

Sustainability, ESG report 2021



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Sustainability, ESG report

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CEO Letter

Hofseth BioCare provides innovative and sustainable solutions with unprecedented clinical effectiveness to the nutraceutical market. Meeting demand for maximum nutritional performance, with minimal environmental impact. Through our trailblazing technologies, sympathetic scientific methods, and zero-waste approach, we are carving a different path in the field of nutrition. One that unlocks 'whole fish' potential of Norwegian Atlantic salmon in the most natural, pure, and sustainable way.

2021 has been a year of positive transition for HBC despite ongoing disruption to innovation and new project developments resulting from the pandemic. As restrictions eased, we expect a sharp pick up in activity as firms all over the world get back to the office and into the labs to work on new formulations involving our ingredients. In the meantime, HBC has now put in all the foundational groundwork following the distribution agreements with IMCD and DKSH, signed at the end of 2020. We are now developing new concepts for the use of OmeGo, ProGo and CalGo as ingredients in over 25 countries globally, spanning Europe, Asia, and the US.

What the pandemic has not done is slow down our progress in finding new health leads to potentially take the company beyond just a pure ingredients producer. Led by our CSO, Bomi Framroze, this discovery work has identified (1) a lipopeptide compound uniquely found in OmeGo® that targets type 2 / allergic inflammation, (2) a set of structurally related peptides that help the body correct iron deficiency anemia and (3) a peptide group that reduces GI inflammation and enhances GI barrier function. All our GI discovery drug lead work is in collaboration with a world leading research centre, Stanford School of Medicine.

HBC continues work to optimise the bioactivity of these potential therapeutic agents and maximise IP protection. In-

deed in 2021, two ground-breaking patents were made public. The first protecting the use of using our salmon protein hydrolysate as a medicament, preferably for the prophylaxis or treatment of oxidative damage of the gastro-intestinal. The second, is focused on protecting the use of a lipopeptide uniquely found in OmeGo, as a possible treatment for respiratory inflammatory conditions caused by an overactive eosinophil effector function. Such conditions include asthma and by inflammation caused by a viral respiratory disease, a severe acute respiratory disease or coronavirus.

HBC's commercial infrastructure has been significantly strengthened with several high profile and experienced hires to develop and grow the ingredients and finished products segments of the business. Furthermore, we have been joined by some notable regulatory advisors that had been historically missing from the team and are now helping us take very significant steps towards building a brand and taking product to market. Indeed, we now have over 48 health claims we can use from EFSA, the FDA and Health Canada.

The result of the new team has enabled us to win a prestigious award for "most innovative Human Medical Nutrition Ingredients Producer for 2021" and "most sustainable Biotech company" in early 2022. On this note I am excited to present our 2021 sustainability report and hope it will make for interesting reading.



Roger Hofseth, Hofseth BioCare CEO

About

This report

For information about this report and its content, please contact Tollak Mikal Kaldheim, Head of Sustainability at Hofseth BioCare ASA.

This report is prepared for Hofseth BioCare ASA in accordance with GRI Standards Core version. For GRI matrix, visit Hofseth BioCare's homepage or the GRI Database.

The Hofseth BioCare sustainability report has been reviewed and approved by the Board of Directors.

The claims and data in this report has not been audited by a third party.

Hofseth BioCare

Hofseth BioCare is a Norwegian biomarine company with roots back to year 2000. Our proprietary technology is based upon a new method for fully controlled residual raw material refinement up to high-end products. After 12 years of R&D, testing and documentation, the company's proprietary enzymatic hydrolysis process converts residual raw material to sustainable value-added products. Hofseth BioCare's products are sustainable and traceable.

There is a growing demand for proteins in the world and providing sustainable high-quality products to the market is the main goal for Hofseth BioCare. The company's key objective is to provide high value added biomarine ingredients for human applications. Through innovative production technology and logistics, we preserve the quality of protein, calcium and oil extracted from fish, and this technology is proprietary to our company. Raw materials that previously could only be used for animal feed can now be made suitable for human consumption and pharmaceuticals, and we are thus contributing to efficient use of marine resources.

