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HOFSETH

Addendum: 2025 Transparency Act Report

30 October 2026

About This Update

This addendum updates Hofseth International's 2025 Transparency Act Report, which the Board of Directors and the CEO approved on 19 June 2026. We publish it under section 5 of the Norwegian Transparency Act (Åpenhetsloven), which requires us to update our statement when our assessment of risks changes significantly. It covers two matters:

1. **The Labour Inspection case.** The final decision in an enforcement case brought by the Norwegian Labour Inspection Authority against three of our processing companies.
2. **Repaying agency workers for travel.** The repayment of travel costs that agency workers at our processing sites paid themselves, which our June report identified as an adverse impact.

The June report remains published as approved, and this addendum should be read alongside it.

The Labour Inspection Case

In 2023 and 2024, the Norwegian Labour Inspection Authority (Arbeidstilsynet) inspected three of our processing companies: Hofseth AS in Syvde, and Hofseth Aalesund AS and Hofseth Processing AS in Ålesund. The inspections came as we were changing staffing arrangements after the rules on hiring from staffing agencies were tightened on 1 July 2023.

The Authority found breaches of the Working Environment Act in three areas:

- **Use of agency workers.** We continued to engage workers through staffing agencies after the new rules took effect. We received legal advice that their arrangements were compliant, but the Authority found they lacked a sufficient legal basis.
- **Working hours.** Time records showed that several workers exceeded the legal limits on daily and weekly hours, overtime and rest periods, in some cases repeatedly.
- **Checking agency workers' pay and conditions.** Our contracts with the agencies did not adequately refer to the applicable generally binding collective agreement, and our procedures for checking that agency workers received the minimum pay and conditions they were entitled to were not adequate. The inspections found discrepancies in the pay of some agency workers.

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The Authority fined the three companies on 8 May 2025, and we appealed. On 1 September 2026, the Directorate of Labour Inspection upheld the fines in full. It described all three breaches as serious. It found that we had acted with gross negligence on staffing and working hours, that better internal controls would have prevented the breaches, and that we had gained an economic advantage that probably exceeded the fines.

The major question related to the use of agency workers could be disputed. At the time, we acted on legal advice, with the aim of complying with the new regulations. The ruling may be tested in the Norwegian courts; we have however decided not to proceed with the case.

We have paid the fines, which total NOK 5,320,840, and do not intend to challenge the decisions further.

Company	Site	Fine (NOK)
Hofseth AS	Syvde	1,860,420
Hofseth Aalesund AS	Ålesund	1,860,420
Hofseth Processing AS	Ålesund	1,600,000
Total		**5,320,840**

Our June report did not describe the case, because the Directorate was still deciding our appeal. Now that the decision is final, we classify the working-hours breaches and the shortfall in checking agency workers' pay as adverse impacts on decent working conditions.

Changes Made

Every compliance order from the Labour Inspection Authority has been fulfilled and confirmed closed. The changes we made fall into five areas:

- **Permanent staff.** We added about 150 full-time equivalents to our permanent workforce by the end of 2024.
- **Collective agreements.** All our processing and slaughter facilities are covered by collective agreements, with local agreements on production workers' wages and conditions, working time, and overtime.
- **Agency staffing.** Where we still need temporary staff, we hire them only under agreements with the relevant trade union, as the Working Environment Act allows.
- **Working hours and pay checks.** We have strengthened how we monitor working hours, improved how we plan production schedules, and tightened our procedures for checking agency workers' pay and conditions.
- **Strengthen check & controls.** Starting in November, we are introducing monthly internal audits at the Group level regarding work schedules and working hours across our business areas. The audit will be led by the CHRO, supported by representatives from each business area.

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These changes add to the measures in our June report: quarterly interviews with agency workers, and periodic reviews of agency invoices and workers' payslips.

