

**REMUNERATION REPORT 2021**

for

**Arendals Fossekompani ASA**

## REMUNERATION OF DIRECTORS OF ARENDALS FOSSEKOMPANI ASA 2021

Approved by the board of directors on 30.03.2022. Advisory vote by the general meeting on 05.05.2022.

In accordance with the Norwegian Public Limited Liability Companies Act (the “Act”) section 16-6 b, the board of directors of Arendals Fossekompani ASA (“AFK”) has prepared a report on the salary and other remuneration of the CEO and senior executives of AFK awarded or due in 2021.

This report regards remuneration of the following executive management of 2021:

- Chief Executive Officer (CEO) – position currently held Ørjan Svanevik
- Chief Financial Officer (CFO) – position currently held by Lars Peder Fensli
- Executive Vice President – position currently held by Morten Henriksen
- Executive Vice President – position currently held by Torkil Mogstad
- Chief Sustainability Officer (CSO)– position currently held by Ingunn Ettestøl

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

### 1. Introduction, scope, and purpose

This remuneration report 2021 provides an overview of remuneration of the Executive Management of AFK in 2021 in relation to the AFK Remuneration Policy adopted by the general meeting on 6 May 2021. This report has been prepared in accordance with the Norwegian Public Limited Liability Companies Act section 16-6 b 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 that help build a greener tomorrow. 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 2021. Information about the work of the compensation committee can be found in the Corporate Governance 2021 report available on AFK’s webpage

www.arendalsfossekompani.no. The remuneration of Executives in 2021 was in accordance with the AFK approved Remuneration Policy.

## 2. Overview of financial year 2021

Arendals Fossekompani (AFK) is an industrial investment company holding seven core investments and a portfolio of financial investments. These operations employ 2,100 people in 26 countries. AFK has proud traditions in power production and owns and operates two hydropower 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 2021 the AFK group of companies continued the solid operational performance delivering one of the best annual results in the group's 126-year history. The operating profit for the year was driven by significantly higher electricity prices in the Nordics and strong operational performance in all portfolio companies.

In 2021, the remuneration to Executives consisted in average of 64,8 % fixed salary and 35,2 % variable remuneration and was in line with the guidelines set out in the Remuneration Policy. In 2021, the fixed salary has been increased by 10 % compared to 2020 for the CEO, and 2,2 % compared to 2020 for the other Executives on average.

### 2.1 Highlights of 2021

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

- In 2021, Arendals Fossekompani reported an ordinary profit after tax of NOK 126 million (120 million), of which the AFK shareholders' share of the profit was NOK 107 million (62 million). Profit before tax was NOK 332 million (99 million). The operating profit amounted to NOK 450 million (161 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 227 million (-40 million).
- The AFK Parent Company's financial capacity remains solid. The company's net cash position as of 31 December amounted to NOK 1,411 million. In addition, the company has undrawn credit facilities of NOK 2,000 million, securing net available liquidity of NOK 3,411 million at year end.
- AFK announced the agreement with European energy company MET Group for the sale of 100% of the shares in Cogen Energia España. Fully owned by AFK since 2011, Cogen Energia is recognized as a premier player in the Spanish cogeneration market. The sale of Cogen Energia is part of AFK's corporate strategy to exit all fossil fuel positions. With this divestment AFK Group reduced its total CO2 emissions with 98%.
- Listing of Tekna Holding AS on Euronext Growth and Volue ASA on the main list of Oslo Børs
- In 2021 we have taken great steps on our journey towards being a preeminent company within responsible investments and sustainability reporting. Inspired by GRI reporting framework we carried out a double materiality analysis. An initial assessment of the EU Taxonomy gave us an indication of the Taxonomy eligibility and alignment of our portfolio, and we are proud that three of total five of our portfolio companies publish their own sustainability reports.
- There have been no changes to the composition of the Executive Management in 2021 compared to 2020.

