



Remuneration Policy

Arendals Fossekompani ASA

| Version no. | Date implemented | Changes |
|-------------|------------------|--|
| 1.3 | 15 May 2025 | Update of policy to include the remuneration policy for Board Directors and new long-term incentive plan for executive management. |
| 1.2 | 15 May 2024 | Update of policy to reflect new members of the executive management, certain contractual terms and an adjustment in bonus scheme. |
| 1.1 | 5 May 2022 | Update of policy to include new long-term incentive plan for share purchase. |
| 1.0 | 6 May 2021 | <p>Revision of former policy for remuneration in accordance with amendments of section 6-16a of the Norwegian Public Limited Liability Companies Act implementing article 9a of directive (EU) 2017/828 (as regards the encouragement of long-term shareholder engagement).</p> <p><i>Previously, Arendals Fossekompani published an annual «Erklæring om fastsettelse av lønn og annen godtgjørelse til ledende ansatte».</i></p> |

Adopted by

The Annual General Meeting 15 May 2025

The Board of Directors of Arendals Fossekompani ASA (“Arendals Fossekompani”) has prepared a policy on the determination of salary and other remuneration of the Chief Executive Officer and senior executives of Arendals Fossekompani, members of the Board of Directors, and any employed members of the Board of Directors and corporate assembly as applicable.

This policy applies to the following members of the Executive Management (hereinafter collectively referred to as the “Executive Management” or separately as each “Executive”):

- Chief Executive Officer (CEO) – position currently held by Benjamin Golding
- Chief Financial Officer (CFO) – position currently held by Lars Peder Fensli
- Executive Vice President (EVP) – position currently held by Ann-Kari Amundsen Heier
- Executive Vice President (EVP) – position currently held by Torkil Mogstad
- Executive Vice President (EVP) – position currently held by Håkon Tanem
- Executive Vice President (EVP) – position currently held by Ingunn Ettestøl

It also applies to the following positions of the Board of Directors:

- Chair of the Board of Directors
- Deputy Chair of the Board of Directors
- Member of the Board of Directors

1 Purpose and principles

This policy is designed to align with Arendals Fossekompani’s overall business strategy, long-term interests and financial sustainability.

For more than 100 years, Arendals Fossekompani has produced hydropower which has been used to build Norwegian industry and communities. The know-how, capital and engineering skills related to the production of hydropower have laid the foundation for Arendals Fossekompani to successfully own energy- and technology-related companies that help build a more sustainable tomorrow. In addition to producing clean energy, Arendals Fossekompani’s companies help customers utilise their resources in a more sustainable way, and they provide technology, systems and solutions that make energy from renewable sources increasingly accessible and usable. By developing sustainable products and services, Arendals Fossekompani ensures long-term value creation for shareholders, employees and society.

As a group that is active in several dynamic portfolio companies internationally, Arendals Fossekompani is dependent on being able to offer remuneration that can attract and retain high-quality leaders to further develop our business. Arendals Fossekompani offers remuneration that recognises the market value of an executive’s role, skills, responsibilities, performance and experience in order to attract and keep excellent leaders. The remuneration scheme for Arendals Fossekompani’s Executive Management and Board of Directors shall be competitive and flexible, but neither appear complicated nor be wage leading.

This policy is designed with this in mind and has been developed in order to create a performance-based system which is founded on Arendals Fossekompani's values. The remuneration components for the Executive Management are structured to provide strong alignment between the interests of executives and shareholders, including a focus on delivering Arendals Fossekompani's key strategic objectives, and to support the business strategy and long-term interests.

The total remuneration of the Executive Management is constructed as a combination of fixed salary and variable compensation. The fixed salary shall be competitive, provide predictability, and ensure that Arendals Fossekompani can retain excellent leaders. The variable compensation shall be motivating for our leaders to aspire to achieve exceptional results.

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. However, the CEO has a maximum bonus frame of 12 months of the fixed salary.

Board Directors are remunerated with a fixed fee.

In the preparation of the remuneration scheme, the Board of Directors has considered any actual or potential conflicts of interest in preparing and maintaining this policy. The Board of Directors has not found any actual or potential conflicts of interest.

The Board of Directors will consider reasonable measures to be taken to mitigate any such conflicts of interest.

The pay and employment conditions of the employees of Arendals Fossekompani were considered by the Board of Directors when establishing this policy.

