

CORPORATE GOVERNANCE REPORT

In 2019 we focused on new business opportunities and continued product development. This development is highly driven by sustainability and the urgent need to prevent infections.

Bactiguard Holding AB (publ) is a public limited company listed on the main list of Nasdaq Stockholm. Corporate governance within Bactiguard is based on the Swedish Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), statements issued by the Swedish Securities Council, as well as other applicable Swedish and foreign laws and regulations.

This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the company's application of the Code. The auditors have performed an examination of this report. There was no non-compliance with the Code in 2019.

Corporate governance

The articles of association were adopted by the Annual General Meeting on 21 May 2015 and can be found in its entirety on the website bactiguard.se.

The company's registered office is Stockholm and the financial year is the calendar year.

The articles of association do not contain any provisions for the dismissal of Board members or changes to the articles of association.

Shares and share capital

Bactiguard has two share series, A and B. Both share series carry the same right to dividends. One A share has ten votes, while one B share has one vote.

The articles of association stipulate the rules for the shares' pre-emptive rights for cash issues, set-off issues and bonus issues, as well as the right for holders of A shares to convert them into B shares. The articles of association also contain rules of the right of first refusal for A shares.

The Bactiguard B share is listed on Nasdaq Stockholm, Small Cap, since 2014. At the end of 2019 the share capital amounted to SEK 832,559 allocated among a total of 33,302,373 shares of which 4,000,000 were unlisted A shares and 29,302,373 B shares. The total number of votes amounted to 69,302,373.

The annual general meeting has not authorised the Board of Directors to repurchase company shares.

Shareholders

At the end of the year the number of shareholders was 3,240 (2,834) and the five largest owners were (in brackets state the proportion of capital and votes respectively):

Christian Kinch with family and companies (18.4%, 34.8%); Thomas von Koch with companies (18.4%, 34.8%); Jan Ståhlberg (9.9%, 4.8%); Fjärde AP Fonden (9.8%, 4.7%); and Nordea Investment Funds (9.6%, 4.6%).

Annual General Meeting

The annual general meeting is the highest decision-making body in the company and it is at the annual general meeting and any extraordinary general meetings that all shareholders can exercise their voting rights and decide on matters affecting the company and its operations.

Notice to attend a general meeting shall be issued no earlier than six and no later than four weeks prior to the meeting. Notice to attend an extraordinary general meeting, in which a matter concerning amendments to the articles of association will not be dealt with, shall be issued at the latest three weeks before the general meeting.

Notice to attend a general meeting shall be issued in the form of an announcement in Post- och Inrikes Tidningar and on the website bactiguard.se. The fact that notice has been issued is announced in the daily newspaper.

The annual general meeting may be held in Stockholm, Huddinge or Botkyrka.

At the annual general meeting resolutions shall be passed with respect to the adoption of the income statement and balance sheet, the appropriation of the profit or loss for the year, dividends, and the discharge of liability for the Board members and the CEO. Resolutions are also passed on the fees for the Board of Directors and the auditors. The Board of Directors and auditor are elected until the next annual general meeting. Other statutory matters are also addressed, such as the adoption of guidelines for compensation to executive management.

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 annual general meeting in accordance with the provisions of the articles of association are entitled to participate

at the meeting and vote proportionally to their shareholdings. Shareholders may be represented by proxies, provided that the number of proxies has been registered by the shareholder by the day specified in the notice to attend the general meeting.

Annual General Meeting 2019

Bactiguard's Annual General Meeting (AGM) was held on 15 May 2019 at the company's headquarters in Tullinge. The Annual General Meeting was attended by the Board members Jan Ståhlberg, Svante Östblom, Christian Kinch and Mia Arnhult. The lawyer Magnus Lindstedt was elected Chairman of the AGM. The AGM adopted, for instance, the following resolutions in line with the proposals of the Board of Directors and the Nomination Committee:

- Adoption of the income statement and balance sheet for the 2018 financial year.
- No dividend shall be paid for the 2018 financial year and the loss for the year shall be carried forward.
- The remuneration to the Chairman of the Board shall be SEK 400,000, and SEK 200,000 for each of the other members who are not employed by the company, except for Thomas von Koch who shall not receive any fee; no fee shall be payable for committee work, except for the Chairman of the Audit Committee, who shall receive SEK 100,000 for this committee work.
- The re-election of Board members Jan Ståhlberg, Mia Arnhult and Christian Kinch, and the election of the new members Anna Martling and Thomas von Koch.
- The re-election of Jan Ståhlberg as Chairman of the Board.
- The re-election of Deloitte as the company's auditor for the period up to the next annual general meeting and that fees shall be paid in accordance with approved invoices.
- Guidelines for remuneration to senior management.

