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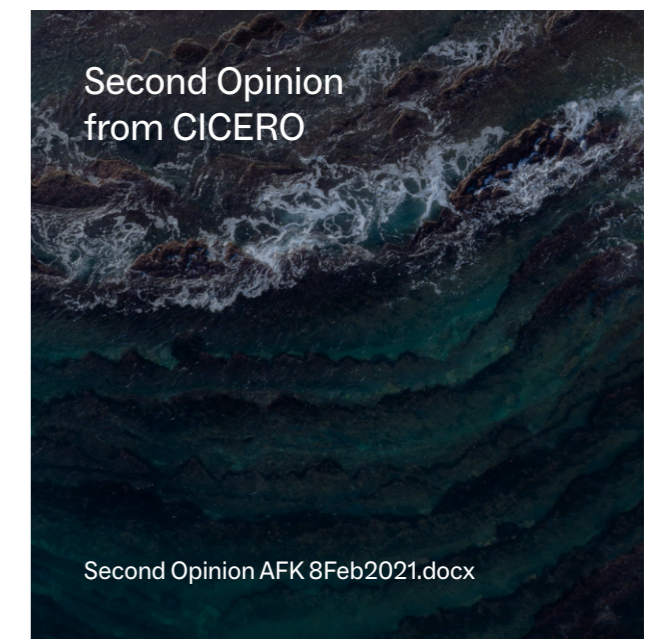
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Executive Summary

In 2021, Arendals Fossekompani introduced a Green Bond Framework with specific criteria for issuing green bond loans to fund projects. The Green Bond Framework aligns with the Green Bond Principles and has received the ratings Dark Green and Governance Assessment Good from the independent climate research center CICERO. According to our Green Bond Framework, a minimum of 90 percent of the proceeds generated from the issuance of green bonds will be devoted to Category 1 investments. This category comprises hydropower, solar energy, and green hydrogen. Accordingly, a maximum allocation of 10 percent of the green bond proceeds will be directed towards Category 2 investments, which include eco-efficient and/or circular economy adapted products, production technologies, and processes. This report pertains to green bond investments conducted by December 31, 2022, as well as information about the intended future investments founded by green bond loans.

To access Arendals Fossekompani Green Bond Framework or the Second Opinion from CICERO, please click on the following links:



Reallocation of Old Bonds

An amount equal to the net proceeds of the green bonds will finance or refinance, in whole or in part, investments undertaken by Arendals Fossekompagni or its subsidiaries that promote the transition towards a low-carbon and environmentally sustainable society. Approximately NOK 410 million has been used to refinance the bond AFK01 PRO, including a related swap that was put in place in 2011 according to Arendals Fossekompagni's hedging policies for currency risk management purposes related to the bond. Given the development in currencies and interest rates, the swap had a negative value which was repaid in full when refinanced with the proceeds from this green bond. The previous bond (AKF01 PRO) was used to finance green energy investments in hydropower, solar wafer production, and tidal energy production.

