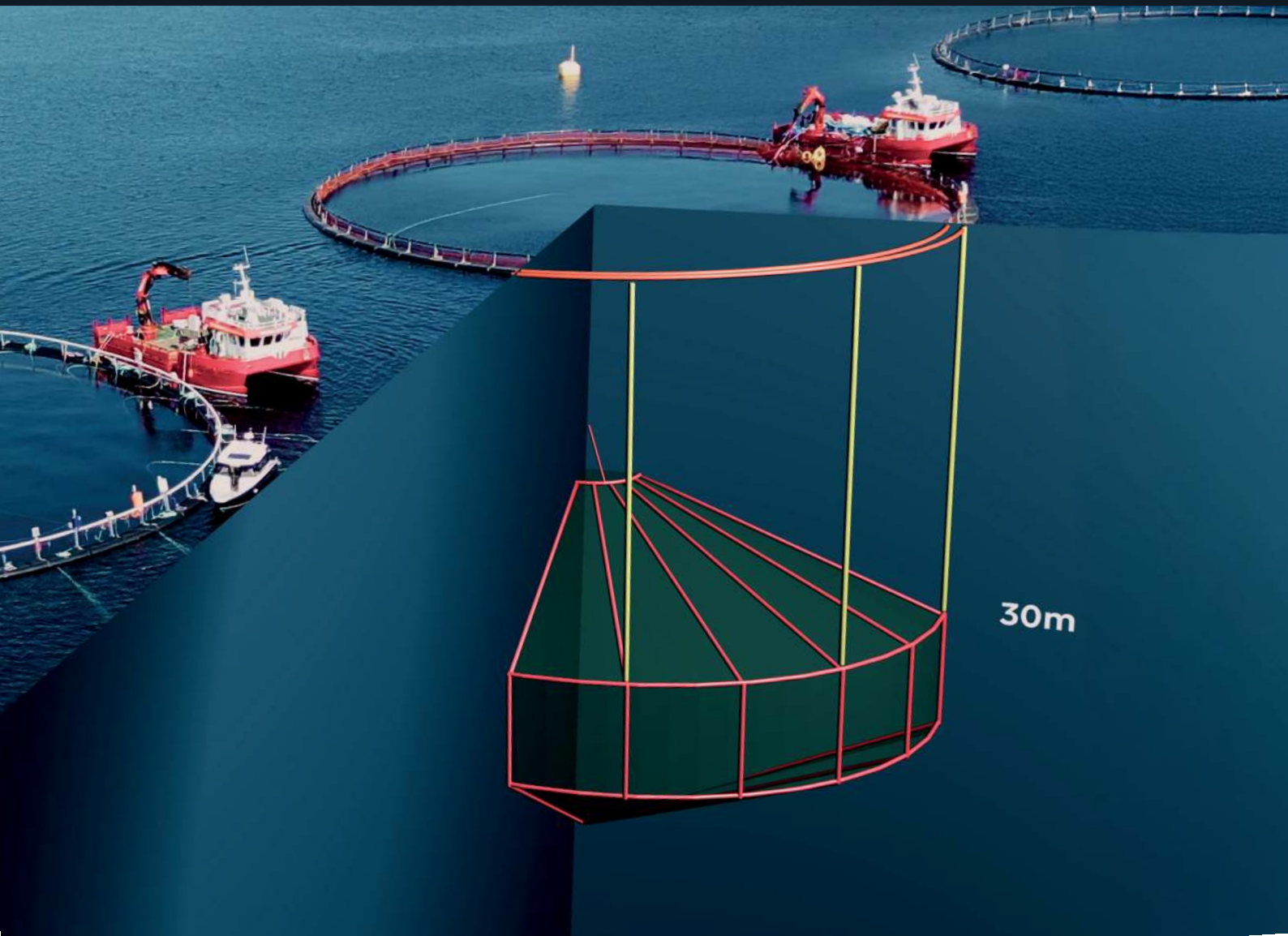
LERØY

# Green Finance Report **2024**

CREATING THE WORLD'S MOST EFFICIENT AND SUSTAINABLE VALUE CHAIN FOR SEAFOOD



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# 1. Message from the Green Finance Committee

Lerøy's strategy is to create the world's most efficient and sustainable value chain for seafood. Our integrated value chain, from production of raw material to the end consumer is key to our value creation and sustainability efforts. It is our competitive advantage as it is fast, cost efficient, reliable, enables product innovation, food traceability and quality assurance. Having full control of each step means we are uniquely positioned to understand, measure and improve the value chain to further reduce its impact on the environment.

