PROXIMAR

SEAFOOD

Sustainability Financing Framework

Revised: 03/22

Table of Contents

1. INTRODUCTION

About Proximar

Proximar Group ("Proximar" or the "Company") is currently building a facility for land-based salmon farming in Japan, using a recirculating aquaculture system (RAS). Proximar was founded in 2015 and has over the past years developed a large-scale project at the foot of Mount Fuji in the Shizuoka Prefecture. Construction started in the first quarter of 2021. The production of Atlantic salmon in the facility is expected to start 3Q 2022, meaning the first 5kg-fish will be available in the market mid-2024.

Proximar's vision is to be a leading provider of sustainably produced seafood and contribute to feed a growing population with proteins. To fulfil the vision, we make use of our corporate management principles every day, from strategic decisions to day-to-day operations:

Ambition
We strive to become a leader within salmon farming in Asia through optimization of production and profitability, embracing innovation and technology and continuous improvement

Harmony
Fish welfare is the core of our production and we target sustainability across the entire value chain, through cooperation and honest communication

Equality
Everyone is treated with respect and friendliness and we provide equal opportunities for everyone (across gender, age, religion, sexuality, ethnicity, etc.)

Proximar's owners and managers combine deep expertise in project management, aquaculture and sustainable resource management. The largest owner is the Grieg family, also a majority shareholder in Grieg Seafood, one of the largest players in the Norwegian aquaculture industry and an active issuer of green bonds. Another major shareholder is Daimyo AS, a Norwegian investment company with focus on sustainable businesses. Daimyo is actively invested in renewable energy and clean-tech, and has been active in the green bond market as well[1].

Proximar is convinced that onshore salmon farming close to consumer markets is going to yield clear environmental benefits, by reduced transportation and production in a closed and controlled environment. In addition, Proximar has a systematic approach to sustainability, meaning that sustainability is also integrated into how the company plans and intends to conduct the operations.

In the process of selecting a RAS solution the company has emphasized the environmental aspects, by searching for a system with relatively lower energy- and water consumption. Following these considerations, AquaMaof was selected as the RAS supplier for the facility. Proximar also decided to make additional investments in a denitrification system to further reduce the amount of sludge and the need for new replacement water. Proximar considers animal welfare to be an important part of sustainable operations. Therefore, the gentle water movement and fish-handling which the AquaMaof technology provides were as well important arguments for choosing this RAS solution.

[1] IJsbeer Energie green Bond framework 2020, rated Dark green by CICERO Shades of Green

Proximar firmly believes in the importance of building a business which is sustainable in the long term. This thinking is enshrined in the strategy going forward. The commitment to limit the impact on the environment is essential to what we do, and it is reflected in the choice of system, building and location of the facility, and thus in the investments included in this framework.

UN Sustainable Development Goals

Devoted to sustainability, Proximar is committed to all of the UN Sustainable Development Goals. Proximar's production of salmon, using a recirculating aquaculture system (RAS), is operated to contribute to achieve the UN Sustainable Development Goals and to address global challenges. The goals where Proximar's contribution is considered to be of greatest impact are illustrated below.

CLIMATE ACTION

Reducing the carbon footprint associated with transport emissions and supporting a healthy ocean

GOOD HEALTH AND WELL BEING

Reducing need for antibiotics, pesticides, hormones and microplastics, while ensuring fresh, healthy, fully traceable protein, promoting a healthy lifestyle

ZERO HUNGER

Increasing local food supply and food security through sustainable seafood production

LIFE BELOW WATER

Eliminating threats to local marine life and its ecosystems

Additionally, Proximar emphasizes contributions to the following Sustainable Development Goals:

RESPONSIBLE CONSUMPTION AND PRODUCTION

Efficient production of animal protein through low feed conversion rate, and reducing waste due to longer shelf life