- The AFK Remuneration Policy was established in 2021 and was adopted by the general meeting on 6 May 2021.
- There have been no derogations from the Remuneration Policy during 2021.
- Further information on financial results, key developments and investments can be found in the Annual Report 2021.

## **2.2 Sustainability and ESG**

AFK 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. During 2021, there was in particular focus on:

- Whistleblowing: After a revision of AFK's governing documentation on whistleblowing in 2020, the implementation of the policies and procedures throughout the group and the implementation of a whistleblowing channel was in focus in 2021.
- The implementation and operationalization of a system for supplier onboarding and due diligence by setting up a framework and system for assessment and reporting of business ethics in supply chains. This process was inter alia guided by the upcoming legal requirement to perform due diligence assessments in accordance with the Norwegian Transparency Act (Åpenhetsloven).
- AFK received a B rating in the CDP score report for 2021

In order to further strengthen the focus on ESG in line with our long-term goal to integrate sustainability in our daily work progress, AFK will in the upcoming year highlight ESG targets and further emphasize ESG as a personal target for Executives in the bonus assessment.

## **3. Total remuneration in 2021**

### **3.1 Remuneration awarded or due in 2021**

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 2021, the remuneration to Executives consisted in average of 64,8 % fixed salary and 35,2 % variable remuneration and was in line with the guidelines set out in the Remuneration Policy. 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 2021, the fixed salary has been increased by 10 % compared to 2020 for the CEO, and 2,2 % compared to 2020 for the other Executives on average, but with individual differences<sup>1</sup>. The fixed salary has not been increased further in line with the available option to make exceptions due to special circumstances. The fixed salary for the CEO constitutes 56 % of the total remuneration, and 67 % for the other Executives on average, which complies with the guidelines set out in the Remuneration Policy.

### **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 AFK's financial results over time which is further described for each element.

#### **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 previous year's financial results and current year performance against budget.
- Other objectives: Objective made to support the 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 and individual, but examples of personal targets for the Executive Management 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 2021 (paid out in 2022), has been set to 46 % for the CEO, due to delivering one of the best annual results in the group's history. Bonus for the other executives was set to 26 % on average, with individual differences (see Table 5).

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<sup>1</sup> Decrease in base salary for 2021 is due to a change in deduction of holiday pay for bonus.

**Table 1 – Remuneration awarded or due in 2021**

Name of Director, position	FY	1 Fixed remuneration			2 Variable remuneration		3 Extra-ordinary items	4 Pension expense	6 Total remuneration	6 Proportion of fixed and variable remuneration
		Base salary	Fees <sup>2</sup>	Fringe benefits <sup>3</sup>	Previous years bonus paid out this year	Multi-year variable <sup>4</sup>				
Ørjan Svanevik, CEO	2021	4,851,000	-	293,000	4 000 905 <sup>5</sup>	N/A	0	122,000	9,145,000	56 /44
	2020	4,412,000	-	291,000	5 357 000	N/A	0	119,000	10,060,000	47/53
Lars Peder Fensli, CFO	2021	2,089,000	-	23,000	888 226	N/A	0	109,000	3,000,000	70/30
	2020	2,095,000	-	21,000	1 271 000	N/A	0	106,000	3,387,000	62/38
Morten Henriksen, Executive Vice President	2021	2,664,000	-	31,000	2 581 292 <sup>6</sup>	N/A	0	115,000	5,276,000	51/49
	2020	2,601,000	-	29,000	1 114 000	N/A	0	112,000	3,744,000	70/30
Torkil Mogstad, Executive Vice President	2021	1,955,000	-	28,000	754 377	N/A	0	100,000	2,737,000	72/28
	2020	1,935,000	-	23,000	290 000	N/A	0	103,000	2,248,000	87/13
Ingunn Ettestøl, CSO	2021	1,541,000	-	22,000	520 313	N/A	0	127,000	2,083,000	75/25
	2020	1,458,000	-	23,000	551 000	N/A	0	123,000	2,032,000	73/27

**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.

### 3.4 Share based remuneration

The CEO has a one-time right to purchase 75,000 (3000) shares with 15% discount from market value. Other persons in the Executive Management (including the CFO, Executive Vice Presidents and CSO) have a one-time right to purchase 20,625 (825) shares with 15% discount from market value. The shares have a three-year tie-in period. Parts of the purchase price may be funded by a loan from AFK on separate terms.

