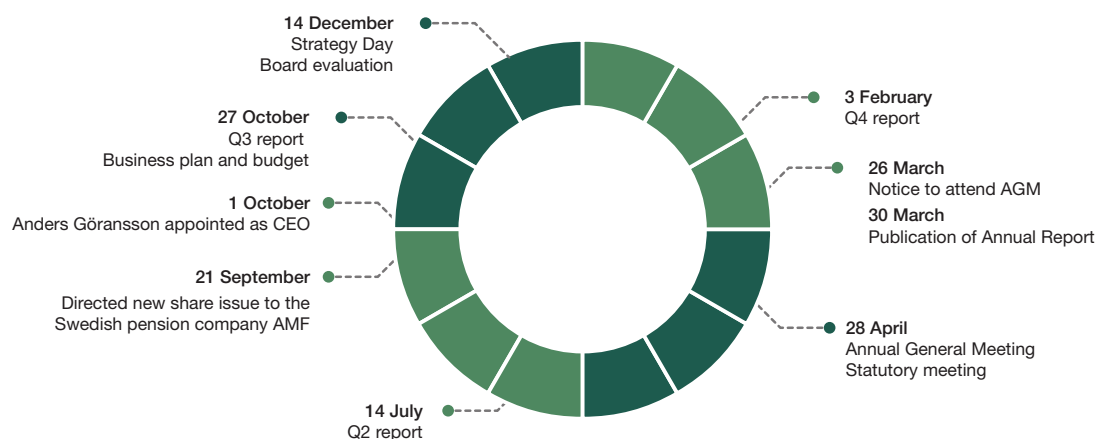
### Board of Directors

The Board of Directors is, inter alia, responsible for Bactiguard's organisation and management, and appoints a CEO who is responsible for the daily administration in accordance with guidelines and instructions. The Board of Directors shall also ensure that the company's organisation is designed to adequately manage the company's accounts, financial management and other economic conditions. The Board of Directors shall primarily address comprehensive and long-term issues, and other issues of unusual character or great significance to the Group and the company.

The Board of Directors' work shall follow a written work procedure designed to ensure that the Board of Directors is fully informed and that all Board-related aspects of the company's operations are addressed. Every quarter the Board of Directors receives information from management in the form of activity reports, in accordance with the CEO instructions. The company's external auditors report their observations from the examination of the company accounts and their assessment of the company's internal procedures and controls to the Board of Directors.

Every year the Board adopts its work procedure at a statutory Board meeting. The current work procedure was adopted on 28 April 2021. Pursuant to the work procedure, six ordinary Board meetings are normally held per year in addition to the statutory meeting. The work procedure for the Board of Directors regulates the division of responsibility between the Board of Directors, the Chairman of the Board and the CEO. It also regulates the responsibilities of the Board, the meeting schedule, and the tasks to be performed by the Board. These tasks include, inter alia, accounting and auditing issues, market and market analysis, risk identification, strategy, organisation, evaluation of the Board and the CEO, and the internal control system.

## Work of the Board of Directors 2021



The Board has also issued instructions for the CEO as well as an authorisation procedure. The Board has adopted seven Groupwide policies that regulate how the company, its subsidiaries and employees are to behave and act in order to conduct business that is sustainable in the long term. These policies are revised and adopted on an annual basis at the statutory meeting or – if necessary – during the year. Internal controls and the company’s external auditors monitor compliance with these policies. Non-compliance or risks of compliance breaches result in management taking immediate action, while more serious cases are reported to the Board.

### Chairman of the Board

According to the Board’s work procedure, the Chairman of the Board of Directors has special responsibility for monitoring and discussing the company’s development in regular contact with the CEO. The Chairman shall also ensure that the CEO keeps the Board’s members informed of Bactiguard’s financial position, financial planning and evaluation. The Chairman of the Board is also responsible for the Board’s work being evaluated every year.

### Composition of the Board

According to the articles of association, the Board is to comprise a minimum of three members and a maximum of seven members. The Board is elected annually at the annual general meeting until the next annual general meeting has been held.

The Board comprises five members. The CEO and CFO attend all Board meetings except when the work of the CEO is being evaluated.

The Board is presented in more detail on pages 42-43.

### The Board’s work in 2021

In 2021 the Board held 12 minuted meetings, as well as one statutory meeting in conjunction with the Annual General Meeting.

