

ANNUAL REPORT 2021

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ANDFJORD SALMON AT A GLANCE



FIRST LOCATION

Andfjord Salmon™ has been granted a licence for 10 000 tonnes MAB with potential production volume of 19 000 tonnes HOG at Kvalnes, Andøya.



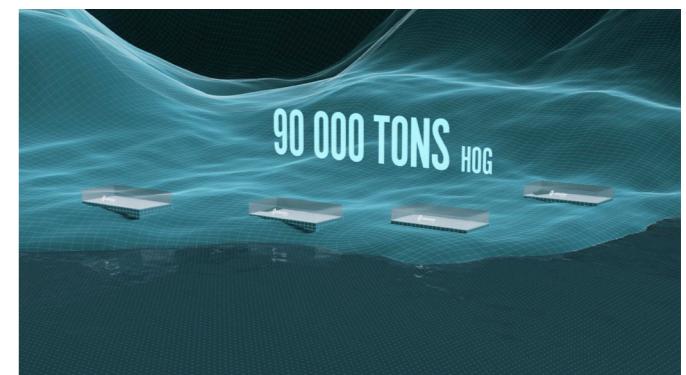
FLOW-THROUGH

Uses a closed flow-through system, which combines the benefits of both traditional and land based aquaculture while solving a number of traditional farming issues.



GULF STREAM

Strategically located at Andøya – with unique access to oxygen-rich seawater at stable temperatures. The unit is situated at a depth of 30 to 160 metres, depending on the season.



~90,000 TONNES IN TOTAL

Andfjord Salmon has acquired three locations, with a clear roadmap towards achieving a total capacity of ~90,000 tonnes (HOG).



LOW ENERGY FACILITIES

Strategically located at Andøya – with unique access to oxygen-rich seawater at stable temperatures. The unit is situated at a depth of 30 to 160 metres, depending on the season.

FISH FRIENDLY & SUSTAINABLE

Andfjord Salmon™ aims to build the world's most fish-friendly and environmentally friendly facility for salmon, with the lowest possible energy consumption and cost.

LETTER FROM THE CEO

2021 was a year of substantial progress, culminating in meeting Andfjord Salmon's most important operational milestone yet: The successful verification of the laminar water flow technology.

Our major focus in 2021 was the completion of our first pool at Kvalnes, Andøya, while we in parallel worked on the next build-out phases at Kvalnes.

I am incredibly proud of the effort our team put in to successfully finalise the first pool and verify the flow-through technology during 2021.

The weather gods were certainly not on our side during the winter and spring, with numerous storms, heavy winds and large swells that made installation difficult. However, our team persevered and brought all the main buildings blocks – pool, inlet and outline pipelines – together, despite certain challenges along the way.

Creating long-term value

As planned, our first pool was technically complete in the second quarter. Around the same time, a highly interesting opportunity emerged.

It was an opportunity to purchase an additional 63,000 square meters of land area adjacent to our site at Kvalnes. This land area purchase unlocked an opportunity to initiate a further expansion at Kvalnes, with a possibility to increase production volume by approximately 50 percent, from today's 12,600 tonnes HOG (Phase 2) to 19,000 tonnes HOG (Phase 3).

The board of directors of Andfjord Salmon has constantly challenged the management to come up with new ideas and initiatives that can create long-term shareholder value. This opportunity was certainly in this category.

In addition to the 50 percent increase in production vol-



In my view, the successful verification of the laminar water flow is, so far, the most important operational milestone in Andfjord Salmon's history.

ume, there were numerous other benefits by initiating the Kvalnes Phase 3 build-out earlier than originally planned. We were able to benefit from lower construction costs and improved economies of scale earlier than planned and reduce biological risk during Phase 1 and 2 at Kvalnes.

Pool party

This alternative plan also involved shifting the release of smolt in the first pool to the second quarter of 2022, which provided another benefit: An even longer test period of the first pool, which will also be highly beneficial for the forthcoming construction and utilization of our other pools at Kvalnes. Simply because it can help us reduce time, costs



Bleiksøya.

and execution risk when developing the next pools.

Throughout the second half of the year, we conducted extensive testing of the pool functions with seawater. We were delighted that the tests provided us with the answers we wanted. Following the testing of pool functions, we started testing the laminar water flow technology installed at our first pool.

In my view, the successful verification of the laminar water flow is, so far, the most important operational milestone in Andfjord Salmon's history. Why? Because it confirms that we have been able to recreate wild salmon's habitat on land. In the wild, salmon swims in laminar water flows in the ocean, similar to what we now have in our pool at Andøya.

We also believe that the technology verification de-risks Andfjord Salmon's business case significantly. This was also one of the reasons that Nutreco and Holmøy Group gave us when they chose to invest funds in Andfjord Salmon subsequent to year-end.

Sustainability

Our laminar water flow also provides numerous environmental and sustainability advantages. We have detailed these in Andfjord Salmon's second sustainability report, which can be found on page 31 of this annual report. I hope you will take a few minutes to digest how we utilize ESG as guideposts to generate long-term value creation for both society and our shareholders.

Our ambition is still to build the world's most sustainable and fish-friendly aquaculture facility of its kind. Release of smolt in the second quarter 2022 will bring us another major step closer towards realizing this ambition.

At the time of writing, we have started preparations for smolt release. The smolt is growing well and we are discussing the optimal time of release from a biological perspective. As I have said many times before, happy fish equals happy shareholders. We aim to demonstrate this in 2022.

*Martin Rasmussen
CEO*

BOARD OF DIRECTORS' REPORT

NATURE OF THE ENTERPRISE

Andfjord Salmon is developing the aquaculture industry of the future, and has an ambition of building the most fish-friendly and sustainable aquaculture facility of its kind. The benefits of both sea and land-based salmon farming are combined to make the best of both worlds. The result is a high level of salmon welfare and sustainable production in Arctic waters. Andfjord Salmon is a Norwegian company that was established in Andøy municipality in 2014. The company is developing production facilities and operating premises on Andøya. The company has a license to farm 10,000 tonnes of maximum allowed biomass (MAB) and is in the first phase of development on fish farms at Kvalnes on Andøya to exploit the licence. Rights have also been secured for coastal properties at Fiskenes and Breivik on Andøya for further expansion. In total, the company plans future yearly production of 90,000 tonnes HOG. Yearly production under the current license at Kvalnes is expected to be 19 000 tonnes HOG when the build-out has been completed

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Net profit before tax for 2021 was a loss of NOK 35.5 million, compared to a loss of NOK 19.2 million in 2020. In 2021, the company employed 17 full-time equivalents and labour costs amounted to NOK 17.4 million. Other operating expenses totalled NOK 15.8 million. The loss is in line with the board's expectations for the current phase of the company. The company's activities consist of the development and construction of land-based fish farms and the business is expected to generate its first sales income in 2023.

Net cash flow from operations was NOK -20.6 million, while operating loss totalled NOK -34.5 million. The difference is mainly due to changes in accounts payable and ordinary depreciation. The company's cash flow from investment activities was NOK -207.8 million, mainly related to the development and construction of land-based

facilities for fish farming at Kvalnes. Net cash flow from financing activities was NOK 94.5 million in 2021.

FINANCIAL RISK

Liquidity risk

The company has financed the construction of the first pool and related infrastructure, in addition to planning and groundwork related to the next phase of construction. At the end of the year, the company had a cash balance of NOK 14.9 million and current receivables of NOK 33.7 million. In addition, Andfjord Salmon had an unused credit facility of NOK 20 million which will be utilised in 2022. At the end of 2021 unpaid approved grants from public funding schemes totalled to NOK 6.1 million.

The company's growth strategy and future plans are capital intensive and dependent on future financing. The emphasis is on proving the concept with successful release of smolt and operations in the first pool. This will provide a good position for financing of further expansion on Andøya.

Currency risk

The company is currently exposed to currency risk to a small extent. Although some components for the development have been purchased in EUR, both costs and investments are primarily in NOK. The company will be increasingly exposed to currency risk once it starts operating the fish farming facility and in the case of future fish sales. Currency hedging will be considered to reduce such exposure.

Interest rate risk

The company is to a small extent exposed to fluctuations in interest rate levels. Interest-bearing debt amounted to NOK 80 million at the end of the year, of which 50 million had fixed interest rate. Liquidity reserves are deposited on bank accounts and is thus exposed to interest rate fluctuations, however this has limited effect.

Credit risk

The company is currently exposed to credit risk through the placement of surplus liquidity in Norwegian regulated banks. Customer receivables are limited in the current phase.

GOING CONCERN

The accounts have been prepared under the assumption that the company is a going concern. In accordance with Section 3-3a of the Norwegian Accounting Act, the board of directors confirms that the company fulfils the requirements necessary for it to continue to operate as a going concern. The board bases this on the company's financial position, which is good.

WORKING ENVIRONMENT

The board of directors considers the company's working environment to be good. No special measures have been implemented to improve the working environment. No sickness absence was registered in 2021, while sickness absence was 0.4% in 2020.

FUTURE OUTLOOK

The company holds a fish farming licence of 10,000 tonnes MAB and expects to reach yearly production volume of 19,000 tonnes (HOG) at Kvalnes. Andfjord Salmon has secured rights to coastal properties at Fiskenes and Breivik on Andøya, enabling a potential future production of 90,000 tonnes HOG. The company's current licence will be used in its entirety at the company's first production facilities at Kvalnes.

Construction of the first pool, which has a production capacity of 1250 tonnes HOG, is complete and the first salmon smolt will be released during second quarter 2022. Scraping and excavation work in connection with the remaining 17,750 tonnes HOG at Kvalnes has been ongoing through 2021. The board considers the future prospects to be good. Successful release of smolt will be a major milestone and strengthen the company's position significantly.

At the same time as the company is working on developing the first location at Kvalnes, it is also working on regulation of the Fiskenes and Breivik sites and will apply for a license for 20,000 tonnes MAB (25,000 tonnes HOG) for each of the locations. There are also plans to further develop the Kvalnes site to add a further 20,000 tonnes HOG in the future.

Andfjord Salmon benefits from the well-developed salmon farming industry in the Vesterålen area, where the necessary infrastructure with sufficient capacity and expertise has already been established. This makes it possible to have a fully integrated value chain, from smolt production and salmon farming to sales and distribution to end customers.

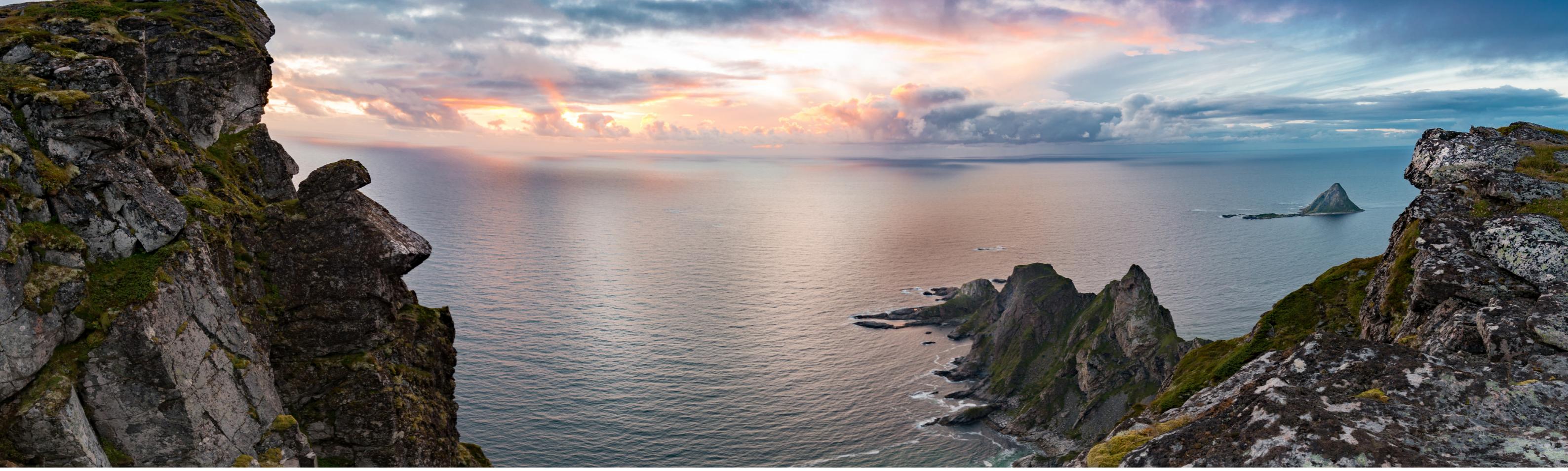
The company's financial position and outlook is primarily dependent on the price of farmed salmon and the level of production costs. Historically, the market price of farmed salmon has been subject to market fluctuations. Andfjord Salmon's flow-through concept requires low energy consumption. Due to the facilities' unique location directly adjacent to the Gulf Stream, they have access to water at very favourable temperatures year-round. The facilities are also well located in terms of logistics and infrastructure and are situated close to each other on Andøya, enabling cost-effective operations. The company is largely dependent on maintaining its current license and being awarded new licenses in order to develop the business in the future.

CORPORATE GOVERNANCE

Andfjord Salmon has prepared a report on corporate governance that is included in the annual report, which is available on the company's website. Although the company is not subject to the Norwegian Code of Practice for Corporate Governance, it aims to comply with the principles of the recommendations as the business transitions into an operational phase. The report on corporate governance sets out the company's status in relation to the recommendations.

GENDER EQUALITY AND DISCRIMINATION

In 2021, 17 full-time equivalents were performed by employees of the company. At the end of the year, the board consisted of seven members, of which two are females. It has been of major importance to secure the right competence and expertise during the company's initial development phase, and many of the employees have been recruited from the aquaculture industry. The proportion of women among the employees is lower than desired, which is a concern for the company and something it focuses on when hiring. Based on an assessment of the size of the company, the number of employees and job categories, the board has not found it necessary to take further action with respect to gender equality at this time.



However, the company is keen to increase the share of female employees, both in senior positions and in the company in general. The company shall be a workplace where there is full gender equality between women and men, and it shall ensure that there is no discrimination based on gender. More information on the status of gender equality in the company can be found in the ESG report, which is part of the annual report available on the company's website.

THE NATURAL ENVIRONMENT

The company does not pollute the natural environment to any significant extent in its current phase, but it has nevertheless implemented environmental measures in connection with the development at Kvalnes. Andfjord Salmon will focus on sustainable production at every level when the fish farm starts operating in 2022. It is a clear goal that the business shall have the smallest possible environmental footprint. Biological waste from the facility will be captured and refined as a commercial resource, limiting emissions from the facility. The company has for the second year in a row prepared a separate ESG report as part of the annual report, which contains a detailed account of how it works towards achieving sustainability goals.

OTHER MATTERS

The company has taken out insurance for the board

members and the general manager for their possible liability to the company and third parties, with an insurance sum of NOK 50 million.

