

# Corporate governance report

Probi AB (publ) is a Swedish limited liability company whose shares have been listed on Nasdaq Stockholm since 2004. According to its Articles of Association, Probi shall engage in the development, manufacture and marketing of products that stimulate the growth and/or regulate the natural microflora in humans and conduct other compatible operations.

Probi's Corporate Governance is based on applicable legislation, resolutions by the Annual General Meeting (AGM), Articles of Association, listing agreement, the Swedish Code of Corporate Governance (the "Code") and work by the Board of Directors and Executive Management. For more information about the contents of the Code, refer to [www.bolagsstyrningskollegiet.se](http://www.bolagsstyrningskollegiet.se). This Corporate Governance Report refers to the 2020 financial year and has been prepared in accordance with the Swedish Annual Accounts Act and the Code's regulations. Probi's Articles of Association and additional information about Probi's Corporate Governance are available at [www.probi.com](http://www.probi.com), under 'Investor Relations.'

## Application of the code

Probi, its Board of Directors and Nomination Committee apply the Swedish Code of Corporate Governance. No deviation from the Code has taken place.

## Annual General Meeting

Shareholders exercise their influence over the company at Annual General Meetings of Shareholders, Probi's highest decisionmaking body. The AGM is held within six months of the end of the financial year. Official notification of the Meeting is sent not earlier than six weeks and not later than four weeks prior to the Meeting. All shareholders listed in the shareholder registry and who registered their interest are entitled to participate in the Annual General Meeting and vote. Each share carries one vote.

The Annual General Meeting was held in Lund on May 13, 2020. The Board of Directors, auditors and Nomination Committee were elected at the AGM, which also resolved on guidelines for the remuneration of senior executives, as described in the following. The Board of Directors was also authorized during the period prior to the 2021 AGM, on one or more occasions, to:

- make decisions regarding a new rights issue of up to a total of 1,164,412 shares. This authorization includes the right to resolve to disapply the shareholders' pre-emptive rights and that payment is to be made in cash, in kind, or offsetting debt. When disapplying the shareholders' pre-emptive rights, the issue price is to be set on normal market terms. At the date of the resolution by the AGM, full exercise of the authorization would have entailed a 9% dilution of the share capital and voting rights. The Board did not exercise this authorization during 2020.
- make decisions regarding the buyback of its own shares. This authorization includes acquisitions on Nasdaq Stockholm of own shares in a number that at no time exceeds 10% of all

outstanding shares. According to the authorization, any acquisition is to take place on Nasdaq Stockholm at a price within the registered price interval at the time of acquisition, meaning the spread between the highest and lowest selling price. Payment for the shares is to be made in cash. The Board did not exercise this authorization in 2020.

- make decisions regarding the transfer of its own shares. This authorization includes a transfer of not more than the number of shares held by the company at the time of transfer. Any transfer may only take place at a price within the registered price span on Nasdaq Stockholm on each occasion, meaning the spread between the highest and lowest selling price. The Board was also authorized, with or without applying the shareholders' pre-emptive rights, to make decisions on the transfer of its own shares in a manner other than that described above. Transfers may be made in return for cash payment, in the form of property other than cash or through the offsetting of debt. The Board did not exercise this authorization during 2020.

## Nomination Committee

The Nomination Committee is elected at the AGM and its principal tasks are to:

- evaluate the Board's composition and duties
- prepare proposals to the AGM for the election of Board members and Chairman of the Board and their remuneration
- prepare proposals for the AGM for the election of auditors and their remuneration

On May 13, 2020, the AGM resolved that the Nomination Committee should consist of four owner representatives. Heinz-Jürgen Bertram (CEO Symrise AG) (convenor), Bengt Jeppsson (Professor at the Department of Surgery at Lund University), Marianne Flink (Swedbank Robur Fonder) and Jannis Kitsakis (Fjärde AP-fonden) were re-elected as members of the Nomination Committee. The Nomination Committee's proposals are presented in conjunction with the official notification of the AGM. Shareholders who wish to contact the Nomination Committee can do so in accordance with the information provided on Probi's website: [www.probi.com](http://www.probi.com).

