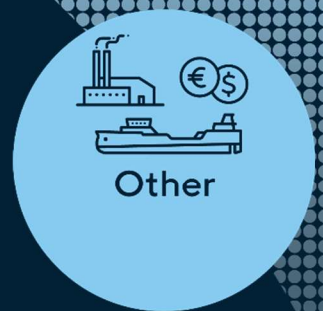


Periode 2022-2023

BMR Audit Fish Pool ASA



Definitions

BMR	EUs Benchmark Regulation
FPEBI	Fish Pool European Buyers Index
FPI	Fish Pool Index
IOSCO	International Organization of Securities Commissions
ISB	Index Surveillance Board
MSP	Monthly Settlement Price
NQSALMON	Nasdaq Salmon Index
NSC	Norwegian Seafood Council
SSB	Statistics Norway

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1 Independent Auditor

1.1 Kontali Analyse

Kontali Analyse (Kontali) was founded in 1992 to provide objective and reliable analysis for the salmon farming sector in Norway. This market insight was gained by establishing data collection systems and developing production and market models. Today Kontali has a strong position in the market and is well known for providing reliable market intelligence regarding both aquaculture species and fish species from commercial fisheries.

Since the early 90s, Kontali has assisted Norwegian traders and exporters (and the salmon farming sector in general) in their work with maintaining and obtaining market access to the US and the EU. An important part of those assignments, which took place in the period from 1991 to 2010, was reviews of cost structure and product portfolios up against potential and actual market regulations. During this period Kontali assisted more than 50 exporters and traders. The assignments gave unique insight in trade in and market dynamics for farmed salmon and trout.

In the period from 2009 to 2014, Kontali was assigned by Fish Pool to collect, calculate, and conduct quality assessments of the Fish Pool Index. The assignment also included reporting to the Index Surveillance Board.

As from 2014, Kontali has on behalf of Nasdaq been auditing contributors of Nasdaq Salmon Index (NQSALMON). The index constitutes 95% of the Fish Pool index. In January 2020, Kontali was appointed as the external auditor of Nasdaq Copenhagen, the administrator of NQSALMON operated under BMR. During the time of the Fish Pool audit, Kontali is in a parallel process of BMR auditing of Nasdaq Copenhagen as administrator of NQSALMON.

1.2 External Auditor Assignment

In accordance with BMR Annex II §18:

The administrator of a commodity benchmark shall appoint an independent external auditor with appropriate experience and capability to review and report on the administrator's adherence to its stated methodology criteria and with the requirements of the Regulation. Audits shall take place annually and be published three months after each audit is completed with further interim audits carried out as appropriate.

Kontali has been appointed by Fish Pool to conduct the compliance audit. The external auditor contract describes the assignment as follows¹:

“Kontali Analyse shall conduct yearly external audits of benchmarks administrated by Fish Pool. The framework of yearly audits is methodology assessments and compliance issues related to BMR” .

As auditor it is Kontali's responsibility to express a reasonable assurance regarding Fish Pool's compliance with the BMR. Our engagement included an examination of adherence to the index methodology within the aspects of the BMR pertaining to Commodity Benchmarks, with primary focus on Annex II.

The audit included those procedures Kontali considered necessary to obtain reasonable, but not absolute, assurance about whether Fish Pool is in compliance with the BMR in all material respects. The evidence supporting the assertion necessary for rendering our opinion was obtained through examination included observation, inspection, representation, inquiry, and examination on a sample basis.

The administrator, Fish Pool Index Surveillance Board and Fish Pool board of directors may all request special topics to focus on in the audit. No such request has been received in advance of or during the audit.

¹ translated from Norwegian.

1.3 Independence, Limitations, and Use of Report

Through the auditing process the auditor has remained impartial with focus on completing the processes with integrity, objectivity, and confidentially while utilizing their professional competence regarding the market.

The audit is subject to inherent limitations. The audit was not designed to detect fraud or deliberate misstatements and we cannot guarantee protection against fraudulent collusion or misrepresentation.

This report is issued to Fish Pool and should not be used other in other contexts than with the BMR Annex II.

Kontali Analyse



Jan Erik Øksenvåg

Kristiansund, December 2023

2 Introduction

EU's Benchmark Regulation (BMR) came into force in June 2016 and was applied from the 1st of January 2018. Following the discovery of manipulation of LIBOR and EURIBOR, the BMR legislative was introduced to prevent similar scandals. The objective of the BMR is to improve governance and control over the benchmark process, particularly in relation to conflicts of interest, and improve the quality of input data and methodology. The BMR covers each stage of the benchmark process, with requirements pertaining to procedures, benchmark administrators, contributors of input data, and users of benchmarks². The BMR builds on the IOSCO Principals for Financial Benchmarks, which are global standards published in July 2013³.