Annual General Meeting 2020

Bactiguard's 2020 Annual General Meeting will be held on Tuesday 28 April 2020 at 14.00 at the company's headquarters on Alfred Nobels allé 150, Tullinge, Sweden. For more information about the Annual General Meeting, refer to page 85 and the company's website bactiguard.se.

Nomination Committee

At the 2018 Annual General Meeting instructions were adopted for the Nomination Committee of Bactiguard. According to these instructions, the Nomination Committee is to comprise five members. The Chairman of the Board shall contact the four largest shareholders of Bactiguard in terms of voting rights based on Euroclear Sweden AB's print-out of the share register on 31 August. Each of the four largest shareholders shall be offered the opportunity to, within a reasonable amount of time, appoint a member who, together with the Chairman of the Board, will constitute the Nomination Committee.

The Nomination Committee is tasked with preparing proposals for the annual general meeting regarding the Chairman of the meeting, the Board of Directors, the Chairman of the Board, remuneration to the Board members, the auditor, auditor fees, and, where necessary, proposals for amendments to the current instructions for the Nomination Committee.

The Nomination Committee for the 2020 Annual General Meeting was announced on 23 October 2019 and comprises:

Jan Ståhlberg, Chairman of the Board; Helena Borglund, appointed by KK Invest AB and Chair of the Nomination Committee; Thomas von Koch, appointed by Bactiguard B.V.; Mats J Andersson, appointed by Nordea Fonder; and Per Colleen, appointed by Fjärde AP Fonden.

The shareholders were able to submit proposals and opinions to the Nomination Committee until 31 January 2020.