Seafood has a lower carbon footprint compared to other animal proteins. As an environmentally efficient source of protein, and one with positive health aspects, increasing seafood production contributes to several of the UN Sustainable Development Goals ("SDGs").

Lerøy's goal is to reduce climate emissions by 46% by 2030, with 2019 as a base year. This target has been verified by the Science Based Targets initiative and is aligned with the "below 1.5 degrees" scenario of the Paris Agreement. In order to achieve this, our areas of focus are sustainable fish feed, air transport and alternative fuel.

Lerøy ranked  in the 2024 Coller FAIRR Protein Producer Index, illustrating the group as one of the most sustainable animal protein producers in the world. Commenting on this year's ranking, Anne Hilde Midttveit, ESG and Quality Manager at Lerøy, said: "This ranking serves as an important reminder of the significant progress we've made, while also highlighting areas where there is still room for improvement. It provides us with valuable insights into how we can further strengthen our sustainability efforts."

The infestation of sea-lice is one of the biggest challenges for salmon farming in Norway. In 2024, Lerøy made substantial investments in new farming technology to support fish welfare. By sub-merging the entire cage below the water segments where the sea lice thrives, our farmed salmon are much better protected against sea lice, comments CEO Henning Beltestad. Looking ahead to 2025, we are optimistic about further advancements in our biological performance. Daily, new data reinforces our belief that shielding, particularly through submerged cages, leads to a reduced need for treating the fish against sea lice. Compared to traditional farming methods, this approach has significantly reduced lice treatment frequency, with positive impacts on survival rates, the share of superior-quality fish, and overall fish welfare, To accelerate this progress, we plan to invest an additional MNOK 350 in submerged cages in first half 2025, aiming to shield up to 45% of our salmon population by mid-year, says Beltestad.

The investor communities are important stakeholders on Lerøy'sjourney towards a greener future. The introduction of the Green Financing Frameworks and our debut in the green bond markets in 2021 and the issuance in 2023 were both met with considerable interest among investors. The allocation of investments to these bonds, are the same as in last year's report and are described below.

**Green Finance Committee**, Lerøy Seafood Group ASA Bergen, 19 December 2024

| | | | |
|---|---|---|---|
| **Sjur Malm** | **Anne-Hilde Midttveit** | **Håvard Klafstad** | **Hans Ljøen** |
| *CFO* | *Head of ESG & Quality* | *Head of Procurement* | *Head of Treasury & IR* |

# 2. Green Finance Instruments

In 2021, Lerøy Seafood Group issued its inaugural bond in form of three green bonds and another issuance in 2023. Characteristics of the green bonds issued by Lerøy is set out in the below table. Combined, these issues were many times oversubscribed.

| Debt issue (ISIN) | Type | Amount (NOKm) | Net proceeds (NOKm) | Issue date | Maturity date | Interest rate |
|---|---|---|---|---|---|---|
| NO0011097297 | Green bond, snr unsecured | 500.0 | 497.4 | 17.09.2021 | 17.09.2026 | NIBOR 3m+ 1.00% p.a. |
| NO0011097305 | Green bond, snr unsecured | 500.0 | 497.4 | 17.09.2021 | 17.09.2027 | NIBOR 3m+ 1.15% p.a. |
| NO0011097339 | Green bond, snr unsecured | 500.0 | 497.4 | 17.09.2021 | 17.09.2031 | 3.35% p.a. |
| NO0012899287 | Green bond, snr unsecured | 500.0 | 498.4 | 26.04.2023 | 28.04.2028 | NIBOR 3m+ 1.50% p.a. |
| NO0012899295 | Green bond, snr unsecured | 500.0 | 498.4 | 26.04.2023 | 28.04.2030 | 5.10% p.a. |
| NO0012899303 | Green bond, snr unsecured | 500.0 | 498.4 | 26.04.2023 | 28.04.2033 | 5.315% p.a. |
| **TOTAL** | | **3,000.0** | **2,987.4** | | | |

Lerøy has a BBB+ long long-term issuer credit rating according to Nordic Credit Rating, with a stable outlook.

