KLAVENESS MARINE

Sustainability Report 2021/2022

Looking back - moving forward

www.klavenessmarine.com

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INTRODUCTION FROM OUR CEO

The past year has been characterised by disruption and instability as a result of the Covid-19 pandemic, war in Ukraine, record-breaking energy prices and associated economic volatility. Throughout this period of uncertainty, KM has leveraged time and expertise in order to support a greener and more socially just future.

The range of topics covered in this report reflect that we have progressed with the integration of sustainability in all of our business areas. Whilst we are bound to face situations where we need to make alterations to our initial approaches, what is salient is our ambition to take a proactive role in the steering of companies towards thinking and acting in a more sustainable way.

Moving forward, the world needs transparency and credible commitments from a more responsible private sector. Therefore, I am pleased to confirm that Klaveness Marine reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Jon Syvertsen

Chief Executive Officer
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Whilst we are bound to face situations where we need to make alterations to our initial approaches, what is salient is our ambition to take a proactive role in the steering of companies towards thinking and acting in a more sustainable way.

2021 AT A GLANCE

Number of employees

14

Assets under management (Billion NOK)

5,1

Business areas

4

Suppliers with a certified environmental management system

8

Average energy use in fully owned buildings (kWh/m2)

159

Female employees as a percentage (%)

29

Investments in renewable energy (MNOK)

445

Meetings with partners & banks on sustainability

13

Total number of business flights

64

2021 HIGHLIGHTS

NEW BUSINESS AREA ESTABLISHED TO PROMOTE THE GREEN ENERGY TRANSITION

The year 2021 was a transformative year for Klaveness Marine. We made significant structural and strategic changes to integrate a greater focus on sustainability throughout all levels of the organisation. At the beginning of the year, we launched a fourth business area aimed at enabling the generation and storage of renewable energy, as well as the electrification and efficiency of energy demand. The portfolio has been named New Energy and marks an important step for KM: we are now formally positioning ourselves as part of the green transition, allocating increasing amounts of capital towards businesses that deliver zero-carbon solutions.

NEW WORKING GROUP ESTABLISHED TO OVERSEE SUSTAINABILITY PERFORMANCE

To kickstart our 2021 sustainability project, we put together a working group consisting of top management representatives. First, the group worked closely with consultants from Footprint to build a foundation for strategy-development. Following this, we invited four summer interns with a diverse set of backgrounds to challenge our take on sustainability and help KM identify material ESG issues. Thereafter, we created a new full-time role whose responsibilities include continuing the development and implementation of KM's sustainability strategy as well as coordinating the initiatives of the sustainability working group across all business areas.

KLAVENESS MARINE CELEBRATES 10 YEARS

Klaveness Marine is a young family-office with solid historical ties, established as a consequence of the functional split of the Torvald Klaveness Group in 2011. Spanning ten years, we have invested in companies within the maritime sector, real estate, financial investments, and now also renewable energy.

Sustainability has been an important part of our investment philosophy from the very beginning, however, 2021 was the first year we sought to formalise and coordinate our approach to ESG across all business areas. Now, moving forward into a new ten-year period, we will engage in future-proofing and seek to become a leading responsible investor amongst family-offices.

MATERIALITY AND KEY PRIORITY AREAS

Materiality recognises that non-financial information is important in assisting investors in making sustainable investment decisions. In KM, we conducted our first ESG materiality assessment in the spring of 2021. This featured as part of our work with consultants from Footprint to provide a foundation for the company's sustainability strategy. Following this, we identified and prioritised key sustainability areas that are both material to KM's activities and, in our view, essential for the harmonisation of the triple bottom line: people, planet and profit.

Main Priority Areas

Climate Change

Nature & Biodiversity

Labour Practices

Other Priority Areas

Corruption

Transparency

Taxation

Local Pollution

Diversity & Inclusion

Environment

Social

Governance

OUR APPROACH TO SUSTAINABILITY

As a family-office, our primary objective is long-term value creation for generations to come. This makes us uniquely well-situated to align our portfolios with goals for a more sustainable future.

Our sustainable investment framework which consists of three core pillars:

Negative Screening

Negative screening involves the observation and exclusion of companies involved in certain controversial sectors or practices. Our portfolio follows the Norwegian Sovereign Wealth Fund’s Exclusion List as well as a broader set of conduct and product-based exclusion criteria. We differentiate between direct and fund investments, and enforce a stricter exclusion policy for direct investments where we have more insight and control over each holding.

ESG-Integration

ESG-integration involves integrating material ESG-factors into all investment decisions with the goal of delivering superior risk-adjusted returns. Unlike the exclusionary screening, which reduces our investment universe, ESG integration expands the scope of information considered before each of our investment decisions. Our goal is for our research process to be as accurate and comprehensive as possible in coverage and depth.

Impact Investing

Impact investment involves the pursuit of financial returns alongside measurable positive social and/or environmental outcomes. Our impact investing focus seeks to channel capital towards businesses contributing to one or more of the UN Sustainable Development Goals. In addition, we consider EU Taxonomy-alignment a relevant impact-metric for our portfolios, given its indispensability in delivering the EU climate targets.

This framework, as well as the strategies and targets described in the remainder of this report, will necessarily be implemented over time. Whilst we can promptly align all new investments with our current sustainability ambitions, we recognise the need to phase out some of our existing positions more gradually. In addition, due to the rapid expansion of the ESG-universe, we will review, and if necessary adjust, all metrics and targets on an annual basis in an effort to stay up to date with current developments and regulations.

SHAREHOLDER ENGAGEMENT

In addition to the implementation of negative screening, ESG-integration and impact investing in our portfolios, we strive to engage with as many of our current holdings as possible on material ESG-issues. Engaging with a company to alter its behaviour can be directly effective and sometimes harness the capabilities required to achieve sustainable objectives. In addition, utilising insights garnered from investee engagement can enhance future investment decision-making, creating positive feedback loops - and vice versa.