The Covid-19 pandemic presented daily challenges to the company's activities in developing Kvalnes during 2021. Many different suppliers were involved at the site in connection with activities relating to pools, pipelines, groundworks, the operating centre and technical equipment, and a large number of people visited the construction site. Strict infection protection was therefore required. Some suppliers relied on the use of personnel from abroad, which led to practical challenges and additional costs during the period of the pandemic.

The board of directors does not know of any other matters of importance to consider the company's position and profit/loss, other than those presented in the annual financial statements and notes to the annual financial statements. No matters have arisen after the end of the financial year that have an impact on the board of directors' assessment of the annual financial statements.

DECLARATION BY THE BOARD OF DIRECTORS AND CEO OF ANDFJORD SALMON AS

We hereby confirm that it is our sincere conviction that the financial statements for the period 1 January to 31

December 2021 have been prepared in accordance with the provisions and good accounting practices set out in the Norwegian Accounting Act, and that the information in the financial statements provides an accurate picture of the company's and the group's assets, liabilities, financial

position, and profit/loss as a whole. We hereby confirm that the annual report provides an accurate overview of the development, annual profit/loss and position of the company and the group, together with a description of the most important risks and uncertainties the enterprise is facing.

Kvalnes, Andøya, 7. April 2022

Sign.

Roger Mosand
Chair of the board

Sign.

Roy Bernt Pettersen
Board member

Sign.

Tore Traaseth
Board member

Sign.

Bettina Flatland
Board member

Sign.

Knut Roald Holmøy
Board member

Sign.

Kim Marius Strandenes
Board member

Sign.

Gro Skaar Knutsen
Board member

Sign.

Martin Rasmussen
CEO

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) is responsible for ensuring that Andfjord Salmon (or “the company”) is organised, managed and controlled in an appropriate and satisfactory manner in full compliance with applicable laws and regulations.

The Board considers compliance with generally accepted corporate governance guidelines as an important prerequisite for long-term value creation. The company strives to ensure that its internal control mechanisms, organisation and management structures comply with good corporate governance principles.

The Norwegian Code of Practice for Corporate Governance (the “Code”) does not apply on Euronext Growth – Oslo. However, Andfjord Salmon has started to establish corporate governance systems and will seek to comply with the Code over time.

The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the board of directors and executive management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned. The following statement explains how Andfjord Salmon addresses the 15 governance topics covered by the Code.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board is aware of its responsibility for implementation of internal procedures and regulations to ensure that the company complies with applicable principles for good corporate governance in line with Norwegian and applicable international standards.

The Board of the Company is actively involved in good

corporate governance and will seek to ensure that the Company complies with the requirements of section 3-3b of the Norwegian Accounting Act, which is available at www.lovdata.no, and The Norwegian Code of Practice for Corporate Governance (“NUES”), last revised 14 October 2021, is available at www.nues.no. If the Company deviates from NUES recommendation, Andfjord Salmon will adhere to the “comply or explain” principle for each and every clause in the recommendation.

According to Andfjord Salmon’s own evaluation, the company deviates from the Corporate Governance Code on the following points:

- Point 3 – Equity and dividends: The Board of the company has been, and is expected to be, provided with authorisations to acquire own shares and issue new shares. Not all of such authorisations have separate and specific purposes for each authorisation as the purposes of the authorisations shall be explained in the notices to the general meetings adopting the authorisations.
- Point 6 – General Meetings: The Public Companies Act stipulates that at least 21 days’ notice must be given to call a general meeting of a listed company. As Andfjord Salmon is not a public limited liability company, but a private limited liability company, the Company adheres to the Companies Act which stipulates that at least 7 days’ notice must be given to call a general meeting.
- Point 9 – The work of the Board of Directors: Andfjord Salmon has not yet developed procedures for how the board of directors and executive management shall handle agreements with related parties as this has not been a relevant topic for the company. The company aims to develop such a procedure in 2022.
- Point 9 – The work of the Board of Directors: Andfjord Salmon does not have an audit committee as the company is not considered a large company or regulated

by the Public Companies Act.

- Point 12 – Remuneration of executive personnel: Andfjord Salmon has not established guidelines for the remuneration of executive personnel as the Company is not a public company governed by the Public Companies Act.

- Point 14 – Take-overs: Due to the unpredictable nature of a takeover situation, the Company has decided not to implement detailed guidelines on take-over situations. In the event a takeover were to occur, the Board will act in accordance with applicable regulations as well as the general principles of the stock market if such a situation should occur.

2. BUSINESS

Andfjord Salmon (ANDF) has developed an innovative and sustainable aquaculture concept for shore-based farming of Atlantic salmon. The company’s ambition is to build the world’s most sustainable and fish-friendly aquaculture facility of its kind.

Andfjord Salmon is a limited liability company organized under the laws of Norway and subject to the provisions of the Norwegian Limited Liability Companies Act.

Andfjord Salmon’s purpose is currently defined in the Articles of Association as follows:

The company’s business is to conduct land-based farming of fish and other matters that naturally coincide with this, including participating in other companies with similar activities, acquiring and divesting shares, or otherwise becoming interested in other businesses including provision of consulting services.

Andfjord Salmon each year publishes a sustainability report where it presents the main social, societal, and environmental challenges Andfjord Salmon faces, and how the company approaches them. Following dialogue with the company’s key stakeholders, Andfjord Salmon has identified five priority areas – environment, occupational health and safety, supply chain transparency and control, local value creation, and working environment – that are integrated with the company’s business strategy, and concrete goals are each year defined to improve Andfjord Salmon’s performance within these areas.

To discuss and evaluate goals, strategy and risk profile, the Board conducts an annual strategy meeting, where the main purpose is to set the long-term direction for the company.

A further description of the company’s operations, goals, strategy, and risk profile is provided in the group’s annual report, which shows how the company’s operations and strategies are aligned with objectives defined in the Articles of Association.

3. EQUITY AND DIVIDENDS

The company’s solidity is continuously assessed based on the company’s goals, strategies and risk profile. Total assets at the end of 2021 were NOK 480,4 million, and the company’s equity was NOK 323.3 million, equivalent to an equity-to-assets ratio of 66 percent.

Andfjord Salmon aims to give shareholders a competitive long-term return. Based on Andfjord Salmon’s capital requirements for its ongoing development projects, it is unlikely that the Company will pay dividend on a regular basis in the near future. Shareholders’ return should therefore primarily be realised through an increase in the value of their shares. However, dividends can be relevant in the future, when the circumstances permit it.

The shareholders can give the Board the authority to increase the share capital or purchase the Company’s own shares at the Annual General Meeting.

The General Meeting has given the Board authorisation to increase the Company’s share capital in order to finance the company’s business, in connection with acquisitions and mergers, and through share issues aimed at the company’s employees and board members. The current mandate is valid until the next Annual General Meeting however no longer than 30 June 2022.

4. EQUAL TREATMENT OF SHAREHOLDERS

Equal treatment of all shareholders is a core governance principle. Andfjord Salmon has one class of shares and is listed on Euronext Growth Oslo under the ticker ANDF. Each share carries one vote at the General Meeting.

In situations where normal preferential rights shall be deviated from, the Company’s Board is proposed to prepare grounds for such a decision in accordance with the

Norwegian Code of Practice for Corporate Governance and shall present these to the General Meeting.

5. SHARE AND NEGOTIABILITY

All Andfjord Salmon shares carry equal rights and are freely negotiable. The Company's articles of association do not contain any form of restriction on negotiability.

6. GENERAL MEETINGS

The interest of the company's shareholders is exercised at the General Meetings (GM). The Annual General Meeting is usually held between the end of April and beginning of June. The meeting for 2022 is scheduled on 28 April 2022.

The General Meetings deal with and decide on the following matters:

- Adoption of income statement and balance sheet.
- Application of profit or coverage of deficit pursuant to the adopted income statement and balance sheet as well as distribution of dividends.
- Election of board of directors. The general meeting shall elect the chairman of the board.
- Other issues that pursuant to the provisions of the Norwegian laws and Articles of Association are to be treated by the General Meeting.

All shareholders with known address registered in the Norwegian Central Securities Depository (VPS) will receive an invitation to the GM. The invitation is sent at least one week prior to the meeting. Other documents will be made available at Andfjord Salmon's website.

A shareholder may request a print of documents relating to matters to be dealt with at the GM.

The deadline for shareholders to give notice of their intention to attend the meeting is one day prior to the meeting.

Shareholders who are unable to attend the GM may vote by proxy. The proxy form is designed in such a way that voting instructions may be given for each item on the agenda.

The chairperson of the Board, the chairperson of the nomination committee and the CEO are present at the GM, in addition to other Board members when appropriate.

Andfjord Salmon has not deemed it necessary to require

the presence of all members of the Board at the GM.

The general meeting is able to elect an independent chairperson for the general meeting.

All shares carry an equal right to vote at General Meetings. Resolutions at GMs are normally passed by simple majority unless otherwise is required by Norwegian law.

The minutes of the GM are made available on Andfjord Salmon's website.

7. NOMINATION COMMITTEE

Pursuant to Andfjord Salmon's Articles of Association, the company shall have a nomination committee, which is elected by the general meeting. Andfjord Salmon's nomination committee is called "election committee", but is in this document referred to as "nomination committee".

The committee nominates candidates to chairperson, board members, any deputy members to the Board, and members of the nomination committee.

Further, the nomination committee submits proposals to the general meeting regarding remuneration to the board and the nomination committee.

Andfjord Salmon's nomination committee currently consists of the following members, who have been elected for the period 2021 - 2023: Rode S. Rønning-Hansen (chair), Oddvar Fosse and Rita Karlsen.

All members of the nomination committee are independent of the Board and the company's executive personnel. The nomination committee does not include any executive personnel or any member of the company's board of directors.

Information regarding the committee members and its procedures is available on the company's website. Information about how input and proposals may be submitted to the committee is available on the company's website.

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Pursuant to Andfjord Salmon's Articles of Association, the company's Board shall consist of three to eight members. The current Board consists of seven members elected by the GM.

At the Annual General Meeting on 6 May 2021, the shareholders elected the following six members to the Board:

Roger Brynjulf Mosand	Chairperson
Roy Bernt Pettersen	Director
Tore Traaseth	Director
Knut Roald Holmøy	Director
Bettina Flatland	Director
Kim Marius Strandnæs	Director

Further, Gro Skaar Knutsen was elected to the Board at an Extraordinary General Meeting on 13 October 2021.

Andfjord Salmon strive to ensure that the Board has a composition necessary to safeguard the interest of the shareholders. The Board consider its composition to be diverse and competent with respect to expertise and capacity related to the company's objectives, main challenges and the common interest of all shareholders. The board consists of five men and two women.

Roy Bernt Pettersen and Tore Traaseth are large shareholders in the company. Kim Marius Strandnæs is employed by UFI AS, which is a large shareholder in Andfjord Salmon. Bettina Flatland, Knut Roald Holmøy, Roger Brynjulf Mosand and Gro Skaar Knutsen are independent of the major shareholders and executive management. The Board does not include executive management.

Information about each board member is available on the Company's website.

All board members apart from Kim Marius Strandnæs, Knut Roald Holmøy and Gro Skaar Knutsen own shares in the company. None of the board members hold share options.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board has the overall responsibility to oversee the organisation, operation and management of Andfjord Salmon, whilst the CEO is responsible for day-to-day management. This means that the Board is responsible for how to organize the company's activities and establishing systems in order to ensure that Andfjord Salmon operates in compliance with laws and regulations.

The Board is also responsible for ensuring that the interests of shareholders and other interested parties are safeguarded in a satisfactory manner.

The Board has prepared and adopted rules and procedures for the Board of Directors. The Board has an annual plan for its work to ensure that all important issues and business areas are covered, emphasizing objectives, strategy, and implementation of the company's business plan in particular.

Andfjord Salmon has not yet developed procedures for how the board of directors and executive management shall handle agreements with related parties as this has not yet been a relevant topic for the company. The company aims to develop such a procedure in 2022.

Andfjord Salmon does not have an audit committee as the company is not considered a large company or regulated by the Public Companies Act.

Andfjord Salmon does not have a remuneration committee.

The Board evaluates its own performance and expertise on an annual basis. The evaluation is submitted to the nomination committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that the Company has good internal control and appropriate systems for risk management in relation to the nature and extent of the company's activities.

Andfjord Salmon has developed and implemented a management framework and internal control systems that are deemed appropriate for the company's size and operational maturity.

The Board discusses and assesses the group's risk exposures, systems, routines, and internal control to mitigate these risks on an annual basis. Internal control procedures, limiting authorisations, organisational changes and increased reporting are part of the improvements.

Procedures have been established for the regular reporting of financial statements. Furthermore, management regularly reports to the Board on the progress of the company's development and other operational processes.

As part of ongoing risk management efforts, the Board and management carry out specific risk reviews of major investments and contracts.

As part of the annual budget and strategy process, the Board and executive management conduct an annual review to discuss and identify external and internal opportunities and threats for the group.

In addition, the Board carries out a thorough review of the company's financial status in the annual Directors' Report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of the Board is determined by the GM, based on recommendation from the nomination committee. The recommendation is normally linked to the Board members responsibilities, competence and time commitment, taking the company's size and complexity into consideration.

The remuneration is not linked to the company's performance. There is no share option programme for the Board of Directors.

Members of the Board, including companies with whom they are associated, are usually not given separate assignments by Andfjord Salmon in addition to their function as directors. Such assignments will be based on approval from the Board. The stipulation that members of the board of directors should not undertake additional assignments for the company is based on the need for members of the board to be independent of the company's executive personnel. Currently, board member Roy Bernt Pettersen is employed by Andfjord Salmon to work on certain development projects. However, Roy Bernt Pettersen is not a member of Andfjord Salmon's management team and is therefore considered independent of the company's executive personnel. As Pettersen is the co-founder of Andfjord Salmon, the Board considers it of value to all the company's shareholders that he is actively engaged in the development of the company. Further, Kim Marius Strandæs and Tore Traaseth, who both have extensive capital markets experience, have during the second half of 2021 supported the company's administration with specialist competence and capacity related to Andfjord Salmon's financing processes. The Board considers it of value to all shareholders that Board members, who have in-depth knowledge of

Andfjord Salmon, can provide specific and clearly defined strategic and operation support to the company's administration, which remains small in size in line with the company's objective of running a cost-effective operation.

12. SALARY AND OTHER REMUNERATION OF EXECUTIVE PERSONNEL

The Board determines the principles applicable to the group's policy for compensation of executive management. The Board is directly responsible for determining the CEO's salary and other benefits. The CEO is, in consultation with the chairperson of the Board, responsible for determining the salary and other benefits for the group's other senior executives.

As Andfjord Salmon is not public company governed by the Public Companies Act, the company is not required to prepare guidelines for the remuneration of executive personnel.

