

Transparency Act 2023

KCC structure and operations

This report has been developed to comply with the legal requirements as stated in the Norwegian Transparency Act of June 2021. The reporting requirement applies to Klaveness Combination Carriers ASA (“KCC”), KCC Shipowning AS (“KCCS”) and KCC Chartering AS (“KCCC”) as the companies are resident in Norway and each has consolidated total assets of more than NOK 35 million, combined with consolidated revenue of more than NOK 70 million. KCCS and KCCC are owned 100% by the holding company, KCC, together defined as the “KCC Group”.

The KCC Group has offices in Oslo, Norway, and Singapore and in addition purchases services from subsidiaries of Rederiaksjeselskapet Torvald Klaveness located in Manila, Philippines, and Dubai. The crew are from the Philippines, South Africa, Poland, Romania and The Czech Republic and are employed on contracts with the ship manager, Klaveness Ship Management AS (“KSM”).

The KCC Group owns and operates 16 combination carriers that are employed globally, currently with main trading areas in the Far East, Middle East, Australia, India and South America. Drydocking of vessels every 2-3 years, are mainly performed in China. Cargo transported are caustic soda solution, alumina and bauxite to the alumina industry (39%), clean petroleum products and coal (25%), iron ore (15%), agricultural products (11%) and other (9%¹) and KCC is part of the value chains in industries such as energy, food, and mining, metals and minerals, whereof risk related to violation of human rights and decent working conditions are present.

Policies, governance, and training

As stated in KCC’s Code of Conduct available on KCC’s web site applicable for all companies in the KCC Group:

- KCC supports and respects the protection of internationally proclaimed human rights as set out in the fundamental principles of the Universal Declaration of Human Rights and the core international human rights treaties. KCC strives to avoid causing or contributing to adverse human rights impacts through our business activities and address such impacts if and when they occur.
- KCC supports and respects internationally recognized labour rights as set out in the fundamental ILO conventions, including the freedom of association and the right to Collective Bargaining Agreements within national laws and regulations, and we support i) the elimination of all forms of forced and compulsory labour; ii) the effective abolition of child labour; iii) the elimination of discrimination in respect of employment and occupation.

We expect those who do business with us (our “Counterparties”) to implement the principles described in our Counterparty Code of Conduct (“CoCC”) in their businesses or have at least equivalent standards adopted and conduct their business in accordance therewith. The CoCC is as well available on KCC’s web site. KCC includes a clause referring to KCC’s expectations with a reference to its CoCC in contracts when relevant.

The Code of Conduct and the Counterparty Code of Conduct have been approved by the Board of Directors and were updated in 2022. Other Compliance Program policies and guidelines were updated as well during 2022 and mandatory online training and dilemma training for all KCC employees and employees in the service providers part of the Rederiaksjeselskapet Torvald Klaveness group were conducted.

Risk mapping and due diligence

KCC’s Know Your Counterparties Procedures (“KYC Procedures”) also applicable for all companies in the KCC Group include sanctions checks, business ethics checks and credit rating of all counterparties. Prior to the implementation of the Transparency Act in 2022, a heatmap identifying high-risk areas for human rights violations and substandard working conditions based on geographical areas and activities/value chains was implemented. Based on the heatmap additional due diligence checks are performed whenever high risks are involved. The due diligence questionnaire used when assessing counterparties was as well expanded requiring information about counterparties’ suppliers and sub-contractors. Special concerns related to specific counterparties and/or their value chains uncovered through the risk mapping and due diligence, will be considered by a Business Ethics Committee (“BEC”). The BEC will recommend measures based on the severity of the findings, such as abstaining from entering new business, start a dialogue with the relevant counterparties or establish other preventive or mitigating measures.

The heatmap was established based on several workshops involving employees in KCC and the wider Torvald Klaveness system covering a wide range of business functions such as bunkering, technical management, procurement, operations, chartering, legal, finance and risk management. The map will be evaluated on an annual basis.

Human rights and working conditions risk map

Geographical area/ Type of activity (value chain)	Europe	North America	South/ Central America	Oceania	Africa	Middle East	Singapore + remaining OECD Asia	Rest of Asia incl. China and India
Mining, metals, minerals	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk
Oil exploration and refining	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk
Power plants	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk
Food industries	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk
Trading companies	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk
Shipping and logistics	Medium risk	Medium risk	Medium risk	Medium risk	High risk	High risk	Medium risk	High risk
Bunkering	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk
Dry docking and newbuilds	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk
Equipment makers	Low risk	Low risk	Low risk	Low risk	High risk	High risk	Low risk	High risk

■ Low risk
 ■ Medium risk
 ■ High risk

Main risks and risk management

The KCC Group did not detect severe human rights violations or substandard working conditions in our own operations in 2022. Crew safety is priority number one for the KCC Group and the ship manager, KSM, and in 2022 the fleet experienced no major or medium injuries. In addition to safety, securing decent crew salaries and securing crew health and wellbeing are priority areas for the KCC Group. Terms and conditions in the crew's Contract of Employment ("CoE") are regulated by the Collective Bargaining Agreements ("CBA") between the Norwegian Shipowners Association ("NSA") and the International Transport Workers' Federation entities ("ITF") in the respective countries and are as well covered by a special agreement with the ITF in Norway on behalf of beforementioned ITF entities. KSM is in addition Maritime Labor Convention ("MLC") certified adding further beneficial conditions for seafarers onboard and their rights as employees. KSM has as well its own beneficial conditions for seafarers giving them additional benefits related to financial matters, competence development and wellbeing for sailors and their families.

Based on issues identified through the KYC Procedures and measures recommended by the BEC, 15 potential counterparties (applicable for the KCC Group and/or other Klaveness companies) were excluded in 2022 due to business ethics concerns ranging from Russian/Belarus affinity to environmental issues, beaching of vessels and activities in occupied areas. The KCC Group/Klaveness reached out to a double-digit number of counterparties regarding potential environmental or human rights violations, or with an ambition to impact their policies, e.g. related to ship recycling, with some positive feedback.

During 2023, the KCC Group will focus on improving the due diligence procedures for high-risk areas with focus on shipyards and procedures to prevent, cease, or mitigate human rights violations and substandard working conditions.

Whistleblowing mechanism

The KCC Group 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 the KCC Group's business have the right to and are encouraged to whistleblow and the whistleblower shall be protected against retaliation because of such whistleblowing.

The KCC Group has an external whistleblowing channel available on the KCC website for both employees, crew and external parties. The receiver of whistleblowing from employees and external parties is the Chief Compliance Officer ("CCO") in Torvald Klaveness. The receiver of whistleblowing from crew is the designated person ashore (DPA) in Klaveness Ship Management AS. The CCO notifies the KCC Audit Committee about whistleblowing notifications related to KCC independent of where the whistleblowing is coming from.