

KCC STATEMENT ON REMUNERATION FOR 2021

Declaration regarding the determination of salary and other remuneration to management employees pursuant to the Norwegian public limited liability Act § 6-16a

1. Introduction

1.1. Background

This remuneration report (the "Report") is prepared by the Board of Directors of Klaveness Combination Carriers ASA (the "Company") in accordance with the Norwegian Public Limited Liability Companies Act (the "Companies Act") Section 6-16 b with regulations. The Report contains information regarding remuneration to previous, present and future leading personnel of the Company ("Directors") for the financial year of 2021 in line with the applicable requirements.

The Company considers the CEO and the CFO to be comprised by the term "leading personnel" under the Companies Act. KCC has no employee representatives in the Board of Directors.

1.2. Highlights summary

The CEO's and the CFO's salaries were adjusted by 2.77% and 2.61% respectively from 1 July 2021 in line with the general salary increase in Norway of 2.7%. Based on an assessment of performance for 2021, the Board of Directors resolved in March 2022 to distribute bonus to the CEO of NOK 1,600,000, while the bonus to the CFO was NOK 850,000 (holiday pay for 2023 included). Provisions have been made for a major part of the bonus in the financial accounts for 2021, while it is payable in 2022. See Section 5 for more information regarding remuneration guidelines and assessment of 2021. 1/3 of the share option program established for the CEO and CFO in December 2019 vested in December 2021 and the last 1/3 will vest in December 2022.

There have not been any changes in the definition of leading personnel in 2021. The remuneration guidelines were first approved by the Annual General Meeting in April 2021 and have not been updated during the year.

1.3. Overview of the last financial year

Klaveness Combination Carriers ASA (KCC) on a consolidated basis had an adjusted EBITDA of USD 61.8 million in 2021 (2020: USD 49.5 million), Profit of USD 22.6 million (2020: USD 15.2 million) and ROE of 10.3% (2020: 7.1%). KCC paid 15 cents per share in dividends during 2021 (2020: 10 cents/share) in line with the dividend policy. The financial results were positively impacted by a strong dry bulk market and rising fuel prices, while the product tanker market weakened considerably during the year. The average TCE-earnings for the fleet ended at 20,961\$/day for 2021, quite in line with 2020 and a multiple of x1.9-3.4 to standard product tanker earnings and x0.8-0.9 to that of dry bulk vessels. KCC continued to experience operational challenges related to COVID-19 leading to off-hire, higher OPEX and higher costs related to delivery of newbuilds, however, the effect on OPEX and off-hire improved compared to 2020.

The Group took delivery of three CLEANBU newbuilds during 2021 and from third quarter 2021 had the full CLEANBU fleet in operation and no newbuilds on order. The development of the CLEANBU concept continued to improve with increased number of trades, customers and dry-wet switches. A contract of affreightment (COA) for transportation of clean petroleum products (CPP) with a major industry player was secured for the CLEANBU fleet in 2021, however due to the weak CPP market it was challenging to employ the CLEANBUs in combination trade throughout the entire year. Hence the % in combination trade ranged between 30% in Q2 2021 and 94% in Q4 2021.

Second-hand values for older Panamax dry bulk vessels increased considerably during 2021 on the back of the strong rate development, representing an opportunity for KCC to sell the oldest vessel in the fleet, built in 2001, generating a profit of USD 6.4 million. Following the sale of MV Banasol and

return of one vessel from the MaruKlav Baumarine Panamax dry bulk pool, all eight CABU vessels will from April/May 2022 be employed in trades to/from Australia, where the CABU fleet over time has generated the highest earnings. The booking of caustic soda cargoes made in 2021 for 2022 was in line with target.