The Board's view on management compensation is that it should be competitive and motivating, but not above observed market levels, and help ensure that the executive personnel and shareholders have convergent interests.

13. INFORMATION AND COMMUNICATION

Andfjord Salmon's reporting and communication policy takes into account the requirement for equal treatment of all stakeholders in the financial markets.

The company has established guidelines for reporting of financial and other information. The purpose of these guidelines is to ensure that timely and correct information is made available to shareholders and other stakeholders. A financial calendar and other shareholder information is available on the company's website.

All information distributed to the company's shareholders is published simultaneously to the company's website and at Newsweb.no (Oslo Børs' distribution channel).

14. TAKE-OVERS

The company's Articles of Association do not include defence mechanisms aimed towards take-over bids, nor are any other obstacles implemented with the objective of reducing the trade and/or transferability of the company's shares. The shares are freely negotiable. Transparency and equal treatment of the shareholders are fundamental principles

the company adheres to. No additional principles have been established for how Andfjord Salmon will or should act with respect to takeover bids, but the Board will act in accordance with applicable regulations as well as the general principles of the stock market if such a situation should occur.

15. AUDITOR

The external auditor is independent in relation to Andfjord Salmon and elected by the Annual General Meeting. The auditor's fee is approved by the GM.

The auditor conducts a yearly meeting with the Board in connection with the review of the annual accounts. The company's internal control systems and routines are addressed in the same meeting. The Board reviews the yearly audit plan with the auditor together with identified weaknesses and suggestions for improving the company's internal control.

It has not been deemed necessary by the Board to implement additional guidelines regarding the use of the auditor for services other than auditing.



INCOME STATEMENT

ANDFJORD SALMON AS

OPERATING INCOME AND OPERATING EXPENSES	Note	2021	2020
Other income		0	180 863
Total operating income		0	180 863
Salary and personnel expenses	1, 9	17 402 069	10 342 618
Depreciation of tangible and intangible fixed assets	3	1 229 217	370 704
Other operating expenses	1	15 829 035	9 085 586
Total operating expenses		34 460 322	19 798 909
Operating profit/loss		-34 460 322	-19 618 046
FINANCIAL INCOME AND EXPENSES			
Other financial income		282 983	838 273
Other financial expenses		1 358 912	409 703
Net financial income/expenses		-1 075 929	428 570
Profit/loss before tax		-35 536 250	-19 189 476
Net profit after tax		-35 536 250	-19 189 476
Result for the year		-35 536 250	-19 189 476
BROUGHT FORWARD			
Transferred from other equity		35 536 250	19 189 476
Net brought forward		-35 536 250	-19 189 476

BALANCE SHEET

ANDFJORD SALMON AS

ASSETS	Note	2021	2020
FIXED ASSETS			
INTANGIBLE ASSETS			
Research and development	3	1 671 147	1 219 832
Concessions, patents, licences and similar rights	3	993 610	0
Total intangible assets	3	2 664 757	1 219 832
PROPERTY, PLANT AND EQUIPMENT			
Land facilities for farming	3	405 053 040	218 810 019
Machinery and plant	3	16 241 106	670 477
Plots and other land	3	6 174 383	3 822 693
Operating movable property, furniture, tools, other	3	1 519 322	538 366
Total property, plant and equipment	3, 7	428 987 851	223 841 555
LONG-TERM FINANCIAL ASSETS			
Other receivables		123 970	159 390
Total long-term fixed assets		123 970	159 390
Total fixed assets		431 776 578	225 220 777
CURRENT ASSETS			
RECEIVABLES			
Accounts receivables		0	226 078
Other receivables	6	33 673 118	17 383 243
Total receivables		33 673 118	17 609 321
Cash and deposits	4	14 918 370	148 846 067
Total current assets		48 591 488	166 455 388
Total assets		480 368 067	391 676 165

BALANCE SHEET

ANDFJORD SALMON AS

EQUITY AND LIABILITIES	Note	2021	2020
PAID-IN CAPITAL			
Share capital	2	35 934 400	35 791 900
Own Shares	2	-5 000	0
Share premium reserve		287 523 727	318 345 305
Total paid-in capital		323 453 127	354 137 205
RETAINED EARNINGS			
Other equity	2	-180 000	0
Total retained earnings		-180 000	0
Total equity		323 273 127	354 137 205
NON-CURRENT LIABILITIES			
Liabilities to financial institutions	7, 10	39 478 187	0
Other non-current liabilities	6	59 191 509	4 078 176
Total non-current liabilities		98 669 696	4 078 176
CURRENT LIABILITIES			
Trade payables		49 689 856	29 788 856
Current tax liabilities		1 246 151	723 106
Other current liabilities		7 489 236	2 948 823
Total current liabilities		58 425 243	33 460 785
Total liabilities		157 094 939	37 538 961
Total equity and liabilities		480 368 067	391 676 165

Kvalnes, Andøya, 07.04.2022
The board of Andfjord Salmon AS

Roger Mosand Chairman of the board	Roy Bernt Pettersen Member of the board	Tore Traaseth Member of the board
Bettina Flatland Member of the board	Knut Roald Holmøy Member of the board	Kim Marius Strandnæs Member of the board
Gro Skaar Knutsen Member of the board	Martin Rasmussen General Manager	

INDIRECT CASH FLOW

ANDFJORD SALMON AS

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss before income taxes		-35 536 250	-19 189 476
Depreciation		1 229 217	370 704
Change in accounts receivable		226 078	-226 078
Change in trade creditors		19 901 000	25 643 718
Changes in other accruals		-6 440 997	-12 773 552
Net cash flows from operating activities		-20 620 952	-6 174 684
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from the sale of fixed assets		670 477	0
Purchase of property, plant and equipment		208 490 915	165 276 082
Net cash flows from investment activities		-207 820 439	-165 276 082
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of new long-term liabilities		89 841 520	0
Paid in capital		4 672 173	226 516 497
Net cash flows from financing activities		94 513 693	226 516 497
Net change in cash and cash equivalents		-133 927 697	55 065 731
Cash and cash equivalents at the start of the period		148 846 067	93 780 337
Cash and cash equivalents at the end of the period		14 918 370	148 846 067

ANDFJORD SALMON AS

NOTES TO THE ACCOUNTS

EQUITY

	Share capital	Own shares	Share premium	Other equity	Total equity
As at 31.12.2020	35 791 900	0	318 345 305	0	354 137 205
As at 01.01.2021	35 791 900	0	318 345 305	0	354 137 205
Capital increase		142 500	4 714 673		4 857 173
Purchase own shares			-5 000	-180 000	-185 000
Result for the year				-35 536 250	-35 536 250
Loss coverage				-35 536 250	35 536 250
As at 31.12.2021	35 934 400	287 523 727	-180 000	323 273 127	

ANDFJORD SALMON AS

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

The annual accounts have been prepared in conformity with the provisions of the Accounting Act and good accounting practice.

TAX

The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilised.

LEASING

A difference is made between financial and operational leasing. Plant and equipment financed through financial leasing is accounted for under Property, plant and equipment. The counter entry is made under long-term debt. The lease payment is divided between the interest cost and instalments on the debt. Operational leasing is expensed as an operating cost based on the invoiced lease rent.

CLASSIFICATION AND VALUATION OF FIXED ASSETS

Fixed assets consist of assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost less depreciation and write-downs. Long-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Plant and equipment is capitalised and appreciated over the economic lifetime of the asset. Significant items of plant and equipment that consist of several material components with different lifetimes are broken down in order to establish different depreciation periods for the different components. Direct maintenance of plant and equipment is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset's cost price and depreciated in line with the asset. Plant and equipment is written down to the recoverable amount in the event of a fall in value that is not expected to be temporary. The recoverable amount is the higher of the net sales value and the value in use. Value in use is the present value of future cash flows related to the asset. The write-down is reversed when the basis for the write-down is no longer present.

CLASSIFICATION AND VALUATION OF CURRENT ASSETS

Current assets and short-term liabilities consist normally of items that fall due for payment within one year of the balance sheet date, as well as items related to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

RESEARCH AND DEVELOPMENT

Expenses on research and development are capitalised to the extent one cannot identify a future economic benefit related to the development of an identifiable intangible asset and where the acquisition cost can be measured reliably. In the opposite case such costs are expensed as incurred. Capitalised research and development is depreciated on a straight line basis over its economic lifetime.

PENSION LIABILITIES - DEFINED CONTRIBUTION SCHEME

The cost of a defined contribution pension scheme corresponds to the premium paid to the insurance company for the period.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.

ANDFJORD SALMON AS

NOTES TO THE ACCOUNTS

NOTE 1 SALARY COSTS AND BENEFITS, REMUNERATION TO THE CHIEF EXECUTIVE, BOARD AND AUDITOR

SALARY COSTS	2021	2020
Salaries	14 501 649	8 619 054
Employment tax	824 148	452 260
Pension costs	1 569 818	1 164 438
Other benefits	506 454	106 867
Total	17 402 069	10 342 618

Average number of man-years

17 10

PENSION LIABILITIES

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The company's pension schemes satisfy the requirements of this Act.

REMUNERATION TO LEADING PERSONNEL

	2021				
	Salary	Board remuneration	Pension costs	Other remuneration	Total
Martin Rasmussen, CEO	1 334 699	0	203 808	20 968	1 559 475
Roger Brynjulf Mosand, Chairman	0	32 303	0	721	33 024
Roy Bernt Pettersen, Board member	1 202 933	233 849	169 332	7 656	1 613 770
Knut Roald Holmøy, Board member	0	125 000	0	0	125 000
Tore Traaseth, Board member	0	125 000	0	0	125 000
Bettina Flatland, Board member	0	125 000	0	0	125 000
Kim Marius Strandæs, Board member	0	125 000	0	2 922	127 922
Gro Skaar Knutsen, Board member	0	0	0	956	956
Berit Pettersen, Deputy member	0	6 579	0	10 000	16 579

In addition to their roles as board members, Tore Traaseth and Kim Strandæs have advised the company in relation to financing. For this, they have received fees through the limited companies Skagerak Vekst AS (Tore Traaseth) and KS Invest AS (Kim Strandæs). Fees in 2021 were NOK 170 000 to Skagerak Vekst AS and NOK 100 000 to KS Invest AS.

AUDITOR

Remuneration to the auditor is distributed as follows:

	2021	2020
Statutory audit	176 840	70 000
Other assurance services	15 320	29 890
Tax advice	0	50 910
Other non-audit services	0	222 962
Total	192 160	373 762

NOTE 2 SHAREHOLDERS

THE SHARE CAPITAL IN ANDFJORD SALMON AS OF 31.12 CONSISTS OF:	Total	Face value	Entered
Ordinary shares	35 934 400	1,00	35 934 400
Total	35 934 400		35 934 400

OWNERSHIP STRUCTURE

The largest shareholders in % at year end:

	ANDFJORD SALMON AS		NOTES TO THE ACCOUNTS	
	Ordinary	Owner interest	Share of votes	
Andfjord Holding AS	7 026 000	19,6	19,6	
KG Investment Comp AS	3 000 000	8,3	8,3	
Middelborg Invest AS	2 650 636	7,4	7,4	
Skagerak Vekst AS	2 309 999	6,4	6,4	
Karstein Gjersvik	1 390 309	3,9	3,9	
DNB Markets Aksjehandel/-analyse	1 294 797	3,6	3,6	
OG Invest AS	1 123 800	3,1	3,1	
Traaseth Property AS	1 106 967	3,1	3,1	
Verdipapirfondet DNB SMB	1 061 411	3,0	3,0	
Blue Marine Invest AS	838 086	2,3	2,3	
Sirius AS	807 000	2,2	2,2	
Pershing LLC	787 481	2,2	2,2	
Euro TV AS	763 080	2,1	2,1	
Blinkmark AS	596 800	1,7	1,7	
Sparebank1 Markets AS	526 984	1,5	1,5	
Okeakos Blue AS	526 822	1,5	1,5	
Omniverse AS	497 000	1,4	1,4	
NorNet AS	435 119	1,2	1,2	
Hermia AS	380 039	1,1	1,1	
Total >1% ownership share	27 122 330	75,6	75,6	
Total other	8 812 070	24,4	24,4	
Total number of shares	35 934 400	100,0	100,0	

SHARES AND OPTIONS OWNED BY THE DIRECTORS OF THE BOARD AND THE GENERAL MANAGER:

Name	Position	Ordinary
Martin Rasmussen, Mer Marin AS	CEO	125 000
Roger Brynjulf Mosand	Chairman	30 000
Roy Bernt Pettersen, Andfjord Holding AS	Board member	7 026 000
Tore Traaseth, Skagerak Vekst AS	Board member	2 309 999
Knut Roald Holmøy, Eidsfjord Sjøfarm AS	Board member	66 400
Bettina Flatland	Board member	56 700
Kim Strandæs, UFI AS and UFI Capital AS	Board member	1 738 597

UFI AS owns 1 708 597 shares through future agreement.

OWN SHARES

During first half of the year, the company has bought back 5.000 shares at a price of NOK 37 per share. This was a repurchase of shares that were originally subscribed to during the share offering made to company employees.

NOTE 3 NON-CURRENT ASSETS

	Plots and other land	Machinery and plant	Operating movable property, furniture, tools, other	Land facilities for farming
Purchase cost as of 01.01.21	3 822 694	670 477	637 677	219 406 590
+ Inflow purchased fixed assets	2 351 689		1 208 803	187 210 129
- Outflow this year		670 477		
= Acquisition cost 31.12.21	6 174 383	0	1 846 479	406 616 719
Accumulated depreciation 31.12.21			327 157	1 563 679
= Book value 31.12.21	6 174 383	0	1 519 322	405 053 040
This year's ordinary depreciations			227 847	967 108
Economic life			3-5 years	3-50 years

	Research and development	Concessions, patents and similar rights	Financial leasing	Total
Purchase cost as of 01.01.21	1 219 832			225 757 269
+ Inflow purchased fixed assets	451 315	1 027 873	16 241 106	208 490 914
- Outflow this year			670 477	
= Acquisition cost 31.12.21	1 671 147	1 027 873	16 241 106	433 577 706
Accumulated depreciation 31.12.21		34 262		1 925 098
= Book value 31.12.21	1 671 147	993 610	16 241 106	431 652 608
This year's ordinary depreciations		34 262		1 229 217
Economic life		5 years		

The leasing agreement is still under building, and has therefore not been depreciated yet.
During the building process interest is accrued. Repayments will accrue when the building process is completed.