Whilst many consider divestment and engagement two opposing responsible investment approaches, we view the possibility of divestment as a necessary prerequisite for effective engagement. It is our ambition to gradually demand more from our investees in terms of reporting, policy implementation and sustainability performance. Consequently, we are also ready to de-integrate from our portfolios those companies who become laggards and repeatedly fail to take necessary action on corporate sustainability.

MEMBERSHIPS & CERTIFICATIONS

In 2021, we became a signatory to the UN Global Compact's ten principles for corporate sustainability. The principles cover fundamental responsibilities in four areas: human rights, labour, environment and anti-corruption. We strictly commit to operating in accordance with these principles, and we expect all investee companies, affiliated partners and suppliers to do the same.

In 2022, we were approved as an Eco-Lighthouse certified business, gaining one of the most widely used environmental management certificates in Norway. This involves the implementation of environmental and work safety measures in our operations on a systematic and ongoing basis. To review our 2021 Eco Lighthouse report, please visit our webpage: www.klavenessmarine.com.

Miljøfyrtårn®

WE ARE ECO-LIGHTHOUSE CERTIFIED

EXCLUSION POLICY

All of KM's investments shall follow the Norwegian Sovereign Wealth Fund's list for the observation and exclusion of companies.

In addition, we shall adhere to the below exclusion criteria for new investments. We shall also carefully plan a responsible de-integration of current holdings that are not in accordance with the following:

We will not invest in funds where

- more than 10% of the fund is invested in non-transitional companies involved in the exploration, mining, extraction, production, processing, storage or refining of fossil fuels.
- more than 10% of the fund is invested in companies whose activities negatively affect biodiversity-sensitive areas*.
- more than 5% of the fund is invested in companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.

We will not invest directly in companies generating more than 5% of their revenue from

- the issuance of consumer loans
- the production or distribution of adult entertainment
- activities involving gambling or betting
- the sale of "fast fashion" clothing
- the extraction or production of palm oil
- private and commercial aviation
- the exploration, mining, extraction, production, processing, storage or refining of fossil fuels (transition-cases exempt)
- activities negatively affecting biodiversity-sensitive areas*
- activities violating the UNGC principles or OECD Guidelines for Multinational Enterprises

**'biodiversity-sensitive areas' means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139.*

REAL ESTATE

OUR GREEN AMBITION

We believe that retrofitting real estate will be critical to meet the demands of net-zero pledges and upcoming regulations. As such, we are taking ambitious steps to make the buildings in our cash-generating portfolio more energy-efficient and less carbon-intensive. Rather than merely buying power-houses and dark green buildings, we wish to ensure that a larger share of the existing mass of buildings can meet the sustainability expectations of the coming decades.

Our approach includes gaining in-house experience with smaller-scale projects in our fully owned buildings before we advocate the same initiatives in the board rooms of our much larger portfolio of partly owned properties. We also seek investment partners with complementary competence and strategies that align with our own sustainability ambitions. This is particularly important to us when it comes to development projects, where early planning is essential to minimise adverse impacts.

In October 2021, we officially committed to the Ten Immediate Actions in the Norwegian real estate sector's pathway to 2050. The Immediate Actions cover a variety of topics from emission-free construction sites to innovation, and we consider them a solid starting point for any real estate company looking to enhance their sustainability focus. Consequently, as of 2023, we will require all new investment partners to obtain signatory status and implement the Immediate Actions in their organisations.

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E FOR ENERGY

Our fully owned buildings in Oslo have Guarantees of Origin for 100% renewable electricity and use district heating produced from the incineration of waste. In addition, we have carried out energy performance analyses, with the aim of improving the energy efficiency of the buildings by determining the highest contributing factors towards energy consumption and proposing relevant energy conservation measures. We have also initiated similar processes in our portfolio of partly owned buildings, some of which are industrial buildings where energy efficiency measures can have a significant impact on emission levels.

THE MATERIALITY OF MATERIALS

The environmental focus within the real estate sector is often overwhelmingly directed at levels and intensity of energy consumption. However, the production and transport of materials to construction sites and buildings make up as much as 14% of Norway's total greenhouse gas emissions. On a finite planet with resource scarcity, it is also notable that 40% of all materials are used for real estate purposes. These circumstances have motivated us to become more conscious around our use of raw materials, their footprint and form of transportation.

Energy consumption in fully owned buildings, 2021

Harbitzalléen 2A

178 kWh/m2

Drammensveien 133

123 kWh/m2

We have developed a sustainable building materials guide for tenant renovations and adjustments, now used in our fully owned commercial properties in Oslo. The first part of the guide includes a selection of recommended low-footprint product-lines, for which we have verified the relevant suppliers' commitment to sustainability. The second part presents our threshold-values for the carbon footprint of some of the most common construction materials, developed by the Norwegian Green Building Association. Finally, the third section provides guidance to tenants when it comes to furnishing and decorating office spaces in a way that adheres to the principles of the circular economy.

REAL ESTATE SUSTAINABILITY METRICS AND TARGETS

Cash-Generating Portfolio:

1. By 2023, we will BREEAM-certify our fully owned buildings in Oslo, with the ambition of initially reaching level "Good" or above and to gradually improve this score over time.
2. From 2023 onwards, we will use low-carbon or certified materials and products for renovations in fully owned buildings where this is considered possible from a cost-benefit perspective.
3. By 2025, at least 25% of the cash-generating portfolio shall be aligned with the EU Taxonomy's sub-criteria for energy-performance. By 2030, at least 50% of the portfolio shall meet the same Taxonomy-criteria.
4. By 2024, we will review the potential for local energy production, surface water management, biodiversity or recreational areas on the roofs of all buildings in the cash-generating portfolio . By 2030, we will ensure that all properties considered "suitable" for responsible roof utilisation have the necessary installments to do so.

