

HOFSETH BIOCARE ASA – REPORT ON SALARY AND OTHER REMUNERATION FOR THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT TEAM

1 INTRODUCTION

1.1 Basis of the Report

This report on salary and other remuneration (the "**Report**") for the Board of Directors (the "**Board**") of Hofseth BioCare ASA ("**Hofseth BioCare**", "**HBC**" or the "**Company**", and together with its consolidated subsidiaries, the "**Group**") and the senior management team of the Company (the "**Executive Management Team**") has been prepared for the financial year ended 31 December 2021 (2021).

The purpose of the Report is to give an overview of paid and retained salary and other remuneration from the Company and the Group to the members of the Board and the Executive Management Team for 2021, pursuant to the Company's remuneration policy as approved by the Company's general meeting on 23 April 2021 (the "**Remuneration Policy**"). The Remuneration Policy is available at <https://hofsethbiocare.com/investors/corporate-governance/remuneration-policy-guidelines>.

This Report is based on the requirements set out in the Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (the "**Companies Act**") sections 6-16a and 6-16b, as well as the Regulation on guidelines and report on remuneration for Senior Executives of 11 December 2021 no. 2730 (the "**Regulation**").

1.2 Overall Company performance in 2021

1.2.1 Financial performance

During 2021, the Group's main financial performance measures were as set out below:

<i>(NOK thousands)</i>	2021	2020
Operating revenues	87,616	69,252
Operating loss	-118,565	-92,021
Net loss	-126,464	-102,091
Total assets	415,973	459,134
Total equity	140,738	263,764
Total liabilities	275,595	195,370
Cash and cash equivalents on 31 December	49,921	172,835

1.2.2 Important events in 2021

In the first quarter, HBC received the first orders from the US-based dietary supplement company Garden of Life (owned by Nestlé). HBC also made significant developments in its R&D activities during the quarter, including identifying and characterizing a lipopeptide that inhibits eosinophilia inflammation.

In the second quarter, HBC extended its exclusive distribution agreement with IMCD, to include most of Europe. During the quarter and following the granting of qualified health claims by Health Canada on the maintenance of healthy levels of ferritin and hemoglobin, the Company has identified the peptides that deliver this effect. This will enable HBC to develop a capsule format for the targeted treatment of iron deficiency anemia.

HBC hired Dr. Tanja Schaffer in the third quarter as Executive Vice President of HBC's Global Ingredients Division and as CEO of HBC's Swiss subsidiary, HBC Switzerland GmbH. During the quarter, HBC also identified three potential pharmaceutical drugs with great commercial potential. This includes an analog derived from a lipopeptide compound in OmeGo® that targets allergic inflammation, a set of structurally related peptides that help the body correct iron deficiency anemia and a peptide group that reduces inflammation in intestinal function. During the quarter, Dr. Zubair Hussein was also appointed Senior Regulatory Consultant.

During the fourth quarter, HBC achieved New Dietary Ingredient Status (NDI) from the FDA for OmeGo® and CalGo®. At the end of the fourth quarter, Aqua Spark also became a new strategic investor in HBC.

For further information, please refer to Hofseth BioCare's Annual Report for 2021, available at <https://hofsethbiocare.com/investors/reports>.

1.3 Composition of the Board and the Executive Management Team in 2021

1.3.1 The Board of Directors

During 2021, the Board consisted of the following members:

- Ola Holen, Chairman;
- Henriette Godø Heggdal, Director;
- Torill Standal Eliassen, Director;
- Christoph Baldegger, Director;
- Kristin Fjellby Grung, Director; and
- Amy Novogratz, Director (from December 2021)

Torill Standal Eliassen, Christoph Baldegger, Kristin Fjellby Grung and Amy Novogratz are independent of the Group's management and material business associates. Further, Henriette Godø Heggdal, Torill Standal Eliassen, Kristin Fjellby Grung and Amy Novogratz are all independent of the Company's major shareholders.

The Company has also established a Remuneration Committee, a Nomination Committee, and an Audit Committee. Certain Board members, are also members of the Remuneration Committee and the Audit Committee, being Torill Standal Eliassen and Christoph Baldegger, who both are members of the Remuneration Committee and the Audit Committee.