Fish Pool Index is a commodity benchmark with salmon as the underlying asset. As from 2020, Fish Pool was registered as a benchmark administrator and since then the benchmark has been administrated and operated in compliance with the benchmarking regulation. Obligations for a commodity benchmark are found in BMR Annex II, which replaces the BMR Title II requirements.

Kontali has been appointed by Fish Pool as external editor for benchmarks administrated by Fish Pool and operated under Norwegian Benchmarking Regulation (which is adapted to the BMR).

The benchmarks administrated by Fish Pool (Fish Pool Index (FPI) and Monthly Salmon Price (MSP)) are both non-significant benchmarks. Furthermore, and as stated in section 1, the afore mentioned indices are composed by a BMR administrated benchmark (Nasdaq salmon index) and weekly export price for fresh whole salmon provided by Statistics Norway.

The status of the indices, their composition and noncomplex calculation procedures are factors taken into account by the auditor in this audit report. Due to Fish Pool benchmark's dependence on Nasdaq salmon index, the auditor also recommends reading of the Nasdaq audit report which can be found on Nasdaq Benchmark Administrator web pages <https://www.nasdaq.com/solutions/nasdaq-benchmark-administration>.

² <https://www.ashurst.com/en/news-and-insights/hubs/finance-hub/bmr/#:~:text=Financial%20Regulation%20Benchmark%20Regulation,benchmark%20and%20users%20of%20benchmarks>.

³ <https://www.lw.com/admin/Upload/Documents/EU-Benchmarks-Regulation.pdf>

3 Fish Pool Organization and Business

3.1 Overview of Business and Operations

Fish Pool ASA is an international, regulated marketplace for buying and selling financial contracts of superior quality Atlantic salmon of 3-6kg. The main objective of Fish Pool is to increase the predictability of spot prices for Atlantic salmon and reduce risk exposure for buyers and sellers. As a commodity benchmark Fish Pool does not provide forecasting or market prognosis, only information about the current market for futures contracts.

In 2022, Fish Pools revenues amounted to approximately NOK 10,2 million.

3.1.1 Company History

Established in 2005, with the first trading taking place in May 2006 Fish Pool has now been an active marketplace for 16 years. During the first years of Fish Pools operations contracts were cleared through NOS Clearing. In 2012 NOS Clearing was acquired by Nasdaq, reaching a full integration by 2014. Fish Pool ASA applied to the Financial Supervisory Authority of Norway to be listed as administrator according to BMR in late 2019.

3.1.2 Business and Corporate Structure

Fish Pool is located in Bergen, Norway. Oslo Børs, owned by Euronext, holds 97% of Fish Pool shares while the remaining 3% is owned by Fishpool employees.

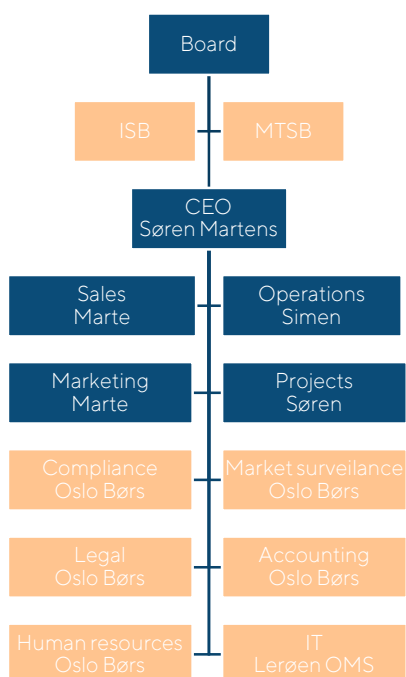
In 2023, Fish Pool had 5 full time employees. This includes:

- Søren Martens, Managing Director
- Simen Thorbeck, Head of Trading
- Arturo Goodwin, Business Developer
- Marte Hagen Røe, Exchange Broker
- Deepo Singh, Exchange Broker

The Fish Pool Board of Directors consists of:

- Chairman:
 - o Øivind Amundsen, CEO Oslo Børs VPS Holding ASA. Member of the Euronext Managing Board
- Board members:
 - o Nicolas M. Kennedy, Head of commodities in Euronext since 2014.
 - o Ingrid Kassen, Head of Finance & Analytics of Norwell AS
 - o Richard Arnesen, CEO Libra, Fearnley Energy.
 - o Camilla Berg, General Counsel at Nord Pool since 2009 and Director of European Market Coupling

Figure 1 Corporate structure



Source: Fish Pool

3.1.3 Index Surveillance Board

By a contractual agreement with Oslo Børs, Fish Pool Index Surveillance Board (ISB) conducts an internal assessment of the Fish Pool Benchmark every quarter. The purpose of the ISB is to secure that the benchmark Fish Pool administrates is credible and that the index gives correct intelligence regarding the spot price of salmon. ISB reports to the board of Fish Pool.

In 2023, the ISB consisted of 4 members:

- Anders Holen, Head of Derivates, Oslo Børs
- Christian Pettersen, Product Manager, Oslo Børs
- Ove Heiberg, Index Structuring Manager, Oslo Børs
- Lars Petter Olsen, Senior Analyst Market Surveillance, Oslo Børs

The ISB shall respond to Fish Pool within two weeks of receiving the quarterly report and 2 days if receiving a red flag report. Oslo Børs has the possibility to engage external experts in cases where they are expected to have more detailed or relevant knowledge than Oslo Børs.

3.2 Fish Pool benchmarks; FPI and MSP

Fish Pool is the administrator of two (2) benchmarks. The first benchmark, Fish Pool Index™ (FPI), is a weekly index while the second benchmark, Monthly Settlement Price (MSP), is a monthly index calculated from FPI. MSP is used for settlement of Fish Pools financial salmon contracts⁴. MSP is calculated as the simple average of the weekly Fish Pool Index prices (not volume weighted) included in the Month⁵.

The intention behind FPI is to have an index which reflects a market price for the commodity traded as accurately as possible. FPI is calculated every week and the index and its components from which the indices are composed, are published at Fish Pool Website, <http://www.fishpool.eu>

⁴ <https://fishpool.eu/wp-content/uploads/2020/01/BMR-Methodology-Oct-2020.pdf>

⁵ <https://fishpool.eu/wp-content/uploads/2020/01/Key-elements-BMR-Methodology.pdf>

4 About the Audit

Of reasons not known by the auditor, the administrator of Fish Pool indices did not participate during the video conference call audits. The auditor takes for granted that the Fish Pool representative during the audit meetings had the power of attorney of acting on behalf of the administrator.

An introductory video conference call was held on 5th of July 2023 to discuss the parameters, topics and structure of the audit. An in-depth conversation on audit scope and timeline was discussed and agreed.

In addition, Fish Pool was made aware by the auditor that key index documents and index complaints procedure were not available on Fish Pool web site, due to broken URL links. In the first call Arturo Goodwin, index assessor participated, alongside Jan Erik Øksenvåg and Lars Erik Flatøy, auditors from Kontali.

Following the calls, documentation reviews and further research was completed to create the basis of the audit report.

In the 2nd audit conference call held on August 16, the main topics on the agenda were Fish Pool actions to make key documents and procedures available on Fish Pool web site and discussions related to index complaints.

Due to extreme weather conditions on the date settled for physical audit at Fish Pool premises in Bergen, both audit meetings were held digitally.

Draft report was delivered in December 2023. Following the first draft of the audit report, Fish Pool was invited to comment on and clarify points covered by the audit in a video conf call meeting on January 10. The final version of the audit report was completed January 16, 2024.

It should be noted that the administrator participated on the last conf call meeting on January 10, 2024.

5 Revisions following the Previous Audit

The previous BMR audit of Fish Pool was completed in March 2022 and found Fish Pool to be in compliance with the BMR regulation. Some comments and suggestions were made by the auditor regarding improvements and follow-ups⁶.

Version updates

In the last audit, the administrator adapted a new procedure of including a table containing historic overview of document version and changes made in the versions. Important and required BM documents⁷ containing version tables were submitted to the auditor in the last audit.

Administrator Actions to Strengthen Benchmark Control

In the last audit, the administrator informed the auditor that actions were made to strengthen benchmark control by involving the Index Surveillance Board on controls and assessments on quarterly basis.

On request, the auditor was granted access to minutes of ISB meetings for 2022. Even though the minutes were very compressed, the minutes confirm that FP indices were subject for assessments and possible improvements by the ISB.

The administrator confirmed that the benchmark control function of the Index Surveillance Board which involves quarterly meetings also applied for 2023.

