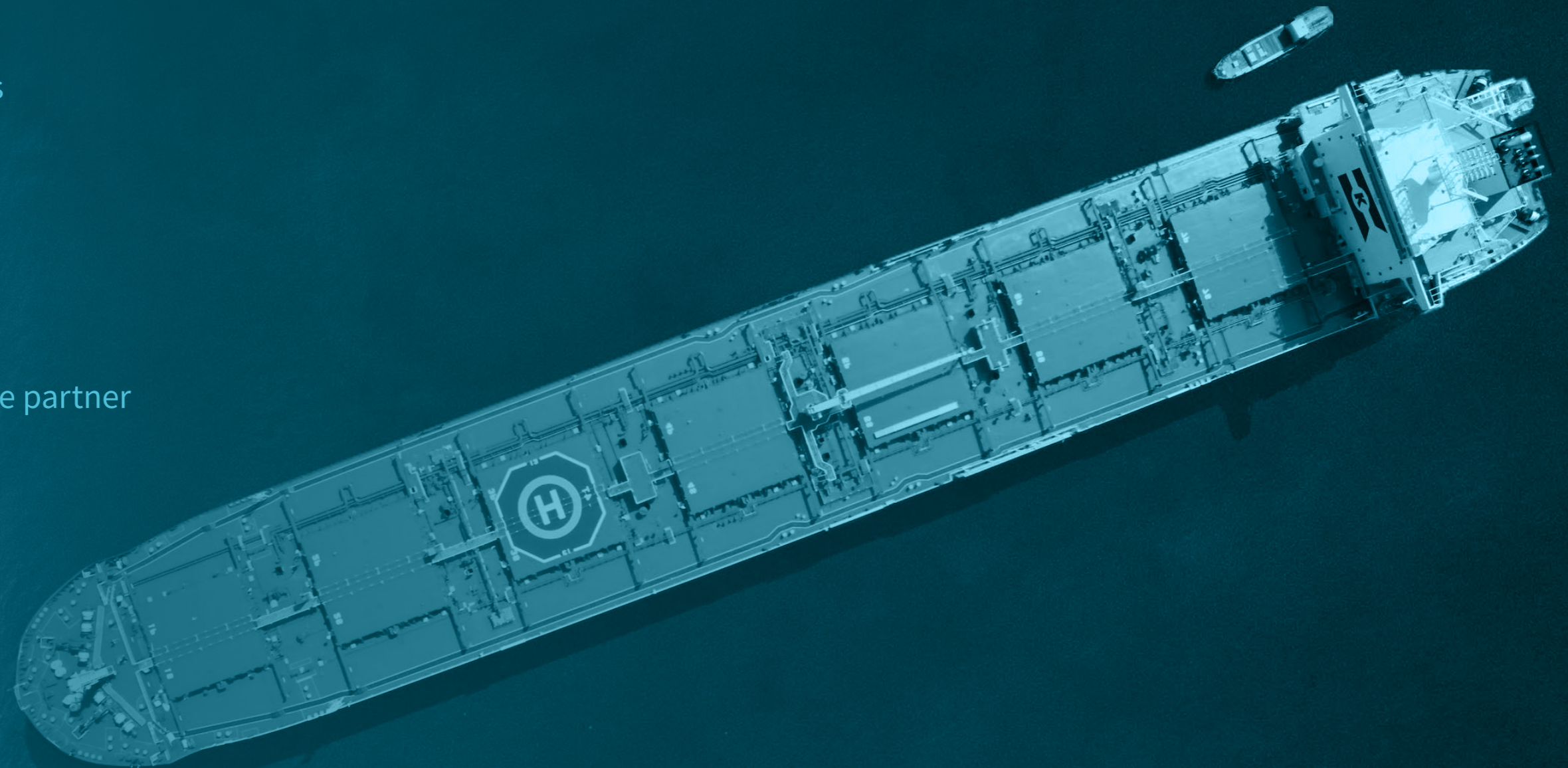


Sustainability Report 2021



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What we do and how we create value

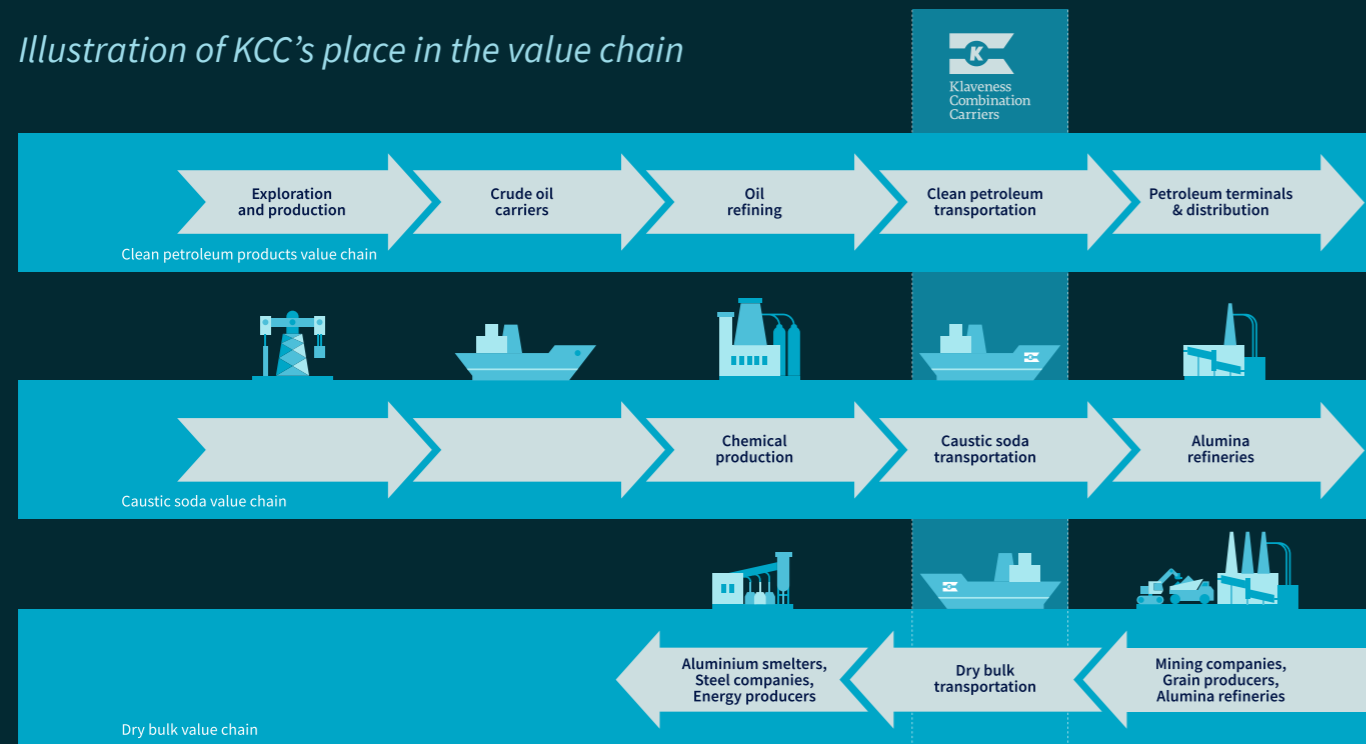
Klaveness Combination Carriers ASA (KCC, Company) is the world leader in combination carriers. The fleet consists of 16 vessels, eight CABU vessels and eight CLEANBU vessels.

The CABU (Caustic Soda-bulk) and CLEANBU (Clean Petroleum Product-bulk) vessels mainly transport Clean Petroleum Products (CPP) or Caustic Soda Solution (CSS)

from refineries and production plants located in Middle East/India, Far East or US Gulf to end users or distributors in Australia and South America, the world's main export hubs of dry bulk commodities. On the return voyage the combination carriers transport dry bulk commodities including alumina, bauxite, grains, salt, iron ore and coal.

KCC strives to solve inefficiencies by consecutively switching between dry and wet cargo shipments with minimum ballast between the laden voyages.

Illustration of KCC's place in the value chain

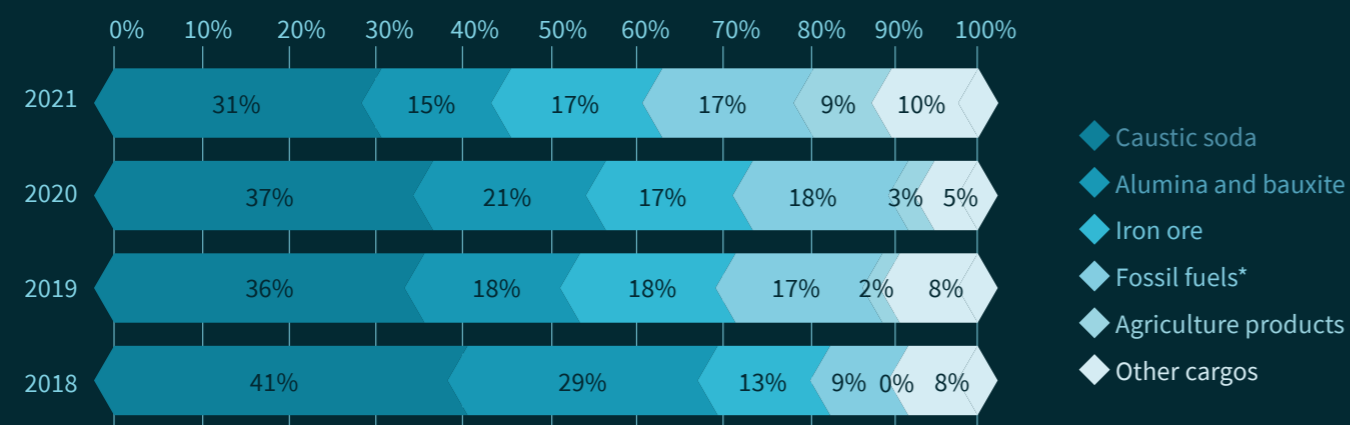


1. Lower carbon emissions: Fuel consumption and hence emissions are 30-40% lower than standard tanker and bulk vessels per ton-mile transported cargo
2. Lower earnings volatility: Diversified market exposure as the vessels transport both dry bulk and tanker products and a positive correlation to bunker prices
3. Premium earnings: Higher asset utilization compared to standard vessels due to two laden legs, giving a higher number of revenue days

The aluminum/alumina industry through the transportation of Caustic Soda Solution (CSS), bauxite and alumina accounted for 46% of KCC's transported volumes in metric tons (MT) in 2021. Iron ore shipments

for mining companies or steel plants accounted for 17% in 2021. KCC had 9 coal shipments in 2021 (7%), and total fossil fuel shipments including coal accounted in total for 17%.

Split of cargoes transported by KCC in 2018 –2021



*Fossil fuels include gasoil, coal, gasoline and jet fuel and other CPP. Naphta and condensate to the petrochemical industry included in other cargo



Future bound



Engebret Dahm

CEO
Klaveness Combination Carriers ASA

The COVID-19 pandemic has continued to have a serious negative impact on the daily life and wellbeing of our crew in 2021. Restrictions on crew changes in KCC's important trading area in Australia and the Far East have been maintained and, in many cases, tightened further during 2021. Extensive testing and long hotel quarantines for on-signers have been necessary to comply with local regulations and as a precautionary step to avoid contamination onboard the fleet. Strict COVID-19 routines onboard and additional quarantine restrictions during operations, including no possibility for shore leave, have added workload and made the work life onboard more monotonous. KCC and its ship manager Klaveness Ship Management AS (KSM) have throughout this difficult time had our crew's wellbeing and safety as our priority number one. Through close co-operation between KSM and KCC, we have succeeded to carry through most crew changes with limited delays through frequently deviating to ports accepting crew change, including Manila Bay. KSM has implemented several initiatives to support the crew in relation to their mental health.

KCC offers today the lowest carbon emission solution in deep-sea dry bulk and product tanker shipping. Customers in KCC's main trades can cut emissions from their ocean freight by 30-40% by just replacing standard vessels with KCC's combination carriers. We in KCC are determined to substantially improve further our carbon efficiency advantage by delivering large reductions in our carbon footprint over the coming years. In 2021 we have advanced well in our work to identify, test and start implementing energy efficiency measures across our fleet. This includes installation of the first Mewis ducts, improving propeller efficiency, which will be installed across KCC's fleet in 2021-2024. This is just the start! Several additional measures will be rolled out over the coming years. To fund this energy efficiency program, KCC successfully raised USD 25 million in equity in November 2021.

KCC is well on track to reach its 2022 ambition for reducing average CO₂ emissions per vessel. The implemented energy efficiency measures and the delivery of three

efficient CLEANBU newbuilds are the main reasons for an about nine percent improvement in average CO₂ emissions per vessel in 2021 compared to 2020. Despite advancing well in optimizing the efficiency of our operation and trading, we can show limited progress in the reported carbon intensity of our fleet in 2021. We have, however, taken several steps during the year which we expect will show results in 2022 including the concentration of our CABU business in efficient trades to and from Australia and the expansion of the combination trading of our new CLEANBU fleet.

We set high standards on how we conduct our business and relate to all our stakeholders. Being a trusted and responsible corporate citizen is key to attract and keep talent, and to build and maintain a strong relationship with customers, equity and debt investors and other stakeholders.

Ensuring high level of corporate governance secures predictability and transparency for all stakeholders. Environment, social and governance (ESG) are therefore central in our strategy. We are committed to transparency and information sharing with respect to our ESG performance and we report on a quarterly basis and in this annual sustainability report on a number of KPIs relating to ESG. We believe long term success requires willingness to take serious action and being at the forefront when it comes to ESG challenges and opportunities. **We are future bound!**

2021 in brief

Environmental performance

<p>Carbon intensity</p> <p>EEOI 7.4</p> <p>0% Y-o-Y</p>	<p>CO₂ / vessel</p> <p>18,800 tons</p> <p>-9% Y-o-Y</p>	<ul style="list-style-type: none"> Sustainability-linked COA signed USD 25 million equity issued to fund energy efficiency initiatives Sustainability-linked bank facility signed 	<p>Score: B</p>
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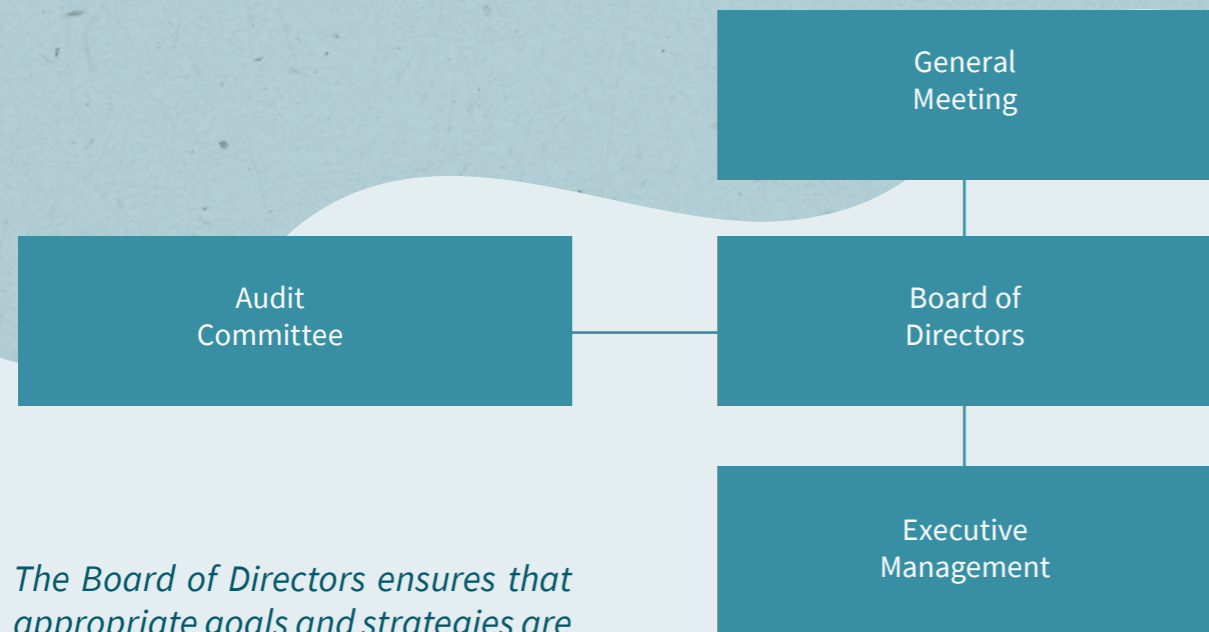
Social performance

<p>LTIF 0.6</p> <p>-76% Y-o-Y Target < 1</p>	<p>0</p> <p>COVID-19 infections on-board</p>	<p>Average high-risk SIRE observations</p> <p>1.9</p> <p>0% Y-o-Y Target < 2</p>
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Governance performance

<p>26</p> <p>Demands for and avoided facilitation payments</p>	<p>0</p> <p>confirmed incidents of corruption</p>	<p>Online whistleblowing channel launched, open for external parties</p>
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➤ Governance and reporting



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.