1.3.2 The Executive Management Team

During 2021, the Executive Management Team has consisted of:

- Roger Hofseth, Chief Executive Officer;
- Jon Olav Ødegård, Chief Financial Officer;
- Karl Inge Slotsvik, Chief Operating Officer;
- Dr. Bomi Framroze, Chief Scientific Officer;
- James Berger, Chief Commercial Officer; and
- Angelika Florvaag, Chief Quality Officer.

2 REMUNERATION OF THE BOARD OF DIRECTORS

2.1 Key principles for remuneration of the Board of Directors

Pursuant to the Company's Articles of Association, the Remuneration Committee shall propose remuneration to members of the Board of Directors and the Nomination Committee. In accordance with this, the Remuneration Committee reviews Board fees at least annually, in connection with the annual general meeting.

The Remuneration Committee shall, *inter alia*, prepare recommendations for remuneration of the Board of Directors, and such recommendations are presented to the general meeting for approval before they come into effect. The remuneration of the Board members is approved as a separate item on the agenda of the annual general meetings of the Company.

The Chairman and each member of the Board of Directors receives a fixed monthly fee, which will be reduced pro rata if a member of the Board of Directors is not absent from a Board meeting. In addition, the members of the Board's sub-committees may receive an additional fee of up to 2/12 of the annual fee that would otherwise be payable to the relevant Board member.

The Board members are not eligible to receive any benefits as part of their positions at the Board of Hofseth BioCare. Board members are not eligible to participate in any incentive arrangements operated by Hofseth BioCare.

2.2 Remuneration to the Board members in 2021

During 2021, the members of the Board received remuneration as set out below (in NOK thousands):

Name	Board fees	Audit committee fees	Remuneration Committee fees	Total remuneration	Proportion of fixed and variable remuneration
Ola Holen	138	N/A	N/A	138	100 % fixed
Henriette Godø Heggdal	96	N/A	N/A	96	100 % fixed
Torill Standal Eliassen	96	20	N/A	116	100 % fixed
Christoph Baldegger	96	20	N/A	116	100 % fixed
Kristin Fjellby Grung	96	N/A	N/A	96	100 % fixed
Amy Novogratz ¹⁾	N/A	N/A	N/A	N/A	100 % fixed

1) Amy Novogratz was appointed to the Board in December 2021.

No extraordinary or pension expenses have been paid by the Company to the Board members during 2021.

The table below shows the change of the Board members' total Board fees for the years 2017 until 2021.

Name	Change in fees from previous years							
	2021 vs. 2020		2020 vs. 2019		2019 vs. 2018		2018 vs. 2017	
	NOK	%	NOK	%	NOK	%	NOK	%
Ola Holen ¹⁾	0	0%	0	0%	0	0%	N/A	N/A
Henriette Godø Heggdal	0	0%	0	0%	0	0%	0	0%
Torill Standal Eliassen	0	0%	0	0%	0	0%	2	2%
Christoph Baldegger	20	21%	0	0%	0	0%	0	0%
Kristin Fjellby Grung ²⁾	0	0%	N/A	N/A	N/A	N/A	N/A	N/A
Amy Novogratz ³⁾	N/A	N/A	N/A	NA	N/A	N/A	N/A	N/A
1) Ola Holen was appointed to the Board in 2018.								
2) Kristin Fjellby Grung was appointed to the Board in 2020.								
3) Amy Novogratz was appointed to the Board in 2021.								

The ordinary Board fees payable are subject to reduction in case of absence from Board meetings, and this has affected the total remuneration payable to Board members in the periods compared above.

2.3 Share-based remuneration

The Company has not provided share-based remuneration to the Board members during 2021. None of the Board members hold any share options or similar instruments.

3 REMUNERATION OF THE EXECUTIVE MANAGEMENT TEAM

3.1 Key principles for the remuneration of the Executive Management Team

The overall objective of the remuneration guidelines for the Executive Management Team is to offer senior executives employment conditions which are competitive regarding salaries, fringe benefits, bonus and pension scheme. The Company shall offer salary levels that are comparable with similar companies and activities and considering the Company's need for qualified staff at all levels.

The Group offers its Executive Management Team remuneration consisting of a fixed salary, participation in a defined contribution pension plan and customary benefits, as further detailed in the Remuneration Policy. In addition, members of the Executive Management Team can be granted a bonus payment in cash based on a discretionary review by the Board and the CEO, in consultation with the Remuneration Committee.

The Company cannot demand repayment of variable remuneration unless obvious miscalculations or non-entitled payments have been made.