Development Portfolio:

1. From 2023 onwards, all of our newbuilds and large renovation projects shall qualify for green bank financing.
2. From 2025 onwards, all of our newbuilds and large renovation projects shall classify as sustainable according to the EU Taxonomy.

From 2022 onwards, we will prefer partners that have signed the "Ten Immediate Actions" of the Norwegian Green Building Council. In 2023, we will implement signatory status as a condition for new investments with current and future partners.

During the strategy period running up until 2030, we shall take part in at least one project aimed at fuelling sustainable innovation in the real estate sector. This could for example include a development project using extensive amounts of reused or recycled materials in the construction process.

MARITIME

EMBRACING OUR BLUE LEGACY

While ships are considered the most energy-efficient way of moving internationally traded goods, the magnitude of maritime transport means that the shipping sector has a significant impact on global emissions. The sector also faces other sustainability challenges such as worker's rights, safety, marine pollution and local air pollution. We aim to be a voice for change, promoting a more sustainable maritime industry that takes responsibility for its social and environmental impacts.

In 2021, we laid out a set of requirements and expectations which apply to all of our investment partners, service providers, ship managers and other affiliated companies. The purpose of these Maritime Investment Criteria is to promote sustainable and ethical business practices, going beyond legal and regulatory requirements for shipping and other maritime activities. The Criteria covers social and governance aspects such as taxation, corruption, human and workers' rights, as well as a series of material environmental issues.

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In December 2021, we also set ambitious sustainability targets for the greening of our fleet, focusing on fuel efficiency and low/zero-emission technology. In our view, business as usual is no longer a viable alternative for the maritime industry. We need more cross-sectoral collaboration and goals that align with the trajectory of the Paris Accords. To review all of our maritime sustainability metrics and targets, see page 15.

SUPPORTING COLLABORATION AND INNOVATION

We are proud members of the Norwegian Green Shipping Programme, a public-private partnership which provides a collaborative platform for the establishment of the world's most energy-efficient and environmentally-friendly shipping. Our interest in the programme was sparked by a broad desire to raise our competence and gain up-to-date insights into alternative fuels and pathways to zero-emission shipping.

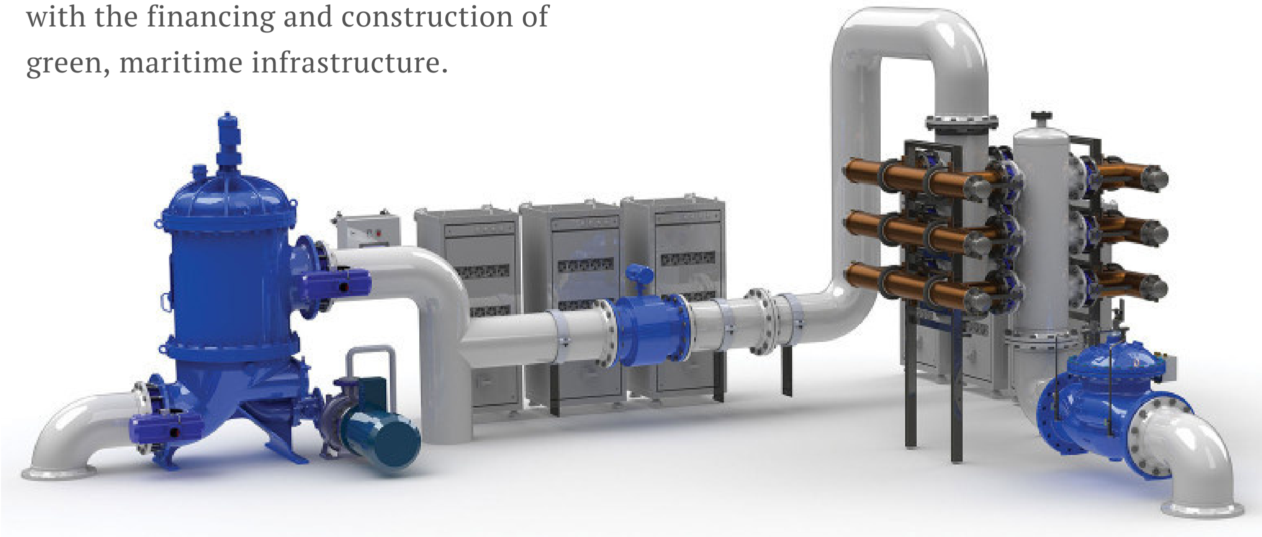
Green Shipping Programme

As members, we have been able to enroll in the pilot *Institutional investor financing solutions for green, maritime infrastructure in Norway*, owned by KLP and facilitated by DNV. This pilot project allows us to create ties with like-minded peers and provides a solid foundation for future partnerships. It is also a great knowledge hub for the opportunities and challenges associated with the financing and construction of green, maritime infrastructure.

CASE STUDY: OPTIMARIN

Large cargo ships use ballast water to balance their weight and keep them stable during a voyage. This can be harmful to the marine environment as its discharge can release potentially invasive species in new areas. We own approximately 40% of Optimarin, one of the first companies in the world to develop a system for the environmentally-friendly purification of ballast water.

Optimarin is headquartered in Sandnes, Norway, and delivers systems with filter and UV treatment compliant with IMO and USCG regulations. We believe that Optimarin will maintain a leading position as a BWT-developer and be able to leverage their technology and know-how to develop new applications that continue to protect marine life.



MARITIME SUSTAINABILITY METRICS AND TARGETS

Existing Portfolio:

1. By 2030, the carbon intensity of the maritime portfolio shall be reduced by 40% compared to 2020-levels.
2. By 2025, at least 25% of the ships in the portfolio are to comply with the EU Taxonomy sub-criteria stating that vessels must have an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on 1 April 2022.
3. By 2030, we shall be invested in/have been invested in at least one ship capable of running on zero direct (tailpipe) CO_2 emission fuels or on fuels from renewable sources.

