

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 2022 (2022).

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 2022, 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 2022

1.2.1 Financial performance

During 2022, the Group's main financial performance was as set out below:

<i>(NOK thousands)</i>	2022	2021
Operating revenues	120,448	87,616
Operating loss	-128,618	-118,565
Net loss	-137,390	-126,464
Total assets	411,030	415,973
Total equity	148,030	140,738
Total liabilities	263,000	275,595
Cash and cash equivalents at 31 December	32,427	49,921

1.2.2 Important events in 2022

In the first quarter, the ingredient business achieved a 93.5% sales growth, with a record order book and significant progress in SPH peptides research. The company's first clinical trial for CalGo® was accepted for publication, and eight structurally similar peptides responsible for driving FTH1 actions of SPH were identified. These advancements indicate the company's potential for further strides in the health and wellness industry.

Despite challenges due to a constrained supply of salmon off-cuts in the second quarter, the company experienced strong demand and favorable market prices, with a gross margin of 31%. The second preclinical assay of bioactive peptides in SPH for prostate cancer demonstrated promising results, and the company completed manufacturing optimization of lipopeptide MA-022, paving the way for further growth in the health and wellness industry.

HBC achieved a 105% year-on-year revenue growth in the third quarter and signed contracts with new salmon processors to ensure increased access to raw material. A successful private placement raised NOK 141 million, and new leadership appointments were made. Record organic revenue and profits were delivered in the Consumer and Pet health segment, positioning the company for continued success in the health and wellness industry.

In the fourth quarter, the ingredients business grew by 87%, generating sales revenues of NOK 34m, and the finished goods business showed record revenues. Stanford School of Medicine successfully completed pre-clinical trial work on ProGo® bioactive peptides, and Mrs. Christel Kanli was hired as the new CFO/COO. The first significant ProGo® order from China commenced, highlighting HBC's expanding market reach and potential for further growth.

For further information, please refer to Hofseth BioCare's Annual Report for 2022, available at <https://hofsethbiocare.com/investors/reports>

1.3 Composition of the Board and the Executive Management Team in 2022

1.3.1 The Board of Directors

During 2022, the Board consisted of the following members:

- Ola Holen, Chair (until 29 April 2022);
- Kristin Fjellby Grung, Director (until 29 April 2022 and Chair from 29 April 2022); and
- Henriette Godø Heggdal, Director (until 29 April 2022);
- Torill Standal Eliassen, Director;
- Christoph Baldegger, Director;
- Amy Novogratz, Director;
- Crawford Currie, Director (from 29 April 2022);
- Roger Hofseth, Director (from 30 August 2022)

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. Certain Board members, are also members of the Remuneration Committee and the Audit Committee, being Torill Standal Eliassen and Christoph Baldegger, who are both members of the Remuneration Committee and the Audit Committee.

1.3.2 The Executive Management Team

During 2022, the Executive Management Team has consisted of:

- Roger Hofseth, Chief Executive Officer (Until 31 July 2022);
- Jon Olav Ødegård, Chief Financial Officer (Until 31 July 2022, and CEO from 1 August 2022);
- 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 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. All Board members are eligible for reimbursement of out-of-pocket expenses related to participation in Board meetings.

2.2 Remuneration to the Board members in 2022

During 2022, 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 ¹⁾	58	N/A	N/A	58	100 % fixed
Henriette Godø Heggdal ²⁾	40	N/A	N/A	40	100 % fixed
Torill Standal Eliassen	96	20	N/A	116	100 % fixed
Christoph Baldegger	96	20	N/A	116	100 % fixed
Kristin Fjellby Grung ³⁾	121	N/A	N/A	121	100 % fixed
Amy Novogratz	N/A	N/A	N/A	N/A	100 % fixed
Crawford Currie ⁴⁾	48	N/A	N/A	48	100 % fixed
Roger Hofseth ⁵⁾	32	N/A	N/A	32	100 % fixed

1) Ola Holen resigned from the Board on 29 April 2022.

2) Henriette Godø Heggdal resigned from the Board on 29 April 2022.

