



## ELIGIBILITY ASSESSMENT

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# HURTIGRUTEN GREEN BOND FRAMEWORK ELIGIBILITY ASSESSMENT DATED 11 OCTOBER 2021

**Prepared by:** DNV Business Assurance Norway AS

**Location:** Oslo, Norway

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### Disclaimer

Our assessment relies on the premise that the data and information provided by HURTIGRUTEN to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

### Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

<sup>1</sup> DNV Code of Conduct is available on the DNV website ([www.dnv.com](http://www.dnv.com))

## DNV ELIGIBILITY ASSESSMENT

### Scope and Objectives

DNV Business Assurance Services Norway AS (henceforth referred to as "DNV") has been commissioned by HURTIGRUTEN PLUSS AS, a subsidiary of Hurtigruten Group AS (henceforth referred to as "HRG" or "Issuer") to provide an eligibility assessment on HRG's green bond framework (the "Framework"). Our methodology to achieve this is described under 'Work Undertaken'. We were not commissioned to provide independent assurance or other audit activities.

HRG is an international expedition travel company with activities in adventure tourism and expedition cruising with a total of 14 cruise vessels – headquartered in Tromsø, Norway. The company has three main business segments: **i)** Hurtigruten Norway (branded Hurtigruten in Scandinavia and Norwegian Coastal Express elsewhere) **ii)** Hurtigruten Expeditions, and **iii)** Hurtigruten Destinations (including the Hurtigruten Svalbard brand). HRG is owned by Silk Midco AS, with the ultimate parent company being Silk Topco AS – headquartered in Oslo, Norway. HRG's recent investments in two new battery-hybrid powered vessels (MS Roald Amundsen and MS Fridtjof Nansen introduced in 2019 and 2020) and upgrade of one expedition vessel (MS Otto Sverdrup) to battery-hybrid follows HRG's commitment to invest in clean transportation in order to progress towards becoming carbon neutral by 2040 and operate vessels completely emissions free by 2050.

The Framework enables HRG to issue Green Bonds to finance Green Projects and describes the use of proceeds, process for project evaluation and selection, management of proceeds and reporting for Green Projects covering activities and investments within HRG and its subsidiaries. The framework has been prepared in cooperation with Danske Bank ("Danske Bank").

The use of Green Bond proceeds will finance investments dedicated to:

- **Upgrade of existing sea and coastal vessels** – with eligibility criteria harmonised with the technical screening criteria for substantial climate mitigation under category 6.12 as outlined in EU Taxonomy regulation Delegated act annex 1.
- **R&D for new low carbon vessels**

With the eligible category being **Clean Transportation** – such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions, as defined in the ICMA Green Bond Principles 2021 (referred to as "the Principles").

No assurance is provided regarding the non-Green Bond Principle terms within the agreement, including non-Green designated Bond tranches. Our objective has been to provide an assessment that the Green Bonds to be issued under the Framework has met the criteria established on the basis set out below.

### Responsibilities of the Management of HRG and DNV

The management of HRG has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform HRG's management and other interested stakeholders in the Green Bonds as to whether the established criteria have been met, based on the information provided to us. In our work, we have relied on the information and the facts presented to us by HRG. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect.

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Thus, DNV shall not be held liable if any of the information or data provided by HRG management and used as a basis for this assessment were not correct or complete.

## Basis of DNV's opinion

We have adapted our Green Bond eligibility assessment methodology, which incorporates the requirements of the ICMA Principles, to create a HRG specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principle behind the criteria is that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the Green Bond Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a Green Bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a Green Bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a Green Bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the Green Bond investors should be made of the use of instrument proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

## Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that information was provided to us by HRG in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. Scope of this work includes only the pre-issuance second party opinion as of the GBP 2021; DNV has not performed a full verification of compliance against the EU Taxonomy. The work undertaken to form our opinion included:

- Creation of an HRG-specific Protocol, adapted to the purpose of the Green Bond Framework, as described above and in Schedule 2 to this Assessment;
  - Assessment of documentary evidence provided by HRG on the Green Bonds and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
  - Screening of the Green Project Category alignment with the EU Taxonomy regulation Delegated act annex 1;
  - Study of the HRG vessel improvement plan, therein the assumptions and calculations that are basis for the projected improvements;
-

- Discussions with HRG's management and review of relevant documentation and evidence related to the criteria of the Protocol;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## Findings and DNV's opinion

DNV's findings are listed below:

### 1. Principle One: Use of Proceeds.

The use of the Green Bond proceeds will finance Green Projects within the following categories as outlined in HRG's Green Bond Framework:

- **Upgrade of existing sea and coastal vessels:** Until 31 December 2025, the retrofitting activity reduces fuel consumption of the vessel by at least 10 per cent expressed in grams of fuel per deadweight tons per nautical mile, as demonstrated by CFD, tank tests or similar engineering calculations. The reduction will be calculated against a 2018 pre-pandemic baseline for fuel consumption per vessel. Hybridisation is a further condition for a project to be considered eligible under the Green Project Criteria.
- **R&D for new low carbon vessels:** Costs for R&D related to development of vessels of the future, such as those partly powered by on-ship produced renewable energy, like solar or wind.