⁶ See previous BMR audit report available at <https://fishpool.eu/trading/benchmark-regulation/>

⁷ BMR Key Elements BMR Methodology, BMR Methodology, and Appendix 2 to Fish Pool Rulebook

6 Fish Pool's State of Compliance with the EU-BMR (Annex II)

The BMR audit in 2021 was the first conducted for Fish Pool. As such, the previous audit explored all relevant parts of Fish Pools practices up against the BMR regulation. The 2023 audit focuses on internal control procedures related to the operation of FPI and MSP and the complaint procedures for the FPI and MSP benchmarks.

6.1 Complaints procedures and concrete complaints handling

The benchmark regulation, annex 2 provides provisions on how complaints and complaints handling should be conducted by the administrator of a commodity index. More specifically, the provision on complaints is found in § 16 and §17:

§16. The administrator of a commodity benchmark shall have in place and publish a complaints handling policy setting out procedures for receiving, investigating and retaining records concerning complaints made about an administrator's calculation process. Such complaint mechanisms shall ensure that:

(a) subscribers of the benchmark may submit complaints on whether a specific benchmark calculation is representative of market value, proposed benchmark calculation changes, applications of methodology in relation to a specific benchmark calculation and other editorial decisions in relation to the benchmark calculation processes;

(b) there is in place a target timetable for the handling of complaints;

(c) formal complaints made against the administrator and its personnel are investigated by that administrator in a timely and fair manner;

(d) the inquiry is conducted independently of any personnel who may be involved in the subject of the complaint;

(e) the administrator aims to complete its investigation promptly;

(f) the administrator advises the complainant and any other relevant parties of the outcome of the investigation in writing and within a reasonable period;

(g) there is recourse to an independent third party appointed by the administrator. if a complainant is dissatisfied with the way a complaint has been handled by the relevant administrator or the administrator's decision in the situation no later than six months from the time of the original complaint; and

(h) all documents relating to a complaint, including those submitted by the complainant as well as an administrator's own record, are retained for a minimum of five years.

§17. Disputes as to daily pricing determinations, which are not formal complaints, shall be resolved by the administrator of a commodity benchmark with reference to its appropriate standard procedures. If a complaint results in a change in price, the details of that change in price shall be communicated to the market as soon as possible.

The auditor finds the basic complaints handling procedure established for the FPI and MSP benchmarks in regard to receiving, investigating and retaining records concerning complaints made about an administrator's calculation process, to cover basic requirements set in the regulation. This has also been stated by the auditor in previous audit report. The complaints handling procedure is included in Appendix 2 in Fish Pool Rulebook – section 9.

The procedure for complaints handling is available on Fish Pool web site by entering the **Trading** section in the main menu and then following the link to the **Compliance** section. As separate section on **Complaints handling** including contact information to Fish Pool and to where send a complaint is provided.

While the complaints handling procedure include the basic elements, the role of the administrator it is not clear – as the administrator is not mentioned/defined. On the other hand, other Fish Pool roles and bodies are referred to in the procedure, that are well positioned to handle potential complaints. In §16 in the benchmark regulation the role and responsibility of the administrator is clearly defined. Administrator role should be included and defined in the complaint handling procedure.

In the complaints handling procedure it should be stated what elements are required in order to be regarded as a complaint. This leaves room for different interpretation on what is a complaint and what is a dispute. This could potentially lead to complaints not being handled properly. This issue was subject for discussion with the administrator (the assessor representing the administrator) during the audit. In the discussion the administrator signaled the need for setting basic criteria for elements in a formal complaint.

The auditor also wants to draw the administrator's attention to §16 a. in annex 2 of the benchmark regulation regarding who can file a complaint on Fish Pool indices. This held up against who the administrator defined as potential complainers.

According to the administrator, no complaints on Fish Pool benchmarks have so far been received and handled by the administrator.

The auditor recommends the administrator to modify the complaints procedure, to include above mentioned elements.

6.2 Internal control

In the last audit report, among the topics were assessors' routines, benchmark methodology in terms of reflecting the market the benchmarks are aimed at reflecting and benchmark control.

The assessor routines for calculating and controlling the calculation of Fish Pool indices, which to a large extent are automated processes, were regarded as good. In order to strengthened internal control, the administrator stated that the responsible assessor is now recorded in the assessor log in addition to summary of discussions or notes made by the assessor during the quality checks. The auditor welcomes this modification of internal procedures made by the administrator as it strengthens transparency and traceability in weekly/monthly calculations of the indices.

