



Knutzen OAS
Shipping

ESG REPORT

2021

ABOUT THE COMPANY

The Knutsen Group (the 'Group') is a world leading shipping company serving the energy industry. This report covers Knutsen OAS Shipping AS (Knutsen OAS Shipping / the Company), a wholly-owned subsidiary within the Group, that undertakes the commercial and technical management of the Group's LNG carriers and product tankers. Additionally, we support and supervise the Group's newbuilding operations.

Knutsen OAS Shipping provides high quality services and technology that ensures our employees' safety and wellbeing, and works hard to meet our customers' demands and societies' expectations

By the end of 2021 it operates 15 LNG carriers and 3 Product Tankers and has a newbuilding program 15 state of the art LNG carriers.

ABOUT THE REPORT

This report is compiled in accordance with the Norwegian Shipowners' Association's ESG reporting guidelines. These guidelines are based on a set of predefined material issues and corresponding disclosures for the shipping industry developed by the Sustainability Accounting Standards Board (SASB)/Value Reporting Foundation, and reference is also made to the UN Sustainable Development goals. This report covers the period 1 January to 31 December 2021.

"Knutsen OAS Shipping is a fully integrated shipping company with operation, newbuilding supervision, chartering, ship management and project development in-house."

SHIPBOARD EMPLOYEES onboard at Dec. 31, 2021



427

2020: 416

LNG CARRIERS at Dec.31, 2021



15

2020: 14

LNG CARRIERS AVERAGE AGE



9,7 years

2020: 9,4 years

FLEET ANNUAL EFFICIENCY RATIO | LNG CARRIERS



8,8 g CO₂/dwt nm

2020: 8,8 g CO₂/dwt nm

NAUTICAL MILES TRAVELLED BY VESSELS IN 2021



1 593 079nm

2020: 1 425 920 nm

PRODUCT TANKERS at DEC 31,2021



3

2020: 3

PRODUCT TANKERS | AVERAGE AGE



12,2 years

2020: 11,2 years

FLEET ANNUAL EFFICIENCY RATIO | PRODUCT TANKERS



17,5 g CO₂/dwt nm

2020: 19,4 g CO₂/ dwt nm

NAUTICAL MILES TRAVELLED BY VESSELS IN 2021



104 290nm

2020: 88 724nm

LTIF



0,55

2020: 0,3

1. Introduction

THE PAST YEAR WE HAVE MAINTAINED OUR FOCUS on environmental, social and governance (ESG) matters as we take responsibility for the environment in which we operate, the people we work with and to meet increasing stakeholder expectations.

The transition towards a more sustainable economy remains on top of the global agenda, and regulations addressing this area are increasing. We are closely monitoring new developments, and the Company is well positioned to meet upcoming regulatory requirements. To meet climate goals and align with the targets set by the International Maritime Organization (IMO) we are actively engaged in improving our Energy Efficiency Existing Ship Index (EEXI) and Emission Reduction Trajectories (CCI ratings). Close cooperation between all relevant players including owners, regulators, charterers and funding institutions, will be essential.

The Company's environmental plan has a long-term focus, whilst at the same time, the plan is reviewed regularly to ensure it adapts to rapidly changing regulations and new technologies. To meet the different environmental challenges faced by the Company and to find solutions to these, we have established an internal environmental group consisting of naval architects, environmental and operational personnel.

In 2021 we prioritised and focused on reducing fuel consumption and emissions; improving energy efficiency in operations; optimising technical design in newbuildings; implementation of the 0.5% global sulphur cap in fuel; meeting ballast water treatment requirements; and curtailment of waste generation. We take an active approach regarding our operations and the employment of technology to reduce fleet emissions, like the application of Ship Energy Efficiency Management Plans (SEEMP) to improve and follow up energy saving actions onboard vessels and vessel energy efficiency of our 15 state of the art LNG carriers under construction.

Knutsen OAS Shipping's most critical objective is to operate safely, and ensuring the health, safety and motivation of the crew is our primary concern. We achieve this focus by treating health and safety with the same importance as operational and financial matters.

Throughout 2021, the ongoing impacts of Covid-19 continued to place both physical and mental strain on our crew. We introduced and maintained a number of initiatives to address the impacts caused by the pandemic, including training programs that support our crew members to recognize when colleagues may need support and how to help them when they do.

Corporate governance remains essential for maintaining the trust of our stakeholders and the Company's standing in financial markets. We remain committed to implementing high standards in all areas of our business conduct and operations including through financial and operational audits, being in compliance with all new technical and disclosure requirements, applying our Supplier Due Diligence policy, conducting business partner integrity due diligence, and through governance arising from our Governing Business Principles or our Conflicts and Audit committee.

Through focus, innovation and commitment, we continue to improve as a Company and prepare for the work that lies ahead. This report summarizes our values, intentions and progress to date. Through this publication we aim to transparently convey our overriding commitment to ESG matters and provide consistent reporting on all of our key initiatives, policies and performance matters.

Trygve Seglem

Chairman - Knutsen Group

Nils Kristian Strøm

Managing Director - Knutsen OAS Shipping

2. ESG reporting framework and disclosures

Knutsen OAS Shipping reports on ESG topics in accordance with The Norwegian Shipowner's Association's Guidelines for the shipping and offshore industries as published in November 2021. The ESG topics identified by the Association allows the Company to report on issues that are material to the shipping industry and that are relevant to both internal and external stakeholders. The Company's core values are credibility, innovation, and care and these are reflected in the Company's work, culture and reputation amongst business partners.

The Guidelines are based on the following internationally recognized reporting frameworks:



The Global reporting initiative (GRI) is the most widely used international reporting framework for sustainability reporting, with over 90% of the largest companies in the world using this standard. GRI is based on international standards such as the UN Guiding Principles of Business and Human Rights, UN Global Compact and OECD Guidelines for Multinational enterprises.



The Sustainability Accounting Standards Board (SASB) aims to help businesses identify, manage and report on the sustainability topics that matter most to their investors. SASB has developed 77 globally applicable industry-specific standards which identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry



The 17 Sustainable Development Goals (SDGs) define global sustainable development priorities and aspirations for 2030. The SDGs call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. While not a reporting framework per se, many businesses refer to the SDGs in their reports.

POSEIDON PRINCIPLES

These principles aim to communicate relevant information to lenders, lessors, and financial guarantors allowing them to follow the Poseidon Principles when assessing and disclosing the climate alignment of their portfolios by providing:

1. Measurement of carbon intensity and an assessment of company climate alignment
2. Accountable data using the IMO's standard for collecting data on fuel consumption from ships



COMMITMENT TO ENVIRONMENT, SOCIAL AND GOVERNANCE IN SHIPPING

The shipping industry is exposed to inherent risks related to emissions, spills, health and safety, corruption, and regulatory changes. Through its governing system, Knutsen OAS Shipping complies with applicable laws and regulations, while ensuring the quality of its services, the safety of its ship personnel and protection of the environment. Knutsen OAS Shipping is convinced that this is in the best financial interest of the Company and its stakeholders.

