



Annual Report 2019

Facts

New members: **2**

PolArctic LLC

Guggenheim Partners
Investment Management, LLC

New Working Group on Blue Economy

Photos from AEC events

flickr

<https://www.flickr.com/people/arcticecom/>

430
tweets

Focus areas:
Blue economy
business
development

Publications
in 2019

Marine biotechnology
and bio-products

Ocean food systems

Maritime Transportation

Marine Technology

AEC Working Group on Responsible Resource Development: Mineral Development in the Arctic

AEC Working Group on Maritime Transportation: The State of Maritime Transportation in the Arctic

Memorandum of Understanding with

Arctic Council

AEC Events in 2019

Investing in the Arctic

At the beginning of 2019, AEC and Arctic Frontiers organized a joint side event called “Investing in the Arctic” during the Arctic Frontiers conference in Tromsø, Norway. The side event aimed at exploring good examples and methods to achieve responsible investments. The event also addressed key issues such as what factors are investors looking at when making investment decisions, and how do these correspond to the Arctic.



Moderator Mr. Felix Tschudi, the Chairman and owner of the Tschudi Group. Photo: AEC

The event was moderated by Mr. Felix Tschudi, the Chairman and owner of the Tschudi Group. Speakers represented a wide range of stakeholders from investors to large industry operators and indigenous representatives;

- Ms. Anna Hysrke, Head of Responsible Investments, Ilmarinen Mutual Pension Insurance Company
- Mr. Jan Moström, CEO, LKAB
- Ms. Madeleine Redfern, Mayor, City of Iqaluit, Nunavut
- Mr. Tero Kiviniemi, Chair, Arctic Economic Council (AEC)

During the event, the AEC formally launched its work on the Arctic Investment Protocol, originally a product of the World Economic Forum’s Global Agenda Council on the Arctic. The AEC endorsed the intent of the Arctic Investment Protocol at its Annual Meeting in 2017, and the Protocol was formally transferred to the AEC later the same year. Since then, the AEC and its Working Group on Investments and Infrastructure have worked with the six principles for responsible investments in the Arctic outlined in the Protocol.

To make the Arctic Investment Protocol more tangible and to give concrete examples of responsible investments the AEC decided to collect examples of best practices related to these principles. A submission form to collect best practices related to the principles of the Arctic Investment Protocol was formally launched at the event in January.

The submission form is available on the AEC’s website and is open for submissions from all stakeholders.



Arctic Investment Protocol

Governance Committee meeting

At the end of March, the AEC Governance Committee met in Copenhagen, Denmark. The meeting was graciously hosted by Danish Shipping and Danish Industry (Dansk Industri, DI). In addition to preparing for the transition of AEC chairmanship in May in an internal meeting, the AEC delegates also had the opportunity to get acquainted with the different Arctic stakeholders of the Kingdom of Denmark.



Meeting with the Faroese representatives of the Danish Parliament. Photo: AEC

The Faroese representatives of the Danish Parliament, Mr. Sjúrdur Skaale and Mr. Magni Arge gave a briefing on the state of the Faroese economy and as well as recent infrastructure development. This was followed by a meeting with the Danish Ministry of Foreign Affairs providing a briefing on the Kingdom of Denmark’s Arctic strategy and priorities. The AEC representatives also meet with the Head of Greenland representation in Copenhagen, Ms. Lida Skifte Lennert, and Adviser of Innovation Oyvindur av Skarði of the Ministry of Foreign Affairs and Trade of the Faroe Islands.

A round table discussion with representatives of academia representing different fields of Arctic science and maritime transportation in the Arctic provided the members of the AEC Governance Committee an opportunity for dialogue on a broad range of Arctic issues.

Memorandum of Understanding

At the Arctic Council Ministerial meeting in Fairbanks, Alaska, in 2017, the Ministers of the eight Arctic States encouraged the Arctic Council to strengthen its cooperation with the Arctic Economic Council. This could “enhance responsible economic development and [...] build partnerships for issues of common interest and capacity building of Arctic inhabitants”, as stated by the Ministers’ joint statement in the Fairbanks Declaration.



