



KNOT Knutsen
NYK Offshore
Tankers

2021

ESG : Report

ABOUT THE COMPANY

Knutsen NYK Offshore Tankers ("KNOT" or the "Company") is the market leading independent owner and operator of shuttle tankers in the world. It is a fully integrated industrial shipping company, controlling and managing the whole value chain of its activities. This includes newbuilding, chartering, vetting, crewing, technical and commercial management, financing, procurement and general administration. It is a joint venture by TS Shipping Invest (TSSI) and Nippon Yusen Kabushiki Kaisha (NYK).

KNOT is part of the wider Knutsen Group of shipping companies ("The Knutsen Group") that have owned and operated shuttle tankers since the market's inception in the 1970s. KNOT manages the vessels of KNOT OFFSHORE PARTNERS LP ("KNOP") on third party terms. KNOT offer advanced shuttle tankers and Floating Storage and Offloading Units (FSO) on long-term charters and contract of affreightment to first class charters.

We are committed to operating our vessels safely in order to avoid any harm to our seafarers or the environment. As of 31st December 2021, KNOT owns 9 shuttle tankers and 2 FSO Units. In addition, we provide the technical and commercial management of KNOT Offshore Partners LP's 17 vessels.

ABOUT THIS 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



SEAFARERS ONBOARD AT DEC 31, 2021:

696

2020: 745



FLEET SIZE AT DEC 31, 2021:

26+2

2020: 26 + 2



DEADWEIGHT TONNAGE AT DEC 31, 2021:

3 486 880

2020: 3 687 748



NUMBER OF CARGOES IN 2021:

551

2020: 664



NAUTICAL MILES TRAVELLED BY VESSELS IN 2021:

720 000

2020: 770 000



EBITDA FOR 2021:

162.7M

2020: 83.4M



EQUITY RATIO AT DEC 31, 2021:

35%

2020: 42%

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 greenhouse (GHG) gas 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.

We focus on innovation and driving technological developments in the direction needed to face relevant environmental and social challenges. For example, Knutsen Technology, as part of the Knutsen Group, developed a technology to reduce the emissions of volatile organic compounds (VOC) into the atmosphere during the loading of cargo.

KNOT will take delivery of two new shuttle tankers in 2022 that have an optimised hull design to allow them to run on liquified natural gas (LNG), benefitting from new hybrid electric power systems, and ultimately reducing GHG emissions.

KNOT'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 recognise when colleagues may need support and how to help them when they do.

Through focus, innovation and commitment, we continue to improve as a Company and prepare for the work that lies ahead. This report summarises 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.

September 20th, 2022

Trygve SeglemCEO & President
Knutsen NYK Offshore Tankers

2 : ESG framework and disclosures

KNOT IS CONVINCED that sustainable operations support the long-term interests of the Company and its stakeholders, as well as being in its best financial interest. 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.

KNOT reports in accordance with the Norwegian Shipowners' Association's ESG Guidelines (the "Guidelines") as updated in November 2021. The Guidelines allow KNOT to report on issues that are material and relevant to both internal and external stakeholders.

The Guidelines are based on internationally recognized reporting frameworks, including the Sustainable Stock

Exchange Initiative, the Poseidon Principles, the Global Reporting Initiative (GRI) and the Marine Transportation Disclosure Framework established by the Value Reporting Foundation and the Sustainability Accounting Standards Board (SASB). SASB has developed 77 globally applicable industry-specific standards which identify financially material sustainability topics and associated metrics.

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.

MANAGEMENT SYSTEM

The KNOT Management System is an ISM Code certified system, ensuring 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. KNOT is also ISO 14001-2015, ISO 9001-2015 and OHSAS 18001 certified.

KNOT is strongly committed to safety, which requires the involvement of the whole organization and beyond. The company carries out safety, environmental and behaviour 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 on annually. Management ensures that all operations have updated risk assessments with associated control activities.