The Company's core values are *credibility, innovation, and care*. These are reflected in the performance of Knutsen OAS Shipping's work, company culture, and reputation amongst business partners and society overall. They are central to governing documents and strategies, and thus to the development of the Company.

The Company's Governing Principles and Code of Business Conduct and Ethics (the 'Code') form the foundation for its ESG governance. It guides directors, managers, and other employees (including temporary employees and consultants) in complying with the legal and ethical requirements governing all business conduct. All employees are expected to conduct their actions in accordance with the Code and all applicable laws and regulations. All employees are required to undertake an anti-corruption and bribery training course on regular basis. Beyond that, employees are required to respect safety and environmental concerns and be sensitive to society at large. The Code provides procedures on how employees must report any breaches of the Code and follow up any reported misconduct.

ESG MANAGEMENT AND RESPONSIBILITY

The Knutsen OAS Shipping's Board of Directors (the Board) is responsible for the management of the Company and for safeguarding the proper organisation of its operations. The Managing Director is responsible for ensuring that the determined frameworks and the decisions made by the Board are applied to day-to-day management and that governance is effectively implemented and monitored. The corporate and functional policy owners are responsible for complying with the policy principles and reporting to the Managing Director.

The HSSE&QA Director is responsible for establishing the general health, safety, security, environmental protection and quality assurance (HSSE) policies and requirements applicable to the Company. The HSSE&QA Director is also responsible for monitoring the implementation and the effectiveness of the management system within the Company according to the ISM Code and relevant ISO-standards.

The Compliance Officer is responsible for ensuring compliance with the corporate policy documents (Codes of Conduct and Governing Principles). The role includes assistance across the company to ensure compliance and compliance monitoring is performed robustly. The Compliance Officer is responsible for preparing and coordinating company training programmes related to the Code of Conduct and Anti-corruption policies.

THE KNUTSEN OAS MANAGEMENT SYSTEM

The Knutsen OAS Shipping Management System (SMS) is an ISM Code certified system. The ISM Code ensures compliance with all applicable requirements and regulations for vessels and companies. This system is regularly audited and approved by a third party. All vessels and crew hold the necessary permits, licenses and certificates to carry out operations and did so throughout 2021. Knutsen OAS Shipping is also ISO 14001-2015, ISO 9001-2015 and ISO 45001-2018 certified.

Knutsen OAS Shipping is strongly committed to safety, which requires the involvement of the whole organization and beyond. The Company carries out safety, environmental and behavior training for all crew and focuses on lessons learnt from incidents or near incidents. Environmental, safety, legal and strategic risk assessments are carried out regularly and reported annually. Management ensures that all operations have updated risk assessments with associated control activities.

For HSE reporting, Knutsen OAS Shipping uses Unisea software system for all its vessels. Unisea is a tool for registering, identifying and tracking all events that Knutsen OAS Shipping monitors i.e. emissions, spills, safety drills, near miss incidents or suggestions of improvements, but also incidents and root cause analysis reports. This allows the Company to continuously improve operations on vessels as well as its administrative systems.

The Company is regularly vetted and audited by the Oil Majors, Class and Flag States which ensure alignment with regulatory standards. The vessels are vetted by the oil majors every 4 to 6 months. In 2021 during the Covid-19 pandemic and with travel restrictions, the onboard vetting inspections were limited. Knutsen OAS Shipping had one office audit by flag administrations (none by major energy companies).

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

In selecting suppliers, Knutsen OAS Shipping works hard to choose reputable business partners who are committed to ethical standards and who maintain strong and robust business practices. All suppliers must sign a Suppliers Code of Conduct which states the Company's expectations and standards regarding legal obligations as well as covering issues such as human and labour rights, employment conditions, health and safety environment and corruption.



COOPERATION INITIATIVES

Incentra supports the IMPA ACT and its member companies to become sustainability frontrunners. The International Marine Purchasing Association (IMPA) has been representing the interests of the marine procurement profession and promoting co-operation between buyers and suppliers since 1978. The IMPA ACT is a standardised responsible supply chain management system which decreases bureaucracy both for suppliers and for shipping companies. As a member of Incentra, the Knutsen Group has implemented a responsible supply chain management system in line with the IMPA ACT supplier code of conduct.

The International Association of Independent Tanker Owners (INTERTANKO) is a trade association working on a range of operational, technical, legal and commercial issues affecting tanker owners and operators around the world.

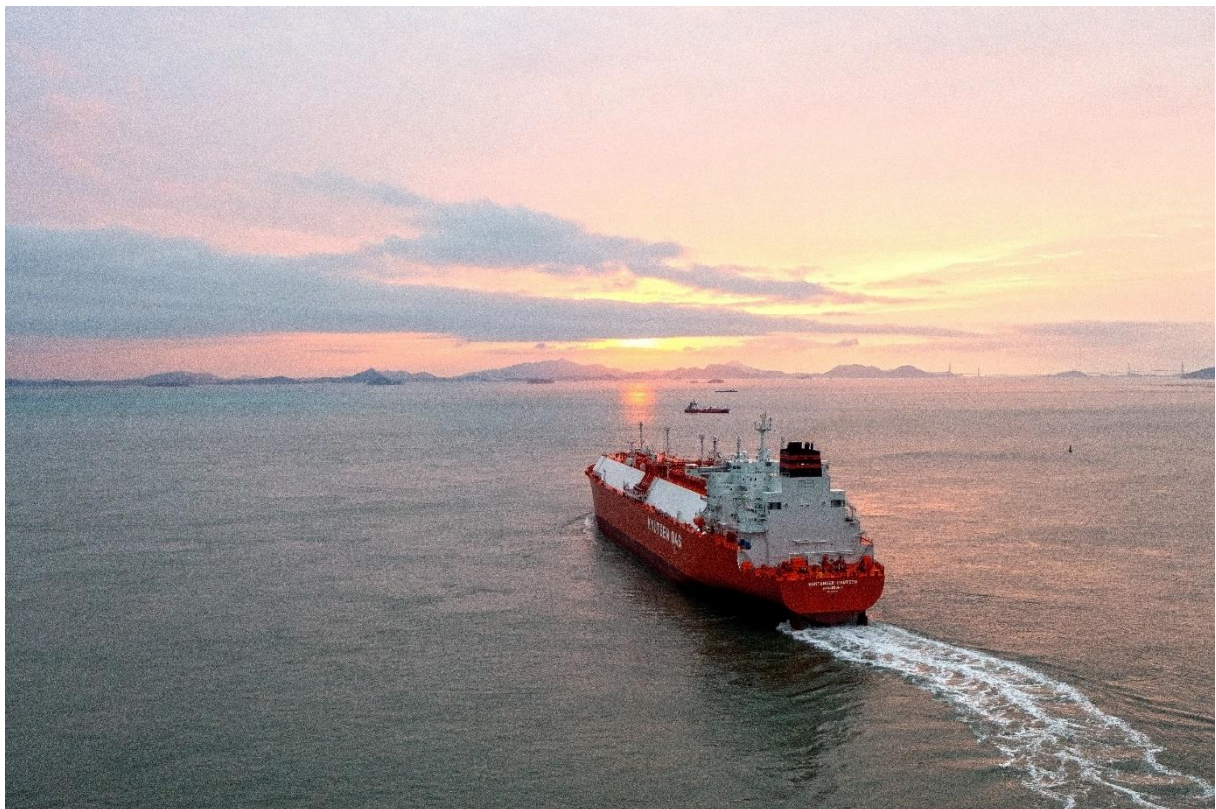
Knutsen OAS Shipping has been a member since the organization was established in 1970.