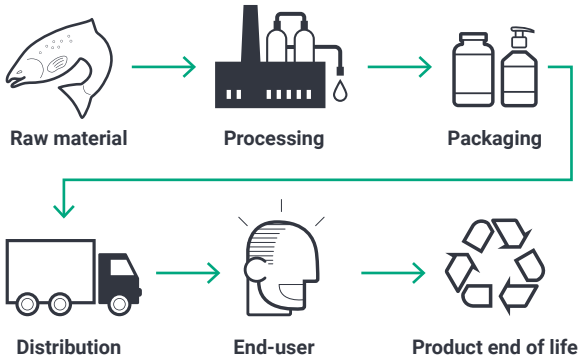


Figure 1: Hofseth BioCare's supply chain

REVENUE 2021

MNOK 87.6

PROFIT (EBIT)

MNOK -118.6

EQUITY RATIO

33.8 %

Locations and employees

Hofseth BioCare had 63 employees in 2021 distributed across multiple locations.
Midsund: 38 Berkåk: 9 Ålesund: 15 Oslo: 1

Economic impact and tax information

In addition to creating value for our shareholders, our goal is to have a positive economic impact on the area in which we operate, both directly and indirectly. We use Norwegian raw material, strive to employ local labour, and contribute to local value creation by purchasing goods and services and by paying taxes.

Payroll and social security expenses

See annual report

Procurement of goods and services

See annual report

Tax

See annual report



TICKER HBC



Hofseth BioCare is an ASA company listed on the Oslo Stock Exchange.

Hofseth BioCare's approach to sustainability

This report covers sustainability topics that are of importance to Hofseth BioCare and the company's stakeholders. Hofseth BioCare's approach to sustainability reporting is based on the materiality assessment undertaken in January and February 2020. Hofseth BioCare shall comply with applicable laws and regulations, respect human rights and act in a socially responsible manner.

Corporate governance

Hofseth BioCare's business activities and internal operations are conducted with a high level of integrity and with a clear ambition to be a responsible company acting ethically and lawfully in all aspects of our value chain. Hofseth BioCare's corporate governance structure shall ensure a systematic approach to our corporate social responsibility.

Management Approach

Hofseth BioCare's general system for governance is linked to the Norwegian Code of Practice for Corporate Governance.

Annual General Meeting (AGM)

The Annual General Meeting (AGM) is Hofseth BioCare's supreme governing body and where shareholders can influence how sustainability is practiced.

The Board of Directors

The Group Board of Directors bears the ultimate responsibility for Hofseth BioCare's sustainability approach and the sustainability report is discussed and approved by the Board.

Corporate Executive Management

Corporate Executive Management bears the responsibility for the Group's strategy, development, and day to day work. This means Corporate Executive Management is responsible for compliance with legislation, regulations, and our Human Resource's Handbook, as well as for the implementation of appropriate and effective initiatives to ensure that we reach our goals.

The sites

The business areas are responsible for follow up and compliance with policy, strategy, targets, and governance documents related to sustainability. The day-to-day work with corporate social and environmental responsibility is usually handled by the sites together with the Chief Quality Officer and with support from the Corporate Executive Management.

Hofseth BioCare's stakeholders

The prioritisation of Hofseth BioCare's stakeholders as well as the stakeholder dialogue was undertaken by an interdisciplinary working group consisting of Hofseth BioCare's employees representing Finance, Operations and Quality Management together with Corporate Communications.



Figure 2: Hofseth BioCare's stakeholder groups

Owners

Hofseth BioCare's investors and owners are primary stakeholders and directly affects the company's priorities and strategic direction.

Employees

Hofseth BioCare's employees are directly affected by the company's internal policies and activities.

Suppliers

Hofseth BioCare's suppliers are economically affected by the company and their responsibility is indirectly affected by Hofseth BioCare's focus on responsible practices and the expectations placed on them by the company.

Customers

Hofseth BioCare's customers directly affect the company economically and customer expectations is part of driving Hofseth BioCare's sustainability priorities.

Civil Society

Civil society including governments and regulatory authorities affect Hofseth BioCare and the company's operating conditions directly and indirectly. Local communities are indirectly socially, environmentally, and economically affected by Hofseth BioCare's activities, in terms of job creation, contribution to local value creation and environmental impacts.