2 Remuneration of the Executive Management

2.1 Fixed salary

The previous year's remuneration of the Executive Management is found in the annual Remuneration Report published on Arendals Fossekompani's webpage. The fixed salaries are based on the following objective criteria: the business performance and current salary level relative to market, whereas the exact amount is normally approved annually by the Board of Directors upon suggestion from the Remuneration 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 of Directors or the Remuneration 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 Arendals Fossekompani. 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 of Director'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.

The fixed salary will normally constitute at least 65% of the total remuneration.

2.2 Variable compensation

The variable compensation shall consist of performance-based elements and other elements determined by the Board of Directors.

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.

Bonus programme

- **Scheme:** The Board of Directors 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 bonus shall be pro-rata adjusted based on the share of a full working year where the employee has worked.
- **Criteria:**
 - Annual results: The bonus will be calculated from current year's performance against budget.
 - Other objectives: Objectives made to support the business strategy.
- **Objective:** Bonus calculated from the financial results and from non-financial achievements shall motivate to achieve better results for Arendals Fossekompani on the most essential areas of Arendals Fossekompani's activities.
- **Relative proportion of total remuneration:** The bonus will normally constitute 15-40% of the total remuneration.

Shares, share options, other remuneration associated with shares

Arendals Fossekompani has a long-term incentive plan (LTIP) for the Executive Management.

Scheme:

Each of the members of the executive management team will for each of the years 2025, 2026 and 2027 (the Grant Year(s)) be granted shares in Arendals Fossekompani ASA corresponding to a pre-tax value of a third of base salary (Base element).

The granted shares will be subject to a three-year lockup as of Grant Date, which shall be defined as the first trading day of the Grant Year.

For LTIP calculations the Annual Total Shareholder Return (ATSR) shall be defined as the average annual total shareholder return (expressed as a percentage) over a period between 1.1.2025 and the end of the given lock-up period. ATSR shall be calculated using board approved NAV calculations.

At the end of each of the three lockup periods an additional share grant without lockup (Upside Element) will be awarded if the ATSR (as defined above) exceeds 10%.

- For the first lockup period ending at 31.12.2027, the pre-tax value of the Upside Element shall be calculated as follows:
 - For ATSR in the range 10-11%: $25\% * ((1+ATSR)^3) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2025)}$
 - For ATSR in the range 11-12%: $50\% * ((1+ATSR)^3) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2025)}$
 - For ATSR above 12%: $100\% * ((1+ATSR)^3) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2025)}$
- For the second lockup period ending at 31.12.2028, the pre-tax value of the Upside Element shall be calculated as follows:
 - For ATSR in the range 10-11%: $25\% * ((1+ATSR)^4) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2026)}$
 - For ATSR in the range 11-12%: $50\% * ((1+ATSR)^4) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2026)}$
 - For ATSR above 12%: $100\% * ((1+ATSR)^4) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2026)}$
- For the third lockup period ending at 31.12.2029, the pre-tax value of the Upside Element shall be calculated as follows:
 - For ATSR in the range 10-11%: $25\% * ((1+ATSR)^5) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2027)}$
 - For ATSR in the range 11-12%: $50\% * ((1+ATSR)^5) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2027)}$
 - For ATSR above 12%: $100\% * ((1+ATSR)^5) - 1 * 1/3 * \text{base salary at Grant Date (1.1.2027)}$

Criteria: The right to Base element and Upside element applies to Executive Management while in their non-terminated (“uoppsagt”) position.

Objective: The LTIP shall create strong interest alignment between Executive management and shareholders and incentivise Executive management to maximize total shareholder return.

Arendals Fossekompani may, at the Board of Directors' sole discretion, offer to buy back shares granted under the LTIP during certain specified periods of time after lockup, at a value based on the 3-day volume weighted average share price.

2.3 Pension, early retirement scheme, payments linked to termination of employment and other agreements

Retirement pension

Main characteristics of the retirement pension plan:

- Arendals Fossekompani pension fund: Executive Management were until 2015 members of Arendals Fossekompani's pension fund. Subject to full contribution time of 30 years, the Executive is entitled to 66% of the pensionable income.

- After 2015, the performance-based scheme was terminated for all employees under 60 years. Employees over 60 retain the old scheme until pensionable age.
- Defined contribution pension plan: From 2010, Arendals Fossekompani established a defined contribution pension plan which applies for new Executives.

The defined contribution pension plan includes a deposit of 5% of salary from 0 – 7,1G and 8% of salary between 7,1 and 12G. Bonuses, options and other benefits are not pensionable.

