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FOR GENERATIONS

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In accordance with the Norwegian Public Limited Liability Companies Act (the "Act") section 6-16, the board of directors of Arendals Fossekompagni ASA ("AFK") has prepared a report on the salary and other remuneration of the CEO and senior executives of AFK awarded or due in 2023.

This report regards remuneration of the following executive management for 2023:

- Chief Executive Officer (CEO) – position currently held by Benjamin Golding (from 01.05.23)
- Chief Financial Officer (CFO) and Executive Vice President (EVP)– position currently held by Lars Peder Fensli (interim CEO until 30.04.23)
- Executive Vice President (EVP) – position currently held by Torkil Mogstad
- Chief Sustainability Officer (CSO) – position currently held by Ingunn Ettestøl
- Executive Vice President (EVP) – position currently held by Ann-Kari A. Heier (from 14.11.23)
- Executive Vice President (EVP) – position currently held by Håkon Tanem (from 09.10.23)
- Executive Vice President (EVP) – position held by Morten Henriksen (until 31.03.23)

(Hereinafter collectively referred to as the "Executive Management" or separately as each "Executive".)

1. Introduction, scope, and purpose

This remuneration report 2023 provides an overview of remuneration of the Executive Management of AFK in 2023 in relation to the AFK Remuneration Policy adopted by the general meeting on 5 May 2022. This report has been prepared in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 and the draft Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828 from the EU Commission of 1 March 2019 (the "EU Draft Guidelines").

The AFK Remuneration Policy is designed to align with AFK's overall business strategy, long-term interests, and financial sustainability, taking into consideration the know-how, capital and engineering skills related to the production of hydropower that have laid the foundation for AFK to successfully own energy and technology related companies which enable the transition to a greener economy. AFK shall offer remuneration that recognises the market value of an executive's role, skills, responsibilities, performance, and experience in order to attract and retain high-quality leaders to further develop our business in several dynamic portfolio companies internationally. The remuneration scheme for AFK's Executive Management shall be competitive and flexible, but neither appear complicated nor be wage leading.

The purpose of the Remuneration Policy is to set out remuneration components for the Executive Management structured to provide strong alignment between the interests of executives and shareholders, including a focus on delivering AFK's key

strategic objectives, and to support the business strategy and long-term interests. The total remuneration of the Executive Management is therefore constructed as a combination of fixed salary and variable compensation. The fixed salary shall be competitive and provide predictability and ensure that AFK can retain excellent leaders. The variable compensation shall be motivating for our leaders to aspire to achieve exceptional results.

Further information on remuneration can be found in the Annual Report 2023, available on AFKs website (<https://arendalsfossekompani.no/en>). Information about the work of the compensation committee can be found in the Corporate Governance 2023 report. The remuneration of Executives in 2023 was in accordance with the AFK approved Remuneration Policy.

2. Overview of financial year 2023

Arendals Fossekompani (AFK) is an industrial investment company holding 9 core investments and a portfolio of financial investments. These operations employ 2,670 people in 24 countries. AFK has proud traditions in power production and owns and operates two hydro-power plants. In addition, AFK operates globally in many forward-looking industries including 3D printing, algo trading, satellite services, battery and solar technology, software, and digitalisation, as well as various green energy technologies.

In 2023 the AFK group of companies continued the solid operational performance. The operating profit for the year was driven by continued high electricity prices in the Nordics and high activity levels in the portfolio companies.

2.1 HIGHLIGHTS OF 2023

(Figures in parentheses refer to the same period the previous year)

- In 2023, Arendals Fossekompani reported consolidated revenues of NOK 5,441 million (4,587 million) and operating profit of NOK 433 million (429 million). Ordinary profit after tax amounted to NOK -30 million (-33 million), of which the AFK shareholders share of the profit was NOK 33 million (6 million). Including currency differences, changes in the value of available-for-sale financial assets, minority interests, and other comprehensive income items, the Group's total comprehensive income was NOK 60 million (12 million)
- The AFK Parent Company's financial position remains solid. The company's cash position as of 31 December amounted to NOK 1,064 million. In addition, the company has undrawn credit facilities of NOK 1,132 million, securing net available liquidity of NOK 2,196 million per end of 2023.
- Consolidated revenues in 2023 increased by 19% year-on-year. Note that revenue growth for the Group in 2023 was positively impacted by a weaker Norwegian Krone, compared to 2022. Operating profit was NOK 433 million (429 million).
- There following changes to the composition of the Executive Management team occurred during 2023: Benjamin Kristoffer Golding was appointed new Chief Executive Officer as of 01 May 2023. CFO Lars Peder Fensli functioned as interim CEO from 1 January 2023 until Golding commenced his position. Håkon Tanem (as of 09.10.23) and Ann-Kari Amundsen Heier (as of 14.11.23) were appointed as Executive Vice Presidents.
- There have been no derogations from the Remuneration Policy during 2023.
- Further information on financial results, key developments and investments can be found in the Annual Report 2023.