As to the benchmark methodology, the auditor's questions regarding methodology for calculating Fish Pool indices were well responded to and it was concluded that there were relevant and strong arguments for keeping the established benchmark methodology.

As to benchmark control (reflecting the market, deviation control) reference is made to section 5 in this report regarding strengthening of benchmark control.

This year's audit has shown that the benchmark administrator has strong focus on control measures and routines related to the correctness in the calculation of the indices and controls related to the indices reflecting the underlying spot market.

However, there is improvement potential regarding internal procedures to control and follow-up on the documentation and routine side.

6.2.1 Document version table

Reference is made to section 5 in this report where the administrator in the last audit provided documents showing that tables with version history were included in key benchmark documents. In current versions of some documents available on Fish Pool web pages, there are still no such tables.

6.2.2 Key benchmark documents update schedule not followed.

Another example on lack of internal control is that key document has not been updated according to update schedule stated in the same document. In the document “Fish Pool Benchmark change and cessation policy” published on Fish Pool web site, it is stated that the document will be updated at least every 2 years.

In the table showing document version history, the last version of the document made in October-2020 and published November-20.

6.2.3 Key benchmark documents not available on Fish Pool web site for a period.

In the first audit meeting, the auditor made the administrator aware that key benchmark documents on Fish Pool web site could not be found. URL links to the documents could be found but the URL link referred to pages that could not be found (non-existing web pages/documents).

This applied for documents on complaint handling, Index key elements, Index methodology.

After the administrator was made aware of this finding, immediate actions were taken by the administrator to restore the links. The links to the documents were re-established shortly after the notification (within 2 days).

Research conducted by the administrator revealed that the links to the documents were broken for 3 months, following an upgrade of Fish Pool web pages.

The administrator argued that, despite the documents were not available on the Fish Pool web site, the documents were available by using search engines on the web. And based on this possibility access the documents, they could be considered as made public.

6.2.3.1 Auditors Comments

The 3 first paragraphs in annex 2 in the benchmark regulation, which concern commodity benchmarks, are all about making different key documents available in public (benchmark methodology, key elements of the methodology and the rationale for adopting a particular methodology and procedures for reviews). It is about transparency and integrity of the benchmarks.

Even though key documents were available by using web search engines, it is the auditor’s opinion that this is not what is meant by “make public” in the benchmark regulation. On the contrary, it is expected that key documents are made easily available by the administrator.

The auditor encourages the administrator to strengthen internal control to ensure that key documents for Fish Pool benchmarks are made unavailable for the public and scheduling of document updates followed.

When having said this, it encouraging to see that the administrator took immediate action to restore broken links when he was informed about the incident.

6.3 Internal control on Fish Pool indices

In the last audit, the administrator informed that actions to formalize and strengthen controls on the Fish Pool indices were made in 2021. The measure included regular evaluation and assessment of FPI performance conducted by ISB. ISB assessments are made every quarter. The afore mentioned control measures were carried out in 2022.

The auditor also welcomes other efforts made by the administrator to measure and evaluate the performance of FPI – in the form of conducting weekly controls and assessments on FPI performance against Fish Pool European Buyers Index (FPEBI), operated by the Oslo Stock Exchange (Oslo Børs). FPEBI is the reported purchasing price, reported from approx. 20 different European buyers of salmon. More information and data on FPEBI can be found on Fish Pool web portal.

The auditor also welcomes the administrator’s initiative to publish the Nasdaq Salmon Index (NSI) Robustness Assessment report on Fish Pool web pages – in the compliance section. The report focuses on NSI performance compared with other indices and includes assessments regarding its robustness.

7 Conclusion

The audit showed there is room for improved focus and attention to established internal routines. This applies for updates of vital BMR documents/routines as well as for checking that vital BMR documents are made available for index users. Revision of routines and closer follow-up is needed.

The auditor finds it necessary for the administrator to improve the complaints handling procedure for Fish Pool indices. The role of the administrator must be clearly defined in complaints handling (with reference to complaints handling requirements in the benchmark regulation) and distinct definition on elements required in complaints. This is vital for knowing when to initiate its complaints handling procedure and its responsibilities.

The auditor expects to receive the administrator's response and measures taken improve its procedures shortly.

With the basis of the topics covered by this audit and the matters outlined in this report, the auditor believes that the explanations given, and evidence obtained during the audit are sufficient and appropriate to conclude that the Fish Pool benchmarks FPI and MSP still are in compliance with the BMR regulation.