KLAVENESS MARINE

Sustainability Report 2022

www.klavenessmarine.com

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Introduction from our CEO

2022 was a year characterized by war, high inflation, and significant economic uncertainty. The prevailing uncertainty has continued into 2023, and lately we have observed a hesitent and risk-averse market sentiment.

However, amidts these challenges, the focus on sustainability has fortunately remained high, both internationally and here at KM. Sanctions against Russia and steep energy prices have emphasized the importance of boosting investments in renewable energy in Europe and the western world. In 2022, global investments in renewable energy surpassed investments in fossil fuels for the first time, and at KM, we made a commitment to completely cease direct investments in fossil fuels.

Over the past year, our primary focus has beeen on collecting sustainability data from all our investments. This has been a demanding endeavor, but thanks to international regulations such as the Sustainable Finance Disclosure Regulation, more of our partners are now collecting and disclosing information regarding their positive and negative impact.

For the first time, we have reported on climate risk in accordance with recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), decent working conditions as per the Transparancy Act, and our own sustainability goals for each portfolio, all of which are detailed in this report.

Furthermore, we have dedicated substantial time to reviewing ESG indicators for all our investments. In the coming year, we will leverage this knowledge in our engagement with partners and investment decisions. Our aim is to be an investor that enables and supports all our investments in their work towards a more sustainable trajectory. Therefore, I am pleased to confirm that KM reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption.

Carl Arnold Johansen
Chief Executive Officer

Foto: Anne Valeur / Pudder Agency


Foto: Anne Valeur / Pudder Agency

2022 at a glance

14
Number of employees

590
Assets under management (MUSD)

4
Business areas

Average water usage per m3
1439

Female employees
35%

Purchases from significant suppliers with a certified environmental management system
54%

2
Transition cases

New Energy investments (MNOK)
464

Average energy use in fully owned buildings (kWh/m2)
236,7

96
Business flights

Disclaimer

2022 is our second year of creating and publishing a sustainability report at company level and our first year of publishing data on a portfolio level. Our goal is to release new reports annually to demonstrate our progress in meeting all sustainability targets for 2025 and 2030.

However, as regulations and expectations regarding sustainability reporting continue to evolve, our methods and metrics may also change over time. Nevertheless, we will strive to provide transparent data that can be compared year-over-year.

The data in this report reflects our sustainability performance as of December 31, 2022, but our investments, properties, and procedures are constantly evolving, which may lead to changes in emissions and other adverse effects over the course of a year. All information is collected through annual reports from our investments and partners, as well as meetings and correspondence with the management and sustainability officials.

While we have not been able to collect sustainability data for all our investments, we believe the data in this report provides a representative snapshot of KMs positive and negative impact on Sustainability metrics. However, it does not present a complete picture of our sustainability performance, and the data coverage varies across the portfolios. The table below shows the extent of data coverage for each portfolio on the sustainability metrics in this report. When measuring the share of compliance for each portfolio, all investments are included in the mathematical equation. All companies where we have not been able to gather sustainability information has been counted as “not compliant”.

Portfolio	Data Coverage
New Energy	77%
Finance	55 %
Real Estate	100%
Maritime	59 %

*The percentages presented in the Real Estate chapter of this report are calculated based on the number of buildings in our portfolio. The other business areas have calculations based on KMs NOK share.

If you have further questions regarding any information laid out in this report, you are welcome to contact us. For contact information go to https://klavenessmarine.com

Company structure – integrating sustainability

Within the administration, 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.

Klaveness Marine Holding AS is a private owned limited company registered in Oslo, Norway and owned by the Klaveness family. The board of Klaveness Marine consists of three family members and three externally elected board members.

Every year, the board carries out a strategic review, building on the vision for the company. The board then decides on KMs overall objectives and corporate strategy.

The administration is responsible for adopting the strategy and to report back on its progress and implementation.

