



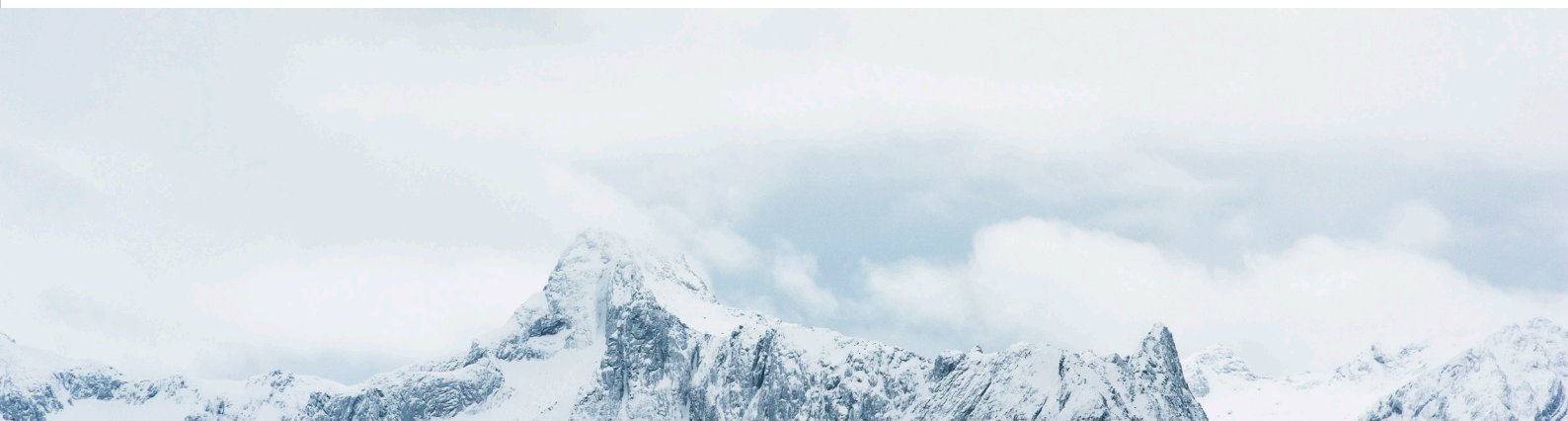
GREE FINANCE REPORT **2022**



“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").

From 2020 to 2021 Lerøy reduced its overall greenhouse gas emissions by 8%. 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 Seafood Group ranked 4th in the 2022 Collier FAIRR Protein Producer Index, making it one of the most sustainable animal protein producers in the world.

In 2021, Lerøy Seafood Group took an important step in aligning our finance strategy with our sustainability strategy. The investor communities are important stakeholders on our journey towards a greener future. The introduction of the Green Financing Frameworks and our debut in the green bond markets were met with considerable interest among investors. The Green Finance Framework will form the basis for financing and refinancing of Green Projects going forward.

The net proceed of the green bonds have been allocated to investments in sustainable post-smolt facilities with recirculating aquaculture systems and to sustainable processing facilities. These investments contributes particularly to UN SDGs 6. Clean water and sanitation, 14. Life below water and 13. Climate action.



Green Finance Committee, Lerøy Seafood Group  
Bergen 22 December 2022

**Sjur Malm**  
Cfo

**Anne-Hilde Midttveit**  
Head of ESG & Quality

**Håvard Klafstad**  
Head of Procurement

**Hans Ljøen**  
Head of Treasury & IR



## 2. Green Finance Instruments

The Green Finance Framework covers the issuance of green bonds and green loans. The framework was developed prior to the bond issues and is available on our website <https://www.leroyseafood.com/en/investor/green-bonds-rating/green-finance-framework/>

In 2021, Lerøy Seafood Group issued its inaugural bond in form of three green bonds. This green offering fuelled considerable investor appetite and was many times oversubscribed. The total issued amount was NOK 1,500m and the total net proceeds were NOK 1,492.2m.

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.
<b>TOTAL</b>		<b>1500.0</b>	<b>1,492.2</b>			

On July 2nd 2021, Nordic Credit Rating (NCR) assigned Lerøy Seafood Group a "BBB" long-term issuer credit rating with a stable outlook. In July 2022 this credit rating was upgraded by NCR to BBB+, with a stable outlook and the issues were rated BBB.

### 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.

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 1,492.2m in order to refinance two Green Projects. The first is the post-smolt RAS facility at Kjærelva in Western Norway and the second is the state-of-the-art fish processing facility at Jøsnøya in Mid-Norway. The facilities were completed in 2019 and 2018 respectively, with some further investments made in following years. A detailed description of these eligible Green Projects are found in the next section, followed by an assessment of their impact on the environment.

These two 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	Category	Eligibility Type
Jøsnøya (Mid-Norway)	761.1	761.1	Environmentally Sustainable Seafood Production	Sustainable processing
Kjærelva (West-Norway)	836.9	731.1	Environmentally Sustainable Seafood Production	Sustainable fish farms and post-smolt facilities
<b>Total</b>	<b>1,598.0</b>	<b>1,492.2</b>		

Sludge processing unit at Kjærelva



Solar panels at Kjærelva



## 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. The focus is on the specific investments to which the net proceeds have been allocated. 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.

