

Corporate Governance Report 2015

Bactiguard Holding AB (publ) ('Bactiguard' or 'the company') has prepared this Corporate Governance Report in compliance with Chap.6 § 6 of the Swedish Annual Accounts Act and Chap.10 of the Swedish Code of Corporate Governance ('the Code').

In addition to the principles for corporate governance required by law or other applicable legislation, at Bactiguard corporate governance is based on internal documents such as the articles of association, the Board of Directors' work plan and CEO instruction, and policies and guidelines, as well as external rules such as the Nasdaq Stockholm Rules and regulations for Issuers and the Swedish Code of Corporate Governance. The Code prescribes that the CEO or other members of the company management should not be members of the Nomination committee. During the period 18 November to 10 December 2015, Bactiguard deviated from this rule as the CEO Christian Kinch

was a part of the Nomination committee. The reason for this deviation is that Christian Kinch is also a principal shareholder of the company and consequently Christian Kinch was a member of the Nomination committee as a principal shareholder. Prior to the Nomination committee commencing its work, Christian Kinch was replaced by Jan Lombach who was also elected as Chairman of the Nomination committee. In 2015, the company has not made any other deviations from the Code.

Shares and shareholders

The Bactiguard series B share is listed on Nasdaq Stockholm. At year-end 2015, the total number of shares was 33,302,373 (of which 4,000,000 non-listed series A shares) and the number of shareholders was 2,593. The five largest shareholders in the company as of 31 December 2015 are:

Shareholders	Total series A shares	Total series B shares	% of Equity	% of Votes
Christian Kinch and family and companies	2,000,000	8,160,484	30.5	40.6
Thomas von Koch and companies	2,000,000	8,160,384	30.5	40.6
Handelsbanken Fonder AB	–	858,586	2.6	1.2
Robur Försäkring	–	831,448	2.5	1.2
Ståhlberg, Jan	–	582,544	1.8	0.8

General Meetings

The shareholders' right to decide on matters affecting Bactiguard is exercised at the general meeting in accordance with the Swedish Companies Act and is the company's highest decision making organ. The rules that control conducting general meetings are found in the Swedish Companies Act, the Code, and the company articles of association §§ 10–12.

All shareholders registered in the share registry as of the record date and who have provided timely notice of their intention to participate in the general meeting are entitled to participate therein and vote their full shareholding. There are no limitations as to the number of votes shareholders may exercise at the general meeting. Notice for convening the general meeting is published for shareholders on the company's website and announced in Post- och Inrikes Tidningar. Simultaneously with publication of the notice, the company advertises this information in the newspaper Dagens Industri. Shareholders wanting to have a matter considered at the annual general meeting shall request so in writing to the Board of Directors. Such matters shall be brought for consideration at the annual general meeting if the request was submitted to the Board of Directors no later than seven weeks prior to the meeting. All shareholders are entitled to ask questions to the company regarding matters on the agenda for the general meeting, and in relation to the company and the Group's financial position.

An annual general meeting ('AGM') shall be held in Stockholm, Huddinge or Botkyrka within six months of the closing date for the financial year. The company's financial year begins on 1 January and closes 31 December. The AGM determines issues including

adopting the company's annual report, appropriation of the company's profit or loss, and discharging the board members and the CEO from liability. The AGM also appoints board members and auditors, and determines the establishment of a nomination committee, fees for the Board of Directors and auditors, and guidelines for determining salaries and other remuneration to the CEO and other senior managers. Resolutions by the general meeting are normally passed by simple majority vote, except where the Swedish Companies Act imposes requirements for a higher portion of the shares and assigned votes represented at the general meeting, for example, resolutions regarding amendment of the company's articles of association. The general meeting has not authorised the Board of Directors to repurchase company shares.

The Articles of Association

Bactiguard's articles of association are published in full on the Bactiguard website, www.bactiguard.se. Changes to Bactiguard's articles of association are made in accordance with the provisions of the Swedish Companies Act. Bactiguard's articles of association stipulate that the Board of Directors shall consist of not less than three and no more than seven members. The board members are elected by the AGM for one year at a time.