Management approach

Sustainability is an integral part of KCC's overall strategy and all business activities from daily operations to discussions and decisions made on Board level. 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 Board of Directors considers sustainability-related issues when reviewing and guiding KCC's strategy and business plans, action plans and major capital expenditures. Moreover, the Board of Directors considers sustainability-related issues in the monitoring, implementation, and performance of strategic objectives. The five-years strategy plan for 2021-2025 was resolved by the Board of Directors in November 2020. Some of the main building blocks in this strategy period are risks and opportunities related to decarbonization. KCC has as well an Environmental Policy and Strategy for the period 2020-2050, including short- and long-term ambitions approved by the Board of Directors in January 2020.

Key performance indicators (KPIs) have been defined for material sustainability topics. Ambitions, performance and action plans are reviewed and reported to the Management team and to the Board of Directors and sustainability topics are assessed and monitored as part of the Company's overall risk review which is discussed with the Audit Committee and the Board of Directors every quarter.

The Audit Committee (AC) has increased its focus on non-financial reporting. It ensures that objectives, metrics and policies related to ESG are appropriate, reported transparently and reviewed regularly in line with statutory requirements.

Further information on corporate governance can be found in the Board of Directors' Corporate Governance Report for 2021 and on KCC's website.

The below table is an overview of governance for climate-related risks and opportunities in line with the TCFD requirements.

Governance description	
Board of Directors (BoD)	<ul style="list-style-type: none"> Review, discusses with management, and approves the strategy and business plans including ESG topics and management of climate-related risks and opportunities Reviews, approves, and monitors specific short-term goals and ambitions and monitors implementation and performance of objectives including climate-related ambitions and targets Approves and oversees the environment policy and strategy Approves the risk management policy
Audit Committee of the BoD	<ul style="list-style-type: none"> Monitors and oversees the risk management policy and framework Discusses with management the quarterly risk review, including climate-related risks Together with the administration plans and follow-up internal audits, including audit of environmental KPIs and other climate-related reporting
Chief Executive Officer	<ul style="list-style-type: none"> Main responsible for developing and implementing the general strategy and the environmental policy and strategy Main responsible for managing climate-related risks and opportunities and reporting these to the Board of Directors Main responsible for making sure the service providers (with focus on ship management, commercial operations, and project development) adapts relevant targets and ambitions
Chief Financial Officer	<ul style="list-style-type: none"> Main responsible for risk review framework and policy, performing risk reviews and for establishing mitigation plans, including for climate-related risks and opportunities

Reporting standards

The 2021 sustainability report is aligned with the Global Reporting Initiative Standards (GRI) Core option and the Task Force on Climate-related Financial Disclosures (TCFD). For 2021 the TCFD has been incorporated into the sustainability report and some information has been published on the company website (see summary of ESG resources on page 20). Reference to relevant UN Sustainable Development Goals (SDGs) is included as well.

Third party verification

EY has for 2021 provided an independent limited assurance report on the environmental key performance indicators (KPIs) and the Carbon Accounts (in line with the GHG Protocol). The auditor's report is included at the back of this report.

➤ Sustainability priorities

This report highlights KCC’s 2021 Environmental, Social and Governance related activities and performance, and outlines ambitions and plans related to sustainability. The report focuses on the most significant topics, while additional topics are covered on page 20 in the report.

Stakeholder engagement

Priorities in this report are identified based on stakeholder expectations, significant impacts, and internal strategic priorities. It is important for KCC to be transparent and build trust with its stakeholders. Continuous learning and improving are key to KCC, hence having an open dialogue with main stakeholders is fundamental. Six stakeholder groups are prioritized when establishing our material ESG issues: customers, suppliers, investors, financing partners, regulators and employees/crew.

Stakeholder expectations are mapped through a combination of inquiries and dialogues with our stakeholders (e.g. customers and employees) as part of daily business and feedback received at corporate level through dialogues with investors, regulators, and finance institutions. News about future regulations are as well important input. More information about stakeholders and stakeholder engage-

ment can be found on www.combinationcarriers.com. KCC’s stakeholders are particularly concerned about emissions, anti-corruption and business ethics, safety, ship recycling and crew welfare.

Materiality assessments

KCC applies the principle of double materiality in determining how sustainability issues may constitute responsibilities or risks, enabling KCC to understand and report those issues where KCC has significant responsibility to mitigate potential negative impact on society or to the environment and where issues may pose significant risk to the business.

The different sustainability topics were ranked in terms of impact to the market, environment and people (outwards) and financial materiality in influencing business value (inwards).

IMPACT ON SOCIETY AND THE ENVIRONMENT	<ul style="list-style-type: none"> • Labor, Human Rights and working conditions in the supply chain • Diversity and equal opportunities 	<ul style="list-style-type: none"> • Emissions reductions • Health and safety of crew and vessels • Avoid spills to environment • Anti-corruption and business ethics
	<ul style="list-style-type: none"> • Prevention of and preparedness for serious vessel accidents • Reduction of waste from vessels 	<ul style="list-style-type: none"> • Responsible ship recycling
	<ul style="list-style-type: none"> • Human capital development 	<ul style="list-style-type: none"> • Quality of service and operations • Accountability and transparency • Cyber security
	IMPACT ON ENTERPRISE VALUE	

Low carbon future

Decarbonization is the main task of our generation



We aim to be a driver in the transition towards low carbon shipping through improving efficiency of our own fleet, testing and implementing new solutions and close co-operations with customers, suppliers and other stakeholder.

Area of focus

- Emission reductions from our vessels

Always safe and secure

Safety is priority number one



Our goal is that no one shall be injured doing work for Klaveness. Everyday we work to improve our safety performance, believing that operational accidents are preventable.

Area of focus

- Crew health and safety
- Vessel safety
- Spills to the environment
- Human capital development

Trusted and responsible partner

We set high standards on how we conduct our business



We strive to have a high level of corporate governance securing predictability and transparency for all stakeholders.

Area of focus

- Anti-corruption and business ethics
- Responsible ship recycling

Relevant sustainability development goals



➤ Main Environmental priority - Low Carbon future

Climate-related risks

Climate-related issues have been high on the agenda in KCC for several years and have been incorporated in strategy processes and business planning, as well as in daily operations and stakeholder dialogues. Management of climate-related risks is part of KCC's risk management framework and follows the same governance as KCC's general risk assessment. The risk assessment is based on an impact and probability matrix, potential mitigating actions are outlined for the main risks, and risks are discussed by the Management and the Board of Directors on a quarterly basis.

KCC's main climate-related risks and opportunities with a potential material financial impact are summarized in the table below. KCC's assessment is that the three main risks are transition risks related to decarbonization and that physical risks have a lower impact on KCC's activities. For more information related to the risk assessment and additional risks, see the full TCFD risk assessment on KCC's website.



Risk type	Climate-related risks and potential financial impact
 Technology	<p>There is currently high uncertainty related to future propulsion technology and fuels to fully decarbonize deep-sea shipping.</p> <p>Potential financial impact:</p> <ul style="list-style-type: none"> - Existing vessels might be outdated prior to the expected life of the vessel resulting in recycling and hence write-downs - Existing vessels might become less competitive, which might impact revenue negatively - Lack of access to capital if existing fleet is out of favor - Higher capital expenditures in relation to retrofit or new vessel investments <p>KCC impact example:</p> <p>The impairment risk related to KCC's remaining five first generation, CABU I vessels built 2001-2007, which will be recycled in the period 2026-2032 is limited as the vessel values of these vessels have been depreciated over many years. The impairment risk is mainly linked to KCC's 11 vessels built 2016-2021 for which new propulsion technology might lead to lower vessel values and impairment in the longer term (10 years +) when new technology matures. The financial impact of write-downs if the vessels become outdated five years prior to expected life is approximately USD 10 million per vessel.</p> <p>The emergence of zero-emitting vessels might over time result in a two-tier market, negatively impacting earning for KCC's vessels consuming fossil fuels.</p>
 Market	<p>Demand for fossil fuels and hence demand for transportation of fossil fuels will decrease over the next decades.</p> <p>Potential financial impact:</p> <ul style="list-style-type: none"> - New trade flows and changes in existing trade flows might affect the combination trading pattern and revenue - Decarbonization may negatively impact supply-demand balance in both the dry bulk and tanker markets resulting in more vessels competing for lower freight volumes or different types of cargo and freight rates might deteriorate and revenue decrease - Vessels might be unfit for service and hence might need to be recycled resulting in write-downs <p>KCC impact example:</p> <p>Loss of 50% of the transported volume of fossil fuels imply approximately 35% lower combination trading for the CLEANBU vessels, estimated to impact the revenue by approximately USD 7 million per annum based on 2021 numbers.</p>
 Policy and legal	<ul style="list-style-type: none"> - Introduction of new regulations such as the EU Taxonomy and initiatives as the Poseidon Principles might impact the access to and pricing of capital - New IMO regulations may require investments in retrofit/ upgrading to reach compliance <p>KCC impact example:</p> <p>KCC believes that access to funding will be available also in the future, but these funding sources might become more expensive. The financial impact for KCC if cost of debt funding increases by 2%-points is an increase of approximately USD 7 million in interest cost per annum based on gross interest bearing debt per end of 2021.</p>

KCC has not identified any non-compliance with environmental laws and/or regulations in 2021.

Strategy and climate-related opportunities

KCC published in January 2020 its Environmental Policy and Strategy for the period 2020-2050 which includes KCC’s ambitions related to reduction in emissions and waste as well as ambitions on customer co-operation and development of a zero-emission vessel.

The way forward

Carbon intensity targets		2020		2022		2030		2050	
CO ₂ emission reduction targets	Reaching IMO 2030 target of 40% reduction in carbon intensity relative to standard vessel 2018 performance	25% reduction in our Energy Efficiency Operational Indicator (EEOI) vs. actual 2018		Exceeding IMO 2030 target of 40% reduction in carbon intensity (EEOI) relative to our combination carrier fleet’s performance in 2018		Reaching 70% improvement in carbon intensity vs. 2018 actual			
		Reduce average CO ₂ emissions per vessel by 15% vs. actual 2018		Achieve carbon neutral operations		Contracting first zero-emission vessel		Exceeding the IMO target 50% reduction in total emissions vs. 2018 with ambition to reach a zero-emission operation within 2050	

KCC’s decarbonization targets for 2022 are a 15% reduction in average CO₂ emission per vessel and a 25% reduction in the carbon intensity of KCC’s fleet (EEOI) relative to KCC’s actual performance in 2018. The carbon intensity requirement implies a 40% reduction compared to the tracked performance of competing standard vessels in KCC’s trades in 2018. 2018 has been chosen as a reference year instead of IMO’s reference year of 2008 due to easier availability of data for the fleet and for competing standard vessels. Due to large speed reduction and corresponding reduction of CO₂ emission of the world fleet from 2008 to 2018, KCC’s 2022 targets based on 2018 figures substantially exceed IMO’s 2030 targets based on 2008 figures.

Decarbonization of the shipping industry is both a risk and an opportunity. KCC has a strong starting point with 30-40% lower emissions per transport work compared to standard vessels in the same trade patterns. However, KCC targets to continue being in lead in decarbonizing the industry and strengthen its competitive advantage as this advantage likely will be even more important when emission regulations are implemented, and customers’ requirements are becoming stricter. KCC has identified the following main climate-risk related opportunities based on the TCFD.

Opportunity type	Climate-related opportunities	Potential financial impact
Resource efficiency	Efficient combination trading and voyage execution	<p>Carbon emissions are high on the agenda for many of KCC’s stakeholders and solving the large inefficiencies in deep-sea shipping is essential for the shipping industry to reach its decarbonization ambitions. KCC evaluates this as an opportunity as KCC’s combination carriers consecutively switch between dry and wet cargo shipments with minimum ballast between the laden voyages, a competitive advantage for KCC. By further improving the trading patterns and the execution of the performed voyage, KCC’s competitive advantage improves further. If customers are willing to pay for the reduced emissions, the earnings improve further.</p> <p>KCC financial impact example:</p> <p>By improving the combination trading from 68% (2021 actual) to 78%, the impact on revenue in 2021 is estimated to be approximately USD 3 million. In 2021, KCC had 5,500 on-hire days for the CABU and CLEANBU fleet. Average earnings in combination pattern (dry leg + wet leg) are estimated at approx. 26,000 \$/d, which is 5,000 \$/d above earnings of trading as a standard vessel (5,000 \$/d x 550 days (10 %) = USD 2.8 million). This would be higher with a full fleet on water for the entire year.</p>
Resilience	Carbon pricing	<p>KCC’s combination carriers have a lower exposure to carbon taxes as the vessels have substantially lower carbon emission levels than competing standard vessels for the same transport work mainly due to considerably less ballast. For example, in a round voyage with naphtha from Europe to Brazil and iron ore on the return leg to Europe the CLEANBUs have around 35% lower CO₂ emissions than standard LR1 tanker and Kamsarmax bulkers doing the same transportation work. The standard vessel either ballast into Europe or have long ballast before loading the cargo to Europe, while the KCC combination carriers are laden both in and out of Europe.</p> <p>KCC financial impact example:</p> <p>In an example with a round voyage with naphtha from Europe to Brazil and iron ore on the return leg to Europe and assuming both shipments in and out of EU are taxed in line with the EU ETS (50% for voyages in and out of EU fully implemented 2026), a KCC combination carrier would have USD 112,000 lower carbon tax relative to the total for the LR1 tanker and the Kamsarmax bulker based on a cost of €84 per metric ton (EUA price average 1 Jan-15 March 2022). Measured in TCE-earnings per day for the CLEANBU vessels, the carbon tax difference implies around 1,900 \$/d higher earnings on voyage basis. Based on an example where KCC employs two of eight CLEANBU vessels in trades subject to carbon taxes and assuming the same price of €84 per metric ton, the impact on revenue in 2021 would be USD 1.4 million. If carbon taxes are implemented on a global basis with payment for 100% of emissions, the effect on earnings will be 4,000 \$/d which for all 16 vessels would equate to approx. USD 24 million per year.</p>
Products, services	Shift in consumer preferences	<p>As fossil fuels are being phased out over time, there will likely be demand for transportation of new types of cargoes, one example being Australian mined spodumene used in the production of lithium hydroxide for lithium batteries, to date mainly produced in the Far East. Australia is now establishing its own lithium refinery industry which are expected to increase imports of caustic soda for refining spodumene to lithium hydroxide, increasing demand for transportation in one of KCC’s main trade.</p> <p>KCC financial impact example:</p> <p>KCC is less dependent on transportation of hydrocarbons than its competitors (estimated to be around 25% of transported volume after delivery of all CLEANBU newbuilds), and KCC’s ambition is to increase transportation of non-fossil cargoes. Coal accounts for around 40-50% of the total cargo volume transported by Panamax/Kamsarmax dry bulk vessels while LR1 tankers are employed close to 100% in transportation of clean petroleum products. Of total volumes transported by KCC in 2021, 17% were fossil fuels. As a rough calculation, assuming that 10%-points of this in the future will be substituted with non-fossil cargoes and that these 10%-points equals 10% of revenue in 2021, the financial impact is estimated to be USD 12 million. Please be aware that transportation of clean petroleum products accounted for a lower share of total net revenues than its share of total cargo volume transported in 2021. Please also be aware that earnings in the shipping segments are very volatile.</p>

How to reach the ambitions

KCC has divided its decarbonization initiatives into the following categories.