## The Board of Directors

According to Probi's Articles of Association, the Board is to consist of no fewer than three and no more than seven members, with no more than three deputies, and be elected at the AGM. The company's Articles of Association lack specific stipulations concerning the appointment and dismissal of Board Members and concerning amendments to the Articles of Association. On May 13, 2020, the AGM resolved to elect a Board consisting of five ordinary members with no deputies. In accordance with the Nomination Committee's proposal, the Meeting resolved on the re-election of Board Members Jean-Yves Parisot, Jörn Andreas, Charlotte Hansson and Irène Corthésy Malnoë and the new election of Malin Ruijsenaars. Jean-Yves Parisot was re-elected Chairman of the Board. A presentation of the Board Members is available on the company's website [www.probi.com](http://www.probi.com) and on pages 84-85.

The AGM resolves on principles and monetary limits for Board fees. For 2020, the Board's fees were fixed at SEK 1,750,000 of which SEK 500,000 for the Chairman of the Board and SEK 250,000 for each of the other four Board members. A

resolution was also made concerning remuneration for work on committees. The Chairman of the Audit Committee is to receive SEK 100,000 and each member SEK 50,000. The Chairman of the Remuneration Committee is to receive SEK 30,000 and each member SEK 20,000.

For a brief period, Board members may perform consulting services for Probi. This is pursuant to a Board decision and only if it is deemed to be the most cost-efficient and advantageous option for the company. This type of consulting fee is recognized in the Annual Report. For information regarding Board fees, see Notes 10 and 32.

### CEO

A presentation of the CEO is available on the company's website [www.probi.com](http://www.probi.com) and on page 86.

### Auditors

The 2020 AGM elected the registered accounting firm Ernst & Young AB with Authorized Public Accountant Peter Gunnarsson as auditor-in-charge for the period up to the 2021 AGM.

### The Board's work and rules of procedure

The Board is ultimately responsible for Probi's organization and the administration of the company's affairs. The Board decides whether to appoint or dismiss the CEO, and on major organizational and operational changes. The Board's duties also include evaluating and determining strategies, business plans and budgets. The Board also adopts quarterly reports, year-end reports and annual reports.

Every year, the Board evaluates the CEO's performance in relation to the identified long and short-term objectives. In conjunction with this, the CEO's objectives for the coming financial year are set. No representative from executive management participated in this evaluation.

The Board annually prepares a procedure regulating the division of work and responsibilities between the Board, Chairman and CEO. The work procedure also defines the spheres of responsibility of the Audit and Remuneration Committees. This work procedure is adopted at the Board's statutory meeting, which is held in conjunction with the AGM.

The Chairman of the Board is responsible for continuously monitoring the company and ensuring that all Board Members continuously receive the relevant information for making decisions and evaluating Probi. The Chairman must consult with the CEO on strategic issues, supervise Board meetings and ensure that Board matters do not contravene the regulations regarding conflicts of interest stipulated by the Companies Act. The Board annually establishes instructions for the CEO. These include guidelines for the ongoing administration, accounting and asset management and internal control of the company. These instructions also cover the CEO's authorizations and disclosure requirements towards the Board.

The Board is to convene no fewer than four scheduled Board meetings distributed equally during the year and hold one statutory meeting. In addition to regular items, the scheduled Board meetings in 2020 focused primarily on strategic and structural issues involving Probi's long-term development and growth. The Board of Directors also held a further eight minuted meetings in 2020. These meetings addressed matters relating to such items as strategic investment decisions, negotiations of commercial agreements and the adoption of quarterly and year-end reports.