DNV concludes that the above Use of Proceeds fall within the defined category of Clean Transportation – *such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions* - as defined in the ICMA Green Bond Principles 2021.

DNV is further of the opinion that investments in measures outlined by HRG to enable the company to meet its eligibility criteria under the 'upgrade of existing sea and coastal vessels' Green Project Category will have clear environmental benefits, including reduced fuel consumption, CO<sub>2</sub> emissions, NOx emissions and propeller noise (see schedule 1 and schedule 2 1c for further information). In terms of fuel consumption, a DNV screening of CFD analysis and FEED Reports conducted by Kongsberg Maritime for MS Kong Harald and MS Richard With indicate a potential for HRG to achieve a fuel consumption reduction per deadweight tons per nautical mile of up to 21% per ship from a 2018 baseline – assuming that all measures included in HRG's base case are actually implemented (see Schedule 1). This highlights that HRG's suite of retrofit/upgrade measures should put the company in a position to deliver more than the 10% fuel consumption reduction stipulated by the EU Taxonomy Category 6.12 and the Green Project eligibility criteria for these vessels. Measures for other vessels that are to be qualified under the Green Project Criteria will also have to cumulatively deliver a fuel consumption reduction of 10% or more by December 31 2025 compared to a 2018 baseline.

### 2. Principle Two: Process for Project Evaluation and Selection.

The evidence reviewed by DNV demonstrates that HRG has put in place a decision-making process that is appropriate for selecting and evaluating the eligibility of Green Projects against the set of Green Project Criteria specified in the Framework. Sustainability experts and HRG representatives will select and evaluate potential Green Projects, assess Green Project compliance with the criteria and specified exclusions, before being presented to the HRG Green Bond Committee (GBC), chaired by the Chief financial officer and comprising of the CFO of Hurtigruten Group, VP of Group Strategy & ESG Hurtigruten Group, CFO Hurtigruten Expedition, COO Hurtigruten Expedition and VP Marine

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Operations Hurtigruten Norway. For a project to qualify as Green Project under the Green Project Criteria, the GBC must reach consensus. All decisions will be documented and filed.

DNV also concludes that the abovementioned decision-making process is firmly positioned within the context of HRG's overarching sustainability strategy, and is made tangible by long-term decarbonisation targets and outlined near-term and long-term measures towards which HRG is looking to deliver on such aims. The harmonisation of the requirements for the 'upgrade of existing sea and coastal vessel' Green Project Category in the Framework with those of the technical screening criteria 6.12 in the EU Taxonomy regulation Delegated act annex 1 underscores HRG's efforts to align with best practice for its sustainability strategy. Finally, the company's commitment to evaluate the compliance of its vessels with the accompanying Do-No-Significant-Harm (DNSH) criteria for activity 6.12 highlights the aim to ensure that the company holistically takes into account environmental risks for all six EU Taxonomy environmental objectives in its decision making.

### 3. Principle Three: Management of Proceeds.

DNV concludes that the Green Bond net proceeds will be tracked in an appropriate manner by crediting an amount equal to that of the Green Bond net proceeds to a special separate account. All transfers from the separate account towards eligible Green Projects will be documented to ensure a full audit trail and support transparent reporting to investors. Further, DNV confirms that the management of the Green Bond net proceeds, including the internal tracking procedure and allocation of funds will be reviewed by an independent external party. It is HRG's clear ambition to allocate net proceeds in line with arising eligible Green Projects, and at least within 24 months of the issuance date. Net Proceeds awaiting allocation will be temporarily placed in the overall liquidity reserve of HRG, where the Framework describes appropriate exclusions for temporary holdings.

### 4. Principle Four: Reporting.

DNV can confirm that there will be annual reporting to investors on Allocation and Impact in the form of a Green Bond Report. This report will be published to investors and made available on the Issuer's website.

- In the **Allocation report**, HRG will be reporting a summary of Green Bond Developments, the outstanding amounts of Green Bond Issued, the balance on the special account, the proportion of Green Bond net proceeds used to finance new Green Projects and the proportion of Green Bond net proceeds used to refinance Green Projects and the total aggregated proportion of Green Bond net proceeds used per Green Projects Category.
- In the **Environmental impact** report for the Green Projects financed under the Framework, based on HRG's financing share of each project, will be provided on the same basis. DNV concludes that the suggested metrics provide quantified performance measures relevant to the ICMA Green Project category and in line with ICMA's suggested indicators<sup>2</sup> for reporting under SDG 13: Climate Action and SDG 14: Life below water.