Improve trading efficiency. Through the three initiatives below KCC aims at utilizing the capabilities of its vessels:

- Maximize fleet capacity employed in dry bulk-tanker combination trades where the cargoes are combined with limited ballast in between discharge and load ports
- Optimize each of the combination trades by identifying and selecting shipments with port combinations with minimal ballast distance in between the last discharge port and subsequent loading port
- Work with customers to maximize the efficiency of each shipment including maximizing cargo intake, port turnaround, voyage and fleet planning and efforts on minimizing waiting time

2022 ambition >85% of fleet capacity in combination trades

2022 ambition <13.5% of fleet on-hire days in ballast

Improve operational efficiency through the following initiatives:

- Installation of systems to assist the crew to secure the vessels maintaining an optimal trim and the main engines running on a constant load during the sea passage
- Better weather routing based on advanced algorithms optimized for each individual vessel
- Strengthen the crew’s awareness and understanding of KCC’s ambitions and how to reach them through an efficient co-operation between ships and shore

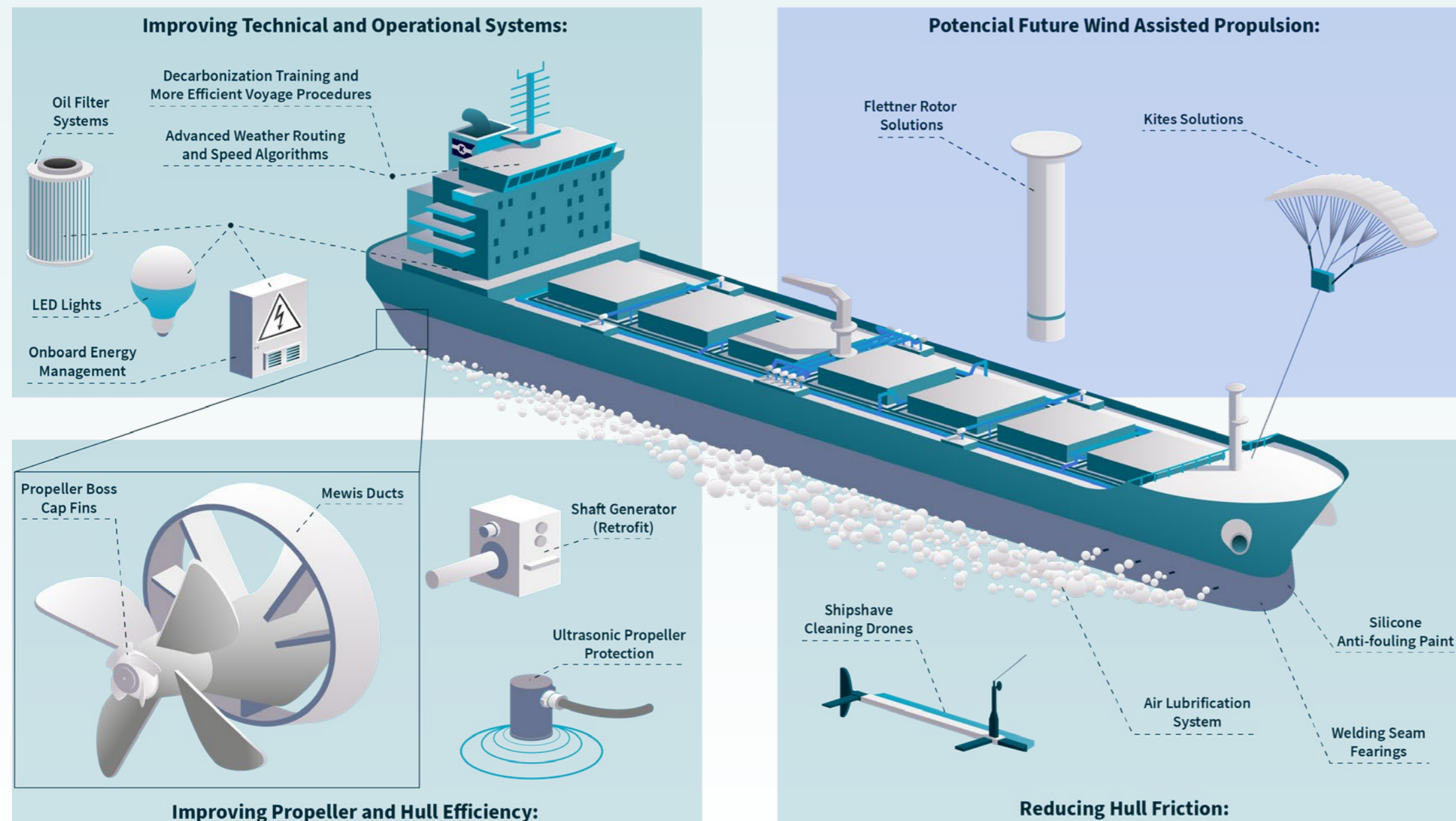
2022 ambition ~5% Average reduction in emissions/vessel-year 2018-2022

Implement technical energy-efficiency measures on the existing fleet divided into the following categories:

- Measures to reduce hull friction during sea passage including advanced silicone antifouling, close performance monitoring and implementation of hull cleaning by divers in port and use of semi-autonomous cleaning robots to minimize marine growth of the vessels’ hull
- KCC targets to install air lubrication systems on two vessels in 2023, reducing the frictional resistance through creating a carpet of bubbles coating the full flat bottom of the vessels. KCC has options and the intention to install this system on all its 2016-2021 built vessel during the period 2024-2025, pending successful testing of the installation on the first two vessels
- Measures which improve the efficiency of the propeller and hull including Mewis ducts built to optimize the flow into the propeller while producing net forward thrust, ultrasonic propeller protection eliminating marine growth on the vessels’ propeller and installation of propeller boss cap fins on the remaining vessels to reduce propeller vortex and drag
- Measures to improve the efficiency of the vessels technical and operational systems, including a targeted retrofit of shaft generators on two vessels in 2023, additional retrofit of variable frequency drives and installation of LED lighting on the most energy consuming parts of the vessels’ lighting

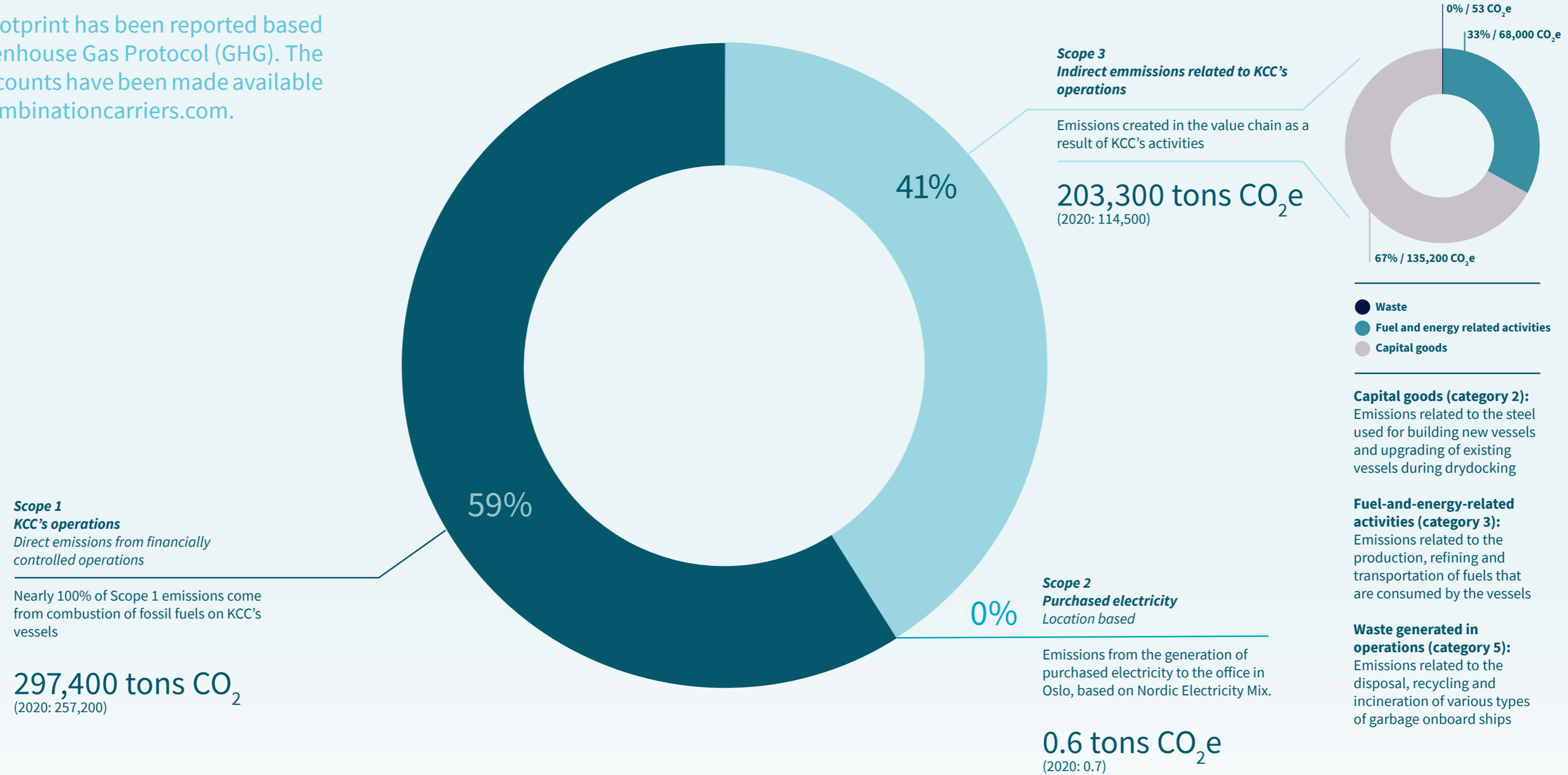
The Company raised USD 25 million in equity in November 2021 dedicated to fund energy efficiency investments on the vessels. In parallel with costly and complex measures as the installation of the air lubrication system and shaft generator approved by the Board of Directors for two vessels in March 2022, the Board has given the management a mandate to invest up to USD 2.5 million per year in energy efficiency improvement initiatives.

2022 ambition ~10% Average reduction in emissions/vessel-year 2018-2022 + **additional cuts towards 2030**



Total greenhouse gas emissions

The GHG footprint has been reported based on the Greenhouse Gas Protocol (GHG). The full GHG accounts have been made available on www.combinationcarriers.com.



Scope 1
KCC's operations
Direct emissions from financially controlled operations

Nearly 100% of Scope 1 emissions come from combustion of fossil fuels on KCC's vessels

297,400 tons CO₂e
(2020: 257,200)

Scope 2
Purchased electricity
Location based

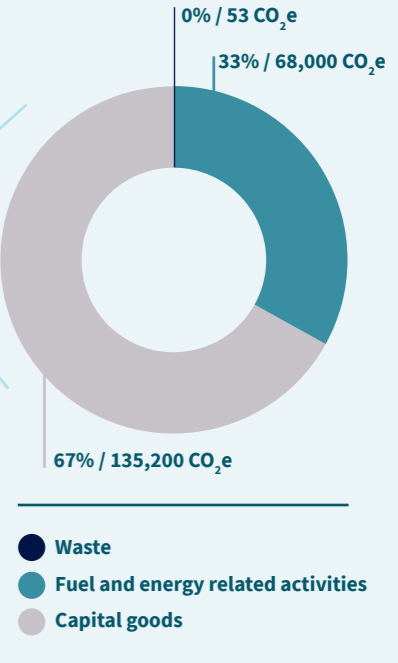
Emissions from the generation of purchased electricity to the office in Oslo, based on Nordic Electricity Mix.

0.6 tons CO₂e
(2020: 0.7)

Scope 3
Indirect emissions related to KCC's operations

Emissions created in the value chain as a result of KCC's activities

203,300 tons CO₂e
(2020: 114,500)



Capital goods (category 2):
Emissions related to the steel used for building new vessels and upgrading of existing vessels during drydocking

Fuel-and-energy-related activities (category 3):
Emissions related to the production, refining and transportation of fuels that are consumed by the vessels

Waste generated in operations (category 5):
Emissions related to the disposal, recycling and incineration of various types of garbage onboard ships

KCC took delivery of three CLEANBU newbuilds in 2021, increasing the fleet from 14 to 17 vessels by mid-2021 and hence resulting in increased Scope 1 emissions compared to 2020. KCC sold the vessel MV Banasol in December 2021, making only a minor impact on the overall annual emissions.

Scope 3 emissions almost doubled in 2021 from 2020, as the scope was expanded to include the CO₂-emissions related to well-to-tank (WTT) emissions of the fossil fuel combusted on the full fleet, CO₂ footprint of steel used for three new vessels as well as repair work on two existing vessels and waste generated onboard.

Scope 2 emissions related to electricity consumed in office building were somewhat reduced due to the pandemic, but this had negligible effect on the overall GHG emissions.

Carbon intensity (EEOI)

Ambition

• KCC aims at meeting IMO's 2030 target of a 40% reduction in carbon intensity per transported ton-mile within 2022. KCC's ambition is improved carbon intensity by 25 % compared to its actual 2018 performance and 40% relative to tracked performance of competing standard vessels in KCC's trades in 2018

• KCC aims at exceeding IMO's 2030 target by continuously improving its carbon intensity and move closer to the IMO 2050 target of a 70% reduction in carbon intensity relative to 2008

The underlying ambitions are among others: i) Achieve 85% of on-hire days for the fleet in combination trades in 2022 and 90% over time, ii) Reduce ballast days as share of total on-hire days to below 13.5% in 2022 and 7.5% over time, and iii) Improve absolute fuel consumption of the vessels.

Performance 2021

The carbon intensity is measured as CO₂-emissions per ton of transported cargo per nautical mile (EEOI). This metric states the strong energy efficiency for KCC's combination carriers as the vessels have substantially lower ballast than standard vessels. However, as the fleet is relatively small, the reported EEOI is sensitive to periods of non-optimal trading, e.g. when trading a vessel as a standard vessel with ballast in line with standard vessels or when positioning one or more vessels to docking leading to longer ballast voyages. These variations are evident in historic numbers but will most likely become more stable as the CLEANBU newbuilding program was completed in 2021.

