



Arctic Economic Council Secretariat's
Annual Report 2017

Fostering Circumpolar Business

The establishment of the Arctic Economic Council was facilitated by the Arctic Council during the 2013-2015 Canadian chairmanship. The AEC is an independent organization created to facilitate Arctic business-to-business activities and responsible economic development. Through the sharing of best practices, standards and innovative Arctic Solutions the AEC is the primary forum for interaction between the Arctic Council and the wider circumpolar and non-Arctic communities.

Our member representation includes a diverse collection of business industries that operate in the Arctic – from mining to energy and shipping companies to telecommunication

and indigenous economic development corporations. This mix of interests ensure that our work is carried out in an inclusive and sustainable manner for the betterment of the Arctic communities that we represent.

Businesses are what drives economic development throughout the circumpolar region, but operating in the Arctic presents unique challenges compared to other areas of the world. Since its inception, the AEC has worked to ensure that relevant information is collected, disseminated and acted upon in order to ease and enhance business-to-business connection that promote responsible Arctic investment and growth.

The Five Overarching Themes – Core of the AEC's work:

The five overarching themes form the backbone of the AEC's actions. They were identified by the circumpolar business community.

- i. Establishing strong market connections between Arctic states.
- ii. Promoting stable and predictable regulatory frameworks.
- iii. Encouraging the use of public-private partnerships (P3) in infrastructure building
- iv. Facilitating knowledge and data exchange between industry and academia.
- v. Traditional knowledge, stewardship and small and medium enterprise development.

VISION

To make the Arctic a favorable place to do business.

MISSION

To facilitate sustainable Arctic economic and business development.

www.arcticeconomiccouncil.com

The AEC Secretariat year in events:



2017 – 2019

Finnish businesses' chairmanship priorities

Photo: Archè Photography

The Finnish Business Community's Chairmanship of the AEC started in May 2017. They will advance the five overarching themes of the AEC and prioritize action towards:

Interconnected Arctic supporting cooperation with major infrastructure projects, coverage, shared services, and synergies between the AEC and other Arctic actors.

Competent Arctic supporting public-private cooperation and shared services between business and academia, digital solutions and mobility of students, researchers and work force, mobilizing and promoting the Arctic know-how with the help of high-level Arctic Ambassadors from different sectors of society.

Safe Arctic supporting prevention, preparedness, emergency services, occupational safety, predictable regulation, high environmental standards, and the identification and removal of barriers for sustainable Arctic business development.

The Finnish Business chairmanship themes are well aligned with the Finnish Arctic Council chairmanship priorities.



JANUARY 2017

Arctic Frontiers Tromsø, Norway

Photo: Arctic Frontiers/Alberto Grohovaz

The AEC Infrastructure: Telecommunications Working Group presented their work product, a report named «Arctic Broadband – Recommendations for an Interconnected Arctic», at the AEC side event at Arctic Frontiers conference in 2017. This was the first work product presented by an AEC Working Group, and the first comprehensive Arctic broadband report.

The full report can be found here:

https://arcticeconomiccouncil.com/wp-content/uploads/2017/02/AEC-Report_Final-LR-1.pdf

In addition, the AEC Chair Tara Sweeney spoke at the Arctic Frontiers Business plenary, as well as at the Kick-off Norwegian Presidency of the Nordic Council of Ministers.



Read the comprehensive Arctic broadband report.



FEBRUARY 2017

AEC Governance Committee Meeting Saint Petersburg, Russia

Photo: Sovcomflot

The second Governance Committee (GC) meeting of the Arctic Economic Council took place in Saint Petersburg, Russia. The AEC Governance Committee consists of one representative from each of the eight Arctic States and six Permanent Participant organizations of the Arctic Council.

The program for the visit by AEC members to Saint Petersburg included a meeting with the City's Governor, Georgy Poltavchenko, a visit to the Arctic and Antarctic Research Institute, as well as meetings with other Russian business and institutions. The meeting was graciously hosted by Sovcomflot.

The Governance Committee also received a greeting from the Russian Minister for Foreign Affairs, Mr. Sergei Lavrov, offering support to the work of the AEC. Read it here.

http://www.mid.ru/en/foreign_policy/news/-/asset_publisher/ckNonkJE02Bw/content/id/2631078



MAY 2017

Arctic Economic Council Annual Meeting Fairbanks, United States

Photo: AEC

The AEC Annual Meeting was held in Fairbanks, Alaska on May 8-9, 2017. The meeting represented the end of the two-year American Chairmanship of the AEC. At the end of the Annual Meeting, the Finnish Business Community took over the AEC Chairmanship and the new AEC gavel.