New Investments:

1. From 2023 onwards, all new investments will be in ships with a Carbon Intensity Indicator rating of C or above.
2. From 2025 onwards, all new investments will be in accordance with the EU Taxonomy's sub-criteria, stating that vessels must not be dedicated to the transport of fossil fuels.
3. From 2023 onwards, all new investments in new-builds will be in "zero-emission ready" vessels.

From 2022 onwards, we will prefer partners and suppliers in the maritime value chain that comply with our Maritime Investment Criteria. In 2023, we will implement compliance with these criteria as a requirement for all existing and new investments.

During the strategy period running up until 2030, we shall take part in at least one project (newbuild or retrofitting) which meets the standards of maritime green bank loans.

FINANCIAL INVESTMENTS

FROM ESG TO SDGs

Our Financial portfolio is split between a global and a Nordic-focused portfolio, both taking a holistic approach to sustainability across investments and capital allocation. That is, we do not only integrate ESG-risks into our overall investment processes, we aim to create real-world impact through stewardship and selected investments targeting a wide range of sustainability themes. These themes map onto a number of the UN Sustainable Development Goals, which we have adopted as one of the key metrics of our company-wide impact investing framework.

In 2022, we developed specific impact-related targets for the portfolio up until 2030. The metrics include companies generating revenue from activities contributing to the SDGs as well as taxonomy-alignment. We also formalised an official exclusion policy for KM as a whole, with many elements particularly relevant for the Financial Investments business area. Amongst other things, we decided to differentiate between direct and fund investments, employing a stricter set of negative screening criteria for direct investments in listed or unlisted companies. These, and all of our impact-investment targets can be reviewed on page 18.

TARGETED SDGS IN THE FINANCIAL PORTFOLIO:

MEET THE FINANCE TEAM:

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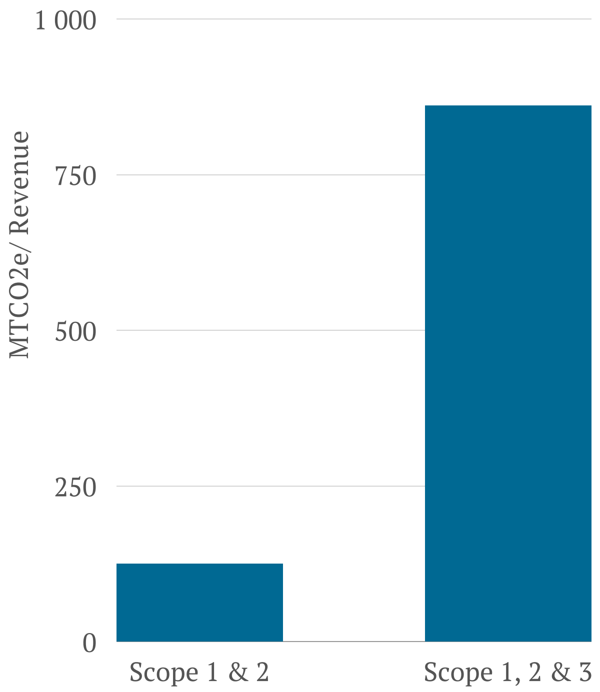
Weighted Average Carbon Intensity, Financial Investments Portfolio



MEASURING CARBON

Calculation of carbon intensity is a useful method to understand a company's climate impact. It is a measurement of the carbon dioxide and other greenhouse gases released annually by a company at a given time, in relation to the revenue of that company. On portfolio level, the weighted average carbon intensity describes overall exposure to carbon-intensive companies. This is the most popular carbon-intensity metric for funds and portfolios since the TCFD endorsed it in its final recommendations report in 2017. The following formula applies for our weighted average carbon intensity calculations:

$$\sum_{n}^{i} \frac{\text{current value of investment}_i}{\text{current portfolio value (€M)}} \times \frac{\text{company's GHG emissions}_i}{\text{company's €M revenue}_i}$$

The graph to the left presents the weighted average carbon intensity for available holdings in our Financial Investments Spring 2022. Scope 1 & 2 captures direct as well as indirect emissions from energy use, specifically, whereas Scope 3 covers all indirect emissions. Please note that parts of the total portfolio have been left out of the analysis due to lacking data points.

Comparing the two bars in the chart above, it is evident that only considering Scope 1 & 2 emissions can be highly misleading for investors seeking to improve their footprint. Therefore, our 2030 targets for carbon intensity reduction include all direct and indirect emissions, reflecting the global scale of the climate issue.

REPORTING ON OUR CONTRIBUTION TO THE SDGs

We define portfolio contribution to the UN Sustainable Development Goals as the percentage of the portfolio that is exposed to corporations that make >50% of their revenue from activities directly contributing to the progress on the SDGs.

6,7%

of the Financial Investments portfolio contribute to the SDGs
(as of 30.04.2022)

FINANCIAL SUSTAINABILITY METRICS AND TARGETS

Negative Screening:

1. The financial investments portfolio follows KM's Exclusion Policy. In addition, we will strive to implement KM's extended criteria for direct investments, also in the screening of funds. These extended exclusion criteria include investments involved in:
   - the issuance of consumer loans
   - the production or distribution of adult entertainment
   - activities involving gambling or betting
   - the sale of "fast fashion" clothing
   - the extraction or production of palm oil
   - private and commercial aviation
   - the exploration, mining, extraction, production, processing, storage or refining of fossil fuels (transition-cases exempt)
   - activities negatively affecting biodiversity-sensitive areas
   - activities violating the UNGC principles or OECD Guidelines for Multinational Enterprises

Positive Screening:

1. By 31.12.2023, 10% of the Financial Investments portfolio shall be invested in companies or funds classified as impact-investments.
   - Funds in this category must be either Article 8 or 9-funds, and they must have a clear sustainable investment strategy which targets companies contributing to the UN Sustainable Development Goals.
   - Companies in this category must generate >50% of their income from activities which contribute to the UN Sustainable Development Goals.
2. By 31.12.2025, 5% of the portfolio shall be aligned with the EU Taxonomy. By 31.12.2030, 10% of the portfolio shall be aligned with the EU Taxonomy.
3. By 31.12.2030, the carbon intensity of the portfolio (Scope 1, 2 & 3) shall be reduced by 40% compared to 2022-levels.