Stakeholder group	Expected of HBC	Arena for dialogue
Owners	<ul style="list-style-type: none"> · High rating · Good external perception · See process and progress 	<ul style="list-style-type: none"> · ISS reports · Meetings (board membership) · E-mail
Employees	<ul style="list-style-type: none"> · Following Norwegian laws in terms of worker's rights, human rights and anti-corruption 	<ul style="list-style-type: none"> · Townhall meetings · Courses/training · Written documentation (newsletters, boards, posters etc.)
Suppliers	<ul style="list-style-type: none"> · Following Norwegian laws in terms of worker's rights, human rights and anti-corruption 	<ul style="list-style-type: none"> · Web page · E-mail · Meetings
Customers	<ul style="list-style-type: none"> · High quality · Low waste / responsible operations · Fish welfare, including food and low use of medicines such as antibiotics · Not overpopulate the area · Following Norwegian laws in terms of worker's rights, human rights and anti-corruption · Employment (districts) · Certificates 	<ul style="list-style-type: none"> · Web page · Meetings · Written documentation (brochures, dossiers etc.) · Newsletter · Certificates · Sustainability report
Civil Society	<ul style="list-style-type: none"> · Production and operations in line with regulations · Following Norwegian/European laws 	<ul style="list-style-type: none"> · Written documentation · Meetings (inspections/observation) · Web page

Table 1: Stakeholder groups and arena for dialogue

Stakeholder dialogue

To ensure a strategic approach to sustainability reporting and to adhere to the intent of the GRI Standards Management Approach Hofseth BioCare has together with Corporate Communications undertaken systematic stakeholder dialogue in January and February 2020 and keeps an ongoing dialogue with key stakeholder groups.

For Hofseth BioCare to be in ongoing conversation with its most relevant stakeholders strengthens the company's relationship with the society in which it operates. The stakeholder dialogue also benefits the company by allowing Hofseth BioCare to detect, investigate and manage potential risks arising in its immediate surroundings.

In January and February 2020, Hofseth BioCare and Corporate Communications invited key stakeholders to give their opinion on how they perceive Hofseth BioCare and relevant sustainability topics. This was done through semi structured interviews with owners, employees, suppliers, customers, and civil society. The findings from the stakeholder dialogue were gathered and structured for discussion with Hofseth BioCare's Management Group and used as a basis for the materiality assessment.

The stakeholder dialogue is both a means and an end in itself, as ongoing systematic stakeholder dialogue is a key objective in the Euronext ESG guidelines and GRI Standards. The findings from the stakeholder dialogue guided Hofseth BioCare's priorities in the materiality assessment.

Materiality assessment

The materiality assessment was established in February 2020 and based on the stakeholder dialogue and information gathering. In 2021 the materiality assessment was updated with a higher priority for energy use and climate emissions and adding packaging materials to key environmental topics for the company. The main goal of the materiality assessment is to establish key reporting topics for Hofseth BioCare, reflecting the risks and opportunities associated with Hofseth BioCare's business activities. Furthermore, these topics are included in Hofseth BioCare's sustainability report, describing how the most important topics are included in general risk management and strategy process, and the measures Hofseth BioCare is taking to reduce risks associated with material issues and how these are integrated into operational management and corporate governance.

Based on stakeholder input and priorities and an assessment of the company's business impact, the materiality assessment concluded with the following three material topics for Hofseth BioCare's report to focus on:

- › **Responsible business operations**, including value creation, quality, job creation and anti-corruption.
- › **Environmental and climate impact**, including waste and pollution prevention, energy use and transportation.
- › **Working environment**: including worker's rights, HSE, diversity and non-discrimination.

The results are presented in the below materiality matrix, with topics considered material for Hofseth BioCare in the upper right section.

Importance to stakeholders

Major				Health, safety and environment • Quality • Product • Production process Value creation for owners
Significant		Fish welfare in aquaculture • Antibiotics and GMO • Feed • Lice	Transportation	Anti-corruption Job-creation Midsund Waste and pollution prevention energy use
Moderate		Human rights	Diversity and non-discrimination Job-creation Berkåk	Worker's rights Contribution to local value creation
Low				Emissions to air and water
	Low	Moderate	Significant	Major HBC business impact

Figure 3: Materiality matrix

Reporting on material topics

In the next chapter, each of the suggested overarching sustainability topics and their relevance to Hofseth BioCare are developed in detail. This includes an explanation of why the topic is considered material to the company, the direct and indirect impact on the company and its stakeholders as well as the significance of its business impact on the company and on the assessment and decisions of stakeholders. This chapter includes reporting according to GRI 205 Anti-corruption, GRI 305 Emissions and GRI 403 Occupational Health and Safety.

Responsible business operations

The use of high-quality raw material, upcycled through a technologically advanced process, creating safe and high-quality end-products for human and animal consumption is core to Hofseth BioCare’s value creation. By processing and producing in rural areas of Norway, the company achieves both the goal of preserving the freshness and quality of its raw material while also contributing to job creation and value creation in central and local communities. Hofseth BioCare’s high quality



products and processes are a prerequisite for the company's contribution to value creation for owners and society, and for future growth.