NOTE 4 BANK DEPOSITS

	2021	2020
Funds standing on the tax deduction account (restricted funds)	1 054 069	537 720
Other cash and bank deposits	13 864 301	148 308 347
Cash and bank deposits	14 918 370	148 846 067
Other interest income	279 133	834 478

NOTE 5 TAX

	2021	2020
This year's tax expense		
Entered tax on ordinary profit/loss:	0	0
Payable tax	0	0
Changes in deferred tax assets	0	0
Tax expense on ordinary profit/loss	0	0
Taxable income:		
Ordinary result before tax	-35 536 250	-19 189 476
Permanent differences	-7 804 134	-19 067 635
Changes in temporary differences	6 420 759	4 958 605
Taxable income	-36 919 625	-33 298 505
Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	0	0
The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences.		
	2021	2020
	Difference	
Tangible assets	-3 042 456	2 812 787
Lease agreements brought to the balance	6 762 919	-6 762 919
Allocations and more	-8 828 176	3 828 176
Other differences	-6 542 715	6 542 715
Total	-11 650 428	-5 229 669
Accumulated loss to be brought forward	-91 548 817	36 919 625
Not included in the deferred tax calculation	103 199 246	-43 340 384
Deferred tax assets (22 %)	0	0
Deferred tax not included in the balance sheet.		

NOTE 6 GOVERNMENT GRANTS

Andfjord Salmon AS will receive NOK 4 750 000 in grants from Skattefunn in connection with the tax settlement for 2021. The amount is included in other receivables at year end 2021. In the accounts this is classified as other noncurrent liabilities, as it relates to a Skattefunn project where the conditions are such that the grant must be repaid if the project becomes commercially profitable. The company expects the fish farm to be commercially profitable in the future.

The company has received two different investment grants from Innovasjon Norge of NOK 5 000 000 and NOK 4 000 000 during 2021. The investment grants are accounted for as a reduction of property, plant and equipment in the balance sheet and will affect profit and loss in line with depreciation of the assets. The payment of NOK 5 000 000 is 50 % of the granted amount, of which the remaining 50% will be paid in line with progress of the first production cycle. In addition the company has received grants of NOK 1 100 000 from Samskap in February 2022.

In total Andfjord Salmon AS has received NOK 13 750 000 in grants during 2021, of which NOK 4 750 000 from Skattefunn and NOK 9 000 000 in investment grants from Innovasjon Norge.

NOTE 7 CHARGES AND GUARANTEES

Debt secured by charges, mortgages and guarantees	31.12.2021	31.12.2020
Long-term debt to credit institutions	-30 000 000	0
Total	-30 000 000	0
Book value of charged assets		
Land facilities for farming	50 000 000	0
Total	50 000 000	0

NOTE 8

In accordance with the Norwegian Accounting Act and generally accepted accounting principles, it has been assessed whether there is a need for provisions for contingent liabilities in connection with any future termination of the business. The company operates on its own property which is regulated for this kind of operations. Future disposal of the property must take care of the ecosystem and water quality in accordance with the Biodiversity Act and the Water Regulations, among others. This also applies in the event of termination of activities. The company will be able to take care of the environment and comply with statutory requirements without requiring changes to the property. It is the company's assessment that, based on current legislation, there are no obligations related to termination of the operations that require provisions in the accounts for future liabilities.

NOTE 9 DEFINED CONTRIBUTION PENSIONS

Andfjord Salmon AS has a defined contribution plan in accordance with local laws. The defined contribution plan covers all employees and amounts to between 7,0% and 18,1% of salary. As at 31.12.2021 there were 17 members in the plan.

Contributions expenses amounted to NOK 1 569 818 in 2021 and NOK 1 164 438 in 2020.

NOTE 10 LONG-TERM LIABILITIES

Debt that falls due more than five years after the balance sheet date	2021	2020
Debt to credit institutions	16 125 000	0
Total	16 125 000	0



ESG REPORT 2021



ESG REPORT FOR 2021

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CEO LETTER: SWIMMING IN THE RIGHT DIRECTION



The world needs more food. We also need healthier food. Sustainable food in general, and fish farming in particular, are topics that have received increased attention from several stakeholder groups in recent years. This is an interest which Andfjord Salmon welcome.

Policy development and new regulations such as the UN Sustainable Development Goals and the EU Farm to Fork strategy are guiding us in a more sustainable direction where food systems that provide healthy food to people, while also taking care of our planet, are in focus. In Andfjord Salmon, our ambition remains the same: we will build the world's most fish-friendly and sustainable salmon farming facility of its kind. I am pleased to say that we in 2021 have taken big steps towards realising this ambition.

The laminar water flow, which is the heart of Andfjord Salmon's flow-through technology, is therefore the key to unlocking a number of sustainability and fish health benefits.

The most important step towards this goal was the successful verification of our laminar water flow at our first pool at Kvalnes, Andøya. In practice, this verified that we have been able to recreate wild salmon's natural habitat on land. In the wild, salmon swim in laminar water flows in the ocean, similar to what we now have in our pool at Andøya.

But why is our flow-through system important from a sustainability perspective? Firstly, a flow-through system with laminar water flow reduces energy consumption and associated costs significantly as there is no need to lift, filter or heat the seawater. This allows us to produce fish with a

small energy and environmental footprint. Secondly, the seawater we use is clean and holds a perfect temperature as it is sourced directly from the nearby Andfjorden below the level where lice and algae live. This helps us to avoid some of the most common fish health problems. Further, our fish cannot escape, and we control our biological waste, which is subsequently utilised as a resource.

In 2020, we identified four main sustainability topics that we believed were central to manage the most important social, societal and environmental challenges that Andfjord Salmon face: Environment, occupational health and safety, supply chain transparency and control, and local value creation. Based on systematic stakeholder dialogue and an updated materiality assessment conducted in 2021, we have this year also included working environment as a new topic in this year's sustainability report, which is delivered in accordance with the Global Reporting Initiative (GRI) Standard.

All of these topics are important to us, and I am glad to say that we have made significant forward strides – or swimming strokes, if you like – within these fields in 2021.

I am convinced that our ESG efforts go hand-in-hand with the future profitability of Andfjord Salmon. I hope you will read on to find out how we approach these vital topics.

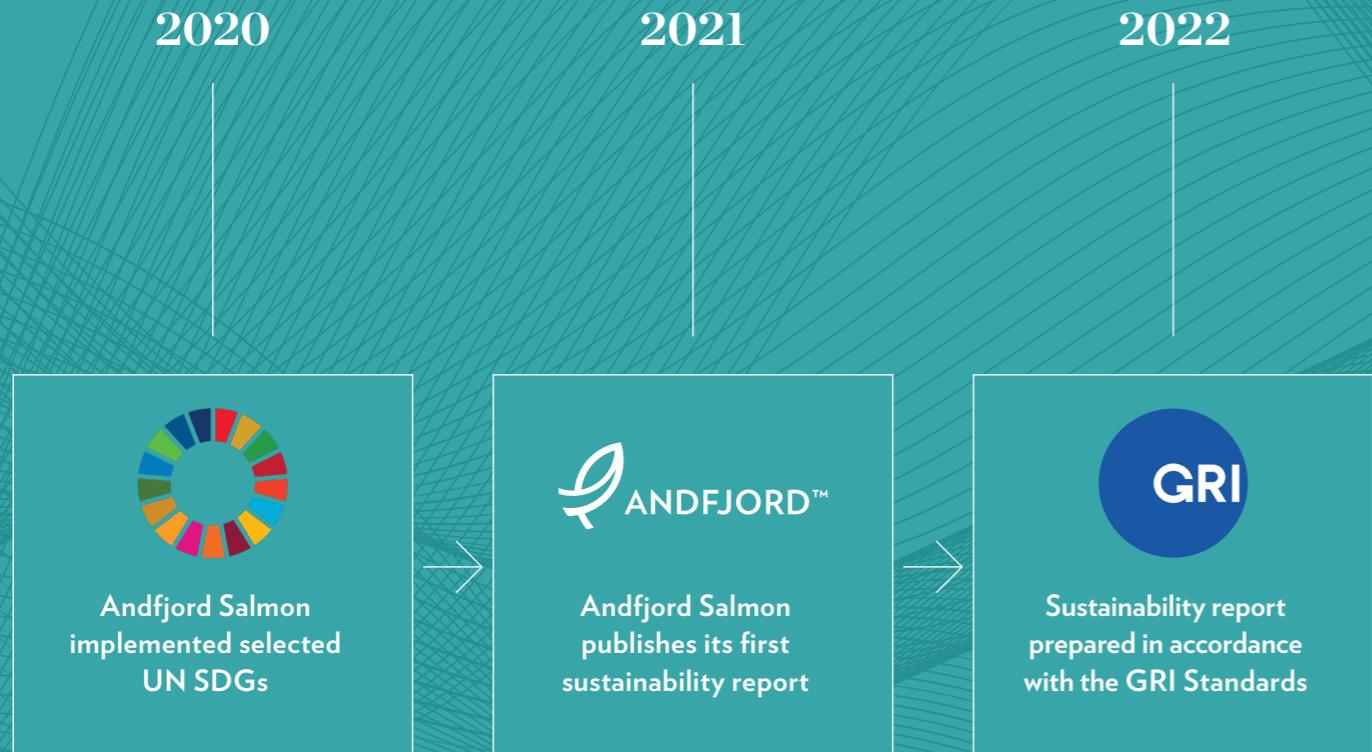
Martin Rasmussen
CEO of Andfjord Salmon

ABOUT THIS REPORT

For information about this report and its content, please contact Andfjord Salmon and CFO Bjarne Martinsen: bjarne.martinsen@andfjord.no.

This is Andfjord Salmon's second sustainability report and applies to the reporting period 1 January 2021 to 31 December 2021. The company prepares sustainability reports on an annual basis and the last report was published in March 2020. The report is prepared in accordance with the GRI Standards (Core option) and the Euronext guidelines for sustainability reporting.

The report has been reviewed and approved by Andfjord Salmon's Board of Directors. It has not been audited by a third party.



THIS IS ANDFJORD SALMON: THE HOME OF ATLANTIC SALMON

Andfjord Salmon AS (Andfjord Salmon) is a Norwegian company established in 2014 by founders with extensive salmon farming, financial and business development experience. The company is built on a foundation of innovation and a sustainable aquaculture concept for land-based farming of Atlantic salmon.

Andfjord Salmon's farming facility is patented, consumes a minimal amount of energy and carries low operating costs. The farming facility is designed to avoid problems with lice and poisonous algae, with robust barriers to prevent escapes and minimise pollution of the marine environment. The flow through farming method is very similar to

a flow through net-pen in the ocean, which gives a healthy robust environment for the salmon.

Andfjord Salmon is headquartered at Kvalnes on the northern part of Andøya, in the Arctic Archipelago of Vesterålen. The company's first farming facility is currently under final testing and will, according to plan, be in operation from the first half of 2022. The company is listed on Euronext Growth under the ticker ANDF.

At the end of 2021, Andfjord Salmon had 18 employees, all of which were located in Norway.

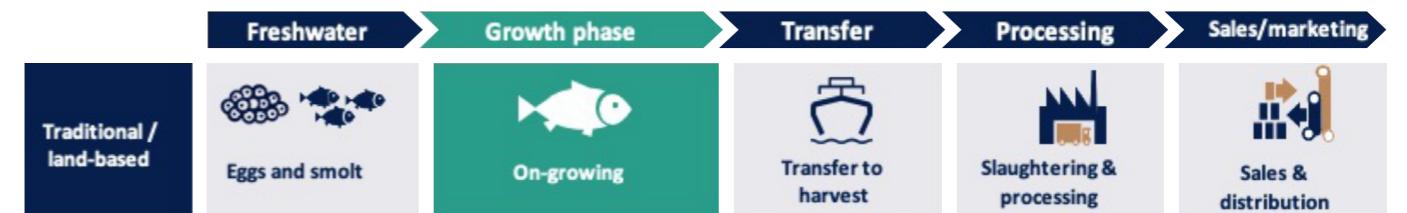
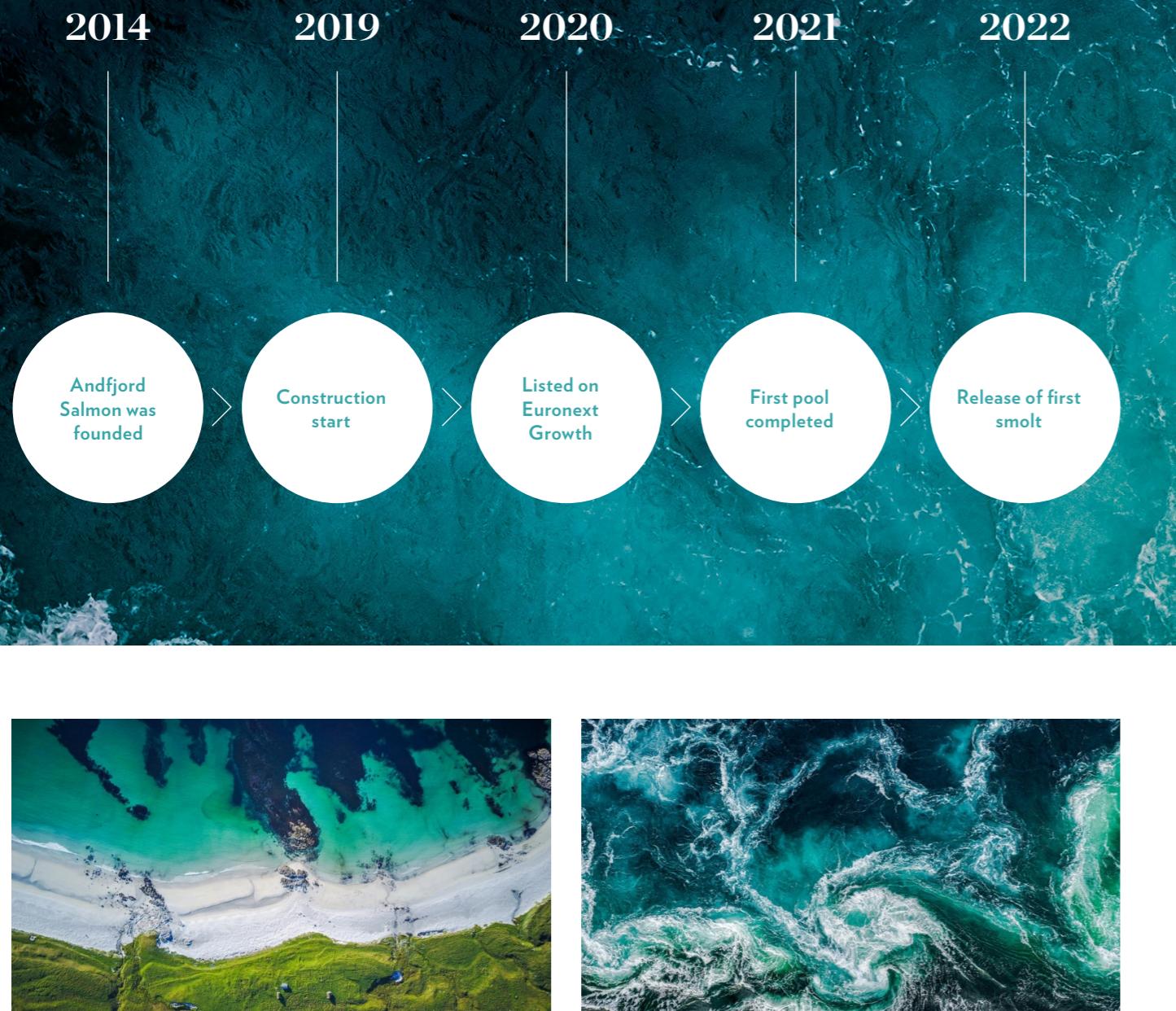


Figure 1: Value chain of traditional and land-based salmon farming



OUR JOURNEY



OUR VISION:

Building the world's most fish-friendly and sustainable salmon farming facility of its kind.

