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# Remuneration Report 2022

Approved by the Board of Directors on 11 April. Advisory vote by the Annual General Meeting on 4 May.

In accordance with the Norwegian Public Limited Liability Companies Act (the "Act") section 6-16, the Board of Directors of Arendals Fossekompani ASA (AFK) has prepared this report on the salary and other remuneration of the CEO and senior executives of AFK awarded or due in 2022.

This report regards remuneration of the following executive management of 2022:

- Chief Executive Officer (CEO)  
Position held by Ørjan Svanevik until 31.12.22
- Chief Financial Officer (CFO)  
Position currently held by Lars Peder Fensli
- Executive Vice President (EVP)  
Position held by Morten Henriksen until 31.03.2023
- Executive Vice President (EVP)  
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 2022 provides an overview of remuneration of the Executive Management of Arendals Fossekompani in 2022 in relation to the Remuneration Policy adopted by the Annual 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").

Arendals Fossekompani Remuneration Policy is designed to align with our 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 us to successfully own energy and technology related companies that help build a greener tomorrow.

Arendals Fossekompani 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 Arendals Fossekompani'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 Arendals Fossekompani'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 we 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 2022 available on Arendals Fossekompani website ([www.arendalsfossekompani.no](http://www.arendalsfossekompani.no)). Information about the work of the Remuneration Committee can be found in the Corporate Governance Report 2022. The remuneration of Executives in 2022 was in accordance with the approved Remuneration Policy.

## 2. Overview of financial year 2022

Arendals Fossekompani is an industrial investment company holding 9 core investments and a portfolio of financial investments. These operations employ 2,400 people in 25 countries. We have proud traditions in power production and own and operate two hydropower plants. In addition, Arendals Fossekompani 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 2022, the AFK Group of companies continued the solid operational performance. The operating profit for the year was driven by significantly higher electricity prices in the Nordics and high activity levels in the portfolio companies

In 2022, the remuneration to Executives consisted in average of 78% fixed salary and 22% variable remuneration and was in line with the guidelines set out in the Remuneration Policy. In 2022, the fixed salary was increased by 2.8% compared to 2021 for the CEO, and an average of 5.7% compared to 2021 for the other Executives on average.

### 2.1 Highlights of 2022

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

- In 2022, Arendals Fossekompani reported consolidated revenues of NOK 4,587 million (4,232 million) and operating profit of NOK 429 million (450 million). Ordinary profit after tax amounted to NOK -33 million (97 million), of which the AFK shareholders share of the profit was NOK 6 million (107 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 12 million (160 million)
- The AFK Parent Company's financial position remains solid. The company's cash position as at 31 December amounted to NOK 1,160 million. In addition, the company has undrawn credit facilities of NOK 1,947 million, securing net available liquidity of NOK 3,107 million per end of 2022.
- Consolidated revenues in 2022 increased by 8% year-on-year. Adjusted for AFK Property's revenue recognition of the first phase of the development project Bryggebyen in 2021, consolidated revenues grew by 23% in 2022, compared to 2021. Operating profit was NOK 423 million (450 million).
- AFK completed two strategic transactions during 2022, including the acquisition of energy storage specialist Commeo, forming the basis for establishing the energy storage company Ampwell, as well as the acquisition of the induction charging company IPT Technology, which was merged with EFD Induction, forming ENRX Group. In addition, Alytic established itself in the ESG services vertical through the acquisition of Factlines.
- Tekna uplisted to Oslo Stock Exchange during 2022.

- We are proud of the fact that three of our portfolio companies, Value, Tekna and ENRX, will publish their own sustainability reports for 2022.
- There were no changes to the composition of the Executive Management in 2022 compared to 2021. Ørjan Svanevik resigned as CEO of Arendals Fossekompani with effect from 31.12.22, and CFO Lars Peder Fensli will function as interim CEO as of 1 January 2023 until the new CEO is in place.
- The AFK Remuneration Policy was established in 2021, updated in 2022 and was adopted by the Annual General Meeting on 5 May 2022.
- There have been no derogations from the Remuneration Policy during 2022.
- Further information on financial results, key developments and investments can be found in the Annual Report 2022.

### 2.2 Sustainability

Arendals Fossekompani has an established goal to increase the Group's focus on sustainability. 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 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 Sustainability Report.

With the new 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 2021 Global Reporting Initiative (GRI) Standard with an operational control method. GRI is an independent, international organisation 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.