The company relies on access to high quality raw material and refines these raw materials through a safe, secure and quality assured process, creating a healthy, predictable and effective product providing the desired effects for distributors and end-users. The company has direct impact on and is also directly impacted by the competence and quality delivered by its employees, as well as the access to competent labour. The same applies to internal quality and food safety processes, which is controlled by the company, and which also directly impacts the company and its stakeholders.

Hofseth BioCare is directly and indirectly exposed to risks and opportunities in its business relations with other companies in its supply chain, such as delivery risks, product and process risk, as well as the risk of being exposed to potential corruption or unethical business practices. As an integrated part of the Hofseth Group value chain, it is also directly affected by and affects other Hofseth Group companies.

Local value creation

Hofseth BioCare's goal is to positively impact the area in which we operate, both directly and indirectly. The company strive to employ local labor, contribute to local value creation, and maintain an open and honest dialogue with stakeholders.

Our contribution to local job creation in the community which we operate is important to us.

In 2021, 9 of the company's employees were located at our factory in Berkåk, 38 employees were located at the Midsund factory, 15 worked at the headquarter in Ålesund, 1 in Oslo and 6 people worked as contractors for Hofseth Biocare abroad (UK, US and Switzerland). Equally important for the company's economic contribution is to buy goods and services locally to contribute to local value creation and pay taxes to local authorities.

High quality products

Hofseth BioCare's key objective is to provide high value added biomarine ingredients for human and animal applications. Through innovative production technology and logistics, we preserve the quality of protein, calcium and oil extracted from fish, and this technology is proprietary to our company.

Hofseth BioCare's products have no additives and are not subject to any destructive processing techniques. We use a gentle, low temperature, production process which preserves all the best qualities of fresh Norwegian Atlantic salmon.

The company's plants and products are certified for production of food and feed and approved by Norwegian authorities.

Our low oxidation salmon oil has a natural red colour and has shown excellent results when compared to generic fish oil. Our research shows close to 20 indications of nutrition and health benefits from our products, which means that there is tremendous potential to contribute to people's health and wellbeing.

In 2020, Hofseth BioCare has initiated clinical trials to assess whether fat-soluble components in our salmon oil can help save lives among Covid-19 patients with breathing difficulties. We have also received approval from Health Canada for Qualified Health Claims for our Salmon Protein Hydrolysate, which means that we now have support in saying that the bioactive peptides in our products have positive effects on anemia and iron deficiency.

Business ethics and corruption prevention

How Hofseth BioCare achieves its results is important. In all our actions, we focus on activities that reflect an ethical and honest behaviour.

Our ethical guidelines are set out in the Human Resources Handbook, as well as the company's Code of Conduct, both of which were reviewed in 2020. Our ethical guidelines are also mentioned in our contracts with customers and suppliers, which are expected to operate within a risk-based governance and compliance framework at all times, as well as complying with regulations, codes, governmental orders or other requirements or rules of law. Risk assessments are typically conducted when entering into business arrangements in a new country with a heightened risk of corruption.

Hofseth BioCare has a zero tolerance for any form of corruption, which is also clearly stated in the company's anti-corruption policy, Code of Conduct and Human Resources Handbook, and employees are required to familiarize themselves with these document's content and guidelines. In order to minimize risks, there are thresholds for approvals and roles in the company's internal systems.

Our anti-corruption policy is also outlined in all of our contracts and communicated to customers, distributors, partners and owners, and all new business partners are required to sign contracts where our anti-corruption policies are stated. The Code of conduct is publicly available through our website.

All employees are responsible for understanding and identifying possible conflicts of interest and have been informed about their responsibility in such cases. Employees are to resolve and report such cases by themselves and when unsure, consult our legal experts. Both the Board of Directors and the Management Group have undergone anti-corruption training, new employees undergo anti-corruption training upon hiring, and all employees undergo such training annually.

In 2021, we started business in the U.S. and Switzerland, both of which are countries with a medium to low corruption risk score in the Corruption Perception Index by Transparency International.

The company has introduced measures to ensure that all employees are up to date on guidelines concerning ethics and anti-corruption, as well as making sure that ethics and anti-corruption training was documented as part of the onboarding process. The Covid-19 pandemic has significantly restricted our in-person meetings in 2020 and 2021, but we are continuously developing and optimising alternative ways to conduct such training. All employees in Norway have confirmed that they have read and understood the anti-corruption guidelines.

