

# 2020

## **ESG** | Report





ABOUT THE COMPANY

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’.

KNOP owned 17 shuttle tankers as at Dec 31, 2020. KNOP’s most critical objective is to operate safely. Shuttle tankers transport oil from offshore installations to onshore facilities in much the same way as a pipeline but with greater flexibility and without requiring the construction and installation of extensive, fixed sub-sea infrastructure. All shuttle tankers today are built to the customer’s requirement, typically on a long-term contracted basis. KNOP’s vessels primarily operate in Brazil, the North Sea and the Barents Sea, and are managed on third party terms by one of its sponsors, Knutsen NYK Offshore Tankers AS (“KNOT”) who themselves are also a market leading operator of shuttle tankers.

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 2020.



SEAFARERS ONBOARD AT DEC 31, 2020:

450



FLEET SIZE AT DEC 31, 2020:

17



DEADWEIGHT TONNAGE AT DEC 31, 2020:

2,127,025



NUMBER OF VESSEL PORT CALLS IN 2020:

1,025



NAUTICAL MILES TRAVELLED BY VESSELS IN 2020:

385,821



EBITDA FOR 2020:

186.5M



EQUITY RATIO AT DEC 31, 2020:

34

# 1 | Introduction

**2020 BROUGHT MANY GLOBAL CHALLENGES** and too many tragic stories of lost lives and livelihoods. Across the world however, we also saw an unparalleled sense of adaptability and resilience. It is with this in mind that we pay particular tribute to all our crew, as well as our shore-based employees, our agents and to everyone who has worked tirelessly to ensure our vessels continue to operate safely. Their efforts have allowed us to contribute to the critical global energy supply chain in what have been difficult and ever-changing circumstances. We are very proud of how everyone has responded with such care and determination in the face of such disruption and often at great personal expense.

The mental and physical health and well-being of our crew onboard our vessels has been, and remains, uppermost in our minds and we have undertaken a number of initiatives, including training programs that support our crew members to recognize when colleagues may need support and how to help them when they do.

Our business has proven to be resilient, demonstrating an ability to do many things remotely if required. Furthermore, due to our fixed contracts, we experienced only limited direct financial impact in 2020 as a result of the pandemic.

Throughout the year we maintained our focus on environmental, social and governance (“ESG”) matters as we believe that whatever the circumstances, we must continue to take responsibility for the environment we operate in. In addition, our stakeholders’ expectations have continued to rise and we have sought to meet these. The UN Intergovernmental Panel on Climate Change has given the shipping industry ten years to halve greenhouse gas emissions compared to 2008 levels, and maintains that they must drop to zero by 2050. Our goals are consistent with these ambitious requirements.

To meet these long-term objectives, two important changes are proposed to take effect from 2023. These are the implementation of energy efficiency requirements for all existing

ships (“EEXI”) and an operational carbon intensity indicator (“CII”) which may be reduced through energy efficiency improvements or by the use of alternative fuels. There remains a lot of uncertainty as to how these measures will be implemented and regulated. Close cooperation between owners, regulators, charterers and funding institutions will be essential if these requirements are to be met.

Corporate governance remains essential for maintaining the trust of our stakeholders and the Company’s strong standing in the financial markets. We remain committed to implementing high standards, whether that be through Ernst & Young (“EY”) as our auditors, compliance with the requirements of Sarbanes Oxley, our Supplier Due Diligence policy, conducting Business Partner Integrity Due Diligence, ensuring our employees regularly sign up to our Code of Business Conduct and Ethics or through governance arising from our Governing Business Principles or our Conflicts or Audit Committees.

As of June 2021, the U.S. Securities and Exchange Commission (“SEC”) is preparing regulations to make public companies disclose a range of data as the agency steps up environmental, social and governance (ESG) disclosures. We welcome this, as investors and other stakeholders need reliable and comparable information on a range of other issues, including political spending, human rights and diversity.

It is through continued hard work, innovation and commitment that we will continue to improve and as a Company we are determined to play our part. This report can only ever be a summary of our values, our intentions and our progress but by publishing this in a transparent manner we wish to convey our overriding commitment to ESG matters large and small, providing consistent reporting on all of our key initiatives, policies and performance.

