

Corporate Governance Report



Corporate Governance

Klaveness Combination Carriers ASA (“KCC” or the “Company”) strives to protect and enhance shareholder values through openness, integrity and equal shareholder treatment, and sound corporate governance is a key element in KCC.

The corporate governance principles of the Company are adopted by the Board of Directors of Klaveness Combination Carriers ASA (the “Board”). The principles are based on the most recent Norwegian Code of Practice for Corporate Governance, dated 14 October 2021 (the «Code of Practice»). The below description follows the same structure as the Code of Practice and covers all sections thereof.

The corporate governance report follows the “comply and explain” principles. Where KCC does not fully comply with the Code of Practice, an explanation of the reason for the deviation and what alternative solution the Company has selected have been included.

Deviations from the Norwegian code of practice for corporate governance

In the Board of Directors’ assessment, KCC has one minor deviation from the Code of Practice:

Section 6, General meetings

KCC has one deviation from this section:

“Ensure that the members of the Board of Directors ... attend at the General Meeting”: All Board members have historically not been present at the General Meetings. Matters under consideration at the General Meetings of Shareholders have not up until now required this. The Chair of the Board of Directors is always present at the General Meetings. Other board members participate when needed. The Board of Directors considers this to be adequate.

1. Implementation and reporting on Corporate Governance

The Board of Directors ensures that appropriate goals and strategies are adopted, that the adopted strategies are implemented in practice, and that the results achieved are subject to measurement and follow-up. The principles also contribute to ensure that the activities of the Company are subject to adequate controls. An appropriate distribution of roles and adequate controls contribute to the largest possible value creation over time, for the benefit of the shareholders and other stakeholders.

The Company maintains a high ethical standard in its business activities and relations with customers, suppliers, employees, and other stakeholders. Klaveness Code of Conduct (published on www.combinationcarriers.com) applies to the Company and all services provided to the Company under service- and management agreements between the Company and any of its subsidiaries and Torvald Klaveness companies.

No deviations from the Code of Practice.

2. Business

According to the Company’s articles of association, its purpose is to invest in and operate wet and dry bulk combination carriers and everything associated with such, including participating in other companies that own or operate wet- and dry bulk combination carriers.

The principal objectives and strategies of the Company are presented in the annual report, and on the Company’s web site and are subject to annual assessments. ESG in general and more specifically decarbonization of KCC’s activities are highly integrated in the Company’s strategy and are focus areas in everything from daily operations to Board decisions.

No deviations from the Code of Practice.

3. Equity and dividends

Given the cyclical nature of the shipping industry and to accommodate the business strategy, the Company needs to maintain a solid capital structure at levels which will give sufficient assurance to the debt and equity providers. The Board regularly reviews and monitors the Company’s capital structure to ensure it is in line with the Company’s objectives, strategies, and risk profile. The Company has prepared a statement of its Finance Policy, providing information about the Company’s capital allocation priorities, funding policy and risk management activities. A summary of the Finance Policy can be found on www.combinationcarriers.com.

The book equity of the Klaveness Combination Carriers Group as per 31 December 2023 was USD 361.7 million, which represents an equity ratio of 58%. Cash and cash equivalents were USD 68.1 million per year-end 2023 and the Group has in addition USD 113.0 million in available long-term undrawn bank debt. The debt sources are diversified (mortgage bank debt and bond issue) and have a distributed maturity profile. The Board believes the capital structure is appropriate based on its objectives, strategies, and risk profile.

The Board has established a dividend policy based on a targeted quarterly dividend distribution. Although there can be no assurance of any such distribution being made, the Company currently intends to distribute a minimum 80% of free cash flow generation to equity after debt service and maintenance cost as dividends to its shareholders, provided that all known, future capital and debt commitments are accounted for, and the Company’s financial standing remains acceptable. The Company further intends for any new material investments to be subject to separate funding through equity and debt.

