

Remuneration report



According to the Public Limited Companies Act § 6-16b, the Board of Directors shall prepare a report on remuneration to the CEO, other senior executives and employees who are members of the board. The report shall account for the executive remuneration policy and guidelines in the company which were approved by the Annual General Meeting in May 2021. The first remuneration report was approved by the Annual General Meeting on 23 June 2022.

Introduction - highlights

2022 was a year where focus was on organic growth, expanding the organisation by more than 30 percent and with the ambition to secure a M&A deal. The ArcticZymes Technologies group had sales revenues of NOK 137.0 million in 2022, compared to NOK 128.0 million in 2021. Net profit after tax for the Group was NOK 32.9 million compared to NOK 46.4 million in 2021

Volker Wedershoven resigned as a director of the board, chairman of the Audit Committee and as a member of the Remuneration Committee in November 2022.

In 2022, focus and ambition of the Company were towards the following performance targets: Sales/ EBITDA, M&A deal announced, the release of 5 innovation products, 3 upscaling projects, ESG report released, ERP system implemented and the release of 3 prototypes. Two targets were fully completed whereas the other targets were only partially met. Bonus compensations were aligned to these targets with the result of a 25% variable compensation.

An option program was approved by the Annual General Meeting in May 2021. At any time, the number of allocated options is limited to 4 % of the outstanding shares. 500,000 options were awarded to senior executives in December 2021 under this program. No options were awarded in 2022.

Total remuneration of Board of Directors and senior executives:

Name, position	Year	1. Fixed Board remuneration	2. Remuneration for committee meetings	3. Extraordinary items	4. Total remuneration
Dr. Marie Roskrow, Chairman	2021	395 000	75 000		470 000
	2022	425 000	75 000		500 000
Jane Theaker, Director	2021	135 000	30 000		165 000
	2022	225 000	55 000	320 000	600 000
Bernd Striberny, Employee Director	2021				
	2022	56 250			56 250
Marit Sjo Lorentzen, former Emp. Director	2021	97 500	10 000		107 500
	2022	45 000			45 000
Volker Wedershoven, former Director	2021	195 000	75 000		270 000
	2022	180 000	60 000	185 000	425 000

Senior executive remuneration in 2022 and 2021:

Name, position	Year	1 Fixed Remuneration			2. Variable remuneration
		Salary paid	Board fees	Fringe benefits	One-year variable (earned, not paid)
Jethro Holter, CEO	2021	1 891 713		11 772	752 000
	2022	2 072 570		10 517	210 000
Børge Sørvoll, CFO	2021	1 451 493		11 772	362 250
	2022	1 538 187		10 543	95 091
Darren Ellis, CSO	2022	116 667			-
Olav Lanes, VP R&D and applications	2021	1 072 061		10 298	130 410
	2022	1 128 536		11 370	42 628
Dirk Hahneiser, VP BD and marketing	2022	735 428		25 584	60 060
Marit S. Lorentzen, VP Operations	2021	1 001 306	107 500	10 298	152 145
	2022	1 074 109	45 000	13 686	42 628

Explanatory notes:

- CEO, Jethro Holter's compensation package was changed by 5% per 1. October 2022, to MNOK 2,1 (from MNOK 2,0) in fixed salary. He is entitled to 10% performance related pay.
- CFO, Børge Sørvoll received a 5% increase in fixed salary on 1. July 2022. He is entitled to 6.25% in performance related pay
- VP Operations, Marit S. Lorentzen was promoted in 2022 with salary increase and a 5% general increase. She is entitled to 3,75% performance related pay.
- VP R&D and Application, Olav Lanes received a 4.6% salary increase in 2022. He is entitled to 3,75% performance related pay.
- CSO, Darren Ellis started in his position 1. December 2022. He served as a part-time consultant prior to this. He received NOK 50.000 in sign-on bonus.
- VP Business Development and Marketing, Dirk Hahneiser started in his position on 1. July 2022 and was only entitled to 50% of possible annual compensation.
- Board member, Jane Theaker, was awarded a reward of NOK 500.000 after AGM in 2022. The remuneration less taxes should be used to purchase shares in AZT. NOK 320.000 was paid to Jane in 2022.

- Former board member, Volker Wedershoven received NOK 185.000 in closing remuneration related board and committee work.
- Fringe benefits consist of taxable portion of insurance and electronic communication.
- The board is reimbursed for travel expenses.