Based on the information provided and the work undertaken, it is DNV's opinion that the Green Bond Framework meets the criteria established in the Protocol and that it is aligned with the stated definition

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<sup>2</sup> Green, Social and Sustainability Bonds: A high-level mapping to the Sustainable Development Goals, ICMA, June 2021 ([link](#))

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of green bonds within the Green Bond Principles 2021, being “enable capital-raising and investment for new and existing projects with environmental benefits”. It is DNV’s opinion that the Green Bond Framework ensures that Green Bond net proceeds will solely benefit eligible Green Projects with clear environmental benefits, thereby leading to greater environmental sustainability through specific projects and supporting HRG’s strategy to transition towards a carbon neutral future.

**for DNV Business Assurance Norway AS**

Oslo, 11<sup>th</sup> of October 2021



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**About DNV**

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers’ decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

## 1 SCHEDULE 1: DESCRIPTION OF CATEGORIES/EXAMPLE GREEN PROJECTS TO BE FINANCED THROUGH GREEN BONDS

| ICMA Green Bond Principles Category | EU Taxonomy Reference <sup>3</sup>   | Example Green Projects and respective planned fuel consumption efficiency measures  |                |   |        |                 |                |   |            |                |                |                |                  |                          |  |
|-------------------------------------|--|---|----------------|---|--------|-----------------|----------------|---|------------|----------------|----------------|----------------|------------------|--------------------------|--|
| <b>Clean Transportation</b>         | 6.12 - Retrofitting of sea and coastal freight and passenger water transport | <p><b>1. Upgrade of existing sea and coastal vessels</b></p> <p>HRG has a portfolio of vessels that it is aiming to upgrade with a number of measures in order to lower its environmental footprint in the form of reduced fuel consumption. The table below outlines relevant fuel consumption efficiency measures for vessels that HRG has undertaken or is planning to undertake retrofitting activity:</p> <table border="1" data-bbox="660 726 1998 1316"> <thead> <tr> <th>Vessel</th> <th>Type</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>MS Richard With</td> <td>Coastal vessel</td> <td rowspan="3"> <ul style="list-style-type: none"> <li>• Will undergo a full-fledged transformation to battery-hybrid power;               <ul style="list-style-type: none"> <li>○ Installation of new low-emission engines equipped with Selective Catalytic Reduction (SCR)</li> <li>○ PTI/PTO</li> <li>○ Large battery packs</li> </ul> </li> <li>• New exhaust boilers</li> <li>• A new sewage and greywater treatment system is installed, certified to meet the purified water discharge requirements</li> <li>• Resistance reducing modifications to the hull including;               <ul style="list-style-type: none"> <li>○ New bulb and</li> <li>○ Modified centre skeg and</li> </ul> </li> <li>• New shaft generators, new gearboxes</li> <li>• New propeller blades to provide higher efficiency and less noise due to lower propeller speeds and variable engine speeds.</li> <li>• Already been fitted with shore power connectivity</li> </ul> </td> </tr> <tr> <td>MS Nordlys</td> <td>Coastal vessel</td> </tr> <tr> <td>MS Kong Harald</td> <td>Coastal vessel</td> </tr> <tr> <td>MS Otto Sverdrup</td> <td>Expedition cruise vessel</td> <td>Upgraded to battery-hybrid powered expedition cruise vessel in 2020, renamed from MS Finnmarken, other relevant investments for performance improvement.</td> </tr> </tbody> </table> | Vessel         | Type  | Status | MS Richard With | Coastal vessel | <ul style="list-style-type: none"> <li>• Will undergo a full-fledged transformation to battery-hybrid power;               <ul style="list-style-type: none"> <li>○ Installation of new low-emission engines equipped with Selective Catalytic Reduction (SCR)</li> <li>○ PTI/PTO</li> <li>○ Large battery packs</li> </ul> </li> <li>• New exhaust boilers</li> <li>• A new sewage and greywater treatment system is installed, certified to meet the purified water discharge requirements</li> <li>• Resistance reducing modifications to the hull including;               <ul style="list-style-type: none"> <li>○ New bulb and</li> <li>○ Modified centre skeg and</li> </ul> </li> <li>• New shaft generators, new gearboxes</li> <li>• New propeller blades to provide higher efficiency and less noise due to lower propeller speeds and variable engine speeds.</li> <li>• Already been fitted with shore power connectivity</li> </ul> | MS Nordlys | Coastal vessel | MS Kong Harald | Coastal vessel | MS Otto Sverdrup | Expedition cruise vessel | Upgraded to battery-hybrid powered expedition cruise vessel in 2020, renamed from MS Finnmarken, other relevant investments for performance improvement. |
|                                     |  | Vessel  | Type           | Status  |        |                 |                |   |            |                |                |                |                  |                          |  |
|                                     |  | MS Richard With   | Coastal vessel | <ul style="list-style-type: none"> <li>• Will undergo a full-fledged transformation to battery-hybrid power;               <ul style="list-style-type: none"> <li>○ Installation of new low-emission engines equipped with Selective Catalytic Reduction (SCR)</li> <li>○ PTI/PTO</li> <li>○ Large battery packs</li> </ul> </li> <li>• New exhaust boilers</li> <li>• A new sewage and greywater treatment system is installed, certified to meet the purified water discharge requirements</li> <li>• Resistance reducing modifications to the hull including;               <ul style="list-style-type: none"> <li>○ New bulb and</li> <li>○ Modified centre skeg and</li> </ul> </li> <li>• New shaft generators, new gearboxes</li> <li>• New propeller blades to provide higher efficiency and less noise due to lower propeller speeds and variable engine speeds.</li> <li>• Already been fitted with shore power connectivity</li> </ul> |        |                 |                |   |            |                |                |                |                  |                          |  |
|                                     |  | MS Nordlys  | Coastal vessel |   |        |                 |                |   |            |                |                |                |                  |                          |  |
| MS Kong Harald                      | Coastal vessel   |   |                |   |        |                 |                |   |            |                |                |                |                  |                          |  |
| MS Otto Sverdrup                    | Expedition cruise vessel   | Upgraded to battery-hybrid powered expedition cruise vessel in 2020, renamed from MS Finnmarken, other relevant investments for performance improvement.  |                |   |        |                 |                |   |            |                |                |                |                  |                          |  |