# 3. Allocation of net proceeds

Lerøy intend to allocate an amount equal to the net proceeds of any Green Finance Instrument to finance or refinance, in whole or in part, investments and expenditures that promote the transition towards a sustainable, low-carbon and/or climate-resilient development ("Green

Projects"). The allocation is determined in accordance with the Green Project categories defined in the Green Finance Framework. Each candidate project is evaluated on an individual basis. The framework is available on our website https://www.leroyseafood.com/en/investor/green-bonds-rating/green-finance-framework/

Following the allocation process described in our Green Finance Framework, the Green Finance Committee has allocated the full amount of the net proceeds of NOK 2,987.4m in order to refinance four Green Projects. Description of some of these eligible Green Projects are found in the next section, followed by an assessment of their impact on the environment.

These Green Projects do not include all investments that would be eligible within the Green Finance Framework. Refer to the Green Finance Framework for definitions of categories and criteria for Eligibility Type.

| **Green Project** | **Invested amount** (incl. investments made after completion) | **Allocated net proceeds** | **New allocations this report** | **Category** | **Eligibility type** |
|---|---|---|---|---|---|
| Jøsnøya (Mid-Norway) | 761.1 | 761.1 | 0 | Environmentally Sustainable Seafood Production | Sustainable processing |
| Kjærelva (West-Norway) | 848.4 | 848.4 | 0 | Environmentally Sustainable Seafood Production | Sustainable fish farms and post-smolt facilities |
| Laksefjord (North-Norway) | 691.1 | 691.1 | 0 | Environmentally Sustainable Seafood Production | Sustainable fish farms and post-smolt facilities |
| Belsvik (Mid-Norway) | 719.4 | 686.8 | 0 | Environmentally Sustainable Seafood Production | Sustainable fish farms and post-smolt facilitieS |
| **Total** | **3,020.0** | **2,987.4** | **0** | | |

# 4. Description of the Green Projects

This report does not fully reflect the immense effort involved in developing our value chain to become the world's most efficient and sustainable value chain. A detailed description of our objectives, key focus areas and KPI's within sustainability can be found in our sustainability library on our company's homepage. Examples of recent investments include shielding technology aimed at protecting salmon against sea lice which is expected to improve fish welfare and biological performance in general.

Lerøy has decided to allocate its green bonds to three RAS post-smolt facilities located in Kjærelva (West Norway), Belsvik (Mid Norway) and Laksefjord (North Norway) and a sustainable fish processing facility located in Jøsnøya (Mid Norway).

Below we describe the facilities in Kjærelva and Jøsnøya. The facilities in Belsvik (Mid-Norway) and Laksefjord (North-Norway) share many characteristics with the facility in Kjærelva, with recirculating aquaculture systems ("RAS") being a main feature.

*Sludge processing unit at Kjærelva.*

*Solar panels at Kjærelva.*

## RAS post-smolt facility at Kjærelva

Post-smolt facilities with recirculating aquaculture systems ("RAS") are considered Green Projects according to the Green Finance Framework.

In recent years, Lerøy Seafood Group has invested in so-called post-smolt . By keeping the smolt on land for longer the time in sea is reduced. This is expected to result in fewer treatments and thus better fish welfare, as well as substantially reduced withdrawal of water as close to 99% of the water is recycled. It also reduces the risk of escapes.

Lerøy's post-smolt RAS facility in Kjærelva on the west-coast of Norway, is one of the world's largest of its kind. It has been designed to the highest standards, with a strong focus on biosecurity, fish logistics and footprint.

Kjærelva produces 12 million smolt annually, divided into 6 million post-smolt and 6 million smolt. Production in 2023 was 2,234 tonnes of biomass. Since the plant was completed, it has delivered 56.4 million smolt. The facility consists of 12 sections with a total tank volume of 24,000 $m^3$.

The smolt facility was built using a number of future-oriented solutions that make the facility one of our most sustainable facilities. A smolt facility is dependent on a lot of water circulating through the facility in order to create optimal conditions for the fish. Clean and fresh water is good for fish welfare.

The plant has a modern energy system with a glycol-based heat pump that cools and heats the water in all sections. The plant recovers energy from the wastewater. Energy from water that has already been heated is reused before the wastewater is discharged. The plant has air to air heat pumps that provide energy-efficient heating.

The facility has 3,000 solar panels installed on the roof of the building, with an expected output of 1,200,000 million kWh.

Sludge, which is a by-product of smolt production, is recovered and used for biogas production. The sludge can also be used as a fertilizer component. Silage, which is another resource from smolt production, is used as a protein source for animal feed or biogas.