CLEAN WATER AND SANITATION

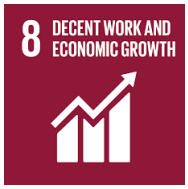
Sustainable management of water by using water recycling technology with ~100% reuse and negligible waste-water from production process

INDUSTRY, INNOVATION AND INFRASTRUCTURE

Investing in innovative technology in building an environmentally sound industry with local infrastructure

AFFORDABLE AND CLEAN ENERGY

Securing access to renewable energy by installing rooftop solar power system and purchase of renewable energy certificates



DECENT WORK AND ECONOMIC GROWTH

Local employment for skilled & low skilled workforce

Environmental and social benefits of Proximar Seafood in Japan

Sustainable onshore production in RAS of Atlantic Salmon close to markets avoids a number of environmental impacts compared to conventional farming in open net-pen sea cages, in addition to the benefits of reduced transportation. Production completely isolated from the outside environment, full handling and treatment of all waste-material, and limited demand for water are some of the significant benefits of RAS compared to conventional farming.

Impact on the local environment, society, animal welfare and consumer health

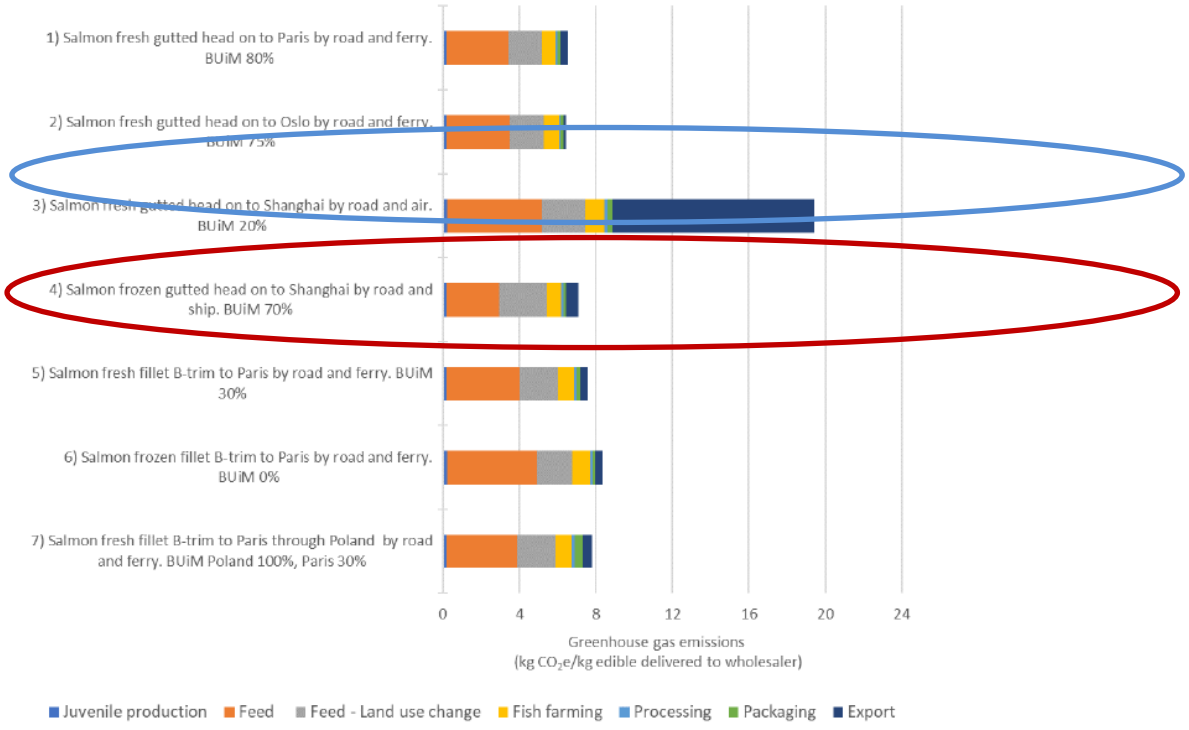
- There is no risk of the spread of parasites like sea lice and the risk of diseases is reduced. These factors have a significant impact on fish mortality in conventional aquaculture, as well as rendering invested resources like feed and energy wasted.
- As a consequence of better control of parasites and diseases, the need for medication to keep the fish healthy is reduced, if not fully removed. All fish-eggs will be disinfected when introduced to the facility. All of the water will be treated with UV radiation and ozone, and will be supplied from secure and disease-free aquifers. The only way for diseases to enter the facility is through the air or by people and equipment. Therefore, the facility will be a strict biosecurity area, with over-pressurized buildings and strict disinfection procedures for people and equipment entering the facility.
- There is no risk of fish escapes. In conventional aquaculture, escapes pose a serious threat to wild salmon stocks, as the farmed fish modify the gene-pool and may outcompete local species.
- There is no risk of attacks by predators, like seals, which can disrupt operations and lead to fish escapes.
- The quality of the intake water and general control over water quality in the production reduces the risk of external contamination, e.g. microplastics and chemicals.
- Waste and wastewater are treated in a controlled way and handled appropriately.
- There is no use of boats for feeding, harvesting or transport. This reduces the use of fossil fuels. Avoiding live transport also reduces stress and enhances animal welfare. The AquaMaof system uses to a large extent harvest channels. These provide a gentler and less stressing handling of fish