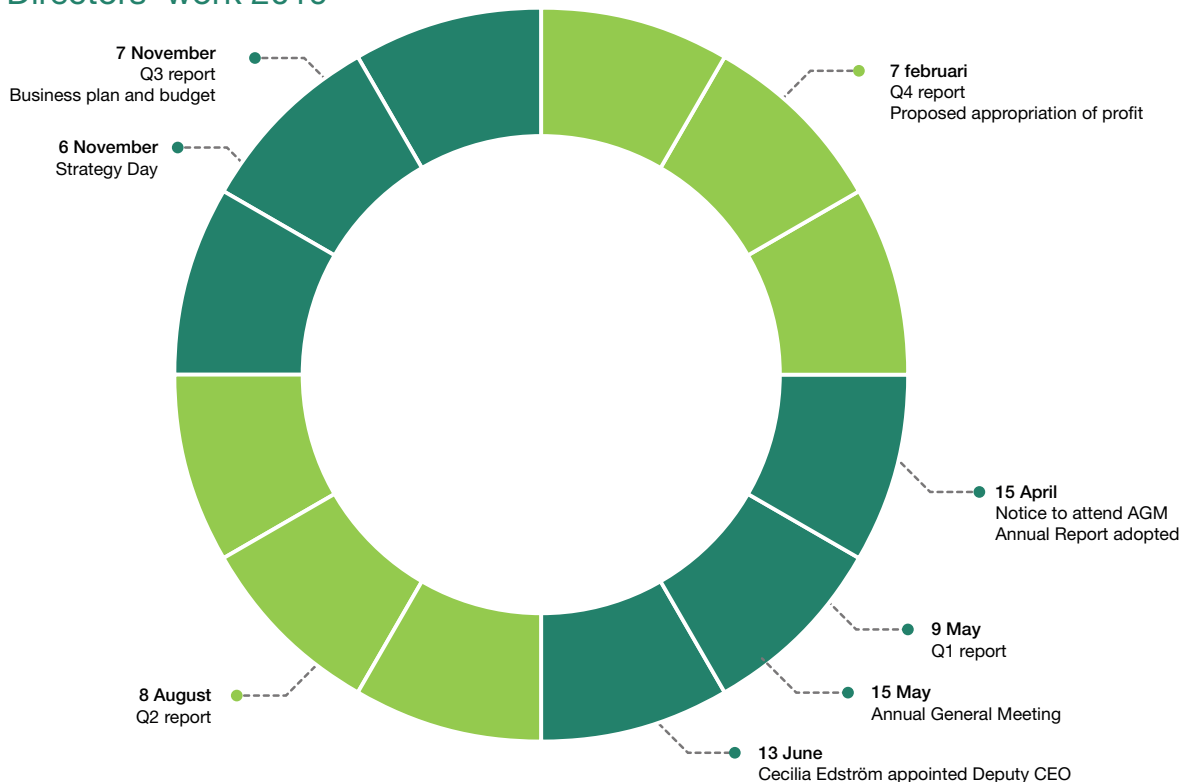
Board of Directors and its governance

Board of Directors

The Board of Directors is, for instance, responsible for Bactiguard's organisation and management, and appoints a CEO who is responsible for the daily administration in accordance with guidelines and instructions. The Board of Directors shall also ensure 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 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 procedure to ensure that the Board of Directors is fully informed and that all Board-related aspects of the company's operations are addressed. Every quarter the Board of Directors receives information from management in the form of business reports, in accordance with the CEO instructions. The company's external auditors report their observations from the examination of the company accounts and their assessment of the company's internal procedures and controls to the Board of Directors.

Board of Directors' work 2019



Every year the Board adopts the articles of association at a statutory Board meeting. The current articles of association were adopted on 15 May 2019. Pursuant to the work procedure, six ordinary Board meetings are normally held per year in addition to the statutory meeting. The work procedure for the Board of Directors regulates the division of responsibility between the Board of Directors, the Chairman of the Board and the CEO. The articles of association also regulate the responsibilities of the Board, the meeting schedule, and the tasks that must be performed by the Board. These tasks include, for instance, accounting and auditing issues, market and market analysis, risk identification, strategy, organisation, evaluation of the Board and the CEO, and the internal control system.

The Board has also prepared instructions for the CEO and the authorisation procedure. The Board has adopted six Groupwide policies that regulate how the company, its subsidiaries and employees are to behave and act in order to conduct business that is sustainable in the long term. These policies are revised and adopted on an annual basis at the statutory meeting or – if necessary – during the year. Internal controls and the company's external auditors monitor compliance with these policies. Non-compliance or risks of compliance breaches result in management taking immediate action, while more serious cases are reported to the Board.

The Board's attendance, independence and remuneration 2019

Member	Board meeting	Audit Committee	Remuneration Committee	Independent in relation to the company	Independent in relation to the major shareholders	Remuneration, SEK
Jan Ståhlberg, Chairman	8/8	1/2	2/2	Yes	Yes	483,000
Mia Arnhult	8/8	2/2	-	Yes	Yes	300,000
Christian Kinch	8/8	-	-	No	No	-
Anna Martling ¹	5/5	1/1	-	Yes	Yes	117,000
Thomas von Koch ¹	5/5	1/1	1/2	Yes	No	- ³
Marie Wickman Chantereau ²	3/3	1/1	1/2	Yes	Yes	83,000
Svante Östblom ²	3/3	1/1	-	Yes	Yes	83,000
Total number of meetings and remuneration	8	2	2	-	-	1,066,000

¹ Elected at the AGM on 15 May 2019.

² Left the Board at the AGM on 15 May 2019.

³ Thomas von Koch has declined a fee.

Chairman of the Board

According to the Board's work procedure, the Chairman of the Board of Directors has specific responsibility for monitoring and discussing the company's development in regular contact with the CEO. The Chairman shall also ensure that the CEO keeps the Board's members informed of Bactiguard's financial position, financial planning and evaluation. The Chairman of the Board is also responsible for the Board's work being evaluated every year.

Composition of the Board

According to the articles of association, the Board is to comprise a minimum of three members and a maximum of seven members. The Board is elected annually at the annual general meeting until the next annual general meeting has been held.

The Board comprises five members. The CEO and CFO attend all Board meetings except when the work of the CEO is being evaluated.

The Board is presented in more detail on pages 44-45.

