

The background of the cover is a high-contrast, black and white photograph of a turbulent ocean with large, crashing waves. A large, semi-transparent, light gray geometric shape, resembling a stylized 'K' or a series of overlapping triangles, is positioned on the left side of the image, partially obscuring the waves.

2019

ESG | Report

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SHIPBOARD PERSONNEL

534



FLEET SIZE

16



LISTED

NYSE | KNOP



LTIF

0.59



AVERAGE EFFICIENCY RATIO (FLEET)
FINANCIAL CONTROL APPROACH

8.27 g CO₂/t nm



EBITDA

\$198.7m

"KNOP is continuously working to enhance its vessels' energy efficiency, reduce GHG emissions and minimise its environmental impact."

1 | Introduction

KNOT OFFSHORE PARTNERS LP (“**KNOP**” or the “**Company**”) is a market leading shuttle tanker owner and operator serving the oil and gas industry. KNOP is organized as a master limited partnership and is listed on the New York Stock Exchange under the ticker ‘KNOP’.

The Company owned 16 shuttle tankers throughout 2019 all of which were managed by one of its sponsors, Knutsen NYK Offshore Tankers AS (“**KNOT**”) who are also a market leading operator of shuttle tankers. In turn, both KNOP’s vessels and KNOT’s vessels are managed technically and operationally by companies within the Knutsen Group on third party terms. KNOP’s main objectives, and those of KNOT and the Knutsen Group, are to operate safely, provide high quality services that meet market demand and offer an attractive return to shareholders.

Shuttle tankers transport oil from offshore installations to onshore facilities in much the same way as a pipeline but without requiring the construction and installation of extensive, fixed sub-sea infrastructure. All shuttle tankers are built to the charterer’s requirement, typically serving specific oilfields on a long-term contracted basis. KNOP’s vessels primarily operate in Brazil, the North Sea and the Barents Sea.

With rising concerns related to climate change and an increased focus on environmental and social issues specific to the shipping industry, the Company is experiencing an increased interest among shareholders, financial actors and other business partners regarding the actions the Company is taking with respect to environmental, social and governance (“**ESG**”) issues. It is evident that how ESG issues are managed affects the overall performance of the Company and as a result the Company wishes to provide transparent and consistent reporting and insight on the Company’s initiatives, policies and performance across a range of ESG matters.

Tighter regulations on greenhouse gas emissions and higher requirements for environmental due diligence have taken an

increasingly pronounced and formalised role in reporting, alongside well established shipping sector frameworks for health and safety, as well as corporate governance and anti-corruption protocols.

KNOP is committed to ensuring that all business operations are carried out in an ethical and responsible manner. Safety, health, security and environmental stewardship are incorporated into all aspects of the Company’s business, from vessel design and day-to-day operations at sea and onshore through to the end of a vessel’s life, satisfying not only internal protocols but also the demands of our customers and rules and regulations at the national, regional and international level.

KNOP is continuously working to enhance its vessels’ energy efficiency, reduce GHG emissions and minimise its environmental impact. As of January 2020, new regulations from IMO to limit the sulphur content of marine fuel to 0.50 per cent apply to all of KNOP’s vessels. KNOP has therefore given special attention to managing these new requirements and at the end of 2019 all of the Company’s vessels complied with the new regulations. Moreover, throughout 2019, a systematic mapping of Inventory of Hazardous Materials across all vessels has been carried out towards complying with the EU regulations for ship recycling that entered into force in 2020.

This report is compiled in accordance with the Norwegian Shipowners’ Association’s (“**NSA**”) 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), and we also reference the UN Sustainable Development goals. The report covers the period 1 January to 31 December 2019.

TRYGVE SEGLEM

*Chairman
KNOT Offshore Partners LP*

GARY CHAPMAN

*Chief Executive Officer
KNOT Offshore Partners LP*

2 | ESG reporting framework

KNOP IS REPORTING on ESG topics in accordance with the NSA Guidelines for the shipping and offshore industries as published in February 2020. The ESG topics identified by the NSA allows the Company to report on issues that are material to the shipping industry and that are relevant to both the Company's internal and external stakeholders.

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

SUSTAINABLE STOCK EXCHANGE INITIATIVE

The GRI, SASB and SDG frameworks are all recommended by the Sustainable Stock Exchange Initiative, which is supported by the New York Stock Exchange.