**TRYGVE SEGLEM**  
Chairman  
KNOT Offshore Partners LP

**GARY CHAPMAN**  
Chief Executive Officer  
KNOT Offshore Partners LP

## 2 | ESG framework and disclosures

**KNOP 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.

KNOP is hereby reporting in accordance with the Norwegian Shipowners' Association's ESG Guidelines (the "Guidelines") as published in February 2020. The Guidelines allow KNOP 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.



**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 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.

### MANAGEMENT SYSTEM

KNOP 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 metrics on ESG issues, operational KPIs and financial variances as well as maintaining regular dialogue with KNOT's technical management teams.

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 2020. KNOT is also ISO 14001-2015, ISO 9001-2015 and OHSAS 18001 certified.

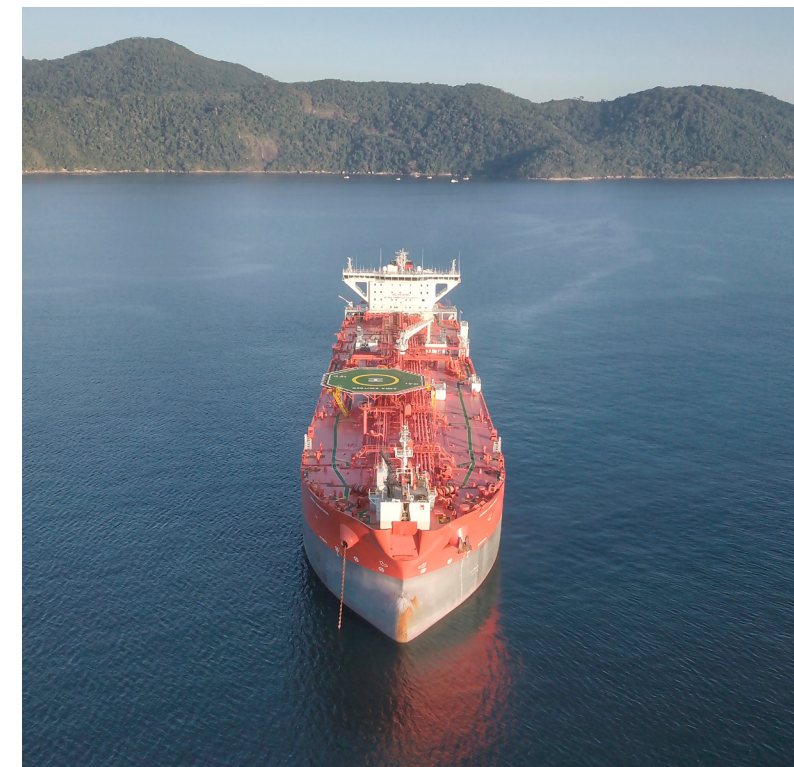
The Company is regularly vetted and audited by the oil majors as well as Class and Flag States which ensures alignment with regulatory standards and application of best practices. In 2020, KNOP had 3 office audits by oil majors, and Class and Flag administrations. KNOP's vessels are vetted by the oil 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. 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 to the environment. In 2020, 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)). KNOP supports the Hong Kong Convention and seeks to fulfil all requirements set by the EU regarding ship recycling. By the end of 2020 all KNOP 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 2020, no KNOP vessels were recycled or sold to be recycled.



### COOPERATION INITIATIVES

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


**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.

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.



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.