KCC's EEOI for 2021 remained unchanged from 2020, at 7.4, which is above the trajectory to reach the 2022 EEOI target. The CABU II fleet had a 50% increase in the time spent in ballast condition due to increasing COVID-19 related congestion and operational restrictions during second half of 2021. With increasing port delays, especially CABU II vessels were replaced by CLEANBU vessels in the caustic soda service to KCC's Australian alumina refinery customers and traded instead as standard dry bulk vessels offering substantially lower trading efficiency and higher ballast. This directly affected the EEOI negatively as no transport work is conducted when vessels are sailing in ballast. However, both the CABU I fleet and the CLEANBU fleet achieved an improved EEOI compared to 2020, partly due to improved performance following drydockings and newbuild deliveries, but also because of an increase in the distance sailed, increase in average cargo weight and increased combination trading for the CLEANBU fleet.

KCC is taking active steps to further improve trading efficiency of its fleet. From May 2022, the trading of the CABU fleet will be concentrated in trades to/from Australia after terminating its service between Brazil and US Gulf in early 2022. The Australian CABU trades offer the ultimate trading efficiency with ballast limited to average around 10%.

The trading efficiency of the CLEANBU vessels has also improved during second half of 2021 and early 2022 after getting most of the fleet into efficient combination trade. As an effect, the percent of days in ballast for the CLEANBU fleet was down from 26% to 13% from first half to second half of 2021.

Average CO₂ emissions per vessel year

Ambition

• KCC aims at reducing average CO₂ emissions per vessel by 15% in 2022 to 17,700 mt vs actual 2018

• KCC aims at achieving carbon neutral operations and contracting the first zero-emission vessel within 2030

• KCC aims at exceeding the IMO target of 50% reduction in total emissions in 2050 vs 2018, with an ambition to reach zero-emission operations within 2050

The targeted reduction in CO₂ emissions may be achieved partly by improving the energy efficiency of the fleet, partly through improving the operational efficiency and partly through burning fuels with lower carbon footprint.

Performance 2021

The actual CO₂ emissions of the KCC fleet are expressed as an average of all the vessels' emissions divided by vessel-years, excluding only the time the vessel is still in drydock.

The average CO₂ emissions per vessel-year for the KCC fleet decreased to 18,800 tons CO₂ in 2021 from 20,700 tons CO₂ in 2020, a reduction of approximately 9%. This reduction is mainly due to the improved technical performance of the KCC fleet. KCC took delivery of three new energy efficient CLEANBU vessels in 2021, as well as drydocking of four CABU vessels. During drydocking the vessels were recoated with top grade silicone anti-fouling coating and they had several energy saving devices installed, such as ultrasound fouling protection, LED lights to replace older flood lights, Mewis ducts and new oil filter

systems. KCC also pioneered welding seam fearing on two vessels, to further smoothen the hull resistance from uneven welding seams on the hull. The vessel MV Bakkedal was the worst performer in 2021, suffering from an old and worn hull coating due to a long drydocking interval. She will enter drydock in the middle of 2022 where she will be equipped with all the suitable fuel saving initiatives discovered by KCC so far and pioneer a stable engine load management system for her main engine while sailing. All these efforts lead to an expected 25% improvement in CO₂ performance. She will in the future have twice as frequent drydocking intervals, safeguarding her hull coating condition and her fuel efficiency.

Like MV Bakkedal, also the CABU II fleet was negatively influencing the overall CO₂ performance of the full fleet in 2021 due to a long drydocking interval and poor hull condition. Two CABU II vessel were dry-docked during second half of 2021 with similar energy efficiency measures implemented and installed as for the CABU I fleet, which will result in significant reduction in CO₂ emissions for 2022 from this class of vessels as well. The third and last CABU II vessel will make a short and limited scope drydocking in second quarter of 2022 in preparation of a more extensive drydocking during first half 2023. During this docking on MV Ballard, KCC targets to install an air lubrication system and a shaft generator in addition to the above-mentioned energy efficiency measures which in total is targeted to achieve more than 30% improvement in CO₂ performance of this vessel compared to its 2021 performance.

Ambitions and performance

2021 Actual	CABU Mark I	CABU Mark II	CABU Total	CLEANBU	KCC fleet
EEOI ¹	8.0	7.7	7.9	6.9	7.4
Average CO ₂ emissions per vessel ²	18 700	19 900	19 100	18 500	18 800
% in combination trade ³	67%	74%	69 %	66%	68%
Ballast days in % of on-hire days ⁴	16%	15%	16%	18%	17%

	2021	2020	2019	2018	Benchmark 2021 ⁵	Change in % from 2018	Target 2022 ⁶
EEOI ¹	7.4	7.4	7.9	7.6	9.8	- 3.1 %	<5.8
Average CO ₂ emissions per vessel ²	18 800	20 700	19 900	20 800	n.a.	- 9.6 %	<17 700
% in combination trade ³	68 %	77%	73%	81%	n.a.	- 16.0 %	>85%
Ballast days in % of on-hire days ⁴	17%	15%	13%	9%	31%	88.9 %	<13.5%

Footnotes:

⁶ In the Environmental Strategy published in January 2020, the ambition for % in combination trade was 90% and % in ballast 7.5%. This is still the longer-term ambition, but the 2022 ambition has been revised as per table.

Footnotes:

¹ EEOI (Energy Efficiency Operational Index) is defined by IMO and represents grams CO₂ emitted per transported ton cargo per nautical mile for a period of time (both fuel consumption at sea and in port included).

² Average CO₂ emissions per vessel = total CO₂ emissions in metric tons/vessel years. Vessel years = days available – off-hire days at yard. When new vessels are delivered to the fleet, the vessel years are calculated from the date the vessel is delivered.

³ % of days in combination trades = number of days in combination trades as a percentage of total on-hire days. A combination trade starts with wet cargo (usually caustic soda or clean petroleum products), followed by a dry bulk cargo. A combination trade is one which a standard tanker or dry bulk vessel cannot perform. The KPI is a measure of KCC's ability to operate our combination carriers in trades with efficient and consecutive combination of wet and dry cargos versus trading as a standard tanker or dry bulk vessel. There are two exceptions to the main rule where the trade is considered to be a combination trade: Firstly, in some rare instances a tanker cargo is fixed instead of a dry bulk cargo out of the dry bulk exporting region where KCC usually transports dry bulk commodities. E.g. the vessel transports clean petroleum products to Argentina followed by a veg oil cargo instead of a grain cargo on the return leg. Secondly, triangulation trading which combines two tanker voyages followed by a dry bulk voyage with minimum ballast in between the three voyages (e.g. CPP Middle East-Far East + CPP Far East Australia + Dry bulk Australia-Middle East) are also considered combination trade. The KPI has been changed with effect from 1 January 2021 and 2020 figures have been adjusted. Previously the definition of a combination trade was based on the main trading patterns and contract of affreightment portfolio (CABU trades Far East/Middle East – Australia and US Gulf-Brazil. CLEANBU trade Middle East/India-South America). KPI for 2018 and 2019 is based on old definition. The CLEANBU segment has been established and the CABU business has developed, hence the updated definition better reflects how often KCC succeeds to combine wet and dry cargo.

⁴ Ballast in % of on-hire days = Number of days in ballast / number of on-hire days. Ballast days when the vessel is off-hire are not included.

⁵ Benchmark: The EEOI and % ballast for "Benchmark standard vessels" are calculated based on standard vessels (Panamax/Kamsarmax dry bulk vessels, MR-tankers and LR1-tankers) making the same transportation work in the same trades as performed by KCC's CABU and CLEANBU vessels. The EEOI for "Benchmark standard vessels" is calculated as the weighted average of EEOI for the individual trades performed. There is a degree of uncertainty related to the benchmark values as these are estimated using data from Baltic Exchange and AXS Marine.

How KCC is impacted by new regulations

IMO regulations (EEXI/EEDI and CII)

IMO's MEPC approved in June 2021 its short-term measures consisting of two main measures which will come into effect from January 2023.

The EEXI regulation sets a minimum requirement to the energy efficiency of the design of all vessels in line with the Phase 2 EEDI requirements applicable for newbuilds. The current EEXI-Score of the CLEANBU vessels' design is considerably below the EEXI requirements (-11%) while the CABU II vessels' design currently scores marginally above the EEXI requirements (+2%). The preliminary EEXI score of the design of the five CABU I vessels built 2001-2007, calculated by DNV, suggests an EEXI score being around 13% above the set minimum requirements.

KCC is in co-operation with DNV working to include the effect of initiated energy efficiency measures into the current EEXI calculations by conducting ship model tests. This includes effects of the installation of Mewis ducts which will be installed on five of the current fleet of 16 vessels by the end of 2022. KCC will make additional model

tests to include the effect of new measures into the EEXI calculations, like the targeted installations of an air lubrication system and a shaft generator in 2023. This shall ensure that the eleven vessels built 2016-2021 (three CABU II and eight CLEANBU) will fully comply with 2023 EEXI-requirements and are expected to comply with likely tightening of this regulation going forward. The five CABU I vessels will, however, in addition to the energy efficiency measures likely need to adopt a power limitation to comply with the new regulation. The necessary exact power limitation and the effect on maximum speed will be established after completing the ongoing ship model tests within the mid-2022. The operational impact is however expected to be limited as the fleet rarely operate at maximum load on the main engine

The Carbon Intensity Indicator (CII) regulations will set minimum requirements to operational efficiency of the vessels. Vessels will be allocated an annual CII-rating on a scale A-E (where A is best, and E is inferior) based on actual performance reported through IMO's DCS system. The

rating thresholds will become increasingly stringent towards 2030 and vessels with rating of D and E will need to present a corrective action plan for reaching a C rating or better to be approved by the flag state.

The IMO approved CII metric fails to include key factors for the carbon efficiency of transportation work like the quantity of cargo transported and the fuel consumption of the ballast voyage. Based on the approved CII-regulations, shipping solutions with superior trading efficiency like KCC's combination carrier will actually be penalized.

Despite these serious flaws of IMO's CII regulations, KCC expects the whole fleet to have a CII-score of C or better in 2023 and the subsequent years. Based on calculations of the KCC-fleet's actual 2021 CII performance, eleven vessels would rate A or B, three vessels would rate C and only two vessels would rate below C in 2023. KCC's ongoing initiatives to improve both operational and energy efficiency will likely secure a good margin to the CII minimum requirements.

EU Emission Trading Scheme (EU ETS)

The EU Commission presented in July 2021 a proposal for a gradual inclusion of shipping into EU's ETS in the period 2023-2025. Shipowners will need to surrender emission allowances for part of the carbon emissions of shipments within EU waters and for shipments to and from EU as reported through EU's MRV⁴ system. From 2026, shipowners will surrender emission allowances for 50% of the reported CO₂ emission for voyages in and out of EU.

The proposed EU ETS for shipping, calculates CO₂ emission from a voyage based on the fuel consumption of both the ballast and laden voyages. Due to KCC's superior efficiency, KCC's vessels have substantially lower time in ballast and transport more cargo than the competing standard dry bulk and tanker vessels of similar size, hence KCC's vessels have a much lower fuel consumption and CO₂ emission per ton transported than standard vessels. This implies that KCC will need to buy and surrender substantially less EU emission allowances per mt transported than standard vessels, giving KCC an important competitive advantage in trades to and from EU. This is illustrated in the example on page 8.

Fact box

MEPC = Marine Environment Protection Committee
EEDI = Energy Efficiency Design Index
EEXI = Energy Efficiency Existing Ship Index

EEDI/EEXI is an energy efficiency calculation (CO₂ per nm * DWT) applicable for all vessels by 1 January 2023. The required score depends on type of vessel and DWT. Measures to improve energy efficiency, reduce installed power or a combination of both will for many vessels be required to comply. This is a one-off calculation typically based on sea trial or model tank performance.

CII = Carbon Intensity Indicator

CII is in essence the same as EEDI/EEXI but a dynamic score between A-E, based on the vessels actual CO₂ emissions and distance sailed over a year. Factors such as speed, hull fouling, vessel utilization, weather exposure etc. will influence this score. The initial CII introduced by IMO, AER, is using the vessels fixed DWT as proxy for transport work, and not actual cargo. An alternative CII, EEOI, is based on actual cargo intake, thus promoting more efficient transport work.

EU Taxonomy

The EU taxonomy is a classification system identifying environmentally sustainable economic activities. The aim of the taxonomy includes directing capital flows to sustainable investment, limit market fragmentation in the classification of sustainable activities and increase transparency. The taxonomy regulation states that an activity must make a substantial contribution to at least one of the six environmental objectives set out by the EU: Climate change mitigation, Climate change adaptation, Water and marine resources, Circular economy, Pollution prevention and Biodiversity, while it does not cause significant harm towards the other five objectives and meets minimum social safeguards.

First step is to identify if the activities are eligible in the EU Taxonomy. KCC owns and operates 16 combination carriers that all fall within the category "Sea and coastal freight water transport, vessels for port operations and auxiliary activities", hence the preliminary assessment is that 100% of KCC's economic activity is identified as eligible based on all three performance indicators: Revenue, operating expenses and capital expenditures.

The next step for KCC is to assess if the activities are taxonomy aligned, i.e. the eligible activities meet the technical screening criteria. KCC will assess alignment with the EU taxonomy during 2022.

Footnotes:

⁴ EU.MVR = Measurement, Reporting and Verification system for vessel emissions, applicable for all ships larger than 5000 gross ton calling any EU and EFTA ports. Only applicable for voyages to, within and from an EU and EFTA port. Uses actual cargo volumes carried.

Always safe and secure

Safety is priority number one for KCC and the goal is that no one shall be injured doing work for KCC. There are inherent safety and security risks related to operations at sea. These must always be managed carefully to safeguard crew, vessels, the cargo and the environment.

KCC together with the ship manager, Klaveness Ship Management AS (“KSM”), focuses on further building and developing the safety culture both at sea and on shore. To maintain safe and reliable operations and to foster a strong safety culture KCC and KSM focus on the following mitigating actions and initiatives:

- Deliver by the safety mantra, KLASS (Klaveness Always Safe and Secure), in all parts of our operation
- Enhance safety awareness and risk understanding through training, experience sharing and seminars
- Be a Buddy Policy, growing a positive and respectful work culture
- Develop safety leadership behavior with all roles and ranks using web- seminars, gamified tools and in daily operation (e.g. operational planning meetings, appraisal reports)
- Empower all with the responsibility and obligation to stop work if perceiving an unsafe condition or operation
- High management attention on learnings from SIRE (Ship Inspection Report Program) vetting inspections
- Safety is key in weekly internal newsletters distributed to all employees onshore and ashore
- KPI monitoring shared to all employees ashore and onshore, management and BOD and is used for improving safety
- Improved reporting from the vessels on hazardous situations and work-related hazards
- Investment in high quality safety equipment (e.g. robotic cleaning machines and life-saving equipment) and when necessary, making physical modifications to enhance safety on the vessels
- Investments in digital tools to avoid high risk operation (e.g. remote inspections of cargo holds using 3D camera)



➤ Main Social priority
- Always safe and secure





Safety performance

The main task is to keep the crew safe, and loss of lives are unacceptable. We are not always able to live up to that responsibility and it is with great sadness we report that a deck cadet tragically lost his life after a fall accident on board one of the CLEANBU vessels in 2021. The accident was not associated with high-risk work or tasks and the accident is concluded by flag state, police, and P&I to be due to unfortunate circumstances. Klaveness Ship Management AS commissioned Lloyds Register to carry out an independent accident investigation which has been concluded with some recommendations that were later implemented. Lloyds Register did not find any breach of safety procedures or lack of safety systems.