At the moment, Hofseth BioCare does not participate in any collaborative partnerships concerning anti-corruption, but the company is continuously monitoring changes in regulations in this area. In 2019, Hofseth BioCare internally reviewed its Financial Department for corruption risks and prevention and the company is continuously evaluating the Management Group and employees that are in contact with distributors and in charge of contracts.

Hofseth BioCare regularly sponsor and donate gifts to local and voluntary organisations, including local sports clubs and

charitable organisation such as Prostatakreftforeningen. In 2021, such gifts and donations amounted to NOK 1 537 750, and the largest donation (NOK 900,000) was made out to VM Oslo 2021 AS. In terms of gift giving or receiving, employees can find information on how to act if offered gifts by customers or our collaborative partners in the Human Resources Handbook to which all employees have been onboarded.

All conditions, which give raise to ethical issues or matters that could involve a breach of law and which may cause legal liability, loss of value or reputation for Hofseth BioCare should be reported to the relevant leader. Examples of concerns related to Hofseth BioCare's business practices that may be reported include allegations such as:

- › Violations of Hofseth BioCare's Human Resources Handbook, Code of Conduct or anti-corruption policy
- › Violation of corruption laws
- › Conflicts of interest
- › Health and safety breaches

In 2020, the company established an external and anonymous whistleblowing channel through Adviso: varslinghbc@adviso.no.

There were no identified incidents of corruption in 2021.



The following goals were set for responsible business operations in 2021:

Goal	Comment	Status
Make sure that all current employees are up to date on guidelines concerning ethics and anti-corruption.	All employees has received and read the anti-corruption guidelines. The guidelines has been translated to English for worker's in offices outside Norway.	Completed
Document ethics and anti-corruption training for all employees.	The ethics and anti-corruption guidelines has been added to the Onboarding Checklist & First Week Schedule for all new employees.	Completed

Hofseth BioCare has set the following goals for responsible business operations in 2022:

Goal	Comment	Status
Document ethics and anti-corruption training for all employees.	Establish documentation of anti-corruption training. KPI: number of training hours pr employee per year.	Started
Hire Sustainability manager to further professionalise and follow-up on the company's sustainability work.	Establish documentation of anti-corruption training. KPI: number of training hours pr employee per year.	Started



Environment and climate impact

As a manufacturing business, Hofseth BioCare's production has both direct and indirect environmental impact. Hofseth BioCare's business operations has direct environmental impact in the form of water use, emissions to air and water, as well as waste generation and impact from packaging materials.

The use of process water leads to wastewater emissions which needs to be accounted for and kept within the limits approved by the county governor. Hofseth BioCare's direct emissions to air is through steam generation, which was previously a cause of concern due to smell pollution. Today, Midsund uses a seawater scrubber and an acid scrubber, while Berkåk uses an acid scrubber to ensure minimal negative impact on local communities near Hofseth BioCare's sites, but air emissions still need to be accounted for and reported to the Environmental Authorities. The company has not received any

complaints concerning smell pollution after scrubbers were installed.

In 2021 the company started assessing potential substitutions for plastic packaging material. We are currently testing the use of cardboard packaging to see if this can replace plastic in the future.

This year, a digital dashboard was introduced to monitor the energy use and emissions from the company, to make sure potential for improvements are identified and implemented in the day-to-day management for each site. The dashboard is part of our overall sustainability management system.



	Midsund		Berkåk	
	2021	2020	2021	2020
Energy use (MWh)	5,478 MWh*	5,008 MWh	3,589 MWh*	4,202.4 MWh
Diesel (t)	545 tonnes	499 tonnes	0	0
Fish oil used as fuel (t)	51 tonnes	108 tonnes	0	0
Water use	60,407 m ³	92,589 m ³	3,836 m ³	5,791 m ³
Emissions to water (m ³)	60,338 m ³	51,831 m ³ /year	0	0
Waste (t)	668.8 tonnes	403.9 tonnes	10.4 tonnes	23.7 tonnes

Table 2: Environmental impacts. *) In 2021 the company purchased guarantees of origin for electricity use at both factories, securing 100% renewable energy

As an energy intensive business, the company also generates direct and indirect emissions from energy use in operations, direct emissions from the installation of boilers onsite as well and indirect emissions from purchased electricity. Hofseth BioCare also generates indirect environmental and climate impacts through its supply chain and business activities, the

main sources assumed to be transportation, employee business travel, purchased goods and services. The company has seen a large reduction in employee business travel in 2020 and 2021 as a result of the Covid-19 pandemic, which in turn has lowered the company's indirect emissions.