The Arctic Economic Council took significant action by endorsing the intent of the Arctic Investment Protocol, originally developed by the World Economic Forum. The protocol is the work product of the recently disbanded World Economic Forum (WEF) Global Agenda Council on the Arctic. WEF approached the AEC to assume ownership of the investment framework and the delegates voted to embrace the concept and begin negotiations with WEF to transfer the intellectual property.



Read greeting from the Russian Minister for Foreign Affairs, Mr. Sergei Lavrov here



JUNE 2017

2nd Top of the World Arctic Broadband Summit Oulu, Finland

Photo: City of Oulu

The event gathered more than 100 policy leaders, tech industry experts and other executives to discuss the need and potential for broadband across the circumpolar Arctic, and how to best prepare for the many opportunities and even challenges the new technology will bring with it.

The Top of the World Arctic Broadband Summit is a platform for interaction between the business, policy and academia and is as such in line with previous events organized by the Arctic Economic Council. The event was hosted in collaboration with Business Oulu and the City of Oulu.

A keynote speech was delivered by Mr. Karmenu Vella, Commissioner, Environment, Maritime Affairs and Fisheries, European Commission.

You can find Commissioner Vellas speech here:

https://ec.europa.eu/commission/commissioners/2014-2019/vella/announcements/2nd-arctic-economic-council-top-world-arctic-broadband-summit-panel-3-visions-future_en



Find Commissioner Vellas speech here



OCTOBER 2017

Arctic Circle Reykjavik, Iceland

Photo: Linnea Nordström

“Economic development, innovation and entrepreneurship in the Arctic” was on the agenda for the joint breakout session the Arctic Economic Council organized together with the Nordic Council of Ministers in Reykjavik at the Arctic Circle conference. More than 100 people gathered at the breakout session where stakeholders in the field of business development and investments discussed the sustainable business development in the Arctic. The aim of the AEC-NCM breakout session at the Arctic Circle Assembly was to both present and test the preliminary findings of the Arctic Business Analysis, and to solicit feedback for the final analysis.

The final analysis can be found here:

<https://arcticeconomiccouncil.com/press-release-arctic-economic-council-nordic-council-ministers-release-arctic-business-analysis/>



Read the final analysis here.



DECEMBER 2017

Sustainable Development Goals in the Arctic Copenhagen, Denmark

Photo: AEC

His Royal Highness Crown Prince Frederik of Denmark opened the high-level conference on the topic The SDGs in the Arctic: Local and Global Perspectives, hosted by The Kingdom of Denmark in partnership with the Arctic Economic Council.

The conference that took place in Copenhagen gathered perspectives from stakeholders in both public and private sectors at a local and global level. The discussion centered around how these stakeholders can engage to contribute to sustainable economic development in the Arctic, and how the Arctic can contribute to the achievement of the SDGs.

The overall objective of the conference was to identify ways to keep the Arctic on a path towards a peaceful, prosperous and sustainable future.



DECEMBER 2017

Fostering Cooperation Between Korea and the Arctic Economic Council Seoul, Republic of Korea

Photo: AEC

The Arctic Economic Council and the Korean Ministry for Foreign Affairs organized a joint seminar in Seoul, Korea focusing on challenges of Arctic maritime transportation, the need for connectivity and cooperation between Korea and the AEC.

The event was attended by representatives from both business and academia in Korea, as well as the representatives from the AEC Working Group on Maritime Transportation representing businesses across the Arctic. The AEC Connectivity Working Group was also represented.

The seminar was opened by H.E. YUN Kang-hyeon, Deputy Minister for Economic Affairs, Ministry of Foreign Affairs from the Republic of Korea and Aleksii Härkönen, Senior Arctic Official Chair representing Finland. AEC Vice Chair Róbert Guðfinnsson provided the opening remarks on behalf of the AEC. He spoke about how the AEC can be a resource for Arctic-minded stakeholders.

Message from the Director

2017 marked the second fully operative year of the AEC Secretariat. While strengthening the organization's operations has been a high priority, we have also focused on increasing knowledge about the AEC. Together with the members of the Executive Committee, the full membership as well as our Working Group representatives, we conducted approximately 70 outreach efforts during 2017. Going forward, continuing our outreach efforts to increase the knowledge of our work and gain better understanding of the AEC will be a priority.

