

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 2023.

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 2023, 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>

The 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 2022 no. 2730 (the "**Regulation**").

1.2 Overall Company performance in 2023

1.2.1 Financial performance

During 2023, the Group's main financial performance was as set out below:

<i>(NOK thousands)</i>	2023	2022
Operating revenues	218,511	120,448
Operating loss	-102,529	-128,618
Net loss	-106,684	-137,390
Total assets	390,119	411,030
Total equity	41,140	148,030
Total liabilities	348,979	263,000
Cash and cash equivalents at 31 December	23,890	32,427

1.2.2 Important events in 2023

HBC had a year of growth during 2023, with all quarters showing record sales, and establishing a revenue level around NOK 50 million per quarter. Total sales revenue for the year ended at NOK 191 million, an increase of 60 percent compared to 2022. The expansion stems from strategic market efforts and effective marketing of HBC unique products grounded on science, enabling HBC to penetrate high-value human and pet markets. Both finished goods, with our strong Brilliant™ brand and ingredients have shown growth. Regulatory constraints have put pressure on our speed to market, but continued work in this area has given HBC market entries in important geographies.

Gross margins have also increased compared to 2022, and strong focus on keeping operational expenses have paid off. Additionally, the net cash burn has improved on a monthly basis, and notably, our operational cash flow for Q3 was a positive NOK 11 million.

Meticulous work on research and development has reached milestones also in 2023. In consumer and pet health, a new recyclable bottle/pump has been developed for our Brilliant oil. Ongoing studies in standard models of inflammatory bowel disease (IBD) are made at Stanford University to test ProGo® as protection against GI tract inflammation, work that is anticipated to enable granting health claims to ProGo® as medical food in management of gut health. There are ongoing studies on inflammation, bone health, skin health and hemoglobin levels, all attesting to HBC's interdisciplinary approach to healthcare innovation.

In the second quarter, HBC's R&D efforts led to the first spin-out of a separate company, HBC Immunology LLC (HBCI) in USA. This company will continue its work on prostate cancer as a separate entity and will have access to external funding separate from HBC. The spin-out resulted in a sale of assets from HBC of 23 million NOK, and HBCI was successfully funded externally in August and December.

Finally, as a noteworthy demonstration of our commitment to financial stability and growth, Hofseth International decided to invest in HBC through a new class of preference shares, settled by converting NOK 144 million in payables. The final registration of this investment was made after the turn of the year.

For further information, please refer to Hofseth BioCare's Annual Report for 2023, available at <https://hofsethbiocare.com/investors/reports>

1.3 Composition of the Board and the Executive Management Team in 2023

1.3.1 The Board of Directors

During 2023, the Board consisted of the following members:

- Kristin Fjellby Grung, Chair; and
- Torill Standal Eliassen, Director;
- Christoph Baldegger, Director;
- Amy Novogratz, Director;
- Crawford Currie, Director;
- Roger Hofseth, Director

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

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

1.3.2 The Executive Management Team

During 2023, the Executive Management Team has consisted of:

- Jon Olav Ødegård, Chief Executive Officer;
- Christel Elise Kanli, Chief Financial Officer and Chief Operations 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 present such recommendations 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 Chair 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 to 1/6 of the annual fee that would otherwise be payable to the relevant Board member.

The Board members are not eligible to receive any further benefits for their seat in the Board of Hofseth BioCare. Board members are not eligible to participate in any incentive arrangements operated by Hofseth BioCare, but are eligible for reimbursement of out-of-pocket expenses related to participation in Board meetings.

2.2 Remuneration to the Board members in 2023

During 2023, 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
Kristin Fjellby Grung	138	N/A	N/A	138	100 % fixed
Torill Standal Eliassen	96	20	N/A	116	100 % fixed
Amy Novogratz	0	N/A	N/A	0	100 % fixed
Christoph Baldegger	96	20	N/A	116	100 % fixed
Crawford Currie	96	N/A	N/A	96	100 % fixed
Roger Hofseth	96	N/A	N/A	96	100 % fixed

No extraordinary or pension expenses have been paid by the Company to the Board members during 2023.

The table below shows the change of the Board members' total Board fees for the years 2019 until 2023.