compared to the conventional pumping of fish. The use of channels sets AquaMaof apart from other RAS suppliers.

Avoiding emissions by avoiding air freight

The largest environmental benefit lies in the avoided long-haul transport by airfreight to markets. According to a study by the Norwegian research institute SINTEF, the carbon footprint of fresh salmon increases dramatically if it is transported by air over long distances. In such cases, the air freight stands for about half of the emissions footprint[2]. In 2020, 89% of fresh salmon consumption in Japan was transported from Norway by air.

The research carried out by SINTEF assessed the carbon footprint of producing fresh salmon and transporting it to various destinations by different means of transport (see figure below). The study also detailed the different contributors to the total carbon footprint, including airfreight, and their respective magnitudes. The carbon footprint of fresh salmon produced in Norway and transported by air to Shanghai[3] is roughly 3 times higher than the footprint of fresh salmon transported to Oslo by road and ferry. The share of emissions from transport in the Shanghai case was roughly half of total emissions – while it was negligible in the Oslo case. Proximar will produce salmon in 1 to 2 hours driving distance to Japan's two largest cities, Tokyo and Yokohama. The greater Tokyo area alone is home to approx. 38 million people.



Source: Winther, U., Hognes, E.S., Jafarzadeh, S. & Ziegler, F. (2020). Greenhouse gas emissions of Norwegian seafood production in 2017. SINTEF Ocean AS.

[2] Winther, U., Hognes, E.S., Jafarzadeh, S. & Ziegler, F. (2020). Greenhouse gas emissions of Norwegian seafood production in 2017. SINTEF Ocean AS.

[3] Japanese destinations were not covered in the study. However, the distances from Oslo to Shanghai and Tokyo are similar and therefore the example Shanghai serves to illustrate the effect of long-haul airfreight on the footprint. Distance Oslo-Shanghai: 8086 km; distance Oslo-Tokyo: 8407 km. Source: Distancecalculator.net

Proximar's management of remaining environmental impacts

Land-based aquaculture does impact the environment to some degree. Conventional aquaculture benefits from free ecosystem services, such as access to water, and water exchange. As these services are not available onshore, land-based operations have a higher demand for clean water, and a higher energy-demand for pumps and other water related infrastructure.

Proximar has selected the RAS solution from AquaMaof which is significantly more water- and energy efficient than conventional RAS solutions available in the market today. More efficient water treatment and use of denitrification, the additional option Proximar has decided to add to its investment, furthermore reduces the amount of both wastewater and sludge.