ESG IN NUMBERS

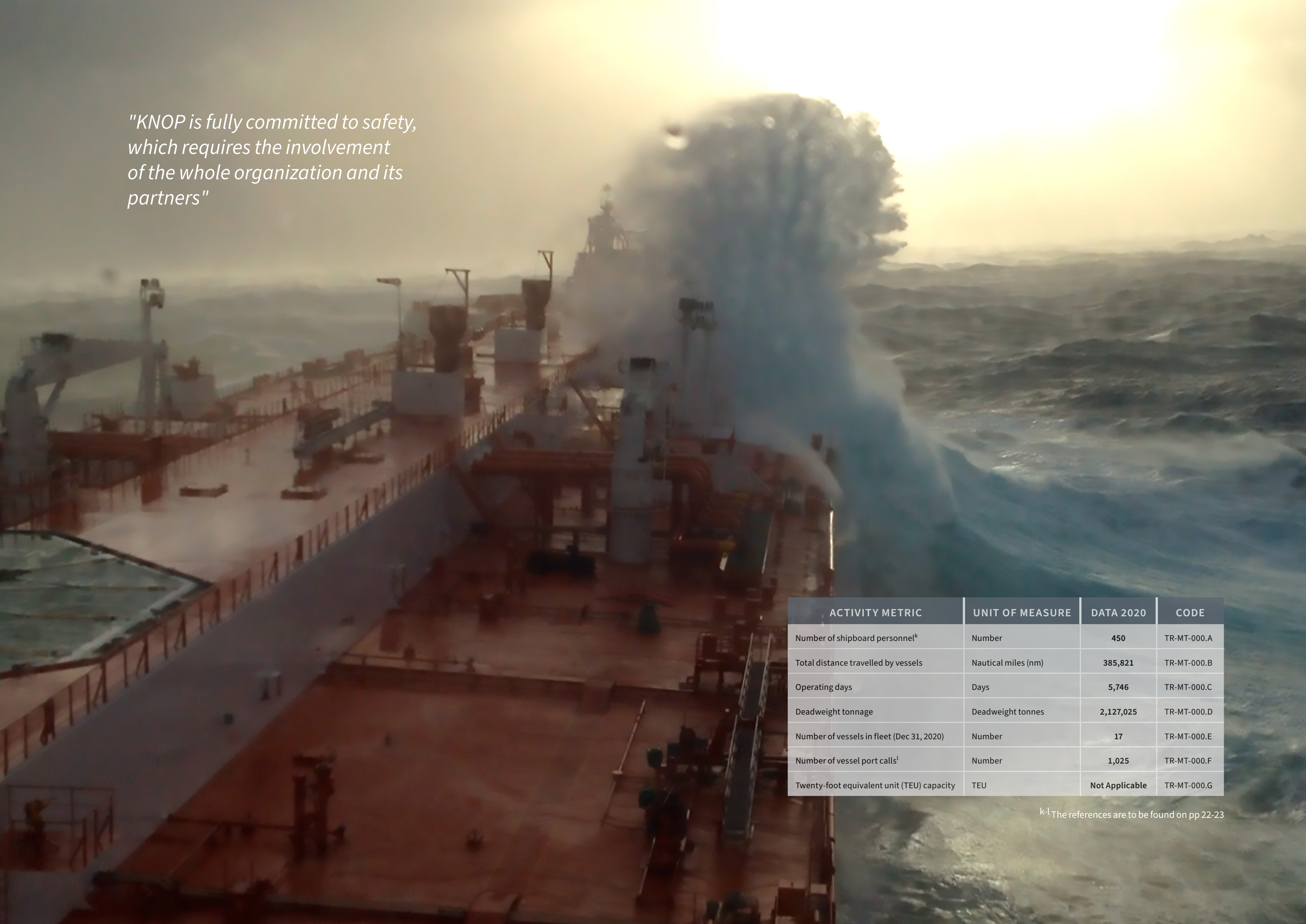
The Company owned and operated 16 vessels in the year (2019: 16), acquiring its 17th vessel on December 31, 2020.

