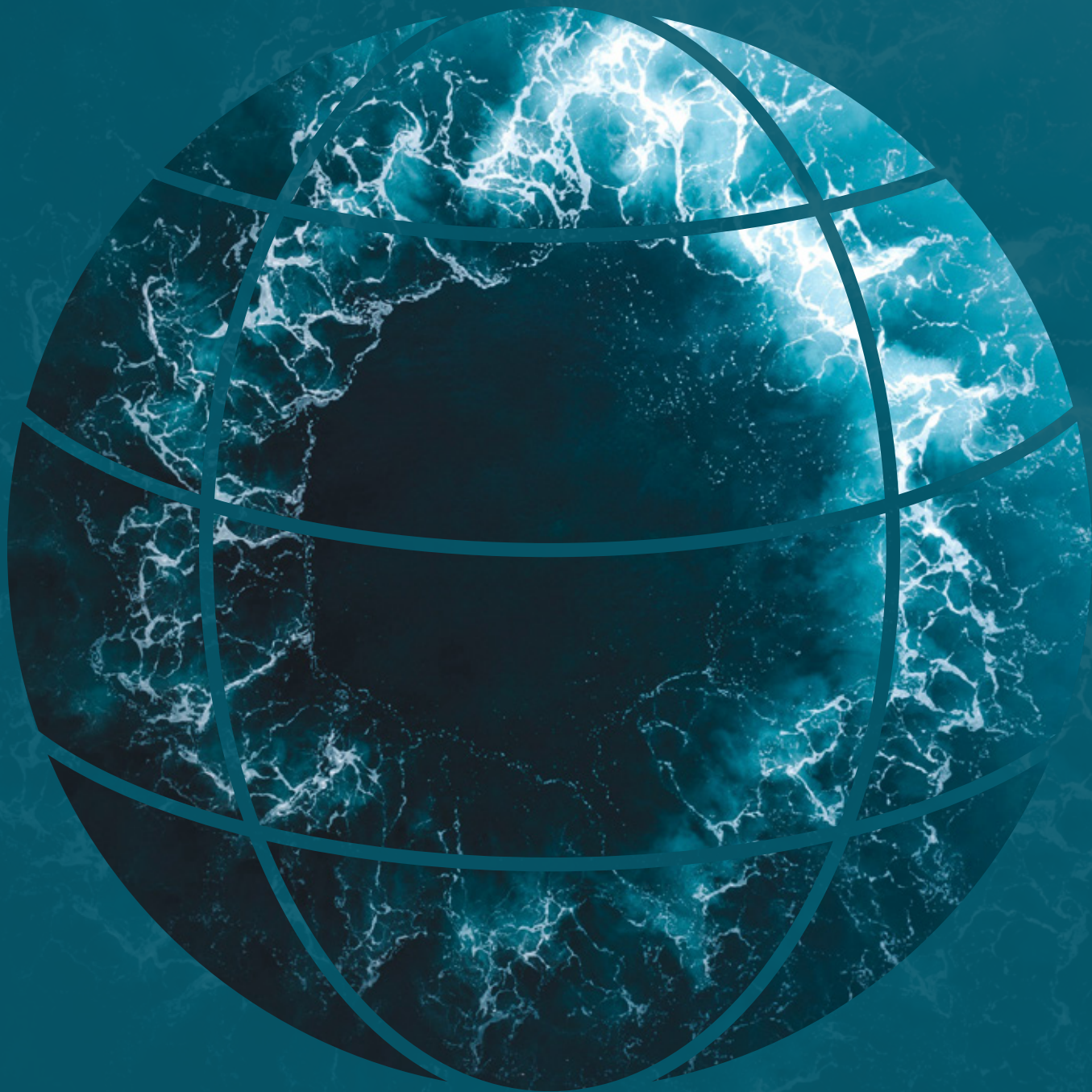


Sustainability Report 2020



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Letter from the CEO

➤ Future bound

Klaveness Combination Carriers ASA (KCC) is the world leader in combination carriers. Our fleet consists of 17 vessels of which 15 are on water and two are under construction for delivery during first half 2021.

It has been a challenging past year with the global COVID-19 pandemic impacting both our operations and our markets. The pandemic's unprecedented negative impact on the daily life and wellbeing of our seafarers stands out in this crisis. Extensive restrictions to crew changes resulted in long delays in repatriating crew members back to their families. Strict routines onboard the vessels, extensive testing and long hotel quarantine for on-signers have caused large inconvenience to our crew. From day one, our main priority has been to ensure the health and safety and to minimize negative consequences for our seafarers. We have gone to great lengths to prevent COVID-19 contamination reaching our vessels and to ensure that crew changes are performed by amongst others deviating and delaying vessels.

Our fleet is the lowest carbon emission shipping solution within the tanker and dry bulk space. We have in our Environmental strategy released January 2020 set high ambitions to further reduce the carbon footprint of our business and to play an active role in the transition to a low carbon shipping industry.

Over the past year we have launched several initiatives to reach our 2022 targets on reductions in both the carbon emission and carbon intensity of our fleet. We have also progressed well with longer term initiatives to reach our 2030 target of a carbon neutral operation.

We have identified and started to test new devices improving the energy efficiency of our vessels. In parallel we are continuously exploring ways to improve operational efficiency including trim optimization and speed reductions. We are also focused on enhancing the efficiency of our combination trading including further reductions in ballast time. While there still are improvement potential in the trading of our new CLEANBU fleet, we had a notable success last year in our main CABU trades to Australia. In 2020 we reduced ballast to only 9% and reached a 95% utilization in combination trading to and from Australia, showing the carbon efficiency potential we strive to reach for our whole operation. Longer term initiatives include testing out biofuels and advancing the development on the next generation combination carriers being prepared for zero emission fuels. While we are pleased with our progress on various fronts, we know this work has just started.

We set high standards on how we conduct our business and relate to all our stakeholders. Being a trusted and responsible corporate citizen is key to attract and keep talent, and to build and maintain a strong relationship with customers, suppliers, investors, and other stakeholders. Ensuring high standards in relation to corporate governance secures predictability and transparency for all stakeholders. Environment, Social responsibility and Governance (ESG) is therefore central in our strategy. We believe long term success requires willingness to take serious action and being at the forefront when it comes to tackling ESG challenges.

“We are Future bound”



Engebret Dahm

CEO Klaveness
Combination Carriers ASA

➤ Sustainability priorities

This report highlights our 2020 Environmental, Social responsibility and Governance related activities and performance, and outlines our targets and plans related to sustainability.



Reporting standards

The 2020 sustainability report is aligned with the Global Reporting Initiative Standards (GRI) Core option and the Task Force on Climate-related Financial Disclosures (TCFD). The full TCFD report can be found on www.combinationcarriers.com as a separate report. Reference to relevant UN Sustainable Development Goals (SDGs) is included as well.



Third party verification

KCC has engaged EY to provide an independent assurance report on the environmental key performance indicators (KPIs). The auditor's report is included at the back of this report.



Management approach

Sustainability is an integral part of KCC's overall strategy and all business activities from daily operations to discussions and decisions made on Board level. The Board of Directors considers sustainability-related issues when reviewing and guiding KCC's strategy and business plans, action plans and major capital expenditures. Moreover, the Board of Directors considers sustainability-related issues in the monitoring, implementation, and performance of strategic objectives.

The five-years strategy plan for 2021-2025 was resolved by the Board of Directors in November 2020. Some of the main building blocks in this strategy period are risks and opportunities related to decarbonization. KCC has as well an Environmental Policy and Strategy for the period 2020-2050, including both long-ambitions and short-term targets approved by the Board of Directors in January 2020.

Key performance indicators (KPIs) have been defined for material sustainability topics. Targets, performance and action plans are reviewed and reported to the Management team and to the Board of Directors and sustainability topics are assessed and monitored as part of the Company's overall risk review which is discussed with the Audit Committee and the Board of Directors every quarter.



Stakeholder engagement

It is important for KCC to be transparent and build trust with its stakeholders. Continuous learning and improving is key to KCC, hence having an open dialogue with our stakeholders are fundamental.

Priorities in this report are material for both KCC and our main stakeholders. Stakeholder priorities are mapped through a combination of inquiries and dialogues with our stakeholders (e.g. customers and employees) as part of daily business and feedback received at corporate level through dialogues with investors, regulators, and finance institutions. News about future regulations are as well important input. More information about stakeholders and stakeholder engagement can be found on www.combinationcarriers.com. KCC's stakeholders are particularly concerned about emissions, anti-corruption and business ethics, safety, ship recycling and crew welfare.



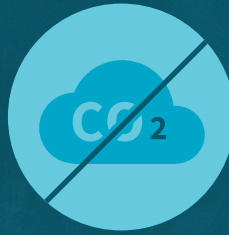
Materiality assessments and sustainability priorities

In 2020 we have identified and mapped a list of sustainability topics covering all our material sustainability areas based on information from stakeholders and peer disclosure benchmarking. The different sustainability topics were ranked in terms of importance to both KCC and our stakeholders, to determine their overall materiality. Topics that are deemed material (of high importance to both KCC and its stakeholders) are disclosed in this sustainability report and regularly reviewed. See priorities on the next page.

» Sustainability priorities

Low carbon future

Decarbonization is the main task of our generation



We aim to be a driver in the transition towards low carbon shipping through our own fleet, new solutions and close co-operations with customers, suppliers and other stakeholders.

Area of focus

- Emission reductions from our vessels
- Waste management and reduction

Safe operations

Safety is priority number one



Our goal is that no one shall be injured doing work for Klaveness. Everyday we work to improve our safety performance, believing that operational accidents are preventable.

Area of focus

- Crew health and safety
- Vessel safety
- Spills to the environment
- Human capital development

Trusted and responsible partner

We set high standards on how we conduct our business



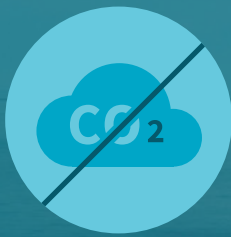
We strive to have a high level of corporate governance securing predictability and transparency for all stakeholders.

Area of focus

- Business ethics and anti-corruption
- Responsible ship recycling

Relevant sustainability development goals





Low carbon future

Decarbonization is the main task of our generation






Climate-related risks and opportunities

Climate-related issues have been high on the agenda in KCC for several years and have been incorporated in strategy processes and business planning, as well as in daily operations and stakeholder dialogues over time. Management of climate-related risks is part of KCC's risk management framework and follows the same governance as KCC's general risk assessment. KCC has not identified any non-compliance with environmental laws and/or regulations in 2020. The risk assessment is based on an impact and probability matrix, potential mitigating actions are outlined for the main risks, and risks are discussed by

the Management and the Board of Directors on a quarterly basis.

KCC's main climate-related risks and opportunities with a potential material financial impact are summarized in the table below. The assessment is that KCC's main risks are transition risks and not physical risks as defined in the TCFD and all three main risks are related to decarbonization. For more information related to the risk assessment and additional risks, see the TCFD report on KCC's website.

Risk type	Climate-related risks and potential financial impact
 Technology	<p>There is currently no technology available to fully solve the decarbonization of deep-sea shipping. The uncertainty related to future propulsion technology is high, and to reach the 2050 targets set by the IMO based on the Paris Agreement a considerable part of the world fleet needs to be replaced with vessels burning zero-emission fuels up to 2050. Potential financial impact:</p> <ul style="list-style-type: none"> - Existing vessels might be outdated prior to the expected life of the vessel and lower vessel values or recycling of vessels might result in write-downs - Existing vessels might become less competitive, which might impact revenue negatively - Lack of access to capital if existing fleet is out of favor - Higher capital expenditures in relation to retrofit or new vessel investments
 Market	<p>Demand for fossil fuels and hence demand for transportation of fossil fuels might decrease as the world take action to decarbonize activities. Potential financial impact:</p> <ul style="list-style-type: none"> - New trade flows might affect the combination pattern and revenue - Decarbonization may negatively impact supply-demand balance in both the dry bulk and tanker markets. More vessels may compete for lower freight volumes or different types of cargo and freight rates might deteriorate and revenue decrease - Vessels might be idle or unfit and hence might need to be recycled resulting in write-downs
 Policy and legal	<p>Introduction of new regulations such as the EU Taxonomy and initiatives as the Poseidon Principles might impact the access to and pricing of capital. New IMO regulations may require investments in retrofit/upgrading to reach compliance</p>

Decarbonization of the shipping industry is both a risk and an opportunity. KCC has a strong starting point and targets to continue being in lead in decarbonizing the industry:

30-40% less CO₂

KCC has the most carbon efficient deep-sea shipping solution today, emitting 30-40% less CO₂ per ton-mile than standard vessels in its main trades

Targets zero-emission in 2050

KCC has clear targets related to further decarbonization of the business, with an ambition to be carbon neutral in 2030 and zero-emitting in 2050

Sea Cargo Charter

Our customers will start reporting their climate alignment through the Sea Cargo Charter (SCC) based on the carbon intensity measure EEOI, incentivizing efficient operations and supporting KCC's competitive advantage

EU's Emission Trading Scheme

The EU Emissions Trading Scheme will include shipping from 2022 and will substantiate the competitive advantage KCC has through its efficient operations

Promoting strong and fair regulations

KCC works closely with other stakeholders to promote strong and fair regulations that incentivize the industry to decarbonize

Less dependent on fossil fuel transportation

KCC is less dependent on transportation of hydrocarbons than its competitors, and KCC's ambition is to increase transportation of non-fossil fuel tanker cargos over the coming years

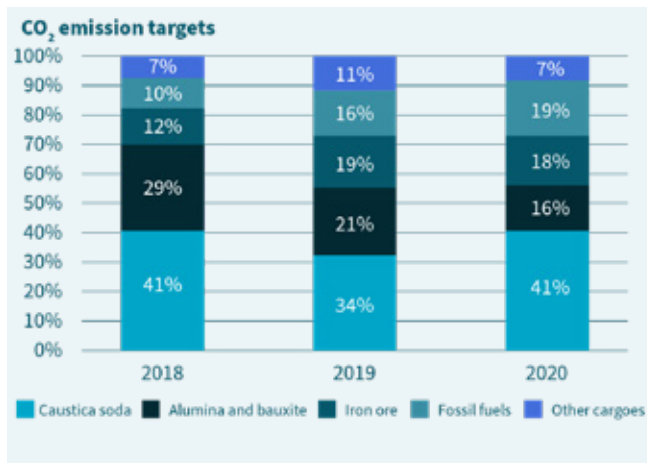
Climate-related risks and opportunities

Cargoes carried

The aluminum/alumina industry through the transportation of Caustic Soda Solution (CSS), bauxite and alumina accounted for 56% of KCC’s transported volumes in metric tons (MT) in 2020, quite stable compared to 2019 (55%) and down from 71% in 2018. While KCC’s total shipments of CSS increased in 2020 and is expected to be stable or grow going forward, CSS’s share of total shipments will become smaller as more CLEANBU vessels are delivered.

Iron ore shipments for mining companies or steel plants accounted for 18% in 2020 and iron ore is expected to continue to be an important commodity for KCC going forward.

KCC only had two coal shipments in 2020 (2%), and total fossil fuel shipments including coal accounted in total for 19%, up from 16% in 2019 and 10% in 2018. Fossil fuels are estimated to account for around 25% of total shipment in MT after delivery of all CLEANBU vessels in first half of 2021 based on expected and targeted trading of Clean Petroleum Products (CPP) and CSS and the current and most likely dry bulk return cargoes. The CLEANBU vessels will mainly transport CPP when in “wet mode” but will also occasionally ship CSS to supplement the CABU vessels’ service to the alumina industry. Most shipping companies operating in the Panamax dry bulk and MR/ LR1 tanker markets transport today a substantially higher share of fossil fuels than KCC.



Split of cargoes transported by KCC in 2018-2020 measured in % of total MT carried

Footnotes:

1 Fossil fuels include gasoil, coal, gasoline and jet fuel and other CPP. Naphtha and condensate to the petrochemical industry included in Other.



➤ Emission strategy, targets and performance

Strategy and ambitions

Klaveness Combination Carriers has decarbonization as a center piece of its strategy and fully supports IMO's 2030 and 2050 targets to reduce greenhouse gas emissions from shipping. IMO targets amongst others to cut the shipping industry's absolute CO₂ emission by 50% and the carbon intensity by 70% within 2050 compared to 2008. IMO's targets are consistent with the Paris Agreement's 2050 goals to limit global warming to below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

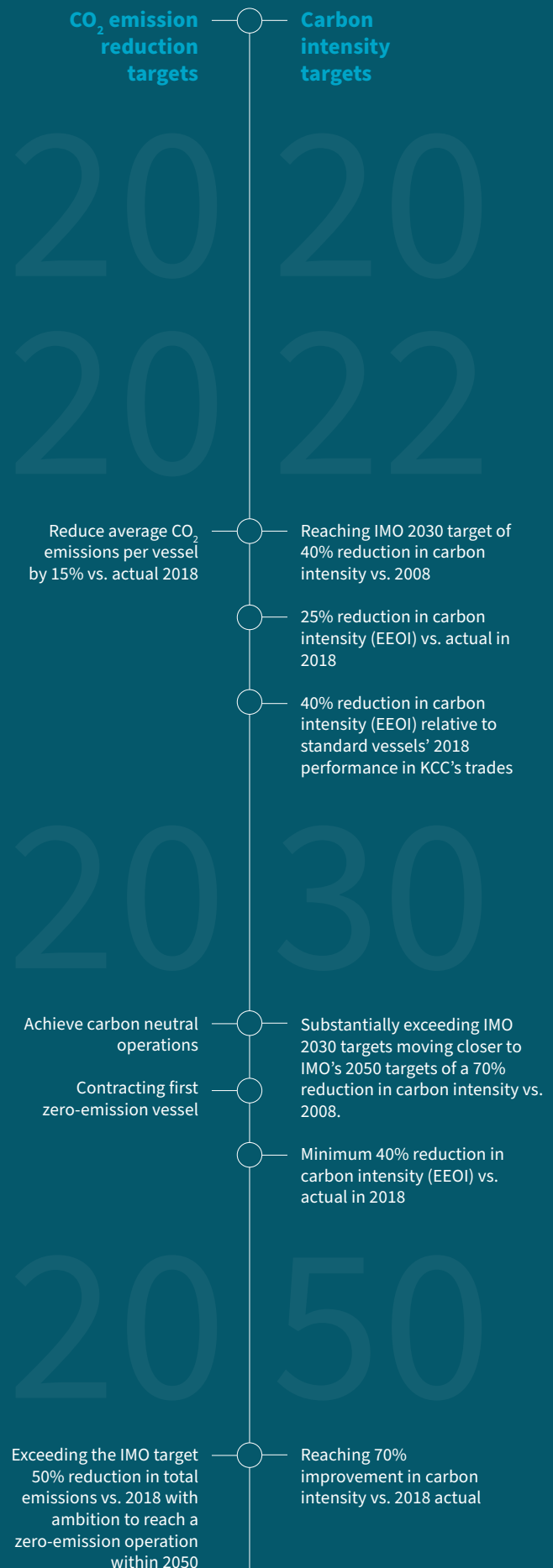
KCC published in January 2020 its Environmental Policy and Strategy for the period 2020-2050. The Environmental Policy and Strategy includes targets related to reduction in emissions and waste as well as targets and ambitions on customer co-operation and development of a zero-emission vessel.

KCC's strategy sets decarbonization targets for 2022 with a 15% reduction in average CO₂ emission per vessel and 25% reduction in the carbon intensity of KCC's fleet (EEOI) relative to KCC's actual performance in 2018. The carbon intensity requirement implies a 40% reduction compared to the tracked performance of competing standard vessels in KCCs' trades in 2018. We chose 2018 as a reference year instead of IMO's reference year of 2008 due to easier availability of data for our own fleet and for competing standard vessels. Due to large speed reduction and corresponding reduction of CO₂ emission of the world fleet from 2008 to 2018, KCC's 2022 targets based on 2018 figures substantially exceed IMO's 2030 targets based on 2008 figures.

How to reach our 2022 goals

KCC's 2022 targets are ambitious and require amongst other investments to improve the vessels' energy efficiency and better operational procedures, including better management of the vessels' speed and routing during sea voyage. Furthermore, it requires improvements in trading efficiency including further reductions in time in ballast (trading empty). KCC aims to reach the 2022 targets through many smaller and medium sized initiatives. This includes continuously identifying, promoting and testing new technologies and solutions to improve energy efficiency of the fleet. Initiatives will first be tested out on one or more vessels, and if successful, will be implemented on the whole fleet without delay. The Board of Directors has given the management a mandate to invest up to USD 2.5 million per year in energy efficiency improvement initiatives in the period 2020-2022. Investments beyond USD 2.5 million per year will need be presented to the Board of Directors for approval.

The way forward



Targets and performance

2020 Actual	CABU Mark I	CABU Mark II	CABU Total	CLEANBU	KCC Total
EEOI ¹	8.17	6.40	7.44	7.44	7.44
Average CO ₂ emissions per vessel ²	21 100	22 100	21 400	18 900	20 700
% in combination trade ³	83%	94%	87 %	50%	77%
Ballast days in % of on-hire days ⁴	15%	10%	13%	18%	15%

2020 Actual	2018	2019	2020	Benchmark 2020 ⁵	Change in % from 2018	Target 2022
EEOI ¹	7.64	7.92	7.44	10	- 2.6 %	5.8
Average CO ₂ emissions per vessel ²	20 800	19 900	20 700	n.a.	- 0.5 %	17 700
% in combination trade ³	81%	73%	77%	n.a.	- 4.9 %	90%
Ballast days in % of on-hire days ⁴	9%	13%	15%	30%	66.7 %	7.5%

Footnotes:

¹ EEOI (Energy Efficiency Operational Index) is defined by IMO and represents CO₂ emitted per transported cargo per nautical mile for a period of time (both fuel consumption at sea and in port included). Prior to 2020, end date of a voyage is decisive for which period EEOI for a voyage is included. From 2020 and onwards, reporting system provider was changed so that we are able to calculate EEOI on a per day basis, allocated to the corresponding quarter.

² Average CO₂ emissions per vessel = total emissions/vessel years. Vessel years = days available – offhire days at yard. When new vessels are delivered to the fleet, the vessel years are calculated from the date the vessel is delivered. Prior to 2020, end date for a voyage was decisive for which period emission was included. From 2020 and onwards, reporting system provider was changed so that we are able to calculate emissions on a per day basis, allocated to the corresponding quarter.

³ % of days in main combination trades = number of days in main combination trades (being CABU trade Far East/Middle East- Australia and US Gulf-Brazil and the CLEANBU trade Middle East/India-South America) as a percentage of total on-hire days. The KPI is a measure of KCC's ability to operate our combination carriers in trades with efficient combination of dry and wet cargo versus trading as a standard tanker or dry bulk vessel. On-hire days from positioning voyages between Atlantic and Pacific are not considered as main combination trades. In Atlantic, a voyage from US Gulf to Brazil with ballast back to US Gulf, is considered as main combination trade although there currently are more ballast voyages due to lack of dry cargo possibilities on the return voyage. Time charter (TC) contracts for three CLEANBU vessels during 2020, two with 3 months duration and one with 9 months duration are not considered as main combination trade.

⁴ Ballast in % of onhire days = Number of days in ballast /number of onhire days. Ballast days when the vessel is offhire is not included. Prior to 2020, end date of a voyage is decisive for which period ballast is included. From 2020 and onwards, reporting system provider was changed so that we are able to track ballast on a per day basis, allocated to the corresponding quarter.

⁵ Benchmark: The EEOI and % ballast for "Benchmark standard vessels" are calculated based on standard vessels (Panamax/Kamsarmax dry, MR-tankers and LR1-tankers) making the same transportation work in the same trades as performed by KCC's CABU and CLEANBU vessels. The EEOI for "Benchmark standard vessels" is calculated as the weighted average of EEOI for the individual trades performed. There is a degree of uncertainty related to the benchmark values as these are estimated using data from Baltic Exchange and AXS Marine.

Carbon intensity

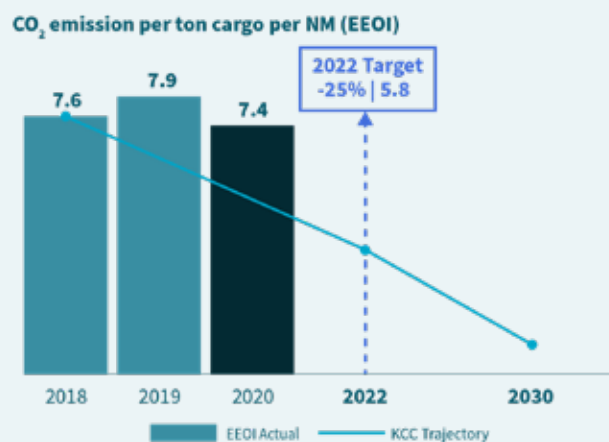
KCC's ambitions:

- KCC aims at meeting IMO's 2030 target of a 40% reduction in carbon intensity per transported ton-mile already within 2022. KCC's target is for carbon intensity to improve by 25% compared to its actual 2018 performance and 40% relative to tracked performance of competing standard vessels in its trades in 2018

- KCC aims at exceeding IMO's 2030 target by continue improving its carbon intensity and move closer to the IMO 2050 target of a 70% reduction in carbon intensity relative to 2008

The underlying targets are among others: i) Achieve 90% of on-hire days for the fleet in combination trades, ii) Reduce ballast days on total on-hire days to below 10%, and iii) Improve absolute fuel consumption of our vessels.

The carbon intensity is measured as the CO₂-emissions per ton of transported cargo per nautical mile (EEOI). This metric demonstrates the strong energy efficiency for KCC's combination carriers as the vessels have substantially lower ballast than standard vessels. However, as the fleet is relatively small, the reported EEOI is sensitive to periods of non-optimal trading, e.g. when trading a vessel as a standard vessel with ballast in line with standard vessels or when positioning one or more vessels to docking leading to longer ballast voyages. These variations are evident in historic numbers but will most likely be more stable when all CLEANBU newbuilds have been delivered.



Carbon intensity targets and actual performance

KCC's EEOI for 2020 improved from 7.9 in 2019 to 7.4 in 2020 which is still well above the trajectory to reach our 2022 EEOI targets. The EEOI for 2020 was negatively impacted by the time charter out of three CLEANBU vessels, which were traded as standard tankers by our time charter customers. The CLEANBU trading patterns are still under development and have not yet reached the targeted efficiency, resulting in higher than targeted ballast of 18%. The CABU vessels had another year of strong trading efficiency with an average ballast of 13% and EEOI of 7.4 despite more vessel positioning from the Atlantic to docking in China and lower dry bulk cargo availability in combination trades from Brazil. The around six CABU vessels employed in trades to/from Australia, however, reached a ballast of 9% and a 95% utilization in combination trades reflecting the long-term trading efficiency target level for the overall fleet.

Absolute carbon emissions per vessel

KCC's ambitions:

- KCC aims at reducing average CO₂ emissions per vessel to 17,700 mt in 2022 a reduction of 15% vs. actual 2018

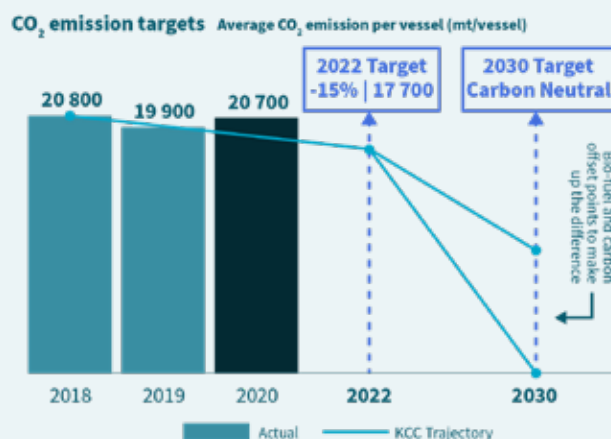
reduction in total emissions in 2050 vs 2018, with an ambition to reach zero-emission operations within 2050

- KCC aims at achieving carbon neutral operations and contracting the first zero-emission vessel within 2030

The targeted reduction in CO₂ emissions may be achieved partly by improving the energy efficiency of the fleet, partly through improving the operational efficiency and partly through burning fuels with lower carbon footprint.

- KCC aims at exceeding the IMO target of 50%

Average CO₂ emission per vessel increased from 19,900 mt in 2019 to 20,700 mt in 2020. Absolute emissions per vessel were negatively impacted by amongst others poor energy efficiency of some vessels coming close to docking. These vessels have been docked during second half of 2020 or will be docked in 2021. The 2020 performance shows yet limited positive effects from ongoing energy efficiency initiatives under testing or in early phase of implementation. We expect to see results from these initiatives in 2021.



CO₂ emission per vessel targets and actual performance

Decarbonization initiatives 2020

KCC has during 2020 considerably speeded up the process of evaluating, testing and implementing new fuel saving initiatives.

1) Technical upgrades

Focus has so far been on initiatives to minimize marine growth on the underwater hull of our vessels to reduce hull friction resistance, but also other fuel efficiency measures have been tested.

Initiative	Potential/ reduction in fuel consumption	Description	Expected further roll-out
Silicone based antifouling	3-5%	Applied on two vessels docked during second half of 2020. Prevent biofouling on underwater hull	Expected to be applied on all four vessels drydocking in 2021
Propeller boss cap fins	1-2%	Tested on three CABU Mark I vessels. A fuel saving device installed on the propeller hub	Expected to be installed on three other CABU Mark I vessels at the latest during next docking in 2022
Ultrasonic propeller protection system	0.5-1%	Tested on two vessels. Prevent biofouling growth on the propeller	Expected to be installed in the entire fleet in 2021
Green oil lube filters	0.5%	Green oil lube filters for the main and auxiliary engines. Reduce energy consumption	Expected to be installed on the entire fleet in 2021
Semi-autonomous hull cleaning robot	2-3%	Under testing on one vessel Gently brushes the hull to prevent biofilm growth during transit	Subject to satisfactory final testing, the semi-autonomous hull cleaning robot is expected to be installed on all KCC vessels

In addition to initiatives in table above, we have tested underwater drones to visually inspect the vessels' underwater hull for better planning of hull/propeller cleaning and verifying results. Including positive benefit from delivery of the remaining CLEANBU fleet,

we estimate the above mentioned implemented and planned technical initiatives which are targeted to be implemented within 2021 shall reduce average CO₂ emission per vessel by 5-7% compared to KCC's 2018 benchmark.

2) Operational initiatives

Among operational initiatives, we have upgraded the data quality and performance monitoring systems for early discovery of over-consumption of fuel and early corrective actions as well as for evaluating effects of fuel saving measures under testing. An improved route optimization and weather monitoring system is also in the final phase of testing.

We are as well evaluating ways to improve speed management of our fleet with the target to reduce high speed voyages (>13 knots) by 50% within 2021 which is estimated to reduce total fuel consumption

and CO₂ emission by 3-4% compared to 2018 actual. We have with effect from January 2021 reduced the planning speed in our scheduling by 0.5 knots and seek to improve dialogue with customers to prevent the need to increase speed.

In 2020, we made the first test of a 100% blend of sustainable biofuel onboard a CLEANBU vessel to verify technical suitability and to build knowledge about the biofuel market. We aim to continue testing different types of biofuels going forward.

Decarbonization initiatives under evaluation

Among the technical initiatives under evaluation are installation of hull appendix solutions, wind assisted propulsion systems and hull air lubrication systems. These initiatives have various degree of sophistication and fuel savings potential. While some solutions typically can each achieve 1-2% fuel savings, others

have potential for cutting fuel consumption by 5-10%.

KCC aims at testing one or more of such initiatives on a limited number of vessels in 2021 and depending on the test results, implement the solution across the KCC fleet.

► Case study

How future carbon taxes will strengthen KCC's competitive position

The EU Parliament decided in September 2020 to expand EU's Emission Trading Scheme (ETS) to include shipping from 2022-23. This is the first such scheme effectively levying carbon taxes on the shipping industry. The EU commission will during the spring of 2021 set out the legal and practical framework for inclusion of the shipping industry into ETS.

KCC's combination carriers will have a lower exposure to new carbon taxes as the vessels have substantially lower carbon emission levels than competing standard vessels for the same transport work mainly due to considerably less ballast of the combination carriers. In a round voyage with naphtha from Europe to Brazil and iron ore on the return leg to Europe the CLEANBUs have around 35% lower CO₂ emissions than the sum of the CO₂ emissions from the standard LR1 tanker and Kamsarmax bulkers doing

the same transportation work. The standard vessel either ballast into Europe or have long ballast before loading the cargo to Europe, while the KCC combination carriers are laden both in and out of Europe.

This implies a \$125,000 lower carbon tax per round voyage relative to the total for the LR1 tanker and the Kamsarmax bulker with today's cost of CO₂ emission in Europe (EUA price) of €43 per metric ton, assuming ETS will include shipments both in and out of EU. Measured in TCE-earnings per day for the CLEANBU vessel, the carbon tax difference implies around \$2,300/day higher earnings. Assuming a possible future EUA price of €100 per metric ton, the carbon tax difference represents around \$5,400/day higher TCE-earnings for the CLEANBU vessels.

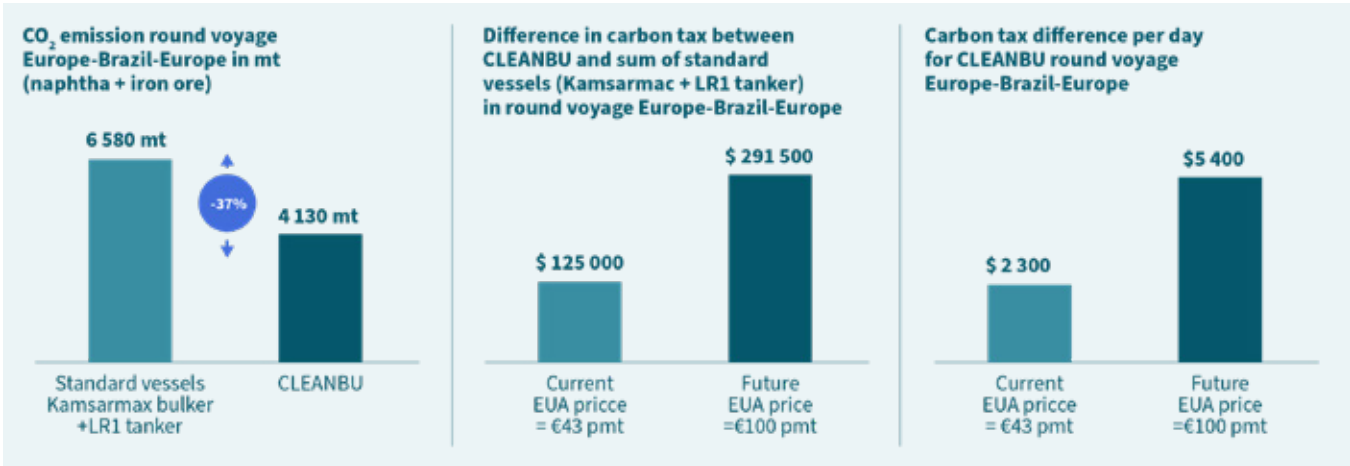


Illustration of implications of carbon taxes on KCC vessels versus standard vessels



Case study

How stricter future customer requirements will strengthen KCC's competitive position

14 of the worlds' largest customers within tanker and dry bulk shipping launched in October 2020 the Sea Cargo Charter (SCC). The purpose of SCC is to establish standardized and transparent reporting of the CO₂ emissions from the shipping industry and to establish a framework for cutting CO₂ emissions towards IMO's decarbonization target for 2030 and 2050.

The increased focus on cutting carbon emissions in the shipping industry implies that emission reductions will going forward likely become an integrated part of customers' chartering decisions. Customers will seek the most cost-effective ways of cutting carbon emissions. The deep-sea shipping solutions available today capable of substantially reducing carbon emissions are: 1) Using vessels with LNG

propulsion; 2) Using standard vessels burning sustainable biofuels; and 3) Using KCC's combination carriers. Both LNG vessels and particularly biofuel come at considerable higher costs than standard vessels burning low sulfur heavy fuels.

The figure below compares KCC's solutions with alternative ways of cutting carbon emissions, showing the estimated possible carbon reduction potential and the implied costs of the CO₂ emission reductions of these alternatives. KCC's ability to offer its customers the most cost-effective way of decarbonizing shipping creates value for its customers and an competitive advantage for KCC. This value creation will likely increase and KCC's competitive position will as well likely strengthen further if/when costs of cutting carbon emissions increase going forward.

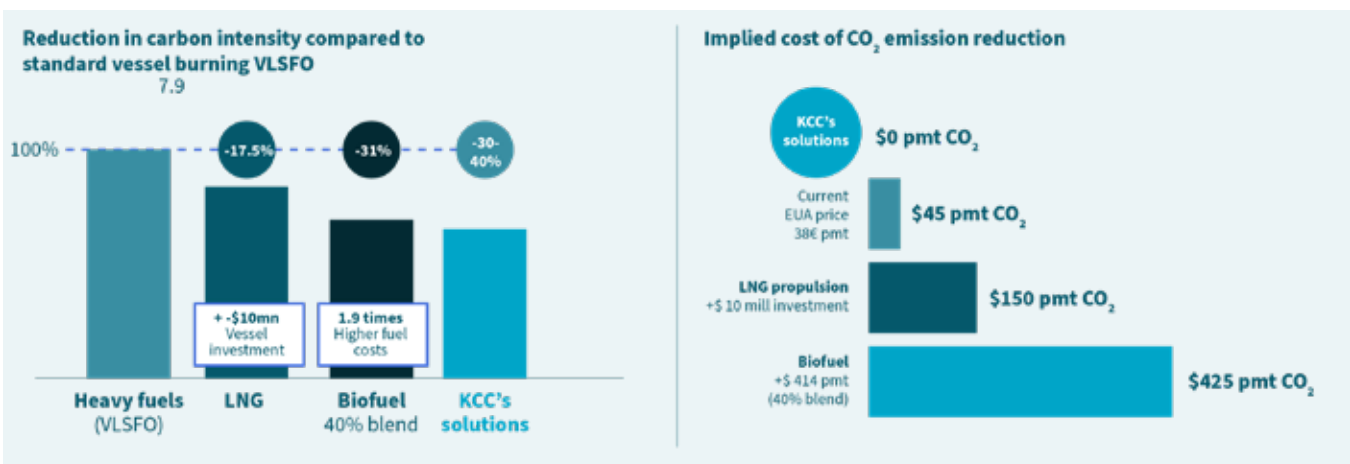



Illustration of costs of reducing CO₂ emissions from shipping

➤ Waste management

All KCC vessels have a Garbage Management Plan onboard, in accordance with the IMO guidelines published in resolution MEPC.201(62). Onboard waste is sorted into 11 different garbage categories and recorded in an onboard garbage record book before being incinerated onboard or disposed at a waste reception facility in port, except for food waste which may be disposed at open sea. Ash from incineration is also delivered to the appropriate reception

facility. Both ANNEX I and ANNEX II slops, including wash water, are discharged in accordance with relevant MARPOL regulations.

Efforts have been made to reduce waste from plastic bottles onboard by installing freshwater makers using reverse osmosis to produce fresh drinking water from sea water.



The average number of plastic bottles per ship-year was reduced from 2,868 in 2018 to 666 in 2020, well exceeding our 2022 goal of 50% reduction.

Waste from the office headquarters in Oslo is collected and currently 52.4% ² of all waste is sorted into 13 different categories, and is being collected and sent to Norsk Gjenvinning AS, which either recycles the recyclable waste, incinerates it for energy or produces biogas from the organic waste.

Footnotes:

² Numbers provided by the landlord, Norsk Hydros Pensjonskasse.

➤ Total greenhouse gas emissions

Accounting metric		Unit of measure	Data			
Scope 1 emissions from fleet ⁷			CABU I	CABU II	CLEANBU	KCC Total
Fossil FO		mt consumed	36,916	22,554	23,116	257,203
	41 MJ/kg ⁵	GJ	1,513,545	924,700	947,745	
	3,1144 g CO₂/g fuel	mt CO ₂ e	114,970	70,241	71,992	
Fossil MGO/MDO		mt consumed	2,491	175	1,898	14,634
	44 MJ/kg ⁵	GJ	109,621	7,691	83,529	
	3,206 g CO₂/g fuel	mt CO ₂ e	7,987	560	6,086	
Biogenic fuels ⁴		mt consumed	0	0	207	662
	~40 MJ/kg	GJ	0	0	8,000	
	3,206 g CO₂/g fuel	mt CO ₂ e	0	0	662	
Total Scope 1 emissions ³			272,499 mt CO₂e			
Total Scope 1 energy consumption			3,594,831 MJ			
Scope 2 emissions from office building			Heating oil	Diesel for machinery	Propane gas ²	KCC Total
Fossil fuels consumed in office building		L	12.15	187.53	4.11	537.2
		MJ ⁶	453.2	7,238.7	104.0	
		mt CO ₂ e	32.3	498.8	6.1	
Electricity ¹		kWh / MJ	18,243 / 65,676		0.310	
		mt CO ₂ e	0.310			
Total Scope 2 emissions ³			537.5 mt CO₂e			
Total Scope 2 energy consumption			73,472 MJ			

In addition to direct emissions (scope 1) from the vessels, KCC has scope 2 emissions related to electricity, heating and cooling of office buildings. Scope 3 emissions have not been defined for 2020. Emissions from the office building in Oslo where the six employees are situated include

electricity, oil for boiler and some gasoil and LPG. Scope 2 emissions are calculated based on an estimate based on KCC's number of employees relative to Torvald Klaveness number of employees that share the same office space.

Footnotes:

¹ Electricity provider Hydro Energi only brings hydropower and some wind power into the power grid, excluding fossil fueled power plants and nuclear power plants in the electricity mix. No numbers for exact CO₂ emissions given by power company, so using average emissions for Norwegian electricity gathered from The Norwegian Water Resources and Energy Directorate (NVE).

² Gas used in fireplaces in the office building was not refilled in 2020, so we assume consumption was 50% of what was filled in 2019.

³ Scope 1 emissions reported for vessels under financial control of KCC, while Scope 2 emissions reported for operational control according to GHG Protocol - A Corporate Accounting and Reporting Standard.

⁴ Using approximate energy content rounded to nearest 10 due to confidentiality agreement with fuel provider

⁵ Conversion from mt to MJ done using average net calorific value taken from DNV GL, except for biofuel which was tested, and results are confidential.

⁶ Energy density factors for heating oil, diesel and propane gas collected from IOR Energy's list of common conversion factors

⁷ CO₂ emissions have been calculated using fuel mass to CO₂ mass conversion factors from IMO MEPC.1/Circ.684. Only CO₂ has been included in calculation, as the emission of any other GHG are negligible. Fuel consumption are collected from noon reports from service providers Meteo and StormGeo for 2020.

SO_x, NO_x, VOC and PM emissions

The CLEANBU vessels are among the first tankers/dry bulk vessels to have installed selective catalytic reduction (SCR) systems for reducing the emissions of nitrogen oxides (NO_x). All CLEANBUs hence comply with IMO's Tier III regulations applicable for all newbuilds with keel laid after 1st of January 2016. Operation of the SCR systems are mandatory whenever the vessels are in nitrogen emission control areas (NECA) currently only applicable in US waters. In line with its Environmental Policy, KCC shall go beyond compliance of environmental regulations and has therefore decided to step by step increase the use of the SCR system outside the NECA zones to reduce NO_x air pollution in especially densely populated areas. As a first step, KCC uses the SCR system when the vessels discharge wet cargoes in Australia and KCC targets to increase the use of the SCR system going forward in cooperation with its customers.

As of 1st of January 2020, the IMO 2020 sulfur regulation entered into force globally, reducing the upper limit of sulfur content in emissions from ships' engines from 3.5% to 0.5%. In addition, the maximum allowable sulfur content when sailing in designated sulfur emission control areas (SECA) was reduced to 0.1%. KCC has complied with this regulation by operating on low sulfur fuel oils and ultra-low sulfur marine gas oils instead of installing exhaust gas cleaning systems, also known as SO_x scrubbers, and continue burning high sulfur heavy fuel oil (HSFO). The decision not to install SO_x scrubbers was made after thorough evaluation of potential savings from installation of SO_x scrubbers by burning less expensive HSFO, risk of future non-availability of HSFO, technical risks of the SO_x scrubber system and possible negative environmental effects of the release of wash water from the scrubber system to sea in ports and confined waters.

Accounting metric	Unit of measure	Data			
Other emissions ²					
Emission type ¹		SO _x	NO _x	VOC	PM
Emissions	mt	5,600.0	551.8	1,808.6	2,323.7

Footnotes:

¹ Sources: SO_x and NO_x emissions gathered from StormGeo's s-insight, while emissions for VOC and PM calculated using emission factors from EPA: "Emission estimate methodology for maritime navigation" - <https://www3.epa.gov/ttnchie1/conference/ei19/session10/trozzi.pdf>

² There are also other harmful air pollutants associated with the operation of diesel engines such as persistent organic pollutants (POP) and hazardous air pollutants (HAP), but conversion factors for these emissions types could not be found and are probably not relevant to ship engines.



Safe operations

Safety is priority number one

➤ Safe operations

Crew health during COVID-19

COVID-19 represents an extraordinary health risk for our seafarers. Strict management are put in place to protect our vessels from getting the virus onboard from visitors and new crew. Before the summer we followed IMO's recommendation for crew changes which proved to be ineffective to prevent COVID-19 contagion to our vessels as we experienced with the outbreak onboard MV Barcarena in July 2020. Two persons from the crew were infected without serious symptoms. Following this incident, Klaveness COVID-19 Management Plan was implemented with a much stricter regime where all crew, at the Company cost, are required to spend 10 days in dedicated hotels for isolation and testing before traveling to the country of embarkation. An initiative named Crew Safe was later established in collaboration with the Norwegian Shipowners Association and other Norwegian shipping companies and has given some advantages in Singapore during crew change. Currently, around 10% of onboarding crew are testing positive during the isolation phase and needs replacement. It means that our strict quarantine

system is absolutely required to keep our vessels healthy and tradeable.

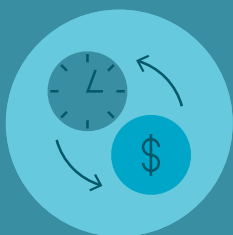
Many countries and ports are not allowing crew changes. Positive tests are also creating cascading effects throughout our rotation schemes and have made crew changes challenging. Crew contract periods are normally 4-8 months in line with industry standard. However, during the initial phase of the pandemic, it was difficult to change crew within the maximum Maritime Labour Convention 2006 contract duration of 12 months. This improved during second half of 2020 and per 15 March 2021, only one of our crew members has stayed beyond the 12 months limit. Crew mental health has been a focus area during the pandemic and we have experienced positive results of a campaign named "Be a Buddy". Our crew have been encouraged to discuss the mental health and we believe this has given some remedy to the stress our colleagues at sea is suffering from long periods in isolation, cancelled crew changes and risk of getting the virus onboard.

COVID-19 specific initiatives



Helpline for crew

The fear and anxiety the virus may cause can be overwhelming and cause strong emotional reactions. In Klaveness we want a culture that makes it easy for people to speak about mental health concerns without fear, and ability to reach out for help when needed. During 2020 helpline details for crew have been distributed through the International Seafarers Welfare and Assistance Network (ISWAN) as a neutral provider to secure anonymity. In addition to a 24-hours operating helpline, a webpage designated for KSM crew was established.



Stand by wage scheme

A stand-by wage scheme was initiated in March 2020 to secure income for our sailors at home, not able to sign on board. A percentage of the basic wages as stated in the Collective Bargaining Agreement (CBA) was made available to sailors meeting certain criteria. We have as well increased welfare allowance to the vessels which can be used on health promoted initiatives like food or new training equipment.



Mental Health Survey

One third (272 sailors) of Klaveness Ship Management (KSM) crew at sea or at home responded on a Mental Health Survey during the third quarter of 2020, being the shipping company with highest response rate in the survey conducted by Marine Benefits . 17 000 sailors participated in the survey worldwide. We believe close and regularly communication and cooperation between crew and management through regular online meetings and free Wi-Fi access onboard all vessels play an important role in the high response rate from the KSM crew. The results from the survey showed that sailors in KCC scored in line with industry average and the findings were communicated and discussed with the crew during touch base sessions.


Footnotes:

Marine Benefits – a subsidiary of Norwegian Hull Club – offers crew-insurance solutions to the global maritime industry.

➤ Crew retention and development

We care and deliver on our commitment to our crew



 Crew statistics	2020	2019	2018	Target
Total workforce at sea	890	773	681	n.a.
Retention rate crew	95 %	99 %	98 %	>90 %

Our sailing staff come from the Philippines, Romania and South Africa, and our retention rate in the years 2018-2020 has been 95-99 %, securing safe, stable and reliable operations.

Crew recruitment, training and development are performed by partially owned KSM manning agencies in Romania and The Philippines. Training includes semi-annual conferences and seminars for all ranks and a crisis management seminar. During the pandemic, the KSM management team in Oslo has used online meetings with crew at home or in quarantine hotels to refresh learning around our health and safety training program like KLASS⁵,

mental health campaign, Be-a-buddy campaign and KPI reporting to increase risk awareness and promote the Klaveness safety culture.

All crew members, either onboard or at home, are together with their families covered by health insurance. The Seamans Wife’s Association of Klaveness (SWAK) in the Philippines is well established and arranges gatherings with our sailors and their families on various topics such as nutritious cooking, physical wellbeing and other activities related to a healthy lifestyle. SWAK is also actively used to reach out to the families of our sailors to support them when we identify a need or upon request.

➤ Occupational management system

A Management System (MS) has been implemented and is applicable for all employees ashore and for all vessel crew. The management system documents processes, procedures, and responsibilities for achieving safety, security, high environmental standards, high ethical standards, Corporate Social Responsibility (CSR), and compliance with quality policies and objectives.

The system has been implemented based on recognized risk management and international regulations in the

shipping industry. All visitors on board the vessels (e.g service people, authorities, pilot or agents) are subject to the occupational health and safety system when visiting the vessels. Safety instructions and safety briefs are given at the gangway. Appointments Letters for agents include Klaveness Safety and Anti-corruption policies ensuring information to agents prior to vessel visits.

Footnotes:

⁵ Klaveness Always Safe and Secure (KLASS)



Certifications (Klaveness Ship Management AS):

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 37001 Anti-Bribery Management System
- ISO 45001 Occupational Health and Safety Management System
- International Safety Management (ISM) Code
- International Ship and Port Facility Security (ISPS) Code
- Maritime Labour Convention (MLC) Rev.no: 1.0 Rev. date: 11.11.2020 2

KSM is committed to use the OCIMF Tanker Management and Self Assessment (TMSA) program to continuously measure and improve.

➤ Safety culture

Safety is priority number one for KCC and our goal is that no one shall be injured doing work for KCC and KSM. There are inherent safety and security risks related to operations at sea. These must always be managed carefully to safeguard crew, vessels, the cargo and the environment. KCC focuses on building and developing the safety culture both at sea and on shore. Safety is far more than a priority; it is a fundamental part of our business idea and policy.

Every day we work to improve our safety performance, believing that operational accidents are preventable.



As a part of our daily work to maintain safe and reliable operations and to foster a strong safety culture we focus on the following mitigating actions and initiatives to promote safety:

Growing a positive and respectful work culture

High management attention on learning from incidents

Efficient cross functional team work /learning loops

Safety are communicated weekly in internal newsletters to all employees onshore and ashore

KPI reporting communicated to all employees ashore and onshore, management and BOD

Improved reporting from the vessels on hazardous situations and work-related hazards

Investment in top safety equipment (e.g. robotic cleaning machines, life-save equipment)

Scheduled meetings three times a week between Oslo and crew at home/in quarantine hotels

Weekly digital meetings with Ship Managers and Ship Board Management Team (top 4 rating crew on board the vessels)

➤ Establishing a safety mantra KLASS (Klaveness Always Safe and Secure)

Following a naming competition, KLASS was selected to be KSMs safety mantra. The mantra serves as a tool to maintain awareness and focus on safety. KLASS should echo in everything we do. KLASS branding of personal protective equipment and management system documents have commenced, and KLASS expectations to all employees are included in job descriptions.

In addition, KLASS safety culture program has been launched in the offices and will be rolled out across the fleet. The program is a gamified and state of the art safety training solution designed to include all crew and employees. We know despite the KLASS culture program is supported by digital tools, culture development is about human interaction and cannot be replaced by digital tools alone. KSM are therefore piloting the program implementation in close cooperation with the crew onboard to find the best way to drive the culture change program across our dispersed organization. The program is intended to last over several years and will be the core of KSM's ambition being recognized as a safety-oriented ship management company. On a positive note we see the level of safety engagement by office personnel has significantly increased.



➤ Safety performance


In 2020, the fleet experienced no major, three medium and 23 minor injuries. The medium injuries in 2020 were related to two colleagues falling from ladders during cargo hold cleaning and one colleague injuring his hand in a mooring winch. The major injuries took place during the first quarter of 2020, and as per mid-March 2021, one year has passed without medium or major injuries to our crew.

Medium injuries were down from five in 2019 to three in 2020, however our goal is zero. Nobody should be injured doing work from KCC and KSM, and we are obligated to continue our KLASS journey towards an even better safety culture.

Lost Time Injury Frequency (LTIF) for 2020 was 2.5. In addition to the three medium injuries in Q1 2020, we had three minor injuries included in this KPI in line with OCIMF

guidelines. Although less serious, the injured persons have received cabin rest of compassionate reasons.

Hard and persistent work on strategic and operational level towards a world class safety performance has indeed led to improved safety performance. All reported incidents and near accidents have been investigated and are used for learning and to improve routines and procedures on board as well as onshore. Key in achieving better safety performance is to never stop learning. Learning from accidents is necessary, but it is even better to also learn from hazardous situations before they have led to an accident. It is satisfying to see a positive trend in number of vessels meeting the expectations for analyzing and reporting near misses and hazardous occurrences during 2020 compared to last year.

 Health & Safety	2020	2019	2018	Target
Major injuries ⁶	0	0	0	0
Medium injuries ⁷	3	5	3	0
Minor injuries	23	20		0
Lost Time Injury	6	7	No data	0
Number of hours worked	2.4 mill	2.2 mill	No data	
Lost Time Injury Frequency (LTIF) ⁸	2.5	3.2	No data	<1
Navigational incidents	1	3	0	0

▶ Vetting and port state control

25

SIRE vetting inspections of the CABU and CLEANBU combination carriers

KCC's ambition is to establish a higher safety standard than pure tanker companies. Number of high-risk and avoidable observations from OCIMF SIRE (Ship Inspection Report Programme) is one key parameter to measure if we are meeting this ambition. Our ambition is to reach an average level of 2 high risk observations per vetting for 2021.

28

Port state control inspections (PSC) with one detention

In 2020, there were 25 SIRE vetting inspections of the CABU and CLEANBU combination carriers. Average number of observations per inspection were 4.4, down from average 5.5 in 2019. Through 2020 we have seen a significant improvement in average observations per SIRE vetting inspection for the fleet and also a reduction in vetting observations categorized as high-risk.

20

of the inspections were completed without any deficiencies

In 2020, we had 28 port state control inspections (PSC) with one detention. The detention was related to an accident onboard a CABU vessel, where a crew member fell during washing of a cargo hold. The accident was investigated, and preventive actions have been implemented across the fleet. 20 of the inspections were completed without any deficiencies and the average number of deficiencies per inspection in 2020 was 1.2, up from 1.0 in 2019, mainly due to the first three CLEANBUs delivered in 2019 having their first PSC since delivery in 2020.




Footnotes:

⁶ Major injuries = Severe injury or death

⁷ Medium injuries = Medical treatment and repatriation, will return to work

⁸ LTIF per 1 million working hour (no statistics available for 2018). Lost Time Injuries (LTIs) are the sum of fatalities, permanent total disabilities, permanent partial disabilities and lost workday cases. In line with OCIMF (Oil Companies Reporting Guidelines for Oil Companies International Marine Forum).

 Vetting and port state control	2020	2019	2018	Target
Vetting inspections	25	14	12	n.a.
Average number of observations per inspection for the Ship Inspection Report Programme (SIRE) vettings	4.4	5.5	3.2	n.a.
Average number of high risk observations per inspection for the Ship Inspection Report Programme (SIRE) vettings	1.9	2.4	No data	<3
Port state controls	28	20	18	n.a.
Average number of deficiencies per port state control	1.2	1.0	0.4	<0.5
Port state control detentions	1	1	-	0

➤ Bio-diversity and marine pollution

In 2020, two more ballast water treatment systems (BWTS) were installed, nearly completing the installations on KCC’s fleet, with only one more system to be installed in 2021. This treatment system is operated whenever the vessels perform ballast water exchange operations in order to prevent the spread of harmful aquatic organisms from one region to another in accordance with the Ballast Water Management Convention, which will enter into force in 2024. Important details of the operation of the BWTS is recorded in the onboard Ballast Water Record Book.

Invasive aquatic species may also be transferred from one region to another through biofouling of the ship’s hull. Biofouling is the growth of marine organisms on the hull and propeller, and ranges from the creation of thin layers of biofilm consisting of single celled organisms and algae to the growth of barnacles, seaweed, and mussels. The water resistance of the vessel increases with increases growth of biofouling, and thus increases the required fuel needed to propel the vessel through the water. To reduce the risk of transfer of invasive aquatic species all KCC vessels have a Biofouling Management Plan onboard. This plan serves as a practical guidance to the Master and the crew of the ship on different measures that can be used such as anti-fouling paint, frequent hull and propeller cleaning operations, and other operational measures.

Cleaning operations are always performed in accordance with applicable national and local laws and regulations so that viable biofouling or chemical and physical pollutants are not released into the local aquatic environment where they may cause harm. Care is also taken to prevent the erosion of the anti-fouling paint so that harmful biocides are not released into the port water. All anti-fouling paints also complies with the International Convention on the Control of Harmful Antifouling Systems on Ships and do not contain organotin compounds acting as biocides.

KCC is also investigating other technologies for hull cleaning using robots that either removes the layer of biofilm on open oceans while in transit, where the organic residue sinks to the bottom of the sea floor, or using cleaning robots in port that filters and collects the removed biofouling.

KCC does not currently have data related to shipping duration in marine protected areas and areas of protected conservation status.¹⁰

 Pollution	2020	2019	2018	Target
Spills to the environment	1	-	-	-

During a discharge operation in second quarter 2020, one of the vessels experienced a leakage onto the deck. The leakage was limited and discharging was stopped

immediately, however, due to heavy rain it was not possible to stop it from reaching the water. The incident has been investigated and procedures have been evaluated.


Footnotes:

⁹ High risk is an internal definition based on a system of grading the observations based on the potential/consequence.

¹⁰ UNEP World Conservation Monitoring Centre (UNEP WCMC)

► People on land

KCC has six employees as per year end 2020. We shall ensure equal rights for all, irrespective of gender, gender identification, ethnicity, religion, sexual orientation, disability or social status. People and society are important topics included in our Code of Conduct published on our corporate website (<https://www.combinationcarriers.com/company/#code-of-conduct>).

 Klaveness Combination Carriers	Women	Men	Total
Number of employees	2	4	6
Nationalities			1
Employees age (< 30)	-	1	1
Employees age (30-50)	2	2	4
Employees age (> 50)	-	1	1

COVID-19 and related measures have put extra pressure on all in 2020. We all got some unexpected experiences during 2020 and surely, we have learned some lessons along the way about working from home effectively.

On short notice, all employees were asked to work from home during long periods in 2020. All were well equipped with portable computers and other necessary tools and equipment. However, most had less practical training in how to cooperate and work remotely over time. What we experienced after a very short while was that the organization manage to stay productive and to stay together in an impressive way.

The valuable expertise achieved in how to collaborate digitally is now owned by all employees and enables us to both work in teams and cross functional in a good way.

At the same time, we want to return to a situation where working from the offices becomes possible and normal again, without giving up the flexibility of working remotely as part of an ordinary work week. By combining the best experience from working remotely with the benefit of physical attendance at work we can both maintain well-being of our employees and continue to building a strong company culture.

Working from home over so long time can be a challenge. All employees have been encouraged to stay in close contact with colleagues through frequent online meetings, however, we have yet to see the full effect of associated physical and mental health consequences of COVID-19 and the related measures.


► Developing our people



KCC follows the onboarding and employee development programs of Torvald Klaveness. The program focuses on the company’s business and culture, as well as giving the new hires the tools and information needed to become a productive member of the KCC team from the very beginning. The onboarding program involves Management and other key employees and can last up to 6 months. Our aim is that all new employees feel highly welcomed and

included from the start and that they get the support and opportunities along the way to reach their full potential.

Personal development is highly prioritised by both the employees and employer. Equipping employees with the right skills and tools, at the right time is essential. An educational hub, Klaveness Academy, has therefore been developed. The Academy contains three main programs:



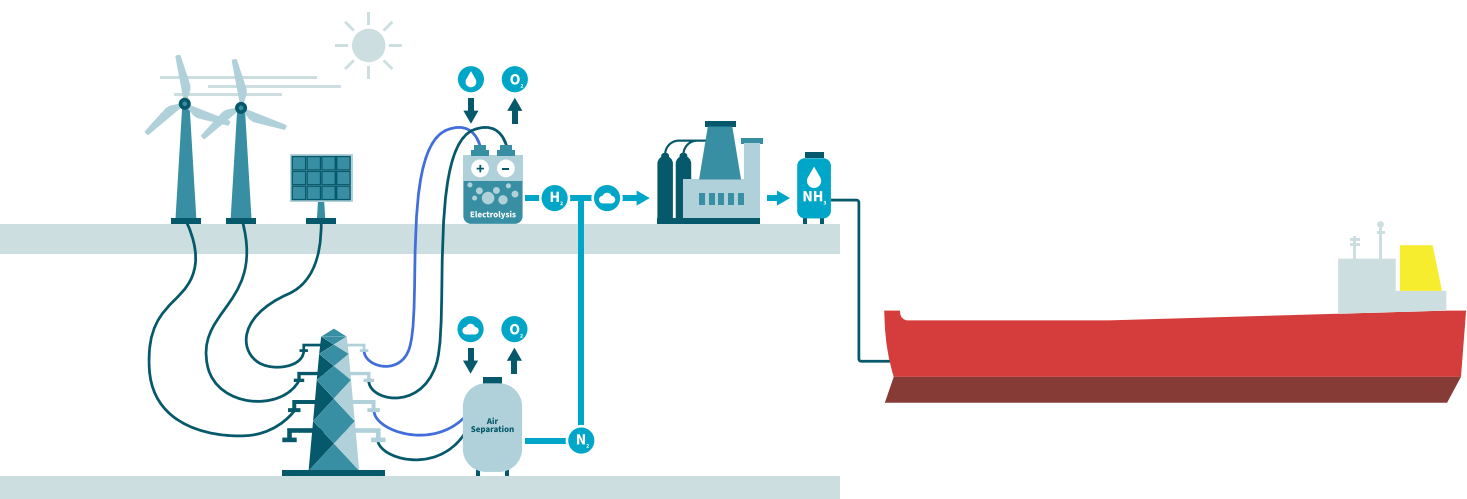
Decarbonization by Klaveness Academy
 Our ambition to make seaborne supply chains resilient, decarbonized and cost-effective relies on us developing the right competences in-house and raising general awareness around decarbonization as a topic. The program has been designed to raise the general knowledge of employees on decarbonization in practice, build understanding of how Klaveness will be affected, and to inspire employees to contribute with their ideas on how we can develop these new solutions.



The Klaveness Analytics program
 Designed to advance the employees ability to use data and analytics for improved decision making in their daily jobs. In a digital world, a data-driven approach to decision making is key. A community of data analysts has also been established to support colleagues in their daily analytics use. The organization is steadily enhancing its capabilities, from data platform improvements to practical use of analytical tools. A series of analytics projects are now being run across the entire company to enable improved decision making.



The Klaveness Compliance program
 The purpose of the compliance program is to ensure that the organization act within all relevant rules and regulations, and in accordance with Klaveness Code of Conduct and other related policies. Compliance is the cornerstone of our business. Therefore, the training program has been designed to address the importance of compliance, and build awareness both to the relevant legal requirements and to our policies.



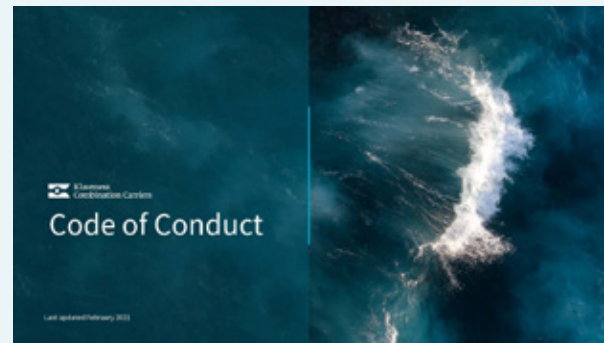


Trusted and responsible partner

We set high standards on how we conduct our business

Compliance and Code of Conduct

Our Code of Conduct defines our core legal and ethical standards and applies to all KCC's directors, officers and employees, both on shore and on board our vessels. Being part of Torvald Klaveness, our main service providers (ship management, commercial and business administration services) are committed by the same Code of Conduct. Core issues addressed in the Code are human and labor rights, equal opportunities, zero tolerance for harassment, safety and environment, anti-corruption and what we expect of our counterparties. The compliance program and the Code of Conduct were revised and relaunched in 2020.



Anonymous online compliance surveys with all employees and interviews with selected employees are made annually. No material risks or new issues were revealed by the survey and interviews conducted in early 2021. All employees receive training every year in different compliance areas. New employees must complete all online Compliance training modules.

Know Your Counterparty

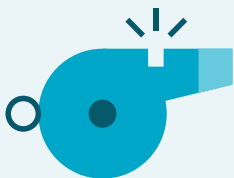
We expect those who do business with us to implement the principles described in our Counterparty Code of Conduct (CCoC) in their business or have at least equivalent standards adopted and conduct their business in accordance therewith. All new counterparties are evaluated, and existing counterparties are re-evaluated on

a frequent basis. The procedures are a critical function to assess counterparty risk and a legal requirement to comply with e.g. sanctions, anti-corruption and anti-money laundering laws, and counterparties are also evaluated from a business ethics perspective. During 2020 we have updated our Know Your Counterparty procedures.

Corporate Governance

Please see www.combinationcarriers.com and the Annual report for 2020 page 8 for more information about Corporate governance.

Whistleblowing



KCC did not receive any notifications in 2020

We promote a culture of openness and transparency and KCC encourages whistleblowing regarding blameworthy activities or circumstances within its business. Each employee has a statutory right to report blameworthy activities or circumstances within the business and the employee shall be protected against retaliation because of such whistleblowing.

The Chief Compliance Officer in Torvald Klaveness is the contact person for whistleblowing for KCC and whistleblowing may be done anonymously through an online system. The Chief Compliance Officer notifies the KCC Audit Committee about whistleblowing notifications related to KCC. During 2021, a new online whistleblowing system provided by an external supplier will be implemented. The system can be used by both internal and external parties.

Risk management and internal control

On a quarterly basis, KCC assesses risks deemed relevant to the different business activities and the assessment is presented to and discussed by the Audit Committee and the Board of Directors. Read more about risk management in the TCFD report available on KCC's website.

KCC does not have an internal audit function, however, an internal audit plan has been outlined for 2021. Areas

currently considered main risk areas are covered as well as review of policies and procedures. Topics covered in 2020 include for example, SAF-T, compliance with IMO 2020 and the new Norwegian Audit and Auditors Act, in addition to the regular items. KCC has not identified any non-compliance with laws and/or regulations in the social and economic area in 2020.

Transparency and integrity

Klaveness has since inception in 1946 built its business on joint ventures and pools, hence transparency and fair and equal treatment are part of our DNA. KCC had six employees at year-end 2020. The remaining services are purchased from Torvald Klaveness companies based on an arm's length principle and in line with the OECD transfer pricing guidelines. The services are benchmarked annually.

There is only one class of shares in KCC, and all shares carry equal rights, equal dividends and equal voting. We aim to follow the principles in the Oslo Børs Code of Practice for IR of 1 July 2019.

► Anti-corruption

KCC operates in a global environment with many international interactions and port calls and is hence vulnerable when it comes to corruption and facilitation payments. KCC is opposed to and will contribute to counteract all forms of corruption, including extortion and bribery. Under no circumstance is any direct or indirect offer, promise, giving or demand for gifts, bribes, kickbacks or other unlawful advantages to secure business, improper preference or personal advantage acceptable, and this is clearly stated in the Code of Conduct and the Business Ethics

Guidelines. KCC's entire business activities are continuously assessed for corruption risk and the main risk areas are considered to be port calls, yard work, bunkering and other supplies for the vessels. KCC has together with other Torvald Klaveness entities and our ship manager, Klaveness Ship Management AS (KSM), worked systematically to eliminate facilitation payments. Requests for facilitation payments are reported, and we use the statistics to improve our anti-corruption work.

Maritime Anti-Corruption Network

Torvald Klaveness was one of the founding members of the Maritime Anti-Corruption Network (MACN) in 2011. Since then it has grown to include over 140 member companies. MACN is a mission driven not for profit organization established by the maritime industry to tackle corruption in the maritime industry.

Policy and training

The ship manager, Klaveness Ship Management AS (KSM), was in January 2018 certified by DNV GL as to comply with the new Anti-Bribery Management system (ISO 37001:2016). KSM was the first shipping company to be certified by DNV GL in relation to this ISO-standard. KSM has an anti-corruption policy applicable to all crew. The crew complete on-line anti-corruption training and training is also conducted during the annual officer's conferences.

Anti-corruption issues are reported and discussed in all weekly KSM management meetings, and statistics and experience related to specific ports and issues are distributed to all vessels. KSM has developed a dashboard with statistics of requests for facilitation payments and more detailed information related to the different cases which is available to KSM personnel, crew, and vessel owners.



DON'T ASK, WE DON'T PAY



Não pergunte
Não pagamos
Nós reportamos



不要问
我们不支付
我们报告



Don't ask
We don't pay
We report

No preguntas
No pagamos
Reportamos


Ne demandez pas
Nous ne payons pas
Nous rapportons

Huwag magtanong
Tayo ay hindi magbayad
Report natin

KSM is proud to be a founding member of MACN



Performance and targets

 Anti-corruption statistics	2020	2019	2018	Target
# calls in port that have the 20 lowest ranking in Transparency International Corruption Perception Index	2	0	0	n.a.
# reported requests for facilitation payments	10	26	8	>12.6 ¹¹
Anti-corruption training for crew	92%	87%	Not available	>75%

Six out of the 10 reported request for facilitation payments reported in 2020 were in China, while the last four in the Middle East. Eight were demands for cigarettes, one related to an unjustified fee, and the last was a cash request. The requests are down compared to 2019, where 14 incidents were reported in India, Indonesia and the Suez Canal, where no incidents have been reported in 2020.

KCC did not experience any confirmed incidents of corruption or any confirmed incidents in which employees were dismissed or disciplined for corruption in 2020. No contracts with business partners were terminated or not renewed due to violations related to corruption, and no public legal cases regarding corruption were brought against the company, its employees or service providers.

Footnotes:

¹¹ 1 per ship-year. Target based on experience and trading patterns. Large variations between trading areas.

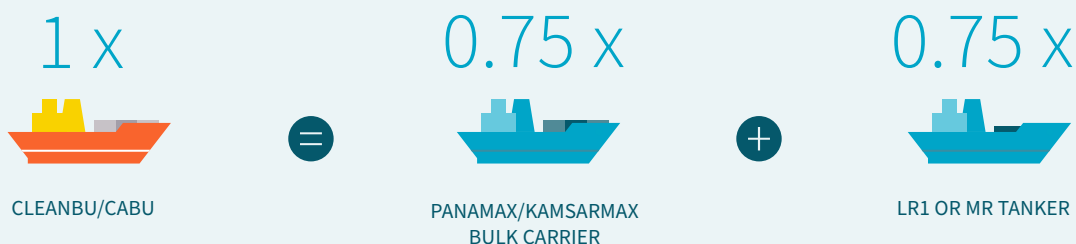
➤ Ship recycling

We commit to make recycling of our vessels in full compliance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (Hong Kong convention) and guidelines of the Norwegian Shipowners Association. This implies amongst others that we will not recycle our vessels in yards without permanent arrangements for collection of hazardous and polluting waste, also defined as “beaching”.

The last recycling of a Klaveness vessel (MV Baru in 2014) was made in China by Grieg Green recycling.

Torvald Klaveness is also a member of the Norwegian Shipowners’ Association’s Recycling reference group for sharing of best practice and transparency on ship recycling.

**From well to wake each combination carrier replaces
¾ of a dry bulk vessel and ¾ of a tanker vessel.**



The forward looking statements contained in this report are based on various assumptions and forecasts that, by their nature, involve risk and uncertainty. Accordingly, actual results may differ materially.