Knutsen OAS Shipping joined the **NCE Maritime Clean-Tech** in 2016. This is a Norwegian cluster focusing on finding new clean maritime solutions with commercial potential.

Knutsen OAS Shipping has been an active member of the **Maritime Anti-Corruption Network (MACN)** since 2014. This is a global business network working towards the vision of a maritime industry free of corruption enabling fair trade to the benefit of society at large.

THE TMSA 2021

The Tanker Management and Self-Assessment (TMSA) allows shipping companies to benchmark and assess their safety management system. The program uses topic and sector specific KPIs and sets four expectations levels (1-4) where 1 is “minimum expectation” and 4 is considered “best practice”. Knutsen OAS Shipping recorded a score of 3,4 in 2021.



ESG IN NUMBERS

TOPIC ENVIRONMENT	ACCOUNTING METRIC	UNIT OF MEASURE	RESULT 2021	RESULT 2020
Climate risk and climate footprint	CO₂ Emissions^a			
	Scope 1 GHG emissions Gross global Scope 1 GHG emissions (i.e. fuel consumed) to the atmosphere, in line with the GHG Protocol.	Metric tonnes CO ₂	1 206 000	1 033 000
	Scope 2 GHG emissions Gross global Scope 2 GHG emissions (i.e. purchased electricity) to the atmosphere, in line with the GHG Protocol.	Metric tonnes CO ₂	106	72
	EEDI			
	Average Energy Efficiency Design Index (EEDI) for new ships	g CO ₂ per metric tonnes nm	7,51 (One 30,000 cbm LNG carrier delivered)	4,59 (One 180,000 LNG carrier delivered 2020)
	AER – EEOI			
	Fleet Annual Energy efficiency operational indices AER (g CO ₂ per dwt -nm) EEOI (g CO ₂ /tonne-nm) including total CO ₂ emitted all voyages	LNG Carriers	AER: 8,8 EEOI: 24,4	AER: 8.8 EEOI: 25.7
		Product tankers	AER: 17,5 EEOI: 42,1	AER: 19.4 EEOI: 42.1

TOPIC ENVIRONMENT	ACCOUNTING METRIC	UNIT OF MEASURE	RESULT 2021	RESULT 2020
Climate risk and climate footprint	ENERGY COMSUMED			
	Energy mix	Gigajoules (GJ)	21 900 000	18 180 000
	1) The total amount of energy consumed			
	1) Percentage light fuel oil (LFO)	Per centage (%)	9%	5%
	2) the percentage of energy consumed that is renewable/low-carbon energy	Per centage (%)	0%	0%
	3) MGO - marine gas oil	Per centage (%)	7%	5%
	4) LNG	Per centage (%)	84%	90%
Air pollution	OTHER AIR EMISSIONS			
	NOX	Metric tonnes (mt)	9080	8 530
	SOX	Metric tonnes (mt)	500	274
	PM	Metric tonnes (t)	140	479
Ship recycling	SPILLS AND RELEASE TO THE ENVIRONMENT			
	Responsible ship recycling	Number of ships recycled during the reporting period.	0	0
Ecological Impacts	Shipping duration in marine protected areas & areas of protected conservation status	Number of travel days	Not Recorded	Not Recorded
	Number and aggregate volume of spills and releases to the environment	Number	0	0



TOPIC SOCIAL	ACCOUNTING METRIC	UNIT	Results 2021	Results 2020
Employee Health & Safety & Accidents, Safety Management	Lost time incident rate (LTIR)			
	Lost Time Incident Frequency (LTIF)		0,55	0,3
	Marine casualties			
	Number of marine casualties, percentage classified as very serious, as defined the Norwegian Maritime Directorate.	Number	Zero	Zero
	Port state control			
	No of inspections	Number	39	21
	Deficiencies	Rate	0,6	1,0
	Detentions	Number	Zero	Zero

TOPIC GOVERNANCE	ACCOUNTING METRIC	UNIT	Result 2021	Result 2020
Business Ethics	Corruption Index			
	Number of calls at ports that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Number of port calls	21 of 793 port calls	16 of 812 port calls
	Facilitation payments			
	Number of incidents where facilitation payments have been requested.	Number	Zero	Zero
	Fines			
	Total monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and/or regulations.	US dollar	Zero	Zero

MATERIAL ISSUE	INTERNAL GOVERNANCE DOCUMENTS	INTERNATIONAL STANDARDS AND REFERENCES
Climate change	HSE policy SMS Code of Conduct Supplier Code of Conduct Environmental Plan 2019-2023	The Paris Agreement The Intergovernmental Panel on Climate Change (IPCC) Initial IMO Strategy on Reduction of GHG Emissions from Ships ISO 14001
Air emissions	HSE policy SMS Code of Conduct Supplier Code of Conduct Environmental Plan 2019-2023	IMO MARPOL Convention Annex VI EU Sulphur Directive 2016/802 UNCLOS
Ecological impact	HSE policy SMS Code of Conduct Supplier Code of Conduct Environmental Plan 2019-2023	OPA 90 (Oil Pollution Act of 1990) IMO MARPOL Convention Annex VI IMO Ballast Water Management Convention Hong Kong Convention
Anti-corruption	Code of Conduct Policy for Related Party Transactions Policy for Closely Related Parties Anti-facilitation of Tax Evasion Policy Supplier Code of Conduct Report of Misconduct	Norwegian Penal Code of 2005 the UK Bribery Act 2010 the United States Foreign Corrupt Practices Act of 1977
Employee Health & Safety	HSE policy SMS Code of Conduct Supplier Code of Conduct Privacy policy Crew policy Security Policy	ILO Conventions Maritime Labour Convention, 2006 (MLC, 2006) International Management Code for the Safe Operation of Ships and for Pollution Prevention (The ISM Code) Hong Kong Convention STCW (International Convention on Standards of Training, Certification and Watch keeping for Seafarers) SOLAS (International convention for the Safety of Life at Sea)
Accident & Safety Management	HSE policy SMS Code of conduct Supplier Code of conduct Crew policy Drug and Alcohol policy Security Policy	International Management Code for the Safe Operation of Ships and for Pollution Prevention (The ISM Code) SOLAS (International convention for the Safety of Life at Sea) International Ship and Port Facility Security Code (ISPS Code)

4. Environment

Knutsen OAS Shipping recognizes its responsibility to protect the local environment and ecosystems in which its vessels operate. It furthermore seeks to take proactive measures in addressing the challenges of climate change.