2.2 SUSTAINABILITY

Arendals Fossekompani has an established goal to increase the group focus on sustainability and ESG. AFK's expressed long-term goal is to integrate sustainability in the group's daily work processes by a range of improvements over the upcoming years. Arendals Fossekompani is a transparent and trustworthy company. Over the past few years, our sustainability and social responsibility efforts have become more known. We have achieved this through the publication of an increasing set of ESG-related documents, including a company Code of Conduct, a Business Code of Conduct, other important policy documents, and our Annual Integrated Report.

With the Transparency Act implemented in Norway, it has never been more important to be open and transparent about the way we work to handle negative consequences to secure basic human rights and decent working conditions. For more information about how Arendals Fossekompani has implemented the Transparency Act, please refer to the Human Rights and Transparency Act report.

We are reporting in accordance with the Global Reporting Initiative (GRI) Standard. GRI is an independent, international organization that provides a global common language to both the reporting and communication of impacts. The GRI Standards are advancing the practice of sustainability reporting and enabling organizations and their stakeholders to take action that creates economic, environmental, and social benefits for everyone.

We also use The Sustainability Accounting Standards Board (SASB). The SASB provides a set of industry specific standards that are used to guide the disclosure of financially material sustainability information for Arendals Fossekompani.

Further information on reporting frameworks and standards, can be found in the Annual Integrated Report 2023.

3. Total remuneration in 2023

3.1 REMUNERATION AWARDED OR DUE IN 2023

The Remuneration Policy states that the fixed salary shall constitute approximately 50-75 % of the total compensation, whereas variable compensation such as bonus payments shall constitute approximately 15- 40 % of the total remuneration. The fixed salary will normally constitute at least 65 % of the total remuneration. In 2023, the remuneration to Executives consisted in average of 87 (83)% fixed salary and 13 (17)% variable remuneration and was in line with the guidelines set out in the Remuneration Policy¹. The bonus was mainly based on the financial results and non-financial targets linked to AFKs strategy and goals.

3.2 FIXED REMUNERATION

The fixed base salaries are based on the following objective criteria: the business performance and current salary level relative to the market, whereas the exact amount is normally approved annually by the board upon suggestion from the compensation committee for the CEO. For the other members of the Executive Management, the exact amount is normally approved annually by the CEO upon advice from the board or the compensation committee. The fixed salary is determined during the first quarter of the new fiscal year and valid from 1 January the same year.

The fixed salary may be increased annually in line with the range of increases awarded to other employees in AFK. Exceptions may apply in certain circumstances, such as:

- Where there is a significant change in an Executive's scope or role.
- Where it is considered necessary to reflect significant changes in market practice; or
- Where there is, in the Board's opinion, a need to retain an executive in relation to a competitive offer from another potential employer.

In such events, the increase cannot exceed 50% of the current fixed salary.

In 2023, the remuneration to all Executives consisted in average of 87% fixed salary and 13% variable remuneration. There have been changes to the composition of the Executive Management team during 2023. For Executives, employed during all of 2023, the remuneration consisted of 83% fixed salary and 17% variable remuneration. This was in line with the guidelines set out in the Remuneration Policy. In 2023, the fixed salary has been increased by 16.9% compared to 2022 for Executives (also employed in 2022), on average, but with individual differences².

3.3 VARIABLE REMUNERATION

The variable remuneration of the Executive Management is structured in the form of a bonus program. The determination of the bonus is decided by an assessment of the achievement of pre-defined annual performance targets, financial as well as non-financial, qualitative, and quantitative. The performance based variable compensation shall contribute to growth and value creation for the shareholders and/or Arendals Fossekompani's financial results over time which is further described for each element.

1. Number in brackets are for Executives employed all of 2023

2. Lars Peder Fensli acted as interim CEO until 30.04.23

Bonus program

The board shall annually consider a bonus which is partly based on the group's annual results, and partly on other criteria described below. The bonus is not included in the holiday pay basis or the basis for calculating entitlement to pension. The criteria for a bonus are:

- Annual results: The bonus will be calculated from the financial results – current year performance against budget.
- Other objectives: Objective made to support the business strategy.