Termination of employment

- **Scheme:** The Executives have a right to resign from their positions. Arendals Fossekompani has a right to terminate the employment on normal terms, i.e. fair dismissal or summary dismissal subject to Norwegian Working Environment.
- The CEO will receive 100% of the fixed salary during the notice period of 6 months, in case of dismissal the CEO is also entitled to another 6 months with 100% of the fixed salary after the completion of the notice period.
- The CFO and the EVPs will receive 100% of the fixed salary during the notice period of 3 months.
- **Duration of employment:** The employment contracts with the Executive Management are permanent until termination.

2.4 Other remuneration and benefits

The Executive Management receive regular benefits such as paid phone, newspapers and journals, which amount to an annual value of NOK 23.000.

3 Remuneration of the Board of Directors

The Annual General Meeting determines the remuneration of the Board of Directors based on the proposal by the Arendals Fossekompani Nomination Committee.

The mandate of the Nomination Committee is set out in an instruction adopted by the General Meeting and includes proposing remuneration for members of the Board of Directors and their participation in any board committees.

In preparing the proposals for remuneration, the Nomination Committee bases its work on the principle that the fees should be competitive but not leading compared to peers. The total remuneration of the Board of Directors is structured as a fixed fee and remuneration is not dependent on results. No shares or share options are issued to board members.

Participation in the Audit Committee or other board committees may entitle members of the Board of Directors to an additional fixed annual fee.

4 Derogations from this policy

4.1 Permitted derogations

If a derogation from this policy is necessary to serve the long-term interests and sustainability of Arendals Fossekompani as a whole, or to assure Arendals Fossekompani's viability, a derogation from the following sections and elements is permitted:

- Such adjustment may include granting a cash bonus to one or more Executives for an extraordinary performance, which could not be taken into account when setting the targets at the beginning of the year. It may also include granting extraordinary benefits and/or special exit conditions which is deemed necessary to serve the long-term interests of the Company for recruitment or retention purposes.
- The Board of Directors may change or terminate elements of the remuneration in case of resignation or dismissal of an executive, a take-over in whole or in part, significant acquisitions, significant divestments, demerger, merger, changes to the capital structure, certain dividend distributions or other material events (e.g. agree on an earlier pay-out date).

4.2 Procedure for temporary derogations

The following procedure must be followed for any derogations: The Board of Directors shall approve the derogation after an assessment of whether the conditions stated in section 3.1 apply. The decision and assessment shall be documented.

5 Adoption of the policy

5.1 Rules of procedure for preparation and adoption

Arendals Fossekompani's Remuneration Committee shall prepare a draft Remuneration Policy in accordance with the Instructions for the Remuneration Committee ("*Instruks for Kompensasjonskomiteen*") adopted by the Board of Directors on 07.11.2024 and any applicable laws and regulations.

The Board of Directors shall review and make necessary alterations to the draft policy as provided by the Remuneration Committee. The Board of Directors shall propose to the Annual General Meeting to adopt the new policy.

The General Meeting shall approve the policy.

The same procedure applies for material changes to this policy once adopted. The General Meeting shall re-approve the policy in case of any material change and, in any case, at least every four years.

If a proposed Remuneration Policy (or material changes to the adopted policy) are not approved by the General Meeting, the Board of Directors shall submit a revised policy for approval at the following General Meeting.

Remuneration of the Executive Management and the Board of Directors may only be paid in accordance with a Remuneration Policy which was approved by the General Meeting. In the event that the General Meeting has not approved the Remuneration Policy (or material changes of the adopted policy), Arendals Fossekompani shall continue to pay remuneration to its Executive Management in accordance with the policy previously approved by the General Meeting, or in accordance with the existing practices where no policy had previously been approved by the General Meeting.

5.2 Adoption of the policy

This policy was prepared and adopted in accordance with the procedure described in 5.1 and approved by the General Meeting on 15 May 2025.

The Board of Directors has considered any actual or potential conflicts of interest in preparing and maintaining this policy, please refer to section 1 for the assessment.

The Board of Directors has considered reasonable measures to be taken to mitigate any such conflicts of interest, please refer to section 1 for the assessment.

The pay and employment conditions of the employees of Arendals Fossekompani were considered by taking into account when establishing this policy, please refer to section 1 for the assessment.

The policy shall be made publicly available on Arendals Fossekompani's website without delay after it is adopted by the General Meeting, together with the date and the results of the vote. The policy shall remain publicly available, free of charge, at least as long as it is applicable.

VISITING ADDRESS
Langbryggen 9, 4841
Arendal

POSTAL ADDRESS
Box 280, 4803 Arendal

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