## Sustainable fish processing plant at Jøsnøya

Investments in processing facilities that are certified according to the Chain of Custody (CoC) standard for ASC products are eligible as Green

*1 The post-smolt stage is defined as the first period after the salmon has passed through smoltification, meaning transfer from a freshwater adapted fish to a salmon that has acquired seawater tolerance.*

Projects in accordance with the Green Finance Framework. ASC certification is further described in the next section.

The Jøsnøya facility was constructed with the aim of creating the most modern and highly automated salmon processing facility. The objective is for the fish to be processed within the facility without human intervention. Although this vision has not been fully realized, significant automation has been implemented.

The plant has implemented energy-reducing measures that save an estimated 7 GWh per year, resulting in a reduction of energy consumption by approximately 45%. This achievement has been made possible by installing heat pumps on cooling systems, implementing energy recycling on air compressors, and utilizing seawater-cooled condensers. The plant collects seawater from a depth of 150 meters, maintaining a stable temperature of around 8 degrees throughout the year. This proves to be an energy-efficient solution for cooling the salmon from 12-14 degrees to zero degrees.

The plant has two temperature zones that provide optimal operation. All lighting inside and outside is new led technology. Building a new factory to replace the old factory also reduced internal logistics between sites and the factory, truck use and wellboats, that is equivalent to the use of 130,000 litres of diesel.

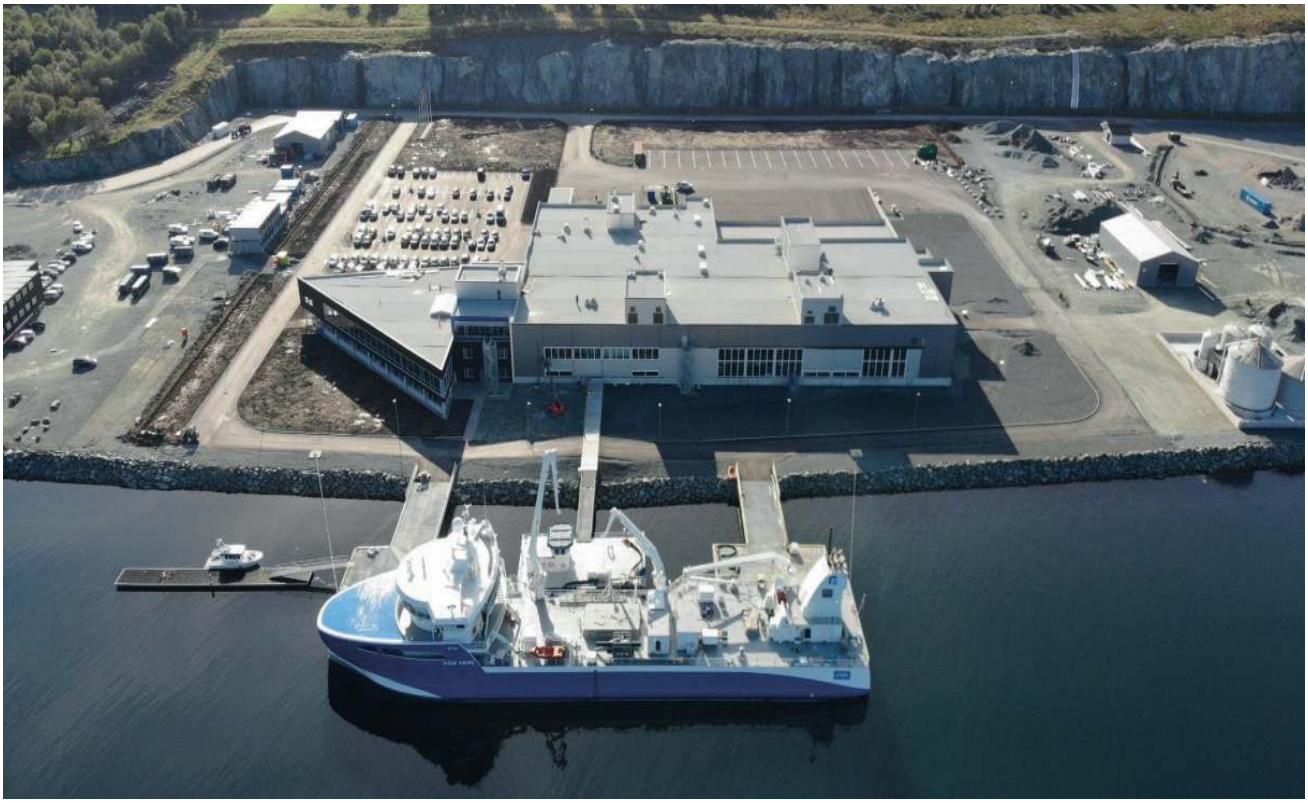
The new factory has successfully decreased its fresh water consumption by approximately 50% compared to the old factory. This achievement is attributed to the integration of new machines and equipment that demand less water for both operation and washing processes.