Liquidity and solidity improved through the year and at year-end 2021 the equity ratio was 40% (2020: 39%) and available liquidity (included undrawn and available capacity under revolving credit facilities and an overdraft facility) of USD 101.5 million (2020: USD 85.7 million). KCC raised net USD 24.1 million in equity in Q4 2021 to fund energy efficiency initiatives on the existing fleet and refinanced a bank facility with due date March 2022. The facility was refinanced into a sustainability-linked facility, the amount was increased by USD 10 million and the margin was improved by 20 bps to 210 bps.

Sustainability is a core element in KCC and is implemented in everything from strategic decisions to daily operations. While the Energy Efficiency Operational Index (EEOI) of 7.4 for 2021 was stable compared to 2020, the average CO₂ emissions per vessel-year decreased by 9% from 2020. KCC as well submitted its first CDP response in 2021 and received a B score for climate change.

2. Total remuneration for Directors

2.1. Introduction

The table in Section 2.2 Remuneration of Directors for the reported financial year below contains an overview of the total salary and pension received by the Directors during the reported year, as well as bonus that was granted/awarded/due but not yet materialized during the reported financial year. Only remuneration earned on the basis of the Directors' role as a leading person is comprised.

Table 1 BIS "Remuneration of Directors for the reported financial year from undertakings of the same group" in the EU Commission's Guidelines on the standardised presentation of the remuneration report is not applicable for KCC as the Directors have not received remuneration from other group companies and have hence not been included in this report.

2.2. Remuneration of Directors for the reported financial year

Name and position (<i>'000 USD</i>)	1. Fixed remuneration			2. Variable remuneration		3. Extra-ordinary items	4. Pension expense	5. Total Remuneration	6. Proportion of fixed and variable remuneration (1 and 2)
	Base salary ¹	Fees	Fringe benefits ¹	One-year variable ²	Multi-year variable ³				
Engbret Dahm CEO	373	-	-	166	-	-	16	555	69%/31%
Liv H. Dyrnes CFO	259	-	-	88	-	-	16	363	75%/25%

¹ The CEO and CFO have free mobile phone, broadband and travel- and health insurance in line with the benefits of other employees in the Company. The services are partly taxed. The value is immaterial and included in the Base salary figures. Base salary includes holiday pay on the bonus paid in 2020.

² The table reflects bonus for 2021 paid in 2022. Not included holiday pay payable in 2023 as the holiday pay for the bonus is included in the Base salary the following year. Provisions were made in the 2021 financial accounts for the main part of the bonus for the CEO and CFO. The formula part of the bonus is based on return on equity and in addition a discretionary element was granted both the CEO and the CFO for 2021. Total bonus is well within the cap of 12 months for the CEO and 9 months for the CFO. Note 7 to the financial accounts for 2021 includes the bonus for 2020 paid in 2021, hence these figures are not identical to the figures in table 2.2 above.

³ A share option program was established for the CEO and CFO in December 2019. No share options have been awarded in 2021, see Section 3 for more information on the share option program.

3. Share-based remuneration

3.1. Introduction

The table in Section 3.2 Share options granted or offered to the Directors for the reported financial year below contains information on the number of share options granted or offered for the reported financial year and share options granted earlier years that have not expired. The main conditions for the exercise of the rights including the exercise price and date and any change thereof are included in the table.

Table 3 "Shares awarded or due to the Directors for the reported financial year" in the EU Commission's Guidelines on the standardised presentation of the remuneration report is not applicable for KCC as the Directors have not received shares and the table has hence not been included in this report.

3.2. Share options granted or offered to the Directors for the reported financial year

The CFO and the CEO were granted 38,580 and 26,700 options respectively in December 2019, each option of one share each. The options vest over a period of three years from the grant date, 1/3 per year and first vesting one year after the grant date. Exercise period is five years.

