

Remuneration report 2021

Introduction

This report describes how the guidelines for remuneration to senior executives of BioGaia AB, adopted at the 2020 Annual General Meeting, were applied in 2021. The statement also contains information about remuneration to the Chief Executive Officer, Executive Vice Presidents and a summary of BioGaia's bonus programme and long-term incentive programme. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's rules on remuneration to senior executives and incentive programmes.

Additional information on remuneration to senior executives is provided in Note 3 on pages 62–63 of the 2021 Annual Report. Information about the work of the Remuneration Committee in 2021 is provided in the corporate governance report on pages 75–77 of the 2021 Annual Report. Fees for members of the Board are not covered in this report. Such fees are determined annually at the Annual General Meeting and reported in Note 3 page 63 of the 2021 Annual Report. The remuneration of SEK 704 thousand paid to the Board Chairman in addition to director's fee is also specified there. Remuneration was paid in the form of a monthly salary in accordance with special approval from the Annual General Meeting in 2020 and 2021.

Development in 2021

The Chief Executive Officer summarises BioGaia's overall results in the statement on pages 8–9 of the 2021 Annual Report.

BioGaia's remuneration guidelines: application areas, purpose and deviations

BioGaia conducts research and development in order to offer consumers clinically-proven, health-promoting, patented and user-friendly probiotic products. For more information about BioGaia's business strategy, see the Annual Report. Successful implementation of the business strategy and safeguarding BioGaia's long-term interests, including its sustainability, require BioGaia to be able to recruit, motivate and retain competent employees who work to achieve maximum shareholder and customer value. This requires BioGaia to be able to offer competitive remuneration. These guidelines enable senior executives to be offered competitive total remuneration.

Remuneration shall be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The Annual General Meeting may in addition – and independent of these guidelines – resolve on, for example, share-related and share-price based remuneration. The total remuneration package to senior executives should include a well-balanced mix of the above-named components as well as terms of notice and severance pay. The Board should annually evaluate the extent to which share-based or share-price based long-term incentive programmes should be proposed to the Annual General Meeting.

The fixed cash salary shall be individual and based on the senior executive's responsibilities and role as well as the individual's competence and experience in the relevant position. The variable cash remuneration may amount to a maximum of 25% of fixed annual cash salary.

These guidelines can be found on pages 48–49 of the 2021 Annual Report. During 2021, BioGaia has followed applicable remuneration guidelines adopted by the General Meeting of Shareholders. No departures from the guidelines have occurred and no deviations have been made from the decision-making process that according to the guidelines shall be applied to determine remuneration. The auditor's opinion on BioGaia's compliance with the guidelines is available at www.biogaia.com/investors/corporate-governance/. No remuneration has been reclaimed.

TABLE 1 Total remuneration to the Chief Executive Officer and Executive Vice Presidents in 2021 (SEK 000s)

	Fixed salary	Variable cash remuneration	Pension insurance incl. health insurance	Total
Chief Executive Officer Isabelle Ducellier	3,004	276	586	3,866
Executive Vice President Sebastian Schröder	1,669	165	358	2,192
Executive Vice President Urban Strindlöv ¹	5,228	109	922	6,259
Executive Vice President Ulrika Köhler ²	1,622	–	363	1,985

¹ The fixed salary includes a SEK 918 thousands in one-off payment in conjunction with the termination of employment and SEK 2,448 thousands that is expensed but will be paid up until the termination of the employment period at April 30 2023. The pension insurance includes SEK 587 thousands that is expensed but will be paid up until the termination of the employment period at April 30 2023.

² The fixed salary includes SEK 337 thousands and the pension insurance includes SEK 70 thousands that is expensed but will be paid up until the termination of the employment period at March 31 2022.

Application of performance criteria

Variable cash remuneration shall be linked to pre-determined and measurable criteria which may be financial or non-financial. It can also comprise individually adapted quantitative or qualitative targets. The criteria shall be designed so that they promote the Group's business strategy and long-term interests, including its sustainability, through for example having a clear link to BioGaia's business strategy or promoting the senior executive's long-term development.

Fulfilment of the criteria for payment of variable cash remuneration shall be measured during a period of one year. When the measurement period for fulfilment of the criteria for payment of variable cash remuneration has ended, the extent to which the criteria have been met shall be determined. The Remuneration Committee is responsible for assessment with regard to variable cash remuneration to the CEO. As regards variable cash remuneration to other senior executives, the CEO is responsible for the assessment.

Incentive programme

The company has an incentive programme for all employees based partly on the company's sales and profit (quantitative portion) and partly on qualitative targets. The maximum bonus is equal to 12% of annual salary.