The fish are delivered directly to the plant from wellboats, avoiding extra pumping as at the previous factory. This improves fish welfare.

The factory has a high degree of automation and is built to produce large quantities of fresh fillets. With maximum production of fillets, the transport requirement, and thus the emissions of $CO^2$, will be reduced by about 45%.

The whole fish is used in this new factory, either as the main product, as a by-product or for animal feed after further processing.

The factory has no emissions other than purified process water and all waste is sorted.



*The plant at Jøsnøya seen here with a wellboat discharging salmon*

*The facility has capacity for gutting 70,000 GWT of salmon annually in one shiftof which 70% as fillets.*

# 5. Impact overview

The proceeds from the green bonds were allocated towards the described investments. An analysis of their influence on water-use efficiency and energy efficiency is presented in the table below.

## ASC certification

The plant at Jøsnøya is certified according to the Aquaculture Stewardship Council (ASC) certification scheme for farmed seafood and has been independently assessed and certified as being environmentally and socially responsible. ASC standards are the strictest in the industry covering all aspects of sustainable operations. Refer to www.asc-aqua.org for further information.

## Water-use efficiency

Water usage is affected by  quantity of biomass (smolt) produced, feed factor (a function of feed consumed and weight gain) and water usage per kg of biomass produced.

Lerøy's RAS facilities recirculates about 99% of the water used to produce smolt. In comparison, a traditional flow-through system does not recycle water. The fresh water loss of about 1% is mainly attributed to evaporation.

Water usage and estimated water saved for each RAS Facility is set out in the table below.

| Green Project | Estimated water usage in 2023 (In million m³) | Water saved, % | Water saved in 2023[1] (in million m³) |
|---|---|---|---|
| RAS facility at Kjærelva | 3.9 | 93% | 47.7 |
| RAS facility at Belsvik | 2.6 | 99% | 264.5 |
| RAS facility at Laksefjord | 13.1 | 83% | 52.5 |

## Energy efficiency

We have estimated the energy saved as a result of our investment at Jøsnøya. The processing capacity replaced an older facility in Dolmøya (Norway). Energy efficiency improvement is measured as the difference in emissions per kg of fish multiplied by the volume of fish processed at Jøsnøya. In 2022, Jøsnøya was 2.0 times more energy efficient than the previous production facility. The emission reducing initiatives behind this improvement are described above.

| Green Project | Total emissions avoided (kg CO2e/per year) |
|---|---|
| Fish processing facility at Jøsnøya | 19,392[3] |

## Other metrics

Improvements in a wide variety of sustainability-related KPIs are expected outcomes of Lerøy's sustainability strategy and green projects on a wider group level. The status of some selected KPIs some of these are shown below. Lerøy report on these KPIs on an annual basis in the annual report.

| Key Performance Indicator | 2023 | 2022 | 2021 |
|---|---|---|---|
| Survival | | | |
| Survival rate in sea | 91.5% | 92.5% | 92.5% |
| Survival rate on land | 91.3% | 91.4% | 88.8% |
| **Biodiversity** | | | |
| Fish escapes (number of fish) | 15,030 | 10,544 | 4 |
| % of sites with GLOBAL GAP or ASC certificate | 100% | 100% | 100% |
| **Antibiotics** | | | |
| Antibiotics used in sea (kg active substance) | 0 | 0 | 0 |
| Antibiotics used on shore (kg active substance) | 0 | 0 | 0 |
| **Sea lice** | | | |
| Fully grown lice per fish in LSG farming (avg. number per fish) | 0.18 | 0.18 | 0.18 |
| **Water** | | | |
| Water withdrawal in production facility (litres) | 88,423,892 | 96,775,397 | 85,011,921 |
| **GHG emissions** | | | |
| Scope 3 emission (in 1,000 CO2e) | 1,021,417 | 1,038,392 | 1,157,174 |

