

## **Probi AB (publ)**

### **The Board of Directors' proposal for guidelines for remuneration to senior executives**

#### **Scope**

The Board of Directors proposes that the Annual General Meeting (“**AGM**”) resolves to adopt the following guidelines for remuneration and other conditions of employment to the persons included in Probi's senior management, referred to below as “senior executives”.

These guidelines shall apply to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the AGM 2024. These guidelines do not apply to any remuneration decided or approved by the general meeting.

If a Board member performs work for the company in addition to the assignment as Board member, the Board member shall receive cash remuneration on market terms, taking into the account the nature of the assignment and the work effort. Such remuneration is resolved by the Board of Directors (or, if provided by law, by the general meeting).

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

#### **Promotion of the company's business strategy, long-term interests and sustainability**

Probi is a complete, integrated probiotics group with operations throughout most of the world. Probi's vision is to be the innovative research-driven leader within probiotics, with an ambition to enhance people's well-being throughout the world. Probi's mission is to offer probiotic products of high quality, based on science, grown with care and delivered in attractive formats.

Probi's strategy is to achieve sustainable and profitable growth by striving for excellence in four key strategic focus areas. These focus areas are:

- ***Commercial Execution & Customer Centricity***

The focus is on improving our customers' experience and extending our internal understanding of our customers and we will expand our global base of key account customers and grow our position on our science-based products, with a focus on Tier 1 markets.

- ***Pioneering Science & Innovation***

We will continue being first in probiotics by ensuring a continuous rate of market relevant innovation, by enhancing speed to market, and by continuously expanding our range of clinically documented probiotic offerings. We will also evaluate scientific benefits and growth potential of other biotics.

- ***Providing Differentiated Quality Solutions***

This focus area refers to our competitive edge of delivering products through the entire value-chain, from concentrated probiotic ingredients to finished consumer product. We will focus on long-term improvement of the gross margins by optimizing our internal manufacturing processes and through supply chain effectiveness we will deliver better customer experience. We will address the need for new production opportunities or contract

manufacturing in growth regions and optimize manufacturing footprint as business opportunities appear.

All three focus areas above will be reinforced by leveraging strategic external partnerships, international research collaborations and/or acquisitions within relevant health areas, geographies, and segments.

- ***People with a Shared Purpose and Passion for Probiotics***

We aim to have a healthy and thriving organization driven by our shared purpose and goal to provide probiotics for healthier lives and a healthier planet.

The key to successful implementation of the strategy is committed and dedicated employees who work systematically, and strategically.

These guidelines are expected to contribute to the implementation of the strategy, including Probi's long-term interests and sustainability, by enabling Probi to offer a total remuneration that is competitive and on market terms in order to recruit and retain senior executives and by promoting the senior executive's abilities to carry out their duties.

**Principles for different forms of remuneration, etc.**

The total remuneration to senior executives shall be competitive and on market terms and may consist of fixed cash salary (base salary), variable cash remuneration (bonus), pensions and other benefits, and also further variable cash remuneration in certain extraordinary circumstances. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, long-term share-related or share price-related incentive programs.

***Fixed cash salary***

The fixed cash salary (base salary) shall take into account the individual's potential, areas of responsibility and experience.

***Variable cash remuneration***

***Annual variable remuneration***

The annual variable cash remuneration may, for the CEO, amount to a maximum of 60 % of the fixed annual cash base salary and may, for the other senior executives, amount to a maximum of 50 % of the fixed annual cash base salary. For senior executives employed in the American organization, the annual variable cash remuneration may amount to a maximum of 100 % of the fixed annual cash base salary. Annual variable cash remuneration shall be linked to the senior executive's fulfilment of pre-determined quantitative and qualitative goals. The goals may be financial, for example by relating to result or net sales and non-financial, for example by relating to how the individual contribute to Probi's work with matters on diversity and the maintenance and building of Probi's culture. The goals shall, among other things, aim to secure a long-term commitment for the company's progress, whereby they are expected to contribute to the successful implementation of Probi's business strategy, long-term interests and sustainability. The fulfilment of criteria for awarding annual variable cash remuneration shall be measured on a yearly basis.