## 3. Total remuneration in 2022

### 3.1 Remuneration awarded or due in 2022

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 2022, the remuneration to Executives consisted in average of 78% fixed salary and 22% 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 AFK's 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 2022, the fixed salary has been increased by 2.8% compared to 2021 for the CEO, and an average of 5.7% compared to 2021 for the other Executives. 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 69% of the total remuneration, and 80% 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 AFK's strategy and goals, growth in net asset value, specific sustainability targets and successful accomplishment of plans for portfolio companies. The bonus will normally constitute 15-40% of the total remuneration. The bonus for 2022 (paid out in 2023), has been set to 35% for the CEO, Bonus for the other executives was set to 21% on average, with individual differences (see Table 5).

TABLE 1 – REMUNERATION AWARDED OR DUE IN 2022

FY	Fixed remuneration			Variable remuneration			Pension expense	Total remuneration	Proportion of fixed and variable remuneration
	Base salary	Fees <sup>1</sup>	Fringe benefits <sup>2</sup>	Previous years bonus paid out this year	Multi-year variable <sup>3</sup>	Extra-ordinary items			
<b>Ørjan Svanevik, CEO</b>									
2022	4,988,385	-	298,234	2,378,865	n/a	0	129,756	7,665,484	69/31
2021	4,851,000	-	293,000	4,000,905 <sup>4</sup>	n/a	0	122,000	9,145,000	56/44
<b>Lars Peder Fensli, CFO</b>									
2022	2,171,209	-	28,597	591,340	n/a	0	116,160	2,791,461	79/21
2021	2,089,000	-	23,000	888,226	n/a	0	109,000	3,000,000	70/30
<b>Morten Henriksen, Executive Vice President</b>									
2022	2,768,235	-	38,485	703,001	n/a	0	117,720	3,509,721	80/20
2021	2,664,000	-	31,000	2,581,292 <sup>5</sup>	n/a	0	115,000	5,276,000	51/49
<b>Torkil Mogstad, Executive Vice President</b>									
2022	2,028,464	-	31,033	513,070	n/a	0	95,868	2,572,567	80/20
2021	1,955,000	-	28,000	754,377	n/a	0	100,000	2,737,000	72/28
<b>Ingunn Ettestøl, Chief Sustainability Officer</b>									
2022	1,702,028	-	28,372	375,654	n/a	0	135,396	2,106,054	82/18
2021	1,541,000	-	22,000	520,313	n/a	0	127,000	2,083,000	75/25

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.

1. No fees are paid or due to the directors for the participation in the administrative, management or supervisory bodies of the company for FY2021.
2. 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.
3. The time span of the relevant performance criteria does not exceed one year.
4. Bonus due to extraordinary performance according to financial highlights.
5. Bonus due to extraordinary performance according to financial highlights.

### 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 NOK 3 million each year 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 NOK 1.5 million each year for 3 years to fund the share purchase.

TABLE 3 – SHARES AWARDED OR DUE TO THE DIRECTORS FOR 2022

	Own holdings	Opening balance	Shares purchased	Date	Market value	Closing balance	Shares subject to a holding period
Ørjan Svanevik, CEO	2,000 <sup>6</sup>	77,000	15,637	8 May 22	359.72	17,637	15,637
Lars Peder Fensli, CFO	325 <sup>7</sup>	20,325	7,819	8 May 22	359.72	8,144	7,819
Morten Henriksen, Executive Vice President	7,500 <sup>8</sup>	28,125	7,819	8 May 22	359.72	7,819	7,819
Torkil Mogstad, Executive Vice President		20,625	7,819	8 May 22	359.72	7,819	7,819
Ingunn Ettestøl, CSO		17,000	5,212	8 May 22	359.72	7,212	7,212

6. Shares owned by spouse, bought in January 2021

7. Shares bought privately at market value

8. Shares bought before share agreement for the executives was established

9. Bonus 2022 (paid out in 2023)

### 3.5 Use of the right to reclaim remuneration

No remuneration has been reclaimed in 2022.

### 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.
- **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 AFK's strategy and goals, growth in net asset value, specific sustainability targets and successful accomplishment of plans for portfolio companies. The bonus will normally constitute 15-40% of the total remuneration.

The bonus for 2022 (paid out in 2023), has been set to 35% for the CEO. Bonus for the other executives was set to 21% on average.