Based on the amount of meeting requests and briefings, the AEC Secretariat has managed to establish itself as the point of contact for the organization. We have met with stakeholders representing academia, regions and regional development organizations, businesses, diplomacy, different ministries, governments and others interested in Arctic and the work of the AEC.

2017 saw the launch of the AEC's first work product when the Telecommunications Working Group launched its report "Arctic Broadband – Recommendations for an Interconnected Arctic". Being the first of its kind, the report provided a strategy for broadband development across the Arctic. This report serves as an excellent foundation for the AEC's continued work within connectivity. Another tool in the AEC's work is the Top of the World Arctic Broadband Summit, a meeting gathering policy decision-makers, business leaders, technology experts and representatives of academia.

The 2017 Top of the World (TOW) Arctic Broadband Summit held in Oulu, Finland was the second of its kind and a proof that the concept has been well-received. Organizing the 2017 TOW Summit back-to-back with the European Union's Arctic Stakeholder Forum provided us with an opportunity to enhance our ties with the EU. We were very pleased to host Commissioner Karmenu Vella at our TOW Summit.

The AEC's high level of activity in 2017 was topped with our first event outside the Arctic region. In December 2017, we organized a joint event with the Korean Ministry for Foreign Affairs in Seoul. We are very grateful to the Ministry of Foreign Affairs of Korea for their support and partnership in organizing this seminar.

The AEC Secretariat together with the organization's Executive Committee continued to convene for our monthly phone meetings during 2017. These meetings provide valuable input to the AEC's work and have been especially useful as we started the preparations for the new AEC Strategic Plan.

Being still a rather newly created organization, the AEC has continued its efforts in developing meaningful partnerships. The Arctic Council Fairbanks declaration provides a good platform for enhanced collaboration between the AEC and the Arctic Council. The AEC is represented in the Arctic Council Sustainable Development Working Group (SDWG) project working on Arctic Environmental Impact Assessment (Arctic EIA).

One of the major efforts in 2017 was the making of the Arctic Business Analysis, a joint project between the Nordic Council of Ministers and the AEC. The preliminary findings of the analysis were presented at a joint seminar in October 2017 while the report itself was launched at the beginning of 2018. We will continue to assess incoming collaboration proposals on a monthly basis.

Some of the highlights of 2017 included welcoming 7 new Arctic and Permafrost Partners to the organization. These new members bring an important addition to the AEC's work and help strengthen our representation in both Arctic and non-Arctic countries.

In 2017, the AEC has been able to witness great interest towards our work. Reaching such a high level of activity would not have been possible had it not been for the support of our members as well as our partners. On behalf of the AEC Secretariat, I'd like to extend our sincere gratitude to all those with whom we have had the pleasure of working with during 2017. We will continue the work for the betterment of the pan-Arctic business-to-business ties and the conditions for responsible economic growth. Our work will also in the future be based on the business community's needs, and I look forward to continued collaboration with the AEC members and our partners to reach our common goal: making the Arctic a favorable place for responsible business.



Anu Fredrikson

Director, Arctic Economic Council Secretariat

2017 in numbers

At a glance statistics



- Korea Shipowners Association
- Statoil
- Bioway
- MENADO
- UIC
- Cosco Shipping



- Maritime Transportation
- Telecommunications /Connectivity
- Arctic Stewardship
- Responsible Resource Development



UAVHENGIG REVISORS BERETNING

Til ledelsen i Arctic Economic Council Secretariat

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Arctic Economic Council Secretariat som består av balanse per 31. desember 2017, resultatregnskap for regnskapsåret avsluttet per denne datoen og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2017 og av dets resultater for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Ledelsens ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- ▶ identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;

- ▶ opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- ▶ vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimaterne og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- ▶ konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- ▶ vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

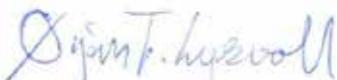
Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Uttalelse om øvrige lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Tromsø, 25. april 2018
ERNST & YOUNG AS



Ørjan T. Lysvoll
statsautorisert revisor

INDEPENDENT AUDITOR'S REPORT

To the management of Arctic Economic Council Secretariat

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arctic Economic Council Secretariat, which comprise the balance sheet as at 31 December 2017, the income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

The Board of Directors and Chief Executive Officer (management) is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Tromsø, 25 April 2018
ERNST & YOUNG AS

Ørjan T. Lysvoll
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