From 2023 onwards, we will engage with all investees on matters of sustainability and conduct an annual review of the fund or company's ESG-profile.

NEW ENERGY

ENABELING THE ENERGY TRANSITION

We believe that financing is the key to unlock the global energy transition, and that it is our responsibility as investors to support the world's efforts to reach net-zero by mid-century. In addition, we recognise that the structural, and not cyclical, nature of the global energy transition offers multiple investment themes that are likely to see secular growth for decades to come.

Our New Energy portfolio, established as its own business area in December 2020, is designed to capitalise on the opportunities presented by the energy transition. Investments are particularly focused towards the generation and storage of sustainable energy and the electrification and efficiency of energy demand. Over the next couple of years, it is our ambition that the portfolio will expand strategically to make up approximately 15-30% of KM's total assets.

MEET THE NEW ENERGY TEAM:

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Whilst it is clear to us that the energy transition is driven by emerging technologies that are causing older, legacy technologies to become obsolete, we also recognise that conventional energy companies have some of the greatest potential for decarbonisation. As such, we dedicate a proportion of the New Energy portfolio to investments in energy companies currently transitioning to greener operations, so-called "transition-cases". The aim is to influence these businesses to sustain climate mitigation action over time.

CASE STUDY: ECOSTOR

ECO STOR, based in Oslo, provides high-performance, low-cost energy storage systems for residential, industrial and grid connected applications. We believe that they represent some of the best aspects of the circular economy and that their position in-between the two megatrends of energy storage and the electrification of transportation posits an immense potential for future growth.

1st Life Batteries

Battery-based energy storage is becoming more and more attractive due to increasing integration of intermittent and distributed renewable energy production, and the global market is expected to reach USD 8.54 billion by 2023. ECO STOR recently established a German subsidiary, ECO STOR GmbH, that offers grid-connected energy storage solutions using new batteries.

2nd Life Batteries

EV batteries start out with high CO_2 emissions because of the way they are produced, especially in Asia. When the capacity of an EV battery drops below 70 per cent, the driving distance becomes too short and the battery must be replaced. ECO STOR has developed energy storage solutions that take full advantage of these batteries’ 10 to 15 years of remaining life, effectively reducing the life-cycle carbon emissions of EV batteries and creating a circular economy for them.

RENEWABLES AND NATURE

The importance of rapidly scaling up renewable energy supply for climate change mitigation is indispensable, yet clean energy sources can pose other environmental challenges, such as for land and wildlife conservation. Solar and wind farms often affect biodiversity through disturbance and loss of habitat, the generation of noise pollution, collision and other indirect pressures. In addition, they use hundreds of times more land than coal or nuclear plants.

In order to ensure that our New Energy investments minimise these potentially adverse impacts, we have decided to monitor relevant KPI's on biodiversity and land use for all portfolio investments. Hence, we request reporting in accordance with specific nature-related Principle Adverse Impact Indicators (PAIs) from the Regulatory Technical Standards under the Sustainable Finance Disclosure Regulation (SFDR). See the next page for details and PAI numbers.

NEW ENERGY SUSTAINABILITY METRICS AND TARGETS

Negative Screening:

1. The following criteria applies to the New Energy portfolio's direct investments:
   - more than 75% of average CAPEX for the current and two following years must stem from activities with a clear link to renewable energy, OR;
   - more than 50% of average income from the last three years must stem from activities with a clear link to renewable energy.

   A maximum of 20% of the total New Energy portfolio can be exempt from the above criterion in order to enable investments in transition-cases. The following criteria must then be met:
   - <0.1% of the company's income stem from oil sand, shale oil and shale gas.
   - The company has a clear and quantifiable transition plan to the low-carbon economy.

Monitoring:

1. In 2023, we will request reporting on negative impacts on biodiversity in accordance with SFDR PAI no. 7, Table 1 and PAI no. 14 and 15, Table 2. From 2025 onwards, we will implement such reporting as a requirement for new investments.
2. In 2023, we will request reporting on negative impacts on land degradation, soil sealing and desertification for all investments in accordance with PAI nr. 10, Tabell 2. From 2025 onwards, we will implement such reporting as a requirement for new investments.

Positive Screening:

1. The portfolio shall be invested in Article 8 and Article 9 funds, with an ambition of holding mostly Article 9 funds.
2. By 2025, at least 50% of the portfolio shall be aligned with the EU Taxonomy. By 2030, at least 80% of the portfolio shall be aligned with the EU Taxonomy.

From 2023 onwards, we will engage with all investees on matters of sustainability and conduct an annual review of the fund or company's ESG-profile.

CLIMATE RISK

TCFD-compliance reporting

In KM, we consider climate risk a financial risk which will impact our business long term. We recognise that as changes in the climate system are becoming more intense, widespread, and frequent, the economic implications of climate change become significant.

In order to report on our assets' exposure to climate-related risks, we comply with the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). This framework is often viewed as a market-standard and considers how climate risk is integrated into corporate governance, risk management, strategy, and metrics & targets.

GOVERNANCE

Every year, the Board of Klaveness Marine carries out a strategic review, building on the vision for the company set out in a separate paper by the company-owners, the Klaveness-family. The board then decides on KM’s overall objectives and strategy. The Administration is responsible for adopting this strategy set out by the Board and to report back on its progress and implementation.