Location	Tonnes CO ₂ -equivalents					
	Scope 1		Scope 2 location based		Sum	
	2021	2020	2021	2020	2021	2020
Midsund	1,810	1,619	0	37.9	1,810	1,657.5
Berkåk	0.0	0.0	0	52.5	0	52.5
Group total	1,810	1,619	0	90.4	1,810	1,710.0

Table 3: GHG emissions per location in CO₂-equivalents

In addition to the need to minimise negative environmental and climate impacts from Hofseth BioCare's business operations, the company can be said to have a positive impact through avoided emissions and the use of products that would otherwise be considered waste. By using off-cuts from aquaculture, waste is minimised, and the company contributes to upcycling and efficient use of resources. In 2021 the company disposed of 44.94 tonnes of waste and minimising waste will be a priority area for the company going forward.

Direct emissions from onsite combustion, mainly of diesel in the Midsund factory, is the company's main source of GHG emissions. Due to insufficient power supply from the electricity grid to the island of Midsund, a diesel generated steam boiler is used for power supply today. The company has made LPG available at the Midsund factory, but the diesel burner has yet to be switched to an LPG and salmon oil burner, and when this is done, the diesel tank will be removed. Indirect emissions from purchased electricity is the second largest source of GHG emissions.

Hofseth BioCare is also taking steps to avoid unnecessary GHG emissions by using process heating inside factories and focusing on heat and energy recovery. To improve energy efficiency, Hofseth BioCare has installed an economiser in the Midsund factory. The economiser uses excess heat recovered from flue gases to supply the factory's hydronic heating system with energy. In addition to the economiser, the company

installed heat recovery systems on both the spray dryer line and the ventilation system. According to an energy consumption calculation conducted by Itek AS, the power saved due to these measures is estimated to be 1.5 million kWh per year.

Hofseth BioCare's long term goal is to become climate neutral, and the company will continue to work systematically to reduce energy consumption and GHG emissions, focusing especially on energy consumption, effective communication and transportation. The company has purchased guarantees of origin for its electricity use in 2021, but due to high energy prices this practice will not be continued for 2022.

Hofseth BioCare's CO2 emissions have been calculated in accordance with the «Greenhouse Gas Protocol» published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI). The above data on greenhouse gas emissions includes the following sources of CO2 emissions:

- › **Scope 1** emissions from fuel combustion onsite and onsite generation of electricity, heat, or steam. All emission factors for Scope 1 emissions are from DEFRA 2018.
- › **Scope 2** indirect emissions from electricity purchased: emissions from the consumption of electricity purchased. CO2 emission factors used for electricity are location based and calculated using IEA emission factors.



The following goals were set for environment and climate impact in 2021:

Goal	Comment	Status
Further minimise waste and look at alternative ways of disposing waste, including process waste (grakse).	The company is looking into alternative ways of reducing and disposing waste. The company has identified packaging as another key area to reduce waste.	Started
Consider offsetting or purchasing guarantees of origin to lower GHG emissions.	The company has started exploring alternatives to reduce GHG emissions.	Completed
Switch from diesel supply to LPG for peak power generation at Midsund.	LPG is made available at the Midsund factory, but the diesel burner has yet to be switched to an LPG and salmon oil burner. When this is done, the diesel tank will be removed.	Started

Hofseth BioCare has set the following goals for environment and climate impact in 2022:

Goal	Comment	Status
Identifying key actions to lower company climate emissions.	The company has started exploring alternatives to reduce GHG emissions through actions.	Started
Start reporting on Scope 3 emissions from waste and employee business travels.	The company has started tracking energy use, waste and business travel by car.	Started

Working environment

Employees are a key stakeholder group being directly affected by and have a high impact on Hofseth BioCare's operations and business success. The ability to attract and retain skilled workers as well as maintaining a safe and healthy working environment are key interests of both the company and its stakeholders. The company can directly impact the working environment through its policies and agreements, as well as indirectly through dialogue with employee representatives and unions.

As for any production environment, the company and its employees are exposed to risks of accidents and incidents affecting employee safety and security, as well as the direct and indirect ability and responsibility to affect such risk through policies, processes and by maintaining a proactive approach to health and safety risks in the physical and psychological working environment. There is also an opportunity represented by engaged employees, helping to maintain a safe and effective working environment through safety culture.

Worker's rights, diversity and inclusion

Hofseth BioCare operates in accordance with the Norwegian Working Environment Act. All employees are committed to a set of values and are expected to act in line with these values.