KILANDSFOSS

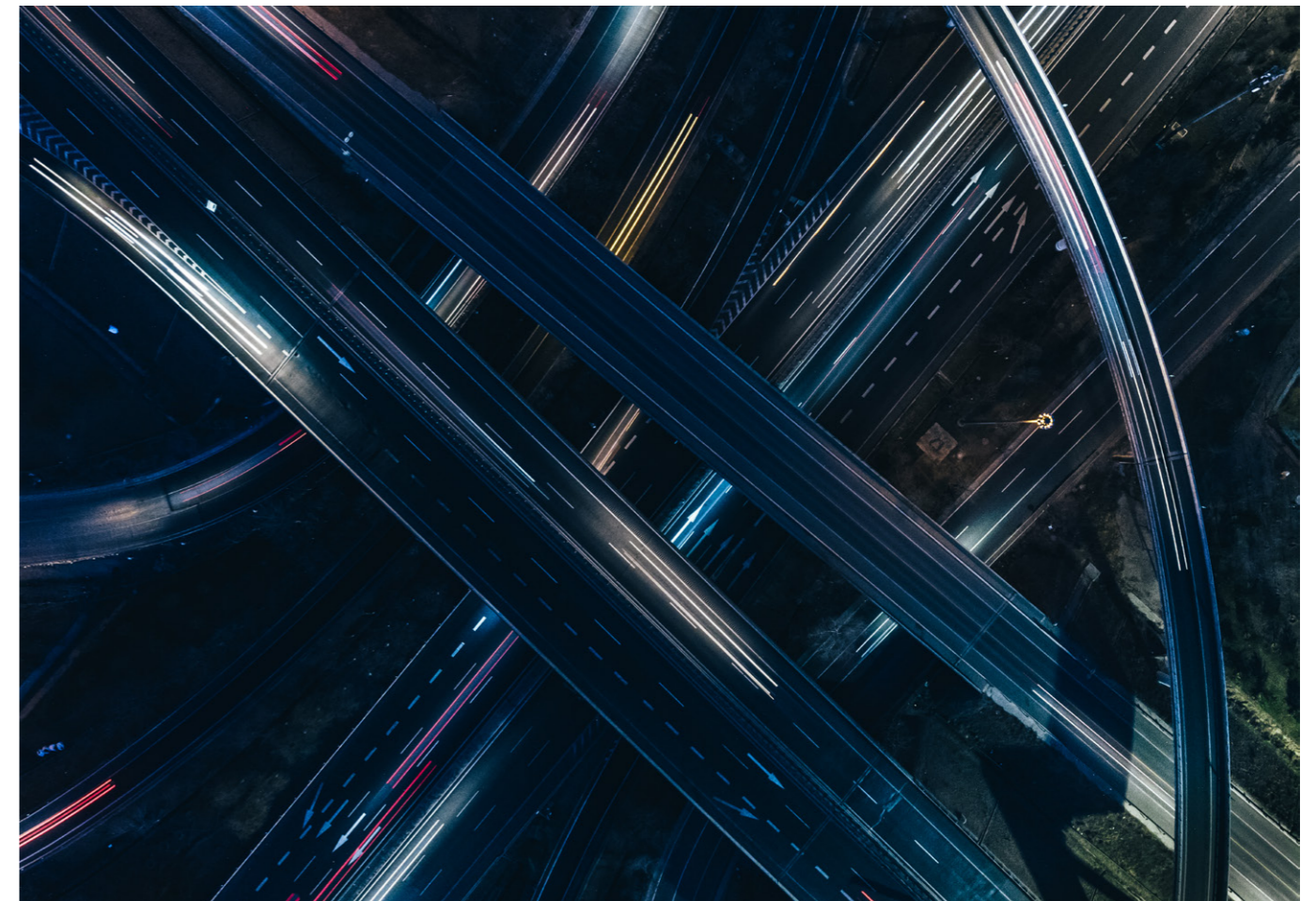
According to the Green Bond Framework, Kilandsfoss, a small-scale hydropower development project in Norway, will be classified as a Category 1 project, indicating significant environmental benefits. The green bond will be utilized to finance this project. As for the financing solution, the company is obligated to make equity contributions of NOK 10 million in 2023 and an additional NOK 5+5 million in 2025 and 2026, respectively, resulting in a total equity contribution of NOK 20 million to the development of hydropower. Therefore, the total amount of green bonds allocated towards Kilandsfoss will be NOK 20 million.

COMMEO

Commeo is a German company specializing in energy storage and energy management solutions. Commeo provides solutions for commercial and industrial energy storage by manufacturing battery modules and rack systems, including control units and software for monitoring and data logging. This investment will fall under the Category 2 classification, which imposes a 10% cap on the allocation of green bonds. Essentially, the company will be restricted to utilizing a maximum of NOK 50 million from the green bond.

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. Being a solar energy company aiming to provide renewable energy, this is a Category 1 investment. The total amount of green bonds allocated to NorSun in 2022 will be NOK 15 million.



Allocation of Proceeds and Green Savings



Year	Amount granted (MNOK)	Category	Project name, Project type	Outstanding (MNOK)
2021	410	Refinance of old bond (AFK01 PRO)	Documentation, Cicero 2nd Opinion	90
2022	15	Green Energy, Category 1	NorSun, Refinancing	75
2022	50	Energy Storage, Category 2	Commeo, New project	25
Year end 2022 total	475			25
2023	10	Green Energy, Category 1	Kilandsfoss, New project	15
End of July 2023 total	485			15

Note:

The outstanding amount of 15 MNOK is planned to be allocated towards Kilandsfoss and one other Category 1 project in the coming years. 5 + 5 MNOK will be allocated towards Kilandsfoss in 2025 and 2026. The remaining 5 MNOK will probably be allocated to another Category 1 project.