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	DATA 2019	DATA 2020	CODE
 GREENHOUSE GAS EMISSIONS	CO <sub>2</sub> Emissions <sup>a</sup>				
	Gross global Scope 1 emissions: Financial control approach	Metric tonnes CO <sub>2</sub>	467,400	460,000	TR-MT-110a.1
	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	Page 12	Page 10	TR-MT-110a.2
	Scope 2 GHG emissions. Gross global Scope 2 GHG emissions (i.e. purchased electricity) to the atmosphere, in line with the GHG Protocol.	Metric tonnes CO <sub>2</sub>	2	33	Additional
	Energy consumed <sup>b</sup>				
	(1) Total energy consumed	Gigajoules (GJ)	6,500,000	6,200,000	TR-MT-110a.3
		Percentage (%)	100	100	
	(2) Percentage heavy fuel oil	Gigajoules (GJ)	4,760,000	4,800,000	
		Percentage (%)	73	78	
	EEDI <sup>c</sup>				
	Average Energy Efficiency Design Index (EEDI) for new ships	Grams of CO <sub>2</sub> per metric tonnes nm	3.02	3.00	TR-MT-110a.4
	CII/AER <sup>d,e</sup>				
	The Carbon Intensity Indicator (CII) and Average Efficiency Ratio (AER): weighted average.	Grams of CO <sub>2</sub> per dwt-nautical mile	8.27	8.1	Additional
AIR QUALITY	Other emissions to air <sup>f</sup>				
	(1) NO <sub>x</sub> (excluding N <sub>2</sub> O)	Metric tons	7,629	7,760	TR-MT-120a.1
	(2) SO <sub>x</sub>	Metric tons	5,658	1,220	
	(3) Particulate matter	Metric tons	733	460	
ECOLOGICAL IMPACTS	Marine protected areas <sup>g</sup>				
	Shipping duration in marine protected areas or areas of protected conservation status	Number of travel days	Not recorded	Not recorded	TR-MT-160a.1

<sup>a-j</sup> The references are to be found on pp 22-23

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	RESULTS 2019	RESULTS 2020	CODE
ECOLOGICAL IMPACTS	Implemented ballast water				
	1) Exchange	Percentage (%)	-	47	TR-MT-160a.2
	(2) Treatment	Percentage (%)	-	53	
	Spills and releases to the environment				
	(1) Number	Number	Zero	Zero	TR-MT-160a.3
	(2) Aggregate volume	Cubic meters (m³)	Zero	Zero	
 BUSINESS ETHICS	Corruption index				
	Number of calls at ports or net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index.	Number of port calls	Zero	Zero	TR-MT-110a.4
	Corruption				
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	US dollars (\$)	Zero	Zero	TR-MT-510a.2
	Facilitation payments				
	Number of incidents where facilitation payments have been requested.	Number	Zero	Zero	
	Fines				
	Total monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and/or regulations.	US dollars (\$)	Zero	Zero	
	 EMPLOYEE HEALTH & SAFETY & ACCIDENT & SAFETY MANAGEMENT	Lost time incident rate			
Lost time incident rate (LTIR)		Rate	0.59	0.29	TR-MT-320a.1
Marine casualties <sup>h</sup>					
Incidents		Number	Zero	Zero	TR-MT-540a.1
Very serious marine casualties		Percentage (%)	Zero	Zero	
Conditions of Class <sup>i</sup>					
Number of Conditions of Class or Recommendations		Number	-	Zero	TR-MT-540a.2
Port State Control <sup>j</sup>					
(1) Deficiencies		Rate	0.57	0.60	TR-MT-540a.3
(2) Detentions	Number	Zero	Zero		





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

ACTIVITY METRIC	UNIT OF MEASURE	DATA 2020	CODE
Number of shipboard personnel <sup>k</sup>	Number	450	TR-MT-000.A
Total distance travelled by vessels	Nautical miles (nm)	385,821	TR-MT-000.B
Operating days	Days	5,746	TR-MT-000.C
Deadweight tonnage	Deadweight tonnes	2,127,025	TR-MT-000.D
Number of vessels in fleet (Dec 31, 2020)	Number	17	TR-MT-000.E
Number of vessel port calls <sup>l</sup>	Number	1,025	TR-MT-000.F
Twenty-foot equivalent unit (TEU) capacity	TEU	Not Applicable	TR-MT-000.G

<sup>k-l</sup> The references are to be found on pp 22-23



## 3 | Environment and ecology

**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 challenges of climate change.

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

All operations within the Company's control are planned and executed in a manner that minimizes environmental consequences. Managing environmental risks is therefore integrated into the overall management of the Company and environmental issues are aligned with other business priorities. The Company's environmental plan has a long-term focus, but as regulations and available technologies change, it is periodically reviewed. In 2020 the following areas were prioritised:

- 1) Reduction of CO<sub>2</sub> 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

KNOP 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.

KNOP 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. 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 in and from 2021 based on how shuttle tankers are expected to be assessed under CII/EEEXI conventions, given that shuttle tankers operate differently to conventional tankers.

