

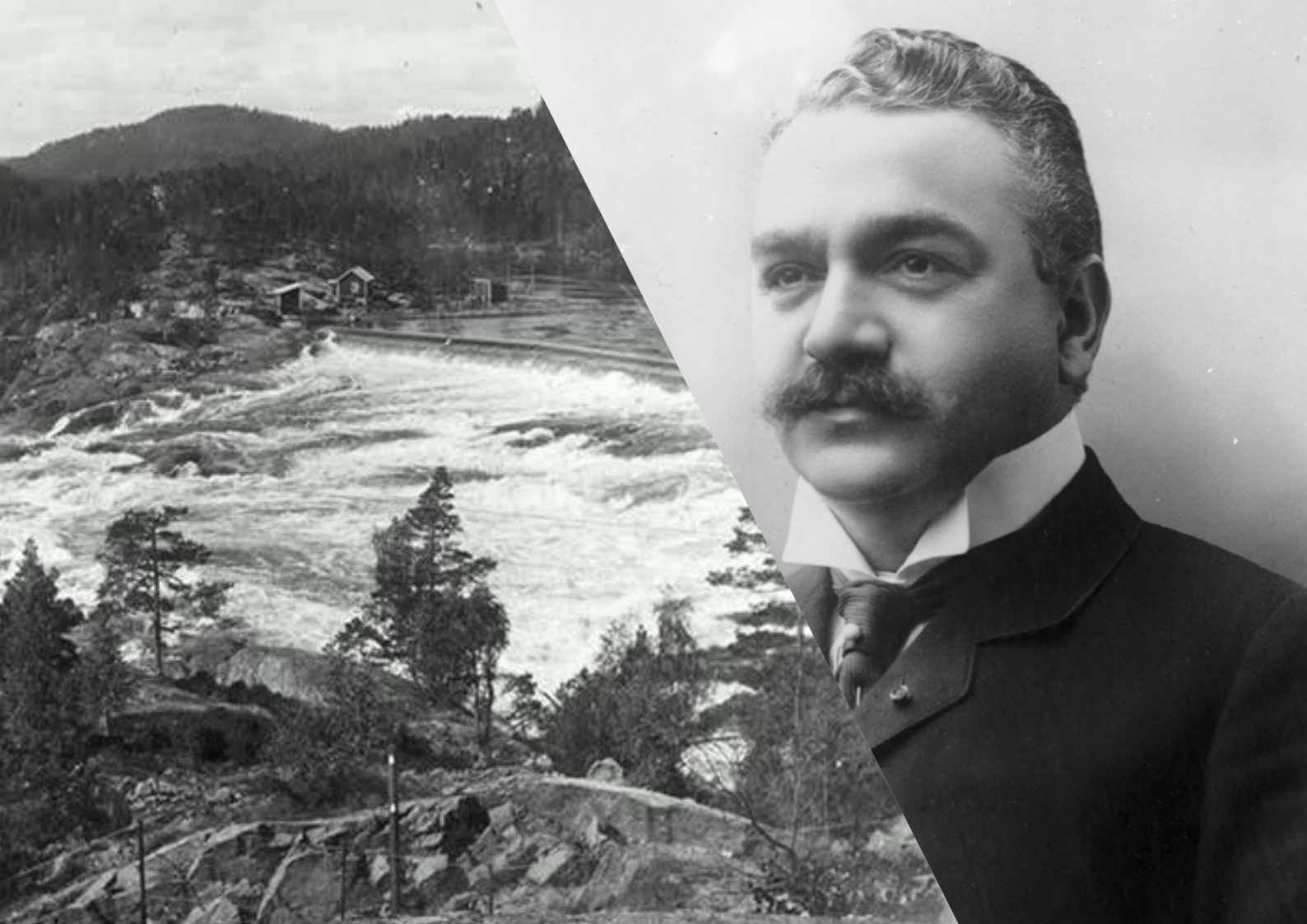


Arendals Fossekompani ASA

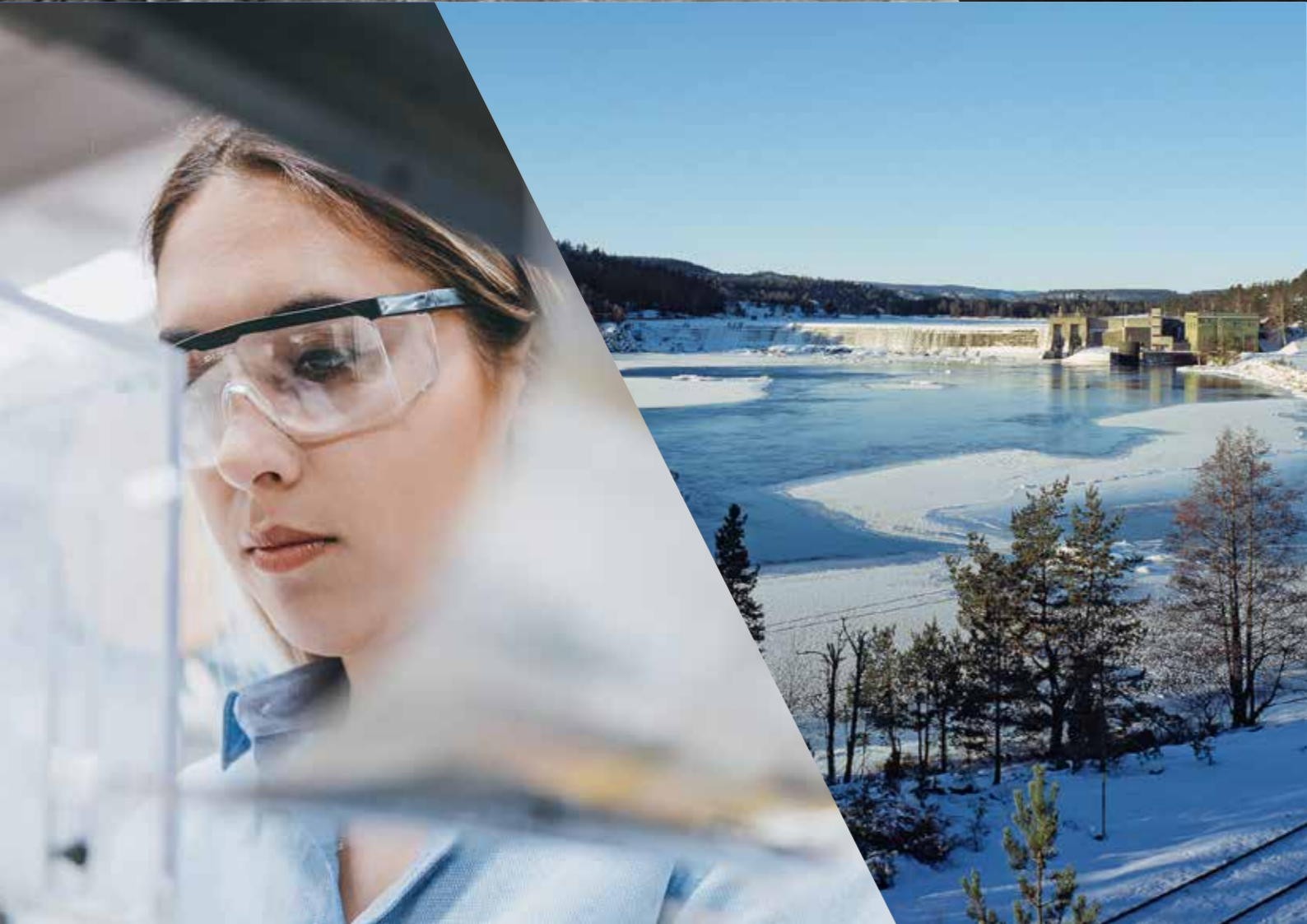
Green Bond Framework

January 2021





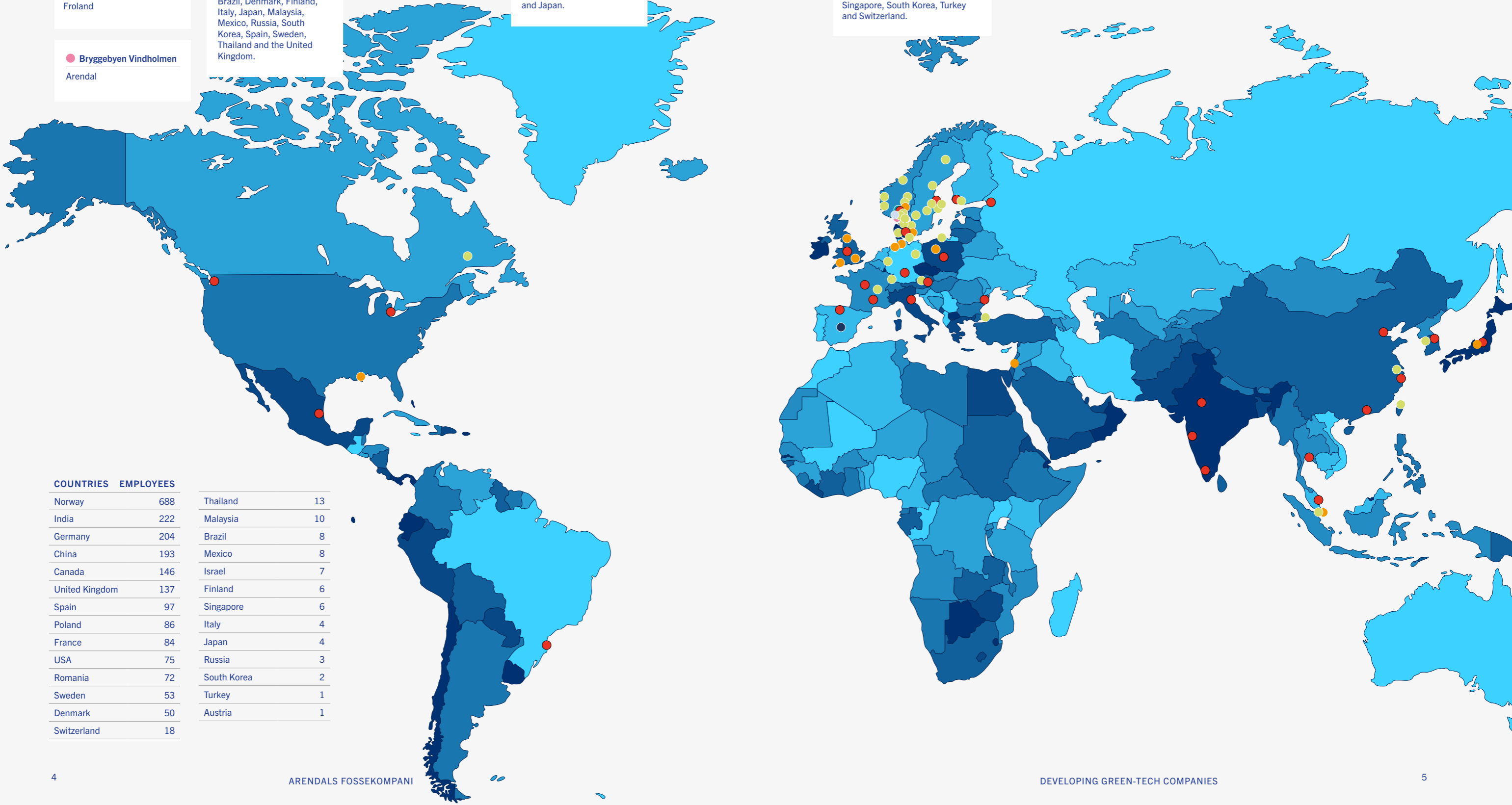
Arendals Fossekompani (“AFK”) is an industrial investment company that has been involved in production of renewable hydropower for more than 100 years. Furthermore, the company owns a portfolio of energy- and technology-related companies which enable the transition to a green economy.



AFK is the majority owner of companies with more than 2,200 employees in 27 countries. The company was established in 1896 and is headquartered in Arendal, Norway. AFK is listed on the Oslo Stock Exchange and has been listed since 1913.

2,200 employees in 27 countries

<p>AFK's parent company Head office: Arendal</p>	<p>EFD Induction 1107 employees Head office: Skien Norway, Germany, France, China, India, Poland, Romania, USA, Austria, Brazil, Denmark, Finland, Italy, Japan, Malaysia, Mexico, Russia, South Korea, Spain, Sweden, Thailand and the United Kingdom.</p>	<p>Cogen 82 employees Head office: Madrid Spain</p>	<p>NSSL Global 182 employees Head office: London United Kingdom, Germany, Denmark, Norway, Poland, Israel, Singapore, USA and Japan.</p>	<p>Volue 760 employees Head office: Oslo Norway, Sweden, Denmark, Finland, Austria, Germany, Poland, Canada, France, China, Taiwan, Singapore, South Korea, Turkey and Switzerland.</p>
<p>Gullknapp Aerial Center Froland</p>				
<p>Bryggebyen Vindholmen Arendal</p>				