Fairbanks Declaration (2017)

The cooperation between the two Councils was formalized in a Memorandum of Understanding (MoU) signed by Nina Buvang Vaaja, Director of the Arctic Council Secretariat, and Anu Fredrikson, Director of the Arctic Economic Council at the margins of the Rovaniemi Ministerial meeting marking the end of the Finnish Chairmanship of the Arctic Council. This is the first Memorandum of Understanding in the history of the Arctic Council and provides a framework on how the Arctic Council and the AEC can cooperate on their shared goals in the future.

According to the Memorandum of Understanding, both parties agree to regular exchange of information, to participate in each other’s projects and to consider joint activities where appropriate.

The Arctic Council and the Arctic Economic Council intend to collaborate on:

- sustainable economic development;
- blue economy and maritime safety;
- improving telecommunications connectivity;
- education and capacity building;
- utilization of best available information, including scientific research, best practices and, where relevant, traditional knowledge and local knowledge
- Other areas of cooperation as may be mutually accepted



Memorandum of Understanding between the Arctic Council and the Arctic Economic Council



Signing of MoU. Photo: Arctic Council/Kristina Bär

AEC Annual Meeting in Rovaniemi

The fifth Annual Meeting since the establishment of the AEC was held in Rovaniemi, Finland in May 2019. The Annual Meeting marked the transition of the AEC Chairmanship from the Finnish business community to the Icelandic business community. Heidar Gudjonsson of Iceland was welcomed as the new chair of the organization after a unanimous decision by AEC delegates.



Report: Mineral Development in the Arctic



Report: The State of Maritime Transportation in the Arctic

During the Annual Meeting, the AEC Working Groups on Maritime Transportation and Responsible Resource Development launched their reports. In addition, the other AEC Working Groups provided the members with an interim progress update. The Annual Meeting also provided the AEC members an opportunity to acquaint with the state economic development in Northern Finland. The delegates met with representatives of Rovaniemi, AEC partners such as UArctic, and heard updates from projects at which the AEC serves as a partner. Site visits and the Annual Meeting evening program provided insight into the state of local industrial development and tourism.



Arctic Business Forum 2019

The AEC members were also invited to participate in the 2020 Arctic Business Forum discussing Arctic economic development and providing an insight into the economic development of the Northern parts of Finland, Sweden and Norway. Several AEC members also gave keynotes and participated in panel discussions at the conference.



AEC Annual Meeting. Photo: AEC/ Jouni Lösönen

Doing Business in the Arctic

The Icelandic American Chamber of Commerce, the Embassy of Iceland in Washington, D.C., AEC and the Wilson Center's Polar Institute jointly organized an event titled "Doing Business in the Arctic" in Washington, D.C. on May 23, 2019. This event marked the start of the Icelandic Arctic chairmanships.

In his keynote speech, the Minister of Foreign Affairs of Iceland, Gudlaugur Thor Thordarson, highlighted Iceland's wish to work closely with all partners both within and outside the Arctic region. A part of this effort is to work to improve collaboration between the Arctic Council and the AEC.

The first panel of the event focused on the economic drivers in the Arctic. AEC's Nagruk Harcharek (Director, UIC Lands, Alaska) and Lori Davey (Vice President of Enterprise Markets, GCI) both spoke at the panel. Mr. Harcharek underlined the importance of providing meaningful engagement for the indigenous people in the Arctic. He also reminded the audience of the importance of diversification as it serves as the key to ensuring opportunities for the coming generations.

Ms. Davey, who also serves as a member of the AEC's Responsible Resource Development Working Group, provided an overview of the group's work related to mining in the Arctic. Education of workforce, earning a license to operate, built infrastructure, one-stop-shop for regulatory and permitting issues as well as data sharing are key issues for successful mining operations in the Arctic.