<sup>3</sup> European Commission (4.6.2021) Annex 1 to the EU Taxonomy Climate Delegated Act. Brussels, Belgium



|                             |    |  |
|-----------------------------|----|--|
| <b>Clean Transportation</b> | NA | <b>2. R&amp;D for new low carbon vessels</b><br>HRG intends to finance the Research and Development activities related to development of technology for vessels, such as those partly powered by on-ship produced renewable energy, e.g., solar or wind power. |
|-----------------------------|----|--|

## 2 SCHEDULE 2: HRG – SPECIFIC GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

### 2.1 Use of proceeds

| Ref. | Criteria                 | Requirements  | Work undertaken  | DNV Findings  |
|------|--------------------------|---|--|---|
| 1a   | Type of Bond             | Green Bonds are any type of bond made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects. Green Bonds must align with the four core components of the GBP, as set out below. Green Bonds should not be considered interchangeable with bonds that are not aligned with the four core components of the GBP. | Discussions with HRG and review of the following documents: <ul style="list-style-type: none"> <li>Hurtigruten Green Bond Framework October 2021</li> <li>HRG's general information provided on its website related to its strategy and performance</li> <li>Interview with management and technical specialists</li> <li>Study of the documentation providing basis for the performance improvements: technical details related to fuel and emission reduction potential of proposed upgrades.</li> </ul> | <p>DNV confirms that HRG's Green Bond Framework ensures issuance of "Use of Proceeds" bonds with utilisation of proceeds to Green Projects in line with the four core components of the Principles.</p> <p>DNV can confirm that the HRG commits to ensuring that underlying documentation for any future green bond will provide reference to this Framework, highlighting the Issuer's clear intention to specify the use of proceeds. DNV concludes that the Framework therefore ensures that any Green Bond will exclusively finance eligible Green Projects, as defined in the Green Project Categories in the Framework.</p> <p>As long as Green Bonds that are outstanding (and the Special Account has a positive balance) funds will be deducted when relevant, or at least annually, from the Special Account in an amount equal to all disbursements made during each year in pursuit of eligible Green Projects. These transfers will be documented.</p> |
| 1b   | Green Project Categories | The cornerstone of a Green Bond is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.   | Discussions with HRG and review of the following documents: <ul style="list-style-type: none"> <li>Hurtigruten Green Bond Framework October 2021</li> <li>HRG's general information provided on its website related to its strategy and performance</li> <li>Interview with management and technical specialists</li> </ul>  | <p>DNV concludes that the use of net Green Bond proceeds will finance and refinance investments in Green Projects within the categories outlined in the HRG Framework:</p> <ul style="list-style-type: none"> <li>Clean Transportation: <ul style="list-style-type: none"> <li>Upgrade of existing sea and coastal vessels</li> <li>R&amp;D for new low carbon vessels</li> </ul> </li> </ul> <p>DNV concludes that the Use of Proceeds dedicated towards the upgrade of existing sea and coastal vessels and R&amp;D for</p>   |