At the Annual General Meeting (AGM) in April 2023, the Board was granted an authorization to resolve distribution of dividends. The authorization is valid until the Annual General Meeting in 2024, however no longer than 30 June 2024. Dividends of USD 1.20 per share, in total USD 66.8 million, were approved and distributed to shareholders in 2023.

The Board's authorisations to increase the share capital and to buy own shares shall normally not be granted for periods longer than until the next Annual General Meeting of the Company.

At the AGM in 2023, the Board of Directors were granted an authorisation to increase the share capital by up to NOK 10,474,400, which equalled 20% of the share capital. The authorisation may only be used to raise additional capital for future investments or for general corporate purposes, or to issue shares in connection with acquisitions, mergers, demergers or other transactions. The authorisation is valid until the AGM in 2024, but no longer than 30 June 2024. In May 2023, the Company issued 7,857,143 new shares (par value NOK 1) in a private placement to partly fund three CABU newbuilds.

Furthermore, at the AGM in 2023, the Board of Directors was granted an authorisation to increase the share capital by up to NOK 552,420, which equalled approximately 1.05% of the share capital. The authorisation may only be used to issue shares to the Group’s and or the Group’s employees in connection with incentive programs. The authorisation is valid until the AGM in 2024, however no longer than until 30 June 2024. No new shares have been issued in 2023, as Senior Executives’ share purchases in 2023 were settled through use of treasury shares (13,500 shares of par value NOK 1) and Senior Executives’ declarations of vested options were settled in cash.

At the Extraordinary General Meeting 24 September 2018, the General Meeting issued in total 229,088 warrants to Klaveness Ship Holding AS (later merged into Rederiaksjeselskapet Torvald Klaveness), EGD Shipholding AS and Hundred Roses Corporation. All warrants were exercised in 2023 and 229,088 new shares were issued upon exercise (par value NOK 1).

At the AGM in 2023, the Board was granted an authorisation to acquire own shares, with a total nominal value of up to NOK 5,237,200, which equalled 10% of the share capital. The authorisation may only be used for the purpose of using treasury shares for investment purposes, to realise the shares, use the shares as consideration in connection with acquisitions, mergers, demergers or other transactions or in connection with incentive programs, or to cancel the shares and consequently decrease the Company’s share capital. The authorisation is valid until the AGM in 2024 but will last no longer than 30 June 2024. No shares were repurchased in 2023.

No deviations from the Code of Practice.

4. Equal treatment of shareholders

The shares of KCC are listed on Oslo Stock Exchange. All issued shares carry equal shareholder rights in all respects, including the right to participate and vote in General Meetings, and there are no restrictions on transfer of shares. The articles of association place no restrictions on voting rights.

Historically, transactions involving own shares have been executed on the stock exchange and buybacks of own shares have been executed at the current market rate.

No deviations from the Code of Practice.

5. Shares and negotiability

KCC's shares are freely tradable and there are no restrictions on the sale and purchase of the Company's shares beyond those pursuant to Norwegian law.

Each share carries one vote.

No deviations from the Code of Practice.

6. General meetings

The Annual General Meeting will normally be held before 30 April every year. Notice of the meeting shall be sent to the shareholders no later than 21 days prior to the meeting.

The notices for such meetings shall include documents providing the shareholders with sufficient detail for the shareholders to assess all the cases to be considered as well as all relevant information regarding procedures of attendance and voting, including: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy.

The Chair of the Board and the CEO are present at the Annual General Meeting, and the Chair of the Nomination Committee and the auditor are normally present as well. An independent person has historically been elected to chair the Annual General Meeting.

Deviations from the Code of Practice: See "Deviations from the Norwegian code of practice for corporate governance" section on the first page of this report.

7. Nomination Committee

According to the articles of association, the Company shall have a Nomination Committee which is elected by the Annual General Meeting. The Nomination Committee has the responsibility of proposing members to the Board of Directors and members of the Nomination Committee. The Nomination Committee also proposes fee payable to the members of the Board and the members of the Nomination Committee.