Hofseth BioCare aims to have an inclusive and open working

environment that encourages employees to share their opinions and ideas. The company opposes discrimination in any form, whether it is based on political views, membership in workers' organizations, sexual orientation, disability and/or age. The company follows the Anti-Discrimination Act, which protects against discrimination on the grounds of ethnicity, religion or the like, and the company also has its own Human Rights Policy which is outlined in our Human Resources Handbook and Code of Conduct.

Hofseth BioCare also operates in accordance with the Gender Equality Act, which aims to protect against discrimination based on gender. Making sure that men and women are given equal employment opportunities is important to the company, both in terms of job descriptions, promotions, and earnings. In 2021, women's amount of men's pay was on average 106.2 per cent.

Hofseth BioCare's company structure can be described as 'egalitarian' and employees are encouraged to actively contribute with their opinions on how the working environment can be improved. The company conducts talks with all employees annually on their wellbeing and other work-related questions. In 2020, the company conducted an anonymous survey on the working environment at the Berkåk facility with assistance from AktiMed Norge AS. All employees at Berkåk took part in the survey, and the results were summarized in a report to the

Management Group in August 2020. The report asked about topics such as workload, social support, responsibility, management and communication. All respondents expressed a high degree of satisfaction on each of these topics, albeit with some room for improvement regarding workload, in light of the shift arrangement at Midsund. This arrangement has been reviewed by the Management Group and was changed from 1 January 2021. In October 2021 an employee survey was undertaken at the Midsund facility.

For questions regarding the working environment employees are encouraged to contact the relevant leader, as well as reporting incidents. The company does not have a Work Environment Committee (AMU) as of today, but the HSE Group and the Chief Quality Officer handles most of the questions that the AMU would be responsible for. Employees at Berkåk do not have union membership today, but the employees at Midsund are members of Industri Energi, which is the Norwegian trade union for those who work in the industry and energy sectors.

Occupational health and safety

Health and safety in the working environment (HSE) is very important to Hofseth BioCare. The company aims to provide a safe, healthy and satisfactory workplace and has implemented an occupational health and safety management system which builds on the Norwegian Working Environment Act as well as regulations relating to systematic health, environmental and safety activities in enterprises (internal control regulations).

One of the main objectives of the Working Environment Act is to ensure that the employees themselves participate in and influence the design of their own working environment. At each of the company's factories, both a safety delegate and a fire chief has been appointed. At Berkåk, the HSE Group is led by the Chief Quality Officer, who has the highest responsibility for HSE at Hofseth BioCare's sites. For Berkåk, the HSE Group consist of the Plant Manager, the Production Manager, the Technical Manager, the safety delegate and the fire chief.

Midsund established a HSE Group in May 2020. In 2021, the HSE group at Midsund consists of Chief Quality Officer, Process Manager, Lab Manager, one person from the technical department, safety delegate and Fire Chief Quality Controller is also taking part in the HSE group meetings. Hofseth BioCare conducts annual risk assessments to identify potential incidents that may occur at our premises. This work was given extra priority in 2020 and 2021 both as the company grew in terms of number of employees and due to the covid pandemic.

Hofseth BioCare has also developed a quality system where internal control for HSE is integrated into a comprehensive system. Internal HSE control will be subject to revisions through the Norwegian Labor Inspection Authority, the county administrator and fire and rescue services. All HSE targets are set out in the HSE Policy that apply to our production loca-

tions. The HSE Policy is updated at least annually and shared with the employees. The HSE activities are also mentioned in the company's Annual Calendar of activities and followed up at scheduled HSE meetings. The meetings also discuss feedback from internal audits, safety inspections and regulatory authorities, as well as changes in regulations, reports from occupational health services and input from employees, etc.

In 2020, the production sites' HSE groups reviewed the their HSE policy to make it more relevant and to introduce measurable KPIs. HSE KPIs has also been included in the digital dashboard as part of the company management system. An overall objective was to make the new and improved HSE Policy easier to understand for all employees as well as better highlight the company's progress in this area. The group has also reviewed the fire safety policies at Midsund. For 2020 and 2021, the HSE and Management Group has had a dedicated focus on Covid-19 and the company has implemented routines based on government recommendations and established guidelines for the handling of absence, illness or causalities among employees or close family members. The company has also conducted risk assessments, implemented documented training for all employees as well as ensured additional information on infection and disease control.

In 2020, the company conducted a noise measurement at Berkåk through AktiMed Norge AS. The results indicate that employees are not exposed to noise above the regulated action or limit values, nor are they exposed to noise above the pulse noise limit. Although the report concluded that employees are not subject to any hearing deficiency risks, the company has made efforts to make sure that employees use protective hearing equipment whenever necessary.

