

## **PD-15.01 Remuneration policy and guidelines for the Board of Directors and the Executive Management Team**

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### **1 INTRODUCTION**

#### **1.1 About this Policy**

The overall aim of this remuneration policy for the Board of Directors and the executive management team (the "Policy") is to provide a framework for remuneration at Hofseth BioCare ASA ("Hofseth BioCare" or the "Company", and together with its consolidated subsidiaries, the "Group"), as well as specific guidelines for incentive pay, based on an understandable and comprehensive overview of the remuneration provided by Hofseth BioCare.

The Policy and the remuneration guidelines herein shall apply to; (i) the Board of Directors (the "Board"), and (ii) the CEO of the Company and the senior management team of the Company (jointly, the "Executive Management Team"), and is subject to approval by the general meeting of the Company upon its first adoption, and later upon any material changes or at least every four years. This Policy shall, subject to approval by the general meeting, become effective immediately following the annual general meeting of the Company in 2021.

This Policy has been prepared in accordance with Section 6-16a of the Norwegian Public Limited Companies Act, and the Norwegian Regulation on guidelines and report for executive personnel (*Nw: Forskrift om retningslinjer og rapport om godtgjørelse for ledende personer*).

#### **1.2 Objectives**

The overall objectives of this Policy are to:

- Support the purpose and sustainability of Hofseth BioCare;
- Align the remuneration components with the interests of shareholders and other stakeholders relevant to the above;
- Support delivery of Hofseth BioCare's strategic priorities; and
- Provide guidelines for establishing remuneration to the Executive Management Team that attract, retain and motivate employees with the skills, qualifications and experience needed to maximize value creation for the Company and its shareholders.

#### **1.3 Preparation and implementation of this Policy**

Pursuant to section 11 of the Company's Articles of Association, the Company has a remuneration committee consisting of 3 members to be elected by the Board (the "Remuneration Committee"). Among the tasks of the Remuneration Committee is to discuss the guidelines for, and matters regarding, remuneration to senior executive officers (i.e. the Executive Management Team). Consequently, the Remuneration Committee has been consulted with when preparing this Policy. However, the Board is responsible for preparing this Policy with regards to remuneration guidelines for the Executive Management. Further, the Board is responsible for implementing and evaluating the remuneration and other terms and conditions of appointment for the Executive Management Team pursuant to this Policy.

The Remuneration Committee is responsible for preparing this Policy with regards to remuneration guidelines for the Board. Further, the Remuneration Committee is responsible for implementing and evaluating the remuneration of the Board members pursuant to this Policy.

The Board is responsible for proposing the Policy for adoption at the Company's general meeting from time to time.

1.4 Consideration of employee pay and employment conditions when preparing this Policy  
When making decisions about executive remuneration and setting the contents of this Policy, the Board also considered the remuneration arrangements in place for the Group's wider workforce.

Compensation for employees outside the Executive Management Team follows the same principles applied to executives, i.e. salary and employment conditions within comparable companies and within the consumer health industry in general.

1.5 Conflicts of interest

The Board acts independently of the Executive Management Team and the Remuneration Committee acts independently of the Board. Further, no members of the Board are present at Remuneration Committee meetings where the proposals for remuneration of the Board members are discussed, so no conflicts of interest should arise in respect of remuneration of the Board members.

No members of the Executive Management Team are present at Board meeting when the remuneration of the Executive Management Team is discussed. However, CEO Roger Hofseth is a member of the Remuneration Committee. Provided that the majority of the members of the Remuneration Committee are independent of the Executive Management Team and as the remuneration of the Executive Management Team is finally resolved by the Board, the Board considers this potential conflict of interest to be acceptable.

## 2 REMUNERATION POLICY FOR THE BOARD OF DIRECTORS

2.1 Process

Pursuant to the Company's Articles of Association, the Company shall have a Remuneration Committee consisting of three members to be elected by the Board of Directors. The majority of the members of the Remuneration Committee shall be independent of the Executive Management Team. The Remuneration Committee currently consist of CEO Roger Hofseth and the Board members Torill Standal Eliassen and Christoph Baldegger.

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 Compensation 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.

2.2 Fee levels

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 absent from a Board meeting. In addition, the members of the Board's sub-committees may receive an additional fee of up 2/12 of the annual fee that would otherwise be payable to the relevant Board member.

### 2.3 Benefits

The Board members are not eligible to receive any benefits as part of their positions at the Board of Hofseth BioCare.

### 2.4 Incentive plans

Board members are not eligible to participate in any incentive arrangements operated by Hofseth BioCare.

## 3 REMUNERATION OF THE EXECUTIVE MANAGEMENT TEAM

### 3.1 Overall objective and principles

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.

### 3.2 Process

The terms and conditions of the CEO's employment are decided by the Board, in consultation with the Remuneration Committee.

The terms and conditions of the employment of the other members of the Executive Management Team are based on discussions between the relevant member of the Executive Management Team and the CEO, which are followed by discussions between the CEO and the Remuneration Committee. Following this, an employment offer is prepared to the relevant member of the Executive Management Team.

