Corporate Governance Report 2021

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

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

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

Deviations from the Norwegian code of practice for corporate governance

In the Board of Directors' assessment, KCC has two minor deviations from the Code of Practice:

Section 3, Equity and dividends

KCC has one deviation from this section:
"The background to any proposal for the Board of Directors to be given a mandate to approve the distribution of dividends should be explained": The background for the authorisation to the Board of Directors to approve distribution of dividends was not explained in the AGM[1] in 2021, the reason being that the Company has an established and disclosed dividend policy as basis for the Board of Directors' dividend assessment.

Section 6, General meetings

KCC has one deviation from this section:
"Ensure that the members of the Board of Directors … attend the General Meeting": All Board members have historically not been present at the General Meetings. Matters under consideration at the General Meeting of Shareholders have not previously required this. The Chair of the Board of Directors is always present at the meeting. Other board members participate as needed. The Board of Directors considers this to be adequate.

1. Implementation and reporting on Corporate Governance

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

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

No deviations from the Code of Practice.

2. Business

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

The principal objectives and strategies of the Company are presented in the Annual Report, and on the Company's web site and are subject to annual assessments. Sustainability in general and more specifically decarbonization of KCC's activities are highly integrated in the Company's strategy and a focus area in everything from daily operations to Board decisions.

No deviations from the Code of Practice.

3. Equity and dividends

Given the cyclical nature of the shipping industry and to accommodate the business strategy, the Company needs to maintain a solid capital structure at levels which will give sufficient assurance to the debt and equity providers that the Company is solid and sustainable. The Board regularly reviews and monitors the Company's capital structure to ensure it is in line with the Company's objective, strategy, and risk profile. The Company has prepared a statement of its Finance Policy, providing details of the Company's handling of financial risks, hedging, funding policies, etc. A summary of the Finance Policy can be found on www.combinationcarriers.com.

The book equity of the Klaveness Combination Carriers Group as per 31 December 2021 was USD 254.4 million, which represents an equity ratio of 40%. Cash and cash equivalents were USD 53.9 million per year-end 2021 and the Group has in addition USD 30 million in available long-term undrawn bank debt and USD 17.6 million available capacity under a 364-days overdraft facility. The debt sources are diversified (mortgage bank debt and bond issue) and have a well distributed maturity profile. The Board believes the capital structure is appropriate based on its objectives, strategies, and risk profile.

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

At the Annual General Meeting (AGM) in April 2021, the Board was granted an authorization to resolve distribution of dividends. The authorization is valid until the Annual General Meeting in 2022, however no longer than 30 June 2022. Dividends of USD 15 cents per share, in total USD 7.2 million, were approved and distributed to shareholders in 2021.

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

At the AGM in 2021, the Board was granted an authorisation to acquire own shares, with a total nominal value of up to NOK 4,820,700, which equalled 10% of the share capital at the date of the AGM and equals 9% of the current share capital. The authorisation can be used for investment purposes, to realise the shares, use the shares as consideration in connection with acquisitions, mergers, demergers or other transactions or in connection with incentive programs, or to cancel the shares and consequently decrease the Company's share capital. The authorisation is valid until the AGM in 2022 but will last no longer than 30 June 2022. No shares have been repurchased during 2021.

Furthermore, at the AGM in 2021, the Board was granted an authorisation to increase the share capital by up to NOK 20,000,000. The authorisation may only be used to raise additional capital for future investments or for general corporate purposes, or to issue shares in connection with acquisitions, mergers, demergers or other transactions. The authorisation is valid until the AGM in 2022, but no longer than 30 June 2022. The Company in November 2021 issued 4,345,000 shares in a private placement, each with a nominal value of NOK 1.

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

4. Equal treatment of shareholders

The shares of KCC are listed on Oslo Børs (on Euronext Expand until 21 December 2021). All issued shares carry equal shareholder rights in all respects, including the right to participate and vote in general meetings, and there are no restrictions on transfer of shares. The articles of association place no restrictions on voting rights.

In an Extraordinary General Meeting held on 24 September 2018, the Company issued 229,088 non-transferable warrants, each of which entitle the holder to subscribe one new share of the Company at a subscription price of NOK 44.38 per share. More information about the warrants is provided in note 18 in Annual Report 2021.

No deviations from the Code of Practice.

5. Shares and negotiability

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

Each share carries one vote.

No deviations from the Code of Practice.

6. General meetings

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

The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting.