The shares may be purchased when the Executive joins the executive leadership in AFK.

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.

<sup>2</sup> No fees are paid or due to the directors for the participation in the administrative, management or supervisory bodies of the company for FY2021.

<sup>3</sup> The benefits awarded or due to the directors consisted of benefits such as: paid phone, newspapers, and journals etc. The CEO has a company car and expenses for housing, commute, and parking in Arendal.

<sup>4</sup> The time span of the relevant performance criteria does not exceed one year

<sup>5</sup> Bonus due to extraordinary performance according to financial highlights

<sup>6</sup> Bonus due to extraordinary performance according to financial highlights

**Table 2 – Share options awarded or due to the directors for 2021:** Not applicable

**Table 3 – Shares awarded or due to the directors for 2021**

Information regarding 2021							
Name of director	Own holdings	Opening balance	Shares purchased	Date	Market value	Closing balance	Shares subject to a holding period
Ørjan Svanevik, CEO	2000 <sup>7</sup>	75000				77000	75000
Lars Peder Fensli, CFO	325 <sup>8</sup>	20000		03.09.21	315	20325	15325
Morten Henriksen, Executive Vice President	7500 <sup>9</sup>	28125				28125	20625
Torkil Mogstad, Executive Vice President		20625				20625	20625
Ingunn Ettestøl, CSO		12500	2500	08.01.21	182,015	17000	17000
			2000	30.11.21	384		

### 3.5 Use of the right to reclaim remuneration

No remuneration has been reclaimed in 2021.

### 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 the previous year's financial results and current year performance against budget.
- Other objectives: Objective made to support the 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 2021 (paid out in 2022), has been set to 46 % for the CEO, due to extraordinary performance according to financial highlights. Bonus for the other executives was set to 26 % on average.

<sup>7</sup> Shares owned by spouse, bought in Jan 2021

<sup>8</sup> Shares bought privately to market value

<sup>9</sup> Shares bought before share agreement for the executives was established

**Table 4– Performance of Directors 2021**

Name of director, position	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 <sup>10</sup>
			a) Minimum target/threshold performance and	a) Maximum/target performance and	
Ørjan Svanevik, CEO	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) 1 189 433
	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 and successful accomplishment of plans for portfolio companies.		a) 100 % b) 1 189 433
Lars Peder Fensli, CFO	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) 299 413
	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 and successful accomplishment of plans for portfolio companies.		a) 98 % b) 291 927
Morten Henriksen, 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) 355 950
	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 and successful accomplishment of plans for portfolio companies.		a) 97,5 % b) 347 051
Torkil Mogstad, 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) 259 126
	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 and successful accomplishment of plans for portfolio companies.		a) 98 % b) 253 944
Ingunn Ettestøl, CSO	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) 190 688
	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 and successful accomplishment of plans for portfolio companies.		a) 97 % b) 184 967

**Table 5– Bonus awarded for 2021 (paid out in 2022)**

Name of director	Fixed remuneration 2021	Bonus 2021	Variable compensation of fixed remuneration.
Ørjan Svanevik, CEO	5 144 000	2 378 865	46 %
Lars Peder Fensli, CFO	2 112 000	591 340	28 %
Morten Henriksen, EVP	2 695 000	703 001	26 %
Torkil Mogstad, EVP	1 983 000	513 070	26 %
Ingunn Ettestøl, CSO	1 563 000	375 654	24 %

<sup>10</sup> Bonus 2021 (paid out in 2022)



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

- The remuneration of Executives in 2021 was in accordance with the main principles of AFK approved Remuneration Policy.
- Individual differences in bonus due to extraordinary performance according to financial highlights (see note 5 & 6 in table 1)
- Normal level for fringe benefits for executives (excl. CEO) is 23 000 NOK. Smaller deviations in 2021 due to a change in taxation of travel expenses.