TABLE 4 – PERFORMANCE OF DIRECTORS 2022

	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>9</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) 85,5% b) 1,058,330
	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) 64% b) 791,686
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) 85,5% b) 268,972
	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) 80% b) 251,507

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) 85,5% b) 319,762
	Non-financial achieve- ments – 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) 66% b) 246,673
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) 85,5% b) 232,782
	Non-financial achieve- ments – 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) 70% b) 190,458
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) 85,5% b) 181,806
	Non-financial achieve- ments – personal targets with objective to support business strategy	50%	Individual targets linked to AFKs strat- egy and goals, growth in net asset value, specific ESG targets (governance struc- tures, rating of the annual report and EU-taxonomy reporting) and successful accomplishment of plans for portfolio companies.	a) 68% b) 144,500

TABLE 5 – BONUS AWARDED FOR 2022 (PAID OUT IN 2023)

	Fixed remuneration 2022	Bonus 2022	Variable compensation of fixed remuneration
Ørjan Svanevik, CEO	5,286,619	1,850,016	35%
Lars Peder Fensli, CFO	2,199,806	520,479	24%
Morten Henriksen, EVP	2,806,720	566,435	20%
Torkil Mogstad, EVP	2,059,497	423,240	21%
Ingunn Ettestøl, CSO	1,730,400	326,306	19%

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

- The remuneration of Executives in 2022 was in accordance with the main principles of AFK approved Remuneration Policy.

## 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

	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	Notes
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	From 01.09.19.
Jarle Roth, CEO	6,590,000/ 3,966,000	4,323,000/ 6,590,000	0/ 4,323,000	-	-	01.08.16- 01.08.19
Lars Peder Fensli, CFO	2,396,000/ 2,152,000	2,538,000/ 2,396,000	3,387,000/ 2,538,000	3,000,000/ 3,387,000	2,791,461/ 3,000,000	
Morten Henriksen, Executive Vice President	2,822,000/ 2,468,000	2,601,000/ 2,822,000	3,744,000/ 2,601,000	5,276,000/ 3,744,000	3,509,721/ 5,276,000	
Torkil Mogstad, Executive Vice President	2,328,000/ 1,826,000	2,144,000/ 2,328,000	2,248,000/ 2,144,000	2,737,000/ 2,248,000	2,572,567/ 2,737,000	
Ingunn Ettestøl, CSO	-	-	2,032,000/ 0	2,083,000/ 2,032,000	2,106,054/ 2,083,000	CSO from 01.09.20  Total remuneration 2020 in table
	2018	2019	2020	2021	2022	
EBIT	261	233	161	450	423	
EBITDA <sup>10</sup>	501	457	401	686	721	
Non-financial metric C	Personal targets	Personal targets	Personal targets	Personal targets	Personal targets	
	2018	2019	2020	2021	2022	
Employees of the parent company <sup>11</sup>	694,537	736,021	716,322	803,013	987,797	
	-	-	-	899,911	892,346	
Employees of the group (outside Norway) <sup>12</sup>	-	-	-	615,229	583,296	

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

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

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

TABLE 7 – REMUNERATION OF BOARD OF DIRECTORS 2021/2022 (AMOUNTS IN NOK 1,000)

Board members	Annual fee 2021	Annual fee 2022	Number of Board meetings (i)	
			2021	2022
Trond Westlie, Chairman from 06.05.22		470		5
Jon Hindar, Chairman till 06.05.22 (iii)	614	205	13	5
Morten Bergesen, Deputy Chairman (ii), (iii), (iv)	324	436	13	10
Didrik Vignæs, Board Member	341	367	13	10
Christian Must, Board Member from 06.05.21 (ii)	253	387	6	10
Heidi Marie Petersen, Board Member till 06.05.22	347	107	13	1
Kristine Landmark, Board Member till 06.05.22	321	107	13	4
Stine Rolstad Brenna (ii)	394	419	13	9
Lise Lindback, Board member from 06.05.22		250		5
Anne Grethe Dalane, Board member, from 06.05.22		269		5
Arild Nysæther, Board Member till 06.05.21	160		7	

(i) 13 Board meetings were held in 2021 and 10 in 2022

(ii) Member of Audit Committee

(iii) Member of Compensation Committee

(iv) Member of Nomination Committee

## 6. Advisory vote on last general meeting

Advisory vote on last general meeting unanimously adopted.



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