### 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 2020 was 7.0 years, while the global fleet average at the same point was 9.5 years. The Company is continuously working

to optimize its fleet speed and efficiency through hull and propeller design, maintenance and operational procedures.

### 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 data collection and monitoring system for sailing efficiency (e.g. weather routing and speed optimization) to reduce fuel consumption. Based on the Fuel Consumption Data Collection System as part of the SEEMP, key performance indicators ("KPIs") in the SEEMP were established for 2020, including a target to reduce the amount of refrigerant gas consumed, which was achieved.

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. KNOP's fleet reported in total 456 ECO Care actions in 2020, with an average well above the target of 15 per vessel.

KNOP 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 the Company's Sponsor KNOT ordered two new shuttle tankers for delivery in 2022 with an optimized hull design that will primarily run on Liquefied Natural Gas ("LNG"). The two new shuttle tankers will emit less CO<sub>2</sub> and will utilize energy recovered from volatile organic compound ("VOC") gases that would otherwise be vented into the atmosphere for further fuel optimization. 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 SO<sub>x</sub>: 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.

### PROACTIVE EMISSIONS REDUCTION

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.

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 2020, 12 vessels in the Company's fleet have so far 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 the Company's responsibilities and face relevant challenges.

### A ZERO-SPILL POLICY

KNOP 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 2020.

### TREATMENT OF BALLAST WATER

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 remaining fleet will have Ballast Water Treatment Systems installed in their upcoming scheduled dry dockings.

#### APPROVAL OF PROPRIETARY TREATMENT SYSTEM

The proprietary Knutsen ballast water treatment system marketed as "KBAL" was given approval for use by the US Coast Guard in 2020, underlining the investment by the Knutsen Group to avoid the transference of micro-organisms from one ecosystem in one part of the world to another.

### 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. 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 2020, the Company's awareness campaign reinforced the Company's desire to operate according to best practice in all aspects of plastic management.



**SHUTTLE TANKERS ARE** highly sophisticated, specialized 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. KNOP's vessels today primarily operate in Brazil, the North Sea and the Barents Sea.





## 4 | Health, safety and human rights

**THROUGHOUT 2020**, the COVID pandemic severely impacted the lives of our crew as uncertainty increased and our ability to carry out crew changes was adversely affected. Communication, especially to crew onboard, was prioritised and extra allowances for crew were given to assist with longer shifts onboard. Our crew had to endure quarantine and travel disruption while the Company encountered many logistical problems with countries enforcing different rules at different times. Whilst onshore staff were less affected, closures of offices and fewer face-to-face meetings hindered everyone's work.

### SECURING THE HEALTH, SAFETY AND SECURITY OF OUR CREW

Ensuring the health, safety and motivation of the crew was and is one of KNOP's highest concerns. 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 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 organization 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

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 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 inhouse, KNOP, KNOT and the Knutsen Group strive to ensure that labour and human rights are upheld within the organisation, as well as throughout its supply chain.

KNOP'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 labour, or to employ workers under the age of 15. KNOP had no reported incidents of human rights violations in 2020.

### DIVERSITY

The shipping industry is a male dominated industry. The International Chamber of Shipping (ICS) reported in November 2020 that only 7.5 percent of seafarers are female. In 2020 1.7 per cent of KNOP's seafarers were female and all members of the Company's Board were male, all of whom are above 50 years old. KNOP 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