OUR MISSION:

Farming salmon on nature's terms – with consideration for the fish, the people and the society we live in.

CORPORATE GOVERNANCE AND SUSTAINABILITY APPROACH

The annual general meeting ("AGM") is Andfjord Salmon's highest governing body, in which shareholders can influence the company's strategic development. Andfjord Salmon's Board of Directors (the Board) is responsible for ensuring satisfactory corporate governance and bears the ultimate responsibility for the company's sustainability approach.

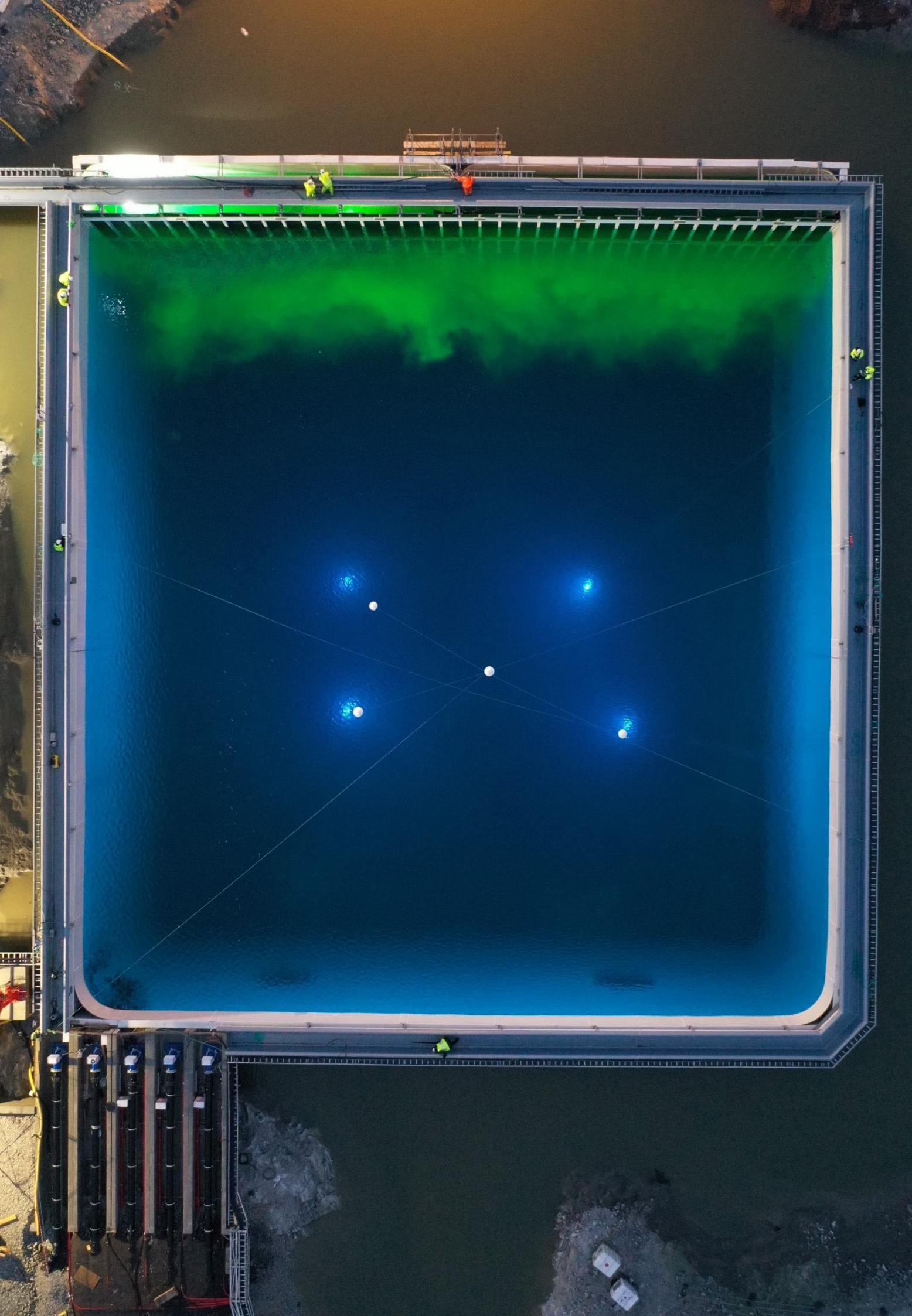
Corporate Executive Management are responsible for Andfjord Salmon's strategy and operations as well as

making sure that the company adheres to relevant laws, regulations and industry specific standards.

Andfjord Salmon has prepared a report on corporate governance that is included in the annual report, which is available on the company's website. Although the company is not subject to the Norwegian Code of Practice for Corporate Governance, it aims to comply with the principles of the recommendations as the business transitions into an operational phase.

CERTIFICATIONS

CERTIFICATION	DESCRIPTION	STATUS / GOAL
Global G.A.P.	Global Good Agricultural Practices is a standard for both agriculture and aquaculture. The standard covers food safety, animal welfare, sustainability, employment, and traceability. Global G.A.P is particularly important for customers in Europe.	Andfjord Salmon shall comply with the requirements set out by Global G.A.P Aquaculture Standards. The company aims to obtain Global G.A.P. certification in Q1 2023
ASC	Aquaculture Stewardship Council (ASC) was founded in 2010 by World Wide Fund for Nature (WWF) and IDH Sustainable Trade Initiative to establish global standards for sustainable seafood production.	The company aims for ASC certification in 2023



UN SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals described below are those that are considered most material to Andfjord Salmon.

GOAL



OUR CONTRIBUTION

In Andfjord Salmon, the health and safety of our employees and suppliers is the highest priority everywhere and in all our activities. The goal is zero work-related injuries. To achieve this goal, we work systematically to establish an open safety culture.

Andfjord Salmon aims to create great value for the region we are a part of. We contribute strongly to innovation, research and competence enhancement in a broad perspective. Research and development is a key part of Andfjord Salmon's innovative power.

Our employees are required to conduct business in accordance with the company's ethical guidelines. These ethical guidelines describe expectations for our employees, but also for our business partners.

Andfjord practises an open and trustworthy corporate governance. We have established professional systems of accountability, oversight and control within the company.

We produce premium food and are committed to ensuring high quality in all parts of the company's production. The company therefore prefers to trade with suppliers that have established known quality management systems.

Andfjord Salmon aims to have the highest biosecurity to prevent contagious fish diseases and sea lice. The Andfjord farming process also prevents the effect of toxic algae. The flow-through technology and the low density in the tanks, provides the best possible fish welfare.

Andfjord provides the cleanest seawater in the Arctic. The water is kept crystal clear in the farming facility, due to our innovative flow-through farming solution. All of these benefits produce salmon that thrives.

The farming facility is tightly secured, to prevent any harm to the local stocks of salmon in the rivers. There are several salmon rivers on Andøya, and our farming facility will not have any negative impact on the wild stocks.

Our goal is to write aquaculture history in the field of sustainable production. Our suppliers are required to document that they are actively working to reduce the effects of their operations on the external environment.

STAKEHOLDERS



Figure 2: Andfjord Salmon's shareholders

EMPLOYEES:

Direct impact on Andfjord Salmon. The company is dependent on their expertise. Employees can also directly impact the company. Andfjord Salmon has a direct impact on and is also directly impacted by its employees as well as the access to competent labour.

SHAREHOLDERS AND BOARD OF DIRECTORS:

Key stakeholder group driving the company's priorities and strategy, including the company's ESG approach.

CIVIL SOCIETY:

The company has both a social and environmental impact on the community it operates within, and on local value creation.

GOVERNMENTS:

Government and local authorities have a direct impact on Andfjord Salmon through legislation and regulations.

CUSTOMERS:

Driving the company's priorities and strategy, also when it comes to ESG topics. The company can also indirectly impact customers through providing information about fish health and sustainable fish farming.

SUPPLIERS:

The company is dependent on its suppliers for distribution and can also directly and indirectly impact suppliers through transport requirements and Health, Safety and Environment recommendations.



The island Bleiksøya is a nature reserve in Andøya, Vesterålen, with one of Norway's largest populations of puffins.

STAKEHOLDER DIALOGUE

Having an ongoing dialogue with its most relevant stakeholders strengthens Andfjord's relationship with the society in which it operates, and allows the company to detect, investigate and manage potential risks arising in its immediate surroundings. To ensure a strategic approach to sustainability reporting and the GRI Standards Management Approach specifically, Andfjord Salmon has conducted systematic stakeholder dialogue in November and December 2021.

The company spoke to key stakeholder groups, including employees, shareholders/Board of Directors, members of the civil society and suppliers / business partners, who

were all invited to give their opinion on how they perceive Andfjord Salmon and relevant sustainability topics. The interviews were conducted by phone or via Teams by an interdisciplinary working group (the 'task force group'), representing Finance, Sustainability, Sales and HR. The company has also held public meetings with key stakeholder groups during 2021 and conducted employee surveys.

As of today, Andfjord Salmon does not have any customers, but the company plans on undertaking stakeholder dialogue with this group as well when in operation. For governmental organisations, the company has not conducted interviews but has carried out desktop research. The company is planning to undertake systematic stakeholder dialogue with suppliers and business partners in 2022.

STAKEHOLDER GROUP	TOPICS MENTIONED	ARENA FOR DIALOGUE
Employees	<ul style="list-style-type: none"> Sustainable food production Fish health and welfare Water use / emissions Circular economy Biodiversity Equality and diversity Working environment Compensation Recruitment Work-life balance Transparency and openness 	<ul style="list-style-type: none"> Meetings Annual report Website Newsletter Direct dialogue
Shareholders / Board of Directors	<ul style="list-style-type: none"> Climate Biodiversity Feed Fish health and welfare Mortality Antibiotics Water use / emissions Waste Equality and diversity Compensation Working environment HSE Recruitment Transparency and openness Human rights Data security Corruption 	<ul style="list-style-type: none"> Website Company presentation Quarterly presentations Reporting General meetings Information meetings Meetings Public channels Media Annual report Newsletters Direct dialogue Public meetings
Civil society	<ul style="list-style-type: none"> Innovation Emissions Land use Escape Job creation Human resources Compensation Equality and diversity HSE Quality documentation 	<ul style="list-style-type: none"> Meetings Public channels Media Annual report Newsletters Direct dialogue Public meetings
Governments	<ul style="list-style-type: none"> Job creation Fish health and welfare 	

MATERIALITY ASSESSMENT

The findings from the stakeholder dialogue were gathered and structured for discussion with Andfjord Salmon's task force group for sustainability reporting in January 2022. In a workshop, the company reviewed each topic and the importance to different stakeholder groups, as well as Andfjord's ability to impact the topic.

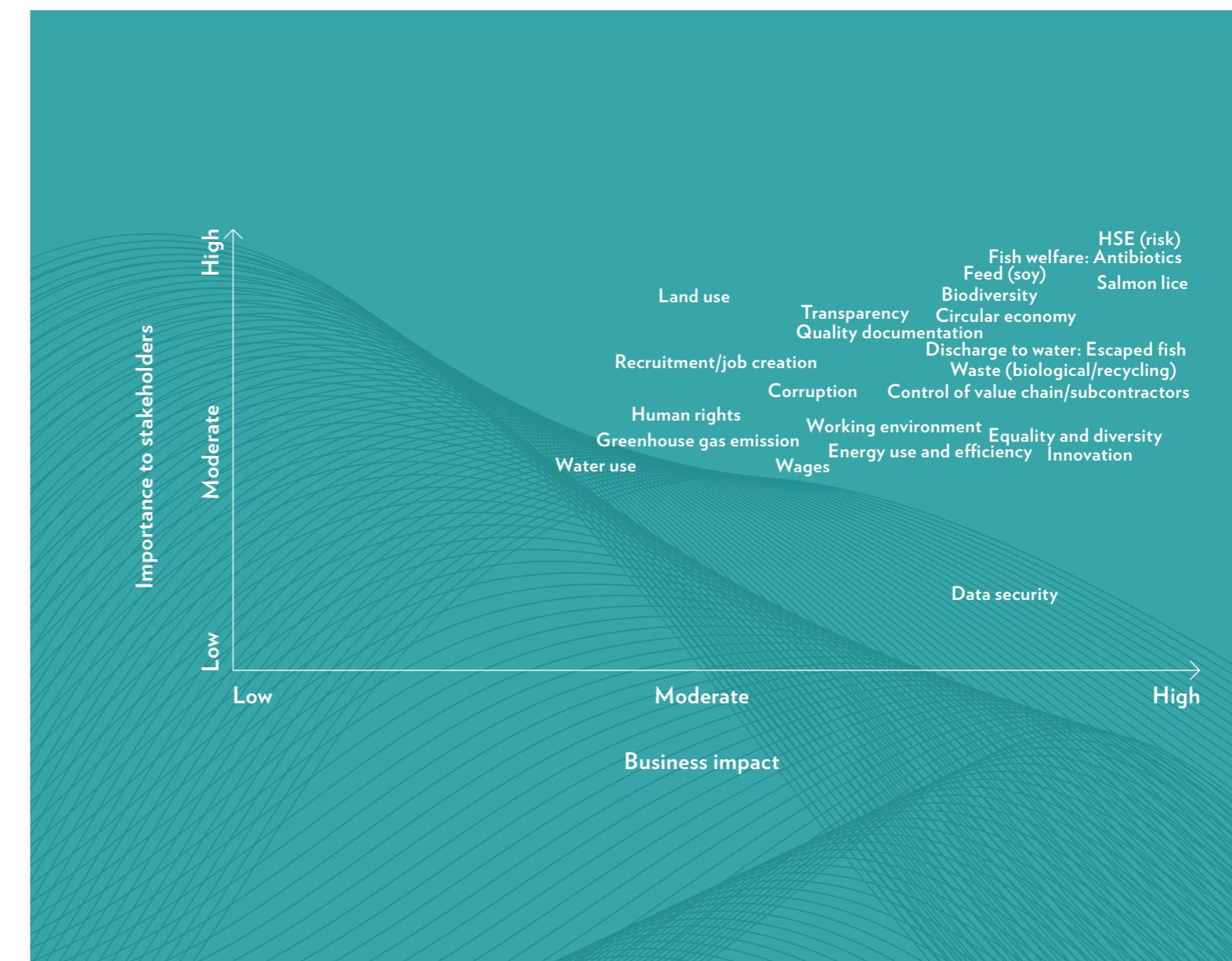
The results from the materiality assessment are presented in the below materiality matrix, with topics considered material in the upper right section.