KCC as well experienced 42 minor injuries in 2021, but no medium injuries. The number of medium injuries were down

from three in 2020 and five in 2019, however our goal is zero, while the number of minor injuries increased from 23 in 2020. Reporting regarding minor injuries is encouraged and hence the increase from 2020 may reflect improved safety awareness. Related to minor injuries, a campaign was launched to increase awareness and promote better housekeeping and stimulate to safer habits in stairs, passing doors and using tools.

Lost Time Injury Frequency (LTIF) for 2021 was 0.6 quite in line with market standard and within the target.

KCC had no navigational incidents or spills to the environment in 2021. One vessel received a fine for violating local regulations for disposal of food waste in the Bohai Sea. All vessels have been subsequently advised about the local regulations in the Bohai Sea.

Health & Safety	2021	2020	2019	2018	Target
Major injuries ⁵	1	0	0	0	0
Medium injuries ⁶	0	3	5	3	0
Minor injuries	42	23	20	18	0
Lost Time Injury (# injuries) ⁷	2	6	7	7	0
Number of hours worked	3.3 mill	2.4 mill	2.2 mill	1.7 mill	
Lost Time Injury Frequency (LTIF) ⁸	0.6	2.5	3.2	4.0	<1
Navigational incidents	0	1	3	0	0
Spills to the environment	-	1	-	-	0

Footnotes:
 5 Major injuries = Fatality or permanent disability preventing return to work
 6 Medium injuries = Medical treatment and repatriation, will return to work
 7 LTI=Injury leading to loss of productive work time

⁸ LTIF per 1 million working hour (no statistics available for 2018). Lost Time Injuries (LTIs) are the sum of fatalities, permanent total disabilities, permanent partial disabilities and lost workday cases. In line with OCIMF (Oil Companies Reporting Guidelines for Oil Companies International Marine Forum).

Crew health during COVID-19

COVID-19 represents an extraordinary health risk for crew. Strict management is put in place to protect the crew from getting the virus from visitors and crew signing on. A COVID-19 Management Plan was implemented in mid-2020 with testing and quarantine requirements. An initiative named Crew Safe to administer the testing and quarantine was later established in collaboration with the Norwegian Shipowners' Association and other Norwegian shipping companies.

The COVID-19 Management Plan proved effective and there were no infections on board any of the KCC vessels in 2021. However, 7.3% of all KSM crew tested positive during quarantine in 2021 and the number increased towards the end of the year after the spread of Omicron, showing that precautions still are needed regarding crew changes and service personnel.

Many countries and ports are still not allowing crew changes. Positive tests are also creating cascading effects

throughout KCC's crew rotation schemes and have made crew changes challenging. Crew contract periods are normally 4-8 months in line with industry standard. Due to the pandemic, it was, and it still is difficult to change crew within the maximum Maritime Labour Convention 2006 contract duration of 12 months. Focus continues to be on repatriating crew at the end of their service period without delays and at year-end 2021 KCC had 13% of crew on extended contracts but none above 12 months.

Crew mental health has been a focus area during the pandemic. KSM has an agreement with ISWAN⁹ providing a Mental Health helpline to onboard crew through e-mail, WhatsApp and chat. KSM has as well entered into agreements with prescription psychiatrists and psychologists in The Philippines and Regina Maria/ATLAS in Romania following up crew and families related to mental health and family crisis. Crew members, both onboard and at home, are together with their families covered by health insurance.

Crew retention and diversity¹⁰

The crew is from the Philippines, Romania, South Africa, Poland and The Czech Republic and the retention rate in the period 2018-2021 was 92-99%, above the target of 90%, securing safe, stable and reliable operations.

Crew recruitment, training and development are performed by partially owned KSM manning agencies in Romania and The Philippines and supported by KSM in Oslo.

Crew statistics	2021	2020	2019	2018	Target
Total workforce at sea	637	890	773	681	n.a.
% female crew	0.6 %	0.4 %	0.4 %	0.6 %	n.a.
# of nationalities	5	5	5	5	n.a.
Retention rate crew	92%	95 %	99 %	98 %	>90 %

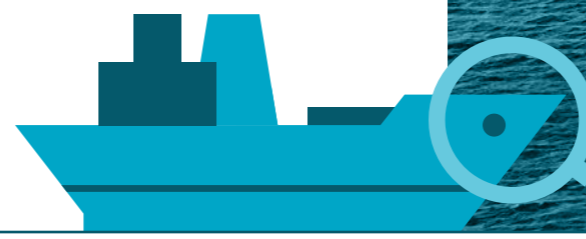
Vetting and port state control

KCC's ambition is to establish a higher safety standard than pure tanker companies. Number of high-risk and avoidable observations from OCIMF¹¹ SIRE (Ship Inspection Report Program) is one key parameter to measure if the ambition is met.

Average number of high-risk observations per inspection from SIRE vettings was in 2021 stable compared to 2020 at 1.9 and better than the 2021 target of 2. The Marine and

Vetting Department in KSM works diligently to learn from every observation received during SIRE vettings and works closely with the crew in identifying and eliminating potential issues and improving further the vetting performance. The fleet experienced no port state control detentions in 2021 and the average number of deficiencies per port state control decreased by 42% but was slightly higher than the target for the year of 0.7

Vetting and port state control	2021	2020	2019	2018	Target
Vetting inspections (SIRE)	31	25	14	12	n.a.
Average number of observations per inspection for the Ship Inspection Report Programme (SIRE) vettings	4.9	4.4	5.5	3.2	n.a.
Average number of high risk ¹² observations per inspection for the Ship Inspection Report Programme (SIRE) vettings	1.9	1.9	2.4	No data	<2 (<3 for 2018-2020)
Port state controls	33	28	20	18	n.a.
Average number of deficiencies per port state control	0.7	1.2	1.0	0.4	<0.5
Port state control detentions	-	1	1	-	0



Footnotes:

⁹ The International Seafarers' Welfare and Assistance Network (ISWAN) is a membership organisation which promotes and supports welfare of seafarers

¹⁰ For diversity related to onshore employees, see note 7 in the Annual Report 2021

¹¹ The Oil Companies International Marine Forum (OCIMF) is a voluntary association of oil companies promoting safe and environmentally responsible transportation of crude oil, oil products, petrochemicals and gas.

¹² High risk observation is an internal definition of a significant legislative, safety or pollution risk

Try a little, learn a lot



Two learning paths were launched in 2021:

Learning path (estimated time used)	Course description	% KCC employees completed course	Target
Foundation (7-10 hours)	Overview of climate change, how shipping is contributing and why this industry is hard to decarbonize	100 %	100 %
Regulatory and frameworks (4-6 hours)	Details related to different regulations, policies and framework agreements targeting to reduce greenhouse gas emissions from shipping, and how/when these will affect the industry	54 %	100 %

The Klaveness Compliance program

The purpose of the compliance program is to ensure that the organization acts within all relevant rules and regulations, and in accordance with Klaveness Code of Conduct and other related policies. Compliance is the

cornerstone of KCC's business and the training program has been designed to address the importance of compliance, and build awareness both to the relevant legal requirements and to internal policies.

Training and education on shore

KCC strives to build a culture that embraces development and create trust, a culture where every employee can take out their full potential. The Company wants its employees to grow and develop continuously.

Decarbonization by Klaveness Academy

Decarbonization is a question of technology options, and a question of priorities and regulatory frameworks. KCC believes that knowledge of trends, organizations and processes that are involved in decarbonizing shipping will enable employees to be even more informed discussion partners for clients and other stakeholders. To meet this ambition, Klaveness Academy designed a decarbonization learning program for onshore personnel. The program raises the general knowledge of employees on decarbonization in practice, build understanding of how KCC and the industry will be affected, and aims to inspire employees to contribute with ideas on how to develop solutions.



Training programs in 2021	Course description	% KCC employees completed course	Target
IT acceptable use	The course raises awareness about cyber-threats and how to detect and report. It describes what is considered acceptable use of company provided IT equipment and what you can do to become a cyber-smart employee and colleague.	100 %	100 %
Handling of inside information	Training in routines and guidelines to secure handling of inside information based on the rules applicable for listed companies.	100 %	100 %
Know Your Counterparty Procedures (KYC)	Training in how the Company on-boards new Counterparties and how we respond to KYC requests from our Counterparties.	100%	100 %

Anti-corruption

KCC operates in a global environment with many international interactions and port calls and is hence vulnerable to corruption and demands for facilitation payments. KCC is opposed to and will contribute to counteract all forms of corruption and this is clearly stated in the Code of Conduct and the Business Ethics Guidelines. KCC's entire business activities are continuously assessed for corruption risk and the main risk areas are considered to be port calls, yard work and bunkering. KCC has together with other Torvald Klaveness entities and the ship manager worked systematically to eliminate facilitation payments.

The crew complete on-line anti-corruption training and training is conducted during the annual officer's conferences. Anti-corruption issues are reported and discussed in all weekly KSM management meetings, and statistics and experience related to specific ports and issues are distributed to crew, KSM employees and the ship owner, KCC.

Anti-corruption statistics	2021	2020	2019	2018	Target
# calls in ports that ranked the 20 lowest on the Transparency International Corruption Perception Index	0	2	0	0	n.a.
# reported requests and avoided facilitation payments	13	10	26	8	>16.3 (2020>12.6)
Anti-corruption training for crew	90 %	92%	87%	Not available	>75%

KCC encourages the vessels to report requests for facilitation payments as statistics are used to improve the anti-corruption work. Hence the target is more than 16.3 requests for 2021. All the reported requests are demands only, and not paid, i.e. an avoided facilitation payment. Ten out of the 13 reported requests for facilitation payments reported in 2021 were in China/Indonesia, two in Egypt while the last two were in the Philippines and North America. Nine were demands for cigarettes, two were demands for other presents, one related to alcohol, and one cash request. The requests are up compared to

2020, where 10 incidents were reported in China and the Middle East, while the reporting is stable on a per ship-year basis with 0.9 requests both in 2020 and 2021.

KCC did not experience any confirmed incidents of corruption or any confirmed incidents in which employees were dismissed or disciplined for corruption in 2021. No contracts with business partners were terminated or not renewed due to violations related to corruption, and no public legal cases regarding corruption were brought against the Company, its employees or service providers.



➤ Main Governance priority
- Trusted and responsible partner



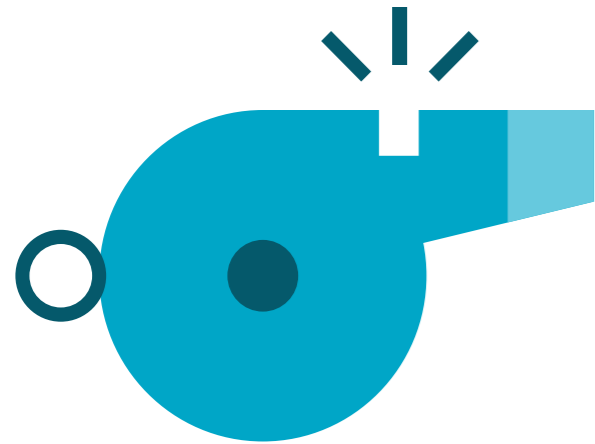
The ship manager, Klaveness Ship Management AS (KSM), was in January 2018 certified by DNV as to comply with the new Anti-Bribery Management system (ISO 37001:2016). KSM was the first shipping company to be certified by DNV in relation to this ISO-standard.



Torvald Klaveness was one of the founding members of the Maritime Anti-Corruption Network (MACN) in 2011. Since the inception it has grown to include over 165 member companies. MACN is a mission driven not for profit organization established by the maritime industry to tackle corruption in the maritime industry.

Whistleblowing

KCC promotes a culture of openness and transparency and encourages whistleblowing regarding blameworthy activities or circumstances within its business. Employees and others who have reason to believe that there are blameworthy activities or circumstances within KCC’s business have the right to and are encouraged to whistle blow and the employee/others shall be protected against retaliation because of such whistleblowing.



An external whistleblowing channel was established in 2021. The new channel can be found on KCC’s web page and is open for external parties in addition to employees and crew. It replaces an existing anonymous internal whistleblowing channel, and the receiver is the Chief Compliance Officer (CCO) in Torvald Klaveness who is the contact person for whistleblowing both for KCC and the related parties delivering services to KCC. The Chief Compliance Officer notifies the KCC Audit Committee about whistleblowing notifications related to KCC.

The CCO received two notifications related to KCC in 2021. Both expressed concerns for the safety of the vessel because of disputes on board and both cases were assessed to be personnel matters resulting in involved crew signing off shortly after the incidents.

Ship recycling

KCC commits to make recycling of the vessels in full compliance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (Hong Kong convention) and guidelines of the Norwegian Shipowners’ Association.

The last recycling of a Klaveness vessel in 2014 was made in China by Grieg Green recycling.

Related party transactions

KCC purchases services related to business administration, ship management, project management and commercial operations from related parties in the Torvald Klaveness Group. All services are priced on arm’s length basis and related party transactions and services have during 2021 been included as a recurring item in most of the Audit Committee meetings. The services are benchmarked on an annual basis and the benchmark is presented to the Board of Directors. The related party transaction note to the quarterly reports was improved in fourth quarter 2021 to include more detailed information about the content of the services and pricing. See note 19 in the Annual Report 2021 for more information.

Cyber security

In the current geopolitical situation, the risk for cyber-attacks has increased. The Torvald Klaveness organization, which KCC is a part of, has full attention on making IT operations stable, secure and resilient. The key cyber security objectives for 2021 were to recruit a competent team, create awareness of cyber risks and cyber smartness and to strengthen our IT-technical environment. Successful cyber-attacks often succeed due to human and organizational errors. Making all employees Cyber-smart is a crucial part of the protection level, and during 2021 an awareness campaign was launched including training and phishing campaigns.

The Transparency Act

The Transparency Act shall promote enterprises’ respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions throughout their value chains.

The act will be in force from 1 July 2022, and is applicable for Norwegian companies of a certain size, including KCC. KCC is currently working on implementing the act in its codes and policies; e.g. the Code of Conduct and the Counterparty Code of Conduct. The due diligence routines (“Know Your Counterparty Procedures”) and contract clauses with counterparties and suppliers will also be amended to ensure compliance with the legislation. The current plan for implementation is as follows:

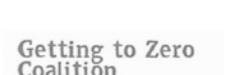
- Minor changes will be made to the codes
- Contract clauses will continue to refer to our Counterparty Code of Conduct
- The Know Your Counterparty Procedures will include a heatmap related to certain regions and activities/value chains where the risk of human rights violations and substandard working conditions are considered high, and hence more comprehensive due diligence is needed. The Business Ethics Committee already in place will assess grey-zone cases and recommend measures to stop, mitigate or prevent any adverse effect
- Procedures on how and when to update the heatmap and the due diligence procedures will be established

Annual report on implementation and results of the act to be published prior to 30 June 2022.