In 2021, the short-term portion (6%) was linked to the achieved sales budget and three target levels for gross margin and operating profit. No quantitative bonus was achieved in 2021.

For 2021, a condition for the qualitative portion (6%) was that 90% of the sales budget had been achieved as well as the targets listed below:

- Company-wide target (2%)
- Departmental target (2%)
- Individual target (2%)

The Chief Executive Officer has been rewarded a discretionary bonus related to year 2021 after the closing date of SEK 400,000 that is not included in the expensed variable remuneration of 2021. The expensed variable remuneration for 2021 includes a discretionary bonus of SEK 100,000 related to year 2020 that was rewarded after the closing date 2020. The expensed variable remuneration for Executive Vice President Sebastian Schröder in 2021 includes a discretionary bonus of SEK 100,000.

The target achievement for the Chief Executive Officer and Executive Vice Presidents and bonus are presented in the table below.

Long-term warrant programme

BioGaia has also implemented a subscription warrants programme as resolved by the 2021 Annual General Meeting. The programme involves the issue of a maximum of 365,000 warrants where each warrant shall entitle the holder during the period from 6 July 2024 through 6 November 2024 to subscribe for one new Class B share in BioGaia for a subscription price per share that amounts to SEK 578.2. The employees have been invited to purchase the warrants at an amount of SEK 55.6, which is the market value determined by support of external valuation expert. A total of 89,730 warrants were subscribed for in the second quarter, which resulted in an additional equity injection of SEK 5.0 million and a possible dilution of existing shareholders of 0.4%. The programme also includes a stay-on bonus extending over a three-year period. No stay-on bonus is expensed or paid during the year.

Out of the total of 89,730 warrants subscribed in conjunction with the incentive programme, 84,750 were subscribed for by the management team including the Chief Executive Officer, who subscribed for 32,250 warrants. The Executive Vice Presidents subscribed for 6,500 warrants. 4,500 warrants relating to Executive Vice President Urban Strindlöv were repurchased in the fourth quarter.

TABLE 2 Performance of the Chief Executive Officer and Executive Vice Presidents in 2021 (SEK 000s) variable cash remuneration

	Relative weighting quantitative remuneration component (performance measured)	Relative weighting qualitative remuneration component (performance measured)	Discretionary bonus	Stay-on bonus	Remuneration outcome
Chief Executive Officer Isabelle Ducellier ¹	50% (0%)	50% (100%)	100	-	276
Executive Vice President Sebastian Schröder	50% (0%)	50% (66.7%)	100	-	165
Executive Vice President Urban Strindlöv	50% (0%)	50% (100%)	-	-	109
Executive Vice President Ulrika Köhler ²	-	-	-	-	-

¹ Chief Executive Officer's discretionary bonus of SEK 100 thousands is related to 2020

² Not included in the incentive programme 2021

TABLE 3 Changes in remuneration and the company's earnings in the last three reported financial years (SEK 000s)

	2021	2020	2019	2018
Group operating profit (percentage change)	253,737 (+11%)	228,150 (-6%)	242,511 (-13%)	277,595
Chief Executive Officer Isabelle Ducellier				
Total remuneration (percentage change) ²	3,866 (+20%)	3,217 (-3%)	3,330 (+11%)	3,010
Executive Vice President Sebastian Schröder				
Total remuneration (percentage change) ⁴	2,192 (0%)	2,196 (+17%)	1,875 (-15%)	2,193
Executive Vice President Urban Strindlöv				
Total remuneration (percentage change) ⁵	3,224 (+46%)	2,213 (+0%)	2,207 (-6%)	2,356
Executive Vice President Ulrika Köhler				
Total remuneration (percentage change) ^{3,6}	1,578 (+1%)	1,556 (-3%)	1,602	-
Average remuneration based on number of full-time equivalents employed in the Group ¹	664 (+10%)	603 (+1%)	597 (-14%)	693
Average remuneration based on number of full-time equivalents in the Parent Company ¹	856 (+19%)	718 (+0%)	720 (-9%)	795

¹ Excluding Chief Executive Officer and Executive Vice Presidents.

² Chief Executive Officer took up her position on 4 November 2018. To enable comparison, the fixed salary for 2018 has been extrapolated to a full year.

³ Executive Vice President received position in 2020 therefore no comparative figures for 2019 are presented.

⁴ Executive Vice President was on parental leave for a period in 2019, which affects comparability between the years.

⁵ Total remuneration is reduced by SEK 3 035 thousands in expensed but not paid fixed salary and pension for the period after 31 December 2021 for comparability.

⁶ Total remuneration is reduced by SEK 407 thousands in expensed but not paid fixed salary and pension for the period after 31 December 2021 for comparability.