Share-Option based remuneration

In 2018, the Board introduced an LTI scheme for the Chief Executive Officer and other senior executives. 200.000 "right to receive options" were awarded to CEO Jethro Holter, CFO Børge Sørvoll and former CSO Rolf Engstad, respectively. The right to receive options had the following performance conditions.

Potential awarded options	Option exercise price	Options earned at share price
40,000	NOK 8.00 per share	NOK 11.00 per share
40,000	NOK 8.00 per share	NOK 14.00 per share
40,000	NOK 8.00 per share	NOK 17.00 per share
40,000	NOK 8.00 per share	NOK 20.00 per share
40,000	NOK 8.00 per share	NOK 23.00 per share

3. Extraordinary items	4. Pension expenses	5. Total remuneration	6. Proportion of fixed and variable remuneration	
			% Fixed	% Variable
	83 319	2 738 804	73%	27%
	105 954	2 399 041	91%	9%
	91 215	1 916 730	81%	19%
	105 954	1 749 775	95%	5%
50 000		166 667	100%	0%
	70 821	1 283 590	90%	10%
	94 160	1 276 694	97%	3%
	15 600	836 672	93%	7%
	64 635	1 335 884	89%	11%
	86 534	1 261 957	97%	3%

The right to receive options had a vesting period from 31.12.2018 to 31.05.2021 and an exercise period from 31.05.2021 to 31.12.2022. CEO, Jethro Holter exercised all of his options in December 2021, whereas Rolf Engstad exercised his options in October 2022. CFO, Børge Sørvoll's expiry on "2018 options" was extended by the Board of Directors from 31.12.2022 to 30.06.2023.

A share option program was introduced at the Annual General Meeting in 2021 where the Board proposed to introduce an annual LTI scheme to cover new allocations for the senior executive group, as well as for other key positions in the Company. Granted share options shall have a waiting period (no vesting) of 12 months and 36 months vesting period, with 1/36 vested every month. Following the 36-month vesting period, there will be a 12-month exercise period. The exercise price for any new options awarded will be set at the market price of the share at the time of award. At any time, the number of allocated options is limited to 4% of the outstanding shares.

500.000 options under this scheme were granted on 17.12.2021 to senior executives. In case of termination of employment, all vested options not in the exercise period will lapse without compensation. Options in the exercise period shall be exercised as soon as possible after termination.

The Chairman of the Board, Marie Roskrow, former board member Volker Wederhoven and Marit Sjo Lorentzen were awarded 315,000 options at the Annual General Meeting in 2020. These options had a 3-year vesting period from 2020-2023, with an exercise period from 14.05.2023 to 14.05.2025. Former board member Volker Wederhoven received an accelerated vesting when he left the board. His exercise period started in November 2022 and runs through the Annual General Meeting in 2025.

Senior executive and Board of Directors long-term incentives:

Name, position	1. Specification of plan	Main conditions of plan				
		2. Performance period	3. Award date	4. Vesting date	5. End of holding period	6. Exercise period
Jethro Holter, CEO	2021 LTI Award	17.12.2021-30.11.2026	17/12/2021	17.12.2022-16.12.2025	30/11/2026	17.12.2025-30.11.2026
Børge Sørvoll, CFO	2018 LTI Award	31.12.2018-31.12.2022	31/12/2018	31/05/2021	31/12/2022	31.05.2021 - 31.12.2022
	2021 LTI Award	17.12.2021-30.11.2026	17/12/2021	17.12.2022-16.12.2025	30/11/2026	17.12.2025-30.11.2026
Olav Lanes, VP R&D and Applications	2021 LTI Award	17.12.2021-30.11.2026	17/12/2021	17.12.2022-16.12.2025	16/12/2025	17.12.2025-30.11.2026
Marit S. Lorentzen, VP Operations	2021 LTI Award	17.12.2021-30.11.2026	17/12/2021	17.12.2022-16.12.2025	16/12/2025	17.12.2025-30.11.2026
	2020 Board award	14.05.2020-14.05.2025	14/05/2020	25/05/2022	14/05/2025	14.05.2023-14.05.2025
Marie Roskrow, Chairman of the board	2020 Board award	14.05.2020-14.05.2025	14/05/2020	25/05/2022	14/05/2025	14.05.2023-14.05.2025
Volker Wedershoven, former Director	2020 Board award	14.05.2020-14.05.2025	14/05/2020	25/05/2022	14/05/2025	14.05.2023-14.05.2025

Information on how the remuneration complies with the remuneration guideline and how performance criteria were applied

The Remuneration Guidelines, which were approved by the Annual General Meeting on 20.05.2021, have served as a framework for all remuneration procedures during the financial year 2022 and the performance criteria decided.

