

Remuneration report 2023

Introduction

This report describes how the guidelines for remuneration to senior executives of BioGaia AB, adopted at the 2022 Annual General Meeting, were applied in 2023. The statement also contains information about remuneration to the Chief Executive Officer, Executive Vice Presidents and a summary of BioGaia's bonus program and long-term incentive program. 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 programs.

Additional information on remuneration to senior executives is provided in Note 3 on pages 125-126. Information about the work of the Remuneration Committee in 2023 is provided in the corporate governance report on page 142. 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 pages 125-126. The remuneration of SEK 600 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 2022 and 2023.

Development in 2023

The Chief Executive Officer summarizes BioGaia's overall results in the statement on page 10.

BioGaia's remuneration guidelines:

application areas, purpose and deviations

BioGaia performs research and development to provide consumers with 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-based 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 programs 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 35% of fixed annual cash salary.

These guidelines can be found on page 99. During 2023, BioGaia has followed

applicable remuneration guidelines adopted by the Annual General Meeting with the exception of the variable cash remuneration to the CEO Theresa P Agnew totaling 112% of the fixed yearly cash remuneration. The deviation was caused by the variable remuneration paid to the CEO, who was appointed as new CEO of BioGaia in September, as this included a sign-on bonus of SEK 1,050,000. The auditor's opinion on BioGaia's compliance with the guidelines is available at www.biogaiaigroup.com/investors/corporate-governance-report/. No remuneration has been reclaimed.

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 program

Table 1 - Total remuneration to the Chief Executive Officer and Executive Vice Presidents in 2023 (SEK 000s)

	Fixed salary	Variable cash remuneration	Pension insurance incl. health insurance	Total
Chief Executive Officer Isabelle Ducellier Jan 1 - Sep 24, 2023	2,940	598	623	4,161
Chief Executive Officer Theresa P Agnew Sep 25 - Dec 31, 2023	1,307	1,467	382	3,156
Executive Vice President Alexander Kotsinas	2,077	519	471	3,067

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

In 2023, the quantitative portion (6%) was linked to the achieved sales budget and three target levels for gross margin and operating profit. Full quantitative bonus was achieved in 2023.

For 2023, a condition for the qualitative portion (6%) is 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 target achievement for the Chief Executive Officer and Executive Vice Presidents and bonus are presented in the table below.

Long-term warrant program

BioGaia has also implemented a subscription warrants program as resolved by the 2021 Annual General Meeting. The program involves the issue of a maximum of 365,000 warrants where each warrant shall entitle the holder during the period from July 6, 2024 through November 6, 2024 to subscribe for five new class B shares in BioGaia for a subscription price per five shares 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, which resulted in an additional equity injection of SEK 5.0 million and a possible dilution of existing shareholders of 0.4%. The program also includes a stay-on bonus extending over a three-year period. In 2023, a total of SEK 609 thousand was paid in stay-on-bonuses to participants in the warrant program.

Out of the total of 89,730 warrants subscribed in conjunction with the incentive program, 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 33,000 warrants. 10,000 warrants relating to former Executive Vice President Marika Isberg were repurchased in the first quarter.

Table 2 Performance of the Chief Executive Officer and Executive Vice Presidents in 2023 (SEK 000s) variable cash remuneration

	Relative weighting quantitative remuneration component /performance measured/outcome SEK 000s	Relative weighting qualitative remuneration component /performance measured/outcome SEK 000s	Discretionary bonus	Stay-on bonus	Remuneration outcome
Chief Executive Officer Isabelle Ducellier Jan 1-Sep 24 ¹⁾	50%/0/0	50%/0/0	329	269	598
Chief Executive Officer Theresa P Agnew Sep 25 - Dec 31 ²⁾	-	-	1,467	-	1,467
Executive Vice President Alexander Kotsinas	50%/100%/122	50%/100%/122	-	275	519

¹⁾ Performance is not stipulated since the Chief Executive Officer was no longer with the company at the end of the year and therefore no longer covered by the incentive program.

²⁾ Not included in the incentive program 2023

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

	2023	2022	2021	2020	2019
Group operating profit (percentage change)	443,103 (+ 23%)	361,459 (+ 42%)	253,737 (+11%)	228,150 (-6%)	242,511 (-13%)
Chief Executive Officer Total remuneration (percentage change) ¹⁾	7,317 (+39%)	5,252 (+36%)	3,866 (+20%)	3,217 (-3%)	3,330 (+11%)
Executive Vice President Alexander Kotsinas Total remuneration (percentage change) ²⁾	3,067 (+3%)	2,976			
Average remuneration based on number of full-time equivalents employed in the group ³⁾	686 (0%)	686 (+3%)	664 (+10%)	603 (+1%)	597 (-14%)
Average remuneration based on number of full-time equivalents in the Parent Company ³⁾	864 (-6%)	924 (+8%)	856 (+19%)	718 (+0%)	720 (-9%)

¹⁾The CEO was replaced in 2023. The remuneration here consists of the total remuneration of both CEOs for each period. A breakdown of remuneration for each CEO can be found in the table 1.

²⁾ Executive Vice President received position in 2022 therefore no comparative figures are presented for 2022.

³⁾Excluding Chief Executive Officer and Executive Vice President/s. Remuneration of previous Executive Vice Presidents who are no longer employed by the company is not shown separately in the table but is included in the calculation of average remuneration under the years they were employed.