In 2021 the company reported on the following sustainability topics:

- Environment, including fish health and welfare, effluents and energy use
- Occupational health and safety
- Supply chain transparency
- Local value creation

Based on the stakeholder dialogue and the materiality analysis conducted in 2021, Andfjord Salmon has included the following topic in this year's report:

- Working environment, including gender equality and diversity



REPORTING THEMES AND TOPICS

In the next chapter, each of the suggested overarching sustainability topics and their relevance to Andfjord are described in detail. This includes an explanation of why the topic is considered material to the company, the direct and indirect impact on the company and its stakeholders as well as the significance of its business impact.

This chapter includes reporting according to GRI 401 (Employment) and GRI 405 (Diversity and equal opportunity).



ENVIRONMENT AND CLIMATE IMPACT

Careful management of the ocean is a key feature of a sustainable future. As a seafood company, dependent on a healthy environment for its business operation, it is important for Andfjord Salmon to minimise its environmental footprint.

Andfjord Salmon started the processes of carrying out an Environmental Risk Assessment (ERA) and an Environmental Impact Assessment (EIA) in 2020, as required by Norwegian law and to comply with the requirement set out by Global G.A.P Aquaculture Standards. The EIA provides the basis for further risk assessment on the various environmental impacts of the company's future business operations. Andfjord Salmon has continued its work with the EIA and ERA in 2021.

Andfjord Salmon's business operations have the potential to impact the environment through emissions to air and sea, through waste generation stemming from production, as well as energy use from farming facilities and office buildings. The company's business activities have the potential to impact wildlife, specifically birds and fish species, the seabed, flora and fauna. Andfjord Salmon is continuously working to mitigate and minimise such risks.

As marine biodiversity is critical to the health of people and the planet, the ocean needs to be effectively managed. Andfjord Salmon should at all times abide by relevant laws and regulations in the areas in which it operates, including

the Regulation on the Establishment and Expansion of Aquaculture Facilities, the Aquaculture Operations Regulations, the Aquaculture Act, the Nature Diversity Act, the Water Regulation Act, the Pollution Control Act, and Internal Control Regulations and municipal zoning plans. Additionally, the aquaculture legislation (IK-Akva) sets out requirements for environmental sustainability, animal health and welfare.

Together with the Norwegian Institute of Bioeconomic Research (NIBIO), Andfjord Salmon has assessed possibilities for utilising fish sludge from the company's future production as a component in sustainable and high-quality products (including plant growth media, soil improvers and fertilisers) for use in agriculture, gardening and other related applications. The assessment concluded that the drying of fish sludge from Andfjord Salmon is the most pertinent treatment method.

An important tool in the company's environmental efforts is to obtain certification according to international standards. Andfjord Salmon will purposefully work with sustainability certification bodies in both Europe and the Americas, such as Aquaculture Stewardship Council (ASC), which certifies farmed salmon according to strict and clearly defined environmental criteria. Additionally, the company aims to be certified according to Global G.A.P, which sets out standards for food safety.

BIODIVERSITY

The company is committed to both ethical and statutory obligations governed by Norwegian legislation. All fish farming facilities operating in Norway have effluent permits distributed by the Norwegian environmental authorities, which control the amount of nutrients and organic materials that can be discharged from the facilities. This also applies to Andfjord Salmon. Samples from the seabed are taken regularly below and near the farms in order to monitor the environmental conditions, according to the Norwegian standard for environmental monitoring of benthic impact from marine fish farms (NS 9410). Environmental surveys carried out by the Norwegian Directorate of Fisheries shows that effluents of nutrients and organic materials from aquaculture are minor environmental problems in Norway.

One of our goals for 2021 was to develop a biodiversity plan as a summary document of Andfjord Salmon positive and negative impact on the external environment. During the year, Andfjord Salmon has established the foundation of environmental reporting, including which environmental aspects to include, and how they should be measured. This process is also a part of the completion of the start-up

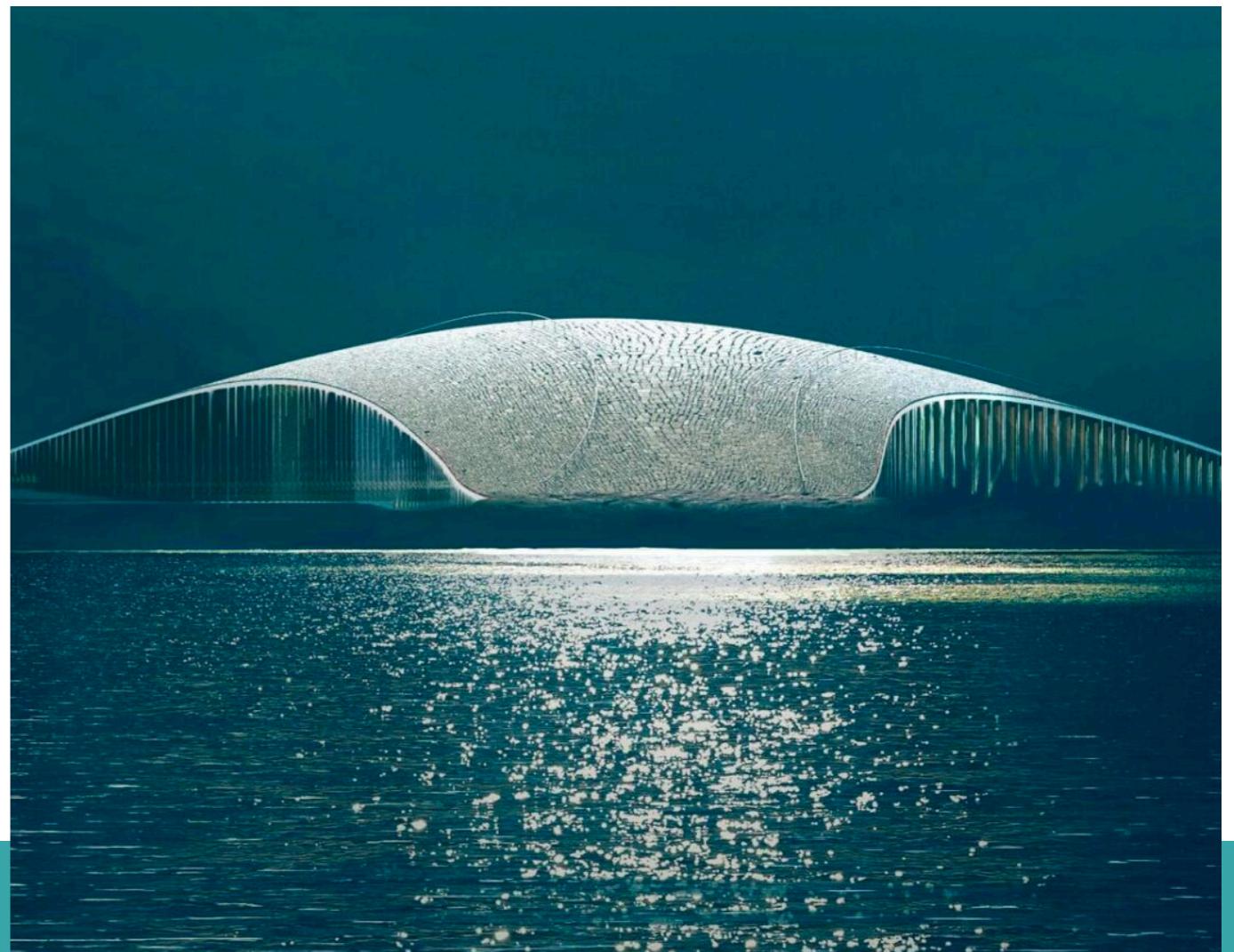
pool, including a modelling of the spread of the discharge water in Kvalnes based on an optimal production plan with estimated emissions of nutrients. The modelling of dilution and dispersion of discharge water (Åkerblå AS) in full-scale production shows that the concentration of total nitrogen and total phosphorus will give the condition "Very good" in surface layers both in the summer and in the winter.

Andfjord Salmon's technology provides robust barriers to limit escapes, and continuous water flow from deep waters will ensure that the salmon live in an environment where the presence of salmon lice and poisonous algae is close to non-existent. Also, reducing the amount of discharged biological waste and subsequently the risk of exposure to marine life from pollutants and other undesirable substances is important, as well as ensuring that the salmon have access to nutritious and healthy food optimal for growth and with benefits for the immune system, heart, intestines and gills.

Regarding fish escape specifically, Andfjord Salmon has in 2021 started working together with Norconsult and DNV to meet the requirements for escape safety in NS 9416 Landbased aquaculture farms for fish.



Andøya, Vesterålen.



PROJECT “HAVTRYKK”

Together with SINTEF Ocean and Action for Oceans, Andfjord Salmon has in 2021 participated in “Havtrykk”, a project which overall objective is to make Andøya the knowledge hub for business development in coastal zones.

Other objectives include ensuring sustainable development, develop decision making tools for businesses and governments, provide insight, knowledge and communications locally and nationally about marine businesses.

During the project, Andfjord Salmon will together with other contributors for example identify and document which local species require special care, help perform life cycle analysis,

gain insight when it comes to biodiversity in general and local key species in particular and help find alternative solutions.

The Whale – a pioneering project for sustainable aquaculture on land

Part of project Havtrykk is “The Whale”: A display project which will demonstrate how marine knowledge is communicated, innovated and how we can achieve sustainable sea-based tourism. Andfjord Salmon will be a key contributor to this project specifically.

The project is still in its initial phase and will be further developed in 2022.



FISH HEALTH AND WELFARE

Fish health and welfare, such as protecting the fish from unnecessary stress and impact, are at the core of the company's innovation. Ensuring good health and welfare is both an ethical responsibility and the most important factor in achieving good growth, higher quality and lower costs.

Although Andfjord Salmon's farming facilities are not yet in operation, the company has in 2021 continued to carry out extensive planning and testing to ensure optimal fish health and welfare for future production. Andfjord Salmon's fish welfare measures are comprehensive and focus on all aspects of the farming value chain, including feed and nutrition, respiration, thermal regulation, water quality, hygiene, disease management, behaviour control and social contact and rest, and the company's overall aim is to mimic the salmon's living conditions in the sea as much as possible.

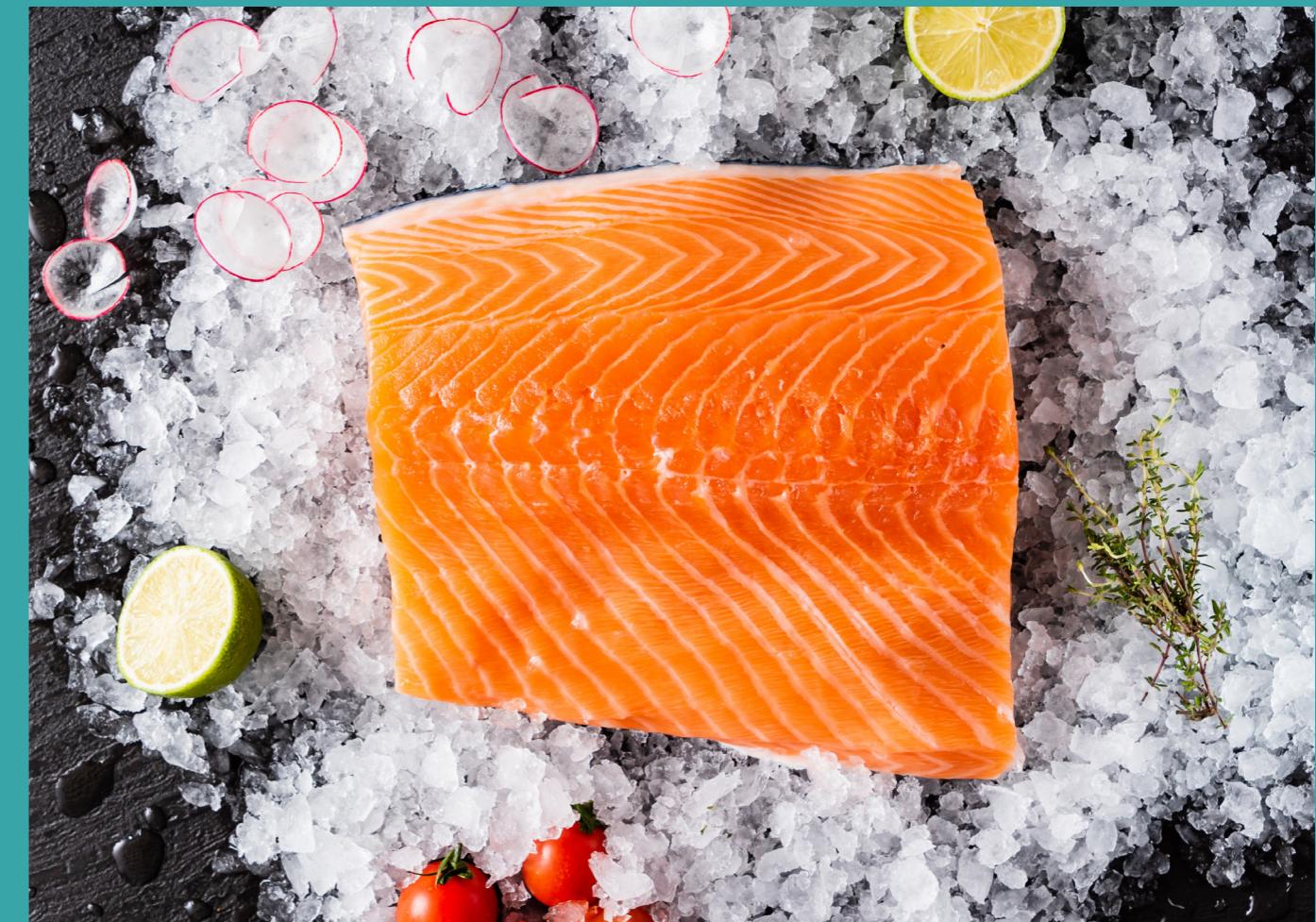
Once in production, Andfjord Salmon plans to develop sustainable feed with the right properties for our plant and concept. In 2021, the company has researched partners that meet our requirements and can help us realise our feed ambitions. In Q1 2022, Andfjord will enter into an agreement with Nutreco, a global leader in animal nutrition and aquafeed, and an operational feed supply agreement with Nutreco's aquaculture business line, Skretting. Under the agreement, Skretting will supply a feed that is specifically tailored to Andfjord Salmon's flow-through technology to ensure optimal water quality,

fish welfare and growth conditions in the land-based pool. This will also ensure the production of a premium quality salmon.