CEO Statement

We are pleased to present our Green Bond Report, which highlights our company's commitment to sustainability. We recognize the need to address climate change and reduce our carbon footprint. We believe that it is not only our responsibility, but also our opportunity to contribute to a more sustainable future.



Arendals Fossekompani is making progress in developing a high-value portfolio that is aligned with global sustainable development goals for 2030. With over a century of experience in renewable energy production, we have diversified our portfolio to include investments in hydro, wind and solar power, battery technology, software for renewable energy management, electrification, satellite communication solutions, and additive manufacturing.

Our companies contribute in several ways to the UN Sustainable Development Goals, and we remain committed to the climate targets of the Paris Agreement. As a UN Global Compact member, we continue to support its principles for responsible business policies for human rights, labour, environment, and anti-corruption.

Sustainability and corporate social responsibility are integral to our strategy of creating long-term value for our shareholders, employees, and society at large. We have identified clear opportunities to strengthen and build our position in selected segments and markets, and we will continue to serve our global customer base in the best possible manner.

Our green bond is a reflection of our commitment to invest in sustainable projects and to reduce greenhouse gas emissions. The proceeds from this bond will be used to fund renewable energy projects such as Kilandsfoss, a new small hydro power plant, Commeo, a German company specializing in energy storage and energy management solutions and NorSun, a Norwegian solar energy company.

A handwritten signature in black ink, appearing to read 'Benjamin Golding'.

Benjamin Golding,
CEO, Arendals Fossekompani

Green Project Profiles



KILANDSFOSS

Arendals Fossekompani has started the construction phase of the new hydropower plant Kilandsfoss. The project is in line with key market drivers such as the Norwegian need for 75 TWh new power production by 2030, a 50% increase from the current production level of 150 TWh, and an increase in population and activity level, which leads to increased consumption from households and the transport sector. Kilandsfoss, a small-scale hydropower plant, will produce 38GWh energy. Kilandsfoss is located in Arendal Watercourse between hydropower plants Flatenfoss and Bøylefoss. It has a strategic location with 30% regulation in the watercourse due to regulation of upstream water, enabling more winter production. The plant is constructed such that any future eel population maybe preserved. Furthermore, it improves the possibilities for outdoor activities, such as hiking and kayaking.

The project will be measured on the following sustainability KPIs:

IMPACT METRICS FOR RENEWABLE ENERGY PROJECTS (CATEGORY 1) KILANDSFOSS

KPI	Result	Comments
1. Yearly renewable energy production	38 GWh	Estimate per year (Not yet in production, reporting will start in 2023)
2. Potential GHG emissions related to the project or asset	N/A	Not yet in production, reporting will start in 2023
3. Potential GHG emissions avoided by investing in the project or asset	N/A	Not yet in production, reporting will start in 2023

COMMEO

In 2022, Arendals Fossekompagni established the battery technology company Ampwell, which consisted of the newly acquired company Commeo, a German company specializing in energy storage and energy management solutions. Commeo provides solutions for commercial and industrial energy storage by manufacturing battery modules and rack systems, including control units and software for monitoring and data logging. Commeo's energy storage solutions could for example be used for "peak-shaving" purposes (using energy from the battery racks during peak price periods to avoid steep tariffs charged by the energy system operators) or time shifting (to reduce energy costs by shifting energy consumption to low price periods.)

Commeo has over the years developed its proprietary energy storage system and is now in a position where the product can be manufactured on an industrial scale. Commeo systems typically range from 50 kWh to 1 MWh, but the modular plug-and-play setup allows for even larger systems. The company is on a strong growth trajectory and has started the construction of a new production facility which will be one of Germany's largest.

Ampwell has the potential to become an attractive partner in the green transition based on the company's fully integrated energy storage services. Commeo's battery solutions are enabling increased use of intermittent renewable energy. Ampwell did its first assessment of activities against the EU Taxonomy, where Commeo's activities were assessed. 100% of Commeo's revenue was found to be aligned with the activity 'storage of electricity'.

The project will be measured on the following relevant sustainability KPIs:



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 and sustainable production with low CO₂ emissions, NorSun is an established supplier to tier-one cell manufacturers.

NorSun operates a modern production facility located in Årdal in western Norway, pursuing a detailed and aggressive technology development and cost road map which ensures a competitive price model. The NorSun plant is powered by low-cost renewable hydropower, enabling very low emissions from production. The company's current production capacity of 1 GW from 88 ingot pullers and wafering capacity from 16 diamond wire saws. Furthermore, the plant has readily available cooling water which is reducing electricity consumption.

The project will be measured on the following sustainability KPIs:

**IMPACT METRICS FOR RENEWABLE ENERGY PROJECTS (CATEGORY 2)
COMMEO**

KPI	Result	Comments
1. Potential GHG emissions related to the project or asset	76,4 tCO ₂ e	Included scope 1, scope 2, and scope 3 (Business travel, waste, fuel and energy related activities) CO ₂ emissions
2. Potential GHG emissions avoided by investing in the project or asset	N/A	Not relevant

**IMPACT METRICS FOR RENEWABLE ENERGY PROJECTS (CATEGORY 1)
NORSUN**

KPI	Result	Comments
1. Yearly renewable energy production	N/A	We do not currently have access to the 2022 reporting numbers for this financial investment. However, we are actively working towards implementing a reliable reporting system in the coming years.
2. Potential GHG emissions related to the project or asset	N/A	We do not currently have access to the 2022 reporting numbers for this financial investment. However, we are actively working towards implementing a reliable reporting system in the coming years.
3. Potential GHG emissions avoided by investing in the project or asset	N/A	We do not currently have access to the 2022 reporting numbers for this financial investment. However, we are actively working towards implementing a reliable reporting system in the coming years.

Appendix



To the Board of Directors of Arendals Fossekompni ASA

Independent statement regarding Arendals Fossekompni ASA's Green Bond Report

We have been engaged by Arendals Fossekompni ASA (the "Company") to undertake a limited assurance engagement on selected information about the allocations of proceeds in the Company's Green Bond Report 2022 (Subject Matter Information). The scope of our work was limited to assurance over:

- allocating proceeds from the Green Bond to such investments, as described in the Green Bond Report 2022 section "Allocation of Proceeds and Green Savings" on page 4 for the bond issued 1. March 2021 (NOK 500M).

The Green Bond Report 2022 is prepared using the criteria described in "Use of proceeds" section in the Arendals Fossekompni ASA's "Green Bond Framework January 2021". The "Use of Proceeds" sections are attached to the Green Bond Report 2022

Our assurance does not extend to any other information in the Green Bond Report 2022 than the sections "Allocation of Proceeds and Green Savings" on page 4. We have not reviewed and do not provide any assurance over any other information reported in the Green Bond Report 2022.

Management's Responsibility

Management is responsible for ensuring that the Company has implemented appropriate guidelines for green bond management and internal control.

Management is responsible for evaluating and selecting eligible green projects, for the use and management of bond proceeds, and for preparing a "Green Bond Allocation Report" that is free of material misstatements, whether due to fraud or error, in accordance with the Company's "Green Bond Framework".

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply International Standard on Quality Management 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express a limited assurance conclusion on the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. We conducted our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 revised – «Assurance Engagements other than Audits or Reviews of Historical Information», issued by the International Auditing and Assurance Standards Board. This standard requires us to plan and perform

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procedures to obtain limited assurance about whether the Subject Matter Information is free from material misstatement. A limited assurance engagement in accordance with ISAE 3000 involves assessing the suitability in the circumstances of management's use of the Criteria as the basis for the preparation of the Subject Matter Information, assessing the risks of material misstatement of the Subject Matter Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and, among others, included an assessment of whether the criteria used are appropriate. Our procedures also included making inquiries primarily of persons responsible for the management of bond proceeds and the process for selection of eligible green projects and meetings with representatives from the Company who are responsible for the allocation reporting; obtaining and reviewing relevant information that supports the preparation of the allocation reporting; assessment of completeness and accuracy of the allocation reporting; performing substantive testing on a selective basis through inspection of documents; and testing (or reviewing) various supporting documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the limited assurance procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the section "Allocation of Proceeds and Green Savings" disclosed in the Green Bond Report 2022 has not been prepared, in all material respects, in accordance with the relevant criteria.

Arendal, 16.08.2023

PricewaterhouseCoopers AS

Lars Ole Lindal

State Authorized Public Accountant

This letter is signed electronically.

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Securely signed with Brevio

ISAE 3000 erklæring Green Bond

Signers:

Name	Method	Date
Lindal, Lars Ole	BANKID	2023-08-16 13:09

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- Closing page (this page)
- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.