The event also shed light on the Arctic Investment Protocol. Guggenheim Partners' Chairman for Investments and Global Chief Investment Officer Scott Miner highlighted the need for an Arctic-specific investment protocol and discussed the Arctic Investment Protocol's creation. Following the discussion on the Arctic Investment Protocol, the Director of the AEC Anu Fredrikson led a panel discussion focusing on investments in the Arctic. The main focus of the discussion was on how the Arctic can be made investable and how local communities can help attract investments.



Anu Fredrikson presents at the Doing Business in the Arctic.
Photo: AEC

New Working Group on Blue Economy

The AEC Governance Committee meeting in March initiated the establishment of a new Working Group on Blue Economy. This group was formally established in August of the same year. The Blue Economy Working Group (BEWG) aims to facilitate a pan-Arctic alliance of ocean clusters to leverage the knowledge, expertise and funding instruments throughout the region to fast track product development and economic growth in the sector. The Working Group is chaired by Ms. Dana Eidsness, Director of the Maine North Atlantic Development Office (MENADO) in the USA

Five Years of Making the Arctic a Favourable Place for Business

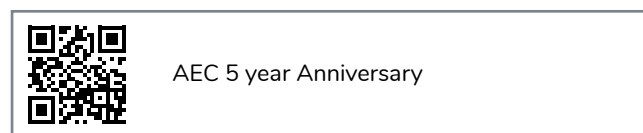
The AEC was formally inaugurated in Iqaluit, Canada in September 2014 during the Canadian chairmanship of the Arctic Council. The AEC celebrated its fifth anniversary in September 2019. The anniversary was celebrated in connection to the Joint Meeting between the Arctic Council and the Arctic Economic Council in Reykjavik, Iceland in October 2019 and was marked with a reception hosted by the President of Iceland, Guðni Th. Jóhannesson.

The development of the AEC has been rapid during the first five years of the AEC's existence. Within a year of the organization's establishment, the AEC Secretariat was operational and marked its opening. At a historic annual meeting in Tromsø, Norway in April 2016, the AEC members adopted foundational documents that set the stage for engagement with the AEC and provide strategic direction for the organization. The AEC has strived to develop its operations based on the needs of the Arctic business community.

From the start, the AEC has experienced a great level of interest and expectations towards its work. To respond to the great interest and to demonstrate the AEC's willingness to be inclusive, the AEC has had a high level of outreach and activities. This would not have been possible without the significant engagement of our members representing businesses, indigenous corporations, and indigenous groups.

Some of the milestones of the AEC's first five years of operations include:

- Establishment of six Working Groups
- Work to provide new knowledge and balanced information related to business development potential in the Arctic
- Memoranda of Understanding with the University of the Arctic and the Arctic Council
- Institutionalization of the Arctic Investment Protocol with the AEC; work on responsible investment principles in the Arctic



AEC Chair Heidar Gudjonsson presents at the SAOX meeting in Reykjanesbaer in June 2019.
Photo: Arctic Council/Kristina Bär

Joint Meeting between the Arctic Council and the AEC

For the first time, the delegates of the Arctic Council and the Arctic Economic Council gathered for a joint meeting in Reykjavik, Iceland in October 2019. The joint meeting brought together government representatives of the eight Arctic States, business representatives, as well as representatives of the indigenous Permanent Participants, and the Councils' respective Working Groups. The meeting was a step towards enhancing cooperation and collaboration between the Arctic Council and the Arctic Economic Council, as outlined in a Memorandum of Understanding the administrations of both Councils signed in May 2019.

To foster an active exchange and to cover the wide ground of shared interests, the Arctic Council and the Arctic Economic Council identified four common main themes for their discussions in Reykjavik: marine transportation and blue economy, telecommunications connectivity, responsible resource development and mainstreaming biodiversity, and responsible investments and corporate social responsibility.