In the current corporate strategy, sustainability is defined as a key priority area. Reporting to the Board on ESG-related risks and opportunities is carried out through written communication, as integral parts of portfolio presentations or as part of dedicated ESG-presentations at Board-meetings. In, 2021-2022, the Members of the Board followed the development and progress of the 2030 Sustainability Strategy closely, giving inputs on the various objectives and targets set by the Administration.

Within the Administration, the sustainability working group, which consists of top management and our Sustainability Coordinator, has been assigned a particular responsibility for monitoring climate-related risks and opportunities relevant to the company's activities. Meetings takes place several times a month, with agendas varying from strategy-making to discussions on relevant ESG-dilemmas.

Looking forward, it is our ambition that the assessment and management of climate-related risks and opportunities will be integrated into all investment decisions, and the associated responsibility will lay with the relevant investment manager or director. KM will continue to have a full-time employee dedicated to overseeing the ESG-related work across the portfolios, whilst also working to build competence and delegate more responsibility throughout the Administration.

STRATEGY & RISK MANAGMENT

We are currently working on analysing climate-related risks and incorporating new routines into established risk management and investment processes. Using the TCFD framework, we have begun to explore climate-related risks across three time-frames: short-term (up to 2025), medium-term (up to 2030) and long-term (up to 2050).

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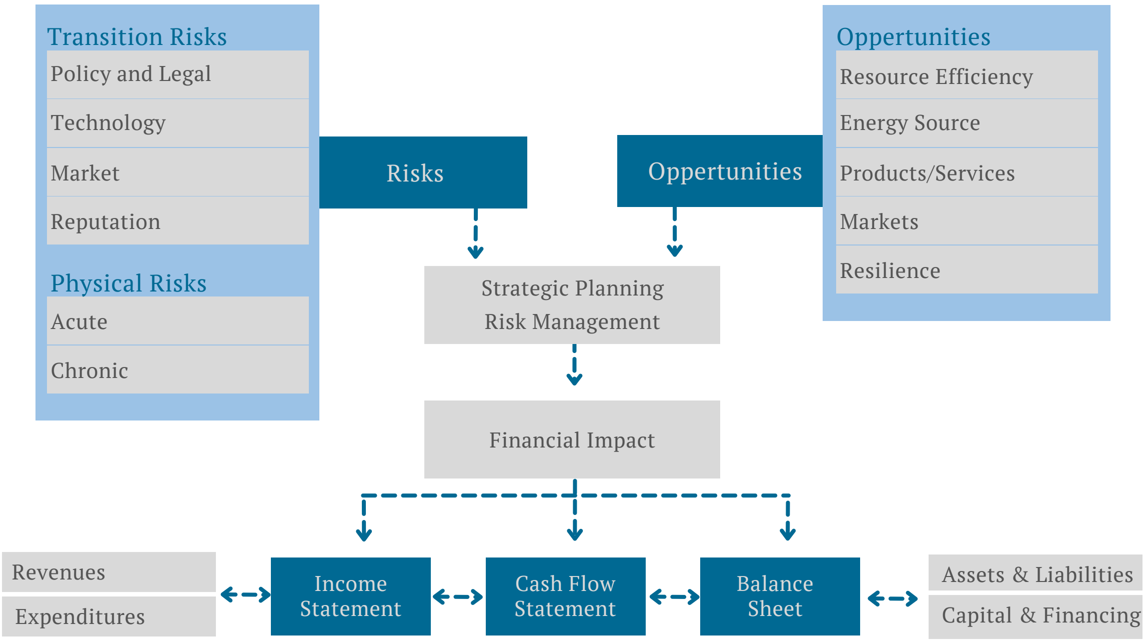
Elisabeth Andersen
Marianne Solvang
Linn Anita Rustad
Oda Standal

CLIMATE-RELATED RISKS, OPPORTUNITIES AND FINANCIAL IMPACT



Source: TCFD (2017), Final Report: Recommendations of the Task Force on Climate-Related Financial Disclosures, *Figure 1, p.8.*

Table 1 on the next page presents selected climate-related issues that we consider relevant to KM's activities. The table takes into account both transitional and physical risks and expands on their potential financial impact, as described in the TCFD's final report, as well as what we consider to be the relevant time-horizon for the issues to start affecting our business.

On the subsequent page, a climate risk matrix can be found, where a smaller number of climate-related issues are arranged in terms of their probability of occurrence and potential severity for KM. This matrix was composed as part of a brain-storming session during a climate risk work-shop with the Sustainability Working Group, led by an Eco Lighthouse consultant. Please note that this matrix incorporates both climate risk and financial impacts into the analysis.

To date, some of the identified material climate-related issues have affected our strategy and financial planning more than others. Generally, we have prioritised transitional risks over physical risks as we consider it likely that the former could have a potentially damaging effect on our business activities before the latter. That is, new and stricter regulations, technology developments, market shifts and reputation concerns is at the core of our future-proof business strategy.

As an investment firm, it is likely that stricter bank lending policies would be the first channel through which climate risk would impact our returns. Consequently, it has been our priority to create risk management plans for portfolio alignment with green loans requirements and the EU taxonomy, especially within Real Estate and Maritime.

