

## AQUA BIO TECHNOLOGY 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 Aqua Bio Technology ASA ("**ABT**" 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 9 June 2021 (the "**Remuneration Policy**"). The Remuneration Policy is available at [www.aquabiotechnology.com](http://www.aquabiotechnology.com).

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>	<b>2021</b>	<b>2020</b>
Operating revenues	1 976	813
Operating loss	-17 857	-16 105
Net loss	-19 113	-14 704
Total assets	34 430	16 238
Total equity	18 706	8 321
Total liabilities	15 723	7 917
Cash and cash equivalents at 31 December	13 356	5 429

###### 1.2.2 Important events in 2021.

In 2021, the income from the Company's skincare products increased compared to the financial year ended 31 December 2020 but was nonetheless lower than expected mainly due to the COVID-19 pandemic causing delays in product delivery which the Company is dependent on in order to launch new skincare series.

In the third quarter of 2021, ABT launched its new skincare products comprising of Seidr, Seidr Clinique and B Natural and the Company has experienced a great deal of interest in these products in particular in the Nordic region.

Also in 2021, Hydrafacial a company listed on the NASDAQ exchange announced that it had entered a partnership with the Company's US partner Restorsea and that it had launched its new Restorsea Lip Fix Kit which is based on ABT's hatching fluid ingredient Aquabeautine XL. As also underlined in an adjacent stock exchange announcement made by ABT, the positive trend from Restorsea's commercialization of ABT's proprietary technology increased the likelihood that ABT will receive additional renewal payments and increased revenue from the sale of ingredients and royalties from Restorsea and its licenses.

During 2021, ABT moved from development and a production phase to commercializing its products with more focus on sales on distribution. Håvard Lindstrom, the Company's Head of Business Development, therefore replaced Espen Kvale as the Company's chief executive officer whereas as Espen Kvale assumed the role as the Company's chief operating officer with a heightened focus on the Company's research and development activities.

Furthermore, ABT entered the following distribution agreements in 2021:

- On 2 February 2021, ABT signed a distribution agreement with Cosmed Beauty AS. The agreement grants Cosmed exclusive distribution rights for Norway for ABT's certified organic skincare line Moana Skincare ("**Moana**"). The initial term of the agreement is three years.
- On 12 February 2021, ABT signed a distribution agreement with Galaxa Pharma Aps which grants Galaxa distribution rights for the Company's Moana skincare product in Denmark.
- On 25 February 2021, ABT signed a distribution agreement with Moana Active Skincare Limited ("**SL**") providing SL exclusive distribution rights for the Company's Moana skincare product in New Zealand and Australia.
- On 27 August 2021, ABT entered an exclusive distribution agreement with Maikiwi Ltd. for mainland China which runs until the end of 2024.
- On 28 September 2021, ABT entered a three-year distribution agreement with Sital Bohemia, s.r.p granting Sital Bohemia exclusive distribution rights in the Czech Republic and Slovakia.

Additionally, on 19 August ABT entered a letter of intent with D & S Maisy Limited for the exclusive distribution of the Moan skincare product in Japan and the Philippines.

For further information, please refer to the Company's annual report for 2021 available at the Company's website.

### **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:

- Edvard Cock, Chairman;
- Roger Hofseth, Director;
- Tone Bjørnov, Director;
- Kristin Aase, Director, Director; and
- Jan Håkan Ingemar Pettersson, Director.

The composition of the Board is in compliance with the independence requirements of the Norwegian code of corporate governance, meaning that (i) the majority of the shareholder elected members of the Board is independent of the Company's Executive Management Team and material business contacts, (ii) at least two of the shareholder elected board members are independent of the Company's main shareholders (shareholders holding more than 10% of the shares in the Company), and (iii) no members of the Company's Executive Management Team serves as a member of the board of directors.

The Company has also established a Nomination Committee. None of the Board members are members of the Nomination Committee.

### 1.3.2 The Executive Management Team

During 2021, the Executive Management Team has consisted of:

- Håvard Lindstrøm, chief executive officer; and
- Espen Kvale, chief operating officer.

## 2 REMUNERATION OF THE BOARD OF DIRECTORS

### 2.1 Key principles for remuneration of the Board of Directors

The nomination committee, in addition to recommending members to the Board and its own members, are also tasked with preparing recommendations regarding the remuneration for the members of the Board, and such recommendations are presented by the nomination committee for approval of the annual general meeting before they are effectuated. The Board's remuneration is approved as a separate item on the annual general meeting.

The chairman and each member of the Board receives a fixed yearly fee which is to be approved by ABT's shareholders on each annual general meeting. Board members are further encouraged to acquire shares in the Company.