These themes reflect the present priorities of the Arctic Council and the Arctic Economic Council as they are outlined in their respective Chairmanship programs. One of the aims of the Icelandic Chairmanship of the Arctic Council and the Icelandic businesses' Chairmanship of the AEC is to leverage the opportunity to strengthen cooperation between the Councils



Joint Meeting between the Arctic Council and the AEC. Photo: AEC/Maria Östensson

Arctic Circle Assembly: Setting Focus on Connectivity in the Arctic

One of the factors driving the Arctic's future is global digitalization. The Arctic is a region with a dispersed population, harsh climate and lower rates of broadband adoption than non-Arctic regions. Without access to affordable and stable broadband, the rural parts of the Arctic will be left behind of the development brought by digitalization. But if realized, plans for improved connectivity in or through the Arctic can be a gamechanger not just for the region, but also globally.



AEC Chairman Heidar Gudjonsson.

Photo: AEC/Jouni Lösönen

The Arctic has a geographic advantage: uniting three continents, it provides the shortest link for data cables, the trading routes of the digital economy. This formed the background for a plenary discussion focusing on the role of data cables as game-changers in the Arctic during the 2019 Arctic Circle Assembly. The event was hosted by the AEC.

The discussion chaired by Heidar Gudjonsson focused on how the potential future Arctic data cables can serve the needs of Arctic societies and enable business development in the region. It also touched upon the potential impacts of improved connectivity in the Arctic for the global economy. Mr. Gudjonsson was joined on stage by Jukka-Pekka Joensuu, Executive Advisor at Cinia, and CEO Dag-Kjetil Hansen of Bredbåndsfylket Troms

Links to presentations:

	Jukka Pekka Joensuu - Full Speech 2019 https://bit.ly/32ahuyy
	Dag Kjetil Hansen on Connecting the Arctic with Data Cables - Full Speech https://bit.ly/35z6VqQ
	Q&A about Connecting the Arctic with Data Cables - Full Session https://bit.ly/2Magd58

Alaska Resources Conference and AlaskaNor Project

The AEC serves as an expert partner in AlaskaNor, a project exploring potential cooperation between Alaska and North Norway in the broader field of the blue economy. The project also focuses on new opportunities for business and entrepreneurial collaboration. As a part of the partnership, the AEC Director Anu Fredrikson joined a delegation of partners working with the AlaskaNor project on a trip to the Bay Area and Alaska.

Part of the program was the 40th Annual Alaska Resources Conference in Anchorage, Alaska, USA. With a strong focus on Alaska's economy, resource development and industry, the event provided an excellent update of the economic development in the U.S. Arctic.

In her address to the Alaska Resources Conference, Fredrikson focused on business development across the Arctic and the potential future developments as well as the need for balanced information. She also highlighted the growing need for a joint voice of the Arctic business community, a role the AEC works to fulfil.

Representing NANA Regional Corporation, an AEC Arctic Partner from Alaska, Lance Miller (Ph.D.) spoke of the changes taking place in the Arctic business landscape. In his speech titled "Will the snowshoe hare always change color?" Mr. Miller focused on the competing agendas facing the Arctic businesses, namely that of environmental protection and industrial development. Moving towards a green economy, mining will be an essential part of the development as mineral use will continue to grow.



Lance Miller and Anu Fredrikson at the Alaska Resources Conference

Message from the Director

2019 saw the third transition of AEC Chairmanship in the organization's history. The 2019 Annual Meeting concluded the Finnish businesses' AEC Chairmanship and the AEC gavel was passed on to the Icelandic Chairmanship and Heidar Gudjonsson. Preparations for the transition shaped much of the AEC activities in 2019.

During the Finnish Chairmanship of the Arctic Council, the collaboration between the two Councils increased and culminated in the signing of a Memorandum of Understanding in the margins of the Rovaniemi Ministerial Meeting. A significant milestone for both of our Councils, the Memorandum of Understanding now confirms the AEC's position as the Arctic Council's preferred adviser in matters related to economic development.

Building upon the foundation laid by the Memorandum of Understanding, one of the priorities of the current Icelandic businesses' AEC Chairmanship is strengthened collaboration between the two Councils. The first-ever meeting of the two Councils including their Working Groups took place in October 2019. After the meeting, the Chair of the Senior Arctic Officials, Einar Gunnarsson, described the meeting in his editorial: "It left me feeling inspired to do more. And I think that was the general mood of the meeting: An appetite for more. For more dialogue, more understanding, more collaboration."