COUNTRIES	EMPLOYEES
Norway	688
India	222
Germany	204
China	193
Canada	146
United Kingdom	137
Spain	97
Poland	86
France	84
USA	75
Romania	72
Sweden	53
Denmark	50
Switzerland	18
Thailand	13
Malaysia	10
Brazil	8
Mexico	8
Israel	7
Finland	6
Singapore	6
Italy	4
Japan	4
Russia	3
South Korea	2
Turkey	1
Austria	1

Arendals Fossekompani is the result of sustainable choices through generations

For more than 100 years, we have produced hydropower that has been used to build Norwegian industry and Norwegian communities. The know-how, capital and engineering skills related to the production of hydropower have laid the foundation for AFK to successfully build green energy and green technology related companies.

AFK continues to produce clean energy, but its contribution to the environment goes beyond the production of hydropower. The portfolio companies are ensuring more sustainable utilization of their customers' resources, and they provide technologies, systems and solutions that make energy from renewable sources increasingly accessible and usable.

By developing sustainable products and services, AFK ensures long-term value creation for shareholders, employees and society.

The green transition is often referred to as a megatrend. AFK has been a part of the green transition for more than 120 years and it defines where AFK comes from and who AFK is. AFK, has a proud heritage based on the belief that natural resources also belong to future generations.

AFK INVESTMENT PORTFOLIO

The AFK investment portfolio is focused on five main investment categories as seen in the figure 1 below. Green power and property have a clear link to AFK's origin. The hydropower production consists of approximately 500 GWh annual power production from three hydropower stations: Bøylefoss (65.0 MW), Flatenfoss 2 (5.5 MW) and Flatenfoss 3 (7.1 MW). AFK sees further investment opportunities within the hydropower segment including upgrades of existing facilities and investment into new production capacity. The hydropower stations are located close to Arendal and have a clear regional profile in the south of Norway.

The Technology digitalization mainly consists of a group of green technology-oriented companies. For instance, Volue is a leading supplier of software and technology solutions for the energy, power grid and infrastructure markets. Volue offers solutions and expertise to solve the massive transition from fossil to renewable energy production and thereby enable the green transition in Europe. Within Electrification & material, Tekna is a leading company within ICP Plasma Systems and a manufacturer of advanced metal powders which enables design and production of complex metal parts that are lighter, more efficient and more environmentally friendly than conventionally manufactured parts.

One of Tekna's business segments relates to the production of Silicon Nanopowder which has a significant potential to improve the current technology for Li-Ion batteries.



DIGITALIZATION	ELECTRIFICATION & MATERIAL	GREEN POWER	PROPERTY	GROWTH CAPITAL
 DIGITAL ENERGY SOLUTIONS	 3D METAL POWDER AND SYSTEMS	 500 GWH HYDROPOWER	 REAL ESTATE DEVELOPMENT	 TECHNOLOGY ACCELERATOR
 SATELLITE COMMS SERVICES	 POWER AND MATERIAL TECHNOLOGY	 SPANISH COGENERATION PLANTS	 AIRPORT AND BATTERY SITE DEVELOPMENT	 EARLY STAGE VC FUND
 DATA HEAVY BUSINESS DECISION TOOLS	 SOLAR INGOTS AND WAFERS		 VICTORIA EIENDOM PROPERTY DEVELOPMENT	
	 BATTERY TECHNOLOGY			

Figure 1: AFK's investment portfolio

AFK also recently invested in Beyonder, a Norwegian company that develops and produces the next step battery cells needed in battery technology.

The Growth capital division consists of investments where AFK typically owns from 5% to 20% of the companies and have a board position in the respective companies.

As an investment company, AFK is constantly looking for new investments and M&A opportunities. AFK invests in technology related companies where AFK can significantly impact long-term value creation. The investment scope for new investments and M&A candidates is shown below. Eligible projects that may be financed out of the green bond proceeds will also need to comply with the scope and screening process applicable for AFKs green investments.