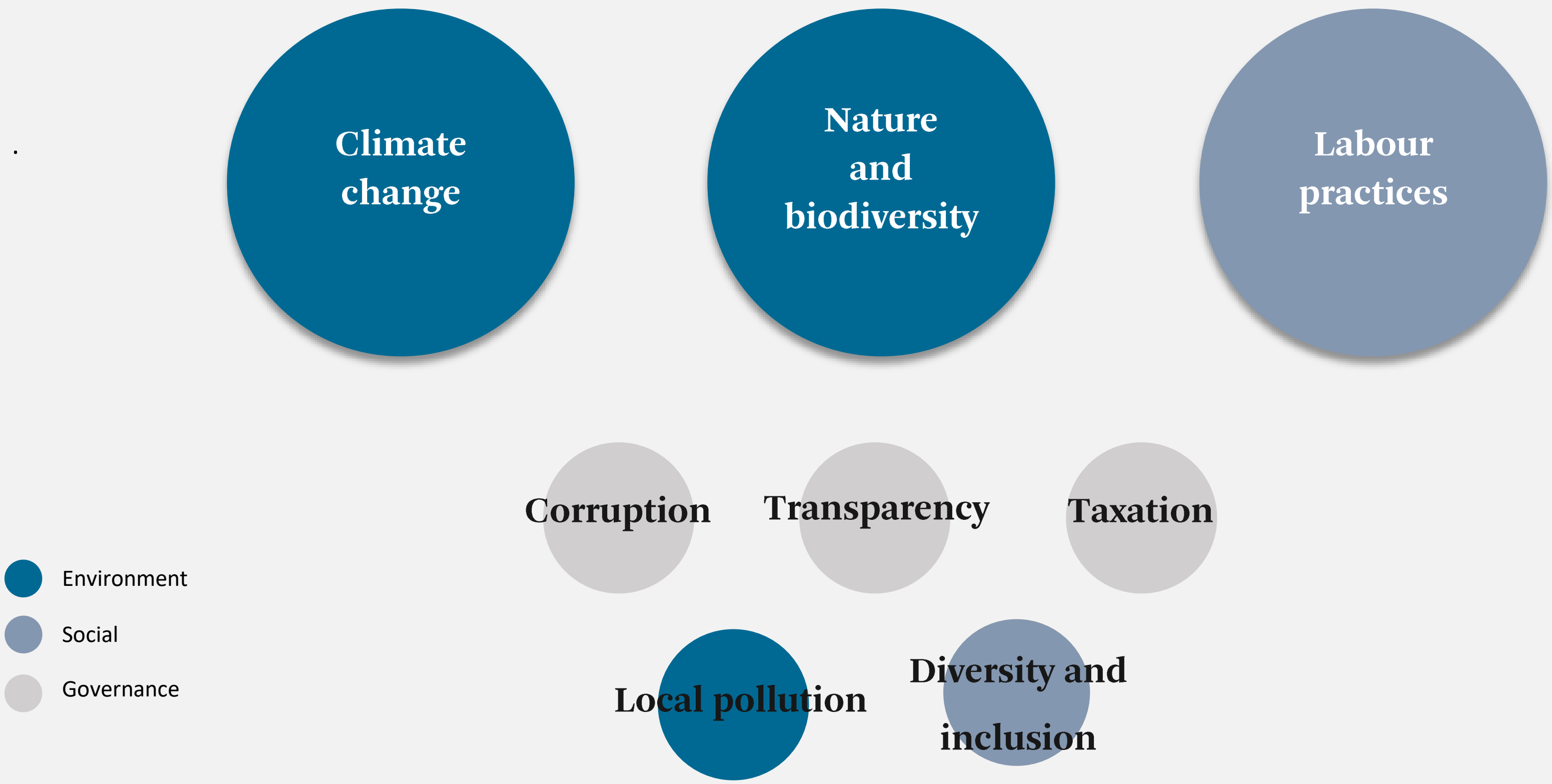
In the current corporate strategy, sustainability is defined as a key priority area. Reporting to the board on ESG-related risks and opportunities is carried out through written communication, as integral parts of portfolio presentations or as part of dedicated ESG-presentations at board-meetings.


Foto: Anne Valeur / Pudder Agency

Materiality and key priority areas

Materiality recognizes that non-financial information is important in assisting investors in making sustainable investment decisions. In the spring of 2021, we conducted our first ESG materiality assessment. 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 prioritized key sustainability areas that are both material to KMs activities and, in our view, essential for the harmonization of the triple bottom line: people, planet and profit.

The priority areas are reflected in the ESG-analysis we conduct on all new investments. Our ESG-analysis for all new investments evaluates the positive and negative impact of a company's products and operations on key priority areas. The ESG analysis framework may differ across the portfolios, and the weighting assigned to each priority area can vary from one assessment to another. Some assessments may place greater emphasis on climate change impact, while others may focus more on nature and biodiversity or labor practices.



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 sustainability investment framework consists of three core pillars.

Negative screening

We have created an exclusion policy based in the Norwegian Sovereign Wealth Funds exclusion list, but with further exclusion criteria for fossil fuels, fast fashion and companies negatively effecting biodiversity-sensitive areas. 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-assessment

We base our ESG-assessment on information gathered from the company's annual reports, meetings and communication with company officials, and Morningstar Direct published data. Our goal is for our research process to be as comprehensive as possible in depth and coverage. However, with limited time and resources we prioritize ESG-data regarding our three key priority areas when doing assessments.

Impact investing

Our impact focus seeks to channel capital towards businesses contributing substantially to one or more of the UN Sustainable Development goals, without negatively affecting other goals. In addition, we consider EU taxonomy-alignement a relevant impact metric for our portfolios, given its indispensability in delivering EU climate targets.

While we do align all new investments with our sustainability ambitions, we recognize the need to phase out some of our existing positions more gradually. In addition, due to rapid expansion of the ESG-universe, we will review, and if necessary, adjust, our metrics and targets on an annual basis in an effort to stay up to date with current developments and regulations.

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.*

New Energy Sustainability Measures

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

2. A maximum of 20% of the total New Energy portfolio can be exempt from the above criteria in order to enable investments in transition cases. The following criteria must be met for all transition cases:
   - <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. From 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 we will implement such reporting as a requirement for new investments.
2. From 2023, we will request reporting on negative impacts on land degradation, soil sealing and desertification for all investments in accordance with PAI no 10, Table 2. From 2025 we will implement such reporting as a requirement for new investments.

Positive screening

1. The portfolio shall be invested in Article 8 and 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.

Enabling the energy transition

We believe that financing is key to unlock the global energy transition, and KM wants to contribute to the worlds efforts to reach net-zero by mid-century. We also recognize that the structural, and not cyclical, nature of the global energy transition offers investment themes that are likely to see secular growth for decades to come.

Our New Energy portfolio is designed to capitalize on opportunities presented by the energy transition. Investments are particularly focused towards generation and storage of sustainable energy and the electrification and efficiency of energy demand.

In addition, we recognize that conventional energy companies have some of the greatest potential for decarbonization. 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”. No more than 20% of our New Energy portfolio can be dedicated to these cases, and in our current holdings transition cases constitute 9%, as of 2022.

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 times as much land than coal or nuclear plants.

In order to ensure that our New Energy investments minimize these potentially adverse impacts, we monitor relevant KPIs on biodiversity and land use for all portfolio investments. Hence, we request reporting in accordance with specific nature-related Principle Adverse Impact Indicators (PAIs) under the Sustainable Finance Disclosure Regulation (SFDR). So far, we have been able to collect data on these PAIs from 60% of the total portfolio. Mandatory PAIs should be delivered by all financial institutions above a certain size in June of 2023 and we believe that these numbers will improve in the coming year.

New Energy Sustainability Metrics

	Average carbon intensity in NE portfolio	**370 tons CO2 per MEURO** [1] MSCI World index 1285 tons CO2 per MEURO
	Share of portfolio with SFDR reporting	**60%**
	UN Global Compact violations of the companies who have published data	**0**
	Companies with activities in biodiversity sensitive areas of the companies who have published data	**2 cases** Both below limit of max 10%
	Share of portfolio with net-zero ambitions	**46%**
	Share of portfolio with a UN Global Compact membership	**28%**
	EU taxonomy alignement	**N/R**
	Share of Article 9 funds in Portfolio	**26%**
	Transition cases	**9%**

[1] This number represents the average for all companies that have reported on their carbon intensity and have not been multiplied with KMs share in each company. We might therefore have larger shares in some companies with a lower or higher carbon intensity, but this is not accounted for. Only 30% of the companies in the NE portfolio have published their carbon intensity so far. The carbon intensity data has been obtained through Morningstar and/or the companies public sustainability reporting.

Finance Sustainability Measures

Negative screening

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

   In addition, we will engage with portfolio managers in all our funds and encourage them to follow same exclusions if possible.

Positive screening

1. By 31.12.2023, 10% of the financial investment 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.

Minimizing our footprint

In 2022 we formalized an official exclusion policy for KM, with many elements particularly relevant for the financial investment portfolio. Since then, we have undertaken an assessment of all our current investments to identify any potential violations of the exclusion list within our portfolio.

Through this assessment we first identified seven funds, mostly indexes, that did not align with our policy regarding UN Global Compact violations, negative impact on biodiversity, or fossil fuel involvement.

We are actively working to identify alternative indexes to replace these funds and have already divested from several. When publishing this report, we are currently down to three funds that do not align with our exclusion criteria regarding UN Global compact violations or negative impact on biodiversity.

Going forward, we will not engage in new investments that are not in line with our exclusion policy.

Excelling our impact

This last year we also developed specific impact related targets for the portfolio up to 2030. The metrics include companies generating revenue from activities contributing substantially to one or more SDGs as well as taxonomy alignement.

It is our ambition to always hold at least 10% impact investments, beginning in 2023. Over the past year, we have placed a strong emphasis on reaching this goal.

In the autumn, we participated in the JP Morgan Impact Summit to gain further insights into potential impact investments and refine our impact assessment methods.

Subsequently, we have allocated 70 million NOK towards impact investments, resulting in an increase in our overall proportion of impact investments from 7% to 11%.

We have not been able to asses our investments taxonomy alignement yet, but will work to improve the sustainability metrics over time.

Finance Sustainability Metrics

	Average carbon intensity in finance portfolio	**649 tons CO2 per MEURO**[2] MSCI World index 1084 tons CO2 per MEURO
	Share of investments with company sustainability report	**39%**
	Share of investments with SFDR reporting	**42%**
	UN Global Compact violations of the companies that have published data	**0**
	Companies with activities in biodiversity sensitive areas of the companies that have published data	**1 case** below limit of max 10%
	Share of companies with a UN Global Compact membership	**23%**
	Impact investments	**11%**
	Investments that do not align with strategy	**3**[3]

[2] Only 30% of the companies in the finance portfolio have published their carbon intensity so far. The carbon intensity data has been obtained through Morningstar and/or the companies public sustainability reporting.

[3] When publishing this report, we hold in total 3 indexes that do not align with the exclusion policy regarding UN Global compact violations or activity in biodiversity sensitive areas. We are working to find alternative funds to replace these investments. We do not make any new investments with breaches, and all new investments made after 01.06.2022 are in line with the exclusion policy.

Real Estate Sustainability Measures

Cash-generating portfolio:

1. By the end of 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 the end of 2023 we shall have initiated energy efficiency analysis in all properties within the cash-generating portfolio.
4. By the end of 2025, we shall have identified and implemented measures to improve energy efficiency in buildings within the cash-generating portfolio. (Especially in buildings with an average specific energy consumption below Enovas recommended average value.
5. By the end of 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 utilization have the necessary installments to do so.

Development portfolio:

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

By the end of 2023 we will implement signatory status to the "Ten immediate Actions" of the Norwegian Green Building Council as a condition for new investments with current and future partners. During the strategy period running up to 2030, we shall take part in at least one project aimed at fueling 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.

Retrofitting our portfolio

We believe that retrofitting real estate will be critical to meet the demands of net-zero pledges and upcoming regulations.

Our portfolio is diverse and includes buildings in alle energy classes. We own commercial, residential, and retail properties in Norway and Denmark, some of which are highly energy efficient, while others are older buildings leased to energy-intensive industries. Our goal is to implement appropriate measures in all buildings, but with an initial focus on the buildings with the lowest energy class. To achieve this, we have begun requesting an energy efficiency analysis (ENØK) for all properties where it has not already been assessed.

Once we receive the results from these analyses, we will implement measures to improve energy efficiency based on each building's unique circumstances.

Advocating to and learning from our partners

Our approach includes gaining in-house experience with smaller-scale projects in our fully owned buildings and advocating 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 sustainability ambitions. In 2022 we recommended all our partners to obtain signatory status to the Ten immediate actions. As of 2023 this is a requirement for all our partners.

In the coming year we will work to increase our focus on biodiversity and labour practices by carrying out a due diligence in accordance with the transparency act and increase our knowledge on real estate's role in nature conservation. In 2022 we conducted meetings with partners where biodiversity and nature conservation were in focus. This year we will continue learning from our most ambitious partners and begin creating more concrete measures on this subject.

Development Projects

In development projects, we heavily rely on partners with extensive expertise in property construction and development. We only engage in development projects with partners who possess strong competence and high ambitions regarding sustainability. With the goal of classifying all our development projects as taxonomy aligned from 2025, we have set ambitious targets for our development portfolio.

Real Estate Sustainability Metrics

	Partners who have signed the Green Building Council's immediate actions	100%
	BREEAM in use certified buildings	17%
	Use of rooftops	14%
	Energy efficiency assessments	60%

*These numbers are from the cash-generating portfolio only, and the percentage is calculated based on the number of buildings in our portfolio, not our share in NOK.

A	B	C	D	E	F
12%	19%	17%	19%	26%	7%

*Energy efficiency classification

BREEAM®

Excellent	Very good	Good
2	3	2

Transparency Act

We have identified the following operations and suppliers as relevant for our Transparency Act due diligence assessment.

- Property management
- Property leasing
- Real Estate transactions
- Property development

- Construction workers
- Furniture
- Energy supplier
- Waste management
- Catering services
- Cleaning services
- Legal services

The real estate industry is characterized by lengthy value chains and fragmented processes, making it challenging to always have a comprehensive overview of the risk of indecent working conditions.

At KM Real Estate, we solely own properties in Scandinavia, where the risk of human rights violations is relatively low. However, we are aware that both human rights violations and indecent working conditions have been uncovered in the real estate and construction sector in Norway.

We have identified excessive use of overtime, low wages that do not cover basic needs, money laundering, and forced labor as potential risks in our value chain. It is important to note that these risks are not identified based on our specific suppliers and partners but rather on the industry as a whole or the geographic areas from which the products or services are sourced.

We strive to minimize risk in our own projects and value chains through measures such as regular health, safety, and environmental (HSE) checkpoints in board meetings, maintaining close collaboration with craftsmen, and setting requirements and engaging in discussions about working conditions with our suppliers.

We perceive the risk among our suppliers to be low due to our close collaboration with craftsmen, cafeteria staff, and cleaning personnel. However, in the upcoming year, we will still request additional information on working conditions from all our major suppliers.

We have become aware of a high risk of forced labor in the production of solar panels from the Xinjiang region in China. As we have set a goal to increase the number of buildings in our portfolio equipped with solar panels, we will be particularly vigilant regarding the origin of the solar panels we order.

Maritime Sustainability Measures

Existing portfolio:

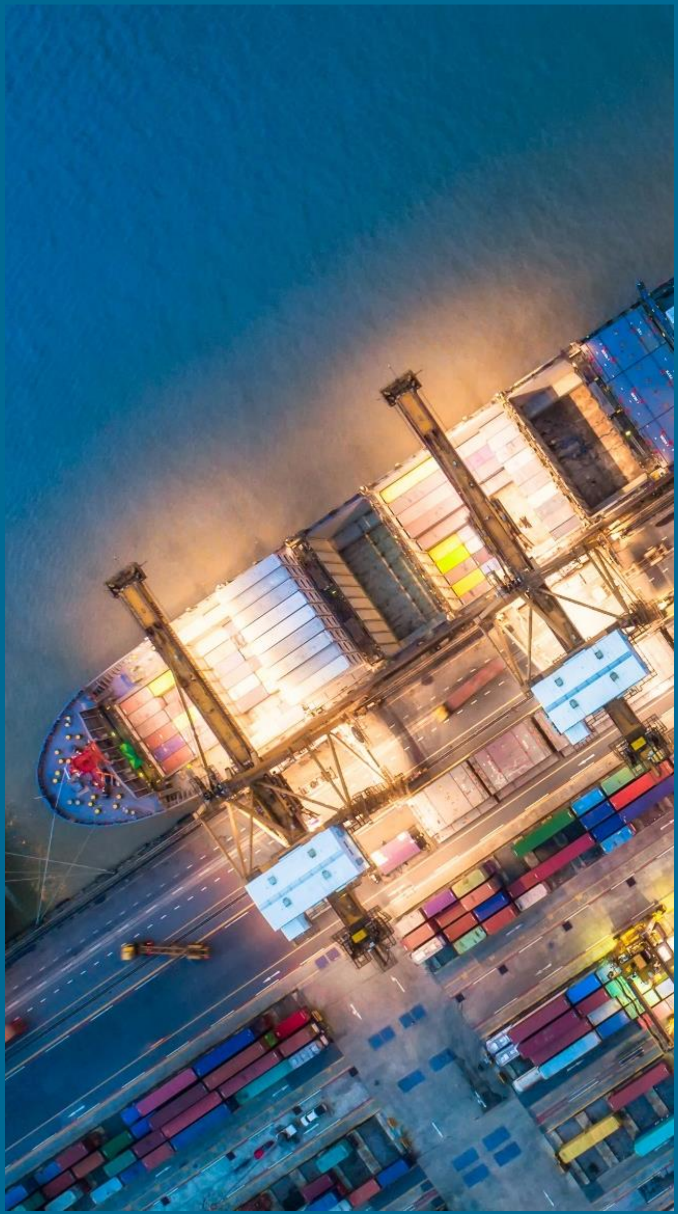
1. By 2030, the carbon intensity of the maritime portfolio shall be reduced by 40% compared to 2020 levels.
2. By 2025, at least 25% of the ships in the portfolio are to comply with the WU taxonomy sub-criteria stating that vessels must have an attained Energy Efficiency Design Index (EEDI) value 10% 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) CO2 emission fuels or on fuel 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.



Exploring our potential

While ships are considered the most energy-efficient way of moving internationally traded goods, the magnitude of the maritime transport means that the shipping sector has a significant impact on global emissions. The sector also faces other sustainability challenges such as workers rights, safety, marine pollution, and local air pollution.

In 2022, we have increased our focus on fuel efficiency and general sustainability in our portfolio. During the summer of 2022, we conducted a meeting with the assistance of the consultant firm Footprint, where we discussed the environmental challenges faced by the maritime sector and how our portfolio is positioned to address these challenges.

We have held multiple consultations with brokers to explore potential investments in zero emission vessels, but we have not yet finalized any such investments. Additionally, we have begun requesting the Energy Efficiency index (EEDI) and Carbon Intensity Indicator (CII) from our direct investments.

Supporting collaboration

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. We believe that one of the most efficient ways for us to support the transition of the maritime industry is to connect with likeminded peers and collaborate with partners with strong environmental ambitions.

Green Shipping Programme

In accordance with our sustainability goals we have communicated to our partners that we will not make new direct investments in vessels dedicated to the transportation of fossil fuels. Although it may take some time, we hope to move the portfolio away from all investments dedicated to the transportation of fossil fuels over time.