Policies adopted by the Board

- Finance policy
- Insider policy
- IT policy
- Communication policy
- Currency policy
- Code of conduct

The Board's work in 2019

In 2019 the Board held six ordinary meetings and one extraordinary meeting, as well as one statutory meeting in conjunction with the annual general meeting.

At these meetings the Board discussed standing items, including the commercial and market situation, financial reporting, budgets and projects. General strategic issues were also analysed, including market issues, growth opportunities and sustainability. In 2019 the focus was on new commercial opportunities, primarily driven by sustainability, and continued product development.

The Board met the company's auditor once in 2019, without presence of the management team.

Board Committees

Members of the committees and their chairmen are appointed at the statutory Board meeting for a period of one year at a time. Work in the committees is carried out based on the instructions adopted for each committee. The work of these committees is primarily preparatory and advisory in each area. However, the Board can delegate the decision-making authority to the committees for certain issues.

Remuneration 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 management, and individual remuneration to the CEO in accordance with the guidelines for remuneration for executive management adopted by the general meeting. 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 programmes, and the general terms for other benefits, pensions, notice of termination and severance pay. The Board of Directors as a whole is also responsible for establishing remuneration levels and other employment terms for the CEO. Share-related incentive programmes for Executive management are adopted by the annual general meeting.

The committee shall also support the Board of Directors in monitoring the system through which the company complies with disclosure requirements stipulated by legislation, market regulations and the Code in regard to information related to remuneration of the CEO and other executive managers. The committee shall also monitor and assess any ongoing or concluded incentive programmes for variable remunerations to the CEO and other executive managers; evaluate compliance with the guidelines for remuneration to the CEO and other executive managers adopted by the general meeting as well as the current structure and levels of remuneration.

In 2019 the Remuneration Committee reviewed the salary of the CEO, evaluated the terms and conditions of management to ensure that they comply with the guidelines for remuneration to executive management adopted by the annual general meeting, and that the template agreements for the employment of executive management are appropriate, and reflect the principles for remuneration and other employment terms and conditions for executive management.

Following the 2019 Annual General Meeting the Remuneration Committee comprised Jan Ståhlberg and Thomas von Koch. Until the Annual General Meeting of 2019, the Remuneration Committee comprised Jan Ståhlberg and Marie Wickman-Chantereau.

In 2019 the committee held two minuted meetings and had informal contacts where necessary in between. Attendance of the Remuneration Committee is shown on the table on page 37.

Audit Committee

The Audit Committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management in the company, as well as internal audits as necessary. The committee shall also keep itself informed of the audit of the annual accounts and consolidated accounts, as well as the conclusions of the auditor's quality control, inform the Board of the results of the audit, how the audit contributed to

the reliability of the financial reporting, and the function that the committee has had. 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 for the general meeting's decision on the election of auditors.

In 2019 the committee held two minuted meetings. The interim report was discussed at the meeting in February 2019 as well as the effectiveness of the work in the company's management team and finance function. Items discussed at the meeting in November 2019 included the interim report, with the auditor reporting on the audit that had been performed, and providing information about the new features in IFRS and the new EU rules that affect the company.

Following the 2019 Annual General Meeting, the Audit Committee has comprised Mia Arnhult, Chair, Thomas von Koch, Anna Martling and Jan Ståhlberg. Until the 2019 Annual General Meeting, the Audit Committee comprised Mia Arnhult, Chair, Marie Wickman-Chantreau, Jan Ståhlberg and Svante Östblom. The Board believes that the members are competent in the areas of the Audit Committee and comply with the requirements for independence in accordance with the Swedish Annual Accounts Act.

Attendance of the Board members at the Audit Committee is shown on the table on page 37. As well as the members of the committee, the CFO is also invited to the meetings of the Audit Committee, and, when so required, the auditor, CEO and other salaried employees of the company. The CFO and auditor attended both meetings in 2019. The company's Financial manager attended the meeting in November 2019.

Evaluation of the Board's work

The company evaluated the work of the Board in November 2019 and this was presented at the Board meeting in December 2019. The evaluation was performed using a questionnaire that covered 18 different aspects of the Board's work and its measures to create value. This evaluation shows what the Board members think of how the work of the Board is conducted and whether measures should be taken to develop and improve the Board's work. The results of this questionnaire also provide important data for the Nomination Committee's work for the next annual general meeting. The results of this survey were therefore presented to both the Board and the Nomination Committee.