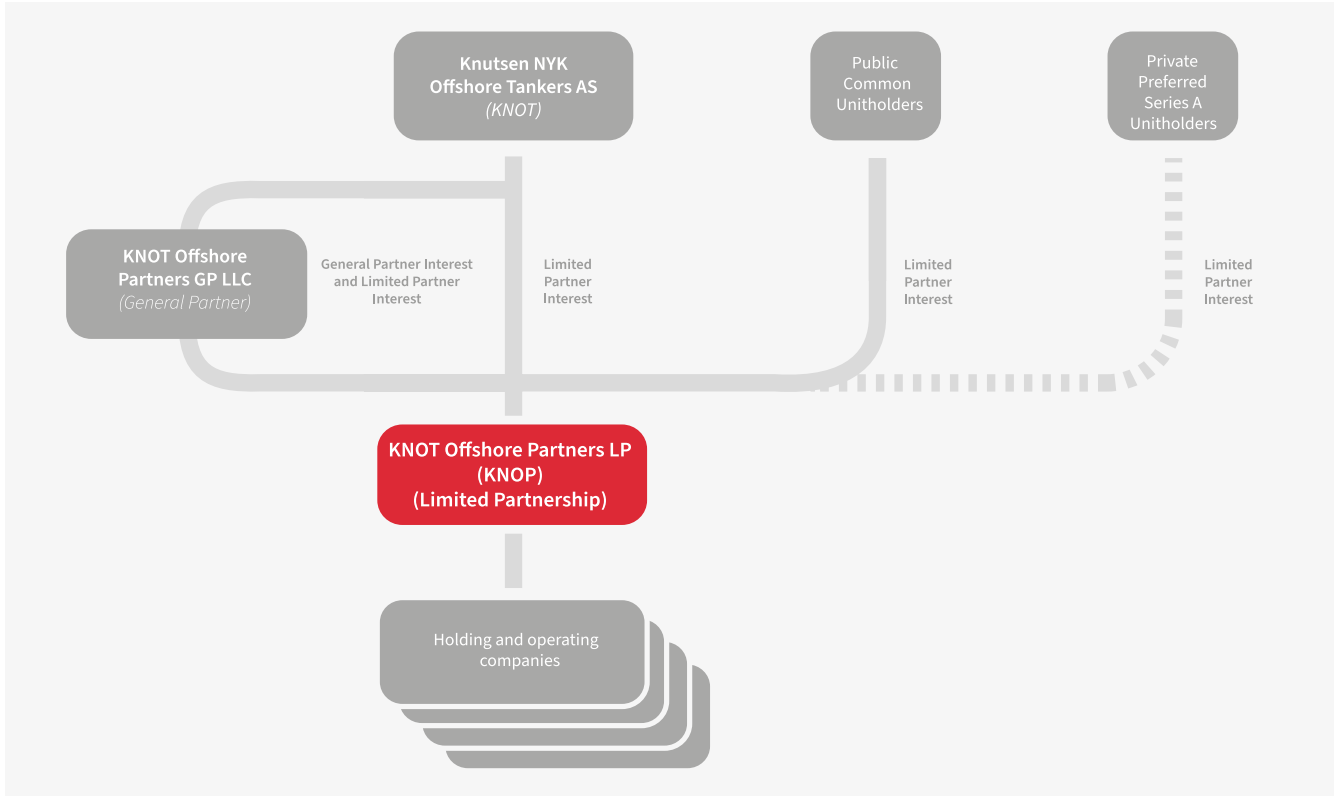
**GOVERNANCE CAN BE** split into two aspects: how a company ensures checks and balances internally (corporate governance), and how it complies with legal and ethical requirements (business ethics).

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

KNOP'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.

## Corporate governance

KNOP's organizational structure is described in the figure below. A Partnership Agreement provides that KNOT, through the General Partner irrevocably delegates to the majority independent 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 Board of Directors (the "Board") consists of seven members, four of whom are independent of the Sponsor, three of whom are appointed by the Sponsor.

The appointed directors are:

- Trygve Seglem, Chairman
- Richard Beyer
- Junya Omoto

The independent directors are:

- Hans Petter Aas, Director and Chairman of the Audit Committee and Member of the Conflicts Committee
- Edward A. Waryas, Jr., Director and Chairman of the Conflicts Committee and Member of the Audit Committee
- Andrew Beveridge, Director and Member of the Audit Committee
- Simon Bird, Director and Member of the Conflicts Committee

The Board is ultimately responsible for the management of the Company and for safeguarding the proper organisation of its operations, including overseeing management's day-to-day operations. KNOP held four full Board meetings in 2020 (one in each quarter) and held 12 other meetings related to the approval of certain specific matters.

## The Audit Committee

The Audit Committee assists the Board with oversight and responsibility 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 re-affirmed annually and is publicly available on the Company's website.

In 2020 the Audit Committee met four times, once per quarter.





### 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. The Committee is principally 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 re-affirmed annually and is publicly available on the Company's website.

In 2020 the Conflicts Committee met four times, once per quarter, and met an additional three times related to certain specific matters.