Repaying Agency Workers for Travel

Our June report identified an adverse impact at our processing sites: agency workers recruited from Lithuania paid for the flights that brought them to Norway to start work and took them home when it ended. While this arrangement is legal in Norway and Lithuania, it is not consistent with ILO guidelines. Under ILO principles, which the SMETA audit we commit to applies, travel of this kind is considered a cost related to recruitment that should not be paid by the worker. The June report described revised contract terms that put these costs on the agency. In practice, deductions for these journeys continued until the end of July 2026 because of misunderstanding about which legs constituted covered travel. We have rectified this misunderstanding and workers are not paying for qualifying travel.

We are repaying NOK 2.75 million (about EUR 260,000) to current and former agency workers for travel costs that were deducted from their pay. Workers placed with us in October 2025 and since who are still employed with us have been paid in full for all qualifying trips that we are aware of and have been asked to raise a question about any trips we may have missed. We are now in the process of contacting workers who were engaged in our companies in October 2025 and since but have left the agency to initiate the same payments.

We have further strengthened contracts both between the workers and their agency and between our company and the agency to specify all payments that qualify for coverage. We instituted new monthly reporting processes for ensuring workers do not pay for trips that should be employer-covered.

Workers	People	Amount (NOK)	Status
Still placed with us	202	1,567,828	Paid in full
Former workers	168	1,184,312	Being contacted and paid
Total	**370**	**2,752,140**	Amounts approximate

Qualifying Journeys. The repayment program covers every worker placed at our processing sites by the agency in October 2025, when the audit finding was raised, or at any time since, whether or not they still work with us. For each of them, we repay three kinds of journey, whenever it was taken (and will continue to cover these journeys in the future):

- the first journey to Norway to start work;
- the last journey home, when the placement ended while the worker was in Norway;
- journeys home and back during a temporary layoff (permittering).

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We do not repay trips workers choose to take during scheduled rest periods. That includes the trip home of a worker who resigned while away on a rest period, unless a layoff caused the trip or stopped their return. The earliest journey repaid dates from January 2023.

Workers still placed with us. Most were paid on 5 October 2026. A further review with the agency found journeys that had been missed, including some from earlier placements, and those were paid with subsequent individualized top-off payments and letters to workers. Letters to workers have encouraged them to raise questions, particularly if they believe we may have missed a journey that qualifies for repayment.

Former workers. Each former worker is being sent a letter explaining this repayment program and the amount they are due and asking where to send the money. These workers will be paid about a month after we receive their bank details, starting in November 2026. Where we hear nothing, the agency tries again using different contact details. Former workers can claim until 1 October 2027, and we will still fund the payment for anyone who comes forward after that date. A worker who declines the payment can change their mind.

How the amounts were set. Each worker receives the amount deducted from their net pay for those journeys, as recorded by the agency. We add 3% a year, compounded, from the date of each deduction to 5 October 2026, to compensate for the time workers were without their money. We fund the repayment in full. The agency pays each worker directly by separate bank transfer, outside payroll, and marked as a travel cost reimbursement, and nothing is deducted. Every worker receives a letter in Lithuanian setting out each journey, the amount and how it was calculated, and can raise questions in Lithuanian, Russian, Norwegian or English without any consequence for their work.

Next Steps

The agency is now invoicing these journeys to us instead of deducting them from workers' pay. We have finalized an addendum to our contract with the agency that sets this out, together with the rule that any other deduction must be agreed in the worker's contract in advance and shown on the pay slip by type. We have also overseen the signing of contracts between the agency and the workers that set out rules regarding covered travel in detail. Our updated contracts with the agency require a monthly report of agency-booked travel and a justification for travel charged to the employee rather than invoiced to us (for, example, regarding personal travel).

The checks described in our June report stay in place: quarterly interviews with agency workers, and reviews of agency invoices and pay slips. Our processing sites are due for their next SMETA audits from October 2026. Our 2026 Transparency Act report, due by 30 June 2027, will report their results and the final position on payments to former workers, including how many we reached and paid.

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Approval

This addendum has been reviewed and approved by the Board of Directors and the CEO of Hofseth International AS on 30 October 2026.

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