Chief Executive Officer

The Chief Executive Officer 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 most recent CEO instructions were adopted by the Board on 15 May 2019. The instructions for the CEO state what is included in the daily administration and what should be referred to the Board for decisions to be

made. The CEO keeps the Board and Chairman continually informed of the company's financial position and development, and provides essential information and decision-making data for Board meetings. The CEO also functions as the Chairman of Group management and makes all decisions in consultation with other members of Group management. The Board evaluates the CEO's work and performance on an annual basis. Christian Kinch was the company's CEO in 2019. On 13 June 2019 the CFO Cecilia Edström was appointed Deputy CEO.

On 4 February 2020 Christian Kinch announced that he was resigning as CEO after close to 16 years. On the same day the Board appointed Deputy CEO and CFO Cecilia Edström as the new CEO; and Chief Medical Officer Stefan Grass as the Deputy CEO.

Group management

Group management is an advisory body for the CEO and is responsible for general strategy and development issues as well as day-to-day operations. Group management meets once a month and is in continual contact to discuss current business, strategies and discussions. Group management is presented on pages 46-47.

Guidelines for remuneration to the CEO and other senior management

Remuneration issues are discussed by the Board's Remuneration Committee and decided by the Board. The Board produces proposals for guidelines for remuneration to executive management which it passes to the Annual General Meeting, where a decision is made. Executive management refers to the CEO and other executives within Bactiguard, and the Board of Directors, to the extent they receive remuneration for assignments other than as directors. At the 2019 Annual General Meeting the following guidelines for remuneration to the CEO and other executive management were adopted.

Bactiguard shall have levels of remuneration and terms that are necessary in order to recruit and retain executive managers with the skills, competencies and experience required to achieve the company's operational targets. The total remuneration paid to executive managers shall be competitive, reasonable, and designed for this purpose.

Executive managers shall be offered a fixed salary that is competitive in market conditions and which shall be determined based on the individual's responsibilities and experience. Review of the fixed salary shall be made annually for each calendar year.

Executive managers may, from time to time, be offered variable remuneration that is adjusted to market conditions. Such variable remuneration shall be designed for the purpose of promoting long-term value creation in Bactiguard and be related to predetermined and measurable criteria. Any variable remuneration

shall be limited to 50% of the fixed annual salary. In designing variable remuneration for executive managers that is paid in cash, the Board of Directors shall consider imposing reservations that (i) make payment of a portion of such remuneration conditional to that the performance to which earning such remuneration is based shall be sustainable over time (ii) provide the company the opportunity to recall any such remuneration that has been paid based on information that is later found to be obviously false.

Pensions

Executive managers are entitled to retirement solutions that are adjusted to market conditions. Defined contribution retirement plans shall be preferred.

Other benefits

Other benefits may include access to a company car, healthcare contribution and other common benefits. Other benefits may not constitute a significant portion of the total remuneration.

Severance pay

On termination of executive managers by the company, the notice period for such termination may not exceed 6 months. Any severance pay may not exceed the amount of a single year's fixed salary.

Incentive programme

When the Board of Directors finds it appropriate, company executive managers shall also be offered participation in long-term share or share price-related incentive programmes that shall ensure long-term commitment to the development of the company. Determination of any such share or share price-related incentive programme shall be made by the Board of Directors. The Board of Directors will evaluate on an annual basis whether a long-term incentive programme should be proposed at the general meeting or not, and if this is the case, whether the proposed long-term incentive programme should comprise transfer of shares in the company.

These guidelines shall apply to agreements that are entered subsequent to the general meeting, and to all changes made to existing agreements after that time. The Board of Directors shall be entitled to depart from the above guidelines when, in the assessment of the Board of Directors in a specific case, there are special reasons therefore.

Proposals for the 2020 Annual General Meeting on the guidelines for remuneration to the CEO and other senior management

The Board of Directors proposes that the Annual General Meeting adopts the following guidelines for compensation and other employment terms and conditions for the executive management.

Executive management means the CEO and other members of the executive management of Bactiguard. The guidelines shall apply to remuneration that is agreed upon, and changes made to already agreed remuneration, after the guidelines have been adopted by the 2020 Annual General Meeting. The guidelines do not include remuneration decided by the general meeting, such as board fees and other remuneration to the board.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

In short, the company's business strategy is to develop and supply infection prevention solutions which reduce the risk of healthcare associated infections. Fewer infections reduces the number of infections, shortens hospital stays and the usage of antibiotics. This saves significant resources and costs for the healthcare system and society at large, and contributes to decreased transmission of multi-resistant bacteria.