Environmental regulations are imposed by international bodies such as the IMO, the European Union, a vessel's registration country (Flag State) and are formalized by permits, licenses, and certificates. The Company's environmental policy commits to deliver environmentally friendly services that comply with international and statutory regulations and meet or exceed contractual obligations. Suppliers and business partners, including charterers, are expected to adhere to the same environmental standards as the Company, which is stated in the Company's Supplier Code of Conduct.

All operations within the Company's control are planned and executed in a manner that minimizes environmental consequences. Managing environmental risks is therefore integrated into the overall management of the Company and environmental issues are aligned with other business priorities. The Company's environmental plan has a long-term focus, but as regulations and available technologies change, it is periodically revised. In 2021 the following areas were prioritized:

- 1) Reduction of CO₂ emissions
- 2) Energy efficiency in operations
- 3) Technical energy efficient design of newbuildings
- 4) Calculation of carbon intensities
- 5) Ballast water treatment requirements
- 6) Curtailment of waste generation / Reduce plastic waste and pollution

Environmental risks are managed through the ISO and ISM certified Company's Shipping Management System (SMS). The system allows for continuous monitoring of operations to make sure they are aligned with Company policies, international and statutory regulations, and contractual and legal obligations. The system registers, identifies and tracks all events including comprehensive preventive reporting and incidents covering all environmental aspects. This allows us to continuously improve operational procedures and technologies to meet environmental targets.

EFFORTS TO COMBAT CLIMATE CHANGE

Knutsen OAS Shipping follows the regulations and guidelines set by the IMO regarding climate change mitigation and air pollution. Climate risks and opportunities are considered by the Board of Directors and the Management Team as part of their assessment of the Company's strategy and principal risks. It is committed to the IMO's Initial GHG Strategy which envisages a reduction in the carbon intensity of international shipping by at least 40 per cent by 2030, pursuing efforts towards 70 per cent by 2050, compared to 2008. Estimates of technical efficiency (EEXI) and Operational efficiency (AER) were calculated based on proposed regulations. The focus in 2022 will be to make final calculations and evaluate measures required to improve energy efficiency and how to meet the set goal by the shipping industry to reduce CO₂ emissions.

The Company complies with the MARPOL Convention seeking to control airborne emissions from ships including sulphur oxides (SO_x), nitrogen oxides (NO_x), methane (CH₄), ozone depleting substances (ODS) and shipboard incineration.

OPTIMIZED DESIGN

The hull and propeller design of a vessel determines how efficiently it moves through water. The engine design determines its fuel efficiency which is important for the Energy Efficiency Design Index (EEDI). Optimizing these designs are therefore important to improve the energy efficiency and reduce the emissions from the fleet. For the newest LNG tankers, the attained EEDI compared with the required EEDI has gradually improved and is 50% lower than required for the latest delivered ship.





The age of the world's fleet has implications for the sustainability of shipping as younger vessels are more energy efficient, robust and with less emissions to air. Knutsen OAS Shipping has a young fleet compared to the global market: the LNG carriers average 9.7 years, while the global fleet average in 2021 was 10.8 years. The product tankers have an average age of 12.2 years, while the global average was 11 years in 2021.

Knutsen OAS Shipping was amongst the first to adopt diesel electric propulsion system in 2010, which, together with the larger cargo carrying capacity, improved the carbon intensity by 35% compared with steam propulsion system. Company's next generation LNG carriers delivered in 2016 have, M-type, Electronically Controlled, Gas Injection engines (ME-GI). This was an important move as it allows for gas injection through the two-stroke propulsion engine, which improved the carbon intensity by another 30%. The new LNG carriers to be delivered in the period 2022-2025 will be propelled by XDF or ME-GA Engines.

The Company's latest contracted vessels will have air lubrication systems installed for further improvement of the vessel's energy efficiency. Combined with the right ship hull design, the air lubrication system is expected to reduce CO₂ emissions by up to 4-5 per cent, along with significant savings of fuel.

Newbuilds are contracted according to charterers' requirements with energy saving and emission reduction designs. Knutsen OAS Shipping continues to explore new technologies that cut emissions, such as the use of ammonia as fuel and other fuel type alternatives, carbon capture technology, and renewable energy alternatives. The Company's ambition is to follow IMO's strategy, and it expects to meet and exceed the current IMO 2050 target of a 50 per cent CO₂ emission reduction per transport work.

ENERGY SAVING INITIATIVES

Knutsen OAS Shipping has several initiatives in place to reduce emissions and to improve energy efficiency in its operations. Each vessel has a ship energy efficiency management plan (SEEMP) to improve and follow up energy saving actions onboard. This includes a monitoring system for sailing efficiency (e.g. weather routing and speed optimization) to ensure that the ship's performance is in line with contractual obligations and to reduce fuel consumption. Based on the Fuel Consumption Data Collection System as part of the SEEMP, key performance indicators ("KPIs") in the SEEMP were established in 2020.

Several measures have been taken to minimize the use of gas combustion units by way of cargo conditioning and heel of LNG used for ballast sailing. Knutsen OAS Shipping has installed re-liquefaction plants that can re-liquefy all boil-off generated in the cargo tanks to minimize fuel consumption on all LNG carriers delivered since 2016.

Since 2015, an ECO Care action plan to promote energy saving onboard vessels has been implemented. Each ship is requested to carry out 15 defined actions. ECO Care actions and other initiatives raise the awareness of environmentally friendly ship operations. Knutsen OAS Shipping's fleet reported in total 570 ECO Care actions in 2021.

Knutsen OAS Shipping is continuously working to optimize its fleet speed through hull and propeller design, maintenance, and operational procedures. Sea life such as algae and molluscs foul the hull of the vessel creates increased drag and fuel consumption. To prevent this, all Knutsen OAS Shipping's LNG vessels have the latest generation silicon-based coatings and antifouling applied to their hulls. Cleaning and polishing routines of the propeller and hull is based on close monitoring of each vessel's performance.

KNUTSEN GREEN INITIATIVES

Knutsen OAS Shipping takes an active approach regarding its operation and the development and employment of technology to reduce its fleet's emissions. An environmental group consisting of naval architects, environmental and operational personnel within the Knutsen Group has been established to find solutions to the environmental challenges the Company faces.

The Company's focus on innovation and its passion for sustainable operations drives technological development in the direction needed to meet the Company's responsibilities and face relevant challenges.

One very significant and prime example of this is where Knutsen Technology (part of the Knutsen Group) developed a technology to reduce VOC emissions to the atmosphere during the loading of cargo on oil tankers. This technology is patented and sold as KVOC[®].

The product tanker fleet have installed Lean Marine fuel optimisation system that results in more energy efficient operation of the vessels. This fuel optimisation system reduces fuel consumption by controlling the propulsion and making sure the propulsive power is optimised based on the direct commands from the bridge.