Nomination committee

At the 2015 AGM, rules were adopted for appointment of members to the Nomination committee for the 2016 AGM. These rules, as adopted, provide that the Nomination committee shall be formed by the chairman of the Board of Directors contacting the

three largest shareholders (by votes) as per ownership statistics on 31 August, who each shall be entitled to appoint one member to serve together with the chairman of the Board of Directors on the Nomination committee. For the 2016 AGM, the Nomination committee consists of Jan Lombach, Chairman, (appointed by KK Invest AB, a company controlled by Christian Kinch), Michael Wigge (appointed by Bactiguard B.V., a company controlled by Thomas von Koch), Christian Brunlid (appointed by Handelsbanken Fonder AB) and Stanley Brodén (Chairman of the Board of Directors).

Board of Directors

The Board of Directors is the highest management organ of the company, standing under the authority of the general meeting. The Board of Directors is, *inter alia*, responsible for the company's organisation and management of the company's affairs, ensuring that the company's organisation is designed to adequately control the company's accounts, financial management and other economic conditions. The Board of Directors shall continually assess the company's financial position. The Board of Directors shall primarily address comprehensive and long-term issues, and other issues of unusual character or great significance to the Group and the company.

The Board of Directors' work shall follow a written work plan that shall ensure that the Board of Directors is fully informed and that all control related aspects of the company's operations are addressed. Pursuant to the work plan, the Chairman of the Board of Directors is responsible for monitoring and discussing the developments of Bactiguard in regular contacts with the CEO. The Chairman of the Board of Directors shall also perform duties such as ensuring that the Board of Directors receive continual information from the CEO as necessary to monitor the company's financial position, financial planning and development, and that an annual assessment of the work of the Board of Directors is conducted. The work plan of the Board of Directors stipulates that the Board of Directors shall, in a 12 month cycle, address at least the following areas of importance for the company; accounting and auditing issues; market and market analysis; risk identification; strategy; organisation; assessment of the Board of Directors and the CEO and the system for internal control; and the company's capital structure. The Chairman of the Board of Directors is responsible for the annual evaluation of the work of the Board of Directors. During 2015 the Chairman conducted a written survey evaluation with all board members, comprising 15 different aspects of the work of the Board of Directors. The Chairman of the Board of Directors has presented the results of the evaluation to both the Board of Directors and the Nomination committee.

During 2015 the Board of Directors held a total of 13 meetings where minutes were recorded. All board members attended all board meetings. In addition to customary work of the Board of Directors, during the first six months of 2015, the work of the Board of Directors focused on finding a long-term successor to Johan Rugfelt and thereafter Niels Christiansen, as the company's CEO. This was completed in connection with Christian Kinch taking up the post of CEO on 12 June 2015. In addition to this, during the year the Board of Directors has worked on a long-term strategy for increasing

geographic focus on the company's already established markets, as well as new markets with great potential.

The Board of Directors has also focused on ensuring refinancing of the company's bond loan which matures in December 2016 and revision of the company's financial targets.

Board members Thomas von Koch and Ulf Mattsson declined re-election at the 2015 AGM. Since the 2015 AGM, the Board of Directors has comprised of Stanley Brodén (Chairman since June 2015), Mia Arnhult, Peter Hentschel and Christian Kinch. Additional information on the board members is available on page 34.

Board Committees

The Audit committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management in the company, and internal audits as necessary. The committee shall also monitor and review the auditor's independence and impartiality, and especially follow whether the auditor provides other services than purely auditing services to the company. The committee also contributes proposals to the general meeting for adoption regarding the appointment of auditors. Up until May 2015, the Audit committee comprised of the board members Mia Arnhult (Chairwoman), Thomas von Koch as well as Ulf Mattsson, who fulfilled the Code's independence requirement for the committee's members. All members were present when the Audit committee met during 2015. At the statutory board meeting in May 2015, it was decided that the Board of Directors as a whole should fulfill the assignments of the Audit committee. In his capacity as board member, Christian Kinch has participated in the work even after being appointed as CEO in June 2015. In February 2016, the Board of Directors decided to re-established the Audit committee and appoint Mia Arnhult (Chairwoman), Stanley Brodén and Peter Hentschel as members of the Audit committee.