A prerequisite for the successful implementation of Bactiguard's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can offer competitive remuneration. These guidelines enable the company to offer executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting Bactiguard's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The total remuneration from Bactiguard to executive management shall be at market terms, reasonable and appropriate, and may consist of the following components: fixed salary, variable salary, pension and other benefits.

Executive management shall be offered a fixed salary at market terms, which shall be determined based on the individual's area of responsibility and experience. A review of the fixed salary shall be carried out on an annual basis for each calendar year.

Executive management may, from time to time, be offered variable salary at market terms. Such variable salary must be designed with the purpose of promoting Bactiguard's business strategy, long-term interests, including its sustainability, and linked to predetermined and measurable criteria. Such variable salary may not exceed 50 percent of the annual fixed salary.

Executive management shall be entitled to pension benefits at market terms, typically fee-based pension schemes. The pension premiums for premium defined pensions may not exceed 30 per cent of the fixed annual salary.

Other benefits for executive management may include company car, wellness contributions, medical insurance, interest compensation linked to financing acquisition of shares in Bactiguard,

and other conventional benefits. Other benefits shall not constitute a substantial part of total remuneration. Premiums and other costs arising from such benefits may amount to a maximum of five per cent of the annual fixed salary.

Employment conditions that are governed by rules other than Swedish, may be appropriately adjusted to comply with mandatory local rules and practice, and the general purpose of these guidelines should be met as far as possible.

Criteria for awarding variable cash remuneration

Any variable remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, function-based, quantitative or qualitative objectives. The criteria shall be designed to contribute to Bactiguard's business strategy and long-term interests, including its sustainability.

The variable salary shall, to the greatest part, be linked to Bactiguard's revenues, EBITDA and/or cash-flow, and thereby aligned with the company's long-term financial targets. The remaining part of the variable salary may be based on individual and function-based objectives.

To which extent the criteria for awarding variable cash salary have been satisfied shall be evaluated when the measurement period, one or several years, has ended. The Remuneration Committee is accountable for the assessment of variable cash salary to the CEO. The CEO is accountable for the assessment of variable cash salary to the other members of executive management. As regards financial targets, the assessment shall be based on the latest financial information disclosed by the company.

To the extent permitted under applicable laws and agreements, the Board of Directors is entitled to reclaim, fully or in part, any variable salary paid on incorrect grounds.

Termination of employment

The notice period for executive management may not exceed six months, if notice of termination of employment is made by the company. Any severance pay may not exceed the fixed annual salary for one year.

In addition, compensation for non-competition may be paid. Such remuneration shall only compensate for any loss of income resulting from the non-competition obligation and shall be based on the remuneration that the executive had at the time of termination of employment.

Long-term share-related incentive plans

Resolutions regarding long-term, share-related incentive programs shall be adopted by the general meeting. On an annual basis, the Board of Directors will assess whether a long-term incentive program should be proposed to the Annual General Meeting or not, and if so, whether amendments to these guidelines are required for this reason.

The decision-making process to determine, review and implement the guidelines

The tasks of the Remuneration Committee include preparing the Board of Directors' proposed guidelines for remuneration to executive management and, where applicable, the Board of Directors' decision to deviate from the guidelines.

In preparing these remuneration guidelines, the employees' total compensation have been taken into account. The components of the total compensation, the increase and development of the compensation over time has formed part of the decision criteria for the Remuneration Committee and the Board of Directors when evaluating the fairness of the guidelines and the limitations that follow.

The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall remain in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall - where applicable - also follow and evaluate programs for variable remuneration to executive management, the application of the guidelines for remuneration to executive management as well as current remuneration structures and levels of remuneration in the company.

These guidelines apply to agreements concluded after the Annual General Meeting, and in the event that changes are made to existing agreements after this date. The Board of Directors shall be entitled to, temporarily, resolve to deviate from the guidelines, in whole or in part, if in a specific case, there is special cause for the deviation and it is necessary to serve Bactiguard's long-term interests, including its sustainability, or to ensure the company's financial viability.