TABLE 1 – REMUNERATION AWARDED OR DUE IN 2023

	Fixed remuneration		Variable remuneration					Proportion of fixed and variable remuneration	
	Base salary	Fees ³	Fringe benefits ⁴	Previous years bonus paid out this year	Multi-year variable ⁵	Extra-ordinary items	Pension expense		Total remuneration
Benjamin Golding, CEO									
2023	2,435,932		14,255		n/a		78,000	2,450,187	100/0
2022					n/a		0		
Lars Peder Fensli, CFO & Executive Vice President									
2023	3,048,881		34,279	839,147	n/a	0	124,000	3,922,307	79/21
2022	2,171,209		28,597	591,340	n/a	0	116,160	2,791,146	79/21
Morten Henriksen, Executive Vice President									
2023	1,007,860		7,432	566,435	n/a	0	52,000	1,581,727	64/36
2022	2,768,235		38,485	703,001	n/a	0	117,720	3,509,721	80/20
Torkil Mogstad, Executive Vice President									
2023	2,125,941		32,038	423,240	n/a	0	93,000	2,581,219	84/16
2022	2,028,464		31,033	513,070	n/a	0	95,868	2,572,567	80/20
Ingunn Ettestøl, Chief Sustainability Officer									
2023	1,797,781		23,501	326,306	n/a	0	144,000	2,147,588	85/15
2022	1,702,028		28,372	375,654	n/a	0	135,396	2,106,054	82/18
Håkon Tanem, Executive Vice President									
2023	577,652		13,362		n/a	2,000,000 ⁶	30,000	2,591,014	100/0
2022					n/a	0			
Ann-Kari A. Heier, Executive Vice President									
2023	251,894		4,343		n/a	0	19,000	256,237	100/0
2022					n/a	0			

Table 1 BIS: Not relevant in AFK due to all remuneration from other undertakings belonging to the same group is awarded to the employer company and not to the individual executive.

The objective of the bonus program is that a bonus calculated from the financial results and from non-financial achievements shall motivate to achieve better results for AFK on the most essential areas of AFK's activities. The non-financial targets are personal and individual, but examples of personal targets for the Executive Management are linked to AFK's strategy and goals, growth in net asset value, specific ESG targets and successful accomplishment of plans for portfolio companies. The bonus will normally constitute 15-40 % of the total remuneration.

3.4 SHARE BASED REMUNERATION

The objective of the share remuneration program is that the right to purchase shares shall create interdependence between the Executive and AFK and stimulate the Executive to create value for all shareholders.

Long-term incentive plan

The Executive Management have a right to purchase shares with 20 % discount from market value. The shares have a three-year-tie-in period. The shares may be funded by a loan from AFK limited to up to 2/3 of the share purchase. The CEO may take up loans up to 3 MNOK each year annually for 3 years to fund the share purchase. Other persons in the Executive Management (including the CFO, CSO and Executive Vice Presidents) may take up loans up to 1,5 MNOK each year annually for 3 years to fund the share purchase (see remuneration policy for directors).

TABLE 2 – SHARE OPTIONS AWARDED OR DUE TO THE DIRECTORS FOR 2023

Not applicable

TABLE 3 – SHARES AWARDED OR DUE TO THE DIRECTORS FOR 2023

	Own holdings	Opening balance	Shares purchased	Date	Market value	Closing balance	Shares subject to a holding period
Benjamin Golding, CEO		0	16,750	22.05.23	223.88	16,750	16,750
Lars Peder Fensli, CFO & EVP	325 ⁷	8144	7,200	22.05.23	223.88	15,344	15,019
Torkil Mogstad, Executive Vice President		7819	7200	22.05.23	223.88	15019	15,019
Ingunn Ettestøl, CSO		7,212	7,200	22.05.23	223.88	14,412	14,412
Ann-Kari A. Heier, Executive Vice President		0	14,698	15.11.23	127.56	14,698	14,698
Håkon Tanem, Executive Vice President	8000 ⁸	0	22,047	15.11.23	127.56	30,047	22,047

4. The benefits awarded or due to the directors consisted of benefits such as: paid phone, newspapers, and journals etc.

5. The time span of the relevant performance criteria does not exceed one year.

6. Sign-on bonus without binding period

7. Shares bought privately to market value

8. Shares bought privately to market value

9. Number in brackets are bonus based on fixed annual salary

3.5 Use of the right to reclaim remuneration

No remuneration has been reclaimed in 2023.