Name and position	The main conditions of share option plans							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period ¹	3 Award date	4 Vesting Date	5 End of holding period ²	6 Exercise period	7 Strike price of share ³	8 Share options awarded at the beginning of the year ⁴	9 Share options awarded	10 Share options vested ⁵	11 Share options subject to a performance condition	12 Share options awarded and unvested ⁵	13 Share options subject to a holding period
Engebret Dahm CEO	Plan granted 4 Dec 2019	1 Jan 2021 – 31 Dec 2021	4 Dec 2019	4 Dec 2020	4 Dec 2024	4 Dec 2020-4 Dec 2024	NOK 46.14	# 12,860	-	-	-	-	-
				4 Dec 2021	4 Dec 2024	4 Dec 2021-4 Dec 2024	NOK 46.14	# 12,860	-	#12,860/ NOK48	-	-	-
				4 Dec 2022	4 Dec 2024	4 Dec 2022-4 Dec 2024	NOK 46.14	# 12,860	-	-	-	# 12,860	-
	Total							# 38,580	-	#12,860/ NOK48	-	# 12,860	-
Liv H. Dyrnes CFO	Plan granted 4 Dec 2019	1 Jan 2021 – 31 Dec 2021	4 Dec 2019	4 Dec 2020	4 Dec 2024	4 Dec 2020-4 Dec 2024	NOK 46.14	# 8,900	-	-	-	-	-
				4 Dec 2021	4 Dec 2024	4 Dec 2021-4 Dec 2024	NOK 46.14	# 8,900	-	# 8,900/ NOK 48	-	-	-
				4 Dec 2022	4 Dec 2024	4 Dec 2022-4 Dec 2024	NOK 46.14	# 8,900	-	-	-	# 8,900	-
	Total							# 26,700	-	# 8,900/ NOK 48	-	# 8,900	-

1 Period reported for = financial year 2021

2 End of holding period = end of exercise period

3 The strike price to be reduced with dividends paid by the Company. Strike price included in the table is not adjusted for dividends paid

4 All options were awarded in 2019

5 Share price per year-end 2021. 1/3 vested in 2021 and last 1/3 to vest in 2022

4. Any use of the right to reclaim

The Company has not had the possibility to reclaim and has not reclaimed variable remuneration during 2021.

5. Information on how the remuneration complies with the remuneration guidelines and how performance criteria were applied

Please find below an explanation on how the total remuneration complies with the adopted remuneration guidelines, including how it contributes to the long-term performance of the Company and information on how the performance criteria were applied.

The 2021 bonus includes both formula bonus and a discretionary element. The bonus assessment is based on the following main categories as presented in the remuneration guidelines to the Annual General Meeting in 2021.

Name of goal	Goal description	Goal achievement 2021
Health and safety of crew and vessels	No "red flags" in commercial and technical operation of KCC's vessels and improved safety statistics	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 vessels in 2021. The remaining safety statistics improved during 2021
Profitability and cash generation	Meet identified targets for ROCE/ROE, TCE-earnings per day and premium to earnings of standard tanker vessels	Adjusted ROCE (5%), ROE (10%), average TCE-earnings (20,961 \$/day) and multiple to tanker earnings (x1.9-3.4) were above the targets set prior to entering 2021
Decarbonization	Show progress towards 2022 and 2030 decarbonization targets	Fleet EEOI (7.4) was stable and average CO2 emissions/vessel (18,800 tons) decreased by 9% compared to 2020
Financing	Meet identified targets with respect to existing and new loans and bonds as well as raising new equity	The bank facility falling due in March 2022 was refinanced at better terms and net USD 24.1 million in equity was raised to fund energy efficiency initiatives
Customer satisfaction and vetting	Improve customer vessel/office vetting performance to identified targets. Maintain customer acceptance of oldest vessel class. No rejection of any vessel based on performance	The average number of high-risk observations per SIRE vetting was better than the target set for 2021 and in line with 2020. All relevant customers continued to accept the oldest vessels and KCC had one vessel rejection based on performance
Commercial development	Meet targets for conclusion of current and new contracts of affreightment (COAs) and targets for contract coverage/contract cargo volumes. In addition, for the CLEANBU vessels, meet targets for expansion of customer acceptance and establishment of new combination trades	The number of caustic soda (CSS) cargoes secured during 2021 for 2022 was record high and well in line with target. One of the main CSS contracts was renewed in 2021 for a six-year period and an important CPP COA was secured for the CLEANBU fleet. Target for number of new trades and customer acceptance quite in line with target

The development through 2021 supported the longer-term goals related to safety culture, decarbonization, share appreciation and increased dividends and longer-term commercial development.