3.2 Remuneration to the Executive Management Team in 2021

During 2021, the members of the Executive Management Team received remuneration as set out below (in NOK thousands):

Name	Fixed remuneration			Variable remuneration	Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
	Base salary	Fees	Fringe benefits					
Roger Hofseth	0	0	0	0	0	0	0	100 % fixed
Jon Olav Ødegård	697	0	18	0	960	35	1,710	100 % fixed
Karl Inge Slotsvik	1,133	0	44	0	0	57	1,234	100 % fixed
Dr. Bomi Framroze	2,773	0	0	0	15,209	0	17,982	100 % fixed
James Berger	0	0	0	0	1,633	0	1,633	100 % fixed
Angelika Florvaag	1,002	0	18	0	0	51	1,071	100 % fixed

The fixed remuneration, the pension plan and the benefits offered allow Hofseth BioCare to offer its senior executives a competitive salary and remuneration package compared to similar companies.

Except that Jon Olav Ødegård also holds a consultancy agreement (through Ødegård Prosjekt AS) to act as CEO of HBC Berkåk AS. Other members of the Executive Management have not received remuneration from any Group company besides the Company.

3.3 Comparison of remuneration, Group performance and average remuneration of other employees

The table below shows the change in total remuneration paid to the members of the Executive Management Team for the years 2017 until 2021, compared with the performance of the Group and the average remuneration of employees outside the Executive Management Team (on a full-time equivalent basis).

Change in total remuneration from previous years								
Name	2021 vs. 2020		2020 vs. 2019		2019 vs. 2018		2018 vs. 2017	
	NOK	%	NOK	%	NOK	%	NOK	%
Roger Hofseth ¹⁾	0	0	0	0	0	0	0	0
Jon Olav Ødegård	9	1	-161	-9	229	14	-18	-1
Karl Inge Slotsvik	34	3	-3	0	17	1	111	10
Dr. Bomi Framroze	-3,734	-17	15,526	250	1,881	43	644	17
James Berger ²⁾	-6,178	-79	6,090	354	N/A	N/A	N/A	N/A
Angelika Florvaag	259	32	6	1	-1	0	64	8
Change in Group performance								
Net loss for the period	-24,373	-23.87	-12,873	-14.43	-4,442	-5.24	-68,294	-414.36
Average remuneration of employees								
Average remuneration of employees	681	674	674	676	676	635	635	634
1) Roger Hofseth was appointed as CEO in August 2017								
2) James Berger was engaged by the Company in October 2019								

3.4 Share-based remuneration

The Company has not provided share-based remuneration to the members of the Executive Management Team during 2021, neither has the members of the Executive Management Team received share-based remuneration from other Group companies. However, the Company has previously granted share options to Chief Commercial Officer James Berger (for further information, please refer to the Remuneration Policy).

As of 31 December 2021, the members of the Executive Management Team held share options in the Company as set out below:

Name	Total share options	Vested share options	Strike prices	Grant date	Remaining vesting dates	Expiry date
Roger Hofseth	-	-	-	-	-	-
Jon Olav Ødegård	-	-	-	-	-	-
Karl Inge Slotsvik	-	-	-	-	-	-
Dr. Bomi Framroze	-	-	-	-	-	-
James Berger	5 351	5 351	NOK 0.01	October 2019	N/A ¹⁾	1 month after vesting date, or upon termination of consultancy agreement
Angelika Florvaag	-	-	-	-	-	-

1) Vesting of the share options is not linked to specific vesting dates but linked to the share price of the Company's shares reaching and maintaining certain levels over a period of 45 trading days.

4 DEROGATIONS AND DEVIATIONS FROM THE REMUNERATION POLICY AND THE PROCEDURE FOR IMPLEMENTATION OF THE REMUNERATION POLICY

The Company has not deviated from the guidelines set out in the Remuneration Policy in connection with remuneration granted in 2021.

5 CONSIDERATION AT THE ANNUAL GENERAL MEETING

This Report will be presented to the Company's annual general meeting, to be held on 29 April 2022, and will be subject to an advisory vote at such general meeting.

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON REMUNERATION REPORT

To the General Meeting of Hofseth Biocare ASA

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Hofseth Biocare ASA's report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Bergen, 08 April 2022
ERNST & YOUNG AS

The auditor's assurance report is signed electronically

Jørn Knutsen
State Authorised Public Accountant (Norway)

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Jørn Knutsen

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