3.6 Application of performance criteria

The determination of the bonus is decided by an assessment of the achievement of pre-defined annual performance targets, financial as well as non-financial, qualitative, and quantitative. The board shall annually consider a bonus which is partly based on the group's annual results, and partly on other, individual criteria.

The criteria for a bonus are (weighting 50/50):

- Annual results: The bonus will be calculated from current year performance against budget.
- Non-financial achievements: Targets with objective to support business strategy.

The objective of the bonus program is that a bonus calculated from the financial results and from non-financial achievements shall motivate to achieve better results for AFK on the most essential areas of AFK's activities. The non-financial targets are personal, but are linked to AFKs strategy and goals, growth in net asset value, specific ESG targets and successful accomplishment of plans for portfolio companies. The bonus will normally constitute 15-40 % of the total remuneration. The bonus for 2023 (paid out in 2024), has been set to 81% (74,5%) for the CEO. Bonus for the other executives was set to 24% (26 %) on average.

TABLE 4 – PERFORMANCE OF DIRECTORS 2023

	1. Description of the performance criteria and type of applicable remuneration	2. Relative weighting of the performance criteria	3. Information on performance targets		4. a) measured performance b) actual award outcome ¹⁰
			a) Minimum target/threshold performance and	a) Maximum/target performance and	
Benjamin Golding, CEO	Financial results – current year performance against budget	50%	Achieved EBIT interval: 90-120 %		a) 100% b) 1333 333
	Non-financial achievements – personal targets with objective to support business strategy	50%	Individual targets linked to AFKs strategy and goals, growth in net asset value, specific ESG targets (governance structures and rating of the annual report) and successful accomplishment of plans for portfolio companies.		a) 49% b) 653 333
Lars Peder Fensli, CFO & Executive Vice President	Financial results – annual results calculated from previous year's financial results and current year performance against budget	50%	Achieved EBIT interval: 90-120%		a) 100% b) 393 750
	Non-financial achievements – personal targets with objective to support business strategy	50%	Individual targets linked to AFKs strategy and goals, growth in net asset value, and successful accomplishment of plans for portfolio companies.		a) 96% b) 378 000

Ann-Kari A. Heier, Executive Vice President	Financial results – current year performance against budget	50%	Achieved EBIT interval: 90-120%	a) N/A b) N/A
	Non-financial achievements – personal targets with objective to support business strategy	50%	Individual targets linked to AFKs strategy and goals, growth in net asset value, and successful accomplishment of plans for portfolio companies.	a) N/A b) N/A
Torkil Mogstad, Executive Vice President	Financial results – current year performance against budget	50%	Achieved EBIT interval: 90-120%	a) 100% b) 285 687
	Non-financial achievements – personal targets with objective to support business strategy	50%	Individual targets linked to AFKs strategy and goals, growth in net asset value, and successful accomplishment of plans for portfolio companies.	a) 49% b) 139 987
Ingunn Ettestøl, CSO	Financial results – current year performance against budget	50%	Achieved EBIT interval: 90-120%	a) 100% b) 260 313
	Non-financial achievements – personal targets with objective to support business strategy	50%	Individual targets linked to AFKs strategy and goals, growth in net asset value, specific ESG targets (governance structures, rating of the annual report and EU-taxonomy reporting) and successful accomplishment of plans for portfolio companies.	a) 94% b) 244 694
Håkon Tanem, Executive Vice President	Financial results – current year performance against budget	50%	Achieved EBIT interval: 90-120%	a) N/A b) N/A
	Non-financial achievements – personal targets with objective to support business strategy	50%	Individual targets linked to AFKs strategy and goals, growth in net asset value, and successful accomplishment of plans for portfolio companies.	a) N/A b) N/A

TABLE 5 – BONUS AWARDED FOR 2023 (PAID OUT IN 2024)

	Fixed remuneration 2023	Bonus 2023	Variable compensation of fixed remuneration
Benjamin Golding, CEO	2,450,187	1 986 667	81 %
Lars Peder Fensli, CFO & EVP	3,083,160	771 750	25 %
Ann-Kari A. Heier, EVP	256,237	0	-
Torkil Mogstad, EVP	2,157,979	425 674	20 %
Ingunn Ettestøl, CSO	1,821,282	505 006	28 %
Håkon Tanem, EVP	591,014	0	-

10. Bonus 2023 (paid out in 2024).

4. Information about any derogations and deviations from the remuneration policy and procedure for implementation

The remuneration of Executives in 2023 was in accordance with the main principles of AFK approved Remuneration Policy.