The company is regularly vetted and audited by the Oil Majors, Class and Flag States which ensure alignment with regulatory standards. In 2021, KNOT had 3 office audits by oil majors and flag administrations in the office. The vessels are vetted by the oil majors every 4 to 6 months.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

In selecting suppliers, KNOT works hard to choose reputable business partners who are committed to the highest ethical standards and who maintain strong and robust business practices. All suppliers above a de minimis limit must sign a Supplier 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.

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 the environment. In 2021, 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 central requirement is to document any hazardous materials on board (Inventory of Hazardous Materials [IHM]).

KNOT supports the Hong Kong Convention and seeks to fulfil all requirements set by the EU regarding ship recycling. By the end of 2021 all KNOT ships had received IHM certificates and documents of compliance. In the event 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. In total, four ships



were recycled in 2021. Two of these were recycled at EU approved shipyards in Turkey, and the other two at Alang, which operates according to the Hong Kong Convention.

COOPERATION INITIATIVES

Incentra supports the International Marine Purchasing Association (IMPA) ACT and its member companies to become sustainability frontrunners. 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. KNOT, through the Knutsen Group's membership of Incentra, has implemented a responsible supply chain management system in line with the IMPA ACT.

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. The Knutsen Group has been a member since the organisation was established in 1970.

The Knutsen Group, of which KNOT is a part, joined the **NCE Maritime Clean-Tech** in 2016. This is a Norwegian cluster focusing on finding new clean maritime solutions with commercial potential.

The Knutsen Group 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 GLOBAL REPORTING INITIATIVE (GRI) is the most widely used international reporting framework for sustainability reporting, with over 90 per cent 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 a minimum 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.

ESG IN NUMBERS

The Company owned and operated 26 vessels in the year (2020: 30).

TOPIC	ACCOUNTING METRIC	APPROACH	UNIT OF MEASURE	DATA 2021	DATA 2020
GHG-EMISSIONS	Gross global Scope 1 emissions ^a	Operational control	Metric tonnes CO2	708 000	750 000
		Financial control	Metric tonnes CO2	255 000	295 000
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets		Qualitative description	See page 10-11	See page 10-11
	Scope 2 GHG emissions. Gross global Scope 2 GHG emissions (i.e. purchased electricity) to the atmosphere, in line with the GHG Protocol ^a		Metric tonnes CO2	7 400	3 500 (incl. shore power FSO)
	(1) Total energy consumed ^b	Operational control	Gigajoules (GJ)	9 500 000	10 100 000
		Financial control	Gigajoules (GJ)	3 465 000	3 950 000
	(2) Percentage heavy fuel oil	Operational control	Percentage (%)	57	57
		Financial control	Percentage (%)	26	25
	Average Energy Efficiency Design Index (EEDI) for new ships ^c		Grams of CO2 per dwt nm	3.0	3.0
	The Carbon Intensity Indicator (CII) as Annual Efficiency Ratio (AERd), with shuttle tanker correction: (Fleet average excl FSO and sold ships.	Operational control	Grams of CO2 per dwt nm	4,7	4,1
Financial control		Grams of CO2 per dwt nm	5,9	4,5	
AIR QUALITY	Emissions of other significant air pollutants, i.e. NOx (excl. N2O), SOx, PM, VOC, Black Carbon etc. ^f	Operational control	Metric tonnes	NOx: 11 782 SOx: 1 481 PM: 431	NOx: 13 000 SOx: 1 600 PM: 600
	(1) NOx (excl. N2O)	Financial control	Metric tonnes	NOx: 4 377 SOx: 331 PM: 97	NOx: 5 250 SOx: 380 PM: 150
ECOLOGICAL IMPACTS	Shipping duration in marine protected areas or areas of protected conservation status ^g		Number of travel days	Not recorded	Not recorded
BALLAST WATER (31.12)	(1) Exchange (excl. FSO)	Operational control	Percentage (%), Number	23 %	54%
	(2) Treatment (excl. FSO)	Operational control	Percentage (%), Number	77 %	46%
SPILLS AND RELEASES TO ENVIRONMENT	(1) Number	Operational control	Number	Zero	Zero
	(2) Aggregate volume	Financial control	Cubic meters (m ³)	Zero	Zero
SHIP RECYCLING	Policy for recycling of ships		Text/figure	See page 5	See page 5
	Ships recycled during the reporting period		Number	4	0