The members of the Nomination Committee are selected to consider the interests of shareholders in general. The current three members of the Nomination Committee are considered independent of the Board of Directors and the executive management team. Two of the members of the Nomination Committee are owners of the two largest shareholders in the Company (Rederiaksjeselskapet Torvald Klaveness and EGD Shipping Invest AS). Members of the Board of Directors and the executive management team are not members of the Nomination Committee. Instructions for the Nomination Committee are approved by the Company's Annual General Meeting.

The service period is two years unless the Annual General Meeting decides otherwise. The Nomination Committee is to maintain contact with shareholder groups, members of the Board of Directors and the Company's executive management team in its work with proposing members to the Board of Directors.

The current members of the Nomination Committee are:

- Trond Harald Klaveness (Chair) – until 2024
- Espen Galtung Døsvig – until 2025
- Anne Lise Gryte – until 2025

No deviations from the Code of Practice.

8. Board of Directors: Composition and independence

In appointing members to the Board of Directors, it is emphasised that the Board shall have the required competency to independently evaluate the cases presented by the executive management team as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues and that they meet the Company's need for expertise and diversity.

The Directors are elected for a period of two years, with the possibility of re-election. Board Members are encouraged to own shares in the Company.

The Board currently consists of five board members. The Board Members work together to exercise proper supervision of the Company's business, compliance, performance, and work done by the Company's management. The Chair of the Board is elected by the shareholders.

Two out of five of the Board Members are independent of the Company's main shareholders and the majority of the Board Members are independent of the Company's material business contacts and executive management. The Company's executive management is not represented on the Board of Directors.

The Board of Directors currently consists of the following five members:

- Ernst Andre Meyer (Chair) – until 2024
- Magne Øvreås – until 2024
- Winifred Patricia Johansen (independent) – until 2025
- Brita Eilertsen (independent) – until 2024
- Gøran Andreassen – until 2024

An introduction to the members of the Board of Directors and their experience can be found on www.combinationcarriers.com.

No deviations from the Code of Practice.

9. The work of the Board of Directors

Instructions have been issued for the Board of Directors, the Audit Committee, and the CEO.

The Board prepares an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility is to (i) participate in the development and approval of the Company's strategy, (ii) perform necessary monitoring functions and (iii) act as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company is compliant with the Company's values and ethical guidelines in addition to the relevant legislative frameworks. The Board shall ensure that the Company has a competent management with clear internal distribution of responsibilities and duties. The Board is regularly briefed on the Company's financial situation. The Board performs evaluation of its work annually. For information on how related party transactions are handled, see the Board of Directors Report and [note 19](#) in Annual report 2023.

The Board of Directors has established an Audit Committee consisting of Brita Eilertsen (Chair) and Magne Øvreås. The function of the Audit Committee is to prepare matters to be considered by the Board and to support the Board in the exercise of its management and supervisory responsibilities relating to financial reporting, statutory audit and internal control. The Audit Committee has prepared an annual plan of topics to be covered including internal audit procedures. The Company's CFO is the secretary of the Audit Committee. The auditor participates in discussions of relevant agenda items in meetings of the Audit Committee and the Audit Committee holds separate meetings with the auditor several times every year.

No deviations from the Code of Practice.

10. Risk management and internal control

The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The internal control and systems shall also encompass the Company's corporate values and ethical guidelines. The objective of the risk management and internal control is to manage exposure to risks to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

Governing documents, code of conduct, policies, guidelines, processes, and procedures are documented and available to the Company's employees and to employees of the main service providers, and shall ensure:

- that the Company facilitates targeted and effective operational arrangements and makes it possible to manage commercial risk, operational risk, climate related risks, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the Company's objectives
- the quality of internal and external reporting
- that the Company operates in accordance with the relevant legislation and regulations as well as in line with its internal guidelines for its activities, including the Company's ethical guidelines and corporate values

The Board of Directors every year reviews the Company's most important areas of exposure to risk. Internal control and risk exposure are regularly tested and evaluated by the Audit Committee. Some of the main risks are presented in the Board of Directors report and [note 16](#) in Annual Report 2023.