### 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
Edvard Cock	285	0	0	285	100% fixed
Tone Bjørnov	145	0	0	145	100% fixed
Kristin Aase	145	0	0	145	100% fixed
Jan Pettersson	145	0	0	145	100% fixed
Roger Hofseth	145	0	0	145	100% fixed

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	%
Edvard Cock	0	0,0 %	0	0,0 %	0	0,0 %	10	3,6 %
Tone Bjørnov	-2,5	-1,7 %	0	0,0 %	2,5	1,7 %	7,5	5,5 %
Kristin Aase	-2,5	-1,7 %	0	0,0 %	2,5	1,7 %	7,5	5,5 %
Jan Petterson	-2,5	-1,7 %	0	0,0 %	2,5	1,7 %	7,5	5,5 %
Roger Hofseth <sup>(1)</sup>	-72,5	-33,3 %	217,5 <sup>(2)</sup>	n/a	n/a	n/a	n/a	n/a

1) Roger Hofseth was appointed to the Board in 2019.

2) Roger Hofseth received the same fee as the board members of the Board and a post-payment of the fee for 2019.

### 2.3 Share-based remuneration

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

Name	Position	Granted options
Edvard Cock	Chairman	499,998
Tone Bjørnov	Board member	75,000
Kristin Aase	Board member	75,000
Roger Hofseth	Board member	-
Jan Petterson	Board member	-

The options are exercisable in the period until 31 December 2024. Following the expiry of this date, the options will lapse. Each share option holds the right to require delivery of one share in the Company, in exchange for payment of a pre-defined strike price. The share options were granted to the members of the Board on 11 September 2020. The exercise of the share options is subject to, among other things, the continued participation of the role as a Board member for a certain period.

Outlined below are some specific details pertaining to the share options belonging to the relevant Board members.

#### Edvard Cock, Chairman

- 166,666 share options, with a strike price of NOK 7 per option;
- 166,666 share options with a strike price of NOK 9 per option; and
- 166,666 share options with a strike price of NOK 11 per option.

#### Tone Bjørnov, Board member

- 25,000 share options, with a strike price of NOK 7 per option;
- 25,000 share options with a strike price of NOK 9 per option; and
- 25,000 share options with a strike price of NOK 11 per option

### **Kristin Aase, Board member**

- 25,000 share options with a strike price of NOK 7 per option;
- 25,000 share options with a strike price of NOK 9 per option; and
- 25,000 share options with a strike price of NOK 11 per option.

As of 31 December 2021, the members of the Board held shares in the Company as set out below:

<b>Name</b>	<b>Total shareholding</b>
Edvard Cock <sup>(1)</sup>	1,280,793
Tone Bjørnov	128,203
Roger Hofseth <sup>(2)</sup>	4,693,475
Jan Pettersson <sup>(3)</sup>	4,543,028
Kristin Aase <sup>(4)</sup>	1,477,707

1) Shares held through his wholly owned subsidiary Blixen Invest AS

2) Shares held through his subsidiary Finnvik Eiendom AS.

3) Shares held directly and through his wholly owned subsidiaries Initia AB and Swelandia International AB

4) Shares held directly and through close associates.

## **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 and motivating. The Company shall offer fixed salary levels that are comparable with similar companies and activities and considering the Company's need for qualified staff at all levels.

The principle for determining the members of the Executive Management Team is the combined total level of fixed salary and other benefits. ABT may grant members of the Executive Management Team options and other forms of remuneration linked to shares or the share price, hereunder through incentive – or option programmes. Please refer to section 3.4 below for an overview of share options held by members of the Executive Management Team. The overall level shall be competitive, but not a pacesetter in wage settlements. With respect to variable remuneration, ABT's policy is that a maximum amount shall be determined for the applicable remuneration at as of the time it is provided.

In addition to fixed salary and share options, ABT may provide other forms of remuneration such as bonus arrangements, pension arrangements and insurance, severance arrangements, and other benefits that are customary for comparable positions such as free telephone and free broadband services.

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					
Håvard Lindstrøm	1.214	0	4	0	0	68	1.286	100% fixed
Espen Kvale	1.418	0	4	0	0	74	1.496	100% fixed

The fixed remuneration and the benefits offered allow ABT to offer its senior executives a competitive salary and remuneration package compared to similar companies.

The members of the Executive Management Team 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	%
Håvard Lindstrøm <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Espen Kvale <sup>(2)</sup>	-234	-14,2 %	-57	-3,3 %	183	12,0 %	N/A	N/A
Arvid Lindberg <sup>(3)</sup>	N/A	N/A	N/A	N/A	N/A	N/A	-15	-0,7 %
Change in Group performance								
Net profit or loss for the period	-4 409	30,0 %	-1 488	11,3 %	25 251	-65,6 %	-22 407	139,5 %
Average remuneration of employees								
Average remuneration of employees	-6	-0,5 %	-231	-16,1 %	342	31,2 %	-877	-44,5 %

- 1) Håvard Lindstrøm was appointed as chief executive officer in July 2021. For Mr. Lindstrøm's remuneration for 2021, please refer to the table in section 3.2.

