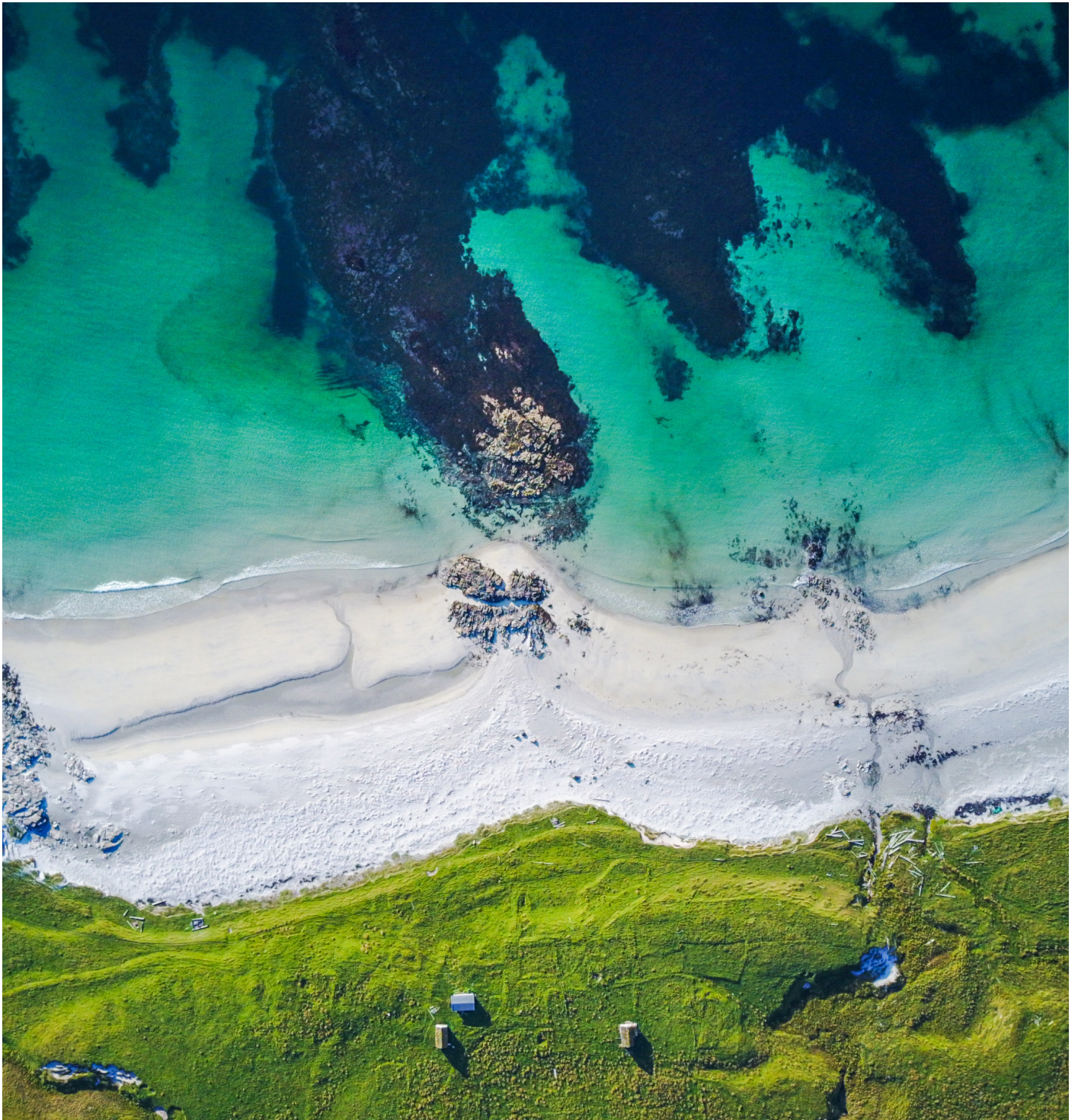


# ESG REPORT 2020



# ANDFJORD SALMON

## – ESG REPORT FOR 2020

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# HAPPY FISH

## = HAPPY SHAREHOLDERS

**Andfjord Salmon's ambition is to build the most fish-friendly and sustainable salmon farming facility of its kind. Such an ambition creates expectations to us as a company, and it is a responsibility we embrace.**

The foundation of this ambition is to build a salmon farming facility on the salmon's terms. To achieve this, we utilise a technology adapted to our natural advantage of being located close to the Gulf Stream: a flow-through technology.