| Ref. | Criteria               | Requirements  | Work undertaken   | DNV Findings  |
|------|------------------------|---|---|---|
|      |                        |   |   | <p>new low carbon vessels are clearly described and fall within the defined category of <i>Clean Transportation – such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions</i> - as defined in the ICMA Green Bond Principles 2021.</p>   |
| 1c   | Environmental benefits | All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer. | <p>Discussions with HRG and review of the following documents:</p> <ul style="list-style-type: none"> <li>• Hurtigruten Green Bond Framework October 2021</li> <li>• Formal Q&amp;A Process with management and technical specialists</li> <li>• FEED Report by Kongsberg Maritime - MS Kong Harald and MS Richard With</li> <li>• Operational reporting data from DNV Class Customer Portal for the three coastal vessels</li> <li>• Rebuilding specification MS Kong Harald and MS Richard With</li> <li>• Study of the technical documentation providing basis for the performance improvements: technical details related to fuel and emission reduction potential of proposed upgrades.</li> </ul> | <p>The framework is aimed at financing or refinancing improvements of the HRG fleet, including, but not limited to: coastal vessels MS Richard With, MS Nordlys, MS Kong Harald, and the expedition cruise vessel MS Otto Sverdrup (renamed after upgrade from MS Finnmarken).</p> <p>The entirety of the Green Bond net proceeds will be used to finance or refinance Green Projects dedicated to:</p> <ol style="list-style-type: none"> <li>1. <b>Upgrade of existing sea and coastal vessels:</b> Until 31 December 2025, the retrofitting activity reduces fuel consumption of the vessel by at least 10 per cent expressed in grams of fuel per deadweight tons per nautical mile, as demonstrated by CFD, tank tests or similar engineering calculations. The reduction will be calculated against a 2018 pre-pandemic baseline for fuel consumption per vessel. Hybridisation is a further precondition for a project to be considered eligible under the Green Project Criteria.</li> </ol> <p>HRG plans to install a number of measures to ensure alignment with the technical screening criteria as outlined for category 6.12 in the EU Taxonomy regulation Delegated act annex 1. DNV has undertaken a screening of the CFD analysis, technical documents and FEED Reports conducted by Kongsberg Maritime for MS Kong Harald and MS Richard With, and notes that for these ships measures are categorised within 4 main systems; <b>(i)</b> power system <b>(ii)</b> propeller <b>(iii)</b></p> |

| Ref. | Criteria | Requirements | Work undertaken | DNV Findings  |
|------|----------|--------------|-----------------|---|
|      |          |              |                 | <p>hull modifications and <b>(iv)</b> new exhaust boilers – and elaborated on below. In addition to this, HRG has numerous measures that are included options, such as bilge keel and rudder headbox options and some VFSs (Variable Frequency drive).</p> <p><b>Upgrading the power system</b> has the biggest impact on the fuel consumption. DNV has been provided with the results from the engineering calculations assessing this impact, and the input/output of the simulation done for each component results in a total fuel consumption reduction of 12-13% - as stated in the FEED study performed by Kongsberg Maritime. DNV considers this to be a reasonable projection, given that systems are operated correctly – as assumed and calculated for in the Kongsberg Maritime analysis. Further, to achieve these reductions it is also a precondition that shore power is utilised in ports where this is possible. Generally, upgrading the power system is vital for HRG to reduce fuel consumption beyond the 10% requirement outlined. The measures applicable for the power system consists of installing new main engines, connecting to shore power, implementing power-take-off/power-take-in (PTO/PTI) and installing battery packages.</p> <ul style="list-style-type: none"> <li>- <u>New main engines</u> with lower specific fuel oil consumption will be more efficient than the installed pairs. The new engines and their new operation modes are the main contributor to achieving the potential fuel consumption reductions for this system. It is therefore crucial that the new engines are operated efficiently and in line with the new operation philosophy stated in the FEED.</li> <li>- <u>Hybrid shaft Generators (HSG) with power take out / power take in (PTO/PTI) configuration</u> allows the system to operate the main engine more efficiently and to supply power to the DC bus which again can provide power to the hotel, reducing reliance on the</li> </ul> |