CLIMATE RISK

Descriptions, impacts and expected time-frame

TYPE	CLIMATE RISKS	POTENTIAL FINANCIAL IMPACT	TIME-FRAME
TRANSITION RISKS	**Policy and Legal** • Increased prices of GHG emissions • Mandates on and regulation of existing products and services	• Increased operating costs • Write-offs, asset impairments, and risk of stranded assets due to policy changes	Short-term
	Technology • Unsuccesful investment in new technologies • Substitution of existing products/services with lower emission options	• Write-offs and early retirement of existing assets • Reduced demand for products/services	Medium-term
	Market • Changes in consumer behaviour • Uncertainty in market signals (e.g. due to social unrest or high polarisation in the electorate) • Inreased costs of raw materials (e.g. due to energy crisis or trade war)	• Reduced demand for goods and services due to shift in consumer preferences • Increased production costs due to high inflation or changing input and output prices • Abrupt and unexpected shifts in energy costs (e.g., higher inflation) • Re-pricing of assets (e.g., fossil fuel reserves)	Short/medium-term
	Reputation • Shifts in employee-preferences and expectations • Changing market-standards and expectations • Stigmatisation of specific sectors	• Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) • Reduction in capital availability (higher margins on loans or exclusion from certain banks) • Reduced revenue from negative impacts on partnerships (losing ground as an attractive partner)	Medium-term
PHYSICAL RISKS	**Acute** • Increased severity of extreme weather events such as floods and cyclones **Chronic** • Changes in precipitation patterns • Rising mean temperatures • Rising sea levels and temperatures	• Write-offs and early retirement of existing assets (e.g., damage to property and assets in “high-risk” locations) • Increased capital costs (e.g., damage to facilities) • Increased insurance premiums and potential for reduced availability of insurance on assets in “high-risk” locations	Long-term

Source: TCFD (2017), Final Report: Recommendations of the Task Force on Climate-Related Financial Disclosures, Table *1, p.10.*

CLIMATE RISK MATRIX

Assessing the probability and severity of selected climate-related risks

Probability of occurence	1	2	3	4	5
5			Exclusion from partnerships if our climate ambitions are deemed insufficient or there is a lack of focus on ESG		Low employee attraction and retention if our climate ambitions are deemed insufficient or there is a lack of focus on ESG
4				Increased prices of GHG emissions and/or stricter regulations for existing products and services affecting CAPEX	Higher margins on loans if our climate ambitions are deemed insufficient or there is a lack of focus on ESG
3			High polarisation in the electorate causing uncertatinty and divisive politics	Unsuccesful investments in new technologies	
2		Increased frequency of extreme weather events such as floods and cyclones causing rising real estate expenses		Energy crisis causing higher raw material costs and rising inflation Social unrest causing volatility in markets	
1	Rising mean ocean temperatures causing worse conditions for salmon farming				

Severity for KM

METRICS AND TARGETS

As a certified Eco Lighthouse organisation, we are committed to annual reporting on metrics associated with water, energy, and waste for our own office spaces. In addition, we track these metrics for our two fully owned commercial buildings in Oslo. Furthermore, as of 2022, we will report on specific sustainability-related KPI's for our investments, all of which are listed on the designated business area pages in this report.

KM's impact on the climate is overwhelmingly connected to our investments, given the small size of our organisation and the nature of our employees' work. We are currently in the process of obtaining more information about the emissions associated with these investments and other Scope 3-related activities. In the meantime, we will report on our Scope 1 & 2 emissions (capturing direct emissions and indirect emissions from energy use, respectively). The total level of GHG emissions are calculated in accordance with the GHG Protocol, and we report using both the location-based and market-based calculation method.

2021	SCOPE 1	SCOPE 2
Location-based method [tCO2e]	0	3,54
Market-based method [tCO2e]	0	1,92

To this date, we have set targets that will help lessen our exposure to climate-related risks as well as our impact on the natural environment for all four business areas. These targets are also described in more detail on each respective business area page. Whilst many of our peers set reduction targets or even net-zero targets as far ahead as 2050, we have chosen to build our strategy around the short to medium-term time frame up until 2030. As such, our targets reflect the sense of urgency associated with the current climate crisis, and they are intended to spur action already today.

UN GLOBAL COMPACT

Communication on Progress Report for 2021/2022

Klaveness Marine has been a member of the UN Global Compact and signatories to their Ten Principles for Corporate Sustainability since 2021. In this first, annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. The four areas included in this CoP are human rights, labour, environment and anti-corruption.

HUMAN RIGHTS

We expect all of our investee companies to integrate human rights into their policies, corporate strategy, risk management and reporting. In addition, we have specifically included the UN Declaration of Human Rights as part of our new Maritime Investment Criteria for partners and suppliers in the maritime value-chain.

As per our exclusion policy, we further commit, as of 2022, to exclude all companies on the Norwegian Sovereign Wealth Funds list for the observation and exclusion of companies, which includes companies involved in violations of human rights. In the same policy, we also state that we will not invest directly in companies producing or selling "fast fashion", given the industry's historically high human cost and the continued high risk of human rights violations in its supply chain.

LABOUR

It is our ambition to engage with all investee companies on matters such as living wages, diversity, and worker health and safety. Simultaneously, we will work to minimise our financing of companies violating labour rights such as those laid out in the core ILO conventions.

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

In accordance with our exclusion policy, we will not invest in a company or fund where more than 5% of that company/fund is exposed to violations of the UNGC principles or the OECD Guidelines for Multinational Enterprises, both of which capture a range of labour-related risks. Furthermore, in excluding fast fashion companies from our direct investment universe, we take a clear stance against an industry often heavily involved in the exploitation of young, female workers. Recognising that the shipping industry can similarly expose us to labour risks, we explicitly require all of our maritime partners and suppliers to comply with the core ILO conventions as well as the ILO Maritime Convention.

ENVIRONMENT

KMs efforts to protect the natural environment have been scaled up since the beginning of our 2021 sustainability project. Between the launching of our new business area, New Energy, and the implementation of emissions and biodiversity goals in our other portfolios, we are set to reduce our environmental footprint substantially in the coming years.

Whilst we are committed to minimise our exposure to companies involved in the fossil fuel sector through divestment, environmental issues is also one of the core areas in which we engage with partners, suppliers and investee companies. Additionally, we are proud members of the Norwegian Green Building Council and The Norwegian Green Shipping Programme, as well as a certified Eco-Lighthouse organisation.