At these meetings the Board discussed regular items, including the commercial and market situation, financial reporting, budgets and projects. General strategic issues were also analysed, including market issues, growth opportunities and sustainability. In 2021 the following areas were in focus: the effects of the pandemic; continued development of the growth strategy; long-term financing through a directed new share issue; and the appointment of a new CEO.

The Board met the company’s auditor once in 2021 where executive management was not in attendance.

### Board Committees

Members of the committees and their chairmen are appointed at the statutory Board meeting for a period of one year at a time. Work in the committees is carried out based on the instructions that are adopted for each committee. The work of these committees is primarily preparatory and advisory in each area. However, the Board can delegate the decision-making authority to the committees for certain issues.

#### Remuneration Committee

The Remuneration Committee shall support the Board of Directors with proposals, advice, and preparation in regard to issues of remuneration principles for the CEO and other senior executives, and individual remuneration to the CEO in accordance with the guidelines for remuneration for senior executives that is adopted by the Annual General Meeting. These principles include the relationship between fixed and any variable remuneration, and the relationship between performance and



## Policies adopted by the Board

- Finance policy
- Insider policy
- IT policy
- Communication policy
- Currency policy
- Environmental policy
- Code of conduct

remuneration, the principal terms for any bonus and incentive programmes, and the general terms for other benefits, pensions, notice of termination and severance pay. The Board of Directors is also responsible as a whole for establishing remuneration levels and other employment terms for the CEO. Share-related incentive programmes for Executive management and other senior executives are adopted by the annual general meeting.

The committee shall also support the Board of Directors in monitoring the system through which the company complies with disclosure requirements stipulated by legislation, market regulations and the Code in regard to information related to remuneration of the CEO and other senior executives. The committee shall also monitor and assess any ongoing or concluded incentive programmes for variable remunerations to the CEO and other senior executives; evaluate compliance with the guidelines for remuneration to the CEO and other senior executives adopted by the general meeting well as the current structure and levels of remuneration.

In 2021 the Remuneration Committee considered, inter alia, the salary of the CEO and carried out an evaluation to ensure that the terms and conditions of senior executives comply with the guidelines for remuneration to senior executives adopted by the Annual General Meeting.

Following the 2021 Annual General Meeting, the Remuneration Committee comprises the Chairman of the Board, Thomas von Koch, Christian Kinch and Jan Ståhlberg. Thomas von Koch is the Chairman of the Remuneration Committee. The committee had the same composition as before the 2021 Annual General Meeting.

In 2021 the committee held one minuted meeting and had informal contacts where necessary in between. Attendance of the Remuneration Committee is shown on the table on page 36.

### *Audit Committee*

The Audit Committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management, as well as internal audits, if required. The committee shall also keep itself informed of the audit of the annual accounts and consolidated accounts, as well as the conclusions of the auditor's quality control, inform the Board of the results of the audit, how the audit contributed to the reliability of the financial reporting, and the function that the committee has had. The committee shall also monitor and review the auditor's independence and impartiality, and especially follow whether the auditor provides other services than purely auditing services to the company. The committee also provides proposals for the general meeting's decision on the selection of auditors.

The interim reports and year-end report were discussed by the committee in 2021, as well as the effectiveness of the work in the company's executive management team and finance function.

Following the 2021 Annual General Meeting, the Audit Committee comprises Jan Ståhlberg, Christian Kinch, Anna Marbling and Thomas von Koch. Jan Ståhlberg is the Chairman of the Audit Committee. The committee had the same composition as before the 2021 Annual General Meeting. After Cecilia Edström left her role as CEO on October 1, 2021, she is also a member of the Audit Committee.

The Board believes that the members are competent in the areas of the Audit Committee and comply with the requirements for independence in accordance with the Code and the Swedish Annual Accounts Act. In 2021 the committee held four minuted meetings and had informal contacts where necessary in between. Attendance of the Board members at the Audit Committee is shown in the table on page 36. As well as the members of the committee, the CFO is also invited to the meetings of the Audit Committee, and, when so required, the auditor, CEO and other salaried employees at the company. The company's auditor attended all of the meetings in 2021.

### **Evaluation of the Board's work**

The company evaluated the work of the Board in November 2021 and this was presented to the Board in December 2021. The evaluation was performed using a questionnaire that covered 18 different aspects of the Board's work and its measures to create value. The evaluation shows the Board members' view of how the work of the Board is conducted and whether measures should be taken to develop and improve the Board's work. The results of this questionnaire also provide important input for the Nomination Committee's work for the next annual general meeting. The results of this survey were therefore presented to both the Board and the Nomination Committee.

### **Chief Executive Officer**

The Chief Executive Officer is appointed by the Board of Directors and is responsible for the daily administration of the company's operations in accordance with the instructions and regulations of the Board of Directors. The most recent CEO instructions were adopted by the Board on 28 April 2021. The instructions for the CEO state what is included in the daily administration and what decisions should be referred to the Board. The CEO keeps the Board and Chairman continually informed of the company's financial position and development, and provides essential information and decision-making material for Board meetings. The CEO also functions as the Chairman of Group management and makes decisions in consultation with other members of Group management.

## The Board's attendance, independence and remuneration 2021

Member	Board meeting	Audit Committee	Remuneration Committee	Independent in relation to the company	Independent in relation to the major shareholders	Remuneration, TSEK
Thomas von Koch, Chairman <sup>1</sup>	13/13	4/4	1/1	Yes	No	567
Cecilia Edström	12/13	1/1	-	No	Yes	-
Christian Kinch, Deputy Chairman <sup>2</sup>	13/13	4/4	1/1	No	No	1,167
Anna Martling	13/13	3/4	-	Yes	Yes	333
Jan Ståhlberg <sup>3</sup>	13/13	4/4	1/1	Yes	Yes	300
<b>Total number of meetings and remuneration</b>	<b>13</b>	<b>4</b>	<b>1</b>			<b>2,367</b>

<sup>1</sup> Elected as the Chairman of the Board at the AGM on 28 April 2021.

<sup>2</sup> Elected as the Deputy Chairman of the Board at the AGM on 28 April 2021.

<sup>3</sup> Deputy Chairman until the AGM on 28 April 2021.

The Board evaluates the CEO's work and performance on an annual basis. As the CEO of the company changed in October 2021, there was no evaluation of the CEO's work and performance.

On 1 October Anders Göransson took over as CEO from Cecilia Edström. In December 2021 Gabriella Björknert Caracciolo announced that she would be leaving her role as CFO and Deputy CEO to take on the role as COO at Söderberg & Partners.

### Executive management

Executive management is an advisory body for the CEO and manages general strategy and development issues as well as day-to-day operations. Group management meets once a month and is in continual contact to discuss current business, strategies and related matters. Group management is presented on pages 44–45.

### Guidelines for remuneration to the CEO and other senior executives

Remuneration issues are discussed by the Board's Remuneration Committee and decided by the Board. The Board prepares proposals for guidelines for remuneration to senior executives which it passes to the Annual General Meeting, for resolution.

At the 2020 Annual General Meeting the following guidelines for remuneration to the CEO and other senior executives were adopted:

Executive management refers to the CEO and other members of the executive management of Bactiguard. The guidelines shall apply to remuneration that is agreed upon, and changes made to already agreed remuneration, after the guidelines were adopted by the 2020 Annual General Meeting. The guidelines do not include remuneration decided by the general meeting, such as Board fees and other remuneration to the Board.

### The guidelines' promotion of the company's business strategy, long-term interests and sustainability

In brief, the company's business strategy is to increase patient safety and save lives by developing and supplying infection prevention solutions which reduce the risk of health-care-associated infections. Fewer infections reduce the number of complications, shorten hospital stays and reduce the use of antibiotics. This saves resources and costs for the healthcare system and society at large, and contributes to decreased transmission of multi-resistant bacteria.

A prerequisite for the successful implementation of Bactiguard's business strategy and the safeguarding of its long-term interests, including its sustainability, is for the company to recruit and retain qualified employees. This requires the company to offer competitive remuneration. These guidelines enable the company to offer executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim to promote Bactiguard's business strategy and long-term interests, including its sustainability.

### Types of remuneration, etc.

The total remuneration from Bactiguard to executive management shall be at market terms, reasonable and appropriate, and may consist of the following components: fixed salary, variable salary, pension and other benefits.

Executive management shall be offered a fixed salary at market terms, which shall be determined based on the individual's area of responsibility and experience and shall be reviewed on an annual basis.

Executive management may, from time to time, be offered a variable salary at market terms. Such a variable salary must be designed with the purpose of promoting Bactiguard's business strategy, long-term interests, including its sustainability, and linked to predetermined and measurable criteria. Such a variable salary may not exceed 50% of the annual fixed salary.

Executive management shall be entitled to pension benefits at market terms, typically fee-based (defined contribution) pension schemes. The pension premiums for defined contribution pension schemes may not exceed 30% of the fixed annual salary.

Other benefits for executive management may include access to a company car, wellness contributions, medical insurance, interest compensation linked to financing the acquisition of shares in Bactiguard, and other conventional benefits. Other benefits shall not constitute a substantial part of total remuneration. Premiums and other costs arising from such benefits may amount to a maximum of 5% of the annual fixed salary.

Employment conditions that are governed by rules other than Swedish rules, may be appropriately adjusted to comply with mandatory local rules and practice, and the general purpose of these guidelines should be met as far as possible.

#### **Criteria for awarding variable cash remuneration**

Any variable remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualised, function-based, quantitative or qualitative objectives. The criteria and objectives shall be designed to contribute to Bactiguard's business strategy and long-term interests, including its sustainability.

The majority of the variable salary shall be linked to Bactiguard's sales, EBITDA and/or cash-flow, and thereby aligned with the company's long-term financial targets. The remaining part of the variable salary may be based on individual and function-based objectives.

To which extent the criteria for awarding variable cash salary have been satisfied shall be established/evaluated when the measurement period, one or several years, has ended. The Remuneration Committee is accountable for the assessment of variable cash salary to the CEO. The CEO is accountable for the assessment of variable cash salary to the other members of executive management. As regards financial targets, the assessment shall be based on the latest financial information disclosed by the company.

To the extent permitted under applicable laws and agreements, the Board of Directors is entitled to reclaim, fully or in part, any variable salary paid on incorrect grounds.

#### **Termination of employment**

The notice period for executive management may not exceed six months, if notice of termination of employment is made by the company. Any severance pay may not exceed the fixed annual salary for one year.

In addition, compensation for non-competition may be paid. Such remuneration shall only compensate for any loss of income resulting from the non-competition obligation and shall be based on the remuneration that the executive had at the time of termination of employment.

#### **Share and share-related incentive plans**

Resolutions regarding share-related incentive programmes shall be adopted by the general meeting. On an annual basis, the Board of Directors shall assess whether a long-term incentive program should be proposed to the general meeting or not, and if so, whether amendments to these guidelines are required for this reason.

#### **The decision-making process to review and implement the guidelines**

The tasks of the Remuneration Committee include preparing the Board of Directors' proposed guidelines for remuneration and, where applicable, the Board of Directors' decision to deviate from these guidelines.

In preparing these remuneration guidelines, the total compensation for the company's employees has been taken into account. The components of the total compensation, the increase and development of the compensation over time have formed part of the decision criteria for the Remuneration Committee and the Board of Directors when evaluating the fairness of the guidelines and the limitations that follow.

The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall remain in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall – where applicable – also follow and evaluate programmes for variable remuneration to executive management, the application of the guidelines for remuneration to executive management as well as current remuneration structures and levels of remuneration in the company.

These guidelines apply to agreements concluded after the general meeting, and in the event that changes are made to existing agreements after this date. The Board of Directors shall be entitled to, temporarily, resolve to deviate from the guidelines, in whole or in part, if, in a specific case, there is special cause for the deviation and it is necessary to serve Bactiguard's long-term interests, including its sustainability, or to ensure the company's financial viability.

#### **Auditor**

According to the articles of association, the annual general meeting shall appoint not less than one and not more than two auditors.



At the Annual General Meeting on 28 April 2021, the registered accounting firm Deloitte AB was elected as auditor for the period through the Annual General Meeting that will be held in 2022. Therese Kjellberg, Authorised Public Accountant, was appointed as the auditor in charge. The auditors attend the Audit Committee meetings where necessary to provide information about the ongoing audit work and brief the entire Board on at least one occasion. In 2021 the auditor attended meetings of the Audit Committee and the Board of Directors. The auditor attends the annual general meeting and reports their examination of Bactiguard's management and annual accounts. In addition the auditors examine the interim report for the period January–September, remuneration to Executive management, the corporate governance report and the sustainability report.

## Internal controls for financial reporting

According to the Swedish Annual Accounts Act and the Code, the Board is responsible for ensuring that the company has adequate internal control. The Board shall ensure that the company has formalised procedures in place to ensure compliance with the adopted policies for financial reporting and internal control, and that the financial reporting is prepared in accordance with the law, relevant accounting standards and other requirements for listed companies.

### Control environment

Internal control of financial reporting is based on the overall control environment.

The control structure is based on the company's finance system. It is designed to ensure that entering agreements and paying invoices, etc., follow the decision-making processes, and the signatory and authorisation procedures provided in the internal steering documents. This counteracts and prevents the risks identified by the company.

In addition to these control structures, a series of additional control activities are conducted to further discover and correct any errors and deviations. Such control activities consist of follow-up at various levels in the organisation, for example, follow-up and review by the Board of Directors regarding their formal decisions; review and comparison of income items and account settlement; and approval of the accounting of business transactions within the finance department. In accordance with its work procedure, the Board of Directors conducts an annual review of these internal controls

### Risk assessment

Identification is made of the risks that are assessed to exist and measures are taken to mitigate these risks. Bactiguard works continually and actively to chart, assess and manage the risks that the company is subject to in its financial reporting. At its meeting in November, the Board of Directors conducted its annual risk assessment and decided on measures that needed to be taken. It is particularly important for the Board of Directors to monitor the development of this internal control, to ensure that actions are taken in the event of any shortcomings and to make proposals where necessary. The follow-up and evaluation of the internal control takes place regularly in collaboration with the auditor.

### Control activity

Bactiguard has established an organisation for the purpose of ensuring that all financial reporting is correct and efficient. The internal steering documents define responsibilities and daily interactions between the positions involved so that all necessary information and communication reach all persons as required. The division and delegation of responsibility have been documented and communicated in internal steering documents established for the Board of Directors and the company, such as: the work procedure of the Board of Directors, the CEO instruction, and the delegation of authority, authorisation procedure and other internal steering documents, such as the financial handbook. All internal steering documents are maintained and updated on a regular basis, to reflect legislative changes or revision of reporting standards. Executive management receives monthly financial information regarding the company and its subsidiaries in regard to developments of upcoming investments and liquidity planning. The Board of Directors regularly assesses the information which the company's senior executives and the auditor submit.

### Information and communication

Internal steering documents, including rules and manuals, are kept continually updated in the finance handbook and communicated through internal meetings and other targeted dissemination. General strategic issues are communicated to the entire organisation through the intranet and employee meetings.

The company's communication policy is designed to ensure that publication of all information, both internal and external is made correctly and at the appropriate time for all occasions. This policy aims to ensure compliance with the disclosure requirements in a correct and comprehensive way. If shareholders and other external stakeholders want to monitor the company's development, current financial information is published regularly on the website [bactiguard.com](http://bactiguard.com).

## Monitoring

The Board of Directors continually monitors the effectiveness of the internal controls and discusses important issues relating to accounting and reporting. The company uses a quality system that has documented standard procedures and work instructions. These procedures and instructions are reviewed both internally and by external quality auditors (notified body). Any deviations are reported to the executive management team and any major deviations are reported to the Board. The company's auditor reviews the internal control and reports any deviations, observations and activity proposals to the Audit Committee. The CEO reports regularly to the Board in order to monitor the operational targets in the business plan. The CEO prepares interim reports and year-end reports, which are approved by the Board before they are published. The Board also continually evaluates reports from the CEO and CFO, which includes results, budgets and an analysis of the key performance indicators.

The Audit Committee is continually involved in the internal control work and financial reporting processes. The Audit Committee also reviews the external auditors' report on its examination and recommendations of internal controls, which are then reported to Executive management and the Board.

Policies, guidelines and procedures are updated and evaluated when necessary, but as a minimum on an annual basis. The Board is responsible for maintaining the general steering documents and the CEO, or a person designated by the CEO, is responsible for the other documents.

## Internal audit

In 2021 the Board evaluated the Group's need for internal audits. This resulted in the Board making the assessment that Bactiguard does not need to introduce its own internal audit function in 2021 alongside the existing processes and functions for internal control. The Board of Directors has assessed that the monitoring and review programme that is carried out internally, is enough to maintain effective internal control for the financial reporting.

## Investor relations

The company's CEO and CFO are responsible for contacts with the shareholders. The company provides information to the shareholders through the annual report, year-end report, interim reports, press releases and the website [bactiguard.com](http://bactiguard.com). Bactiguard also attended investor meetings and other investor activities, both in Sweden and abroad.