| Ref. | Criteria | Requirements | Work undertaken | DNV Findings  |
|------|----------|--------------|-----------------|---|
|      |          |              |                 | <p>diesel generator. Typical application for this measure is during transit at low speed.</p> <ul style="list-style-type: none"> <li>- <u>Shore power</u> will satisfy the electricity load in ports where the duration of the stay is long enough and shore power infrastructure available. This eliminates ship emissions and fuel consumption in port.</li> <li>- <u>Two energy storage systems</u>, each with a capacity of 1120kWh, will be installed in order to transform the vessel to a battery-hybrid power cruise vessel. The battery storage will be used for peak shaving and supply power in events of engine overload. The engines creating electricity can be run at higher maximum continuous rating (MCR) and better fuel efficiency.</li> </ul> <p><b>Propeller reblading</b> is estimated to have a fuel consumption reduction effect of 4.7 %, based on the engineering calculations results provided to DNV. The proposed upgrade is to reblade the propeller with larger blades to provide higher efficiency and less noise. DNV considers this to be a reasonable projection.</p> <p><b>Hull modifications</b> in the contract consists of new bulb and center skeg as a base case, with modified bilge keels and rudder head boxes as option. The reduction potential for each component is provided through a CFD-analysis. The base case is estimated to have an impact of the total fuel consumption of 2.8% whilst the options would increase this to 3.8%. The CFD analysis also provides HRG with numerous other measures for hull modification that are not included in the conversion contract, due to prohibitive time and cost barriers.</p> <p>According to documentation provided by HRG, installing new <b>exhaust boilers</b> can lead significant reduction of fuel consumption/running hours for the auxiliary boiler. This is</p> |

| Ref. | Criteria | Requirements | Work undertaken | DNV Findings   |
|------|----------|--------------|-----------------|--|
|      |          |              |                 | <p>estimated to have a fuel consumption reduction impact of 3%. DNV has not seen the calculations behind the results, but it is stated that the estimate is based on a comparison between MS Kong Harald and MS Polarlys, MS Nordkapp and MS Nordnorge – all of which have more efficient exhaust boilers installed from delivery.</p> <p>In total, the fuel consumption outlined above may lead to up to 21% of reduction of fuel consumption per deadweight tons per nautical mile. This indicates that the suite of measures can constitute clear environmental benefits in the form of reduced fuel consumption and by extension reduced GHG emissions.</p> <p>2. <b>R&amp;D for new low carbon vessels:</b> Costs for R&amp;D related to development of vessels of the future, such as those partly powered by on-ship produced renewable energy, e.g., solar or wind power.</p> <p>In order to transition the maritime sector towards carbon neutrality – substantial innovation is required. For example, the development of hydrogen and ammonia solutions is considered to be essential to enabling shipping to transition away from fossil fuels to low-carbon to carbon-neutral fuels. This requires continued investment in R&amp;D that can help facilitate the utilisation of these fuels, with the maritime sector being a key future source of offtake that can help facilitate hydrogen and ammonia growth.</p> <p><b>In summary,</b> DNV considers that the Framework ensure that the purpose of the Green Bonds will lead to greater environmental sustainability through specific projects, categorised by the proposed Green Project Criteria for the two Green Project Categories.</p> |

| Ref. | Criteria          | Requirements   | Work undertaken   | DNV Findings   |
|------|-------------------|--|---|--|
| 1d   | Refinancing share | If a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing and clarify which investments may be refinanced, and, to the extent relevant, the expected look-back period for refinanced eligible Green Projects. | <p>Discussions with HRG and review of the following documents:</p> <ul style="list-style-type: none"> <li>• Hurtigruten Green Bond Framework October 2021</li> <li>• HRG's general information provided on its website related to its strategy and performance</li> <li>• Interview with management and technical specialists</li> <li>• Study of the documentation providing basis for the performance improvements: technical details related to fuel and emission reduction potential of proposed upgrades.</li> </ul> | <p>The allocation report component of the Green Bond Report, provided to all Green Bond investors on an annual basis until the maturity of a bond, will include the total proportion of net Green Bond Proceeds allocated to new financing versus refinancing of Green Projects. The Example Green Projects are listed in Schedule 1 are examples of fuel consumption efficiency improvement investments that include financing and refinancing of the fleet improvement initiatives.</p> <p>The Framework defines a look-back period of 36 months for refinanced eligible Green Projects. DNV considers this in line with market practice and the requirements defined in the Principles.</p> |