*3 Calculated as the difference between water usage using RAS in 2022 to water usage based on traditional flow-through systems. The CO2e emissions per kilogram of processed fish at the new facility were 0.000607 in 2022. The corresponding figure for the old factory was 0.001187 (twice that of the new facility). A total of 62,647 tonnes of fish were processed at the new facility in 2022. The emissions saved can be calculated as (0.001187 - 0.000607)*62,647,000 = 36,366 kg CO2e.*

To the Board of Directors of Lerøy Seafood Group ASA

# Independent Practitioner's Assurance Report on the Green Finance Report 2024

We have undertaken a limited assurance engagement in respect of Lerøy Seafood Group ASA's (the Company) Green Finance Report 2024 (the Subject Matter).

The scope of our work was to provide limited assurance that the net proceeds from the Green Bonds have been allocated to green projects according to the definition set out in the Green Finance Framework per August 2021. The allocation for 2024 is described in the Green Finance Report 2024, section 3. "Allocation of net proceeds" (The Subject Matter Information).

The reporting criteria against which this information was assessed is described in the "Use of Proceeds" in the Company's "Green Finance Framework" as per August 2021. The "Use of Proceeds" section is attached to the Green Finance Report 2024.

Our assurance does not extend to any other information in the Green Finance Report 2024. We have not reviewed and do not provide any assurance over any individual project information reported, including estimates of sustainability impacts.

## Green Bond Committee 's Responsibility

Green Bond Committee is responsible for ensuring that the Company has implemented appropriate guidelines for green bond management and internal control. Management is responsible for evaluating and selecting eligible green projects, for the use and management of bond proceeds, and for preparing a "Green Bond Allocation Report" that is free of material misstatements, whether due to fraud or error, in accordance with the Company's "Green Bond Framework".

## Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Our Responsibilities

Our responsibility is to express an opinion on the Subject Matter Information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 revised – «Assurance Engagements other than Audits or Reviews of Historical Financial Information», issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement.

A limited assurance engagement in accordance with ISAE 3000 involves assessing the suitability in the circumstances of Green Bond Committee's use of the Criteria as the basis for the preparation of the Subject Matter Information, assessing the risks of material misstatement of the Subject Matter Information whether

due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and, among others, included:

- Making inquiries of the persons responsible for the Subject Matter;
- Obtaining an understanding of the process for collecting and reporting the Subject Matter Information, including relevant internal controls;
- Considering the disclosure and presentation of the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the section “Allocation of net proceeds” disclosed in the Company’s Green Finance Report 2024 has not been prepared, in all material respects, in accordance with the applicable Criteria

Bergen, 19 December 2024
**PricewaterhouseCoopers AS**

Hanne S Johansen

Hanne Sælemyr Johansen
State Authorised Public Accountant

# Appendix: Extract from the Green Finance Framework: Use of Proceeds

## Allocation of net proceeds

Lerøy, and/or its subsidiaries, intend to allocate an amount equal to the net proceeds of any Green Finance Instrument to finance or refinance, in whole or in part, investments and expenditures that promote the transition towards a sustainable, low-carbon and/or climate-resilient development ("Green Projects"), in each case as determined by Lerøy in accordance with the Green Project categories defined in the following pages. This also includes acquisitions of such projects as well as investments in share capital of companies with such assets and where the use of proceeds should be directly linked to the value of the eligible assets owned by the acquired company, adjusted for the share of equity acquired.

Green Projects will form a portfolio of assets eligible for financing and refinancing by Green Finance Instruments.

## Financing and refinancing

Net proceeds can finance both existing and new Green Projects financed by Lerøy or its subsidiaries. New Green Projects are defined as projects taken into operation after the issuance of a Green Finance Instrument and refinancing is defined as financing of Green Projects taken into operation before the issuance. The distribution between new financing and refinancing will be reported on in Lerøy's annual Green Finance Report.

## Exclusions

Proceeds from Green Finance Instruments will not be allocated to projects for which the purpose of the project is fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling or tobacco.

Only such assets and projects that comply with the Green Project categories below are deemed eligible for Green Finance Instrument funding.

The UN Sustainable Development Goals

The UN SDGs have been agreed by all 193 UN member states and guide governments, civil society and the private sector in a collaborative effort for change towards a sustainable development. In this Framework, each Green Project category has been mapped against the SDGs in accordance with the High-Level Mapping to the Sustainable Development Goals published by the International Capital Market Association.

**Lerøy Seafood Group ASA**

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