Notices for General Meetings shall provide information on the procedures shareholders must observe in order to participate in and vote at the General Meeting. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy. The form of proxy will be distributed with the notice.

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

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

7. Nomination Committee

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

The members of the Nomination Committee are selected to take into account the interests of shareholders in general. The current three members of the Nomination Committee are considered independent of the Board and the executive management team. Members of the Board of Directors and the executive management team are not members of the Nomination Committee. Instructions for the Nomination Committee is approved by the Company's General Meeting.

The members of the Nomination Committee's period of service is two years unless the Annual General Meeting decides otherwise. The Nomination Committee is to maintain contact with shareholder groups, members of the Board of Directors and the Company's executive personnel in its works with proposing members to the Board of Directors. The Annual General Meeting held on 26 April 2021 elected the current Nomination committee consisting of Trond Harald Klaveness (elected for a period of one year), Espen Galtung Døsvig (elected for a period of two years) and Anne Lise Gryte (elected for a period of two years), hence one member is up for election in the AGM in April 2022.

No deviations from the Code of Practice.

8. The Board of Directors: Composition and independence

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

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

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

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

The Board consists of the following members: Lasse Kristoffersen (Chair), Magne Øvreås, Winifred Patricia Johansen (independent), Rebekka Glasser Herlofsen (independent) and Morten Skedsmo. An introduction to the members of the Board of Directors and their expertise can be found on www.combinationcarriers.com.

No deviations from the Code of Practice.

9. The work of the Board of Directors

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

The Board prepares an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility is to (i) participate in the development and approval of the Company's strategy, (ii) perform necessary monitoring functions and (iii) act as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company is compliant with the Company's values and ethical guidelines. The Board shall ensure that the Company has a competent management with clear internal distribution of responsibilities and duties. The Board is regularly briefed on the Company's financial situation. The Board performs evaluation of its work after every Board meeting. For information on how related party transactions are handled, see the Board of Directors Report and note 19 in Annual Report 2021.

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

No deviations from the Code of Practice.

1 Annual General Meeting (AGM)

10. Risk management and internal control

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

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

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

The Board on a quarterly basis reviews the Company's most important areas of exposure to risk. Internal control and risk exposure are regularly tested and evaluated by the Audit Committee. Some of the main risks are presented in the Board of Directors report and note 16 in Annual Report 2021.

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

No deviations from the Code of Practice.

11. Remuneration of the Board of Directors

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

In connection with the sales process of MV Banasol in second half of 2021, Board Member Morten Skedsmo contributed in the work to find a buyer. Compensation for the work was paid to Klaveness AS (a related party of the Company), Mr. Skedsmo's employer. For more information, see note 7 and note 19 in Annual Report 2021. None of the other Directors have performed assignments for the Company in addition to their appointment as member of the Board of Directors.

More information about the remuneration of the individual directors is provided in note 7 in Annual Report 2021.

No deviations from the Code of Practice.

12. Salary and other remuneration for executive personnel

The Board determines the salary and other compensation to the CEO. The CEO's salary, options granted and bonus shall be determined on the basis of an evaluation with emphasis on the following factors: Progress towards and achievement of strategic business goals; Overall profitability of the Company; Development of the Company's shares; and adherence to the Company's main values. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the CEO's basic salary. The CEO determines the remuneration of executive employees. The remuneration is based on a base salary, bonus and share options. The Board of Directors' guidelines and the report regarding compensation to key management executives is on the agenda of the Annual General Meeting in April 2022.

For information about remuneration of executive personnel see note 7 in Annual Report 2021 and the Remuneration Guidelines approved by the Annual General Meeting in 2021 are available one the Company's website.

No deviations from the Code of Practice.

13. Information and communication

The Company has developed Investor Relations Guidelines and the Company aims to keep analysts, investors and other stakeholders continuously updated on the Company's operations and performance. The Company provides information to the market through quarterly and annual reports; investor- and analyst presentations open to the media and by making operational and financial information available on the Company's website. Information of importance is made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Information is provided in English. All stock exchange announcements and press releases, including the financial calendar, are made available on the Company's website.

No deviations from the Code of Practice.

14. Take-overs

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

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

No deviations from the Code of Practice.

15. Auditor

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

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

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

There were no disagreements between management or the Audit Committee and the auditor, EY, during 2021. For the financial year 2021, Johan Lid Nordby was the Company's engagement partner from EY.

The auditor's fee is approved by the Annual General Meeting. Auditor's fees are disclosed in note 6 in Annual Report 2021.

No deviations from the Code of Practice.