Since then, we have continued our work to follow up the initial discussions in Reykjavik. Maritime transportation, blue economy, resource development and connectivity are all fields where we continue to explore our collaboration potential and advance our joint interests. Our Working Groups with their subject matter expertise are in crucial role in this work.

Securing sustainable development forms the second priority of the ongoing Icelandic businesses' AEC Chairmanship. Work on the Arctic Investment Protocol is one of the priorities identified in the Chairmanship program. In 2019, we have continued our efforts to promote the Protocol and to make it better known.

The third priority of the Icelandic business community's AEC Chairmanship is work on Blue Economy. The decision to launch an AEC Working Group dedicated to the subject was made at the Governance Committee meeting in Copenhagen in 2019. This work can contribute to the better utilization of resources and diversification of economy. As an emerging field Blue Economy is also of high interest across the Arctic. The Blue Economy Working Group is engaged in various forms of collaborative projects and information sharing.

Our operations and active outreach show that there is a constant need for knowledge about the state of business in the Arctic. In 2019, the AEC contributed by launching two new AEC Working Group reports: The State of Maritime Transportation in the Arctic and Mineral Development in the Arctic. Both are excellent sources of information which have been presented across the Arctic as well as outside our region.

The AEC can only be successful through the active engagement of its members. I would like to express my warmest thanks to the AEC members for their continued engagement in our work. Everyone familiar with the Arctic knows how essential collaboration is in our region. Collaboration is also the essence of the AEC's work, and 2019 has been no exception: the AEC has worked actively with numerous stakeholders both in the Arctic and outside our region. We would like to thank all our partners and especially the Government of Finland and the Finnish Ministry for Foreign Affairs for supporting our operations in 2019.

Anu Fredrikson
Director, Arctic Economic Council

Greenland Conference

The 2019 Greenland Conference hosted by Danish Industry took place in December in Copenhagen, Denmark. The main topic of the 2019 conference was connectivity.

Connectivity is key for development in today's societies. It is of great importance for business development in the Arctic to have access to connectivity along the same lines as businesses elsewhere.

Gathering an international group of experts representing policy decision-makers, businesses and academia, the Greenland Conference also focused on issues related to investments, start-up development, and mining.

The Chairman of the Arctic Economic Council, Heidar Gudjonsson, was amongst the keynote speakers of the 2019 Greenland Conference. Titled "The Arctic Connection", Mr. Gudjonsson's speech focused on how the Arctic can contribute to more sustainable development in the global level.

Arctic Partnership Week

The annual Arctic Partnership Week was arranged for the eighth time in Busan, Korea at the beginning of December 2019. Gathering over 1 000 participants from 10 different countries, the Arctic Partnership Week provided an excellent arena for outreach and discussions with international partners.

As a collaboration partner to the conference organizers, the AEC was invited to deliver a keynote speech at the 2019 Arctic Policy Forum, a part of the Arctic Partnership Week. The AEC was represented by its Director Anu Fredrikson.

Ever since the creation of the AEC, the organization has strived to work inclusively and has opened membership opportunities for corporations and organizations both from the Arctic and outside the region. Due to the international character of the business, both Arctic and global businesses benefit from increased ties between businesses. The call for increased collaboration between the Arctic and Korean business communities formed a central part of Ms. Fredrikson's address.

UAVHENGIG REVISORS BERETNING

Til ledelsen i Arctic Economic Council

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Arctic Economic Council som består av balanse per 31. desember 2019, 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 2019 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

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 regnskapsestimatene 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 bokføringspraksis i Norge.

Tromsø, 6. april 2020
ERNST & YOUNG AS



Kai Astor Frøseth
statsautorisert revisor

INDEPENDENT AUDITOR'S REPORT

To the management of Arctic Economic Council

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arctic Economic Council, which comprise the balance sheet as at 31 December 2019, 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 2019 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 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, 6 April 2020
ERNST & YOUNG AS

Kai Astor Frøseth
State Authorized Public Accountant (Norway)

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