INHERENT ABILITIES



STRONG ESG POTENTIAL



REGIONALLY STRONG PERFORMERS IN THE NORDIC REGION

RELEVANT INDUSTRIES



IOT, MONITORING AND SENSOR TECHNOLOGY



DIGITALIZATION & BIG DATA



MATERIALS TECHNOLOGY



ENERGY AND ENERGY EFFICIENCY

Figure 2: M&A strategy in AFK

ESG-criteria in M&A transactions*

1. THE M&A CANDIDATE SHOULD CONTRIBUTE TO ONE OF SIX ENVIRONMENTAL OBJECTIVE FROM THE EU TAXONOMY
2. DO NO SIGNIFICANT HARM (DNSH) ON THE OTHER FIVE (IF RELEVANT)
3. MEET MINIMUM SAFEGUARDS (E.G. OECD GUIDELINES ON MULTINATIONAL ENTERPRISES)**

* BASED ON THE EU TAXONOMY

** OECD GUIDELINES ON MULTINATIONAL ENTERPRISES

The six environmental objectives from the EU Taxonomy:



Strategy for environment, social and governance (ESG) in AFK

IN 2020 ALL the portfolio companies in the AFK group have performed market reviews, a value chain analysis and stakeholder assessments of their ESG-impacts, to help identify and prioritize the most important ESG aspects of their business. These materiality analyses have resulted in a new reporting structure and implementation strategy for the AFK group to be implemented from 2020. The methodology that has been used in this strategy project is in accordance with GRI (Global Reporting Initiative).

THE KEY ESG topics for the AFK group will be:

- i) Ethical business conduct;
- ii) A great place to work, and;
- iii) Climate impact.

AFK HAS CHOSEN relevant KPIs based on the results from the materiality analysis and the CPIs will be published in the sustainability report for 2020.

AFK WILL START reporting GHG emissions for a selection of the portfolio companies (Cogen and Hydropower) in the sustainability report 2020 and across the whole portfolio from the 2021 sustainability report. GHG reduction targets will be set as the first year of emission data are collected (baseline) from the portfolio companies. Reporting and GHG emissions will be done in accordance with the GRI standard and published in AFK's annual sustainability report.

AFK CONDUCTED IN 2020 a climate analysis of its portfolio to better understand the climate risk and opportunities in the group. In this climate analysis, AFK used the following three scenarios to identify risk and opportunities related to climate:

- Green revolution (below 1.5C) *
- Delayed transition (2-2.5C) **
- Climate crisis: (3C<) ***

AS PART OF this climate analysis, the climate resilience of AFKs investments was also tested for expected physical and transitional changes of these scenarios. The climate risks and green opportunities identified from the climate analysis have been integrated in the overall strategy process in AFK.

AFK HAVE ALSO recently updated its Supplier Code of Conduct which will be implemented across the group from 2021.

* IEA WEO/NET ZERO EMISSIONS, IPCC RCP 1.9
 ** IEA WEO DELAYED RECOVERY, IPCC RCP 4.5
 *** IEA WEO STATED POLICIES, IPCC 6.0

UN GLOBAL COMPACT:
 In November 2020, AFK joined UN Global Compact to become part of the most important global network for a more sustainable future. Launched in 2000, UN Global Compact is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. AFK looks forward to contributing to this network and to draw on the expertise and experiences from the first 20 years of its existence. UN Global Compact lists ten principles for responsible business policies for human rights, labor, environment and anti-corruption. AFK reports on these principles in the annual sustainability report.



Figure 4: UN Global Compact membership

Arendals Fossekompani's commitment to the Green Bonds Framework

AFK IS AN investment company that owns energy and technology-related companies which enable the transition to a green economy. The group companies deliver technology, systems and solutions that make clean energy more usable, more accessible, and enable customers to use resources more efficiently and sustainably.

AFK AIMS TO be a leading Norwegian industrial investment company that promotes renewable energy and sustainable utilization of resources. Issuing bonds under this Green Bond Framework is a part of AFK's broader commitment to make significant contributions to a low-carbon and environmentally sustainable society.

THIS FRAMEWORK, ALIGNED with the Green Bond Principles published in June 2018 by the International Capital Market Association (ICMA), defines the investments eligible for financing by green bonds issued by AFK ("**Green Bond**"). In addition, this Green Bond Framework outlines the process used to identify, select and report on eligible projects and the set-up for managing the Green Bond proceeds. The terms and conditions of the underlying documentation for the Green Bonds shall provide a reference to this framework.

AFK HAS WORKED with Pareto Securities to develop the Green Bond Framework and CICERO Shades of Green has provided a second party opinion, which is publicly available at our website. AFK will assign an external auditor to annually provide a limited assurance of the management of proceeds.