With a limited demand for additional freshwater, lower energy consumption, on-site rooftop solar power generation (approx. 28,000 m2 which is estimated to generate above 2 MW at peak), combined with the use of denitrification, Proximar is well positioned to deliver on goals and ambitions as laid out in this framework.

Efficient use of water

Regarding our water footprint, Proximar has chosen the RAS technology by *AquaMaof*. Besides various other benefits connected to water quality, the *AquaMaof* system can recirculate 99.7% of the water by efficiently removing nitrate and nitrite, which again significantly reduces the need for new freshwater. For Proximar, this means that the demand for freshwater replacement is at around 180 m3 per day, corresponding to 13 liters per kilo of fish produced. This is significantly lower than alternative RAS technologies available. A more efficient water treatment in general, combined with the extra treatment capacity by investing in a denitrification system, are the main reasons for the significantly lower water usage compared to other conventional RAS systems. Proximar evaluated alternative solutions before a decision was made in 2016. The *AquaMaof* solution (including denitrification system) requires 7,25 m3/h, compared to other considered solutions requiring 369 m3/h and 506 m3/h.

Consequently, discharge water will be lower in volume. With a daily demand of 180 m3 of freshwater replacement, combined with a certain amount of evaporation, the amount of water to be discharged is expected to be somewhat lower than 180 m3/day. All water is treated with UV radiation and ozone before being discharged into a river. Proximar will be in full compliance with Japanese wastewater requirements, as well as local requirements, which are stricter than national standards.

Proximar has chosen this specific geographic location also due to ample supply of freshwater. The facility will be located above one of Japan's largest water reservoirs. The area around the Mount Fuji traditionally registers large amounts of precipitation. Local authorities have carried out test drillings and granted a defined supply of freshwater to Proximar.

Renewable energy-generation on-site and energy efficient systems

As water circulation and quality control needs to be carried out by machinery, the energy consumption of onshore aquaculture is higher compared to traditional salmon-producing fish farms. Proximar will to the extent feasible purchase machinery and equipment which runs on electricity. Proximar is working on different solutions to install rooftop solar PV system on its main building. The solar panels are designed to cover Proximar's electricity demand on peak hours of production. Excess generation will be sold to the grid. Any shortfall in electricity supply will be covered by grid-based electricity and the company will purchase

certificates of origin to ensure that all purchased electricity is derived from renewable sources. Fossil equipment, such as emergency backup Diesel generators, will not be financed with proceeds from this framework. By definition, these are emergency generators and no extensive run-times for these backup systems are expected. Over the past 10 years there were only 3 incidents of disrupted electricity supply, all of which were caused by lightning strike. Downtimes were limited to maximum 10 seconds. The stability of electrical supply was another key concern in the selection process of a suitable site.

The RAS solution from *AquaMaof* has a significantly lower energy consumption than other conventional RAS solutions available in the market today. Comparisons carried out during the selection process indicated an electricity consumption 30-40% lower than other conventional RAS solutions. Based on design values for the RAS facility and the rest of the building, Proximar estimates that electricity consumption will be 2.9 kWh per kg salmon (live weight equivalent) when the first plant is producing at full capacity. This is a very high efficiency, as a recent report estimated the realistic range to be between 5 and 10 kWh4. One main advantage and explanation for the significantly higher efficiency of the *AquaMaof* solution is its use of gravity and settling instead of mechanical solutions, such as drum filters and more pumping/movement of water used in other solutions.