The Gulf Stream provides water with higher temperature, high oxygen content and unaffected by other salmon farming facilities, which reduces risks of infectious diseases. Our laminar water flow in combination with seawater from the Gulf Stream provide optimal growth conditions for our fish.

Further, we do not have to invest in costly equipment to lift, clean or regulate the temperature of the water. We will not have problems with lice or algae in the pools, because we source seawater from below where they live. Our fish cannot escape, and we control our biological waste. The latter is not a problem, but a resource.

The combination of low energy cost, biological control and a compact infrastructure provides us with an operating expenditure (NOK 34 per kilogram) that is significantly lower than what other salmon farms can achieve. Plus an equally low environmental footprint and biological risk. This is why we believe strongly in the correlation between fish welfare and profit. Because a happy salmon means better fish quality, which means a higher sales price for the salmon, which in turn means better financial performance for Andfjord Salmon.

This is also why we genuinely believe it is possible to build something unique and sustainable at Andøya that is positive for our local surroundings, the fish in our pools,

and our shareholders. However, spelling out ambitions is easy. Delivering on them is more challenging. The latter is therefore our sole focus.

Reporting on how we realise these ambitions, including managing the main social, societal and environmental challenges that Andfjord Salmon face, is part of our commitment to both our shareholders and surroundings. That is why we have developed Andfjord Salmon's first ever sustainability report.

For 2020, Andfjord Salmon reports on the following four sustainability topics:

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

For the 2021 reporting cycle, Andfjord Salmon is planning to undertake systematic stakeholder dialogue and a materiality assessment according to the Global Reporting Initiative and/or the Euronext guidelines to ensure systematic and relevant reporting on material topics going forward.

To find out more about how Andfjord Salmon utilises ESG as topic to generate long-term value creation for society and shareholders, please have a look at the following pages.

Martin Rasmussen  
CEO of Andfjord Salmon

## ABOUT THIS REPORT

For information about this report and its content, please contact Andfjord Salmon and Chief Commercial Officer Helge Krøgenes.

This is Andfjord Salmon's first sustainability report and applies to the reporting period 1 January 2020 to 31 December 2020.

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

## ABOUT ANDEFJORD 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 with 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.



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

Andfjord Salmon is headquartered at Kvalnes on the northern part of Andøya, in the Arctic Archipelago of Vest-erålen. The company's first farming facility is currently under construction and will, according to plan, be in operation from the second half of 2021.

Andfjord Salmon has 17 employees, of which 88% are men and 12% are women. The company is listed on Euronext Growth under the ticker ANDF.

## STAKEHOLDERS

### 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:

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.



Figure 2: Andfjord Salmon's stakeholders

## 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. The company's Chief Commercial Officer (CCO) and Director of Fish Health are responsible for how sustainability is practiced on a daily basis.

## REPORTING THEMES AND TOPICS FOR 2020

Based on an internal materiality assessment conducted in spring 2021, Andfjord Salmon reports on the following four sustainability topics:

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

For the 2021 reporting cycle, Andfjord Salmon plans to undertake systematic stakeholder dialogue and a materiality assessment according to the Global Reporting Initiative and/or the Euronext guidelines to ensure systematic and relevant reporting on material topics going forward.

## 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 has in 2020 started the processes of carrying out an Environmental Risk Assessment (ERA) and an Environmental Impact Assessment (EIA), 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 will continue 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.

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.

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.

## PRODUCT INNOVATION

Fish health and welfare, such as protecting the fish from unnecessary stress and impact, are at the core of the company's innovation. Although Andfjord Salmon's farming facilities are not yet in operation, the company has in 2020 carried 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.

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.

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.

## ENERGY USE

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 providing energy to the fish pools. Andfjord Salmon relies on a waterborne heating system and a heat exchanger. The company's total energy use in 2020 was 43,59 MWh. This number is relatively low as the company is not yet in full operation.