^{a-j} The references are to be found on pp. 18-19

TOPIC	ACCOUNTING METRIC	APPROACH	UNIT OF MEASURE	DATA 2021	DATA 2020	
BUSINESS ETHICS	Number of calls at ports or net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Operational control	Number	Zero	Zero	
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Operational control	US dollars (\$)	Zero	Zero	
	Number of incidents where facilitation payments have been requested	Operational control	Number	Zero	Zero	
	Total monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and/or regulations	Operational control	US dollars (\$)	Zero	Zero	
EMPLOYEE HEALTH & SAFETY & ACCIDENT & SAFETY MANAGEMENT	Lost time incident rate (LTIR)	Operational control	Rate	Not reported	Not reported	
	Lost Time Incident Frequency (LTIF)	Operational control	Rate	0.53	0.36	
	Incidents	Operational control	Number	Zero	Zero	
			Very serious marine casualties	Percentage (%)	Zero	Zero
	Diversity of workforce, top management and board of directors according to gender and other indicators of diversity where relevant, e.g. age group, minority or vulnerable groups		Text	See page 15	See page 15	
	Description of policies regarding the freedom of organisation and collective bargaining agreements		Text	See page 14	See page 14	
	Marine Casualties ^h		Number	0	1 (Windsor)	
	Withdrawal of class certificate ⁱ				0	
	PORT STATE CONTROL	Port state control inspections ^j	Operational control	Number	11	7
		Detentions	Operational control	Number	0	0
Deficiencies		Operational control	Number	9	6	
Deficiency rate		Operational control	Rate	0.82	0.86	

ACTIVITY METRIC	APPROACH	UNIT OF MEASURE	DATA 2021	DATA 2020	CODE
Number of shipboard personnel	Operational control	Number	696	745	TR-MT-000.A
Total distance travelled by vessels (excl. FSO)	Operational control	Nautical miles (nm)	722 000	770 000	TR-MT-000.B
Operating days	Operational control	Days	11 297	10 681	TR-MT-000.C
Deadweight tonnage	Operational control	Deadweight tonnes	3 486 880	3 687 748	TR-MT-000.D
Number of vessels in fleet (Dec 31. 2020)	Operational control	Number	28	28	TR-MT-000.E
Number of cargoes ¹	Operational control	Number	551	664	TR-MT-000.F

3 : Environment and ecology

KNOT RECOGNISES 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 formalised 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 minimises 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 reviewed. In 2021 the following areas were prioritised:

1. Reduction of CO2 emissions
2. Energy efficiency in operations
3. Technical design of newbuildings
4. Implementation of the 0.5 per cent global sulphur cap in fuel
5. Ballast water treatment requirements
6. Curtailment of waste generation

Environmental risks are managed through the ISO and ISM certified KNOT Management System. 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

KNOT recognises the significance of climate change and the energy transition on our business and operations. 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.

KNOT supports the Norwegian Shipowners' Association's Greenhouse Gas ("GHG") Strategy for 2030 and towards 2050, which is more stringent than IMO's ambitions. The IMO's Initial GHG Strategy 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. It is expected that this Initial Strategy will be revised by 2023. The Company has already commenced the process of establishing appropriate targets and metrics that can be applied based on how shuttle tankers are expected to be assessed under CII/EEXI conventions, given that shuttle tankers operate differently to conventional tankers.

OPTIMISED DESIGN

The hull and propeller design of a vessel determines how efficiently it moves through water. The age of the world's fleet has implications for the sustainability of shipping as younger vessels are, in theory, more energy efficient, robust and contaminate less. KNOT operates a young fleet compared

to the global market: its shuttle tankers' average age at the end of 2021 was 8.0 years, while the global fleet average at the same point was 9.5 years. The Company is continuously working to optimise its fleet speed and efficiency through hull and propeller design, maintenance and operational procedures.

ENERGY SAVING INITIATIVES

KNOT has several initiatives in place to reduce emissions and to improve the energy efficiency of its vessels. Each vessel has a Ship Energy Efficiency Management Plan ("SEEMP") to improve and follow up energy saving actions onboard. This includes a data collection and monitoring system for sailing efficiency (e.g. weather routing and speed optimisation) to reduce fuel consumption. Key performance indicators ("KPIs") have been established for each vessel's SEEMP, including a target to reduce the amount of refrigerant gas consumed.

Since 2015, an ECO Care action plan to promote energy saving onboard vessels has also been implemented. Each ship is requested to carry out at least 15 defined actions. ECO Care actions and other initiatives raise the awareness of environmentally friendly ship operations. KNOT's fleet reported in total 723 (2020: 694) ECO Care actions in 2021, with an average of over 26 per vessel.

KNOT continues to explore new technologies to cut emissions, such as the use of ammonia as a fuel, carbon capture technology and renewable energy alternatives. Newbuilds are contracted according to charterers' requirements with energy saving and emission reduction designs.

In 2019 KNOT ordered two new shuttle tankers for delivery in 2022 with an optimised hull design that will primarily run on Liquefied Natural Gas ("LNG"). The two new shuttle tankers will emit less CO2 and will utilise energy recovered from volatile organic compound ("VOC") gases that would otherwise be vented into the atmosphere for further fuel optimisation. The vessels also benefit from new hybrid electric power systems for peak shaving, blackout prevention, enhancement of dynamic performance and reducing the overall consumption of power.

LOW-SULPHUR FUELS

In January 2020, the IMO imposed new regulations to limit the sulphur content of marine fuels, reducing the limit from 3.5 per cent mass by mass to 0.5 per cent. There are two commonly used methods to reduce emissions of SOx: either to install exhaust gas cleaning systems ('scrubbers') or by purchasing low-sulphur fuel. As there have been some concerns regarding how the wastewater from scrubbers may impact the marine environment and given the ready availability of low-sulphur fuels that comply with regulations, the Company has decided not to install scrubbers on any of its vessels.

KNOT takes an active approach regarding its operations and the development and employment of technology to reduce fleet emissions. An internal environmental group consisting of naval architects, environmental and operational personnel has been established to find solutions to the environmental challenges the Company faces.

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. As at the end of 2021, 20 vessels in the Company's fleet have so far installed the KVOC or similar technology. Moreover, this technology is patented and sold as KVOC®. 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.

A ZERO-SPILL POLICY

KNOT has a zero-spill policy. The Company's risk management systems and procedures and the implementation of its environment plan reduce the risk of harming the environment in which the Company operates, as well as ensuring compliance with international and local regulations. There were zero incidents related to spills in 2021.

TREATMENT OF BALLAST WATER

KNOT has International Ballast Water Management certification on all its ships. 77% have installed Ballast Water Treatment (BWT) plants, most of which are KBA systems. The remaining 23% will have BWT plants installed in their upcoming scheduled drydockings.

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. KNOT fully supports this initiative and abides by the MARPOL Convention Annex V, which states that plastic must either be incinerated or delivered ashore. In 2020 and 2021, the Company's awareness campaign reinforced the Company's desire to operate according to best practice in all aspects of plastic management.

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 in 2021, 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.



Shuttle tankers are highly sophisticated, specialised and flexible vessels that transport crude oil from offshore oil fields without requiring the construction and installation of extensive fixed sub-sea infrastructure that a pipeline requires. The vessels have state of the art dynamic positioning and bow loading systems allowing for safe and efficient loading of cargos offshore in harsh environments. Shuttle tankers are built to a charterer's (customer's) order and are initially fixed on a long-term contracted basis. Today KNOT's vessels primarily operate in Brazil, the North Sea and the Barents Sea.

4 : Health, safety and human rights

HEALTH, SAFETY AND SECURITY

Ensuring the health, safety, security and motivation of the crew was and is one of KNOT's highest concerns. Operations at sea pose inherent risks to health and safety which must be managed carefully to prevent accidents. KNOT 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.

Health and safety in all activities is treated with the same importance as operational and financial matters. The Company's Code of Business Conduct and Ethics outlines expectations to employees and business partners about respecting safety concerns in their work. The Code 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 KNOT Management system. The system allows continuous monitoring of operations to ensure alignment 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's Contingency Plan ensures an efficient chain of communication in case of an emergency, ensuring that the organisation reacts in a timely and efficient 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 KNOT Management system ensures that the crew onboard all vessels, permanently and temporarily contracted, are certified and provided with adequate training at all times to ensure safety onboard. KNOT has also implemented a comprehensive certification program for HSE and operational security.

WORKING CONDITIONS

KNOT adheres to the Maritime Labour Convention of 2006 and all applicable International Labour Organisation ("ILO") Conventions, which are also reflected in the Crew Policy, the Code of Business Conduct and Ethics and the Supplier Code of Conduct.

The Company's goal is to provide and maintain a safe, healthy, and orderly workplace, where the integrity of all employees is respected. Any form of discrimination or harassment, including those based on race, colour, gender, religion, age, national origin, citizenship status, sexual orientation or disability, 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 employees lawful right of free association. The different Collective Bargain Agreements ("CBA") with different nationalities and flags are negotiated through respective organised unions and the Norwegian Shipowner Association.



HUMAN RIGHTS

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

KNOT's Supplier Code of Conduct specifically states that suppliers are expected to respect internationally proclaimed human rights, including the personal dignity, privacy and rights of everyone. 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 labor, or to employ workers under the age of 15. KNOT had no reported incidents of human rights violations in 2021.

DIVERSITY

The shipping industry is a male dominated industry. The International Chamber of Shipping (ICS) reported in November 2021 that only 7.5 percent of seafarers are female. This low participation is reflected also in KNOT; the fraction of female seafarers onboard at any time is between 1 and 2%. At the KNOT's Board of Directors one of six are women. KNOT does not accept any form of discrimination at any stage in its recruitment process or whilst any person is employed in their role. This applies to employees and directors including onboard and shore based personnel.

5 : 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 of health, safety and environment and quality in day-to-day tasks.

KNOT's core values are credibility, innovation and care, and our policy on corporate governance and ethics is described in the Company's Governing Principles, Code of Business Conduct and Ethics and the Partnership Agreement.

BUSINESS ETHICS

KNOT strives at all times to conduct its business with integrity and in accordance with all applicable laws and regulations. Historically, the shipping industry faced the challenges of corruption on a regular basis as a myriad of laws and regulations, heavy bureaucracy and multiple ship inspections by several port officers often left crew exposed to demands for illicit payments. Refusing to give in could cause artificially imposed delays, increase the cost to the business and potentially put the crew's safety at risk. These are systematic problems with the potential to undermine wider economic and social development.

REPORTING VIOLATIONS

Employees who observe or become aware of a situation that they believe to be a violation of the Company's Code and Ethics have an obligation to notify their manager or an Audit Committee member. All notifications are taken seriously and any report of a violation will be appropriately investigated. If an employee reporting a violation wishes to remain anonymous, all reasonable steps are taken to keep their identity anonymous. Instructions on how to file a report are available on the Company's website.

ANTI-CORRUPTION

Tackling corruption across the shipping industry requires collective action. The Knutsen Group 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 organise the Company's efforts to combat potential corruption.

KNOT 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 2005, the UK Bribery Act 2010 and the United States Foreign Corrupt Practices Act 1977. 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. Risk assessments are performed annually, several of KNOT's vessels operate in the North Sea where the risks of corruption are considered low and KNOT has independent channels for employees to report breaches and violations of the company's anti-corruption and anti-bribery policies. In 2021, zero incidents were reported.

SUPPLIER CODE OF CONDUCT AND BUSINESS PARTNERS

All suppliers to KNOT (above a de minimis limit) are asked to sign the Company's Supplier Code of Conduct unless they have their own policy that is similar or stronger. This code formalises the key principles under which suppliers to KNOT,

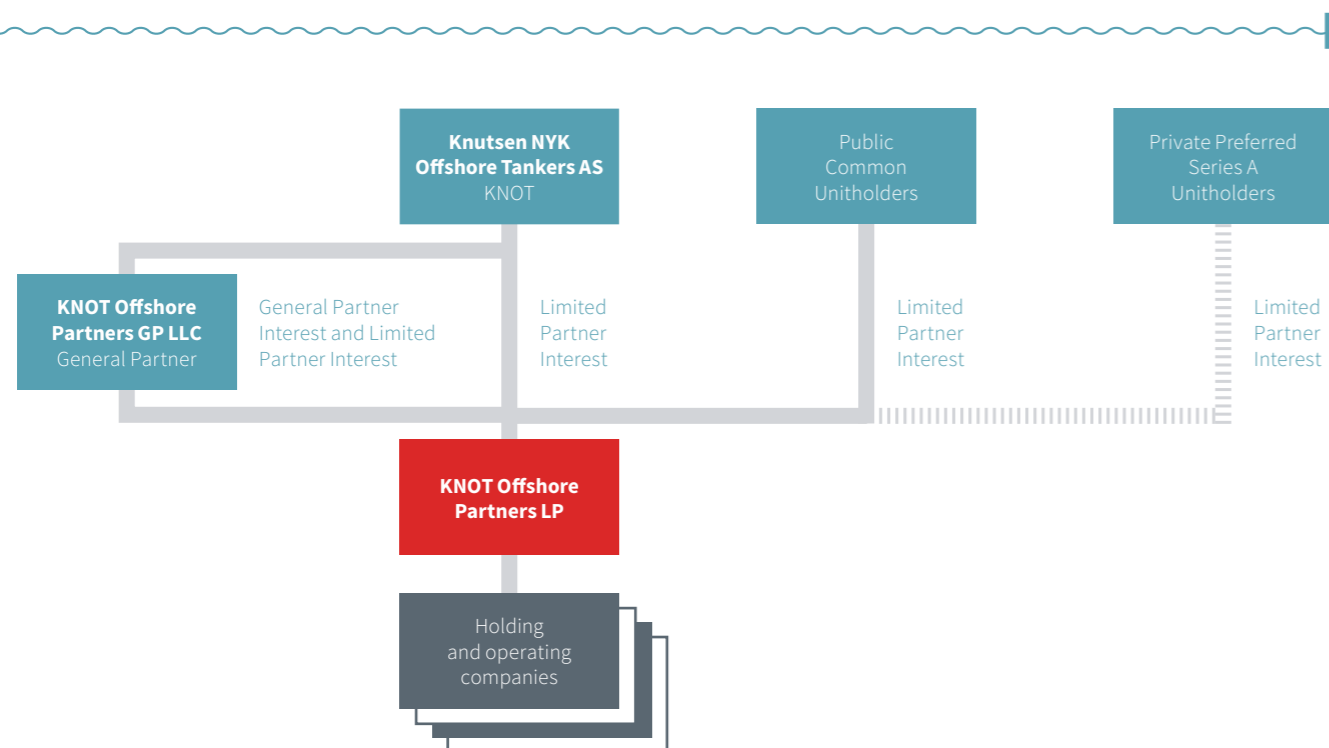
The Company should maintain a strong reputation and high levels of trust in the market. This is achieved through correct attitudes, integrity and conscious responsibility by all employees in respect to health, safety and environment and quality in day-to-day tasks.