Sustainable feed and certifications

The largest environmental footprint of farmed salmon which is not transported by air remains the impact related to feed. Among the ingredients in feed are marine elements, in form of fish oils and fish meal, as well as soya beans, in the form of soy protein concentrate. Proximar has selected Skretting as the supplier for feed. The specific composition of the feed which will be used has not been decided yet. However, Proximar aims to reduce the environmental footprint related to feed procurement. The selected supplier has confirmed that all soy protein concentrate in their products is certified under the *ProTerra* label, which ensures that soy ingredients do not originate from areas of native vegetation which have been cleared or converted into agricultural areas after 2008, i.e. deforestation free. The supplier has in cooperation with *ProTerra* established a tracing system which allows the tracing of soya beans from Brazil back to the community where they were cultivated. In addition, from 2020 on, Brazilian soy suppliers to the salmon industry will ensure a soy bean value chain that is entirely free of deforestation and conversion[5]. The selected feed-supplier Skretting procures marine contents, fish meals- and oils, from suppliers which are to a large degree certified under the *MarinTrust* label, formerly known as the *Global Standard for Responsible Supply* (IFFO RS), aiming for 100% coverage in 2025. Proximar's choice of feed-supplier has the additional benefit that feed is produced in Japan, thereby reducing emissions connected to the transport of feed.

To ensure that our local communities, customers and civil society can trust that we farm responsibly and with the highest standards, Proximar intends to obtain certification of its facility under the Aquaculture Stewardship Council (ASC), the voluntary certification scheme on environmental criteria. The *AquaMaof* production facility in Poland is already certified under the ASC label.

[4] Winther, U., Hognes, E.S., Jafarzadeh, S. & Ziegler, F. (2020). Greenhouse gas emissions of Norwegian seafood production in 2017. SINTEF Ocean AS.

[5] https://www.proterrafoundation.org/news/soy-vendors-to-the-salmon-industry-end-trade-of-deforestation-linked-soy-in-brazil/

Waste-management

Proximar aims to have a systematic approach to sustainability and takes responsibility also for its waste. The company recognizes that biowaste from fish farming and processing is a source of nutrients as well. Proximar intends to process trimmings and by-products into products for human consumption, maximising the utilisation of input factors such as energy and feed. Trimmings and by-products not used for human consumption will be considered for pet food or refined to fish meal and oil.

By investing in the additional denitrification system, Proximar reduces not only the need of replacement-water but also the amount of organic waste (sludge)[6]. Denitrification allows for further utilization of the sludge, and the company is in a process of evaluating alternative uses of sludge after denitrification, including fertilizer and biogas. The estimated amount is approx. 70 tons per year of organic dry matter from the sludge.

Proximar intends to reduce the amount of packaging and non-organic waste to a minimum and to recycle this type of waste in accordance with local best-practice. The company has an ambition to use as many recycled products in our packaging as feasible. The target is to keep the need for transportation services at a minimum and seek to find solutions with a low footprint. Given that the project is still at an early stage, not all of these ambitions have been planned in detail. It is however a clear understanding and ambition to manage waste responsibly and in a way that makes most use of resources and promotes circularity.

Proximar will also actively use the environmental strategy towards the end-market and in communication in sales and marketing efforts.

Traceability

Traceability is important to ensure sustainability throughout the value chain. To the extent possible, Proximar will pursue full traceability of all elements involved in the process of production. The Green Finance register will guarantee traceability of all investments selected in accordance with the Sustainability Finance Framework.

Sustainability Finance Framework

This Sustainability Financing Framework is based on the 2021 version of Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, published by the International Capital Markets Association, and the Green Loan Principles and Social Loan Principles, by the Loan Market Association.

[6] The denitrification reduces the amount of waste (sludge) to ~1/10th compared to conventional RAS. For the planned production of Proximar, this represents a reduction from ~700 tons to mentioned ~70 tons per year.

2. USE OF PROCEEDS

The net proceeds of the Green/Social/Sustainability Bonds and Loans issued by Proximar Seafood will be used to finance Eligible Assets and Projects that have been evaluated and selected by Proximar Seafoods in accordance to this Sustainability Financing Framework. In this Sustainability Finance Framework, each category of eligible assets and project has been mapped to the SDGs in accordance with the High- Level Mapping to the Sustainable Development Goals published by the International Capital Market Association.