### 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 per cent 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. The Company also provides comfort to all unitholders through the workings of the Audit and Conflicts Committees.

### 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 the Company's Form 20-F filed with the U.S. Securities and Exchange Commission ("SEC") which can be accessed through the Company's website.

### 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 KNOT Offshore Partners LP's Corporate Governance Practices and the NYSE Corporate Governance Standards is available on the Company's website.

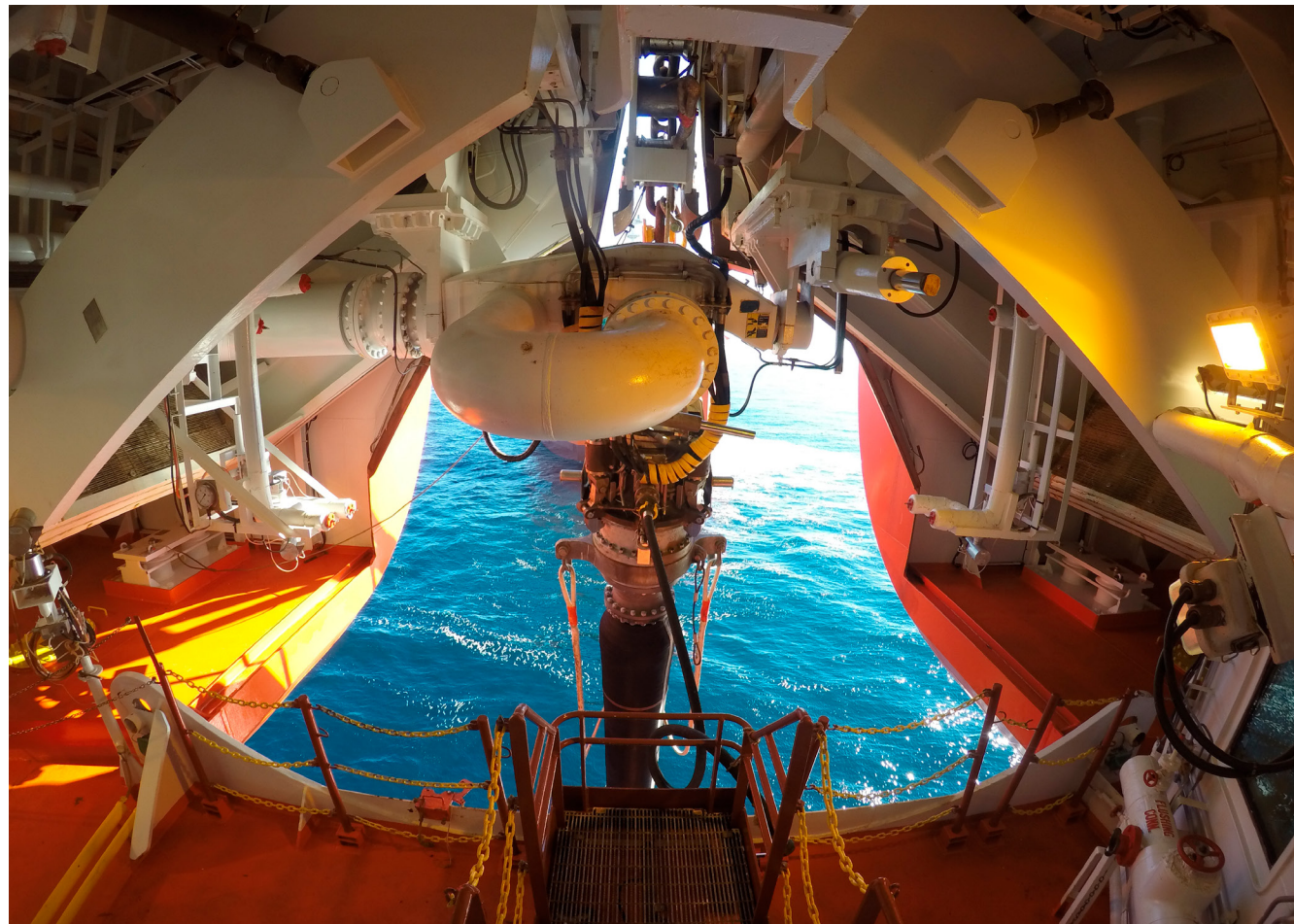
### Controls and accountability

In addition to our internal governance, Ernst & Young ("EY") continued as KNOP's auditors and performed an integrated audit of our financial statements and of our internal controls over financial reporting. EY found no material corrected or uncorrected misstatements, nor any material weaknesses in our internal controls. The auditors also found the assumptions used, and conclusions reached, by management to be reasonable and in accordance with applicable accounting standards, and that disclosures in the financial statements were appropriate.