6. Derogations and deviations from the remuneration guidelines and from the procedure for its implementation

The Company has not deviated from the procedure for the implementation of the remuneration guidelines and has not derogated from the remuneration guidelines itself in 2021 related to remuneration of leading personnel. Both the bonus to the CEO and the CFO is well within the cap of 12 month and 9 months salary respectively. However, the discretionary bonus pool for all employees excluded the CEO usually capped at 50% of formula bonus, was for 2021 approximately 75% based on the overall performance evaluation.

7. Comparative information on the change of remuneration and company performance

The table below contains information on the annual change of remuneration of each individual Director, of the performance of the Company and average remuneration on a full-time equivalent basis of employees of the Company other than Directors over the five most recent financial years.

Annual change ¹	2020-2019	2021-2020
Director's remuneration²		
Engebret Dahm, CEO (Δ '000 USD/ % change)	+95/28%	+124/29%
Liv H. Dyrnes, CFO (Δ '000 USD/ % change)	+38/15%	+65/22%
Company performance		
Adjusted EBITDA (Δ '000 USD/ % change)	+22,030/80%	+12,265/25%
Profit/(loss) (Δ '000 USD/ % change)	+14,585/2443%	+7,418/49%
ROE (%-points change)	+6.8%-points	+3.2%-points
EEOI (grams CO ₂ /(tons cargo x nautical miles) (absolute change/ % change)	-0.5/6% improvement	0/0%
CO ₂ emissions/vessel (metric tons CO ₂ /vessel-years) (absolute change/ % change)	+800/4% higher emissions	-1,900/9% lower emissions
Average remuneration on a full-time equivalent basis of employees³		
Employees of the Group (Δ '000 USD/ % change)	-5/-3%	+24/15%

1 KCC was established in 2018 and listed in May 2019, hence the years prior to 2019 have not been included in the table. The CEO's and the CFO's employment contracts were transferred from a related company in the Torvald Klaveness Group from 1 February 2020 and 1 April 2020 respectively. Comparable remuneration figures from the former employer in the Torvald Klaveness Group have been used for 2019 and part of 2020. Remuneration in NOK to CEO and CFO. Remuneration in NOK and SGD to other employees, hence USDNOK and USDSGD exchange rate changes impact the figures. Average 2019 USDNOK=8.80 and USDSGD=1.35. Average 2020 USDNOK=9.43 and USDSGD=1.32. Average 2021 USDNOK=8.60 and USDSGD=1.35.

2 Includes "Base salary", "One-year variable" (bonus) and "Pension expense" as per item 5 in table under Section 2.2. Remuneration of Directors for the reported financial year.

3 Includes eight employee-years in 2020 and 2021 and five employee-years in 2019. Annualized for employees starting during the year and leaving in the year. Four employees were transferred to the Group from a related company in the Torvald Klaveness Group in 2021 and three in 2020. Remuneration for these employees in the related companies have been included in the figures for 2019, part of 2020 and 2021 for comparison purposes. Remuneration in NOK and SGD, see note 1.

8. Information on shareholder vote

"Information on shareholder vote" as included in the EU Commission's Guidelines on the standardised presentation of the remuneration report is not applicable for KCC as 2022 is the first year the Company published this report.

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON REMUNERATION REPORT

To the General Meeting of Klaveness Combination Carriers ASA

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Klaveness Combination Carriers ASA's report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) 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.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Oslo, 20 April 2022
ERNST & YOUNG AS

The auditor's assurance report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

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Johan Nordby

Statsautorisert revisor

På vegne av: Ernst & Young AS

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