Global Reporting Initiative

Global Reporting Initiative (GRI) content index 2020

SDG	Indicator	Description	Page number or link
Organizational profile			
	GRI 102-1	Name of the organization	Klaveness Combination Carriers ASA
	GRI 102-2	Activities, brands, products, and services	Annual Report 2020 (note 1 and 2), Company website: https://www.combinationcarriers.com/company/#company-header
	GRI 102-3	Location of headquarters	Drammensveien 260, NO -0283 Oslo, Norway
	GRI 102-4	Location of operations	Annual Report 2020 (note 1, 2, 7 and 21), Sustainability report 2020 page xx, Company website: https://www.combinationcarriers.com/company/#company-header . Six KCC employees located in Norway. Service agreements with Klaveness companies in Norway, Singapore, Manila and Dubai. Our vessels operates globally. Port calls in 22 number of countries in 2020.
	GRI 102-5	Ownership and legal form	Annual Report 2020 (note 1 and note 18), Company website: https://www.combinationcarriers.com/investor-relations/#shareholders
	GRI 102-6	Markets served Geographic locations Sectors served Types of customers and beneficiaries	Annual Report 2020 (note 1 and note 2), Company website: https://www.combinationcarriers.com/company/#company-header Middle East, Far East, Australia, Singapore, USA, South America, Europe, India Alumina/aluminium, petroleum and petrochemical industry, trading companies, sellers and buyers of dry-bulk commodities See sectors served above, Annual report 2020, note 2
	GRI 102-7	Scale of the organization Number of employees Total number of vessels/newbuildings Net sales / net revenues from operations of vessels (in mill. USD) Total capitalization: debt (in mill. USD) Total capitalization: equity (in mill. USD) Quantity of products or services provided	Annual report 2020 6 employees (Annual report 2020, note 7) 14 vessels, 3 newbuildings (Annual report 2020, note 9 and 11) USD 91.1 million (Annual Report 2020, Consolidated Income Statement) USD 309.9 million (Annual Report 2020, Consolidated Financial Position) USD 216.5 million (Annual Report 2020, Consolidated Financial Position) 7.4 million metric ton cargo carried in 2020 (2019: 6.3 million mt).
	GRI 102-8	Information on employees and other workers	Annual report 2020, note 7. Sustainability Report 2020, pages 19-20 and page 25.
	GRI 102-9	Supply chain	https://www.combinationcarriers.com/company/#company-header
	GRI 102-10	Significant changes to the organization and its supply chain	N/A
	GRI 102-11	Precautionary Principle or approach	Environmental Strategy 2020-2050 (https://www.combinationcarriers.com/investor-relations/#reports-presentation) and Sustainability report 2020, pages 4-5.
	GRI 102-12	External initiatives	Global Reporting Initiative (GRI) Task Force on Climate-related Financial Disclosures (TCFD) UN Global Compact Sustainable Ocean Principles Norwegian Shipowners Association's Deepsea Group Norwegian Shipowners' Association's Recycling reference Group Verde (verification of Decarbonization)
	GRI 102-13	Membership of associations	Norwegian Shipowners Association Getting to zero 2030 coalition Sea Cargo Charter Smart Maritime Climate Change Mitigation In the Maritime Sector (CLIMMS) Intertanko Intercargo Maritime Anti-Corruption Network (MACN)
Strategy			
	GRI 102-14	Statement from senior decision-maker	Sustainability Report 2020, page 3.
Ethics and integrity			
	GRI 102-16	Values, principles, standards, and norms of behavior	Sustainability Report 2020, pages 28-31

SDG	Indicator	Description	Page number or link
Governance			
	GRI 102-18	Governance structure	Sustainability Report 2020, pages 4. Company website: https://www.combinationcarriers.com/company/#board-of-directors-and-management
Stakeholder engagement			
	GRI 102-40	Disclosure 102-40 List of stakeholder groups	Sustainability report 2020, pages 4-5. Company website: https://www.combinationcarriers.com/sustainability/#sustainability-header
	GRI 102-41	Disclosure 102-41 Collective bargaining agreements	N/A
	GRI 102-42	Disclosure 102-42 Identifying and selecting stakeholders	Sustainability report 2020, pages 4-5. Company website: https://www.combinationcarriers.com/sustainability/#sustainability-header
	GRI 102-43	Disclosure 102-43 Approach to stakeholder engagement	Sustainability report 2020, pages 4-5. Company website: https://www.combinationcarriers.com/sustainability/#sustainability-header
	GRI 102-44	Disclosure 102-44 Key topics and concerns raised	Sustainability report 2020, pages 4-5. Company website: https://www.combinationcarriers.com/sustainability/#sustainability-header
Reporting practice			
	GRI 102-45	Entities included in the consolidated financial statements	Annual Report 2020 (note 1 and note 21)
	GRI 102-46	Defining report content and topic Boundaries	Sustainability Report 2020, pages 4-5. Unless stated otherwise, the scope of the report includes the company Klaveness Combination Carriers ASA: all employees, offices, and operations.
	GRI 102-47	List of material topics	Sustainability Report 2020, pages 4-5, Company website: https://www.combinationcarriers.com/sustainability/#sustainability-header
	GRI 102-48	Restatements of information	N/A
	GRI 102-49	Changes in reporting	N/A
	GRI 102-50	Reporting period	FY 2020
	GRI 102-51	Date of most recent report	FY 2019
	GRI 102-52	Reporting cycle	Annually
	GRI 102-53	Contact point for questions regarding the report	Liv Hege Dyrnes, CFO
	GRI 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards, core option.
	GRI 102-55	GRI content index	Sustainability Report 2020, pages 33-35
	GRI 102-56	External assurance	Environmental KPI's have been externally assured by EY. Sustainability report 2020 page 38-39.

SDG	Indicator	Description	Page number or link
  Low Carbon future			
	GRI 201-2, TCFD	Financial implications and other risks and opportunities due to climate change	Sustainability Report 2020, pages 7-8. TCFD report on Company's website: https://www.combinationcarriers.com/investor-relations/#reports-presentation
	GRI 302-1	Energy consumption within the organization	Sustainability Report 2020, pages 16-17. GRI 302-1 d. Not applicable
	GRI 305-1, Poseidon Principles, IMO MEPC.304(72)	Direct (Scope 1) GHG emissions	Sustainability Report 2020, pages 9-14, 16
	GRI 305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2020, page 16
	GRI 305-4	GHG emissions intensity	Sustainability Report 2020, page 9-14
	GRI 306-3	Waste generated	Sustainability Report 2020, page 15. GRI 306-3 a. No data available
	GRI 305-7, MARPOL Annex VI Reg. 13 and 14	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Sustainability Report 2020, page 17. GRI 305-7 iii. and v. Not applicable
	GRI 307-1	Non-compliance with environmental laws and regulations	Sustainability Report 2020, page 7
	KCC KPIs	KCC defined KPIs for % in combination trade and % ballast	Sustainability report 2020, page 10. Independent assurance report from EY; Sustainability report page 38-39.
    Safe operations			
	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	Annual Sustainability Report, page 24. GRI 304-2 a.i., iv., v., vi. Not applicable
	GRI 403-1	Occupational health and safety management system	Sustainability Report 2020, pages 20-21
	GRI 403-2	Hazard identification, risk assessment and incident investigation	Sustainability Report 2020, pages 20-23, 28
	GRI 403-3	Occupational health services	Sustainability Report 2020, page 19-22
	GRI 403-4	Worker participation, consultation and communication on occupational health and safety	Sustainability Report 2020, pages 20-21. GRI 403-4 b. Not applicable
	GRI 403-5	Worker training on occupational health and safety	Sustainability Report 2020, page 20
	GRI 403-6	Promotion of worker health	Sustainability Report 2020, page 20
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Report 2020, pages 18-22
	GRI 403-8	Workers covered by an occupational health and safety management system	Sustainability Report 2020, pages 20-21. Management System applies for all employees/crew onshore and ashore = 100 %. GRI 403-8 b. and c. Not applicable
	GRI 403-9, IMO ISM code	Work related injuries	Sustainability Report 2020, pages 19-23

SDG	Indicator	Description	Page number or link
 Trusted and responsible partner			
	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report 2020, page 28
	GRI 205-1	Operations assessed for risks related to corruption	Sustainability Report 2020, page 29-30
	GRI 205-3	Confirmed incidents of corruption and actions taken	Sustainability Report 2020, page 29-30
	Hong Kong Convention, Flag state rules, Guidelines of the Norwegian Shipowners Association	Responsible ship recycling	Sustainability Report 2020, page 31



Independent assurance
report from EY on
Sustainability KPIs

To the Board of Directors of Klaveness
Combination Carriers ASA

Independent assurance report on Klaveness Combination Carriers ASA's 2020 Sustainability Indicators

We have performed an independent verification of selected indicators related to Klaveness Combination Carriers ASA's (KCC) Sustainability Reporting for 2020. We have assessed if the information being presented for the selected sustainability indicators is based on relevant criteria from the IMO and KCC own defined criteria. Controlled information can be found on page 10 of the report and is hereinafter referred to as the Indicators.

Management's responsibility

The Board of Directors and Chief Executive Officer (management) are responsible for the selection of the information and collection of the data for presentation and for the preparation of the Indicators in accordance with the applicable criteria as defined on page 10 of the report.

Our Independence and Quality Control

We are independent of the company as required by law and regulations and have complied with our other ethical obligations in accordance with these requirements. We apply the International Standard on Quality Control (ISQC 1) and maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's tasks and duties

Our task is to issue an independent report to the Board of Directors on the Indicators based on our work. Our work is conducted in accordance with ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The standard requires that we plan and perform procedures to obtain limited assurance that the Indicators are prepared and presented in accordance with the relevant criteria and do not contain material errors.

Our work has consisted of the following procedures:

- Review of KCC's process for preparation and presentation of the Indicators to develop an understanding of how sustainability is ensured in practice within the business
- Interviewed those in charge of Indicators to develop an understanding of the process for the preparation of the Indicators
- Verified on a sample basis the information in the Indicators against source data and other information prepared by KCC
- Assessed the overall presentation of the Indicators against the management criteria

We have performed controls in order to establish a limited level of assurance for the following indicators:

- Energy Efficiency Operational Indicator (EEOI) as defined by the IMO

KCC own defined indicators:

- Average absolute greenhouse gas (carbon dioxide) emissions per ship
- Percentage of on-hire days spent ballasting
- Percentage of on-hire days in combination trading
- Relative ballast time and relative EEOI compared to benchmark cases

In our opinion, the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Indicators, in all material respects, are not prepared and presented in accordance with the management's criteria.

Oslo, 22 March 2021

ERNST & YOUNG AS

The assurance report is signed electronically

Johan Lid Nordby

State Authorised Public Accountant

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Johan Nordby

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5997-4-729076

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