- 2) Espen Kvale was engaged as interim chief executive officer through a consultancy agreement with Espen Kvale Consulting LLC in December 2018, before taking the role as chief executive officer in April 2020. Mr. Kvale assumed the role as chief operating officer in July 2021
- 3) Arvid Lindberg had the role as chief executive officer in 2017 and large parts of 2018, before he assumed the role as head of sales and marketing in December 2018.

### 3.4 Share-based remuneration

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

Name	Position	Granted options
Håvard Lindstrøm	Chief Executive Officer	499,998
Espen Kvale	Chief Operating Officer	500,001

Share options are subject to the same conditions as the Board members as elaborated in section 2.3 above. Outlined below are some specific details pertaining to the share options belonging to the members of the Executive Management Team.

#### Håvard Lindstrøm, Chief Executive Officer

- 166,666 share options, with a strike price of NOK 7 per option;
- 166,666 share options with a strike price of NOK 9 per option; and
- 166,666 share options with a strike price of NOK 11 per option.

#### Espen Kvale, Chief Operating Officer

- 166,667 Share options, with a strike price of NOK 7 per option;
- 166,667 Share options with a strike price of NOK 9 per option; and
- 166,667 Share options with a strike price of NOK 11 per option.

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

Name	Total shareholding
Håvard Lindstrøm <sup>(1)</sup>	416,348
Espen Kvale <sup>(2)</sup>	500,000

1) Through his wholly owned subsidiary Ice Capital AS

2) Through his wholly owned subsidiary EK Invest AS

#### **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 9 June 2022, and will be subject to an advisory vote at such general meeting.





**RSM Norge AS**

Til generalforsamlingen i Aqua Bio Technology ASA

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## **Uavhengig revisors attestasjonsuttalelse om rapport om lønn og annen godtgjørelse til ledende personer**

### *Konklusjon*

Vi har utført et attestasjonsoppdrag for å oppnå betryggende sikkerhet for at Aqua Bio Technology ASAs rapport om lønn og annen godtgjørelse til ledende personer (lønnsrapporten) for regnskapsåret som ble avsluttet 31. desember 2021, er utarbeidet i samsvar med allmennaksjeloven § 6-16b og tilhørende forskrift.

Etter vår mening er lønnsrapporten i det alt vesentlige utarbeidet i samsvar med allmennaksjeloven § 6-16b og tilhørende forskrift.

### *Styrets ansvar*

Styret er ansvarlig for utarbeidelsen av lønnsrapporten og for at den inneholder de opplysninger som kreves etter allmennaksjeloven § 6-16b og tilhørende forskrift. Styret har også ansvar for slik intern kontroll som det finner nødvendig for å utarbeide en lønnsrapport som ikke inneholder vesentlig feilinformasjon, hverken som følge av misligheter eller feil.

### *Vår uavhengighet og kvalitetskontroll*

Vi er uavhengige av selskapet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Vi anvender internasjonal standard for kvalitetskontroll (ISQC 1) og opprettholder et omfattende system for kvalitetskontroll inkludert dokumenterte retningslinjer og prosedyrer vedrørende etterlevelse av etiske krav, faglige standarder og gjeldende lovmessige og regulatoriske krav.

### *Revisors oppgaver og plikter*

Vår oppgave er å gi uttrykk for en mening om lønnsrapporten inneholder de opplysninger som kreves etter allmennaksjeloven § 6-16b og tilhørende forskrift, og at opplysningene i lønnsrapporten ikke inneholder vesentlig feilinformasjon. Vi har utført vårt arbeid i samsvar med internasjonal attestasjonsstandard (ISAE) 3000 – «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon».

Vi har gjort oss kjent med retningslinjene om fastsettelse av lønn og godtgjørelse til ledende personer som er godkjent av generalforsamlingen. Våre handlinger omfattet opparbeidelse av en forståelse av den interne kontrollen som er relevant for utarbeidelse av lønnsrapporten for å utforme kontrollhandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll. Videre utførte vi kontroller av fullstendigheten og nøyaktigheten av opplysningene i lønnsrapporten, herunder om den inneholder de opplysningene som kreves etter lov og tilhørende forskrift. Vi mener at innhentet bevis er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Oslo, 31. mai 2022  
RSM Norge AS

*(elektronisk signert)*  
Hans Olav Noraberg  
Statsautorisert revisor

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## Hans Olav Noraberg

Statsautorisert revisor

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