KCC encourages whistleblowing regarding blameworthy activities or circumstances within its business. The whistleblower shall be protected against retaliation because of such whistleblowing. The Chief Compliance Officer in Torvald Klaveness is the contact person for whistleblowing for KCC and whistleblowing may be done anonymously. The Chief Compliance Officer notifies the Audit Committee about whistleblowing related to KCC.

No deviations from the Code of Practice.

11. Remuneration of the Board of Directors

Remuneration of Directors is determined by the Annual General Meeting. The remuneration reflects the responsibilities of the Board, its expertise, the amount of time devoted to board-related work, and the complexity of the Company’s businesses. To maintain the Board’s independence, the Board’s remuneration is not linked to the Company’s performance, nor does the Company grant share options, similar instruments or retirement benefits to Board Members as consideration for their work.

None of the current Directors have performed assignments for the Company in addition to their appointment as member of the Board of Directors in 2023.

More information about the remuneration of the individual Directors is provided in note 7 in Annual report 2023.

No deviations from the Code of Practice.

12. Salary and other remuneration for executive personnel

The Board determines the salary and other compensation to the CEO. The CEO’s salary, long-term incentive program and bonus shall be determined on the basis of an evaluation with emphasis on the following factors: Progress towards and achievement of strategic business goals, profitability and sustainability, long-term growth in share-holder value and adherence to the Company’s values and ethical standards. Any fringe benefits shall be in line with market practice, be simple and transparent, competitive while well-balanced, and reflect the performance and responsibility of the individual. The CEO determines the remuneration of executive employees. The remuneration is based on a base salary, bonus and a long-term incentive program.

The Board proposed a new Long-Term Incentive Program (LTIP) that was included in the Remuneration Guidelines approved by the General Meeting in April 2023. For information about remuneration of executive personnel and the new LTIP see note 7 in the Annual report 2023. The “Remuneration Guidelines” and the “Statement on remuneration” approved by the Annual General Meeting in 2023 are available on the Company’s website.

No deviations from the Code of Practice.

13. Information and communications

The Company has established Investor Relations Guidelines and the Company aims to keep analysts, investors and other stakeholders continuously updated on the Company’s operations and performance. The Company provides information to the market through quarterly and annual reports; investor- and analyst presentations open to the media and by making operational and financial information available on the

Company’s website. Information of importance is made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Information is provided in English. All stock exchange announcements and press releases, including the financial calendar, are made available on the Company’s website.

No deviations from the Code of Practice.

14. Take-overs

In the event of a take-over process, the Board has a duty to ensure that the Company’s shareholders are treated equally and that the Company’s activities are not unnecessarily interrupted. The Board will also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance.

No deviations from the Code of Practice.

15. Auditor

The auditor participates in most Audit Committee meetings. Annually, the auditor submits an audit workplan to the Audit Committee.

The auditor is present at Board meetings when the annual accounts are on the agenda. The auditor will assess any important accounting estimates and matters of importance on which there have been disagreement between the auditor and the Company’s executive management and/or the Audit Committee. The auditor shall present to the Board or the Audit Committee a review of the Company’s internal control procedures, including identified weaknesses and proposals for improvement. Further, the Board normally holds a meeting with the auditor at least once a year at which no representatives of the executive management team is present.

The auditor is required to annually confirm his or her independence in writing to the Audit Committee.

There were no disagreements between management or the Audit Committee and the auditor, EY, during 2023. For the financial year 2023, Johan Lid Nordby was the Company’s engagement partner from EY.

The auditor’s fees are approved by the Annual General Meeting. Auditor’s fees are disclosed in note 6 in the Annual report 2023.

No deviations from the Code of Practice.