The performance and target driven approach for the management as laid out in the Remuneration Guidelines is aligned with the strategic ambition for the Company. The ambitions for 2022 were extensive and most targets were partially met. The Board still believes that goals set will increase shareholder value and a sound financial standing of the Company in the coming years.

One member of the board of directors has been nominated for all employees of the group to file complaints against fair treatment according to Remuneration Guidelines. The Group will present its first mandatory equality report (ARP) for 2022 in the first half of 2023, where management and employees review equality principles and pay in the Group.

The remuneration committee reviews the remuneration of the executive management from time to time and supplies recommendations to the Board of Directors. The Committee's recommendation for the remuneration of the management is based on individual interviews with the management, the experience and competence of the persons and their position in the Company, as well as a comparison of the geographical and marketplace specifics.

7. Strike price of the share	Information regarding the reported financial year					
	Opening balance	During the year		Closing balance		
	8 Share options held at the beginning of the year	9. Share options awarded	10. Share options vested	11. Share options subject to performance condition	12. Share options awarded and unvested	13. Share options subject to holding period
89,52	170 000			170 000		
8,00	200 000					200 000
89,52	130 000			130 000		
89,52	100 000			100 000		
89,52	100 000			100 000		
10,19	15 000		15 000			15 000
10,19	200 000		200 000			200 000
10,19	100 000		100 000			100 000
Total	1 015 000	0	315 000	500 000	0	515 000

Senior executives targets and performance in 2022:

Name, position	1. Performance criteria	2. Relative weighting of performance criteria	3. Information on performance targets
			Minimum target/ corresponding award
Jethro Holter, CEO	Group EBITDA and Sales	35%	Plan achievement 65 and 155 MNOK/ NA
	ESG report approved	5%	ESG report approved NA
	ERP implemented	15%	New ERP solution implemented NA
	M&A SPA signed	25%	M&A SPA signed NA
	5 products launched	10%	2 products launched NOK 25.200
	3 prototypes launched	10%	1 prototype launched NOK 33.600
Børge Sørvoll, CFO	Group EBITDA and Sales	35%	Plan achievement 65 and 155 MNOK/ NA
	ESG report approved	10%	ESG report approved NA
	ERP implemented	35%	New ERP solution implemented NA
	M&A SPA signed	20%	M&A SPA signed NA
Marit Sjo Lorentzen, VP Operations	Group EBITDA and Sales	25%	Plan achievement 65 and 155 MNOK/ NOK 11.936
	ERP implemented	20%	New ERP solution implemented NA
	M&A SPA signed	10%	M&A SPA signed NA
	3 scale up projects	10%	1 scale up project achieved NOK 5.115
	DMF		DMF progress NA
	Min waste using Tim Woods. Reduce opex 5%	15%	Reduce opex 1% NA
	5 products launched	20%	2 products launched NOK 10.231

	Maximum target/ corresponding award	4. Measured performance/outcome
	Plan achievement 65 and 155 MNOK	Target partially achieved /
	NOK 294.000	NOK 75.6000
	ESG report approved	ESG report approved within deadline/
	NOK 42.000	NOK 33.600
	New ERP solution implemented	Delayed /
	NOK 126.000	NOK 0
	M&A SPA signed	M&A LOI signed within EOY/
	NOK 210.000	NOK 42.000
	5 products launched	3 products launched
	NOK 84.000	NOK 25.200
	3 prototypes launched	3 prototypes launched
	NOK 84.000	NOK 33.600
	Plan achievement 65 and 155 MNOK/	Target partially achieved /
	NOK 133.127	NOK 34.233
	ESG report approved	ESG report approved within deadline/
	NOK 38.036	NOK 34.233
	New ERP solution implemented	New payroll implemented/
	NOK 133.127	NOK 11.411
	M&A SPA signed	M&A LOI signed within EOY/
	NOK 76.073	NOK 15.015
	Plan achievement 65 and 155 MNOK	Target partially achieved /
	NOK 42.628	NOK 11.936
	New ERP solution implemented	Delayed /
	NOK 34.102	NOK 0
	M&A SPA signed	M&A LOI signed within EOY/
	NOK 17.051	NOK 0
	3 scale up proejcts achieved	1 Scale up project achieved/
	NOK 17.051	NOK 5.115
	DMF progress	DMF progress acceptable/
	NA	NOK 11.936
	Reduce opex 5%	Delayed /
	NOK 25.577	NOK 3.410
	5 products launched	3 products launched
	NOK 34.102	NOK 10.231