### 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 been investing in so-called post-smolt. Keeping the smolt on land for longer reduces the time in sea. 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<sup>1</sup> 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 2021 was 3,505 tonnes of biomass. Since the plant was completed, it has delivered 38 million smolt. The facility consists of 12 sections with a total tank volume of 24,000 m<sup>3</sup>.

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.

<sup>1</sup> The stage post-smolt 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.

## **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 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 that the fish is processed in the facility without involving human hands. While this vision has yet to be fully met it is automated.

The plant has implemented energy-reducing measures that save an estimated 7 GWh per year, reducing energy consumption by an estimated 45%. This has been made possible by installing heat pumps on cooling systems, energy recycling on air compressors and seawater cooled condensers.

The plant collects seawater from a depth of 150 meters, which helps the water maintain a stable temperature throughout the year of around 8 degrees. This is 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 reduced the consumption of fresh water by about 50% compared to the old factory. This is done through new machines and equipment that require less water consumption for operation and washing.

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<sub>2</sub>, 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 with a wellboat in front, discharging salmon*



*The facility has the capacity of gutting 70,000 GWT of salmon annually on one shift, whereof 70% as fillets.*



## 5. Impact overview

The net proceeds of the green bonds were allocated to the investments at Kjærrelva and Jøsnøya described above. Several aspects in terms of environmental impact was described above. A review of their impact on water-use efficiency and energy efficiency are set out 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](http://www.asc-aqua.org) for further information.

### Water-use efficiency

The new plant at Kjærrelva has 98.9% water recirculation and uses only 600 litres of new water per kg of feed used. The production at Kjærrelva was 3,505 tonne in 2021. Assuming a feed factor of 0.85 the water use in 2021 is estimated at 1.8 million m<sup>3</sup>/year.

A traditional flow-through system does not recycle water. Based on a 98.9% recirculation rate, a traditional flow-through system has an estimated water use of 119.2 million m<sup>3</sup>/year.

The fresh water loss of around 1.1% is mainly attributed to evaporation.

Green Project	Water saved, %	Water saved, million m <sup>3</sup> /year
RAS facility at Kjærrelva	98.9%	117.4

## 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 fillet produced multiplied by the volume of fish processed at Jøsnøya in 2021. Jøsnøya is 2.2 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 CO<sub>2</sub>e/per year)

Fish processing facility at Jøsnøya

39,583



## 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 are shown below. Lerøy report on these KPIs on an annual basis in the annual report.

Key Performance Indicator	2021	2020	2019
<b>Survival</b>			
Survival rate in sea	92.5%	92.2%	93.4%
Survival rate in sea	88.8%	93.5%	91.5%
<b>Biodiversity</b>			
Fish escapes (number of fish)	4	208	85
% of sites with GLOBAL GAP or ASC certificate	100%	100%	100%
<b>Antibiotics</b>			
Antibiotics used in sea (kg active substance)	0	18.99	0
Antibiotics used on shore (kg active substance)	0	0	0
<b>Sea lice</b>			
Fully grown lice per fish in LSG farming (avg. number pr fish)	0.18	0.16	0.15
<b>Water</b>			
Water consumption production facility (litres)	85,011,921	86,698,937	91,353,323
<b>GHG emissions</b>			
Scope 3 emission (in 1000 CO2e)	1,157,174	1,284,642	1,292,739



To the Board of Directors of Lerøy Seafood Group ASA

## **Independent Statement regarding Lerøy Seafood Group ASA Green Finance Report 2022**

We have undertaken a limited assurance engagement in respect of Lerøy Seafood Group ASA Green Finance Report 2022 (the Subject Matter).

The scope of our work was to provide limited assurance that an amount equal to the net proceeds from the three Green Bonds issued on 17.09.2021 has been allocated to green projects according to the definition set out in the Green Finance Framework per August 2021. The allocation is described in the Green Finance Report 2022, section 3. "Allocation of net proceeds" (The Subject Matter Information).

The reporting criteria against which this information was assessed is the Company's "Green Finance Framework" as per August 2021, available on the Company website (the Criteria).

Our assurance does not extend to any other information in the Green Finance Report 2022. We have not reviewed and do not provide any assurance over any individual project information reported, including estimates of sustainability impacts.

### *Management's Responsibility*

Management is responsible for the preparation of the Subject Matter Information in accordance with the applicable Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a Subject Matter Information that is free from material misstatement, whether due to fraud or error.

### *Our Independence and Quality Control*

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 International Standard on Quality Management 1 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 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 management'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 Information;
- Obtaining an understanding of the process for collecting and reporting the Subject Matter Information, including relevant internal controls;
- Performing limited substantive testing on a selective basis of the Subject Matter Information to test whether data had been appropriately measured, recorded, collated and reported;
- 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 Subject Matter Information disclosed in the Company's Green Finance Report 2022 has not been prepared, in all material respects, in accordance with the applicable Criteria.

Bergen, 22 December 2022  
**PricewaterhouseCoopers AS**

A handwritten signature in blue ink that reads 'Hanne S. Johansen'.

Hanne Sælemyr Johansen  
*State Authorised Public Accountant*