

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 and account for the executive remuneration policy and guidelines in the company which were approved by the Annual General Meeting in May 2021

Introduction - highlights

2021 was a defining year for ArcticZymes demonstrating its ability to operate as a profitable and high-growth, standalone enzyme company. The ArcticZymes Technologies group had sales revenues of NOK 128.0 million in 2021, compared to NOK 93.4 million in 2020. Net profit after tax for the Group was NOK 46.4 million compared to NOK 84.9 million in 2020. Net profit in 2020 included the extraordinary income from divesting the BBG business.

Jane Theaker joined as a director on the board and as a member of the remuneration committee in May 2021.

In 2021, focus and ambition of the company were towards five performance targets: EBITDA, complete transition of BetaGlucans following divestment, establishment of new production facilities for ArcticZymes, the release of five innovation products, and completion of upscaling the SAN HQ enzyme within Q1 2021. All targets were fully completed during the year except for new product launches which was only partially met. Bonus compensations were aligned to these targets and paid out accordingly.

A new 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.

Furthermore, CEO, Jethro Holter exercised 200,000 options in December 2021 which were related to the earlier option program awarded in 2018.

Total remuneration of Board of Directors and senior executives

Name, position	Year	1. Fixed Board remuneration	2. Remuneration for committee meetings	3. Total remuneration
Dr. Marie Roskrow, Chairman	2021	395 000	75 000	470 000
	2020	350 000	75 000	425 000
Volker Wedershoven, Director	2021	195 000	75 000	270 000
	2020	150 000	70 000	220 000
Jane Theaker, Director	2021	135 000	30 000	165 000
Marit Sjo Lorentzen, Employee Director	2021	97 500	10 000	107 500
	2020	105 000	15 000	120 000

Table 1a: Board remuneration in 2020 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	1 892		12	752
	2020	1 635		11	594
Børge Sørvoll, CFO	2021	1 451		12	362
	2020	1 340		11	350
Olav Lanes, VP R&D and applications	2021	1 072		10	130
	2020	972		11	48
Marit S. Lorentzen, Head of production	2021	1 001	108	10	152
	2020	908	120	13	48

Table 1b: Senior executive remuneration in 2020 and 2021. All remuneration figures are in NOK

Explanatory notes:

- CEO, Jethro Holter's compensation package was changed per 01 October 2021, to NOK 2.0 million (from NOK 1.8 million) in fixed salary and up to 40% (from 33%) in performance related variable pay
- CEO, Jethro Holter exercised 200,000 options in December 2021 with at market value of NOK 16.0 million. This is in addition to total remuneration above.
- CFO, Børge Sørvoll was offered as in 2020 a variable payment of 25% of his fixed salary for 2021
- In 2021 Marit S. Lorentzen and Olav Lanes were offered the first time a variable payment of up to 15% of their fixed salary due to their position and responsibility in the organisation
- Fringe benefits consist of taxable portion of insurance and electronic communication

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

Table 2

3. Extraordinary items	4. Pension expenses	5. Total remuneration	6. Proportion of fixed and variable remuneration	
			% Fixed	% Variable
	83	2 739	73 %	27 %
	69	2 310	74 %	26 %
	91	1 917	81 %	19 %
	70	1 771	80 %	20 %
	71	1 284	90 %	10 %
	52	1 083	96 %	4 %
	65	1 336	89 %	11 %
	48	1 137	96 %	4 %

The right to receive options had a vesting period from 31st December 2018 to 31st May 2021 and an exercise period from 31st May 2021 to 31st December 2022. CEO, Jethro Holter exercised all of his options in December 2021.

A new 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 will 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 11,5-months 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 17th December 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.

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	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
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, Head of production	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, 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
Rolf Engstad, former employee	2018 LTI Award	31.12.2018 -31.12.2022	31.12.2018	31.05.2021	31.12.2022	31.05.2021 - 31.12.2022

Table 3: Senior executive and Board of Directors long-term incentives

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 20th May 2021, have served as a framework for all remuneration procedures during the second half of the year 2021 and for future performance criteria.

The performance and target driven approach for

the management as laid out in the remuneration guidelines have proven successful. The Company achieved the majority of the short-term and long-term targets in 2021 which resulted in an increase of shareholder value and a sound financial standing of the Company.