Eligible Assets and Projects

Categories	Description of projects	SDG mapping
Environmentally Sustainable Aquaculture	**Development, construction, operation, maintenance and improvements** of the onshore aquaculture facility to farm Atlantic Salmon in Japan. Once completed, the facility will house the production stages smolt, grow-out, harvesting and processing. Main features of the facility: • **RAS AquaMaof technology** allowing for 99.7% of freshwater to be recirculated. The amount of new water required is significantly lower than other RAS solutions available. • **Procurement of feed** where all soy-ingredients are certified under the ProTerra label and where marine ingredients to a large degree already are certified under the MarinTrust label, formerly known as the Global Standard for Responsible Supply (IFFO RS) and will be to 100% in 2025. • **Aquaculture Stewardship Council** (ASC) certification will be obtained at a later stage.	6 – clean water and sanitation 12 – responsible consumption and production 14 – life below water 3 – good health and wellbeing
Renewable energy to power environmentally sustainable aquaculture	• Development, procurement (including leasing), construction and maintenance of rooftop solar PV systems • Related equipment, e.g. inverters, • Related infrastructure, e.g. enforcements of the roof to carry the extra weight of the system.	7 – affordable and clean energy 13 – climate action
Waste Management	• Systems and solutions to convert waste-sludge into resources such as agricultural fertilizer for neighbouring farms. • Systems and solutions to convert organic waste into biogas. • Systems and solutions including denitrification to reduce organic and non-organic waste, increase the recycling-rate and the use of recycled materials • Systems and solutions to increase the use of trimmings and by-products in products for human consumption, maximising the utilisation of input factors such as energy and feed.	12 – responsible consumption and production

Exclusions

To be clear, proceeds from the Green/Social/Sustainability Bonds and Loans 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 defense, potentially environmentally negative resource extraction, gambling or tobacco. Particularly relevant for the backup generators, investments

and expenditures for fossil fuel machinery and/or equipment are not eligible for financing from Green/Social/Sustainability Bonds and loans.

Negative environmental and/or social risks of projects and countermeasures

Possible risks;

- High energy consumption for air quality and temperature control in closed spaces and maintenance of water resource recycling systems.
- Land-based aquaculture have a higher demand for clean water compared to conventional aquaculture which benefits from free ecosystem services, and a discharge of water.
- Onshore aquaculture is land-intensive compared to farming in the sea.
- Use of groundwater, which is a limited resource.

Countermeasures against respective risks;

- Use of renewable energy and reduce energy consumption through the installation of solar panels and use of a more energy efficient technology compared to other RAS solutions. Use of insulating materials and efficient heat-exchanger on air and water to reduce energy loss.
- Use of technology and know-how to treat water and use of recycling aquaculture system (RAS) to curb water consumption and wastewater volume, as well as strict control of discharged waste water in accordance with regulations. Efficient water treatment and use of denitrification to further reduce the amount of both wastewater and sludge.
- Use of land area already regulated and developed for industrial use.
- Establishment in areas where access to clean water is good and plentiful (e.g. areas with a lot of precipitation and continuous replenishment of groundwater source), and comply with permitted level of abstraction.

3. SELECTION AND EVALUATION OF ELIGIBLE PROJECTS

Proximar has designed and implemented a process to ensure that only projects aligned with the defined criteria will be selected as Eligible Assets and Projects for its sustainability finance issuances. To oversee this, a sustainability finance committee will be established with representatives from management, finance, operations and sustainability. A decision to allocate sustainability finance issuances will require consensus from the committee. The decisions will be documented and archived. The final approver will be the CEO of the company.