To ensure continuous and optimal fish welfare, Andfjord Salmon will monitor the water quality, including monitoring the presence of pathogens. An external supplier will conduct monthly sampling and screening for a range of fish pathogens. Andfjord Salmon is by law required to carry out such sampling six times a year but will do so every month to ensure the best possible living conditions for the salmon. In addition, once we start operations and we experience situations with increased mortality or suspected disease, we will carry out additional health check-ups, autopsies and analysis.

In 2021, Andfjord Salmon has verified the laminar water flow technology at the first pool at Kvalnes. This confirms that the company is able to recreate wild salmon's natural habit on land and offer the salmon the best living environment.

An optimised living environment with the best water quality is a base for good fish health and a high survival rate. Furthermore, the company is also in the process of setting up a complete sensor system based on fish welfare indicators made by Fishwell to monitor, control and optimise the water quality and living environment of the fish in the pool. This means that Andfjord is well prepared for the first fish transfer in Q2. Contracts with analysis laboratories for fish pathogen screening is made.



EU GREEN DEAL: FROM FARM TO FORK

The Farm to Fork Strategy from the European Commission is at the heart of the European Green Deal aiming to make food systems fair, healthy and environmentally-friendly. The strategy underlines the key role of farmers, fishers and fish farmers plays in the green transition.

The Farm to Fork Strategy aims to accelerate our transition to a sustainable food system that should:

- have a neutral or positive environmental impact
- help to mitigate climate change and adapt to its impacts
- reverse the loss of biodiversity
- ensure food security, nutrition and public health, making sure that everyone has access to sufficient, safe, nutritious, sustainable food
- preserve affordability of food while generating fairer economic returns, fostering competitiveness of the EU supply sector and promoting fair trade

Andfjord Salmon closely monitors the developments in the Farm to Fork strategy and aims to contribute to the strategy through reporting on climate action, fish welfare and food safety requirements. As an example, farmed fish has a lower carbon footprint than land-based animal husbandry, and Andfjord Salmon actively works to improve fish health and welfare, such as protecting the fish from unnecessary stress.

EMISSIONS

Andfjord started climate accounting in 2021 using Fjordkraft's software solution Klimahub. The company reports on Scope 1: direct energy use, Scope 2: electricity purchased, and a limited Scope 3 including business travel, material use and waste from the company.

2021

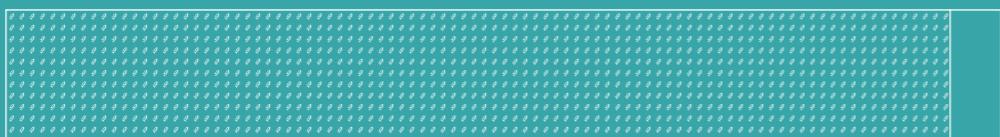
Scope 1 (production, Diesel, Gasoline)

56.6 t CO₂



Scope 2 (energy consumption)

579.8 t CO₂



Scope 3 (business travel, material use and waste)

84.5 t CO₂



The main sources of energy use, and thus climate emissions are the use of diesel, purchased electricity from the grid used for construction activities at the Kvalnes site, and purchased materials. The current climate accounting reflects that the company is in a construction stage, which means these numbers are not likely to serve as a benchmark for the company once operations are started.

The company's total energy use from electricity in 2021 was 1563.929 MWh, compared to 43.59 MWh in 2020. The increase in energy use is due to construction work at on Andfjord's Kvalnes site.

Efficient energy use is a top priority for Andfjord Salmon and is an important step in terms of lowering the company's environmental footprint. Energy consumption occurs throughout the value chain and is primarily linked to the use of office buildings and the provision of energy to the fish pools. Andfjord Salmon relies on a waterborne heating system and a heat exchanger.

Many of the current land-based facilities for fish farming rely on water recycling as the standard technology (Recirculating Aquaculture Systems – RAS). Such systems require significant amounts of energy in order to remove ammonia, particulate matter and CO₂. Andfjord Salmon's

technology is based on flow-through technology, which does not require energy to lift, clean, cool or heat up the water, and thus, there is no need for an energy intensive water treatment plant. As a result, the fish farming facility has low energy consumption and subsequently low emissions.

In 2020, SINTEF (a Norwegian independent research company focused on technology and innovation) carried out a review of the energy consumption at Andfjord Salmon's facilities. The analysis shows that energy consumption for the company's start-up pool is estimated to be 1962.81 MWh/year. This figure applies to production in one pool. Expected energy consumption at full operation is 1 kwh per kg of salmon produced, based on SINTEF's calculations. The start-up pool has a production capacity of 1000 tonnes biomass per year and a water flow of 18,300 m³/hr.

The table below gives an overview of the estimated energy use for our start-up pool with annual production capacity of 1,000 tonnes. Energy consumption associated with feeding systems is not included as it usually makes up a small part of energy consumption (<1%). In the future, Andfjord Salmon aims to generate its own energy at its facilities in the future, by utilizing solar, wind or biogas.

	MWH/YEAR	'TRADITIONAL' RAS TECHNOLOGY SYSTEM
Start-up pool pump	1138.8	
Start-up pool lights	306.6	
O₂ production	155.93	
Bandfilter secondary 0.2-20%	70.08	
Drying of fish waste	253.44	
Project office energy	30.66	
Cleaning robots	7.3	
Total energy use	1962.81	approx. 7 500

Table 2: Estimated energy use for Andfjord Salmon's start-up pool with annual production capacity of 1000t

Goals and targets for environment and climate impact

TOPIC	2021 GOALS	STATUS	2022 GOALS
BIODIVERSITY	Develop a biodiversity plan as a summary document of Andfjord Salmon positive and negative impact on the external environment	In progress: A biodiversity plan has been developed in 2021.	Implement the established biodiversity plan. Develop action list for prioritised biodiversity topics.
ENERGY USE	Start climate accounting on direct and indirect emissions	In progress: Climate accounting started in 2021.	Expand Scope 3 reporting and establish long-term reduction target.
FISH HEALTH AND SAFETY	Start reporting on fish survival rate, incidences of disease and observations of sea lice. The company has a zero vision for fish escape.	Not started: The company is not yet in production but will start reporting once the facility is in operation.	Establish KPIs for fish welfare and set actions list to ensure numbers are improving.



Fiskenes, which is one of three locations held by Andfjord Salmon, with the island Senja in the horizon.

WORKING ENVIRONMENT

EMPLOYEE SURVEY

To better understand the employees' perception of their working environment, Andfjord Salmon has recently conducted an employee survey measuring the level of individual satisfaction in the workplace. The results help Andfjord to identify the main areas for improvement.

Andfjord Salmon's employees are at the core of our value creation and essential to the company's operations and business success. The ability to attract and retain skilled workers as well as maintaining a safe and healthy working environment is critical to both the company and its stakeholders.

Based in Norway, the company operates in accordance with the Norwegian Working Environment Act. The company has not established a separate Employee Handbook yet but has in 2021 researched suppliers that can help us implement this in Q1 2022. Guidelines for employees are rendered in the company's Code of Conduct, which will also be approved in Q1 2022.

Due to the company's size and number of employees, Andfjord Salmon has not yet established a Working Environment Committee (WEC) but has appointed one safety representative who safeguards the interests of employees in matters relating to the working environment. Employees are also involved in the design and development of their own working environment and regularly participates in conversations with the Management Group.

A majority of Andfjord Salmon's employees are members of trade unions.

The survey was conducted on 16 (89%) respondents in January 2021. Respondents were asked to rank a number of statements on a scale from 1 to 5 belonging to the following categories: Management and communication, information exchange, social support, employee investments, task motivation, job autonomy, extra role performance (the behaviours of employees beyond what is stated in their job descriptions), turnover intention, role clarity and involvement.

The average score on all questions was 4.08, of a maximum score of 5. This is considered a very good score and reflects a healthy working environment. The category with the lowest score (3.17) on average was information exchange, indicating that this is something Andfjord should aim to improve. The company is today communicating with employees using Teams, Sharepoint and email. Job autonomy (meaning the degree to which employees feel that they have the opportunity to make decisions or personal initiatives) was ranked relatively high (average score 4.44) compared to the other categories, although there were some variations between the groups.

The working environment in Andfjord Salmon is generally perceived to be good, as demonstrated by the findings in the 2021 employee survey.



Andfjord Salmon's employees are at the core of our value creation and essential to the company's operations and business success.

EQUALITY AND DIVERSITY

Diversity and equal employment opportunities are topics for which there are increasing expectations for corporate action and transparency. Andfjord Salmon has a direct ability and responsibility to ensure that the company has a diverse workforce and that equal opportunities are offered to all employees, regardless of their background.

Today, the company's workforce comprises 83.3% men and 16.7% women. Andfjord Salmon always strives towards a better gender balance, and women are encouraged to apply for all open positions. The company is

currently in the process of hiring two more operators, where one of the candidates are female. Andfjord Salmon is not part of any external initiatives regarding equality and diversity as of today, but will review such initiatives in 2022. The company prohibits discrimination in any form, whether it is based on political views, membership in workers' organisations, sexual orientation, disability and/or age. In addition to following the Norwegian Working Environment Act, Andfjord Salmon also operates in accordance with the Gender Equality Act, which aims to protect against discrimination based on gender, as well as the Anti-Discrimination Act, which protects against discrimination on the grounds of ethnicity, religion, or the like.

Based on the Norwegian Activity Duty for employers (Aktivitets- og redegjørelsesplikten, ARP), the company is reporting the following employee data:

LOCATION	NO. OF EMPLOYEES 2020	PAYROLL (MNOK) 2020	NO. OF EMPLOYEES 2021	PAYROLL (MNOK) 2021
Norway	15	7,81 MNOK	18	12,97 MNOK
Women	3 (20%)	-	3 (16.7%)	-
Men	12 (80%)	-	15 (83.3%)	-

Table 3: Permanent employees by gender, and payroll
Less than 5 women hired in the company

ORGANISATION	2020		2021			
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Number of permanent employees	12 (80%)	3 (20%)	15 (100%)	15 (94%)	1 (6%)	16 (100%)
Temporarily hired	0 (0%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)	1 (100%)
Part time employees	0 (0%)	2 (100%)	2 (100%)	0 (0%)	2 (100%)	2 (100%)
Newly hired						
Total number of newly hired employees	6 (67%)	3 (33%)	9 (100%)	5 (100%)	0 (0%)	5 (100%)
Employee turnover						
Number of employees who have left the company	0 (0%)	0 (0%)	0 (0%)	2 (100%)	0 (0%)	2 (0%)
Parental leave						
Number of employees on parental leave	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Table 4: Part-time employees, turnover, and parental leave as of 31 December

	2020		2021			
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Organisation total	17 (81%)	4 (19%)	21 (100%)	21 (81%)	5 (19%)	26 (100%)
Board of Directors	5 (83%)	1 (17%)	6 (100%)	5 (71%)	2 (29%)	7 (100%)
Executive level management	2 (100%)	0 (0%)	2 (100%)	4 (100%)	0 (0%)	4 (100%)
Non-executive level management	10 (77%)	3 (23%)	13 (100%)	12 (80%)	3 (20%)	15 (100%)

Table 5: Breakdown of employees and board members by gender

	2020			2021		
	UNDER 30	30-49	50+	UNDER 30	30-49	50+
Organisation total	1 (5 %)	13 (62%)	7 (33%)	2 (8%)	12 (46%)	12 (46%)
Board of Directors	0 (0%)	2 (33%)	4 (67%)	0 (0%)	2 (29%)	5 (71%)
Executive level management	0 (0%)	1 (50%)	1 (50%)	0 (0%)	3 (75%)	1 (25%)
Non-executive level management	1 (8%)	7 (54%)	5 (38%)	2 (13%)	7 (47%)	6 (40%)

Table 6: Breakdown of employees and board members by age



Bleik on the west side of Andøya is one of the villages along the entire Norwegian coast that is closest to the Gulf Stream.

Goals and targets for the working environment

TOPIC	2021 GOALS	STATUS	2022 GOALS
GUIDELINES	Complete Employee Handbook	In progress: The company has started researching suppliers that can help us implement the employee handbook.	Implement and communicate the Employee Handbook to all employees.
EMPLOYEE SURVEYS		New.	Conduct employee surveys on an annual basis. 100% response rate on employee surveys. Establish working environment KPI.
EQUALITY AND DIVERSITY		New.	Research diversity and equality initiatives. Increase the number of women working in the company.

OCCUPATIONAL HEALTH AND SAFETY

Decent and safe working conditions are crucial for all employees to thrive at Andfjord Salmon, and it is therefore a key priority area for both the company and its stakeholders. Andfjord Salmon can directly and indirectly affect occupational health and safety through its policies, agreements and employee dialogue and engagement.

Andfjord Salmon's CEO and Operations Manager bear the ultimate responsibility for health and safety. The company has implemented a quality system for internal control regarding health and safety which is done through a web-based Environmental Quality System (EQS), developed by Extend. Andfjord Salmon is currently in the process of establishing relevant health and safety documents, including safety brochures.

TRAINING AND INFORMING EMPLOYEES ABOUT HEALTH AND SAFETY RISKS

Employees' health and safety is the company's highest priority in all its activities. Andfjord Salmon's goal is to have zero work-related injuries, and to achieve this goal, the company works systematically to promote an open safety culture and informing employees of possible risks relating to their tasks.

The Operations Manager is responsible for assessing competence, training in the facility's operating routines and ensuring that internal communications regarding health and safety is functioning well. Andfjord Salmon has established training procedures for all employees, which aim to ensure the safety of employees and that all employees have the necessary up-to-date knowledge of the tasks that they will perform. The trainings cover a wide range of topics in line with the requirements set out in the Norwegian Working Environment Act, regulations and requirements from the Norwegian Food Safety Authority and requirements in the Global G.A.P standard.

Safety trainings are carried out with the assistance of external course providers and internal courses and gatherings. Both

internal and external training is documented in the quality system and any course certificates are also uploaded here. Safety training has been postponed in 2021 due to the delay in activating the pools but will take place as part of the preparations for operation through Q1 2022 and until the release of smolts in Q2 2022.

All company procedures regarding HSE are available in the EQS. The software has a 'read and understood' function for any procedures and instructions, and if necessary, control questions can be asked before the Operations Manager can approve the training for the operators.

RISK ASSESSMENTS

As for any production environment, working at Andfjord Salmon could involve health and safety risks to employees, primarily related to the production facilities. Andfjord Salmon has previously carried out risk assessment to determine possible hazards related to the company's business operations, and risk assessments are documented through the EQS. Main risks include fall injuries, fall into pool or moat, drowning, and pinch points hazards. To mitigate such risks, the company has established preventive HSE measures, such as walkways around the entire pool and solid fencing of embankments. Protective equipment, safety equipment and rescue equipment are being planned and purchased and will be ready for when the company is in operation. Andfjord Salmon has also established strict working procedures together with the operators, which are described in the EQS.