ENERGY USE	MWH
Main Office Sortland	9,19
Testing Lab Sortland	25,57
Kvalnes, house (rental)	8,83
<b>Total energy consumption</b>	<b>43,59</b>

Table 1: Energy use in 2020

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 CO<sub>2</sub>. 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, a review of the energy consumption at Andfjord Salmon's facilities was carried out by SINTEF (a Norwegian independent research company focused on technology and innovation). The analysis shows that energy consumption for the company's start-up pool is estimated to be 1962.81 MWh/year. The start-up pool has a production capacity of 1000 tonnes biomass per year and a water flow of 18,300 m<sup>3</sup>/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 using wind power with an operating power of 30%, which will give an annual energy production of around 2102.4 MWh. In 2020, the company ordered an 800kW wind turbine, but this is not likely to be in operation until Q2 2022.

	MWH/YEAR	'TRADITIONAL' RAS TECHNOLOGY SYSTEM
Start-up pool pump	1 138.8	
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	
<b>Total energy use</b>	<b>1962.81</b>	<b>approx. 7 500</b>
800 kW wind turbine	-2 102.4	

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

## GOALS AND TARGETS FOR 2021

- Start reporting on fish escape, survival rate, incidence of disease and observations of sea lice
- Start climate accounting on direct and indirect emissions
- Develop a biodiversity plan as a summary document of Andfjord Salmon positive and negative impact on the external environment

## OCCUPATIONAL HEALTH AND SAFETY

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

As a company headquartered in Norway, Andfjord Salmon operates according to the Norwegian Working Environment Act. 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. Due to the company being founded in 2020, Andfjord Salmon is currently in the process of establishing relevant health and safety documents, such as an Employee Handbook and safety brochures.

Andfjord Salmon's CEO and Operations Manager bear the ultimate responsibility for health and safety at the company. 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.

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. Andfjord Salmon has established training procedures for 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 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 carries out training through 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. 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. 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.

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 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.

Health and safety are and will always be important to Andfjord Salmon but has received increased attention in 2020 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.

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 2020, 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 is it 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.

No work-related incidents or injuries were reported in 2020.

#### GOALS AND TARGETS FOR 2021

- Complete Employee Handbook and relevant safety documents
- Distribute relevant safety documents to all employees  
(KPI: percentage of employees who have read and signed the documents)
- Conduct safety trainings / safety drills with all employees
- Conduct quarterly workplace safety inspections once operations have started

#### 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.

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.

Headquartered in Norway, the company adheres to the Norwegian Working Environment Act as well as 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. 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.

Andfjord Salmon has not experienced any breaches of its policies or guidelines related to environmental, social or governance for suppliers in 2020, 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 2021

- Annually measure and analyse potential risks in the supply chain
- Perform risk assessments of new suppliers or business partners
- Develop a company Code of Conduct describing our ethical guidelines and responsible business practice which is to be shared with employees and other stakeholders

**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.

In 2020, 16 of Andfjord Salmon's 17 employees were located at Vesterålen. Six employees were located at the head office in Sortland, twelve at the Kvalnes building site. One employee was commuting to Vesterålen from another region.

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 has entered into an agreement to source smolt from Fjordsmolt AS, whereas external processing facilities nearby will perform the slaughtering and processing.

The company bought goods and services from local suppliers, such as LNS, Andøytorg and KK. Services includes construction, auditing and accounting, amounting to NOK 95 million in 2020.

The company is still in the investment phase and, therefore, had no payable tax in 2020, except from VAT and employer's tax.

**GOALS AND TARGETS FOR 2021**

- Further explore potential partnerships with local suppliers
- Continue to attract and retain local talent

**UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS**

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

GOAL	OUR CONTRIBUTION
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>In Andfjord Salmon, 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.</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Andfjord Salmon aim to create great values for the region we are a part of. We will 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 and will have the highest priority.</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>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.</p> <p>Andfjord will practise an open and trustworthy corporate governance. We will establish professional systems of accountability, oversight and control within the company. The shareholder is a very important stakeholder for us, to succeed with our great ambitions.</p> <p>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.</p>
 <p>14 LIFE BELOW WATER</p>	<p>Andfjord Salmon aims to avoid all the diseases related to sea lice. The Andfjord farming process also prevents the effect of toxic algae. The low density in the tanks, provides the very best fish welfare. Andfjord provides the cleanest seawater in the Arctic. The water is kept crystal clear in the farming facility, due to our innovative farming solution. All of these benefits produce salmon that thrive.</p> <p>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.</p> <p>Our vision 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.</p>





Andfjord Salmon

[www.andfjord.no](http://www.andfjord.no) / [www.andfjordsalmon.com](http://www.andfjordsalmon.com)