ANTI-CORRUPTION

In KM, we have a zero-tolerance policy for corruption, bribery and extortion, and we work to promote ethical business practices through all of our investments. Following the Norwegian Sovereign Wealth Fund's exclusion list, we will not invest in companies marked as involved in gross corruption of any kind. Furthermore, our new Maritime Investment Criteria will request calls at ports that have the 20 lowest rankings in the Corruption Perception Index (CPI) to be disclosed and reported on annually. We also encourage ship owners, operators and suppliers to become members of the Maritime Anti-Corruption Network.

UN GLOBAL COMPACT PRINCIPLES

KM's work and reporting on the Ten Principles

UNGC PRINCIPLES	UN SDGS	DESCRIPTION OF IMPLEMENTATION AND OUTCOMES
Human Rights • Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and • Principle 2: make sure that they are not complicit in human rights abuses. **Labour** • Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; • Principle 4: the elimination of all forms of forced and compulsory labour; • Principle 5: the effective abolition of child labour; and • Principle 6: the elimination of discrimination in respect of employment and occupation.	1 No Poverty 8 Decent Work and Economic Growth 2 Zero Hunger 10 Reduced Inequalities 3 Good Health and Well-Being 12 Responsible Consumption and Production 4 Quality Education 16 Peace, Justice and Strong Institutions 5 Gender Equality 17 Partnerships for the Goals 6 Clean Water and Sanitation	2021 At a Glance, p. 4 KM's Exclusion policy, p. 9 Maritime Investment Criteria, p. 13 CoP Statement, p. 28
Environment • Principle 7: Businesses should support a precautionary approach to environmental challenges; • Principle 8: undertake initiatives to promote greater environmental responsibility; and • Principle 9: encourage the development and diffusion of environmentally friendly technologies.	7 Affordable and Clean Energy 13 Climate Action 9 Industry, Innovation and Infrastructure 14 Life Below Water 11 Sustainable Cities and Communities 15 Life on Land 12 Responsible Consumption and Production 17 Partnerships for the Goals	2021 At a Glance, p. 4 KM's Exclusion policy, p. 9 KM's Business Areas, p. 10-21 TCFD-report, p. 22-27 CoP Statement, p. 29
Anti-Corruption • Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	1 No Poverty 16 Peace, Justice and Strong Institutions 8 Decent Work and Economic Growth 17 Partnerships for the Goals 10 Reduced Inequalities	KM's Exclusion policy, p. 9 Maritime Investment Criteria, p. 13 CoP Statement, p. 29

APPENDIX

HARBITZALLÉEN 2A

Sustainability Report 2021

Energy use (kWh/m2)

178

GHG Emissions (tCO2e) from Scope 2*

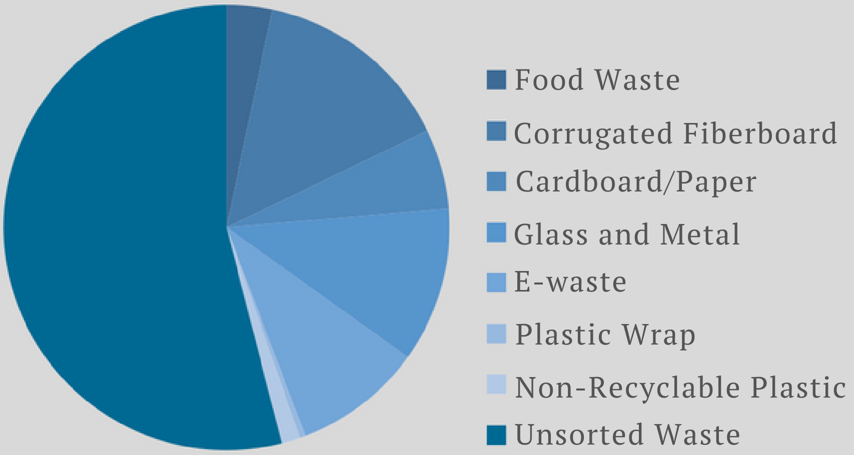
30

Water Usage (m3)

1634

% Recycled Waste

46



Norwegian Energy Certificate

E

D

ENERGY-EFFICIENCY ASSESSMENT	INSTALLED SOLAR POWER	BREEAM-CERTIFICATION
Yes	No	Pending

Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling.

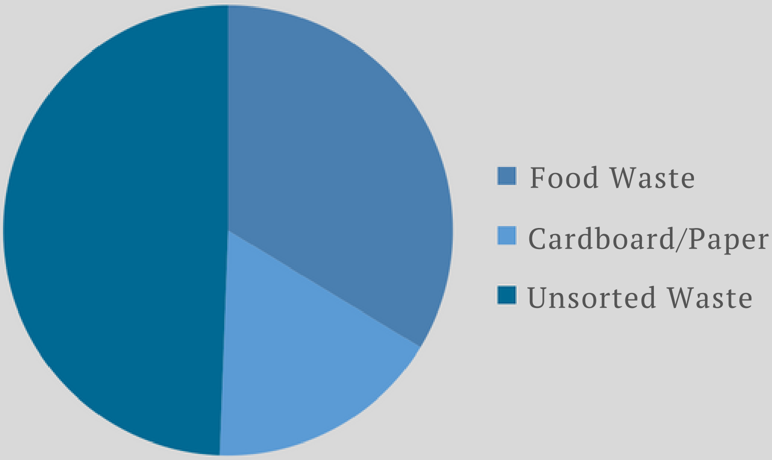
DRAMMENSVEIEN 133

Sustainability Report 2021

Energy use (kWh/m2)	GHG Emissions (tCO2e) from Scope 2*	Water Usage (m3)
123	51	726

% Recycled Waste

51



Norwegian Energy Certificate

C

D

ENERGY-EFFICIENCY ASSESSMENT	INSTALLED SOLAR POWER	BREEAM-CERTIFICATION
Yes	Yes	Planned

*Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling.