

## Remuneration report 2020

### Introduction

This report provides information on remuneration to the Chief Executive Officer and the Company's two deputy Chief Executive Officers. The report also describes how the guidelines for executive remuneration of Bactiguard Holding AB, adopted by the Annual General Meeting 2020, were implemented in 2020. The report has been prepared in accordance with the Swedish Companies Act and "Rules on Remuneration of the Board and Executive Management and on Incentive Programs" issued by the Swedish Corporate Governance Board.

Number of employees, salaries, other remuneration and social security costs for the Board of Directors, CEO, other executives and other employees are available in note 9 in the annual report 2020.

Remuneration of directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting.

### The company's development 2020 in summary

The pandemic had a negative effect on sales as regular health services were cut back and planned operations were postponed. At the same time Bactiguard made several strategic advances during the year. The company made its first acquisition through the purchase of the Malaysian company Vigilenz which expanded its product portfolio for infection prevention and increased the company's market presence. The acquisition also gave Bactiguard its own sales organisation, more resources in product development and a modern production facility in Malaysia, which will allow Bactiguard to continue to expand. Bactiguard also made great strides in the collaboration with the licensee Zimmer Biomet. In the beginning of 2021 Bactiguard received the CE marking for trauma implants, which paves the way for production and launch of Zimmer Biomet's orthopedic trauma implants in spring 2021. At the end of the year the company had a breakthrough in China when Bactiguard's Chinese partner Well Lead placed a first order for the company's coating concentrate.

In the autumn of 2020, the company took the strategic decision to sharpen its focus and speed up the pace in the sales organisation, creating its own sales force for the Nordic region, alongside the existing one in Malaysia. In making Bactiguard more visible and influential, also marketing activities were increased. The aim is to raise awareness of the importance of infection prevention and to make the company's products the natural choice by establishing them as the standard used in healthcare. This investment has included the recruitment of several very experienced leaders, marketers and sellers to Bactiguard.

Total revenues fell by 4.1% to MSEK 186.0 (193.9). Net of currency effects, this reduction was 2.1%. EBITDA amounted to MSEK 26.7 (61.6) with an EBITDA margin of 14% (32%). The figure for EBITDA in the previous year was mostly due to the license revenues of MSEK 29.4 from Zimmer Biomet. Profit for 2020 amounted to MSEK -38.4 (16.3) MSEK, where a forward effect related to the acquisition of Vigilenz comprised MSEK -10.9. Earnings per share amounted to SEK -1.14 (0.49).



On 4 February 2020 Christian Kinch announced to the Board that he was resigning as CEO after almost 16 years. The Board appointed Deputy CEO and CFO Cecilia Edström as the new CEO and Chief Medical Officer Stefan Grass as the Deputy CEO. Gabriella Björknert Caracciolo was appointed CFO and Deputy CEO in August 2020.

At the Annual General Meeting in April 2020 Christian Kinch was elected Chairman of the Board. The Annual General Meeting adopted the Board's proposal for guidelines for remuneration to senior executives. The guidelines match the principles previously applied.

More information on the company's development 2020 is available in the annual report for 2020 on the web site [bactiguard.com](http://bactiguard.com).

### **Remuneration guidelines**

At the 2020 Annual General Meeting the following guidelines for remuneration to the CEO and other senior management 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 have been 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 short, 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 healthcare associated infections. Fewer infections reduce the number of complications, shorten hospital stays and reduce the use of antibiotics. This saves significant 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 percent 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 per cent 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 five per cent 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 variable salary shall, to the greatest part, 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.

**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 management, and individual remuneration to the CEO in accordance with the guidelines for remuneration for senior management 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 remuneration, the general 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 Group management 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 managers. The committee shall also monitor and assess any ongoing or concluded incentive programmes for variable remunerations to the CEO and other senior managers; evaluate compliance with the guidelines for remuneration to the CEO and other senior managers adopted by the general meeting well as the current structure and levels of remuneration.

In 2020 the Remuneration Committee considered the salary of the CEO, evaluated to ensure that the terms and conditions of senior management comply with the guidelines for remuneration to senior management adopted by the Annual General Meeting, and that the template agreements for the employment of senior management are appropriate, and reflect the principles for remuneration and other employment terms and conditions for senior management.

Following the 2020 Annual General Meeting, the Remuneration Committee comprises Christian Kinch, Jan Ståhlberg and Thomas von Koch. Christian Kinch is the Chairman of the Remuneration Committee. Before the 2020 Annual General Meeting, the Remuneration Committee comprised Jan Ståhlberg and Thomas von Koch. In 2020 the committee held two minuted meetings and had informal contacts where necessary in between. All members have attended the committee meetings.

### Compliance with the guidelines 2020

During 2020, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on [bactiguard.com](http://bactiguard.com). No remuneration has been reclaimed. The company has no long-term share-related incentive plans. During 2020 remuneration has been paid to the former CEO Christian Kinch from the parent company Bactiguard Holding AB, while payments to the CEO and deputy CEOs have been paid from the subsidiary Bactiguard AB.

<b>Total remuneration to CEO and deputy CEOs in 2020</b>							
SEK thousand							
	Fixed remuneration		Variable remuneration	Extraordinary items	Pension expense <sup>2</sup>	Total remuneration	Proportion fixed/variable remuneration, %
Name of executive (position)	Base salary <sup>1</sup>	Other benefits	One-year variable				
Christian Kinch, CEO until 3 February 2020	176				34	210	100/0
Cecilia Edström, CEO from 4 February 2020, deputy CEO until 3 February 2020	2,193	4			510	2,707	100/0
Gabriella Björknert Caracciolo, deputy CEO from 10 August 2020, CFO from 10 August 2020	713	2			166	881	100/0
Stefan Grass, deputy CEO from 4 February 2020, Chief Medical Officer	1,580	4			434	2,018	100/0
<sup>1</sup> Including holiday pay to Christian Kinch of SEK 1 thousand, Cecilia Edström of SEK 43 thousand, Gabriella Björknert Caracciolo of SEK - thousand and Stefan Grass of SEK 17 thousand.							
<sup>2</sup> Pension expense which in its entirety relates to Base salary and is premium defined, has been counted entirely as fixed remuneration.							

### Application of performance criteria

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. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance criteria further contribute to adaptation to sustainability and the company's values. No variable cash compensation was paid in 2020.

### Comparative information on the change of remuneration and company performance

Change of remuneration and company performance over the last five reported financial years						
SEK thousand						
	Amount expensed 2020	Change 2020 - 2019	Change 2019 - 2018	Change 2018 - 2017	Change 2017 - 2016	Change 2016 - 2015
CEO remuneration <sup>1</sup>	2,918	+788 (+37%)	-338 (-14%)	-167 (-6%)	-46 (-2%)	-3,686 (-58%)
Group EBITDA	26,655	-34,985 (-57%)	39,486 (+178%)	-12,278 (-36%)	19,325 (+128%)	-5,077 (-25%)
Average remuneration on a full-time equivalent basis of employees of Swedish subsidiaries <sup>2</sup>	531	-127	123	82	104	-105
<sup>1</sup> Remuneration to the CEO has been converted to full-year remuneration						
<sup>2</sup> Excluding members of the Group Executive Management. Only employees of Swedish subsidiaries are included as the acquisition of Vigilenz in 2020 makes Group numbers non comparable between years.						
The comparative information includes only the CEO since the company have not hade deputy CEOs the past five years.						

The Board of Directors of Bactiguard Holding AB (publ)  
Stockholm in March 2021

*This is a translation of the Swedish original wording. In the event of deviations, the Swedish version available on the company's website applies, [www.bactiguard.com](http://www.bactiguard.com).*