POSEIDON PRINCIPLES

In addition to the NSA Guidelines, these principles aim to communicate relevant information to lenders, lessors, and financial guarantors allowing them to assess and disclose climate-related metrics of their portfolios alongside traditional financial metrics by providing:



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

In this way, the Poseidon Principles provide a framework for integrating climate considerations into lending decisions to promote international shipping's decarbonisation.



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.



ESG IN NUMBERS

TOPIC	ACCOUNTING METRIC	RESULTS	UNIT
 CLIMATE RISK AND CLIMATE FOOTPRINT	Scope 1 GHG emissions^a Gross global Scope 1 GHG emissions (i.e. fuel consumed) to the atmosphere, in line with the GHG Protocol – <i>Financial Control approach</i> .	467,418	Metric tonnes CO ₂
	Scope 2 GHG emissions Gross global Scope 2 GHG emissions (i.e. purchased electricity) to the atmosphere, in line with the GHG Protocol.	1.65	Metric tonnes CO ₂
	GHG emission intensity^c GHG emissions (Scope 1 and if possible, Scope 2) divided by transport work (tonne x nautical miles), or other relevant proxies for value creation. EEOI, AER or similar efficiency indicators can also be reported.	8.27 (AER)	g CO ₂ / t-nm
	GHG emission management Description of long-term and short-term strategy or plan to manage GHG emissions, emissions reduction targets, and an analysis of performance against those targets.	See page 12	Text
	Climate risk reporting Reporting on climate related risks and opportunities in line with the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) – with a specific focus on stress-testing the strategy in light of the Paris agreement and the IMO 2050 CO ₂ reduction target.	See page 12–14	Text
	Energy mix^b The total amount of energy consumed as an aggregate figure, in gigajoules (GJ). The percentage of energy consumed that was supplied from 1) heavy fuel oil and 2) the percentage of energy consumed that is heavy fuel oil	1) 6,521,594 2) 73 %	Gigajoules, Percentage (%)
AIR POLLUTION	Sulphur emissions Policy for compliance with sulphur regulations including global sulphur limits and relevant Emission control area (ECA) limits. Report a) the percentage of the fleet that has scrubbers installed and b) target percentage of the fleet that will have scrubbers installed.	No scrubbers installed, the Company has concluded that using low-sulphur fuel is a better solution.	
	Other air emissions Emissions of other significant air pollutants, i.e. NOx, SOx, PM, VOC, Black Carbon etc.	SOx: 2,487 NOx: 15,680 PM: 361	Metric tonnes (t)
SHIP RECYCLING	Responsible ship recycling Policy for recycling of ships. Number of ships recycled during the reporting period.	See page 15	Text/figure
ECOLOGICAL IMPACTS	Shipping duration in marine protected areas and areas of protected conservation status^e The shipping duration spent in marine protected areas or areas of protected conservation status, where shipping duration is the sum of the travel days (24-hour periods or fractions thereof), including time spent docked at ports.	Not available	Number of travel days
	Number and aggregate volume of spills and releases to the environment The total number of spills and releases to the environment (water, soil and air) and the aggregate volume of potentially harmful spills and releases in cubic meters. Spills include all accidental spills and releases – substance that have escaped their containment – of i.e. gas, fuel, hydraulic and lube oil in addition to chemicals and bulk cargoes.	No spills, not applicable	Number, Cubic meters (m ³) or Metric tonnes

TOPIC	ACCOUNTING METRIC	RESULTS	UNIT
 ACCIDENTS, SAFETY AND LABOUR RIGHTS	Lost time incident rate (LTIR) Calculation: (lost time incidents * 1,000,000) / (number of Exposure Hours) For seafarers there are 24 Exposure Hours per day, hours worked is not a relevant part of the calculation.	0.59	Rate
	Diversity 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.	See page 17	Percentage (%)
	Labour rights Description of policies regarding the freedom of organisation and collective bargaining agreements.	See page 16–17	Text
	Port state control^g Number of (1) deficiencies and (2) detentions received from regional port state control (PSC) organizations.	1) 4 2) 0	Number
	Marine casualties Number of marine casualties, percentage classified as very serious, as defined by the Norwegian Maritime Directorate.	0	Number
 BUSINESS ETHICS	Corruption risk^f Number of calls at ports or net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index.	0	Number
	Facilitation payments Number of incidents where facilitation payments have been requested.	0	Number or value (reporting currency)
	Fines Total monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and/or regulations.	0	Figure (reporting currency)
ESG GOVERNANCE	Policies and targets Description of main policies and targets: <ul style="list-style-type: none"> • ESG related policies and procedures • ESG related targets and performance against target • Description of stakeholder engagement and grievance mechanisms • Supply chain management, i.e. ESG requirements and monitoring of agents and suppliers, in particular shipyards (new builds and recycling). 	See page 9	Text

¹ Including GCU 19.185 tonnes CO₂.