- 3) *Kristin Fjellby Grung stepped up from Director to Chair on 29 April 2022.*
- 4) *Crawford Currie was elected Board member on 29 April 2022.*
- 5) *Roger Hofseth was elected Board member on 30 August 2022.*

No extraordinary or pension expenses have been paid by the Company to the Board members during 2022.

The table below shows the change of the Board members' total Board fees for the years 2018 until 2022.

Name	Change in fees from previous years							
	2022 vs. 2021		2021 vs. 2020		2020 vs. 2019		2019 vs. 2018	
	NOK	%	NOK	%	NOK	%	NOK	%
Ola Holen ¹⁾	-81	-58%	0	0%	0	0%	0	0%
Henriette Godø Heggdal ²⁾	-56	-58%	0	0%	0	0%	0	0%
Torill Standal Eliassen	0	0%	0	0%	0	0%	0	0%
Christoph Baldegger	0	0%	20	21%	0	0%	0	0%
Kristin Fjellby Grung ³⁾	25	26%	0	0%	N/A	N/A	N/A	N/A
Amy Novogratz ⁴⁾	N/A	N/A	N/A	N/A	N/A	NA	N/A	N/A
Crawford Currie ⁵⁾	48	N/A	N/A	N/A	N/A	NA	N/A	N/A
Roger Hofseth ⁶⁾	32	N/A	N/A	N/A	N/A	NA	N/A	N/A
1) <i>Ola Holen was appointed to the Board in 2018 and stepped down from the Board on 29 April 2022.</i>								
2) <i>Henriette Godø Heggdal stepped down from the Board on 29 April 2022.</i>								
3) <i>Kristin Fjellby Grung was appointed to the Board in 2020 and was appointed Chair on 29 April 2022.</i>								
4) <i>Amy Novogratz was appointed to the Board in 2022.</i>								
5) <i>Crawford Currie was appointed to the Board on 29 April 2022.</i>								
6) <i>Roger Hofseth was appointed to the Board on 30 August 2022.</i>								

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 offered any share-based remuneration to the Board members during 2022. 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 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 2022

During 2022, 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	1,219	0	19	0	1,810	61	3,109	100 % fixed
Karl Inge Slotsvik	1,133	0	152	0	0	57	1,341	100 % fixed
Dr. Bomi Framroze	3,165	0	0	0	4,138	0	7,303	100 % fixed
James Berger	0	0	0	0	1,176	0	1,176	100 % fixed
Angelika Florvaag	1,106	0	19	0	0	55	1,180	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.

Until August 2022, Jon Olav Ødegård held a consultancy agreement (through Ødegård Prosjekt AS) to act as CEO of HBC Berkåk AS. No other 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 2018 until 2022, 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	2022 vs. 2021		2021 vs. 2020		2020 vs. 2019		2019 vs. 2018	
	NOK	%	NOK	%	NOK	%	NOK	%
Roger Hofseth ¹⁾	0	0	0	0	0	0	0	0
Jon Olav Ødegård ²⁾	1,399	82	9	1	-161	-9	229	14
Karl Inge Slotsvik	108	9	34	3	-3	0	17	1
Dr. Bomi Framroze	-10,679	-59	-3,734	-17	15,526	250	1,881	43
James Berger ³⁾	-457	-28	-6,178	-79	6,090	354	N/A	N/A
Angelika Florvaag	109	10	259	32	6	1	-1	0
Change in Group performance								
Net loss for the period	-10,926	-8.64	-24,373	-23.87	-12,873	-14.43	-4,442	-5.24
Average remuneration of employees								
Average remuneration of employees	715	4.99	681	1.04	674	-0.30	676	6.46
1) Roger Hofseth was appointed as CEO in August 2017 and stepped down on 31 July 2022								
2) Jon Olav Ødegård was appointed as CEO on 1 August 2022								
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. 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 2022, 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	1,000,000	1,000,000	3.63	30 August 2022	0	31 October 2025
Karl Inge Slotsvik	-	-	-	-	-	-
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 2022.

5 CONSIDERATION AT THE ANNUAL GENERAL MEETING

This Report will be presented to the Company's annual general meeting, to be held on 28 April 2023, 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 2022 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, 30 March 2023
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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