Maritime Sustainability metrics

	Share of portfolio with EEDI value 10% below EEDI requirement By 2025, at least 25% of the ships should have EEDI value 10% below requirement	**48%**
	"Zero emission ready" vessels From 2023 onwards all new investments in newbuilds will be zero emission ready	**2%**
	Partners who comply with the Maritime investment criteria From 2022 onwards, we will prefer partners that comply	**N/R**
	Average CII Value From 2023 onwards, all new investments will be in ships with an indicator rating of C or above	**N/R**
	Direct investments in vessels dedicated to the transportation of fossil fuels From 2025 onwards, all new investments will be compliant with the taxonomy criteria stating that vessels must not be dedicated to the transport of fossil fuels.	**57%**

All calculations are derived from our portfolio as of December 31, 2022. At present, we have not acquired sufficient data regarding partners and investments that fully comply with our maritime investment criteria or the average CII value of investments. However, we have begun requesting this information from our key partners.

A significant portion of our maritime investments consists of LNG vessels, which are commonly regarded as a preferable alternative to conventional oil, but that still emits CO_2 and contributes to climate change. To align our portfolio with the Taxonomy, we decided not to make any new investments in ships involved in the transportation of fossil fuels from 2025. However, due to the increased significance of LNG imports to Europe, particularly Germany, following the Russian attack on Ukraine, LNG vessels will still be an important part of our fleet for the next few years. Nevertheless, it is still our long-term goal to decrease this part of our portfolio and increase the part that is in line with the net zero future.

UN Global Compact

Communication on progress Report 2022/2023

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.

Klaveness Marine has been a member of the UN Global Compact and signatories to their Ten Principles for Corporate Sustainability since 2021. In this annual Communication on Progress (CoP), 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 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 Maritime Investment Criteria. In 2022, we committed to our exclusion policy, which includes companies involved in violations of human rights. We have also included all companies producing or selling "fast fashion" in the exclusions, given the industry's historically high human cost and the continued high risk of human rights violations in the supply chain. This year we conducted our first due diligence on human rights and labour practices in accordance with the Transparency Act.

Labour

It is our ambition to engage with all investee companies on matters such as living wages, diversity, and worker health and safety. In 2022 we began doing ESG-assessments of all current investments where we also investigate the companies labour policies. We will use these assessments when engaging with investee companies, and we will divest from companies who do not show willingness to discuss and improve these subjects with us.

Environment

KM has increased its efforts to protect the environment in 2022. Following the integration of emission and biodiversity objectives in all our portfolios, we have begun evaluating the environmental impact of all investments. Within our ESG assessments, we analyze the influence of each company on climate change and biodiversity while identifying areas of improvement. In the coming year we hope to engage further with all our investee companies on their goals and ambitions to decrease their environmental footprint.

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 our investments. Following the Norwegian Sovereign Wealth Fund's exclusion list, we will not invest in any companies marked as involved in gross corruption of any kind.

KMs work and reporting on the UNGC Principles

UN Global Compact Principle	Description of implementation and outcomes	UN SDGs
Human rights • Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights • Principle 2: make sure that they are not complicit in human rights abuses	• Transparency Act, p. 20 • KMs exclusion policy, p. 10 • Communication on progress Report, p. 24	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
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	• Transparency Act, p. 20 • KMs exclusion policy, p. 10 • Communication on progress Report, p. 23	10 REDUCED INEQUALITIES 5 GENDER EQUALITY 3 GOOD HEALTH AND WELL-BEING
Environment • Principle 7: Businesses should support a precautionary approach to environmental challenges • Principle 8: Undertake initiatives to promote greater environmental responsibility • Principle 9: Encourage the development and diffusion of environmentally friendly technologies	• KMs exclusion policy, p.10 • KMs business areas measures and metrics, p. 11-23 • TCFD report, separate paper • Communication on progress report, p. 24	13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND 7 AFFORDABLE AND CLEAN ENERGY
Anti-Corruption • Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	• KMs exclusion policy, p. 10 • Communication on progress report, p. 24	16 PEACE, JUSTICE AND STRONG INSTITUTIONS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