***Long-term cash bonus (LTI-bonus)***

In addition to fixed cash salary and annual variable cash remuneration, senior executives may receive a variable long-term cash bonus (LTI bonus) each year. The LTI bonus shall

reward Net Sales and EBITDA targets over a period of three financial years. Each LTI program of three financial years is implemented annually during the first calendar quarter and shall cover a vesting period of three financial years, each a performance year; year 1, year 2 and year 3. The LTI bonus shall for the CEO be maximized to 50 % of the base salary during the inclusion year and for other senior executives to 40 % ("Grant Value"). For each LTI program, the Board of Directors establishes a bonus target for Net Sales and EBITDA for each financial year included in the performance period, whereby year 1 is weighted 20 % of the Grant Value, year 2 is weighted 30 % of the Grant Value and year 3 is weighted 50 % of the Grant Value. If Net Sales during a performance year amounts to at least 95 % of the target, a bonus is earned with between app. 30-55 % of the performance year's weighting, depending on how much the target has been exceeded. If the bonus target for EBITDA is exceeded during a performance year, a bonus is earned with between app. 34-45 % of the performance year's weighting, depending on how much the target has been exceeded. The total LTI bonus earned during the term of the LTI program is then paid out during the first calendar quarter of the year after LTI program term and is subject to the employee remaining in employment and not having terminated his/her employment (with certain customary exceptions). In the event of termination due to redundancy, bonus earned at the time of termination will be paid and a pro rata amount during the current performance year.

*Determination of the outcome for variable cash remuneration, etc.*

Ahead of each yearly measurement period for the criteria for awarding variable cash remuneration, the Board of Directors shall, based on the Remuneration Committee's proposal, establish which criteria that are deemed to be relevant for the upcoming measurement period. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The Board of Directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO and the Chairman of the Board is responsible for the evaluation. Evaluations regarding fulfilment of financial targets shall be based on established financial basis for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. The Board of Directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

***Further variable cash remuneration***

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed 30 % of the fixed annual cash base salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors.

***Pensions***

For senior executives, pensions, including health insurance (Sw: *sjukförsäkring*), shall be based on defined contribution plans. Variable cash remuneration shall qualify for pension benefits. The pension premiums for the contribution defined pension shall follow the ITP1 plan and shall amount to not more than 4.5 % of the pensionable salary up to 7.5 income

base amounts, and not more than 30 % on exceeding salary up to 30 income base amounts. Additionally, according to applicable collective agreements, a part of the senior executive's pensionable salary may be allocated as a complement to the senior executive's pension as set out in his or her employment contract (Sw: *deltidspensionspremie*).

### **Other benefits**

Other benefits may include, for example, life insurance, medical insurance (Sw: *sjukvårdsförsäkring*) and company cars, and may be provided to the extent that such benefits are deemed to be on market terms for senior executives in equivalent positions in the market where the senior executive is active. Such benefits may amount to not more than 10 % of the fixed annual cash base salary.

### **Termination of employment**

Senior executives shall be employed until further notice. The notice period may not exceed twelve months for the CEO and nine months for other senior executives if notice of termination of employment is made by the company. Fixed cash base salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash base salary for twelve months. The period of notice may not exceed six months, without any right to severance pay, when termination is made by the executive.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and may only be paid in so far as the previously employed executive does not receive severance pay. The remuneration shall amount to not more than 60 % of the fixed cash base salary at the time of termination of the employment, unless otherwise provided by mandatory collective agreement provisions and be paid during the time the non-compete undertaking applies, however not for more than twelve months following termination of the employment.

### **Salary and employment conditions for employees**

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

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

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Director's decisions to propose guidelines for remuneration to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior executives, the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company. The members of the Remuneration Committee are independent of the company and its senior management. The CEO and other senior executives do not participate in the Board of Director's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

### **Derogation from the guidelines**

The Board of Directors may derogate from these guidelines if the Board of Directors considers that, in a specific case, there is special cause for the derogation and a derogation is necessary to serve Probi's long-term interests, including its sustainability, or to ensure Probi's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

### **Description of significant changes to the guidelines and comments from shareholders**

In relation to current guidelines, resolved by the AGM 2020, the proposal for the AGM 2024 includes a new structure for a three-year variable long-term cash bonus for senior executives linked to net sales and EBITDA targets. Furthermore, the description of ITP1 has been adjusted to reflect the new income cap on the amount of pensionable income of 30 income base amounts. The Board of Directors has not received any comments from shareholders on the guidelines for remuneration to senior executives.

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Lund in March 2024

Probi AB (publ)  
*The Board of Directors*