ØRJAN SVANEVIK
Chief Executive Officer

LARS PEDER FENSLI
Chief Financial Officer



Methodology and scope

GENERAL INVESTMENT CATEGORIES IN AFK

Eligible projects and assets are green investments identified within AFK's existing portfolio or new projects and assets that support the transition to a low carbon economy and a sustainable development.

All new investments in AFK's portfolio should contribute to the following sets of group criteria in AFK ("AFK's Investment Criteria").

ALIGNMENT WITH THE EU TAXONOMY

A) The investment should contribute to minimum one of the six environmental objectives from the EU Taxonomy.

The taxonomy sets out the following six environmental objectives:

- (i) Climate change mitigation;
- (ii) Climate change adaptation;
- (iii) Sustainable use and protection of water and marine resources;
- (iv) Transition to a circular economy;
- (v) Pollution prevention and control; and
- (vi) Protection and restoration of biodiversity and ecosystems;

B) The investment should do no significant harm (DNSH) on the other five objectives, and;

C) The investment should meet minimum safeguards (e.g. OECD Guidelines on Multinational Enterprises / or according to AFK's Code of Conduct.

THE UN SUSTAINABLE DEVELOPMENT GOALS

Based on several generations of renewable energy production and sustainable solutions, AFK is committed to show our contribution to the UN Sustainable Development Goals ("SDG").

The UN Sustainable Development Goals consist of 17 main goals with a number of sub-goals. AFK has chosen to focus on six SDGs that are particularly relevant to most of our companies, and where we can clearly make a difference.



Clean energy is closely linked to AFK's historical role and the companies AFK invest in. The goal of access to reliable, sustainable, and modern energy at an affordable price for everyone is part of AFK's backbone. AFK contributes to this goal by producing clean energy, and by providing services and products to other clean energy producers and to clean companies, enabling them to reach such similar goals. AFK has a track record of more than 100 years of production of clean renewable energy from its hydropower stations.



AFK's businesses deliver technology, systems and solutions that make renewable energy increasingly more usable and accessible, which in turn enables AFK's customers to achieve a more efficient and sustainable use of their resources. The group shall contribute by directly reducing AFK's and AFK's clients' GHG-emissions in addition to contributing to a circular economy through reduction, reuse, and recycling.



AFK's story is also about industry, innovation, and infrastructure. AFK built infrastructure for power production and distribution more than 100 years ago, and played an important role in an early process that triggered the building of Norwegian industries. Today, the group is a global supplier of technology, systems and solutions for electrical infrastructure, IT-infrastructure, and global satellite communication.



AFK prioritizes measures and reporting related to SDG 5: Gender equality and SDG 8: Decent work and economic growth. These goals are in accordance with AFK's values and AFK's way of working. "Ethical business conduct" and "A great place to work" are strategic focus areas that all portfolio companies will be measured on.



AFK is committed to take urgent action to combat climate change and its impacts. AFK focuses on making an active, determined contribution to a sustainable, low-carbon future to fight against climate change. The group's businesses shall be in industries where the offered products and services play a significant role in helping customers to reduce their environmental footprint.



AFK has started a certification process related to equality at work according to the Norwegian certification scheme "Likestilt arbeidsliv". The purpose of a certification scheme is to make it easier for companies in the private and public sector to make an active and systematic effort for diversity and equality in their own organization.

Green Bond Framework

1.

Use of proceeds

REFINANCING OF AFK01 PRO:

In total approximately NOK 410 million will be used towards refinancing of the existing bond AFK01 PRO, including a related swap that was put in place in 2011 according to AFK's hedging policies. The previous bond was used to finance green energy investments in hydropower, solar wafer production and tidal energy production.

SELECTION OF ELIGIBLE NEW PROJECTS FOR USE OF PROCEEDS:

AFK will identify and nominate future projects and assets for new investments within the Green Bond Framework for the following two eligible categories below.



7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Category 1:

Renewable energy

7 AFFORDABLE AND CLEAN ENERGY



13 CLIMATE ACTION



A) HYDROPOWER

Investments in hydropower plants or upgrades on existing hydropower plants, including but not limited to grid connections, electric substations, networks or foundations. Infrastructure investments related to roads or fossil fuel related infrastructure will be excluded.

Typical investment for hydropower production can be the potential new hydropower plants Kilandsfoss and Glomsdam, or upgrade of the Bøylefoss, Flatenfoss and Haugsjø hydropower plants and dams. The share of investment in upgrades or new developments will depend on the development of future power prices and the attractiveness of the relevant investment.