### Audit Committee

The task of the Audit Committee is to assist the Board of Directors in its fulfilment of the Board's supervisory obligations in terms of internal control, audits, any internal audits, risk management, accounting and financial reporting, and to prepare matters involving the procurement of audit and other services as well as preparing certain accounting and audit matters that are to be addressed by the Board. The sphere of responsibility of the Audit Committee is defined in the Board of Directors' work procedure and in the instructions for the Audit Committee. The Audit Committee maintains continuous contact with the company's auditors, who personally report their findings and observations at least twice annually. The auditors also provide information on the priority areas that future audits are to examine, while the Audit Committee informs the auditors about issues or areas that it wishes them to specifically highlight.

Charlotte Hansson was appointed Chair of the Audit Committee and Jörn Andreas was appointed a member of the Committee. The company's auditor and CFO regularly attend the Audit Committee's meetings.

### Remuneration Committee

The task of the Remuneration Committee is to assist the Board of Directors by providing proposals concerning remuneration issues and regularly monitoring and evaluating remuneration structures and remuneration levels for the CEO and other members of the company's executive management. The Committee's work also includes providing proposals concerning policies for remuneration and other terms and conditions of employment for the CEO and senior executives that are to be resolved by the AGM. The sphere of responsibility of the Remuneration Committee is defined in the Board of Directors' work procedure and in the instructions for the Remuneration Committee. For information regarding salaries and remuneration of the CEO and other senior executives, see Note 10. Jean-Yves Parisot was appointed Chairman and Malin Ruijsenaars a member of the Remuneration Committee.

## BOARD MEMBERS' MEETING ATTENDANCE IN 2020

Name	Year elected	Independent the company	Independent of major shareholders	Attendance at Board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings
Jean-Yves Parisot	2015	Yes	No	13/13		1/1
Jonny Olsson*	2015	Yes	Yes	6/13	3/9	
Charlotte Hansson	2017	Yes	Yes	13/13	9/9	
Irène Corthésy Malnoë	2018	Yes	Yes	13/13		
Jörn Andreas	2019	Yes	No	13/13	9/9	
Malin Ruijsenaars	2020	Yes	Yes	7/13		1/1

\*stepped down as Board member at the AGM on May 13, 2020

### The Board's internal control report

According to the Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control of financial reporting. This report is limited to the internal control of financial reporting.

Authorization and responsibility are documented and recognized in internal guidelines and instructions. These encompass matters such as the division of responsibilities among the Board, the Audit Committee, the Remuneration Committee and the CEO, accounting and reporting instructions and attestation instructions for the Parent Company. The purpose of the instructions in these documents is to provide reasonable assurance regarding the quality and reliability of the company's external financial reporting and to minimize the risk of irregularities and improper benefits to other parties at the expense of the company.

The Board monitors the company's financial development through reporting at Board meetings and through continuous financial reporting. The CEO is responsible for preparing and presenting reports at each Board meeting, with the following principal content for the period in question:

- Sales and market development and status of R&D projects.
- Balance sheet, income statements and cash flow statements.
- Investments and tied-up capital.
- Key ratios.
- Forecasts for current quarters and full-year.

The CEO must also, in accordance with the established time schedule, submit a financial report to the Board members.

### Quality of the financial reporting

The Board is responsible for ensuring the quality of the company's financial reporting. The information submitted by executive management is continuously evaluated by the Board and the Audit Committee. In this work, it is essential to ensure that actions are taken concerning potential shortcomings that are detected and that the adopted quality improvements are implemented. The Audit Committee accounts for this work concerning contact with the company's auditor. Considering the size and risk exposure of the company, and the follow-up and control procedures, it has not been deemed warranted to establish a specific internal audit function. Each year, the question of establishing a specific internal audit function is to be addressed by the Board.

### Information and communication

The Board has adopted a communication policy that specifies procedures and systems designed to ensure that Probi provides the market with relevant, reliable, correct and current information concerning the company's development and financial position.