Key partnerships and coalitions



Norges Rederiforbund
Norwegian Shipowners’ Association



ESG resources



- Overview of governance for climate-related risks and opportunities is included in description of Management approach on page 5 in the Sustainability Report 2021 (The Governance of TCFD).
- The Strategy part of TCFD is included in section “Strategy and climate-related opportunities” on page 8 in the Sustainability Report 2021 and in the Company’s Environmental Strategy 2020-2050 published on the Company’s website.
- The full assessment of climate related risks and opportunities reported in line with TCFD can be found on Company’s website. The main risks are included on page 7 in the Sustainability Report for 2021 and main opportunities are included on page 8. See also description of risk types in TCFD report for 2020 (published on Company’s website) and note 18 to the Annual Report 2021 (published on Company’s website).
- Climate-related Scenario Analysis in line with 2°C for 2020 is considered to be applicable for 2021 as well can be found in the TCFD report for 2020 (page 10-11) published on Company’s website.
- The metrics and targets of TCFD is included in this report, section Emission performance, page 10-11 in Sustainability Report 2021.
- The detailed GHG accounts reported in line with the Green House Gas (GHG) Protocol has been published on Company’s website.
- CDP 2021 (Climate Change 2021 Response) can be found on <https://www.cdp.net/en>

- Statistics related to diversity of KCC employees and Board of Directors can be found in note 7 to the Annual report 2021.
- Certifications by our ship manager, Klaveness Ship Management AS, are listed in section additional ESG topics, page 22 in Sustainability Report 2021.

- The Code of Conduct and Counterparty Code of Conduct can be found on Company’s website.
- KCC has an anonymous whistleblowing channel. Employees, crew and external parties can report through the channel that can be found on Company’s website.
- The Corporate Governance report for 2021 is in line with The Code of Practice and can be found as part of the Annual Report 2021 page 8.
- Information related to equal treatment of shareholders is described in note 18 to the Annual Report 2021.
- For more information related to risk management and main risks see note 18 to the Annual Report 2021.
- External assurance report from EY on sustainability KPI’s and Carbon Accounting in line with the GHG protocol is attached to the Sustainability Report 2021, page 27-28.

Additional ESG topics

Environment

Other air emissions ^{15 16}

Other air pollutants, such as NO_x, SO_x, PM, CH₄, CO, N₂O and BC, have harmful effects on local air quality, as well as having a varying degree of greenhouse warming potential. The emission of these pollutants varies as a function of engine load, except for SO_x which depends on the sulfur level in the fuel.

KCC has complied with the IMO 2020 sulfur regulation since it was introduced 1 January 2020 (maximum 0.5 % /0.1 % when sailing in designated sulfur emission control areas (SECA)). (MARPOL Annex VI Reg. 14 (IMO Global Sulphur Cap 2020)).

None of KCC's vessels have installed scrubbers. This is based on an evaluation of potential savings from installation of SO_x scrubbers by burning less expensive High Sulfur Fuel Oil (HSFO), risk of future non-availability of HSFO, technical risks of the SO_x scrubber system and possible negative environmental effects of the release of wash water from the scrubber system to sea in ports and confined waters. Fuel used on KCC vessels is Low Sulfur Fuel Oil (LSHFO) and Ultra-Low Sulfur Marine Gas Oil (ULSMGO).

The CLEANBU vessels (50 % of the KCC fleet of 16 vessels) were among the first tankers/dry bulk vessels to have installed selective catalytic reduction (SCR) systems for reducing the emissions of nitrous oxides (NO_x). All CLEANBUs hence comply with IMO's Tier III regulations applicable for all newbuilds with keel laid after 1 January 2016. Operation of the SCR systems are mandatory whenever the vessels are in nitrogen emission control areas (NECA) currently only applicable in US waters. In line with its Environmental Policy, KCC shall go beyond compliance of environmental regulations and has therefore decided to step by step increase the use of the SCR system outside the NECA zones to reduce NO_x air pollution in especially densely populated areas. As a first step, KCC uses the SCR system when the vessels discharge wet cargoes in Australia and KCC targets to increase the use of the SCR system going forward in cooperation with its customers.

Metric ton	2021	GWP ¹⁷
NO _x (nitrogen oxides)	6 755	
SO _x (sulfur oxides)	784	
PM (particulate matter, PM10 + PM2,5)	379	
CH ₄ (methane)	5	28 CO ₂ e
CO (carbon monoxide)	266	
N ₂ O (nitrous oxide)	16	265 CO ₂ e
BC (black carbon)	0.6	900 CO ₂ e

Ozone-Depleting Substances (ODS)

The use of ODS onboard ships is regulated by MARPOL Annex VI Regulation 12, and KCC follows this regulation when applicable. The use of all ODS' which are not hydrochlorofluorocarbons (HCFC's) were prohibited on ships constructed on or after 19 May 2005, and the use of HCFCs is prohibited for vessels constructed on or after 1 January 2020.

KCC's newest fleets CLEANBU and CABU II have no systems or equipment installed containing ODS, however the oldest vessels constructed in 2001-2002 have air conditioning in accommodation and refrigeration plant in engine room using the refrigerant R-22 (Chlorodifluoromethane), listed onboard in the ODS equipment list. The use of this ODS is logged in a separate ODS record book onboard as per requirements in MARPOL Annex VI.

KCC's fleet does not have own production, nor is involved in the export and import, of any ozone-depleting substances.

Footnotes:

¹⁵ Sources: SO_x and NO_x emissions gathered from StormGeo's s-insight, while emissions for VOC and PM calculated using emission factors from EPA: "Emission estimate methodology for maritime navigation".

¹⁶ There are also other harmful air pollutants associated with the operation of diesel engines such as persistent organic pollutants (POP) and hazardous air pollutants (HAP), but conversion factors for these emissions types could not be found and are probably not relevant to ship engines.

Energy

Energy Consumption

The energy use of KCC closely follows the CO₂ emissions of KCC, as the share of renewable energy sources is limited to the renewable part of electricity consumed in office and the two bunkering of biofuel on two vessels in 2021. Conversion from fuel consumption to energy using energy conversion factors from the Third and Fourth IMO Greenhouse study from 2014 and 2020, respectively. Marine MGO/MDO is there calculated to contain 11.35 MWh of energy per tonne fuel, and Marine HFO is calculated to contain 12.579 MWh per tonne fuel. The total energy consumption of KCC in 2021 amounted to approx. 3.7 Petajoules¹⁸.

	Category	Unit	Amount	Total
Scope 1 Energy use				
Stationary combustion (KCC Office)				
	Burning oil	MWh	0.30	
	Diesel, stationary	MWh	0.10	
	LPG	MWh	0.10	
	Subtotal	MWh		0.40
Transportation (KCC Fleet)				
	Marine diesel/gas oil	MWh	71,942	
	Marine fuel oil	MWh	1,017,741	
	Biodiesel, ME	MWh	3,290	
	Subtotal	MWh		1,092,972
Scope 1		MWh		1,092,973
Scope 2 Energy use				
Electricity (KCC Office)				
	Electricity Nordic mix	MWh	19.00	
Scope 2		MWh		19.00
		MWh		1,092,992
TOTAL		GJ		3,934,771

Energy Intensity

When calculating energy intensity in KCC, only energy from fuel used for ship propulsion is evaluated. The metric used to present the energy intensity is MJ/ton-mile and describes how much energy KCC used to transport one metric ton of cargo one nautical mile, which represents the transport work of KCC fleet. In 2021, the total transport work was 39 817 978 688 ton-miles, which gives an energy intensity of 0.0988 MJ/ton-mile.

Energy reduction

The energy use from KCC fleet in 2020 was a pprox. 3.40 PJ, compared to 3.93 PJ in 2021, which results in an increase of 16%. This follows the same underlying factors as stated above under Emission Performance, and is mainly due to the delivery of 3 new vessels to the CLEANBU fleet. As for EEOI stated earlier, our energy intensity as defined above has remained practically unchanged, from 0.0990 MJ/ton-mile to 0,0988 MJ/ton-mile.

Footnotes:

¹⁷ Global warming potential as defined by Source IPCC, 2006

¹⁸ W = J/s, 1 kWh = 3.6MJ

Waste

All KCC vessels have a Garbage Management Plan onboard in accordance with the IMO guidelines published in resolution MEPC.201(62). Onboard waste is sorted into 11 different garbage categories and recorded in an onboard garbage record book before being disposed at a waste reception facility in port or incinerated onboard, except for minor food waste which may be disposed at open sea. Ash from incineration is also delivered to the appropriate reception facility. Both ANNEX I and ANNEX II slops, including wash water, are discharged in accordance with relevant MARPOL regulations.

Efforts have been made to reduce waste from plastic bottles onboard by installing freshwater drinking fountains easily available for the crew. The average number of plastic bottles per ship-year was reduced from 666 in 2020 to 585 in 2021, a total reduction of 80% since the 2018 baseline, and well exceeding our 2022 goal of 50% reduction.

The total volume of waste generated per ship was approx. 70 m3 in 2021, with the three largest contributors being operational waste incinerated onboard (25%), plastic waste sent to recycling (24%), as well as residual waste disposed in port (22%). Organic waste is either disposed overboard on open seas according to MARPOL ANNEX V regulation or recycled in port to produce biofuel (cooking oil).

All waste from the office headquarters in Oslo¹⁹ is collected, sorted into 13 different waste categories, and sent to Norsk Gjenvinning AS, which either recycles the recyclable waste, incinerates it for energy or produces biogas/fertilizer from the organic waste. In 2021, 68.9%²⁰ of the waste was recycled, an increase from 52.4% in 2020.

The table below gives an overview of the main categories of waste from KCC in 2021, split into waste from KCC office and from KCC's fleet, converted into metric tons using conversion factors from CEMAsys. It presents the share of waste recycled, incinerated and directed to landfill, as well as the share of hazardous waste recycled.

Type of waste	Method	Hazardous	Unit	KCC Office	KCC Fleet	TOTAL
Hazardous	recycled	Yes	mt	0.002	0.000	0.002
Organic	recycled		mt	0.048	48.314	48.362
Residual	incinerated		mt	0.124	47.845	47.969
Wood	recycled		mt	0.150	0.000	0.150
Paper	recycled		mt	0.050	0.000	0.050
Glass	recycled		mt	0.067	0.000	0.067
Metal	recycled		mt	0.026	0.000	0.026
EE waste	recycled	Yes	mt	0.014	1.583	1.597
Mineral wool	recycled		mt	0.008	0.000	0.008
Plastic	recycled		mt	0.001	19.312	19.313
Residual	landfill		mt	0.000	60.192	60.192
Special	recycled	Yes	mt	0.000	9.471	9.471
Mineral oil	incinerated	Yes	mt	0.000	259.589	259.589
SUM			mt	0.4899	446.3	446.8
Recycled			mt %	0.366 74.6%	78.680 17.6%	79.045 17.7%
Incinerated			mt %	0.124 25.3%	307.434 68.9%	307.558 68.8%
Landfill			mt %	0 %	60.192 13.5%	60.192 13.5%
Hazardous			mt %	0.016 3.3%	270.643 60.6%	0.40
Recycled hazardous			mt %	0.016 100%	11.054 4.1%	11.070 4.1%

Footnotes:

¹⁹ Numbers not available for the Singapore office

²⁰ Numbers provided by the landlord, Norsk Hydros Pensjonskasse.

Bio-diversity and marine pollution

Per year-end 2021, ballast water treatment systems (BWTS) were installed on 15 of KCC's 16 vessels. The installation of BWTS on the last vessel, MV Bakkedal, will be made during the docking of this vessel in 2022. This treatment system is operated whenever the vessels perform ballast water exchange operations to prevent the spread of harmful aquatic organisms from one region to another in accordance with the Ballast Water Management Convention, which will enter into force in 2024. Important details of the operation of the BWTS are recorded in the onboard Ballast Water Record Book.

Invasive aquatic species may also be transferred from one region to another through biofouling of the ship's hull. Biofouling is the growth of marine organisms on the hull and propeller, and ranges from the creation of thin layers of biofilm consisting of single celled organisms and algae to the growth of barnacles, seaweed, and mussels. The hydrodynamic resistance of the vessel increases with increased growth of biofouling, and thus increases the required fuel needed to propel the vessel through the water. To reduce the risk of transfer of invasive aquatic species all KCC vessels have a Biofouling Management Plan onboard. This plan serves as a practical guidance to both ship management and the Master and crew of the ship on different measures that can be used such as anti-fouling paint, frequent hull and propeller cleaning operations, speed-cleaning instructions and other operational measures. We have over full 2021 applied highest grade silicone hull paint on our dry-docked vessels to reduce the risk of biofouling during operation.

Cleaning operations are always performed in accordance with applicable national and local laws and regulations so that viable biofouling or chemical and physical pollutants are not released into the local aquatic environment where they may cause harm. Care is also taken to prevent the erosion of the anti-fouling paint so that harmful biocides are not released into the port water. All anti-fouling paints also comply with the International Convention on the Control of Harmful Antifouling Systems on Ships and do not contain organotin compounds acting as biocides.

KCC are currently testing cleaning robots designed to be used in transit on deep sea for four of our vessels, and target to equip all suitable vessels with such equipment once the ongoing testing – improvement process has been completed.

This semi-autonomous robot prevents biofouling by removing the initial layer of biofilm while the vessel is sailing in deep oceans. The organic residue sinks to the bottom of the sea floor where it will cease to live.

KCC has also tested out hull cleaning operations in port using cleaning robots that filter and collect the removed biofouling.

KCC does not currently have data related to shipping duration in marine protected areas and areas of protected conservation status.²¹

Footnotes:

²¹ UNEP World Conservation Monitoring Centre (UNEP WCMC)

Social

Occupational health and safety management system

Klaveness Ship Management AS (“KSM”) as ship manager issued with Document of compliance (“DOC”) has established a formalized occupational health and safety system (the “Quality Management System” or “QMS”) that documents processes, procedures, and responsibilities related to safety, security, IT- & cybersecurity, environmental standards, ethical standards, Corporate Social Responsibility (“CSR”), and compliance with quality policies and objectives. The QMS also serves as the tool to formally implement the Company’s values and aspirations and how the company intends to achieve the objectives of its policies. As DOC-holder the management system is certified to comply with:

- International Safety Management (ISM) Code
- International Ship and Port Facility Security (ISPS) Code
- Maritime Labour Convention (MLC)
- ISO 9001 – Quality Management System
- ISO 14001 – Environmental Management System
- ISO 37001 – Anti-Bribery Management System
- ISO 45001 – Occupational Health and Safety Management System

The QMS is applicable for all KSM employees ashore and for all vessel crew. All visitors on board the vessels (e.g. service people, authorities, pilot or agents) are subject to the QMS when visiting the vessels. The system is subject to continuous improvement with periodical updates.

Hazard identification, risk assessment and incident investigation

The KSM Risk Matrix is the framework used to assess the likelihood and impact of operational risks and hazards during risk assessments as part of toolbox meetings (performed prior to operational procedures and situations implying risk for people, environment, and assets), issuance of work permits and management of change (MOC) processes. The framework is part of the QMS and includes a Hazard Identification and Risk Assessment Library (HIRA) which acts as a register of relevant operational risks.

The QMS as well includes a reporting system of accidents, near-misses, hazardous situations, and suggestions for improvement. The reports are reviewed on a weekly basis and are an important source for cross organizational improvement initiatives.

Employees, crew and others who have reason to believe that there are blameworthy activities or circumstances within KCC’s business have the right to and are encouraged to whistleblow. Please see page 18 for more information on the Company’s whistleblowing channel.

The authority to stop unsafe work was strengthened in 2021 with a Stop Work Policy (“SWP”). The policy states that every employee is empowered with a Stop Work Authority (“SWA”). Employees and crew have a right and duty to call for a Stop Work Order (“SWO”) if there is reason to believe that personnel health, safety, security, the environment, or property may be endangered. The SWA is independent of position, seniority, or discipline. The SWA is based on a no-blame culture. There shall be no retaliation of any kind against any person(s) for invoking a SWO even if it later turns out that it might have been unnecessary. Stop Work events shall be recorded and will be used as learn and improve.