Minimum 90 percent of the proceeds from the Green Bonds shall invested in and allocated to this Category 1 type of investments.

B) SOLAR ENERGY

Financing of eligible renewable solar energy projects such as in Norsun. Norsun is a Norwegian solar energy company that manufactures and markets high performance mono-crystalline silicon ingots and wafers for the global solar energy industry. Dedicated to high efficiency n-type wafers, Norsun is an established supplier to tier-one cell manufacturers.

C) GREEN HYDROGEN OR AMMONIA

Financing of projects for production of green hydrogen or ammonia, such as in relation to our hydropower plant facilities.

Geography for investments in Category 1: Norway.

Category 2:

Eco-efficient and/or circular economy adapted products, production technologies and processes

A): INVESTMENTS IN BEYONDER

Established in 2016, Beyonder is a Norwegian company that has developed and produces the next step battery cells needed in battery technology for industry and commercial infrastructure.

Beyonder has currently established a smaller production facility in Forus, Norway, but has ambitions to create a full scale battery factories in the future. AFK has today a strategic ownership stake in Beyonder and is prepared to further increase investments to support the ambitions of the company.

B) INVESTMENTS IN SILICON NANOPOWDER-PRODUCTION IN TEKNA

Tekna is a Canada based technology company, specializing in ICP plasma systems and advanced material powders, typically used within additive manufacturing. One of Tekna's business segments specializes in production of Silicon Nanopowder. Silicon Nanopowder has multiple applications within Li-Ion batteries and has the potential to increase the battery charge and cycles available, while also reducing weight.

At this stage, Tekna has sent a selected number of test batches to various battery producers, who will be the future costumers for the Silicon Nanopowder production. Tekna will potentially need substantial investments for the development and industrialization of

this battery technology. In the event proceeds from the Green Bond are allocated to Tekna, it shall only be allocated to the Silicon Nanopowder segment of Tekna.

C) OTHER INVESTMENTS IN BATTERY TECHNOLOGY OR GREEN STORAGE TECHNOLOGY

The proceeds may also be used to invest in other projects or companies within the battery technology, or other green storage technologies or battery supplier industry with very similar characteristics as those described in A) and B) in category 2 above.

Geography for investments in Category 2: Canada and Europe

A maximum of 10 percent of the proceeds from the Green Bonds shall invested in and allocated to this Category 2 type of investments.

2.

Eligible Green Project Evaluation & Selection

ALL ELIGIBLE PROJECTS shall comply with the eligibility criteria as described under Use of Proceeds above, be in line with AFK's Investment Criteria in addition to being compliant with applicable national laws and regulations.

The process of evaluating and selecting eligible projects as well as allocating Green Bond proceeds to eligible projects comprise the following steps as seen in Figure 3.

Representatives from AFK's investment team, the relevant subsidiary (if relevant) and relevant internal or external sustainability experts (if required) shall evaluate potential eligible projects, such projects' compliance with the categories described above, and their environmental benefits according to AFK's investment criteria. The findings and recommendation shall be documented and presented to AFK's investment team and will be used as part of the investment criteria.

The final investment decision will be made in the relevant forum according to AFK's authority and decision matrix. A consensus decision by the relevant decision forum according to the authority matrix is required to approve eligible projects before any allocation of proceeds from the Green Bonds. The investment team will always include the Group CEO, CFO and Head of Sustainability when deciding to invest into new eligible projects. Decisions by the board of directors or another relevant decision maker according to the authority matrix will be properly documented.

EXCLUSIONS

Use of proceeds will not be placed in entities with a business plan focused on fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