3 | Our commitment to ESG

THE SHIPPING INDUSTRY is exposed to inherent risks related to emissions, spills, health and safety, corruption, and regulatory changes. Through its governing system and strict protocols, KNOP complies with applicable laws and regulations, while ensuring the quality of its services, the safety of its ship personnel and protection of the environment. KNOP is convinced that this is in the best 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. These are reflected in the performance of the Company's work, culture and reputation amongst business partners and society overall. These values are central to the Company's governing documents and strategies and thus are central building blocks for the Company's development.

The Company's Governing Principles and Code of Business Conduct and Ethics (the "Code") forms the foundation for its ESG governance. This information is available on the Company's website and 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 and all employees are expected undertake anti-corruption and anti-bribery training on a regular basis. Beyond that, employees are required to respect safety and environmental concerns and to maintain high ethics standards at all times. The Code provides procedures on how employees must report any breaches of the Code and follow up any reported misconduct.

ESG MANAGEMENT AND RESPONSIBILITY

KNOP's Board of Directors (the "Board") is responsible for the management of the Company and for safeguarding the proper organisation of its operations. All governing

documents are reviewed and updated by the Board annually. The CEO is responsible for ensuring that the framework is approved, that the decisions made by the Board are applied in the day-to-day management and that governance is effectively implemented and monitored. The Company has outsourced the day-to-day management of its vessels to KNOT. To monitor the fleet's ESG performance, the Board receives quarterly reports from KNOT which include performance on ESG issues, operational KPIs and financial variances.

The Board established the Audit Committee to ensure oversight and accountability regarding financial integrity as well as compliance with legal and regulatory requirements and audits. The Committee may also be tasked to carry out other functions assigned by the Board. The Charter of the committee is annually re-affirmed and is available on the Company's website.

Employees who observe or become aware of a situation that they believe to be a violation of the Code 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 confidential. Instructions on how to file a report is available on the Company's website.

THE KNOT MANAGEMENT SYSTEM

The KNOT Management System is an ISM Code certified system. The ISM Code ensures compliance with all applicable requirements and regulations for vessels and companies to operate. 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 2019. KNOP is also ISO 14001-2015, ISO 9001-2015 and OHSAS 18001 certified.



MATERIAL ISSUE	INTERNAL GOVERNANCE DOCUMENTS	INTERNATIONAL STANDARDS AND REFERENCES
Climate change	Ship Management System HSE policy Code of Business Conduct and Ethics 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	Ship Management System HSE policy Code of Business Conduct and Ethics Supplier Code of Conduct Environmental Plan 2019-2023	IMO MARPOL Convention Annex VI EU Sulphur Directive 2016/802 UNCLOS
Ecological impact	Ship Management System HSE policy Code of Business Conduct and Ethics 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 Business Conduct and Ethics 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 UK Bribery Act 2010 United States Foreign Corrupt Practices Act of 1977
Corporate Governance	Code of Business Conduct and Ethics Corporate Governing Principles Partnership Agreement	Sarbanes-Oxley Act UK Bribery Act 2010 United States Foreign Corrupt Practices Act of 1977
Employee Health & Safety	Ship Management System HSE policy Code of Business Conduct and Ethics 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) IMPA Act
Accident & Safety Management	Ship Management System HSE policy Code of Business Conduct and Ethics 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)

"KNOP is strongly committed to safety, which requires the involvement of the whole organization and its partners."



KNOP is strongly committed to safety, which requires the involvement of the whole organization and its partners. The crews operating on KNOP's vessels receive safety, environmental and behaviour training, focusing 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.

For Health, Safety and Environmental ("HSE") reporting, the Unisea software system is used for all of KNOP's vessels. Unisea is a tool for registering, identifying and tracking all events that are monitored such as emissions, spills, safety drills, near miss incidents or suggestions of improvements, but also incidents and root cause 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 as well as Class and Flag States which ensure

alignment with regulatory standards. In 2019, KNOP had 3 office audits by oil majors, Class and Flag administrations. The vessels are vetted by the oil majors every 4 to 6 months.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

In selecting suppliers, KNOP works hard to choose reputable business partners who are committed to the highest ethical standards and who maintain strong and robust business practices. As a member of Incentra, the Knutsen Group has implemented a responsible supply chain management system according to the IMPA Act. In addition, 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 condi-

tions, health and safety, environment and corruption. The Supplier Code of Conduct describes how to report any breaches of the Code, and the company has procedures in place to follow up any reported misconduct.