All incidents shall be reported. It is the responsibility of the HSE&Q Department in KSM to investigate and to oversee that appropriate corrective and preventive actions are implemented, and that experience is shared with other vessels or related departments when relevant. The purpose of carrying out systematic registration of incidents is to continuously improve safety.

Occupational health services

KSM has an agreement with International Seafarers Welfare and Assistance Network (“ISWAN”) to provide a mental health helpline to crew through e-mail, WhatsApp, and chat. KSM has as well entered into agreements with prescription psychiatrists and psychologists in The Philippines and in Romania to support crew and their families in relation to mental health and family issues. All services are provided directly from the external service provider to the crew and their families and KCC/KSM do not have access to any information related to the services provided.

A companywide safety campaign related to occupational health and minor injuries was launched in April 2021. The campaign was a questionnaire in which all maritime and office personnel were encouraged to share their ideas on how to perform daily tasks safely. 369 advises were received and shared with the fleet.

Worker participation, consultation and communication on occupational health and safety

The Shipboard management review is a structured process to gather feedback from the crew. The purpose of the review is to evaluate and improve the quality, health, and safety system (“QMS”). Crew participation is encouraged, and report forms are made available in print to be submitted in dedicated collection boxes in addition to the digital management system.

An electronic debriefing form (“EDF”) was established in 2014. When signing off, crew members are encouraged to respond to questions related to the Maritime Labor Convention (“MLC”), anti-corruption, psychosocial conditions, and safety onboard. The electronic debriefing is anonymous, and results are used to improve policies, processes and procedures. The results are presented during officer conferences and ratings seminar every year. The EDF is regularly being reviewed and updated, adding/ deleting questions focusing on trends and developments in the fleet and society in general.

Response rate – Electronic debriefing

2018	26%
2019	53%
2020	48%
2021	70%

All vessels are manned with a Safety Officer. The main purpose of the position is to monitor and verify that safety routines are implemented and followed up, to maintain records of safety, and engage in activities related to the working environment, such as participation in the Working Environment Committee (“WEC”) and conducting monthly safety meetings onboard. The WEC works to ensure safe and proper conditions onboard with regards to health. The committee is composed of crew from different departments and meet monthly. The vessel ship manager is responsible for following up actions from WEC.

Worker training on occupational health and safety

Training on occupational health and safety are as follows:

- Weekly familiarizations related to safety
- practical onboard training in monthly emergency drills.
- computer based trainings (CBT) on health and safety required by the Company. The requirement is defined for rank and vessel type and is monitored prior to embarkation ensuring compliance.
- semiannual conferences and seminars for all ranks and a crisis management seminar. During the pandemic, the KSM management team has organized online “touch base” meetings with crew at home or in quarantine hotels. 99 such one-hour meetings were organized during 2021 with an average of 29 crew participants per session and with the following subjects: KLASS-Klaveness Always Safe and Secure (QMS, learning from incidents, learnings from audits, whistleblowing), greener and data smart (Power BI and various projects/initiatives), campaign results (mental health, Be a Buddy not a Bully, Re:refresh - Norwegian Hull Club wellbeing), fleet management operations, cyber security and IT.
- KLASS gamified learning to introduce, play and practice safe behaviors fostering a safety culture. We have experienced high participation and engagement since the introduction of the game in 2021 with a total of 4,500 runs played in 2021 by more than 400 different users onboard and by office personnel.

Promotion of worker health

All crew members, either onboard or at home, are together with their families covered by health insurance.

Priority number one through the COVID-19 pandemic has been to avoid crew and employees from being infected. The crew has been protected through a COVID-19 management plan including testing and quarantine prior to signing on. The ambition is to have all crew vaccinated, either through national programs in Romania, The Philippines, or South Africa, the global COVAX program or through collaboration with other member companies of the Norwegian Shipowners’ Association. 75% of KCC’s crew was per March 2022 fully vaccinated (two doses) and all vessels are encouraged to exploit possibilities for booster doses when calling ports. Target is to have our vessels manned by only vaccinated crew. The offices in Manila, Oslo and Singapore were closed for periods in 2021 in line with national regulations and/or recommendations

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

KCC's Counterparty Code of Conduct defines the core legal and ethical standards expected from subcontractors, contractual counterparties and others KCC does business with. The code is available on www.combinationcarriers.com and includes, but is not limited to, issues such as safety and working conditions, environment, recycling of vessels, anti-corruption, human and labor rights, child labor and harassment. All companies KCC does business with are subject to Know Your Counterparty procedures ("KYC") including sanctions- and business ethics checks and the latter is managed by a business ethics committee when needed. Companies can be excluded based on non-adequate business ethics in isolation, for example related to beaching, environmental incidents, corruption or harassment.

After a relationship has been established, those not performing as per agreed terms are recorded in the Quality Management System. Major non-conformities are classified when supply does not meet agreed terms and the deficiency generates quality cost greater than USD 5 000, lack of quality resulting in substantial safety/environmental risk or breach of the Counterparty Code of Conduct or similar ethical non-conformance. Upon the registration of a non-conformity on a supplier, the details of the deficiency shall be brought forward to the parties involved. After one major non-conformity is registered, or three non-conformities registered within a period of six months, the supplier will be liable to be excluded as an approved supplier for a period of 12 months. For 2021 there are registered 9 reports from the vessels related to purchase of goods and services. None of them has generated quality cost above USD 5 000 and the reports are related to substandard quality for local supplies. Counterparties are reevaluated with a full KYC at least on an annual basis, including counterparties with no non-conformities registered.

The Transparency Act enters into force 1 July 2022 in Norway. The Act promotes enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions. The implication of the Act is under evaluation and will be incorporated in KCC's Code of Conduct and/or Counterparty Code of Conduct, KYC procedures, external contracts and reporting in first half of 2022.

Governance

Compliance and Code of Conduct

The Code of Conduct defines the core legal and ethical standards and applies to all KCC's directors, officers and employees, both on shore and on board our vessels. Being part of Torvald Klaveness, the main service providers (ship management, commercial and business administration services) are committed by the same Code of Conduct. Core issues addressed in the Code are human and labor rights, equal opportunities, zero tolerance for harassment, safety and environment, anti-corruption and what we expect of our counterparties.

Anonymous online compliance surveys with all employees and interviews with selected employees are made annually. No material risks or new issues were revealed by the survey and interviews conducted in early 2022. All employees receive training every year in different compliance areas. New employees must complete all online Compliance training modules.

Know your counterparty

KCC expects those who do business with us to implement the principles described in the Counterparty Code of Conduct (CCoC) in their business or have at least equivalent standards adopted and conduct their business in accordance therewith. All new counterparties are evaluated, and existing counterparties are re-evaluated on a frequent basis. The procedures are a critical function to assess counterparty risk and a legal requirement to comply with e.g. sanctions, anti-corruption and anti-money laundering laws, and counterparties are also evaluated from a business ethics perspective. The Counterparty Code of Conduct and KYC Procedures were updated in 2021 and are in the process of being re-evaluated as part of the implementation of the Transparency Act from 1 July 2022.

Risk management and internal control

On a quarterly basis, KCC assesses risks deemed relevant to the different business activities and the assessment is presented to and discussed by the Audit Committee and the Board of Directors.

KCC does not have an internal audit function, however, an internal audit plan has been outlined for 2022 and internal audits were made for 2021. Areas currently considered main risk areas are covered as well as review of policies and procedures. Topics covered in 2021 include purchase and payments, revenue and receivables and IT, in addition to the recurring controls and items. KCC has not identified any non-compliance with laws and/or regulations in the social and economic area in 2021.

Global Reporting Initiative (GRI) content index 2021

Klaveness Combination Carriers ASA (KCC) has reported in accordance with the GRI Standards, core option for the period 1 January 2021 - 31 December 2021.

GRI standard/other source	Disclosure	Page number or link	Omissions	Reason for omission
General disclosures				
GRI 2-1	Organizational details	Klaveness Combination Carriers ASA is a public limited company listed on Oslo Stock Exchange with ticker KCC, headquarter in Oslo, Norway. Global shipping activities: Regions of operation described in note 3 to Annual Report 2021. Unless stated otherwise, the scope of the report includes the company Klaveness Combination Carriers ASA including all subsidiaries; all employees, crew, offices, and operations.		
GRI 2-2	Entities included in the organization's sustainability reporting	Klaveness Combination Carriers ASA (parent company), KCC Shipowning AS (directly/indirectly 100% owned subsidiary), KCC Chartering AS (100% owned subsidiary), KCC KBA AS (100% owned subsidiary) and Klaveness Combination Carriers Asia Pte Ltd (100% owned subsidiary). List of companies included in financial reporting aligned with sustainability reporting. Consolidation of information on 100% basis since all subsidiaries are owned 100%.		
GRI 2-3	Reporting period, frequency and contact point	Reporting period is from 1 January 2021 to 31 December 2021 for both the Sustainability Report and for the Annual Report. KCC as well reports unaudited financials on a quarterly basis, including performance related to environmental KPIs and some health and safety KPIs. Publication date for the Annual Report and the Sustainability Report is 29 March 2022. Contact person is the CFO, Liv Hege Dyrnes.		
GRI 2-4	Restatements of information	The definition of the environmental KPI of % in combination trade was changed with effect from 1 January 2021. KPI for 2020 was restated to reflect the new definition, while numbers provided for 2018 and 2019 are based on the old definition. For more information, see footnote to KPI page 11 in the Sustainability Report for 2021. The reason for updating the definition was to better reflect actual combination trading.	a. ii. The effect of the changed KPI definition	No calculation have been made for 2021 based on the old definition
GRI 2-5	External assurance	Scope of external assurance discussed with the Audit Committee. Within the CFO's responsibilities. The scope of the assurance is based on what information KCC finds most relevant for the industry and external stakeholders. Greenhouse Gas Emission reporting for 2021 and Environmental KPIs and benchmark have been externally assured by EY, see Sustainability Report 2021 page 27-28 (limited assurance engagement). EY has confirmed its independence to the Audit Committee of KCC.		
GRI 2-6	Activities, value chain and other business relationships	KCC provides transportation for dry bulk, chemical and clean petroleum product clients, see Sustainability Report page 3 for description of the Company's value chain and customers. The supply chain consists of e.g. shipyards, agents, bunkers suppliers, crewing offices, insurance companies and different vendors of equipment and services to the vessels. Other relevant business relationships are banks and investors (see description of stakeholder groups on Kcc's website). No significant changes from last year for the Company's activities, value chain and other business relationships.		
GRI 2-7	Employees	Information of employees is provided in note 7 in the Annual Report 2021. All the Group's employees are permanent, full-time employees. The number of employees has increased from 2020 to 2021 due to employees being transferred from a related party company to the KCC group.		
GRI 2-8	Workers who are not employees	The KCC crew is employed on contracts with Klaveness Ship Management AS through partially owned manning agencies in Romania and The Philippines being Maritime Labour Convention accredited, see Sustainability Report 2021 page 15 for more information. Workforce reported is number of crew members at the end of the reporting period and the crew pool is quite stable in number of seafarers compared to 2020.		
GRI 2-9	Governance structure and composition	The governance structure is described in the Corporate Governance report in the Annual Report 2021 page 8-9 and in the Governance and Reporting section in the Sustainability Report 2021, page 5. Composition of the BoD is included in note 7 to Annual report 2021 and presentation of all BoD members can be found on Company's website.		
GRI 2-10	Nomination and selection of the highest governance body	The nomination process is described in the Corporate Governance report 2021, see Annual Report 2021 page 8-9. Criteria used is described in note 7 in the Annual Report 2021. Chair of the Board and one additional board member are representatives of the major shareholder (Rederiaksjeselskapet Torvald Klaveness).		

GRI standard/other source	Disclosure	Page number or link	Omissions	Reason for omission
GRI 2-11	Chair of the highest governance body	Chair of the BoD, Lasse Kristoffersen is not a senior executive in the organization. He is the CEO of the majority shareholder, Rederiaksjeselskapet Torvald Klaveness.		
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Roles of BoD and Management is described in Sustainability Report 2021, page 5. The Know Your Counterparty Procedures (KYC procedures) have been approved by the BOD in 2020. The procedures will be evaluated and updated in 2022 in relation to the implementation of the Transparency Act, see page 18 in the Sustainability Report 2021. The procedures include screening for violations related to human rights and environmental issues. The Chair of the BoD is a member of the Business Ethics Committee that discusses general issues and issues related to specific counterparties. See GRI 308-1. Limited interaction between the BoD and stakeholders related to such issues.		
GRI 2-13	Delegation of responsibility for managing impacts	For responsibilities see page 5 in the Sustainability Report 2021.		
GRI 2-14	Role of the highest governance body in sustainability reporting	The sustainability report is approved by the Board of Directors. Prior to approval, material topics, risk assessment and other content have been reviewed and discussed with the Audit Committee and in BoD meetings through the year.		
GRI 2-15	Conflicts of interest	KCC purchases services from companies owned by the controlling shareholder, Rederiaksjeselskapet Torvald Klaveness. For more information see page 18 in the Sustainability Report 2021 and note 19 in the Annual Report 2021.		
GRI 2-16	Communication of critical concerns	Information about whistleblowing is provided in the Sustainability Report 2021 page 18, including communication to the BoD of critical concerns.		
GRI 2-17	Collective knowledge of the highest governance body	The Board of Directors was given access to the Decarbonization course by Klaveness Academy in 2021.		
GRI 2-18	Evaluation of the performance of the highest governance body	BoDs evaluation process described in Corporate Governance Report 2021 section 9, see Annual Report 2021 page 8. The evaluation is not independent. No actions were considered necessary in 2021 in response to the evaluations.		
GRI 2-19	Remuneration policies	Remuneration Guidelines for Senior Executives are available on the Company's website under General Meetings. Remuneration information related to management and the BoD can be found in the Corporate Governance Report 2021 section 11 and 12, see Annual Report 2021 page 8-9. Information related to salary and other payments for BoD and Senior Executives is provided in note 7 to the Annual Report 2021. Remuneration of the BoD does not relate to the Company's impacts on the economy, environment and people.		
GRI 2-20	Process to determine remuneration	Remuneration Guidelines for Senior Executive are available on the Company's website under General Meetings. The Guidelines were approved by the Annual General Meeting in April 2021 and voting can be found in the minutes to the General Meeting on the web site. Updated guidelines and a report on remuneration for 2021 have been prepared for approval by the Company's Annual General Meeting in April 2022. Remuneration consultants have not been involved.		
GRI 2-21	Annual total compensation ratio		2-21 Annual total compensation ratio	Calculations not made. Will be partly reported to the annual general meeting in April 2022
GRI 2-22	Statement on sustainable development strategy	CEO letter in Sustainability Report 2021 page 4. Environmental strategy for 2020-2050 have been approved by BoD. Published on the Company's website.		
GRI 2-23	Policy commitments	KCC has the following policies, codes and procedures which include commitments related to responsible business conduct and/or respect of human rights: - Code of Conduct - Counterparty Code of Conduct - Know Your Counterparty Procedures - Business Ethics Guidelines - Competition Law Compliance Manual - Guidelines for Whistleblowing All policies, codes and procedures are available for all employees on a shared website and all employees receive training.	2-23 Policy commitments	Not fully answered in line with GRI requirements
GRI 2-24	Embedding policy commitments	KCC performs a due diligence on all its counterparties in line with the Know Your Counterparty Procedures. The procedures include screening related to business ethics through adverse media report screening. Base case is that all contracts should include a reference to the Counterparty Code of Conduct stating what KCC expects of its counterparties. All employees receive compliance training in different topics every year.		