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Green Bond Framework

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.

RENEWABLE ENERGY (CATEGORY 1)

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.

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.



Minimum 90%

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



ECO-EFFICIENT AND/OR CIRCULAR ECONOMY ADAPTED PRODUCTS, PRODUCTION TECHNOLOGIES AND PROCESSES (CATEGORY 2)

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

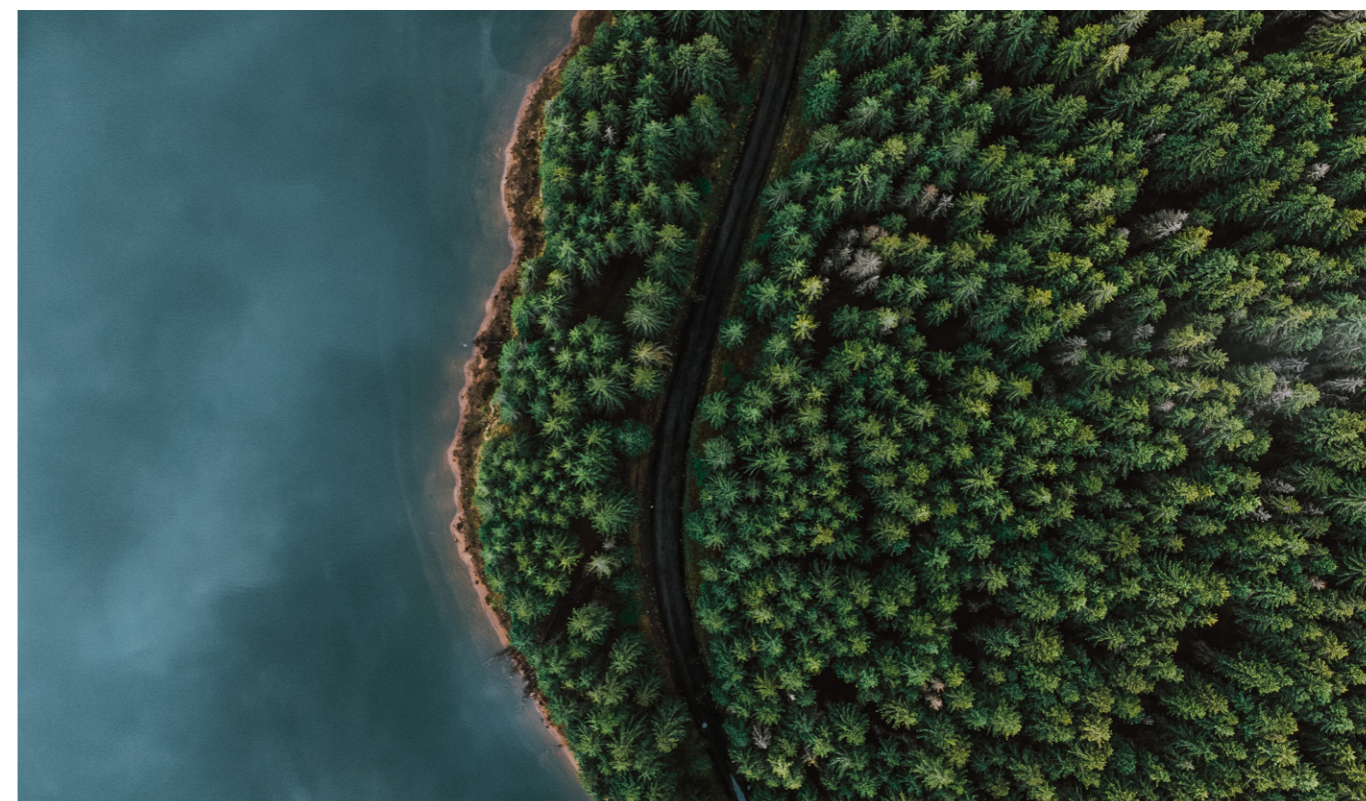
Tekna is a Canada based technology company, specializing in ICP plasma systems and advanced material powders, typically used within additive manufacturing. One of Tekna's business segments specializes in production of Silicon Nanopowder. Silicon Nanopowder has multiple applications within Li-Ion batteries 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%

of the proceeds from the Green Bonds shall be invested in and allocated to this Category 2 type of investments.



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