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

**Table 6 – comparative table over the remuneration and company performance over the last five reported financial years**

Annual change	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	Notes
<b>Director's remuneration</b>						
Ørjan Svanevik, CEO	-	-	1 584 000/ 0	10 060 000/ 1 584 000	9 145 000/ 10 060 000	From 01.09.19.
Jarle Roth, CEO	3 966 000/ 1 558 000	6 590 000/ 3 966 000	4 323 000/ 6 590 000	0/ 4 323 000	-	01.08.16- 01.08.19
Sverre Valvik, CEO	0/ 2 691 000	-	-	-	-	14.10.91- 31.07.16
Lars Peder Fensli, CFO	2 152 000/ 1 735 000	2 396 000/ 2 152 000	2 538 000/ 2 396 000	3 387 000/ 2 538 000	3 000 000/ 3 387 000	2016 numbers: CEO, Markedskraft
Morten Henriksen, Executive Vice President	2 468 000/ 2 179 000	2 822 000/ 2 468 000	2 601 000/ 2 822 000	3 744 000/ 2 601 000	5 276 000/ 3 744 000	
Torkil Mogstad, Executive Vice President	1 826 000/ 0	2 328 000/ 1 826 000	2 144 000/ 2 328 000	2 248 000/ 2 144 000	2 737 000/ 2 248 000	
Ingunn Ettestøl, CSO	-	-	-	2 032 000/ 0	2 083 000/ 2 032 000	CSO from 01.09.20 Total remuneration 2020 in table
<b>Company performance (Amounts in NOK 1 000)</b>						
	2017	2018	2019	2020	2021	
EBIT	265	261	233	161	450	
EBITDA <sup>11</sup>	488	501	457	401	686	
Non-financial metric C	Personal targets	Personal targets	Personal targets	Personal targets	Personal targets	
<b>Average remuneration on a full-time equivalent basis of employees (excl. executives)</b>						
	2017	2018	2019	2020	2021	
Employees of the parent company	721 407	694 537	736 021	716 322	803 013	
Employees of the group (Norway) <sup>12</sup>	-	-	-	-	899 911	
Employees of the group (outside Norway) <sup>13</sup>	-	-	-	-	615 229	

<sup>11</sup> EBITDA 2017-2019: numbers are not adjusted after sale of company in 2021.

<sup>12</sup> The information for the previous financial years for the companies in the group is not available

<sup>13</sup> The information for the previous financial years for the companies in the group is not available

**Table 7– Remuneration of Board of directors 2020/ 2021** (Amounts in NOK 1 000)

Board members	Annual fee 2020	Annual fee 2021	Number of Board meetings (i)	
			2020	2021
Jon Hindar, Chairman (iii)	587	614	10	13
Morten Bergesen, Deputy Chairman (ii), (iii), (iv)	433	324	10	13
Didrik Vignæs, Board Member	313	341	10	13
Arild Nysæther, Board Member till 06.05.21 (ii), (iii)	393	160	10	7
Christian Must, Board Member from 06.05.21 (ii)	-	253	-	6
Heidi Marie Petersen, Board Member	313	347	10	13
Kristine Landmark, Board Member	313	321	10	13
Stine Rolstad Brenna, Board Member from 28.09.20 (ii)	89	394	5	13
Rikke T. Reinemo, Board Member till 25.09.20 (ii)	280	-	3	-

(i) 13 Board meetings were held in 2021 and 10 in 2020

(ii) Member of Audit Committee

(iii) Member of Compensation Committee

(iv) Member of Nomination Committee

## 6. Advisory vote on last general meeting:

Not applicable for 2021 (first remuneration report)