Any salary increases and other amendments to the employment terms shall be based on a review by the Remuneration Committee and the CEO at the start of each year, where they shall take into consideration, inter alia, the factors described in Section 3.3.1 below.

### 3.3 Remuneration elements and guidelines

Set out below are an overview of the various elements of the remuneration of the Executive Management Team.

#### 3.3.1 Fixed salary

The fixed salary has been set based on negotiated employment terms, and considering a range of factors including; (i) the individual's skills, performance and experience, (ii) increases for the broader workforce, (iii) external market data amongst peer companies, (iv) the size and responsibilities of the role, and (v) the geographical location of the role, internal relativity and external economic environment.

Salary increases are set considering the factors set out on above.

Purpose and link to strategy: To provide fixed remuneration allowing Hofseth BioCare to offer its senior executives a competitive salary level compared to similar companies.

#### 3.3.2 Pension

Hofseth BioCare has a defined contribution pension plan according to the mandatory requirements under Norwegian law. The amount of Company paid pension contributions are set considering the wider workforce rate and market practice in Norway.

Purpose and link to strategy: Encourages planning for retirement and long-term saving.

### 3.3.3 Benefits

The Company may offer customary benefits in kind to its Executive Management Team, including but not limited to car allowance or company car, coverage of telephony, broadband costs and newspaper subscriptions. In-kind benefits paid by the Company are set considering the wider workforce rate and market practice in Norway.

Purpose and link to strategy: Provide market competitive and cost-effective benefits.

### 3.3.4 Bonus payments

The Company has no active bonus program, however each member 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.

Any bonus to the CEO is determined by the Chairman of the Board, while any bonuses to other members of the Executive Management Team are determined by the CEO in consultation with the Chairman of the Board.

Purpose and link to strategy: To incentivize delivery of Hofseth BioCare's short-term objectives and ensure a clear link with value creation.

### 3.3.5 Share options granted and potential cash remuneration to Head of Investor Relations & Strategy

In October 2019, the Company entered into a consultancy agreement with James Berger (through his company Nevera AG), pursuant to which James Berger holds the position as the Company's Head of Investor Relations & Strategy. As part of the consultancy agreement, Berger was granted 6,486,400 share options. Each share option gives Berger the right to require issuance of one share in the Company against payment of the nominal value of each share, NOK 0.01.

The share option programs will vest and become exercisable in three main tranches:

- 810,800 share options vested and become exercisable at the date falling 9 months after the date of entry into the consultancy agreement;
- 810,800 share options will vest and become exercisable upon a successful listing of the Company's shares on a stock exchange in the United States; and
- 4,862,800 share options vest and become exercisable when the share price of the Company's exceeds defined intervals of average share price over a continuous period of 45 days, as detailed below:
  - o 324,320 share options vested and became exercisable in 2020, when the share price exceeded NOK 8 for a continuous period of 45 days;
  - o 324,320 share options will vest and become exercisable when the share price exceeds NOK 12.5 for a continuous period of 45 days;
  - o 324,320 share options will vest and become exercisable when the share price exceeds NOK 16.5 for a continuous period of 45 days;
  - o 324,320 share options will vest and become exercisable when the share price exceeds NOK 21 for a continuous period of 45 days;
  - o 324,320 share options will vest and become exercisable when the share price exceeds NOK 25 for a continuous period of 45 days;
  - o 1,621,600 share options will vest and become exercisable when the share price exceeds NOK 42 for a continuous period of 45 days; and
  - o 1,621,600 share options will vest and become exercisable when the share price exceeds NOK 55 for a continuous period of 45 days.

In addition to the share options, Berger will become entitled to a cash remuneration of USD 500,000 if the Company completes a successful listing of its shares on a stock exchange in the United States.

Purpose and link to strategy: The share options and the potential cash remuneration has been agreed to incentivize Berger to work for long-term value creation for the Company and its shareholders, as well as for pursuing the Company's goal of a listing in the United States.

### 3.4 Employment contracts

#### 3.4.1 Notice periods

Hofseth BioCare may terminate the employment of an executive by giving 3 months' notice. Executives may terminate their employment by giving Hofseth BioCare 3 months' notice.

#### 3.4.2 Severance payment

No member of the Executive Management Team is entitled to any severance payment beyond salary during the notice periods for termination of employment.

## 4 BOARD DISCRETION TO DEVIATE FROM THIS POLICY

The Board may, to ensure Hofseth BioCare's long-term interests, resolve to temporarily deviate from any sections of this Policy in the following instances;

- Upon change of the CEO and other members of the Executive Management Team;
- Upon changes in the Group structure, organization, ownership and/ or business (for example in relation to mergers, takeovers, demergers, acquisitions etc.);
- Upon material changes in the Company's strategy;
- Upon changes in or amendments to relevant laws, rules or regulations (for example for regulatory, stock exchange control, tax or administrative purposes or to consider changes in legislation or corporate governance requirements or guidance); and
- Upon other exceptional circumstances where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

Any deviation from this Policy shall be reported in the remuneration report for the relevant year. If a deviation has continued so that it cannot be deemed temporary, the Company shall prepare an amended policy to be presented at the next possible general meeting.