

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.bolagsstyrningsskollegiet.se.

This Corporate Governance Report refers to the 2023 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, 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 decision-making 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 4, 2023. The Board of Directors, auditors and Nomination Committee were elected at the AGM. The Board of Directors was authorized during the period prior to the 2024 AGM, on one or more occasions, to:

- make decisions regarding a new rights issue of up to a total of 1,165,000 shares. This authorization includes the right to resolve to disapply the shareholders' preemptive 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. The authorization corresponded to approx. 10% of the share capital and the number of votes at the time of the decision. The Board did not exercise this authorization during 2023.

Minutes from the 2023 AGM are available at www.probi.com under 'Investor Relations'.

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

The Annual General Meeting on May 4, 2023, resolved that the Chairman of the Board, no later than the end of the third quarter of each year, shall ensure that the company's three largest shareholders or owner groups in terms of votes are offered the opportunity to appoint a representative to the Nomination Committee. The reconciliation shall be based on Euroclear Sweden AB's shareholder register (grouped by owner) as of the last banking day in August or such other documentation that shareholders or owner groups report at this time as evidence of their shareholding. If one or more shareholders or owner groups refrain from appointing a member to the Nomination Committee, one or more of the next-largest shareholders in terms of ownership shall be invited to appoint a member to the Nomination Committee. However, more than a maximum of five additional shareholders need not be contacted if two shareholders have accepted a place on the Nomination Committee and the Chairman of the Board has not determined there are particular reasons for doing so. When a shareholder is contacted with a request to appoint a member to the Nomination Committee, the Chairman of the Board shall establish the required rules of procedure, such as the last date for reply, etc. The chairman of the company's board shall be co-opted to the Nomination Committee. In addition, if the owner representatives so agree, a representative of the smaller shareholders who is independent of the company and its major shareholders may be appointed as a member of the Nomination Committee.

Heinz-Jürgen Bertram (CEO Symrise AG) (convener), Marianne Flink (4:e AP-fonden), Lotta Sjöberg (Handelsbanken Fonder) and Bengt Jeppsson (Professor in the Department of Surgery at Lund University and representative of small shareholders) were appointed 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 under 'Investor Relations'.

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 4, 2023, 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 Iréne Corthésy Malnoë and 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 and on pages 88-89.

The AGM resolves on principles and monetary limits for Board fees. The AGM resolved in accordance with the Nomination Committee's proposal that fees to the Board for 2023 shall be SEK 540,000 to the Chairman and SEK 270,000 to each of the other members elected by the AGM. A resolution was also made on remuneration for work on committees, whereby the Chairman of the Audit Committee is to receive SEK 120,000 and each member SEK 50,000, and the Chairman of the Remuneration Committee is to receive SEK 30,000 and each member SEK 20,000. For information regarding Board fees, see Note 10. A presentation of the Board of Directors is available on the company's website www.probi.com and on pages 88-89.

CEO

A presentation of the CEO is available on the company's website www.probi.com and on page 90.

Auditors

The 2023 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 2024 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 2023 focused primarily on strategic and structural issues involving Probi's long-term development and growth. The Board of Directors also held a further six minutes meetings in 2023. 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 2023

Name	Year elected	Independent of 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	10/10		2/3
Charlotte Hansson	2017	Yes	Yes	10/10	7/8	
Irène Corthésy Malnoë	2018	Yes	Yes	10/10		
Jörn Andreas	2019	Yes	No	10/10	8/8	
Malin Ruijsenaars	2020	Yes	Yes	9/10		3/3

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.