GRI standard/other source	Disclosure	Page number or link	Omissions	Reason for omission
GRI 2-25	Processes to remediate negative impacts	KCC has a whistleblowing channel, see description in Sustainability Report 2021 page 18 and on the Company's website. The Chief Compliance Officer (CCO) in Torvald Klaveness receives and handles notifications for KCC and notifies the Audit Committee of KCC. The CCO handles each case on a case-by-case basis and the content level related to how the cases have been handled are reviewed through the annual compliance survey.		
GRI 2-26	Mechanisms for seeking advice and raising concerns	The legal department and the KYC/risk team are supporting the organization in how to implement policies and practices for responsible business conduct. The Company has guidelines for whistleblowing and a whistleblowing channel, see page 18 in the Sustainability Report 2021 and the Code of Conduct available on the Company's website.		
GRI 2-27	Compliance with laws and regulations	KCC has not identified any non-compliance with environmental laws in 2021. One vessel received a fine for violating local regulations for disposal of food waste in the Bohai Sea. KCC has not identified any non-compliance with laws and/or regulations in the social and economic area in 2021.		
GRI 2-28	Membership associations	Memberships in associations where KCC/Klaveness plays an active role: - Norwegian Shipowners Association (NR): Board member in NR's Deepsea Group and member of NR's Recycling Reference Group - Sea Cargo Charter (SCC): Member of SCC Steering Committee and SCC Technical Committee - BIMCO: Vice Chair of BIMCO's documentary Committee - Smart Maritime: Active industry partner - Climate Change Mitigation In the Maritime Sector (CLIMMS): Industry partner - CCSHIP (Carbon Capture and Storage initiative): Project partner Other memberships: - Maritime Anti-Corruption Network (MACN): Klaveness was one of seven founding members in 2011 - Getting to zero 2030 coalition - Intertanko - Intercargo		
GRI 2-29	Approach to stakeholder engagement	Stakeholder engagement described in Sustainability Report 2021 page 6 with further description of stakeholder groups, their concerns and how we engage on Company website.		
GRI 2-30	Collective bargaining agreements	No KCC employees are covered by collective bargaining agreements. From Klaveness Counterparty Code of Conduct: Klaveness expects its Counterparties to support and respect internationally recognized labour rights, including the freedom of association and the right to collective bargaining within national laws and regulations.	b. working conditions and terms of employment based on collective bargaining agreements for other employees	n.a.

Material topics

GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability report 2021, page 6.		
	3-2 List of material topics	Sustainability Report 2021, page 6, Company website: https://www.combinationcarriers.com/sustainability/#sustainability-header		

Low Carbon Future



Energy				
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Report 2021, page 7-8.		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Sustainability Report 2021, section Additional ESG topics, page 20.	d.	d. n.a. as KCC does not sell electricity etc
	302-2 Energy consumption outside of the organization		KCC does not have data for energy consumption outside the organization	Information unavailable/incomplete
Biodiversity				
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Report 2021, section Additional ESG topics, page 21.		

GRI standard/other source	Disclosure	Page number or link	Omissions	Reason for omission	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		No operational sites owned adjacent to protected areas	n.a.	
	304-2 Significant impacts of activities, products and services on biodiversity	Sustainability Report 2021, section Additional ESG topics, page 21.			
	304-3 Habitats protected or restored		Biodiversity	KCC does not work on protecting or restoring a specific habitat or named area.	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Sustainability Report 2021, section Additional ESG topics, page 21.	Biodiversity	KCC does not have data for IUCN Red list species and their habitats near the standard shipping lanes we operate in.	
Guidelines of the Norwegian Shipowners' Association	Shipping duration in marine protected areas and areas of protected conservation status	Sustainability report 2021, Other ESG topics, page 21.	KCC does not currently have data related to shipping duration in marine protected areas and areas of protected conservation status.	Information unavailable/incomplete	
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Report 2021, page 7-8.			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions, Poseidon Principles, IMO MEPC.304(72)	Sustainability Report 2021, page 10-11.	305-1 a) Scope 1 emissions in tCO ₂ , not in tCO ₂ e	Direct CO ₂ emissions calculated in tCO ₂ verified by third party, but unverified numbers also reported in GHG accounting using conversion factors for tCO ₂ e from Fourth IMO Greenhouse study 2020	
	305-2 Energy indirect (Scope 2) GHG emissions	Sustainability Report 2021, page 10-11.			
	305-3 Other indirect (Scope 3) GHG emissions	Sustainability Report 2021, page 10-11.			
	305-4 GHG emissions intensity	Sustainability Report 2021, page 10-11.			
	305-5 Reduction of GHG emissions	Sustainability Report 2021, page 10-11.			
	305-6 Emissions of ozone-depleting substances (ODS)	Sustainability Report 2021, Other ESG topics, page 20.		KCC does not have production, imports, or exports of ODS	Not applicable
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions, MARPOL Annex VI Reg. 13 and 14	Sustainability Report 2021, page 7-11 and Other ESG topics page 20.		No reporting of POP, VOC, HAP, as they are not available, however emissions of CH ₄ , BC, N ₂ O and CO reported instead.	Information unavailable/incomplete
KCC KPIs	KCC defined KPIs for % in combination trade and % in ballast	Sustainability report 2021, page 11. Independent assurance report from EY; Sustainability report page 27.			

GRI standard/other source	Disclosure	Page number or link	Omissions	Reason for omission
Waste				
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Report 2021, Other ESG topics, page 21.		
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Sustainability Report 2021, Other ESG topics, page 21.		
	306-2 Management of significant waste-related impacts	Sustainability Report 2021, Other ESG topics, page 21.		
	306-3 Waste generated	Sustainability Report 2021, Other ESG topics, page 21.		
	306-4 Waste diverted from disposal	Sustainability Report 2021, Other ESG topics, page 21.		
	306-5 Waste directed to disposal	Sustainability Report 2021, Other ESG topics, page 21.		
Guidelines of the Norwegian Shipowners' Association	Number and aggregate volume of spills and releases to the environment	Sustainability Report 2021, page 14.		
Always safe and secure				
Occupational health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	Safety is priority number one for KCC. Description on how we work with safety culture and implement systems and routines are described in Sustainability Report 2021 page 13-15 and page 22-23 (section "Other ESG topics"). KPIs for health and safety is reported to the BoD on a quarterly basis.		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Sustainability Report 2021, page 22 (Section Occupational health and safety management system).		
	403-2 Hazard identification, risk assessment, and incident investigation	Sustainability report 2021, page 22 (Section Hazard identification, risk assessment and incident investigation) and page 18 for information regarding the Company's whistleblowing channel.		
	403-3 Occupational health services	Sustainability report 2021, page 22 (Section Occupational health services).		
	403-4 Worker participation, consultation, and communication on occupational health and safety	Sustainability report 2021, page 22 (Section Worker participation, consultation and communication on occupational health and safety).		
	403-5 Worker training on occupational health and safety	Sustainability report 2021, page 22 (Section Worker training on occupational health and safety).		
	403-6 Promotion of worker health	Sustainability report 2021, page 22 (Section Promotion of worker health).		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability report 2021, page 23 (Section Prevention and mitigation of occupational health and safety impacts directly linked by business relationships).		
	403-8 Workers covered by an occupational health and safety management system	The scope of workers is defined as all employees in the ship manager company (Klaveness Ship Management AS, 100%) and all vessel crew (100%). All visitors on board the vessels (e.g. service people, authorities, pilot or agents) are subject to the QMS when visiting the vessels.		
	403-9 Work-related injuries, IMO ISM code	Sustainability report 2021, page 14 (Section Safety performance, statistics presented for KCC crew)	403-9 Work-related injuries, IMO ISM code	Not fully answered in line with GRI requirements

GRI stand-ard/other source	Disclosure	Page number or link	Omissions	Reason for omission
Vetting and port state control				
Guidelines of the Norwegian Shipowners' Association	Port state control: Number of deficiencies and detentions received from regional port state control (PSC) organisations.	Sustainability report 2021, page 15.		
Employment				
GRI 3: Material Topics 2021	3-3 Management of material topics	KCC follows established HR policy and guidelines in Torvald Klaveness Group for employees onshore. The Employment Manual complies with the mandatory provisions of the Norwegian Working Environment Act and the local rules in Singapore and has been designed to provide a comprehensive picture of the current HR policy and guidelines and aims to contribute to good HR policy, explain rights and obligations attached to employment, provide consistency and security, contribute to equal treatment of employees and explain current welfare benefits. The Employee Manual is updated regularly by the HR Department. In case of material changes the Joint Working Environment Committee (SAMU/AMU) will be informed and invited to comment.		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	No new employee hires in 2021, four employees transferred from a related party to the KCC group in 2021. One employee (male) in Singapore left the Company in mid November 2021. He was replaced in beginning of 2022 (male).	Age group and rate of new employees/turnover not provided	KCC does not provide such information
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits to full-time employees: KCC employees in Norway are covered by life insurance and defined contribution pension by Gjensidige, travel insurance by Europeiske and health insurance by Vertikal. Other benefits include access to training facilities, holiday resorts and subsidised canteen. Employees in parental leave receives full pay with an upper limit of 12G as a basis for yearly pay. KCC employees in Singapore are covered by medical insurance and employees in parental leave receives pay in line with local requirements. KCC has employees in Norway and Singapore (see note 7 to Annual Report 2021).		
	401-3 Parental leave	One KCC employee in Singapore was in parental leave during 2021 in line with Singapore regulation.		
Training and education for employees onshore				
GRI 3: Material Topics 2021	3-3 Management of material topics	Klaveness Academy provides training within several topics to the employees, see Sustainability Report 2021, page 16 for more information related to 2021.		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	An estimated 20 hours of training were offered to every employee in 2021 (Compliance program, Decarbonization program and IT webinars).		
	404-2 Programs for upgrading employee skills and transition assistance programs	Sustainability report 2021, page 16.	b. KCC has no retirement or termination of employment in 2020 and 2021	n.a.
	404-3 Percentage of employees receiving regular performance and career development reviews	100% of all full time employees take part in the Performance, Target and development (PTD) process. Mandatory to all employees.		
Diversity and equal opportunity - employees onshore				
GRI 3: Material Topics 2021	3-3 Management of material topics	KCC is reliant upon talented and dedicated employees. All employment related decisions shall be based upon relevant qualifications, merit, performance and other job-related factors. We shall ensure equal rights for all, irrespective of gender, gender identification, ethnicity, religion, sexual orientation, disability or social status. When seeking new employees, both genders are required to be included in the process.		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Information provided in salary note 7 in Annual Report for 2021	a. ii and b. ii age group	KCC does not provide such information

GRI stand-ard/other source	Disclosure	Page number or link	Omissions	Reason for omission
Trusted and responsible partner				
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	Description on how KCC manages anti-corruption and relevant guidelines are described in Sustainability report 2021, page 17 and on the Company's website.		
	205-1 Operations assessed for risks related to corruption	Sustainability report 2021, page 17.		
	GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Policies, procedures and reporting on KPIs are discussed and reviewed in BoD meetings on a regularly basis. Training for onshore employees (incl Management of KCC) is managed by the Klaveness Compliance Program of which anti-corruption is part of the mandatory program (Sustainability report 2021 page 16). Crew training is described in Sustainability report 2021, page 13. KCC's anti-corruption policies and procedures are communicated to business partners through the Counterparty Code of Conduct (published on the Company's website).	
	205-3 Confirmed incidents of corruption and actions taken	Sustainability Report 2021, page 15. No incidents of corruption in which employees were dismissed or disciplined for corruption. No termination or not renewed contracts with business partners. No public legal cases regarding corruption.		
Responsible ship recycling				
Hong Kong Convention, Flag state rules, Guidelines of the Norwegian Shipowners' Association	Policy for recycling of ships. Number of ships recycled during the reporting period with measures taken to ensure responsible recycling.	Policy described in Sustainability report 2021, page 18. No vessels have been recycled during the year.		
Supplier environmental assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	The day-to-day work related to the Know Your Counterparty Procedures is performed by a specialist department in Torvald Klaveness. The procedures are evaluated by a Compliance Committee from time to time and changes are approved by the CEO of Torvald Klaveness/Chair of KCC.		
	GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	The following assessment is made for all suppliers and counterparties as part of the Know Your Counterparty Procedures: - Business screening (identifying company structure, ultimate beneficial ownership, assessment of operation and consequential risks to people and environment); - Sanction screening (US, UN, EU and UK sanctions); - Adverse media report screening (illegal activities or risk thereof, reports from NGOs of human rights violations and harming environment); - Inclusion on selected Asset Managers non-tradable list	
		308-2 Negative environmental impacts in the supply chain and actions taken	All suppliers and other counterparties are being assessed as per 308-1 above.	b.-e. Numbers

Cautionary statement

This report contains certain forward-looking statements that involve risks and uncertainties. The forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking state-

ments are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations. You should therefore not place undue reliance on forward looking statements.

Independent assurance report from EY



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Medlemmer av Den norske revisorforening

To the Board of Directors of Klaveness Combination Carriers ASA

Independent accountant's assurance report

Scope

We have been engaged by Klaveness Combination Carriers ASA to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on selected indicators in Klaveness Combination Carriers ASA's sustainability reporting as of 31 December 2021 for the period from 01 January 2021 to 31 December 2021. The selected indicators included in the "Subject Matter" are:

- EEOI (Energy Efficiency Operational Index)
- Average CO2 emissions per vessel
- % in combination trade
- Ballast days in % of on-hire days
- Benchmark 2021
- Total greenhouse gas emission (scope 1, scope 2 and scope 3)

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the sustainability reporting, and accordingly, we do not express a conclusion on this information.

Criteria applied by Klaveness Combination Carriers ASA

In preparing the Subject Matter, Klaveness Combination Carriers ASA applied two set of criteria ("Criteria"). For EEOI (Energy Efficiency Operational Index), Average CO2 emissions per vessel, % in combination trade, Ballast days in % of on-hire days, and Benchmark 2021 the applicable criteria is shown on page 12 of the report. For Total greenhouse gas emission reporting (scope 1, scope 2 and scope 3) the relevant criteria applied is the Greenhouse Gas Protocol that can be accessed at www.ghgprotocol.org and are available to the public. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the sustainability reporting.

Klaveness Combination Carriers ASA's responsibilities

The Board of Directors and Chief Executive Officer (management) are responsible for the selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.



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EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Review of Klaveness Combination Carriers ASA's process for preparation and presentation of the sustainability report to develop an understanding of how the reporting is conducted within the business
- ▶ Interviewed those in charge of sustainability reporting to develop an understanding of the process for the preparation of the sustainability reporting
- ▶ Verified on a sample basis the information in the sustainability reporting against source data and other information prepared those in charge

Independent accountant's assurance report - Klaveness Combination Carriers ASA



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- ▶ Assessed the overall presentation of sustainability reporting against the criteria in the Greenhouse Gas Protocol
- ▶ Assessed the overall presentation of KCC's own sustainability key performance indicators

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 in order for it to be in accordance with the Criteria.

Oslo, 28 March 2022
ERNST & YOUNG AS

The assurance report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

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Johan Nordby

Statsautorisert revisor

På vegne av: EY

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