KNUTSEN GROUP INITIATIVES TO DE-CARBONISE SHIPPING

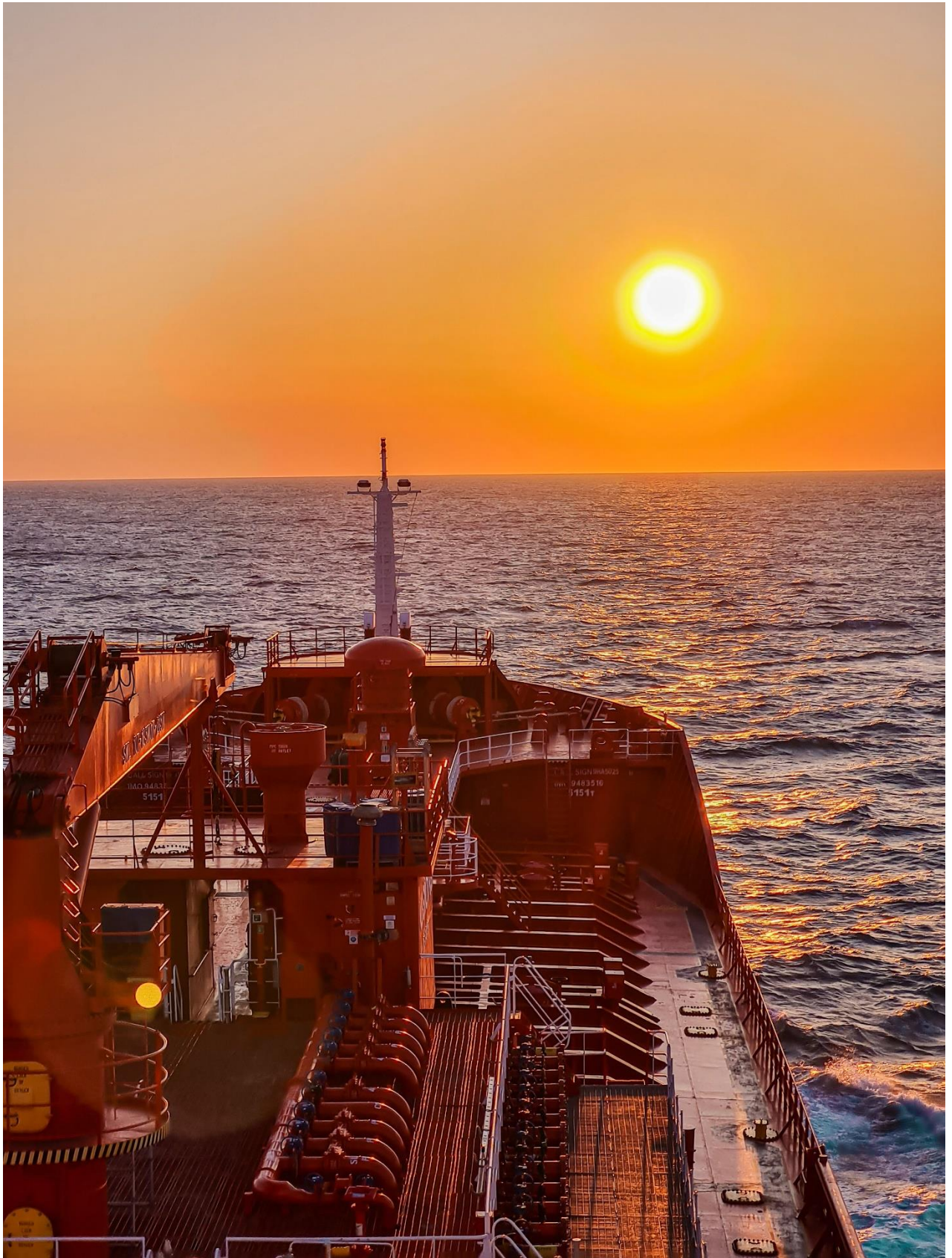
Knutsen OAS Shipping is also a member of the NCE Maritime cleantech, which is a world-leading industry cluster for clean maritime solutions. Through this cluster the Company participates in a project assessing ammonia as marine fuel. This project is together with Wartsila who has carried out successful tests of this solution. The aim is to get knowledge on how ammonia works on large marine engines.

LOW- SULPHUR FUELS

In January 2020, IMO imposed new regulations to limit the sulphur content of marine fuels, reducing the limit from 3.50 per cent mass by mass to 0.50 per cent. There are two commonly used methods to reduce emissions of SOx: 1) to install exhaust gas cleaning systems ('scrubbers') or 2) purchase low-sulphur fuels. There have been some concerns regarding how the wastewater from scrubbers may impact the marine environment. The Company has therefore decided not to install scrubbers on any vessel, but to use compliant low-sulphur fuel or Marine Gas Oil (MGO).

REDUCING OUR ECOLOGICAL IMPACT

Ecological issues such as discharges, spills, and the transfer of aquatic species in ballast water are critical environmental risks that threaten the world's oceans and conservation of biodiversity. Moreover, increased environmental concerns have further raised awareness and expectations regarding the use of non-hazardous materials in ship design and building as well as in operations.



A ZERO SPILL POLICY

Knutsen OAS Shipping has a zero-spill policy. The Company's risk management systems and procedures, and the implementation of the environment plan, reduce the risk of harming the environment in which the Company operates and ensure compliance with international and local regulations.

The Company is conscious about the detrimental consequences an oil spill can have on ecosystems, and the safety, reputational and financial risks it poses to the Company. Precautions to reduce the risks of spills and emergency plans are in place should a spill occur. There were zero incidents related to spills in 2021.



GROUNDBREAKING BALLAST WATER TREATMENT SYSTEM

Ballast water is necessary to ensure manoeuvrability and acceptable stress on the hull. Better stability contributes to more comfortable living conditions for the crew aboard. However, in the process of loading and unloading the water poses serious ecological risks due to potential transfer of microorganisms. The IMO Ballast Water Management Convention, adopted in 2004, aims to prevent the spread of harmful aquatic organisms from one region to another, by establishing standards and procedures for the management and control of ships' ballast water and sediments.

As of end 2021, Ballast Water Treatment Systems are installed on 16 ships, of which seven are KBAL systems (see textbox). The remaining two ships will have Ballast Water Treatment Systems installed in connection with their upcoming scheduled dry dockings.

APPROVAL OF PROPRIETARY TREATMENT SYSTEM

The proprietary Knutsen Ballast Water Treatment system marketed as "KBAL" was given approval for use by the US Coast Guard and revised IMO G8 requirements in 2020, underlining the investment by the Knutsen Group to avoid the transference of micro-organisms from one ecosystem in one part of the world to another.

RESPONSIBLE SHIP RECYCLING

The Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships aims to ensure that ship recycling processes do not pose any unnecessary risks to human health, safety or to the environment. In 2019, EU ship recycling rules entered into force requiring EEA/EU flagged ships and third-party ships visiting EU ports to ensure the safe and environmentally viable management of hazardous materials, and the sustainable recycling of ships. A fundamental requirement of these regulations is the documentation of hazardous materials on board, the so-called Inventory of Hazardous Materials (IHM), and the authorization of ship recycling facilities.

Knutsen OAS Shipping supports the Hong Kong Convention and seeks to fulfil all requirements set by the EU regarding ship recycling.

The Group is member of industry groups supporting and working in favour of environmentally friendly and safe recycling of vessels. In the case of a sale to a scrap yard or to a buyer intending to scrap the vessel, environmental and safety procedures and audits are carried out prior to signing a contract.



REDUCING PLASTIC POLLUTION

Plastic pollution is harming the oceans and it endangers life at sea and on land. The IMO has announced a plan to prevent plastic pollution caused by the shipping industry. Knutsen OAS Shipping supports this initiative and abides by the MARPOL Convention Annex V, which states that plastic must either be incinerated or delivered ashore. In 2021, Company's awareness campaign reinforced the Company's desire to operate according to best practice in all aspects of plastic management.

5. Health, safety and human rights

The **COVID pandemic** continue to impact the lives of our crew throughout 2021. As the development of vaccination became available, there was a high focus to make sure our crew and onshore staff had access to prove vaccination. By mid-2021 nearly 100% of our seafarer was vaccinated. This reduced the risk of serious consequence when infected by the covid virus that continue to move globally. The constrain, stress and uncertainty to carry out crew changes continue to be adversely affected throughout the year.

SECURING THE HEALTH AND SAFETY OF OUR CREW

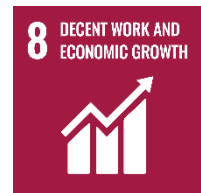
Ensuring the health, safety and motivation of the crew was and is one of Knutsen OAS Shipping's highest concerns. Operations at sea pose inherent risks to health, safety and security, which must be managed carefully to prevent accidents. Knutsen OAS Shipping supports the International Convention for the Safety of Life at Sea (SOLAS). The Company's vision is for zero accidents or incidents to occur in operations. This includes personnel injuries, work related illnesses, spills, and material damage.

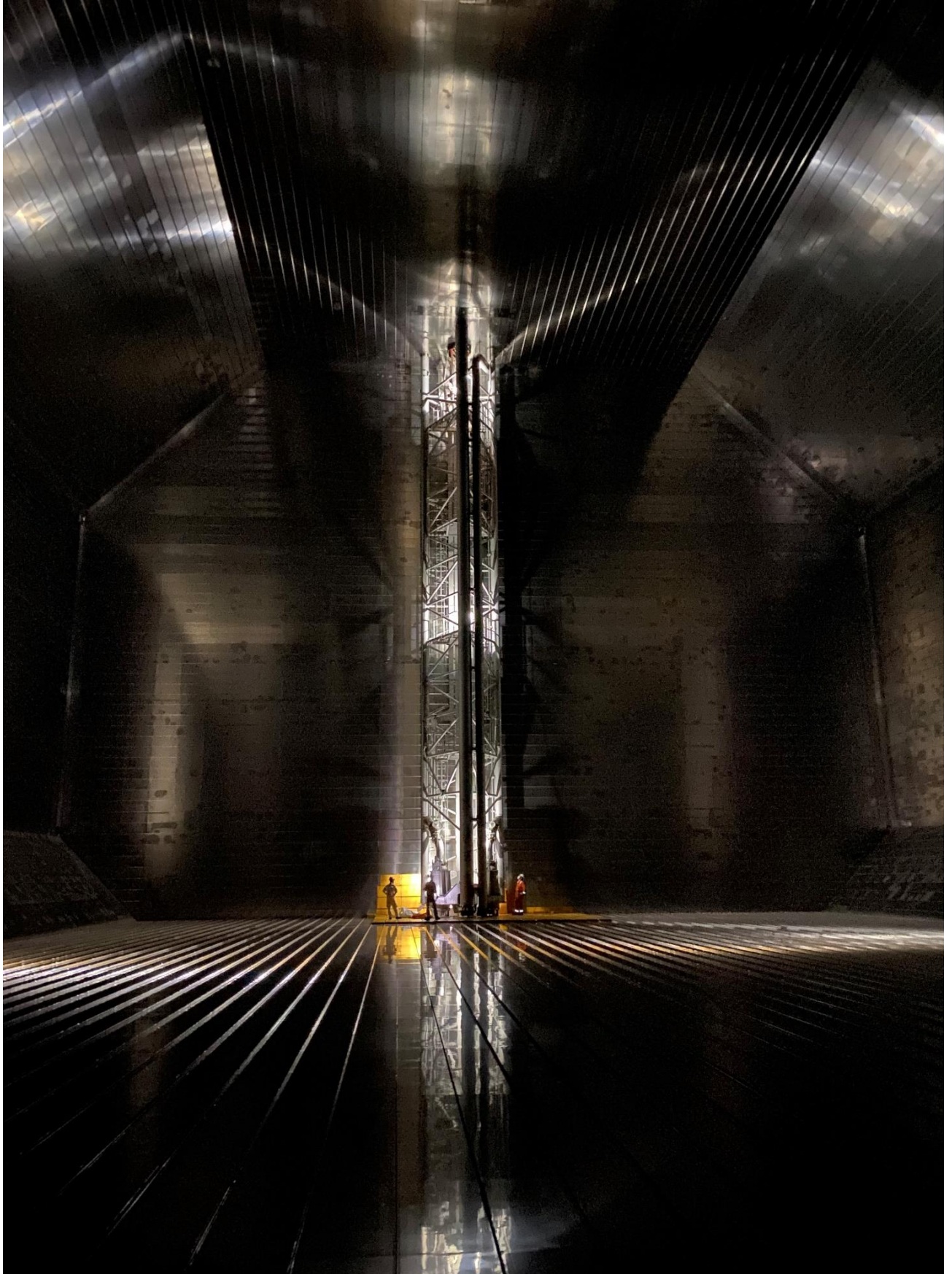
Providing the crew with the right training and tools is essential to prevent accidents and to ensure that operations inflict no harm to the societies and environments in which the Company operates. Furthermore, Knutsen OAS Shipping supports and complies with international and national regulations relating to human and labour rights in operations and business.

Health and safety in all activities is treated with the same importance as operational and financial matters. The Company's Code of Conducts outlines its expectations to employees and business partners about respecting safety concerns in their work. It requires all employees to make sure that all business is conducted in a manner that abides by applicable rules and regulations, and to have the highest regard for the health and safety of human life and the environment.

Health and safety risks are managed through the ISM certified Knutsen OAS Management system. The system allows Knutsen OAS Shipping to continuously monitor its operations to make sure they are aligned with company policies, international and statutory regulations, and contractual and legal obligations. The system registers, identifies and tracks all events allowing the company to continuously improve its operational procedures and technologies to meet its health and safety targets. Furthermore, the Company Contingency Plan ensures an efficient chain of communication in case of an emergency, ensuring that the organization reacts in a timely and sufficient manner.

Safeguarding health and safety is a continuous process that requires all staff and crew to have adequate training to meet the standards set in the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW) and the Maritime Labour Convention of 2006. The Knutsen OAS Management team is responsible for ensuring that the crew onboard all vessels, permanently and temporarily contracted, are certified and provided with adequate training at all times to ensure safety onboard.





WORKING CONDITIONS AND COMPETENCE

Competent personnel are key for successful ship operations. Recruiting and retaining a highly skilled workforce is therefore vital for the Company's success and providing a good working environment is therefore main priority.

Knutsen OAS Shipping adheres to the Maritime Labour Convention of 2006 and all applicable ILO Conventions, which are also reflected in the Crew Policy, Code of Conduct and Suppliers Code of Conduct. The Company's goal is to provide and maintain a safe, healthy, and orderly workplace, where integrity of all employees is respected. Any form of discrimination or harassment is not tolerated.

The Crew Policy defines the main principles regarding recruitment, employment and training, compensation and benefits and terms of terminations. This ensures that employment conditions are in accordance with local laws and regulations and the company recognises and respects the right of employees to exercise their lawful right of free association. The different Collective Bargain Agreements ("CBA") with different nationalities and flags are negotiated through respective organized unions and the Norwegian Shipowner Association.

PIRACY

The issue of piracy against merchant vessels poses a significant threat to world shipping. The Knutsen OAS Shipping's LNG carriers sail all over the world and are exposed to the threat of piracy. The Company's Security Policy states that the company shall ensure that all required measures are enforced to secure the ships and onshore offices and assets against intruders, or those with an intention to harm crew, ship, cargo, the business or who may have an intention to use the ship to harm others.

Knutsen OAS Shipping follows the guidelines laid down in the latest edition of Best Management Practice (BMP) to avoid, deter or delay piracy attacks in high-risk areas such as the Red Sea, Gulf of Aden, Arabian Sea, Indian Ocean and the Gulf of Guinea region. Knutsen OAS Shipping had no incidents with piracy in 2021.

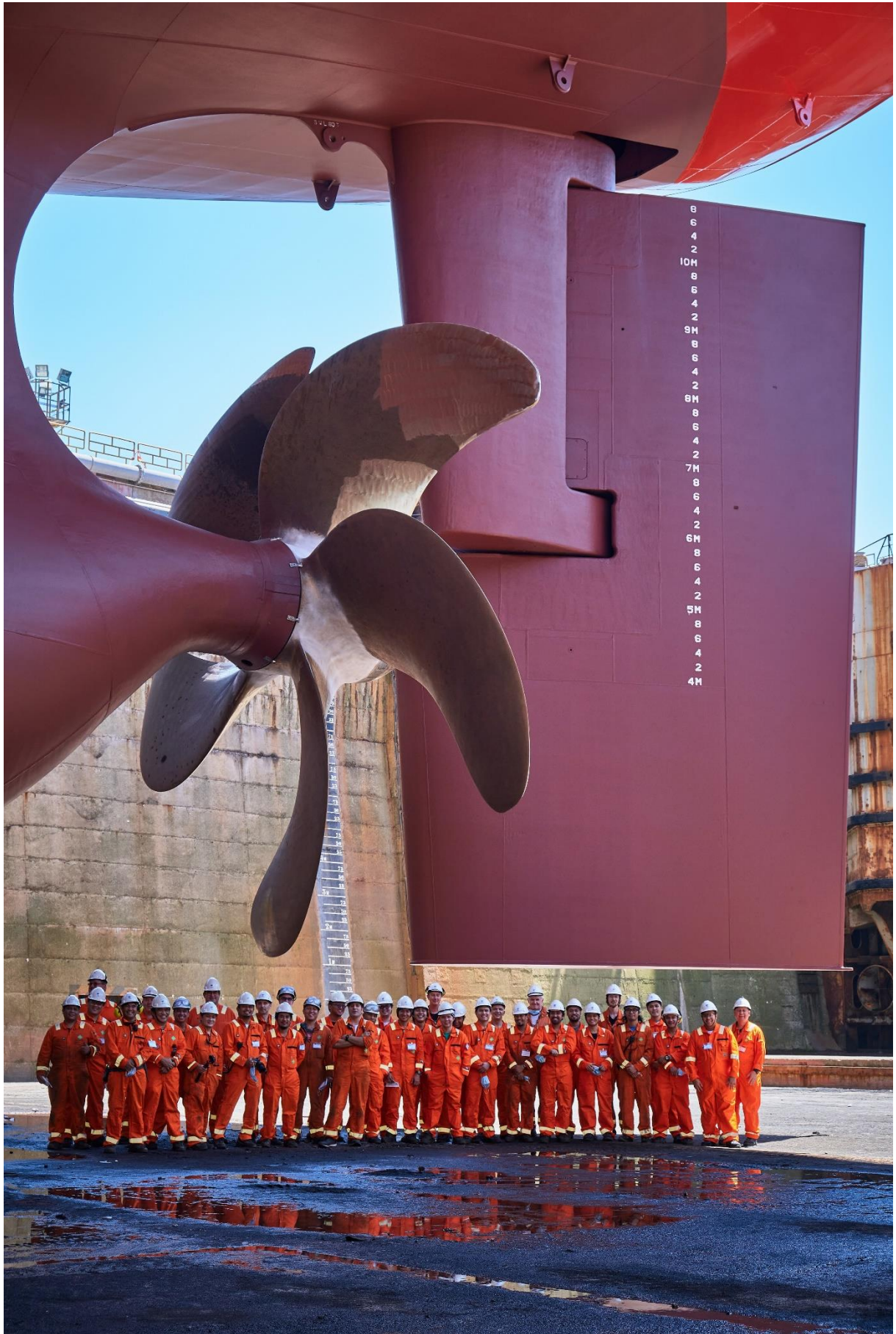
HUMAN AND LABOUR RIGHTS

Human rights issues are relevant across the entire lifecycle of a ship – from design, finance and ordering, through building and operation and recycling. As a fully integrated shipping company with operations, newbuilding supervision, chartering and project development in-house, Knutsen OAS Shipping strives to ensure that labour and human rights are upheld within the organisation as well as throughout its supply chain.

The Suppliers Code of Conduct specifically states that suppliers are expected to respect internationally proclaimed human rights, including the personal dignity, privacy and rights of each individual. It requires business partners to follow the ILO conventions and ensure and recognise the right of free association and collective bargaining. It also prohibits suppliers from using any form of forced or compulsory labour, or to employ workers under the age of 15. Knutsen OAS Shipping had no reported incidents of human rights violations in 2021.

DIVERSITY

The shipping industry is a male dominated industry. To work as a seafarer is a lifestyle and requires a different life balance than regular office work onshore. However, there should be good opportunities for female to make great profession in shipping as well as for male. The International Chamber of Shipping (ICS) reported in November 2021 that only 7.5 percent of seafarers are female. As of 31. December 2.4 percent of Knutsen OAS Shipping's seafarers were female. The percentage of female in all shore offices were 43 percent in 2021. At the Board of Knutsen OAS Shipping all three members were male.



6. Governance, conduct and ethics

Governance can be split into two aspects: how a company ensures checks and balances internally (corporate governance), and how it complies with legal and ethical requirements (business ethics).

Good corporate governance is about establishing a sound platform to govern and control operations, and this contributes to improving business performance. It is a prerequisite that the Company should maintain a strong reputation and high levels of trust in the market. This is achieved through correct attitudes, integrity and conscious responsibility by all employees in respect to health, safety and environment and quality in day-to-day tasks.