any subsidiary, other associated company or companies under management of KNOT are required to operate. In selecting suppliers, KNOT works hard to choose reputable business partners who are committed to ethical standards and business practices compatible with those of KNOT

The Supplier Code of Conduct formalises KNOT's practices and makes clear that, recognising differences in cultures and legal requirements, the Company expects that wherever services for our business are procured, and where our products and the components that comprise them are procured, they are delivered in a manner compatible with the high standards that contribute to the outstanding reputation of KNOT. Suppliers, including agents and intermediaries, are required to comply with this code, and are accountable for ensuring that their subcontractors, subsidiaries, and associated companies, also comply.

Heightened due diligence is undertaken on potential business partners if they (or the work they will carry out) is to be located in a country that has a low transparency or corruption rating from Transparency International (below 80). Potential business partners listed on mature recognised stock exchanges such as the US, UK, Europe, Switzerland, Australia etc. are exempted from heightened due diligence.



6 : Glossary of technical references



^a CO2 emissions (Metric tons (t) CO₂-e): Based on the 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. Scope 2 emissions are based on IEA factors (2021), note that the 2021 Scope 2 figure included the UK location only.

^b Total energy consumption (TJ): Calculated based on available fuel purchased data using fuel properties defined by DEFRA, Conversion factors, 2021.

^c Average Energy Efficiency Design Index (EEDI) for new ships: The EEDI reported is for the ship delivered on December 31 2021. Required EEDI for Phase I is 3.24 grams of CO₂ per ton-nautical mile.

^d Carbon Intensity Indicator (CII) and Annual Efficiency Ratio (AER): CII/AER reported as unit grams of CO₂ per tonne-mile (gCO₂/dwt-nm).

^e Carbon Intensity Index (CII): measures how efficiently a ship operates and is measured in grams of CO₂ emitted per cargo-carrying capacity and nautical mile. The ship is then given an annual rating ranging from A to E, and rating thresholds are expected to become increasingly stringent towards 2030. By comparison, EEXI is a one-time certification targeting design parameters whereas CII addresses actual emissions in operation controls.

^f Particulate matter (PM), NO_x, SO_x emissions (Metric tonnes): PM, NO_x and SO_x emissions from the combustion of fuels from owned vessels have been estimated based on actual consumption and the factors published in the IMO GHG studies, i.e. p.p. 92-92 and 21/349 in the MEPC 75/ Fourth IMO GHG study. The 2021 figures have been updated using the same methodology.

^g 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 organisations, landowners and communities. It is managed by the United Nations Environment World Conservation Monitoring Centre.

^h 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.

ⁱ Condition of class: Specific measures, repairs, surveys etc. that are to be carried out within a specific time frame in order for a vessel to retain its Classification.

^j 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 represents an unreasonable threat of harm to the marine environment etc.

^k Number of shipboard personnel: Seafarers on-board as at 31 December and does not include seafarers on leave or onshore staff members.

^l Number of cargoes: This figure contains the total number of cargoes for the entire fleet, excluding the FSO Units. A cargo may be loaded in one or several batches. The discharge operation is normally at one port terminal, but may also be undertaken as a Ship-to-Ship (“STS”) transfer operation.

UN SDG 3 – Good Health and Well-being – substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

UN SDG 5 – Gender Equality – End all forms of discrimination against all women and girls everywhere and ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision making.

UN SDG 8 – Decent Work and Economic Growth – Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, and protect labour rights and promote safe and secure working environments for all workers.

UN SDG 12 – Responsible Consumption – environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

UN SDG 13 – Climate Action – Efforts to lower CO₂ emissions to meet the targets set in the IMO 2030 strategy.

UN SDG 14 – Life Below Water – Prevention and reduction of marine pollution of all kinds and sustainable management and protection of marine and coastal ecosystems to avoid significant adverse impacts.

UN SDG 16 – Peace, Justice and Strong Institutions – Substantial reduction of corruption and bribery in all their forms.