In 2021, the company has reviewed all HSE risk assessments, conducted safety inspections and identified needs for updating procedures, instructions and plans to ensure a safe workplace. The review will be completed and updated routines launched in Q2 2022.

Health and safety are and will always be important to Andfjord Salmon but has received increased attention in 2020 and 2021 due to the on-going Covid-19 pandemic.



The company is continuously monitoring to the latest development and follows all relevant laws, regulations and advise from national and local authorities regarding infection control and risk mitigation. To minimise the risk of infection, most of our employees have been working from home throughout the year.

REPORTING

To ensure a healthy and safe working environment, it is important to have a full overview of any work-related incident or injuries that may arise. Although the company did not have any production in 2021, Andfjord Salmon has developed a system for employees to report irregularities or incidents, which will be implemented when the facilities are up and running. Reporting can be done through the

EQS system, or to the employee's nearest line manager. Equally important to provide a healthy and safe working environment for employees, it is to make sure that the health and safety of Andfjord Salmon's suppliers are considered when working on assignments for the company.

Andfjord Salmon has an indirect opportunity to affect suppliers' working environment through our working descriptions and requirements outlined in our contracts with business partners. Suppliers that are currently involved in construction at the Kvalnes site have implemented a system for reporting incidents to the company. One work-related incident was reported in 2021. The incident related to a supplier that fell down while dismantling scaffolding at the site. All safety procedures were being followed and the incident did not lead to any permanent injuries.

Goals and targets for occupational health and safety

TOPIC	2021 GOALS	STATUS	2022 GOALS
GUIDELINES	<p>Complete relevant safety documents.</p> <p>Distribute relevant safety documents to all employees.</p> <p>KPI: percentage of employees who have read and signed the documents.</p>	In progress: Safety documents has been completed and distributed to all employees.	100% of employees having signed ('read and confirmed') the safety documents.
TRAININGS	Conduct safety trainings / safety drills with all employees.	In progress: Training has been postponed due to the update/review of safety documents.	Conduct annual safety trainings / safety drills with all employees.
SAFETY INSPECTIONS	Conduct quarterly workplace safety inspections once operations have started.	In progress: Safety inspections conducted although operations have not yet started.	Continue with quarterly safety inspections.
INCIDENTS		New.	Zero-vision for incidents, accidents and work-related fatalities.

SUPPLY CHAIN TRANSPARENCY AND CONTROL

Andfjord Salmon relies on third-party suppliers for production and distribution and is thereby directly and indirectly exposed to risks and opportunities in its supply chain. Delays, interruptions, quality issues, improper transport, handling and/or delivery, in addition to corruption or other unethical business conduct may have serious implications on the quality and perception of Andfjord Salmon and the company's products.

The company has already chosen its smolt distributor and is also in the process of choosing a feed supplier. Supplier agreements regarding equipment needed for operations have already been made.

SCREENING OF SUPPLIERS

Thorough risk assessments are being done when choosing suppliers and business partners. Andfjord Salmon has its own process for risk assessment, which draws upon the Norwegian Standard NS 5814 – Requirements for Risk Assessment, and regularly carry out meetings with all operators to identify potential risks in operations.

All suppliers and business partners receive information on the company's policies and guidelines related to environmental, social and governance issues and all suppliers and business partners are screened for potential risks related to environmental, social and governance issues.

Screening is based on the NS 9416, Global G.A.P and Aquaculture Stewardship Council (ASC). Andfjord Salmon relies upon similar guidelines and regulations from Norwegian Standards and Global G.A.P in all contracts with suppliers. NS 9416, a Norwegian Standard for fish escape prevention, is used for the farming facilities, as required by Norwegian law.

The company operates in Norway and thus adhered to the Norwegian Penal Code. Norway is usually perceived as a low-risk country in terms of corruption, however, it is vital for Andfjord Salmon to have overview of any potential ethical breaches that may arise in its supply chain. The company's internal procedures for reporting irregularities builds on the Global G.A.P. framework, and includes notification non-confirmative behaviour, critical conditions or breach of laws and regulations and/or Andfjord Salmon's Code of Conduct. Employees are encouraged and expected to report irregularities.

According to the latest risk assessment that was carried out in December 2020, the biggest risks in Andfjord Salmon's supply chain are mainly related to transportation, including improper transport of the company's products or delays. To reduce such risks to an acceptable level, the company has established detailed guidelines for this which are outlined in contracts with suppliers and business partners.

Annual measuring and analysis of potential risks in the supply chain will start in 2022 when the company is in operations.

The company has in 2021 drafted a new Code of Conduct which will be presented to the Board of Directors in Q1 2022. Once approved, the Code of Conduct will also be communicated to suppliers and business partners, as well as employees.

Andfjord Salmon has not experienced any breaches of its policies or guidelines related to environmental, social or governance for suppliers in 2021, and the company has not terminated or discontinued any contracts with suppliers or business partners due to sustainability breaches in the reporting period.

Goals and targets for supply chain transparency and control:

TOPIC	2021 GOALS	STATUS
RISK EVALUATIONS	Annually measure and analyse potential risks in the supply chain.	In progress: Risk analysis and assessment of new suppliers and business partners were done in 2021.
	Perform risk assessments of new suppliers or business partners.	Perform risk assessments of all suppliers and business partners.
GUIDELINES	Develop a company Code of Conduct describing our ethical guidelines and responsible business practice which is to be shared with employees and other stakeholders.	In progress: Code of Conduct developed and to be approved by the BoD.
EXTERNAL INITIATIVES		New.

LOCAL VALUE CREATION

Andfjord Salmon seeks to have a positive impact on the environment that the company operates within, both directly and indirectly. The company seeks to employ local labour when possible, and to contribute to local value creation through paying taxes to local authorities and by buying local goods and services.

GOODS AND SERVICES

In the surrounding areas of Andøya, there is a well-developed industry for salmon farming with an already established infrastructure. Andfjord Salmon plans to benefit from excess capacity and competence through local partnerships throughout the value chain, which allows for a fully integrated business structure ranging from smolt production to end-customer. Andfjord Salmon will source smolt from Nordland municipality, whereas external processing facilities nearby will perform the slaughtering and processing.

LOCAL EMPLOYMENT

The vast majority of Andfjord Salmon's employees are recruited locally. The company hired a new project director from Sortland in 2021 and is in the process of recruiting two new operators as well as a business controller. The company is aiming to find local candidates who are qualified for the tasks at hand, and since the industry is very large in the region, Andfjord Salmon has good access to expertise related to our operational activities.

During the construction phase, Andfjord Salmon has had many local suppliers, both major suppliers and local service providers of various types of services. Regarding operations, the company collaborates with the industry locally on important links in the value chain, such as slaughterhouses, smolts, well boats, etc. The company has bought goods and services from local suppliers, such as LNS, Andøytorv and KK, amounting to NOK 83 million during the reporting period. The company is still in the investment phase and, therefore, had no payable tax in 2021, except from VAT and employer's tax.

ANDFJORD SALMON APPOINTS JOSTEIN NILSEN AS NEW PROJECT DIRECTOR

In September 2021, Andfjord Salmon hired Jostein Nilssen as new project director. Nilssen has highly relevant and unique experience in developing big international projects. He is originally from Andøya.

“Andfjord Salmon has ambitions and concrete development plans that are very attractive. Being allowed to take part in this industrial adventure is an opportunity one cannot pass up. With my experience from technological innovations both offshore and onshore, I’m really looking forward to using my expertise in the future development of the company.” – Jostein Nilssen.



Goals and targets for local value creation

TOPIC	2021 GOALS	STATUS	2022 GOALS
LOCAL PARTNERSHIPS	Further explore potential partnerships with local suppliers.	In progress: The company is still in a construction phase and will continue to explore potential partnerships with local suppliers once in operations.	Further explore potential partnerships with local suppliers.
EMPLOYMENT	Continue to attract and retain local talent.	In progress: The company has hired three new employees from the region in 2021.	Continue to attract and retain local talent.

APPENDIX 1: SUMMARY GOALS AND TARGETS 2022

TOPIC	STATUS
ENVIRONMENT	<ul style="list-style-type: none"> Implement the established biodiversity plan. Develop action list for prioritised biodiversity topics. Establish KPIs for fish welfare and set actions list to ensure numbers are improving. Expand Scope 3 reporting and establish long-term reduction target.
WORKING ENVIRONMENT	<ul style="list-style-type: none"> Implement and communicate the Employee Handbook to all employees. Conduct employee surveys on an annual basis. 100% response rate on employee surveys. Establish working environment KPI. Research diversity and equality initiatives. Increase the number of women working in the company.
OCCUPATIONAL HEALTH AND SAFETY	<ul style="list-style-type: none"> 100% of employees having signed ('read and confirmed') the safety documents. Conduct annual safety trainings / safety drills with all employees. Continue with quarterly safety inspections. Zero-vision for incidents, accidents and work-related fatalities.
SUPPLY CHAIN TRANSPARENCY	<ul style="list-style-type: none"> Perform risk assessments of all suppliers and business partners. Communicate the Code of Conduct to all employees. 100% of employees having signed ('read and confirmed') the Code of Conduct. Develop a Supplier Code of Conduct. Consider joining the UN Global Compact as a Signatory.
LOCAL VALUE CREATION	<ul style="list-style-type: none"> Further explore potential partnerships with local suppliers. Continue to attract and retain local talent.

APPENDIX 2: GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)
GRI 101: FOUNDATION 2016 GENERAL DISCLOSURES	Organisational profile 102-1: Name of the organisation 102-2 Activities, brands, products, and services 102-3 Location of headquarters 102-4 Location of operations 102-5 Ownership and legal form 102-6 Markets served 102-7 Scale of the organization 102-8 Information on employees and other workers 102-9 Supply chain 102-10 Significant changes to the organization and its supply chain 102-11 Precautionary Principle or approach 102-12 External initiatives 102-13 Membership of associations	32 33 33 33 33 33 33 33 33 33 35 37, 45 51	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	51 51 51
	Strategy 102-14 Statement from senior decision-maker	31	GRI 401: EMPLOYMENT	401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave	53 53 53
	Ethics and integrity 102-16 Values, principles, standards, and norms of behaviour 102-17 Mechanisms for advice and concerns about ethics	34, 51-52 59	GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	52 52 52
GRI 102: GENERAL DISCLOSURES 2016	Governance 102-18 Governance structure 102-20 Executive-level responsibility for economic, environmental, and social topics 102-21 Consulting stakeholders on economic, environmental, and social topics 102-22 Composition of the highest governance body and its committees 102-29 Identifying and managing economic, environmental, and social impacts	35 35 39 35 39-41	GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	405-1 Diversity of governance bodies and employees 405-2 Ratio of basic salary and remuneration of women to men 405-3 Diversity of governance bodies and employees	53-54 53 52-55
	Stakeholder engagement 102-40 List of stakeholder groups 102-41 Collective bargaining agreements 102-42 Identifying and selecting stakeholders 102-43 Approach to stakeholder engagement 102-44 Key topics and concerns raised	38 N/A 38-39 39-41 40-41			
	Reporting practice 102-45 Entities included in the consolidated financial statements 102-46 Defining report content and topic Boundaries 102-47 List of material topics 102-48 Restatements of information 102-49 Changes in reporting 102-50 Reporting period 102-51 Date of most recent report 102-52 Reporting cycle 102-53 Contact point for questions regarding the report 102-54 Claims of reporting in accordance with the GRI Standards 102-55 GRI content index 102-56 External assurance	See annual report 41-42 41 N/A 32 32 32 32 32 32 64-65 32			

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Andfjord Salmon AS

Opinion

We have audited the financial statements of Andfjord Salmon AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the CEO) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

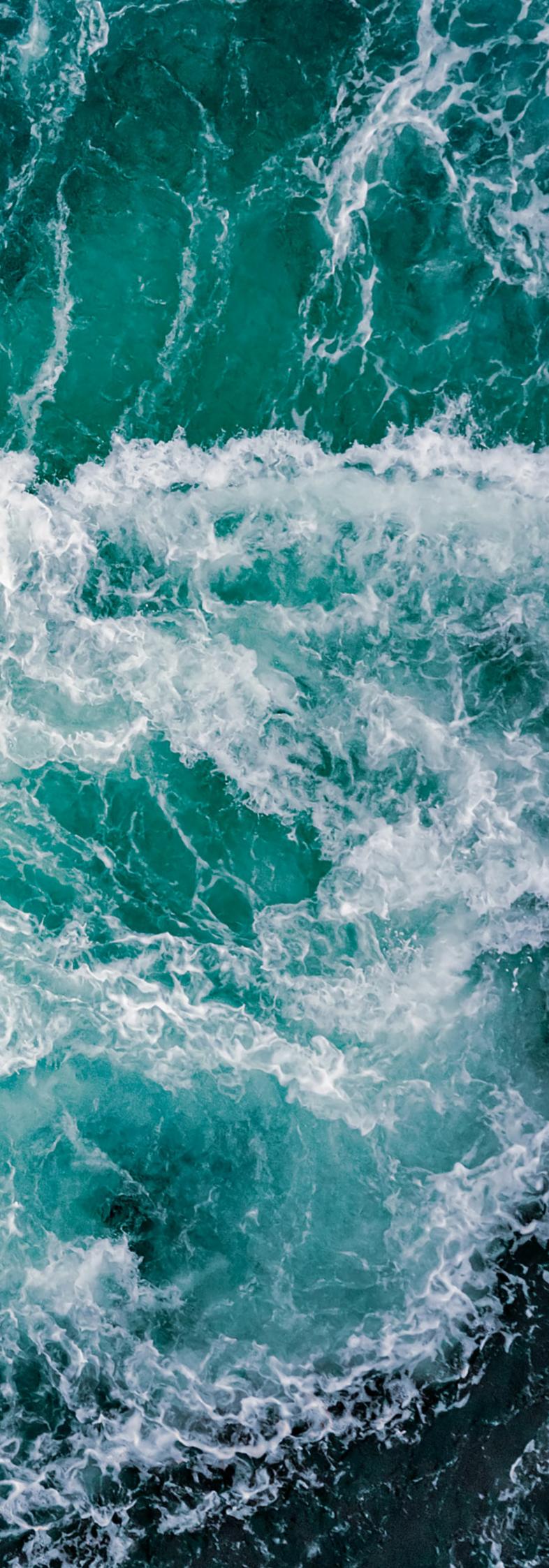
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sortland, 07. April 2022
ERNST & YOUNG AS

Kai Astor Frøseth
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared for information purposes only.)



Andfjord Salmon
[www.andfjord.no /](http://www.andfjord.no/)
www.andfordsalmon.com