Name, position	1. Performance criteria	2. Relative weighting of performance criteria	3. Information on performance targets
			Minimum target/ corresponding award
Olav Lanes, VP R&D and applications	Group EBITDA and Sales	25%	Plan achievement 65 and 155 MNOK/ NOK 11.936
	ERP implemented	10%	New ERP solution implemented NA
	M&A SPA signed	10%	M&A SPA signed NA
	3 scale up projects	10%	1 scale up project achieved NOK 5.115
	3 prototypes launched	20%	1 prototype launched NOK 13.641
	5 products launched	25%	2 products launched NOK 11.936
Dirk Hahneiser, VP Business Development and Marketing	Group Sales	80%	Plan achievement 155 MNOK NA
	Marketing targets	20%	Marketing strategy NA

Derogations and deviations from the remuneration guidelines and from the procedure for its implementation

The Board of Directors deviated from the remuneration guidelines in reference to chapter 3.3 Variable Remunerations point (a). The guidelines include a variable payment for the CEO of 33%. The Board of Directors decided in 2021 to raise the performance-related payment of the CEO to 40% to further increase motivation to achieve the performance targets. There were no deviations from guidelines in 2022.

	Maximum target/ corresponding award	4. Measured performance/outcome
	Plan achievement 65 and 155 MNOK	Target partially achieved /
	NOK 42.628	NOK 11.936
	New ERP solution implemented	Delayed /
	NOK 17.051	NOK 0
	M&A SPA signed	M&A LOI signed within EOY/
	NOK 17.051	NOK 0
	3 scale up proejcts achieved	1 Scale up project achieved/
	NOK 17.051	NOK 5.115
	3 prototypes launched	3 prototypes launched
	NOK 34.102	NOK 13.641
	5 products launched	3 products launched
	NOK 42.628	NOK 11.936
	Plan achievement 155 MNOK	Taraget not met/ MNOK 137 achieved
	NOK 300.300	NOK 0
	Marketing strategy	Target achieved
	NOK 60.060	NOK 60.060

Comparative information on change of remuneration in the company:

Annual change	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	Total remuneration 2022 (TNOK)
Jethro Holter, CEO	3%	13%	36%	19%	-12%	2 399
Børge Sørvoll, CFO	6%	9%	20%	8%	-9%	1 750
Darren Ellis, CSO					NA	
Dirk Hahneiser, VP BD and Marketing					NA	
Marit Sjo Lorentzen, VP Operations	2%	3%	30%	17%	-6%	1 262
Olav Lanes, VP R&D and applications	2%	3%	9%	18%	-1%	1 277
Company performance	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022
Revenues (TNOK)	0%	-32%	107%	37%	7%	136 997
EBITDA (TNOK)	62%	124%	2024%	36%	-33%	41 495
Net profit (TNOK)	43%	96%	13355%	-39%	-29%	32 860
Average remuneration on a FTE basis of employees	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022
Employees in the Group	-2%	-11%	15%	33%	38%	52,2
Average salary change ex management (TNOK)	18%	-2%	5%	-2%	-1%	767

Explanatory notes:

- Revenues, EBITDA and Net Profit from 2017 to 2018 includes the divested subsidiary Biotec Betaglacans AS. For ArcticZymes as a standalone company, please look at comparisons from 2019 vs 2020 and onwards
- Historic changes in employees and salaries are based on employees in ArcticZymes Technologies ASA and ArcticZymes AS.
- Darren Ellis was hired as a CSO in December 2022, hence there is no comparison data.
- There is a general reduction in salary for senior management from 2021 to 2022 due to less performance related targets met.
- Revenues grew by 7% in 2022 whereas EBITDA was reduced by 33%. The main reduction in profitability is investments in personnel where the organisation grew from 38 FTE's in 2021 to 52 FTE's in 2022

Adaptations of guidelines and report approved by the Annual General Meeting in May 2021 and June 2022, respectively

At the Annual General Meeting on 20.05.2021, 99.8% of represented shareholders voted for the Remuneration guidelines and 89.5% voted for the binding guidelines with regards to equity instruments.

At the Annual General Meeting on 23.06.2022, 71.2% of represented shareholders voted for the Remuneration report.

The Board has not initiated any specific actions based on the votes from the Annual General Meeting in 2022. The Board of Directors will consider further actions based on the vote at the Annual General Meeting in 2023.