EY audited KNOP's internal controls based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). They found that KNOP maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria. They also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Partnership and their report dated March 18, 2021 and filed with the SEC expressed an unqualified opinion thereon.

*"KNOP strives to provide transparency to all stakeholders, and uphold good corporate governance practices in order to maintain its reputation and standing in the market."*





## 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 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 of Business Conduct 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.

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 2020, zero incidents were reported.



*"If an employee reporting a violation wishes to remain anonymous, all reasonable steps are taken to keep their identity confidential."*

### 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. This code formalises the key principles under which suppliers to KNOP, any subsidiary, other associated company or companies under management of KNOP are required to operate. In selecting suppliers, KNOP works hard to choose reputable business partners who are committed to ethical standards and business practices compatible with those of KNOP.

The Supplier Code of Conduct formalises KNOP'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 produced, they are delivered in a manner compatible with the high standards that contribute to the outstanding reputation of KNOP. 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

**<sup>a</sup> CO<sub>2</sub> emissions (Metric tons (t) CO<sub>2</sub>-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 (2019), note that the 2019 Scope 2 figure included the UK location only.

**<sup>b</sup> Total energy consumption (TJ):** Calculated based on available fuel purchased data using fuel properties defined by DEFRA, Conversion factors, 2020.

**<sup>c</sup> Average Energy Efficiency Design Index (EEDI) for new ships:** The EEDI reported is for the ship delivered on December 31 2020. Required EEDI for Phase I is 3.24 grams of CO<sub>2</sub> per ton-nautical mile.

**<sup>d</sup> Carbon Intensity Indicator (CII) and Average Efficiency Ratio (AER):** CII/AER reported as unit grams of CO<sub>2</sub> per tonne-mile (gCO<sub>2</sub>/dwt-nm).

**<sup>e</sup> Carbon Intensity Index (CII):** measures how efficiently a ship operates and is measured in grams of CO<sub>2</sub> 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.

**<sup>f</sup> Particulate matter (PM), NO<sub>x</sub>, SO<sub>x</sub> emissions (Metric tonnes):** PM, NO<sub>x</sub> and SO<sub>x</sub> 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 2019 figures have been updated using the same methodology.

**<sup>g</sup> Shipping duration in marine protected areas or areas of protected conservation status (a marine protected area as defined by the International Union for Conservation of Nature (IUCN)):** Any area of intertidal or sub-tidal terrain, together with its overlying water and associated flora, fauna, historical and cultural features, which has been reserved by law or other effective means to protect part or all of the enclosed environment, listed in the World Database of Protected Areas (WDPA) and mapped on Protected Planet. Protected Planet is the most up to date and complete source of information on protected areas, updated monthly with submissions from governments, non-governmental organizations, landowners and communities. It is managed by the United Nations Environment World Conservation Monitoring Centre.

**<sup>h</sup> 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.

**<sup>i</sup> Condition of class:** Those conditions/recommendations of class that have led to withdrawal of vessel certificates or otherwise invalidated the ship's compliance throughout the reporting period are included in this figure.

**<sup>j</sup> 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.



**<sup>k</sup> Number of shipboard personnel:** Based on the average number of seafarers on board during a defined period (average month during the reporting period). Does not include seafarers on leave or onshore staff members.

**<sup>l</sup> Number of vessels port calls:** This figure contains the total number of cargo operations for the entire fleet during the reporting period, including i.e. ship-to-ship transfers.

**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 CO<sub>2</sub> 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.



2 Queen's Cross  
Aberdeen  
AB15 4YB  
UNITED KINGDOM

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[www.knotoffshorepartners.com](http://www.knotoffshorepartners.com)