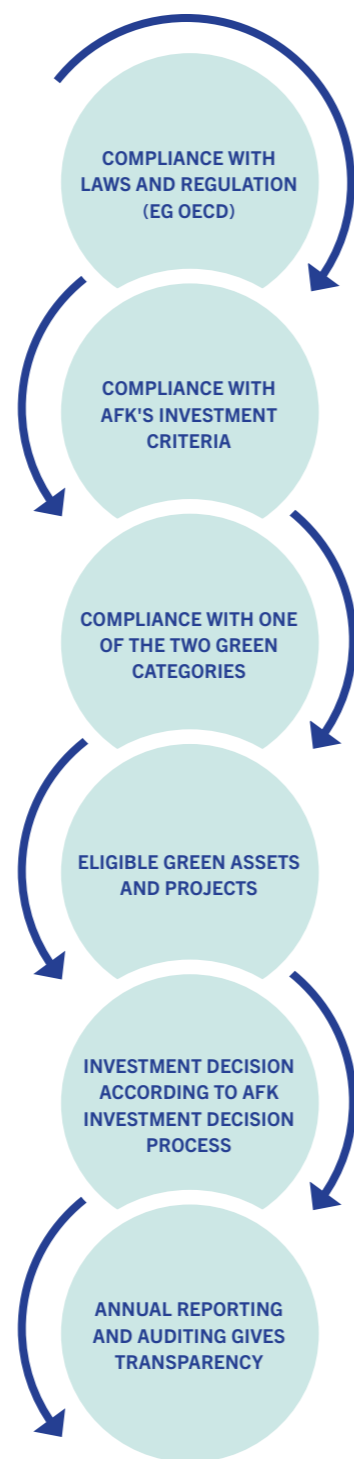


Figure 3: Process of evaluating eligible projects



3.

Management Of Proceeds

TRACKING OF GREEN BOND NET PROCEEDS

AFK will establish an allocation report to track its utilization of the net proceeds from the Green Bonds to eligible projects. The purpose of the allocation report is to ensure that the Green Bond net proceeds only supports eligible projects.

The management of proceeds will be reviewed by an external auditor appointed by AFK.

TEMPORARY HOLDINGS

Unallocated Green Bond net proceeds may temporarily be placed in the liquidity reserve and managed accordingly by AFK.

EXCLUSIONS

Temporary holdings will not be placed in entities with a business plan focused on fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

4.

Reporting & Transparency

AFK WILL PUBLISH an annual sustainability report on its website that will detail present the allocation of Green Bonds net proceeds and the environmental impact of the eligible projects. The report for 2020 is expected to be published in April 2021 and will be available in English.

The sustainability report will include an allocation report, subsidiary report and performance report (as described below).

AFK will seek to align the reporting with the latest standards and practices. In general AFK will also follow Oslo Stock exchange's guideline for ESG reporting. AFK has chosen to apply GRI (Global Reporting Initiative) and TCFD (Task Force on Climate-related Financial Disclosures) for its reporting format.

The Sustainability Director in AFK will be responsible for the reporting and the relevant reports will be approved by the board in AFK.

ALLOCATION REPORT

- AFK will provide allocation reporting for each individual project from each eligible project categories in the Green Bond Framework.
- The report will state the proportion of proceeds allocated to refinancing and the proportion used to finance new investments.
- The report will state the sum of outstanding Green Bonds.

All data is to be as of the end of the previous year.

SUBSIDIARY REPORT

The subsidiaries in AFK will report non-financial data to AFK in accordance with their ESG strategy on a quarterly or annual basis. These data will be presented in AFK's annual sustainability report.

PERFORMANCE REPORT

The performance reporting will disclose the performance on the relevant indicators. For projects and assets that are not yet operational, AFK will strive to provide estimates of future performance levels. The performance reporting is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best intention basis. The data will be provided in a table format the following indicators and measurements

Impact metrics for renewable energy projects (Category 1) within the Green Bond Framework:

- i. Yearly renewable energy production
- ii. Potential GHG emissions related to the project or asset
- iii. Potential GHG emissions avoided by investing in the project or asset

Impact metrics for eco-efficient and/or circular economy adapted products, production technologies and processes (Category 2):

- i. Yearly energy efficiency indicator
- ii. Potential GHG emissions related to the project or asset
- iii. Potential GHG emissions avoided by investing in the project or asset

The method for calculation greenhouse gas emissions and relevant grid factors will be made public in the sustainability report.

AFK may also publish additional data which will be chosen according to the most relevant performance indicators for the projects and assets and may include indicators and measurements from the GRI reporting.

External Review

SECOND PARTY OPINION

CICERO Shades of Green has provided a second opinion to this Green Bond Framework verifying its credibility, impact and alignment with the ICMA Green Bond Principles of 2018.

ASSURANCE

An independent external auditor appointed by AFK will provide, on an annual basis, limited assurance that an amount equal to the Green Bond net proceeds has been allocated to eligible projects.

PUBLICLY AVAILABLE DOCUMENTS

The Green Bond Framework, the second party opinion, the limited assurance report on the management of proceeds and will all be made available on AFK's website. AFK's Code of Conduct and Supplier Code of Conduct will also be made public on AFK's website.