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.



Norwegian Centres of Expertise
NCE Maritime CleanTech

Knutsen Group joined the NCE Maritime CleanTech in 2016. This is a Norwegian cluster focusing on finding new clean maritime solutions with commercial potential.



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 Group has been a member since the organization was established in 1970.



MACN
Maritime Anti-Corruption Network

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 that enables fair trade to the benefit of society at large.

4 | Environment

EMISSIONS, DISCHARGES, and spills are some of the most critical environmental risks posed by the shipping industry. KNOP 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 challenge of global warming.

Environmental regulations are imposed by international bodies such as 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 it 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.

KNOP abides by the MARPOL Conventions Annex I-VI preventing pollution by oil, emissions to air, harmful substances and discharges. The Company's environmental plan has a long-term focus, but as regulations and available technologies rapidly change, it is updated annually. In 2019 the prioritized areas were:

1. Measures to reduce CO₂ emissions
2. Improve energy efficiency and Ship Energy Efficiency Management Plan (SEEMP)
3. Prepare for the 0.5 per cent global sulphur cap in fuel to meet the 2019 IMO deadline
4. Meet ballast water treatment requirements
5. Reduce plastic pollution

Environmental risks are managed through the ISO and ISM certified KNOT Management System. The system allows for continuous monitoring of the Company's 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 its environmental targets.

Our efforts to combat climate change

KNOP follows the regulations and guidelines set by the IMO regarding climate change mitigation and air pollution. The Company is committed to the newly launched climate strategy towards 2050 which aims to reduce CO₂ emissions per transport work, as an average across international shipping, by at least 40 per cent by 2030, pursuing efforts towards 70 per cent by 2050, compared to 2008; and to reduce the total annual GHG emissions by at least 50 per cent by 2050 compared to 2008 levels. The main focus in 2019 and beyond will therefore be to meet regulations and charterers' expectations to improve transportation efficiency and reduce CO₂ emissions whilst maintaining consistent operational performance.

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), volatile organic compounds (VOC) and shipboard incineration.



In January 2020, 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. This is an important regulation for the



shipping industry that will reduce the local and global problems related to air pollution. 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 therefore decided not to install scrubbers on any of its vessels.

KNOP 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. Knutsen Technology (part of the Knutsen Group) has developed a technology to reduce the Volatile Organic Compounds (VOC) emissions to the atmosphere. The technology prevents VOC

from being released during the loading of cargo. As at the end of 2019, 12 vessels in the fleet have installed the KVOC 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 regulations and stay competitive.

OPTIMIZED 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 more energy efficient, robust and contaminate less. KNOP has a young fleet compared to the global market: its shuttle tankers' average age at the end of 2019 was 6.5 years, while the global fleet average at the same point was 11.5 years.

KNOP is continuously working to optimize its fleet speed and efficiency through hull and propeller design, maintenance and operational procedures. Sea life such as algae and molluscs foul the hull of the vessel which creates increased drag and fuel consumption. To prevent this, all of KNOP's vessels have a special high-quality antifouling system applied to their hulls. Cleaning and polishing routines of the propeller and hull is determined based on close monitoring of each vessels' performance.

ENERGY SAVING INITIATIVES

KNOP 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 monitoring system for sailing efficiency (e.g. weather routing and speed optimization) to ensure that the ship's performance meets or exceeds all contractual obligations and to reduce fuel consumption.

In 2019, a Fuel Consumption Data Collection System was implemented into the SEEMP, and the first annual emission reports were submitted and verified by Lloyds Register, in accordance with EU Monitoring, Reporting and Verification of CO₂ emissions regulations. The reports issued from the data collection system are then utilised when establishing future key performance indicators in the SEEMP, creating a positive feedback loop.

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 actions as defined by the Company. In 2019, 15 of KNOP's vessels met their target, and communications and training efforts were increased to ensure that all personnel understand the importance of energy efficiency activities and are given the tools to improve performance. The KNOP fleet reported in total 445 Eco Care actions in 2019.

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

In 2019 KNOT ordered two shuttle tankers propelled on LNG fuel to be delivered from DSME yard in South Korea in 2022. These vessels will be the most environmentally friendly vessels in the shuttle tanker fleet with the lowest CO₂ emissions. They have an optimized hull design, LNG dual fuel main engines and VOC condensation plant where the VOC vapor is compressed, liquefied and stored and can then be

used as fuel for main engines, auxiliary engines or boiler. In addition, these vessels will have a battery package for peak shaving and optimization on DP operations.

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

KNOP seeks to minimise its ecological impact and 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 ensures compliance with international and local regulations.

The Company is conscious of the detrimental consequences an oil spill can have on ecosystems and the safety, reputational and financial risks it poses. Precautions to reduce the risks of spills, as well as emergency plans and procedures should a spill occur are therefore in place. There were zero incidents related to spills in 2019.



TREATMENT OF BALLAST WATER

Ballast water is necessary to ensure manoeuvrability and for the stability of ships. It protects the hull and contributes to comfortable living conditions for the crew aboard. However, the process of loading and unloading ballast 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.

KNOP has International Ballast Water Management certification on all its ships. Nine ships have installed a Ballast Water Treatment System of which eight are KBAL systems (see textbox). The rest of the fleet will have Ballast Water Treatment Systems installed in their upcoming scheduled dry dockings according to IMO requirements.

Ground-breaking ballast water treatment system

Knutsen Technology has developed a ground-breaking Ballast Water treatment technology "KBAL", which in 2019 was in the process of qualification testing for the IMO revised G8 Type Approval and U.S. Coast Guard approval.



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 2020, EU ship recycling rules enter 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.

KNOP supports the Hong Kong Convention and seeks to fulfil all requirements set by the EU regarding ship recycling. Throughout 2019 a systematic mapping of IHMs in 12 of the Company's vessels was carried out, starting with ships delivered before 2015. The Company aims to receive statements of compliance and certification by the end of 2020.

The Knutsen Group is a 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.

In 2019, KNOP had no vessels recycled.

PLASTIC POLLUTION

Plastic pollution is harming the oceans and it endangers life at sea and on land. In 2018, IMO announced a plan to prevent plastic pollution from the shipping industry. KNOP fully supports this initiative and abides by the MARPOL Convention Annex V, which states that plastic must either be incinerated or delivered ashore. In 2019, an awareness campaign about plastic was initiated amongst all employees and crew to prevent plastic pollution from vessels.



5 | Social



ENSURING THE HEALTH, safety and motivation of the crew is one of KNOP's highest concerns. 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, KNOP supports and complies with international and national regulations relating to human and labour rights in operations and business.

Securing the health and safety of our crew

Operations at sea pose inherent risks to health and safety which must be managed carefully to prevent accidents. KNOP 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 KNOP Management system. The system allows KNOP 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

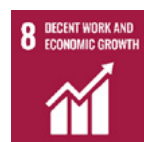
2006. The KNOP team ensures that the crew onboard all vessels, permanently and temporarily contracted, are certified and provided with adequate training at all times to ensure safety onboard.



Working conditions

KNOP 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 the right of employees to exercise their lawful right of free association. The different Collective Bargain Agreements ("CBA") with different nationalities and flag are negotiated through respective organised unions and the Norwegian Shipowner Association ("NSA").





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 company with operations, newbuilding supervision, chartering and project development inhouse, 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.

The 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 labour, or to employ workers under the age of 15. KNOP had no reported incidents of human rights violations in 2019.

Diversity

The shipping industry is a male dominated industry, but this is changing. Historically, long sailing contracts onboard vessels made it difficult for women to combine family and a career at sea. The International Chamber of Shipping (ICS) reported in November 2020 that only 7.5 percent of seafarers are female².



KNOP does not accept any form of discrimination. In 2019 1.7 per cent of seafarers were female and all members of KNOP's Board were male.

² https://safety4sea.com/wp-content/uploads/2020/11/ICS-Diversity-tracker-2020_11.pdf

6 | Governance

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).

Transporting goods between ports located across all parts of the world exposes the shipping industry to ethical risks such as corruption and bribery. KNOP strongly believes that ensuring that such risks are reduced through stringent ethical requirements and the highest standards of corporate governance results not only in consistent ethical activity throughout the organisation, but also in competitive returns for the company's shareholders. KNOP's policy on corporate governance and ethics is described in the company's

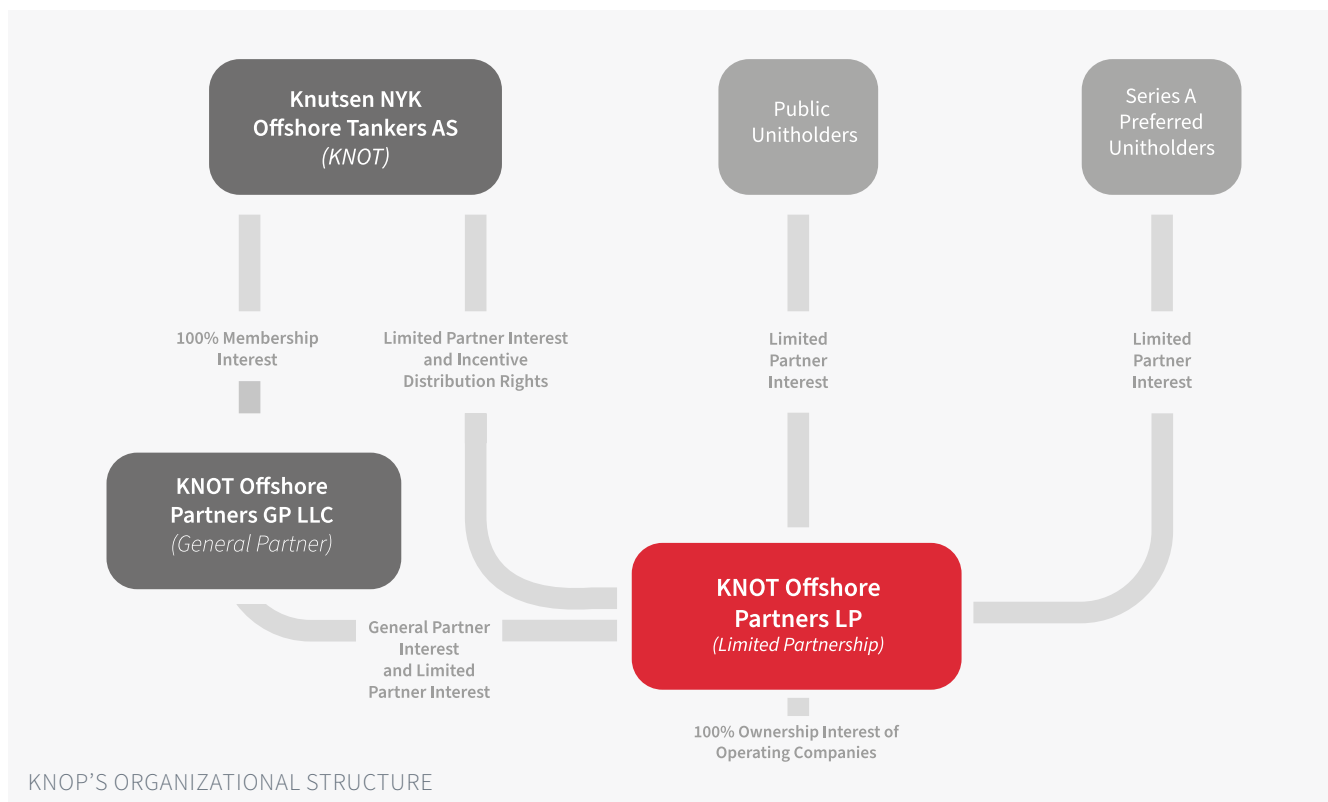
Governing Principles, Code of Business Conduct and Ethics and the Partnership Agreement.

Corporate governance

GOVERNANCE STRUCTURE

KNOP's organizational structure is described in the figure below.

A Partnership Agreement provides that KNOT, through the the General Partner irrevocably delegates to the Board of Directors of KNOP the authority to oversee and direct KNOP's operations, management and policies on an exclusive basis, and such delegation is binding on any successor general partner of the Partnership.





The Board of Directors

The current Board of Directors (the “Board”) consists of seven members:

- Trygve Seglem, Chairman
- Hans Petter Aas, Director and Chairman of the Audit Committee and Member of the Conflicts Committee
- Takuji Banno, Director
- Andrew Beveridge, Director and Member of the Audit Committee
- Richard Beyer, Director
- Simon Bird, Director and Member of the Conflicts Committee
- Edward A. Waryas, Jr., Director and Chairman of the Conflicts Committee and Member of the Audit Committee

The Board is ultimately responsible for the management of the Company and for safeguarding the proper organisation of its operations, including overseeing the management’s day-to-day operations. The Board has established three committees supporting its duties.

The Audit Committee | The Audit Committee assists the Board with oversight and responsibility regarding financial integrity, compliance with legal and regulatory requirements and audits. The Committee may also be tasked to carry out other functions assigned by the Board. The Charter of the committee is re-affirmed annually and is available on the Company’s website.


The Conflicts Committee | The Conflicts Committee is appointed by the Board to carry out the duties set forth in the Partnership Agreement and the Omnibus Agreement among KNOP and its General Partner. Additionally, the

Committee is responsible for acting on matters referred to it by the Board related to conflicts of interest between the General Partner or any of its Affiliates, or any member of the Board on the one hand, and the Partnership, any Group Member or any Partner on the other hand. The Conflicts Committee Charter is also re-affirmed annually and is available on the Company’s website.

The Sarbanes-Oxley Act Steering Committee | In line with the Sarbanes-Oxley Act, the CEO and CFO of an MLP is directly responsible for the accuracy, documentation and submission of all financial reports, as well as its internal control structure, to the Securities and US Exchange Commission (the “SEC”). The purpose of the Steering Committee is to bridge the gap between the Company and the Knutsen Group to assist the CEO and CFO in carrying out their duties under the Act.

Conflicts of interest

KNOT and its affiliates own a substantial interest in KNOP and have conflicts of interest and limited fiduciary and contractual duties to KNOP and its common shareholders, which may permit them to favour their own interests to the detriment of KNOP’s shareholders. Furthermore, shareholders have no right to elect KNOP’s General Partner, and KNOP’s General Partner may not be removed except by a vote of the holders of at least 66.67 % of the outstanding common shares, including any shares owned by KNOP’s General Partner and its affiliates, voting together as a single class. Despite this structural conflict of interest KNOP strives to provide all unitholders with transparency and with the ability to influence the company in line with their actual holding.



"KNOP 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."

BOARD COMPENSATION

Each director of the Board receives compensation for attending Board meetings. Members of the Audit Committee and the Conflicts Committee receive additional annual Committee fees, and Committee Chairmen are further compensated. Additionally, out-of-pocket expenses in connection with meetings of the Board or Committees are reimbursed.

Each director is fully indemnified by the Company for actions associated with being a director to the extent permitted under Marshall Islands law. A full statement on compensation practices is available in KNOP's F20-form.

EXEMPTIONS FROM NYSE CORPORATE GOVERNANCE RULES

KNOP is a publicly traded limited partnership formed under the laws of the Marshall Islands. Its common units have been listed on the New York Stock Exchange ("NYSE") since April 2013 under the ticker symbol "KNOP".

Pursuant to an exemption under the NYSE listing standards for foreign private issuers, KNOP is not required to comply with the corporate governance practices followed by U.S.

companies. However, pursuant to Section 303A.11 of the NYSE Listed Company Manual, KNOP is required to state any significant differences between its corporate governance practices and the practices required by the NYSE for U.S. companies. The KNOP Statement of Significant Differences Between KNOP Offshore Partners LP's Corporate Governance Practices and the New York Stock Exchange, Inc. (the "NYSE") Corporate Governance Standards is available on the Company's website.

Business ethics

KNOP strives at all times to conduct its business with integrity and in accordance with all applicable laws and regulations.

Historically, the shipping industry as a whole has faced the challenges of corruption on a regular basis as a myriad of laws and regulations, a 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 economic and social development.



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 organize the Company's efforts to combat potential corruption.

In 2019, the IMO announced that it had started work on a guidance document to address maritime corruption. It is anticipated that the guidelines will be aligned with the United Nations Convention against Corruption (UNCAC), and it is expected to be completed by 2021.