Knutsen OAS Shipping and its Group's core values are credibility, innovation and care and our policy on corporate governance and ethics is described in the Company's Governing Principles and Code of Conduct.

The shipping industry is truly global and vital to the world economy. Transporting goods between ports located across all parts of the world exposes the shipping industry to ethical risks such as corruption and bribery. Historically, the shipping industry faced the challenges of corruption on a regular basis. A myriad of laws and regulations, a heavy bureaucracy and multiple ship inspections by several port officers leave the crew exposed to demands for illicit payments. Refusing to give in may cause delays and increase cost to the business and potentially put the crew's safety at risk. These are systematic problems that undermine economic and social development.



Risk assessments are performed annually. The risk level of corruption depends on where the operation takes place. While the product tankers mainly operate in the North Europe where corruption risks are considered low, LNG carriers operate in all corners of the world, including in places where the risks of corruption are considered higher.

Management at all levels are responsible for ensuring that sufficient internal controls are in place and included as an integrated part of operations and procedures. The Group has a mandatory online training programme on anti-corruption and bribery issues. The training is updated on regular basis.

Knutsen OAS Shipping has independent channels for employees to report breaches and violations of the Company's Code of Conduct and Anti-corruption and anti-bribery policies. This is handled by the Company Compliance Officer. In 2021, zero incidents were reported.

INTERNATIONAL COOPERATION TO END CORRUPTION

IMO has announced that its IMO's Facilitation Committee is currently working on develop a guidance to implement and embrace anti-bribery and anti-corruption practices and procedures. It is anticipated that the guidelines will be aligned with the United Nations Convention against Corruption (UNCAC).

Knutsen OAS Shipping has a zero-tolerance approach to corruption and clear anti-corruption policies are in place to make sure business is conducted with integrity and according to applicable laws and standards. These include The Norwegian Penal Code of 2005, the UK Bribery Act 2010 and the United States Foreign Corrupt Practices Act of 1977 amongst others. The Company also has a system that continuously monitors regulations through approved channels ensuring that vessels are well informed about specific local requirements at all times.

Tackling corruption in the shipping industry requires a collective action. Knutsen OAS Shipping has been an active member of MACN – the Maritime Anti-Corruption Network – since 2014. Being a member has provided the Company with valuable know-how and material on how to best organize the Company's efforts to combat corruption.

Additionally, the network has engaged civil society and authorities to act together with the industry. So far, the network's efforts have resulted in reductions in demands for facilitation payments in the Suez Canal; new regulations in Argentina that make it more difficult for officials to demand bribes; and improved ease of operations in Lagos, Nigeria, with the implementation of standardized operating procedures and grievance mechanisms.

7. Glossary of technical references

^a**CO₂ emissions (Metric tons (t) CO₂-e):** Based on IMO emission factors. The “financial control” approach defined by the GHG Protocol has been applied. Scope 1: Owned vessels, based on fuel consumption for the year.

^b**Total energy consumption (TJ):** Calculated based available data on fuel purchases by using the fuel properties defined by DEFRA, Conversion factors, 2019.

^c**Average Energy Efficiency Design Index (EEDI) for new ships:** The average EEDI reported is based on 1 delivered ships in 2020 and one in 2021.

Average Efficiency Ratio (AER): AER is reported as unit “grams of CO₂ per tonne mile” (gCO₂/dwt-nm).

^d**Particulate matter (PM), NOX, SOX emissions (Metric tonnes):** NOX and SOX emissions from the combustion of fuels from owned vessels have been calculated based on information from engine makers.

^e**Shipping duration in marine protected areas or areas of protected conservation status:** A marine protected area as defined by the International Union for Conservation of Nature (IUCN): Any area of intertidal or sub-tidal terrain, together with its overlying water and associated flora, fauna, historical and cultural features, which has been reserved by law or other effective means to protect part or all of the enclosed environment, listed in the World Database of Protected Areas (WDPA) and mapped on Protected Planet. Protected Planet is the most up to date and complete source of information on protected areas, updated monthly with submissions from governments, non-governmental organizations, landowners and communities. It is managed by the United Nations Environment World Conservation Monitoring Centre. However, the reported number does not necessarily include all Marine protected areas internationally established and regulated in International the Marine Organization (IMO) Conventions and areas established nationally by member states. The data on shipping duration in Marine Protected Areas has been obtained

^f**Percentage of fleet implementing ballast water exchange and treatment:** Only ships performing ballast water exchange with an efficiency of at least 95 percent volumetric exchange of ballast water have been included. When it comes to treatment, approved systems must discharge (a) less than 10 viable organisms per cubic meter that are greater than or equal to 50 micrometres in minimum dimension and (b) less than 10 viable organisms per millilitre that are less than 50 micrometres and greater than or equal to 10 micrometers in minimum dimension.

^g**Spills and releases to the environment (Number, Cubic meters (m³)):** Any overboard spills and releases - intentional or accidental - shall be reported, even if the quantity is low and i.e. only causes a thin film or slight sheen upon or discoloration of the surface of the water.

^h**Number of calls at ports in countries that have the 20 lowest rankings in Transparency International’s Corruption Perception Index (CPI):** In the event that two or more countries share the 20th lowest ranking, all have been included in the scope of disclosure. The list is based on the CPI for 2021.

ⁱ**Lost time incident frequency (LTIF):** A lost time incident is an incident that results in absence from work beyond the date or shift when it occurred. The rate is based on: (lost time incidents) / (1,000,000 hours worked).

^j**Marine Casualties:** Regarding SASB TR-MT-540a.1, the reporting is in accordance with the standard, however injuries to personnel as described in point 1.1.1 is reported as part of Health & Safety statistics. The threshold for reporting on material damages as outlined in 1.1.4 and 1.1.6 is defined as USD 1,000,000.

^k**Number of Conditions of Class or Recommendations:** The scope of disclosure only includes Conditions of Class that resulted in withdrawal, suspension, or invalidation of a vessel's Class certificate.

^l**Number of port state control (1) deficiencies and (2) detentions:** (1) A deficiency is defined as a condition found not to be in compliance with the requirements of specific conventions, i.e. MARPOL, SOLAS, STCW, AFS or the ILO Maritime Labour Convention. (2) A detention is defined as an intervention action by the port state, taken when the condition of a ship or its crew does not correspond substantially with the applicable conventions and that a ship represent an unreasonable threat of harm to the marine environment etc.

^m**Number of shipboard employees:** Only the number of employees on board ships as per December 31 are recorded, this does not reflect the aggregate number of shipboard employees during the year.

ⁿ**Total distance traveled by vessels:** The distance (in nautical miles) travelled berth – berth by all vessels during the calendar year.

^o**Operating days:** Operating days are calculated as the number of available days in a reporting period minus the aggregate number of days that the vessels are off-hire due to unforeseen circumstances (i.e., a measure of days in a reporting period during which vessels actually generate revenue).

^p**Number of vessels in total shipping fleet:** This includes owned, chartered, bare boat - as per December 31 in the financial year.