Auditor

According to the articles of association, the annual general meeting shall appoint not less than one and not more than two auditors.

At the Annual General Meeting on 15 May 2019, the registered accounting firm Deloitte AB was elected as auditor for the period through the Annual General Meeting that will be held in 2020. Therese Kjellberg, Authorised Public Accountant, was appointed as the auditor in charge. The auditors attend the Audit Committee meetings where necessary to provide information about the ongoing audit work and to brief the entire Board on at least one occasion. In 2019 the auditor attended two meetings of the Audit Committee and one Board meeting. The auditor attends the annual general meeting and reports their examination of Bactiguard's management and annual accounts. In addition the auditors examine the interim report for the period January-September, remuneration to executive management, the corporate governance report and the sustainability report.

Internal controls for financial reporting

According to the Swedish Companies Act and the Code, the Board is responsible for ensuring that the company has good internal control.

The Board shall ensure that the company has formalised procedures in place to ensure compliance with the adopted principles for financial reporting and internal control, and that the financial reporting is prepared in accordance with the law, relevant accounting standards and other requirements for listed companies.

Control environment

Internal control of financial reporting is based on the overall control environment.

The control structure is based on the company's finance system. It is designed to ensure that entering agreements and paying invoices, etc., follow the decision-making processes, and the signatory and authorisation procedures provided in the internal steering documents. This counteracts and prevents 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 with the finance department. In accordance with its work plan, the Board of Directors conducts an annual review of these internal controls

Risk assessment

Identification is made of the risks that are assessed to exist and measures are taken to mitigate these risks. Bactiguard works continually and actively to identify, assess and manage the risks that the company is subject to in its financial reporting. The Board of Directors conducts an annual follow-up of previous risk assessments and any measures implemented. It is particularly important for the Board of Directors to monitor the development of this internal control, to ensure that actions are taken in the event of any shortcomings and to make proposals where necessary. The follow-up and evaluation of the internal control takes place regularly in collaboration with the auditor. The auditor is invited to a board meeting to present its auditing measures in regard to internal control.

Control activity

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 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 procedure 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. Group management receives monthly financial information regarding the company and its subsidiaries in regard to developments of upcoming investments and liquidity planning. The Board of Directors regularly assesses the information which the company's senior management and the auditor submits.

Information and communication

Internal steering documents, including rules and manuals, are kept continually updated in the finance handbook and communicated through internal meetings and other targeted dissemination. General strategic issues are communicated to the entire organisation through the intranet and employee meetings.

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. This policy aims to ensure compliance with the disclosure requirements in a correct and comprehensive way. If shareholders and other external stakeholders want to monitor the company's development, current financial information is published regularly on the website bactiguard.se.

Monitoring

The Board of Directors continually monitors the effectiveness of the internal controls and discusses important issues relating to accounting and reporting. The CEO reports regularly to the Board in order to monitor the operational goals in the business plan. The CEO presents the interim and year-end reports, which are approved by the Board before they are published. The Board also continually evaluates reports from the CEO and CFO, which includes results, budgets and an analysis of the key ratios.

The Audit Committee is continually involved in the internal control work and financial reporting processes. The Audit Committee also reviews the external auditors' report on its examination and recommendations of internal controls, which are then reported to management and the Board.

Policies, guidelines and procedures are updated and evaluated when necessary, but as a minimum on an annual basis. The Board is responsible for maintaining the general steering documents and the CEO, or a person appointed by the CEO in his/her place, is responsible for the other documents.

Internal audit

In 2019 the Board evaluated the Group's need for internal audits. This resulted in the Board making the assessment that Bactiguard does not need to introduce its own internal audit function in 2020 in addition to the existing processes and functions for internal control. The Board of Directors has assessed that the monitoring and review programme that is carried out internally, in combination with the external audit, is enough to maintain effective internal control for the financial reporting.

Investor relationships

The company's CEO and CFO are responsible for contacts with the shareholders. The company provides information to the shareholders through the annual report, year-end report, interim reports, press releases and the website bactiguard.se. Bactiguard also attended investor meetings and other investor activities, both in Sweden and abroad.

More about corporate governance

The website www.bactiguard.se contains further information, including material for the annual general meetings, the articles of association and corporate governance reports.