The Remuneration committee shall support the Board of Directors with proposals, advice, and preparation in regard to issues of remuneration principles for the CEO and other senior managers and individual remuneration to the CEO in accordance with remuneration principles. These principles include the relationship between fixed and any variable remuneration, and the relationship between performance and remuneration, the general terms for any bonus and incentive programme, and the general terms for non-monetary benefits, pension, notice of termination and severance pay. The Board of Directors is also responsible as a whole for establishing remuneration levels and other employment terms for the CEO. Share-related incentive programmes for group management are, however, adopted by the AGM. The committee shall also; support the Board of Directors in monitoring the system through which the company complies with publication requirements stipulated by legislation, market regulations and the Code in regard to information related to remuneration of the CEO and other senior managers; monitor and assess any ongoing or concluded incentive programmes for variable remunerations to the CEO and/or other senior managers; evaluate compliance with the guidelines for remuneration to the CEO and other senior managers adopted by the AGM as well as the current structure and levels of remuneration. At the statutory

board meeting in May 2015, board members Christian Kinch (Chairman), Stanley Brodén and Peter Hentschel were elected as members of the Remuneration committee (with the two latter replacing the previous board members Thomas von Koch and Ulf Mattsson). After Christian Kinch took over the role of CEO in June 2015, the Board of Directors decided that the Remuneration committee should consist of the members Stanley Brodén (Chairman) and Peter Hentschel. The Code's requirements for independence have been observed. All members were present when the Remuneration committee met during 2015.

Chief Executive Officer

The CEO is appointed by the Board of Directors and is responsible for the daily administration of the company's operations in accordance with the instructions and regulations of the Board of Directors. The CEO also functions as the Chairman of the executive management, making decisions in consultation with other managers. Johan Rugfelt was CEO of Bactiguard during the period 1 January to 15 March 2015 when he requested to return to his previous role as Chief Operating Officer (COO) and was replaced by Niels Christiansen as CEO. In June 2015 the Board of Directors concluded that the recruitment of Niels Christiansen was not right for Bactiguard and therefore decided to appoint Christian Kinch as CEO of the company as of 12 June 2015. Additional information on the CEO is available on page 34.

Internal controls and risk management activities regarding financial reporting

As the company's financial system is designed to ensure that entering agreements and payment of invoices, and similar, must follow the decision processes, and the signatory and authorisation procedures provided in internal steering documents, the company has a basic control structure to counteract and prevent the risks identified by the company. In addition to these control structures, a series of additional control activities are conducted to further discover and correct any errors and deviations. Such control activities consist of follow-up at various levels in the organisation, for example, follow-up and review by the Board of Directors regarding their formal decisions; review and comparison of income items and account settlement; and approval of the accounting of business transactions in the finance department. In accordance with its work plan, the Board of Directors conducts

an annual review of these internal controls and also, annually, performs risk identification and establishes risk mitigation measures. The auditor is invited to a board meeting to present its auditing measures in regard to internal control.

The division and delegation of responsibility have been documented and communicated in internal steering documents established for the Board of Directors and the company, such as; the work plan of the Board of Directors, the CEO instruction, and the delegation of authority, authorisation procedure and other internal steering documents, such as the financial handbook. All internal steering documents are maintained up-to-date on a regular basis, to reflect legislative changes or revision of reporting standards. Bactiguard has established an organisation for the purpose of ensuring that all financial reporting is correct and efficient.

The internal steering documents define responsibilities and daily interactions between the positions involved so that all necessary information and communication reach all persons as necessary. The group management receives weekly and monthly certain financial information regarding the company and its subsidiaries in regard to developments of upcoming investments and liquidity planning. The company's communication policy is designed to ensure that publication of all information, both internal and external is made correctly and at the appropriate time for all occasions.

Monitoring is conducted at all levels of the organisation. The Board of Directors regularly assesses the information which the company's senior management and auditors submit. In addition, the Board of Directors conducts annual follow-up of previous risk assessments and any measures implemented therefore. The Board of Directors' monitoring of developments in internal controls and ensuring that measures are taken in regard to any shortcomings or suggestions that arise, are particularly important.

Internal audit

Considering the scope of the company's operations and the organisational structure at large, the Board of Directors has not found any reason to implement an internal auditing unit. The Board of Directors has assessed that the monitoring and review process described above is sufficient, in combination with the external audits, to maintain effective internal controls in regard to the financial reporting.