All investments financed with proceeds from bonds or loans issued under this framework will be allocated to the onshore aquaculture facility in Japan. Given that the scope of investments is clearly defined, the selection process has been streamlined. The sustainability finance committee will review expenditures and projects on a regular basis and pre-select such expenditures that are aligned with the eligibility criteria detailed above. These expenditures and projects are added to a **sustainability finance register**. The sustainability finance committee will on a regular basis review the sustainability finance register and confirm the alignment with eligibility criteria. Expenditures and projects that are not aligned with eligibility criteria, or that have caused widespread controversies, will be removed from the sustainability finance register. Unallocated funds due to unforeseen events like natural disasters or facility disinvestment will be restricted of use and find mutual understanding with fund provider eligible use of such funds.

4. MANAGEMENT OF PROCEEDS

An amount equal to the net proceeds from issued Sustainability Finance Instruments will be earmarked for financing and refinancing of eligible expenditures as defined by this framework, and as listed in the sustainability finance register. On a regular basis, the sustainability finance committee will deduct the value of confirmed expenditures and projects listed in the sustainability finance register from the earmarked net-proceeds of outstanding sustainability finance instruments.

Proximar will over the duration of the outstanding sustainability finance instruments build up and maintain an aggregate amount of eligible projects in the sustainability finance register that is at least equal to the aggregate net proceeds of all outstanding sustainability finance instruments.

There may be periods when the total outstanding net proceeds of Sustainability Finance instruments exceed the value of the eligible projects in the sustainability finance register. Any such portion will be held in accordance with Proximar's normal liquidity management policy. This policy does not allow investments in assets or instruments directly connected to the fossil energy value chain.

The sustainability finance register will form the basis for the impact reporting.

5. REPORTING

Proximar will annually publish a report on the allocation and impact of Sustainability Finance instruments issued under this framework. Where relevant Proximar will seek to align the reporting with the latest standards and practices as identified by ICMA. The impact report will, to the extent feasible, also include a section methodology, baselines and assumptions used in impact calculations.

Allocation Report

The allocation report will, to the extent feasible, include the following components:

- Balance of outstanding green bonds and loans
- Allocated amounts per year
- Annual and total amounts invested in each category as defined in the Use of Proceeds section
- Descriptive examples of investments
- Unallocated funds including causes and forward looking allocation plan

Impact Report

Proximar will strive to report on the actual environmental impact of the investments financed by their Sustainability Bonds. Given that the project is still under development, Proximar will not be able to provide comprehensive impact reporting on all indicators listed below before commercial operations have been started and established. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact will be reported.

The impact indicators may vary with investment category, as defined in this Sustainability Financing Framework. The impact metrics may include the following:

Environmental Improvement Effects Related to Green Finance

- Environmentally sustainable aquaculture
  - Tons of Atlantic Salmon produced per year
  - Tons of edible Atlantic salmon meat produced per year
  - Airfreight emissions avoided assuming transport from Norway of Proximar's annual production of edible meat
  - Average daily amount of replacement freshwater (m3)
  - Average recirculation rate of RAS AquaMaof system
- Renewable energy generation
  - Amount of solar PV electricity generated (GWh)
  - Total electricity consumption
- Waste management
  - Amount of organic waste converted into electricity or heat
  - Amount of electricity generated based on organic waste
  - Amounts of organic waste like sludge and trimmings converted into products for human consumption, fertilizer or energy

Social Benefits Related to Social Finance

- Output Indicators
  - Overview of aquaculture facilities subject to allocation
- Outcome Indicators
  - Tons of Atlantic Salmon produced per year
  - Local jobs created directly
  - Local Jobs created indirectly through suppliers and partners
- Impact (qualitative goals)
  - Efforts to address the global Food Supply-Demand gap
  - Promoting employment and providing technology in local communities

6. EXTERNAL REVIEW

Proximar has engaged JCR and CICERO Shades of Green to act as an external reviewer of this Green Financing Framework and the Eligible Assets and Projects. The Second Party Opinion is publicly available on Proximar's website. A Third Party Audit will also be made available on the website.