Name	Change in fees from previous years							
	2023 vs. 2022		2022 vs. 2021		2021 vs. 2020		2020 vs. 2019	
	NOK	%	NOK	%	NOK	%	NOK	%
Kristin Fjellby Grung ¹⁾	18	15%	25	26%	0	0%	N/A	N/A
Torill Standal Eliassen	0	0%	0	0%	0	0%	0	0%
Christoph Baldegger	0	0%	0	0%	20	21%	0	0%
Amy Novogratz ²⁾	0	0%	0	0%	N/A	N/A	N/A	NA
Crawford Currie ³⁾	48	100%	48	N/A	N/A	N/A	N/A	N/A
Roger Hofseth ⁴⁾	64	200%	32	N/A	N/A	N/A	N/A	N/A
Ola Holen ⁵⁾	N/A	N/A	-81	-58%	0	0%	0	0%
Henriette Godø Heggdal ⁶⁾	N/A	N/A	-56	-58%	0	0%	0	0%
1) Kristin Fjellby Grung was appointed to the Board in 2020 and was appointed Chair on 29 April 2022.								
2) Amy Novogratz was appointed to the Board in 2022.								
3) Crawford Currie was appointed to the Board on 29 April 2022.								
4) Roger Hofseth was appointed to the Board on 30 August 2022.								
5) Ola Holen stepped down from the Board on 29 April 2022.								
6) Henriette Godø Heggdal stepped down from the Board on 29 April 2022.								

The ordinary Board fees payable are subject to reduction in case of absence from Board meetings. This has not affected the total remuneration payable to Board members in the periods compared above.

2.3 Share-based remuneration

The Company has not offered any share-based remuneration to the Board members during 2023. None of the Board members hold any share options.

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 competitive terms and conditions of employment related to 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 discretionary bonus payment in cash, decided 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 2023

During 2023, 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					
Jon Olav Ødegård	1 666	0	19	1 073	0	83	2 841	62 % fixed
Christel Elise Kanli ¹⁾	1 020	0	16	156	0	51	1 243	87 % fixed
Karl Inge Slotsvik ²⁾	726	0	27	0	0	36	790	100% fixed
Dr. Bomi Framroze	3 515	0	0	0	5 924 ³⁾	0	9 439	100 % fixed
James Berger	501	0	0	0	0	0	501	100 % fixed
Angelika Florvaag	1 182	0	19	0	0	59	1 260	100 % fixed

1) Christel Elise Kanli was appointed CFO/COO in March 2023.

2) Karl Inge Slotsvik resigned as COO in January 2023

3) 5,924 is for running R&D projects

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.

No members of the Executive Management have 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 2019 until 2023, 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	2023 vs. 2022		2022 vs. 2021		2021 vs. 2020		2020 vs. 2019	
	NOK	%	NOK	%	NOK	%	NOK	%
Jon Olav Ødegård	-268	-9	1,399	82	9	1	229	14
Christel Elise Kanli ¹⁾	1,243	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Karl Inge Slotsvik ²⁾	-551	-41	108	9	34	3	-3	0
Dr. Bomi Framroze	2,136	29	-10,679	-59	-3,734	-17	15,526	250
James Berger ³⁾	-675	-57	-457	-28	-6,178	-79	6,090	354
Angelika Florvaag	80	7	109	10	259	32	6	1
Change in Group performance								
Net loss for the period	30,706	22.35	-10,926	-8.64	-24,373	-23.87	-12,873	-14.43
Average remuneration of employees								
Average remuneration of employees	778	8.87	715	4.99	681	1.04	674	-0.30
1) Christel Elise Kanli was appointed CFO/COO in March 2023.								
2) Karl Inge Slotsvik resigned as COO in January 2023								
3) James Berger was engaged by the Company in October 2019								

3.4 Share-based remuneration

The Company has provided share-based remuneration to the CEO during 2022. No further share-based remuneration in 2023. Other members of the Executive Management Team have no share-based remuneration, neither has any of the members of the Executive Management Team received share-based remuneration from other Group companies. 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 2023, 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
Jon Olav Ødegård	1,000,000	1,000,000	3.63	30 August 2022	0	31 October 2025
Christel Elise Kanli	-	-	-	-	-	-
Dr. Bomi Framroze	-	-	-	-	-	-
James Berger	-	-	-	-	-	-
Angelika Florvaag	-	-	-	-	-	-

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 2023.

5 CONSIDERATION AT THE ANNUAL GENERAL MEETING

This Report will be presented to the Company's annual general meeting, to be held on 10 May 2024, 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 2023 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. The firm applies International Standard on Quality Management, which requires the firm to design, implement and operate a system of quality management including policies or 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, 18th April 2024
ERNST & YOUNG AS

The auditor's assurance report is signed electronically

Jørn Knutsen
State Authorised Public Accountant (Norway)

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Knutsen, Jørn

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