The board of directors is following strictly AZT guidelines 1 (c) a gender pay equity objective for the executive management. The remuneration of the

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
8,00	200 000		200 000			
89,52		170 000			170 000	
8,00	200 000		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		
10,19	200 000			200 000		
10,19	100 000			100 000		
8,00	200 000		200 000			200 000
Total	915 000	500 000	600 000	315 000	500 000	400 000

members of the board of directors is the following the same objectives which is reviewed from time to time by the nomination committee and documented in the annual recommendations by the nomination committee.

The board of directors has advised the executive management to follow the same objectives for all employees of the group. One member of the board of directors has been nominated for all employees of the group to file complaints against fair treatment according to the guidelines.

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 market place specifics.

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	70 %	Plan achievement 58 MNOK
			NOK 560.000
	Finalise BBG transition	5 %	TSA finalised
			NOK 40.000
	AZ expansion project	5 %	New production premises operational
NOK 40.000			
Scale up project	5 %	SAN scale up completed and released	
		NOK 40.000	
Innovation launches	15 %	3 products launched	
		NOK 80.000	
Børge Sørvoll, CFO	Group EBITDA	70 %	Plan achievement 58 MNOK
			NOK 253.575
	Scale up project	15 %	TSA finalised
NOK 54.338			
AZ expansion project	15 %	New production premises operational	
		NOK 54.338	
Marit Sjo Lorentzen, Director of Operations	Group EBITDA	40 %	Plan achievement 58 MNOK
			NOK 60.858
	Scale up project	10 %	SAN scale up completed and released
NOK 15.215			
AZ expansion project	50 %	New production premises operational	
		NOK 76.073	
Olav Lanes, VP R&D and applications	Group EBITDA	40 %	Plan achievement 58 MNOK
			NOK 65.205
	Scale up project	10 %	SAN scale up completed and released
NOK 16.301			
Innovation launches	50 %	3 products launched	
		NOK 48.903	

Table 4: Senior executives targets and performance in 2021

	Maximum target/ corresponding award	4. Measured performance/outcome
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 560.000
	TSA finalised	TSA completed within deadline
	NA	NOK 40.000
	New production premises operational	Premises operational
	NA	NOK 40.000
	SAN scale up completed and released	Scale up completed and released within deadlines
	NA	NOK 40.000
	5 products launched	3 products launched
	NOK 120.000	NOK 80.000
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 253.575
	TSA finalised	TSA completed within deadline
	NA	NOK 54.338
	New production premises operational	Premises operational
	NA	NOK 54.338
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 60.858
	SAN scale up completed and released	Scale up completed and released within deadlines
	NA	NOK 15.215
	New production premises operational	Premises operational
	NA	NOK 76.073
	Plan achievement 58 MNOK	Target achieved
	NA	NOK 65.205
	SAN scale up completed and released	Scale up completed and released within deadlines
	NA	NOK 16.301
	5 products launched	3 products launched
	NOK 81.506	NOK 48.903

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 to raise the performance-related payment of the CEO to 40% to further increase motivation to achieve the performance targets

Comparative information on change of remuneration in the company

Annual change	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	Total remuneration 2021 (TNOK)
Jethro Holter, CEO	-7 %	3 %	13 %	36 %	19 %	2 739
Børge Sørvoll, CFO	-8 %	6 %	9 %	20 %	8 %	1 917
Marit Sjø Lorentzen, Director of Operations	12 %	2 %	3 %	30 %	17 %	1 336
Olav Lanes, VP R&D and application	3 %	2 %	3 %	9 %	18 %	1 284
Company performance	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2021
Revenues (TNOK)	-6 %	0 %	-32 %	107 %	37 %	127 970
EBITDA (TNOK)	-21 %	62 %	124 %	2024 %	36 %	61 623
Net profit (TNOK)	-22 %	43 %	96 %	13355 %	-38 %	46 521
Average remuneration on a FTE basis of employees	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2021
Employees in the Group	7 %	-2 %	-11 %	15 %	33 %	38
Average salary change ex management (TNOK)	-10 %	18 %	-2 %	5 %	-2 %	774

Table 5: Comparative information

Explanatory notes:

- Revenues, EBITDA and Net Profit from 2016 to 2018 includes the divested subsidiary Biotec Betaglacans AS. For ArcticZymes Technologies 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.

Adaptations of guidelines approved by the Annual General Meeting in May 2021

At the Annual General Meeting on 20th May 2021, 99.8% of represented shareholders voted for the Remuneration guidelines and 89.5% voted for the binding guidelines with regards to equity instruments.

The Board has not initiated any specific actions based on the advisory votes from the Annual General Meeting as 2021 is the first year where the company will present a remuneration report. The Board of Directors, will consider further actions based on the vote at the Annual General Meeting in 2022

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