The company has previously discussed the possible risk of respiratory disease when working with powder production. Hofseth BioCare is not familiar with any such cases and have implemented measures to reduce the risk to an acceptable level. A dust measurement was carried out by AktiMed Norge AS at Berkåk in June 2020 which concluded that the dust measured in the factory was very low and well below the recommendations from the Norwegian Labour Inspection Authority. The report also added that hydrolysed fish protein is a very clean product which does not contain any traces of allergens and is thus not considered to pose any health risk to employees.

Work at Berkåk and Midsund could involve health and safety risks to the employees, first and foremost in the manual processing and where chemical liquids and the like are used. There is also a long-term risk associated with the fulfilment of repetitive tasks. While the ambition of the company is to have zero incidents, loss or damage to people, material and/or the environment, it is of critical importance to have full overview of any adverse event at Hofseth BioCare's sites in order to be able to work on prevention and ensure a healthy

and safe workplace. Injuries and work-related incidents are registered at site level. Employees also have access to health checks so that possible injuries are detected at the earliest possible time.

There was one work related incident reported at Midsund in 2021, which resulted in a Lost Time Injury. There were no recorded incidents or near miss incidents at Berkåk in 2021.



	2020		2021	
	Berkåk (factory)	Midsund (factory)	Berkåk (factory)	Midsund (factory)
Injury rate*	22,222	19,444	0	5,263
Work injuries (total number)	2	7	0	2
LTI (lost time injuries, number of injuries that have led to sick leave)	0	1	0	1
Deaths caused by work injuries	0	0	0	0
Absence due to illness	1.3 %	11.3 %	1.5 %	17.7 %

*Injury rate is calculated as the number of new cases of injury during the calendar year divided by the number of workers in the reference group during the year, multiplied by 100,000.

Table 4: Number of injuries in 2019 divided by locations

The HSE Groups has in 2020 and 2021 had a dedicated focus on improving the safety relating to the use of chemicals. The company has conducted training on the use of chemicals with all employees and extensive training beyond the legal requirements is in planning but has been postponed due to the Covid-19 pandemic. The company is following up on this in 2021. As a measure to further improve the security relating to the use of chemicals, the company has in 2020 compiled a new manual describing the correct use of chemical products and mandatory protective equipment – this in addition to the existing safety data sheet. Also, labelling of products is a constant focus area for the company and is controlled regularly.

At Midsund, working long shifts has for some time been a concern as this is likely to increase both the number of incidents on site as well as having a negative impact on the percentage of employees on sick leave. In 2020, the company has

reviewed its practices in this area, both as a precautionary measure and a measure to improve the general wellbeing of employees. A risk assessment was carried out in 2019 and completed in 2020, and the company has decided to reduce the length of the longest shifts from 1 January 2021. In 2021, the absence due to illness was 1,5 % at Berkåk and 17.7 % at Midsund.

A good working environment and the possibility to learn and develop are important factors to keep the absence due to illness at low levels. Equally important is it that employees feel appreciated and involved in the day-to-day work. Hofseth BioCare has continued its work with an external consultant in order to further strengthen the corporate culture.

The following goals were set for HSE and the working environment in 2021:

Goal	Comment	Status
Establish /implement HSE routines at Midsund (new building/factory).	Implemented in 2021.	Completed
Conduct noise and dust measurement at Midsund (new building/factory).	A noise and dust measurement will be conducted by Medi3 in March 2022.	Started
Conduct annual working environment survey at Midsund and Berkåk.	Annual survey was undertaken at Midsund in October 2021. Berkåk during 2022.	Started
Consider alternatives to shift work at Midsund.	New routines were implemented from January 1st 2021.	Completed
Conduct extensive training on the use of chemicals (beyond legal requirements).	Specific trainings in how to safely handle chemicals were undertaken during regular team meetings at Midsund.	Completed
Review HSE routines and improve guidelines for employees working with hot water / steam.	Implemented HSE checklist for working with hot water/steam.	Completed

Hofseth BioCare has set the following goals for HSE and the working environment in 2022:

Goal	Comment	Status
Reduce number of lost time injuries.	Systematic follow-up of incidents and near-miss incidents from HSE groups in both factories.	Started
Increase focus on the psychosocial working environment to improve inclusion and employee engagement.	The HSE groups and management will increase focus on employee well being and the social working environment as part of the regular meetings.	Started
Conduct annual working environment survey at Midsund and Berkåk.	Recurring target.	Not Started

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