## 2.2 Process for evaluation and selection

| Ref. | Criteria                              | Requirements  | Work undertaken   | DNV Conclusion   |
|------|---------------------------------------|---|---|--|
| 2a   | Investment-decision process           | <p>The Issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>• A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles;</li> <li>• The criteria making the projects eligible for using the Green Bond proceeds; and</li> <li>• The environmental sustainability objectives.</li> </ul> | <p>Discussions with HRG and review of the following documents:</p> <ul style="list-style-type: none"> <li>• Hurtigruten Green Bond Framework October 2021</li> <li>• HRG's general information provided on its website related to its strategy and performance</li> <li>• Interview with management and technical specialists</li> <li>• Study of the documentation providing basis for the performance improvements: technical details related to fuel and emission reduction potential of proposed upgrades.</li> </ul> | <p>DNV concludes that the Framework and accompanying documentation provided to DNV demonstrate that HRG has put in place an appropriate decision-making process to select and evaluate the eligibility of Green Projects. HRG's Green Bond Framework states that the Green Project Evaluation and Selection Process will comply with the eligibility criteria outlined defined under the Green Project Categories, which are described in the framework, and that the process ensuring this compliance will be through two steps:</p> <ol style="list-style-type: none"> <li>1. Sustainability experts and HRG representatives will evaluate the compliance of potential Green Projects with the requirements outlined in the Green Project Category – and assess their environmental benefits.</li> <li>2. A list of identified potential Green Projects will be presented to a Green Bond Committee – chaired by the CFO of HRG and further comprising the VP of Group Strategy and ESG, the CFO and COO at Hurtigruten Expeditions and VP Marine Operations at Hurtigruten Norway. This Committee sits with the sole responsibility for determining whether a project is eligible under the Green Project Criteria – and the allocation of net proceeds to an eligible Green Project will require a consensus decision.</li> </ol> <p>It is in DNV's opinion that the above process will ensure the identified Green Projects' eligibility with the Issuer's Use Of Proceeds Green Project categories and specified exclusions.</p> |
| 2b   | Issuer's environmental and social and | The Issuer of a Bond should clearly communicate to its investors their environmental sustainability   | <p>Discussions with HRG and review of the following documents:</p> <ul style="list-style-type: none"> <li>• Hurtigruten Green Bond Framework October 2021</li> </ul>  | <p>DNV concludes that HRG clearly communicates its environmental objectives through the Framework, and that these are appropriately positioned within the context of the company's overarching sustainability strategy. DNV further</p>  |



| Ref. | Criteria             | Requirements  | Work undertaken  | DNV Conclusion  |
|------|----------------------|---|--|---|
|      | governance framework | <p>objectives; and are encouraged to:</p> <ol style="list-style-type: none"> <li>1. Position this information within the context of their overarching objectives, strategy, policy and/or processes relating to environmental sustainability. Issuers are also encouraged to disclose any green standards or certifications to which they are seeking to conform.</li> <li>2. Provide information, if relevant, on the alignment of projects with official or market-based taxonomies, related eligibility criteria, including if applicable, exclusion criteria; and also disclose any green standards or certifications referenced in project selection.</li> <li>3. Have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). The identified mitigants may include trade-off analysis and monitoring of the</li> </ol> | <ul style="list-style-type: none"> <li>• HRG’s general information provided on its website related to its strategy and performance</li> <li>• Hurtigruten’s annual report 2020</li> <li>• Interview with management and technical specialists</li> </ul> | <p>concludes that the Framework makes appropriate reference to the EU taxonomy and its technical screening criteria as well as the management of social and environmental risks.</p> <ol style="list-style-type: none"> <li>1. HRG’s sustainability ambitions are directly linked to goals 9, 11, 12, 13 and 14. Broader efforts include SDG goals 4, 5, 8 and 16 as outlined HRG’s annual report from 2020. DNV confirms, that the SDG 13 and 14 selected in the framework are relevant and material to the Issuer.</li> <li>2. HRG has harmonised its ‘upgrade of existing sea and coastal vessel’ Green Project Category eligibility criteria with that of the technical screening criteria for substantial contribution to climate mitigation under category ‘6.12 - <i>Retrofitting of sea and coastal freight and passenger water transport</i>’ in the EU Taxonomy Annex 1. As such, for HRG Green Projects to be considered eligible, the cumulative impact of the retrofitting activity must reduce fuel consumption on the vessel level by at least 10 per cent expressed in grams of fuel per deadweight tons per nautical mile by December 31 2025. This will in turn ensure that Green Projects meet the requirements to be considered a transitional activity under the EU Taxonomy – by extension ensuring their clear environmental benefit within a predefined timeline.</li> <li>3. The HRG fleet sails under Norwegian flag, and is thus required to be compliant with EU maritime directives and regulatory framework that aim to reduce the risk of serious maritime accidents and negative social and environmental impacts of maritime transport. Against this backdrop, HRG is taking concrete action to reduce pollution and waste, and supporting the local communities in which the company operates. The</li> </ol> |

| Ref. | Criteria | Requirements   | Work undertaken | DNV Conclusion   |
|------|----------|--|-----------------|--|
|      |          | potential risks are seen as meaningful by the issuer |                 | <p>process for evaluation and selection of Green Projects will be anchored in the above aims, as it follows risk management strategies outlined in Hurtigruten’s policies and guidelines. Further highlighting the company’s push to minimize its negative environmental impact, HRG will commit to having an independent verifier evaluate the compliance of its vessels with the EU Taxonomy Do No Significant Harm (DNSH) criteria on an annual basis. DNV considers this to ensure best practice mitigation of environmental risk across all six environmental objectives defined by the Taxonomy.</p> |