TABLE 6 – COMPARATIVE TABLE OVER THE REMUNERATION AND COMPANY PERFORMANCE OVER THE LAST FIVE REPORTED FINANCIAL YEARS

	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2023 vs 2022	Notes
Benjamin Golding, CEO	-	-	-	-	2,450,187/0	From 01.05.23
Lars Peder Fensli, CFO & Executive Vice President	2,538,000/2,396,000	3,387,000/2,538,000	3,000,000/3,387,000	2,791,461/3,000,000	3,922,307/2,791,461	
Torkil Mogstad, Executive Vice President	2,144,000/2,328,000	2,248,000/2,144,000	2,737,000/2,248,000	2,572,567/2,737,000	2,581,219/2,572,567	
Ingunn Ettestøl, CSO	-	2,032,000/0	2,083,000/2,032,000	2,106,054/2,083,000	2,147,588/2,106,054	CSO from 01.09.20
Ann-Kari A. Heier, Executive Vice President	-	-	-	-	256,237/0	From 14.11.23
Håkon Tanem, Executive Vice President	-	-	-	-	2,591,014 ¹¹ /0	From 09.10.23
Ørjan Svanevik, CEO	1,584,000/0	10,060,000/1,584,000	9,145,000/10,060,000	7,665,484/9,145,000	0/7,665,484	01.09.19-31.12.22
Jarle Roth, CEO	4,323,000/6,590,000	0/4,323,000	-	-	-	01.08.16-01.08.19
Morten Henriksen, Executive Vice President	2,601,000/2,822,000	3,744,000/2,601,000	5,276,000/3,744,000	3,509,721/5,276,000	1,581,727/3,509,721	Until 31.03.23
	2019	2020	2021	2022	2023	
EBIT (MNOK)	233	161	450	429	440	
EBITDA (MNOK) ¹²	457	401	686	726	760	
Non-financial metric C	Personal targets	Personal targets	Personal targets	Personal targets	Personal targets	
	2019	2020	2021	2022	2023	
Employees of the parent company ¹³	736,021	716,322	803,013	987,797	946,642	
Employees of the group (Norway) ¹⁵	-	-	899,911	892,346	1,070,306	
Employees of the group (outside Norway) ¹⁶	-	-	615,229	583,296	726,235	

11. Including Sign-on bonus.

12. EBITDA 2017-2019: numbers are not adjusted after sale of company in 2021.

13. Employees other than C-suite positions.

14. Parent company includes AFK Vannkraft.

15. The information for the previous financial years for the companies in the group is not available.

16. The information for the previous financial years for the companies in the group is not available.

5. Comparative information on the change of remuneration and company performance

TABLE 7 – REMUNERATION OF BOARD OF DIRECTORS 2022/2023 (AMOUNTS IN NOK 1,000)

Board members	Annual fee 2022	Annual fee 2023	Number of Board meetings (i)	
			2022	2023
Trond Westlie, Chairman, (iii) (v)	470	1,220	5	10
Morten Bergesen, Deputy Chairman (ii), (iv)	436	458	10	10
Didrik Vignæs, Board Member (iii)	367	386	10	10
Christian Must, Board Member (iii)	387	373	10	10
Stine Rolstad Brenna (ii)	419	443	9	10
Lise Lindback, Board Member (iii)	250	376	5	10
Anne Grethe Dalane, Board Member (ii)	269	397	5	10
Jon Hindar, Chairman till 06.05.22	205	-	5	0
Heidi Marie Petersen, Board Member till 06.05.22	107	-	1	0
Kristine Landmark, Board Member till 06.05.22	107	-	4	0

(i) 10 Board meetings were held in 2022 and 10 in 2023.

(ii) Member of Audit Committee.

(iii) Member of Compensation Committee.

(iv) Member of Nomination Committee.

(v) Including consultancy fee of tNOK 500 (refer to note 24 in annual report).

6. Advisory vote on last general meeting

Advisory vote on last general meeting unanimously adopted.

VISITING ADDRESS

Langbryggen 9
4841 Arendal

POSTAL ADDRESS

Box 280
4803 Arendal

+47 37 23 44 00
firmapost@arendalsfoss.no
arendalsfossekompani.no