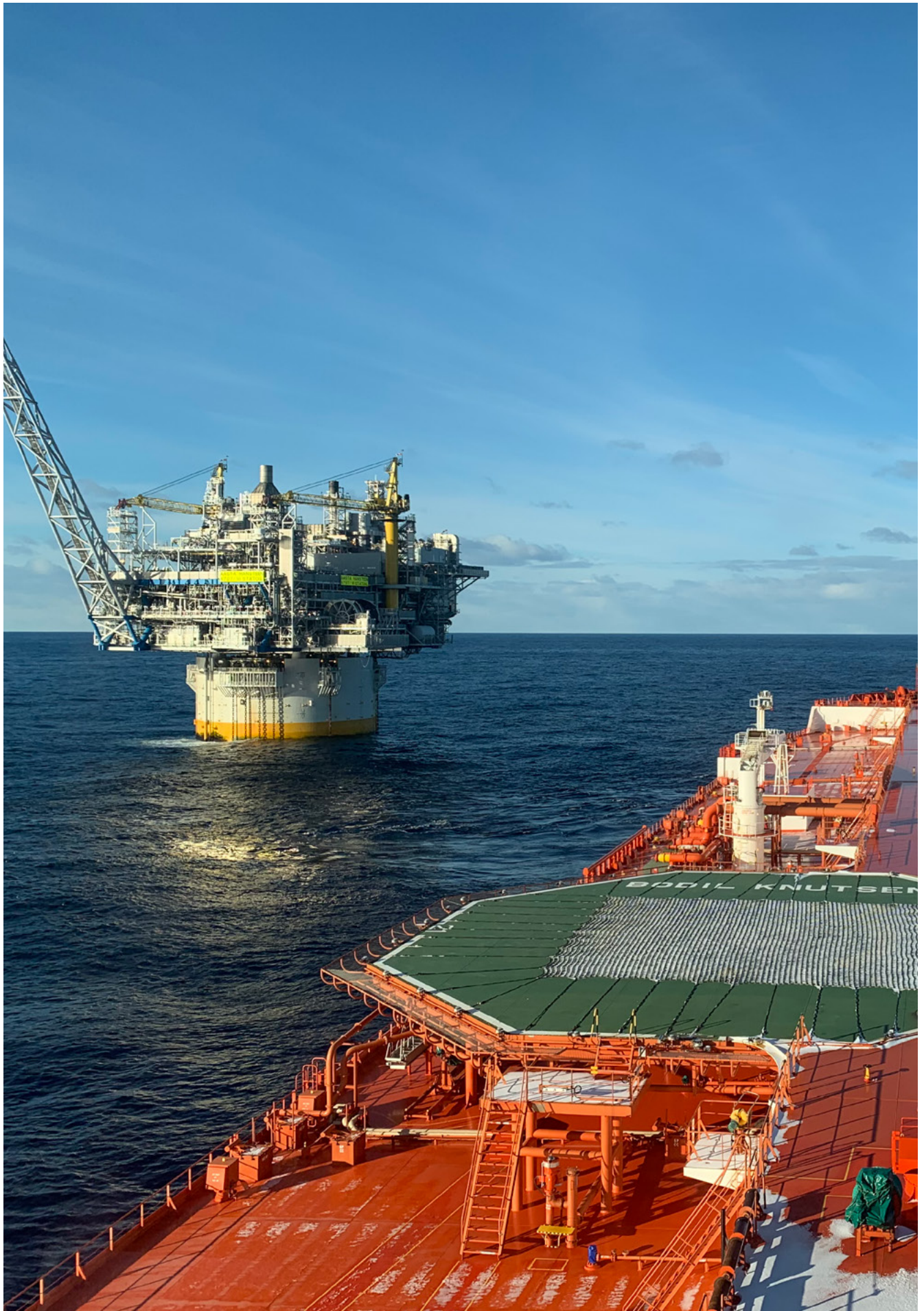
KNOP has a zero-tolerance approach to corruption and clear anti-corruption policies are in place to make sure business is conducted with integrity and according to applicable laws and standards. These include The Norwegian Penal Code 2005, the UK Bribery Act 2010 and the United States Foreign Corrupt 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 KNOP's vessels operate in the North Sea where the risks of corruption are considered low and KNOP has independent channels for employees to report breaches and violations of the company's anti-corruption and anti-bribery policies. In 2019, zero incidents were reported.

SUPPLIER CODE OF CONDUCT AND BUSINESS PARTNER INTEGRITY DUE DILIGENCE

All suppliers to KNOP (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. Due Diligence is undertaken on potential business partners if they (or the work they will carry out) are located in countries that have a low transparency or corruption rating from transparency.org (below 80). Potential business partners listed on mature recognized stock exchanges such as the US, UK, Europe, Switzerland, Australia etc. are exempted.



7 | Glossary of technical references

^aCO₂ 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.

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

^cAverage Energy Efficiency Design Index (EEDI) for new ships: The average EEDI reported is based on 2 delivered ships in 2019.

^cAverage Efficiency Ratio (AER): AER is reported as unit grams of CO₂ per tonnemile (gCO₂/dwt-nm).

^dParticulate matter (PM), NO_x, SO_x emissions (Metric tonnes): NO_x and SO_x emissions from the combustion of fuels from owned vessels have been calculated based on the tool established by Danish Shipping.

^eShipping 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. The data on shipping duration in Marine Protected Areas has not been stored during 2019.

^fMarine 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.

^gNumber 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.

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 reductions 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.

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