## 2.3 Management of proceeds

| Ref. | Criteria           | Requirements  | Work undertaken  | DNV Conclusion   |
|------|--------------------|---|--|--|
| 3a   | Tracking procedure | The proceeds of a Green Bond should be credited to a dedicated account or otherwise tracked by the Issuer in an appropriate manner, to maintain transparency and promote the integrity of the product.          | Discussions with HRG and review of the following documents: <ul style="list-style-type: none"> <li>Hurtigruten Green Bond Framework October 2021</li> <li>Interview with management and technical specialists</li> </ul> | DNV concludes that the proceeds will be tracked in an appropriate manner by crediting an amount that is equal to that of the Green Bond net proceeds to a special account. All transfers from the special account will be documented, ensuring a full audit trail.   |
| 3b   | Tracking procedure | Issuers are encouraged to establish an internal governance process through which they can track the allocation of funds towards Green Projects.   | Discussions with HRG and review of the following documents: <ul style="list-style-type: none"> <li>Hurtigruten Green Bond Framework October 2021</li> <li>Interview with management and technical specialists</li> </ul> | DNV confirms that the tracking of the allocation of the Green Bond net proceeds will be dictated by an appropriate internal governance process. HRG will ensure, as long as Green Bonds are outstanding and the special account has positive balance, that funds will be deducted from the account when relevant, or at least annually, in an amount equal to all disbursements made to eligible Green Projects. Finally, DNV considers HRG's commitment to appointing an independent external party to verify appropriate management and tracking of proceeds to constitute best market practice. |
| 3c   | Temporary Holdings | Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds. | Discussions with HRG and review of the following documents: <ul style="list-style-type: none"> <li>Hurtigruten Green Bond Framework October 2021</li> <li>Interview with management and technical specialists</li> </ul> | HRG's is committed to allocating net proceeds to eligible Green Projects as soon as possible, and at least within 24 months of the issuance date. Net Proceeds awaiting allocation will be temporarily placed in the liquidity reserve of HRG, where the Framework outlines appropriate exclusions.  |

## 2.4 Reporting

| Ref. | Criteria             | Requirements   | Work undertaken   | DNV Conclusion   |
|------|----------------------|--|---|--|
| 4a   | Periodical reporting | <p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.</p> | <p>Discussions with HRG and review of the following documents:</p> <ul style="list-style-type: none"> <li>• Hurtigruten Green Bond Framework October 2021</li> <li>• Interview with management and technical specialists</li> </ul> | <p>DNV concludes that the reporting requirements are satisfactorily described in the HRG Green Bond Framework. A Green Bond Report will be published annually to investors and made available on the HRG website until the maturity of the Green Bond issued. This report will provide an overview of the allocation of Green Bond Proceeds and the environmental impact of the Green Projects.</p> <p>For the allocation reporting component of the Green Bond Report, HRG will provide a summary of Green Bond Developments. Additionally, the ISSUER will disclose the balance of the special account – including temporary investments (if any) and available unallocated net Green Bond proceeds. The report will also include the total proportion of net proceeds going to new financing versus refinancing of eligible Green Projects, as well as the aggregated proportion of Green Bond Net Proceeds used per Green Project Category.</p> <p>In terms of Impact reporting, HRG outlines some key metrics through which it will measure the environmental sustainability impact of Green Projects:</p> <ul style="list-style-type: none"> <li>• <b>Upgrade of existing sea and coastal vessels:</b> will centre on providing information of the measures implemented and their respective positive environmental impacts. This will be in the form of reduced fuel consumption on the vessel level, expressed in grams of fuel per deadweight tons per nautical mile, as demonstrated by CFD, tank tests or similar engineering calculation. An additional metric listed for measuring the environmental impact of Green Projects under this category can include annual GHG emissions reduced or avoided (tonnes of CO<sub>2</sub>e</li> </ul> |

| Ref. | Criteria | Requirements | Work undertaken | DNV Conclusion   |
|------|----------|--------------|-----------------|--|
|      |          |              |                 | <p>emissions).</p> <ul style="list-style-type: none"> <li>• <b>R&amp;D for new low carbon vessels:</b> will focus on reporting the type of R&amp;D projects undertaken and their applicable future environmental benefits.</li> </ul> <p>DNV concludes that the suggested metrics provide appropriate quantified performance measures relevant to the ICMA Green Project category of Clean Transportation.</p> |