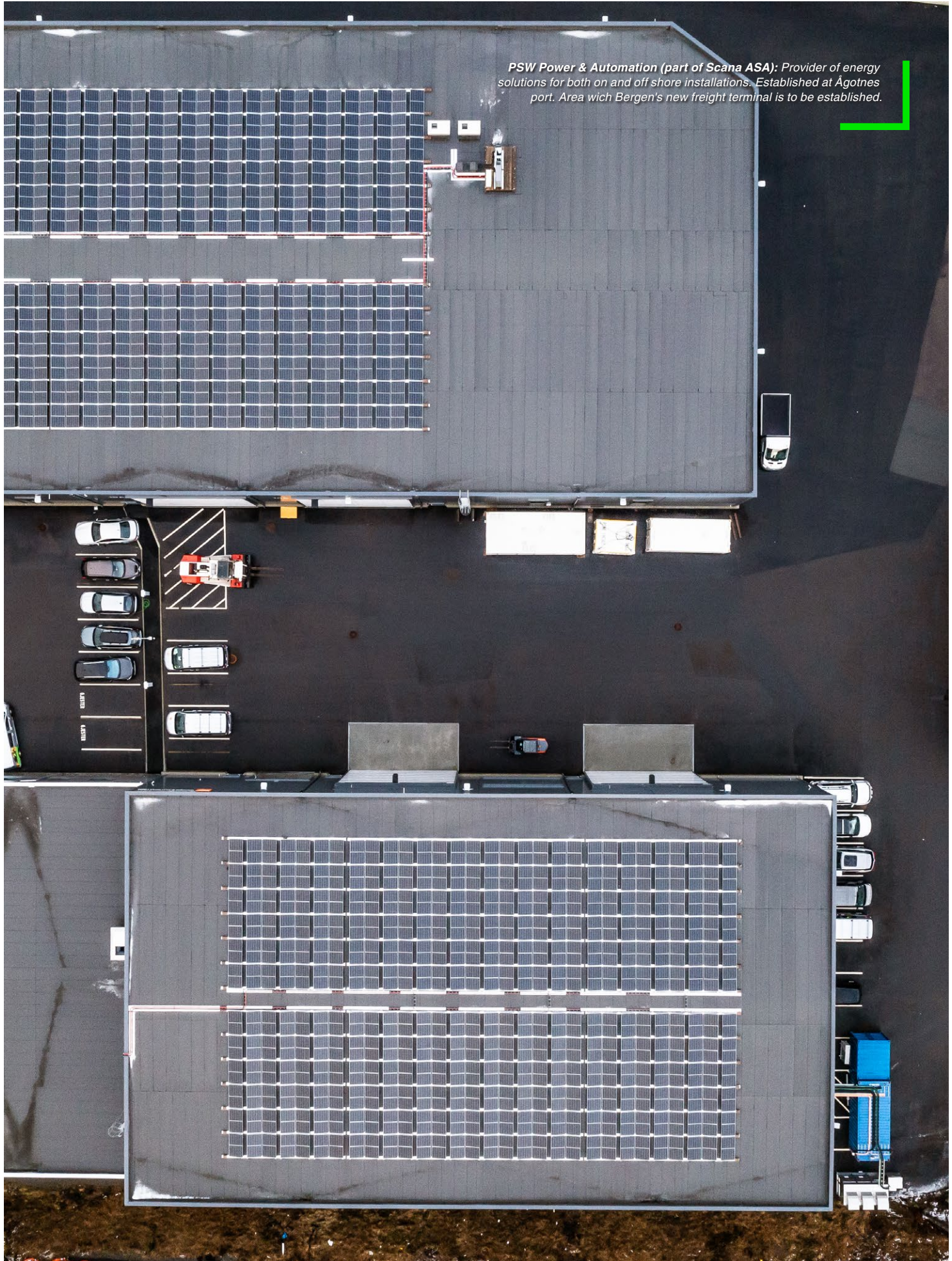


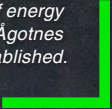
# 2022

KMC Properties ASA





*PSW Power & Automation (part of Scana ASA): Provider of energy solutions for both on and off shore installations. Established at Ågotnes port. Area with Bergen's new freight terminal is to be established.*



# Environmental, social and governance report

As KMC Properties, in its existing form, first became a listed entity in December 2020, the company's first Environmental, Social and Governance (ESG) report covered the year of 2021. That report included a list of priorities and targets for the company's ESG work for 2022. Looking back, most of those targets were achieved, providing the company with a significantly strengthened platform for how to prioritise its ESG efforts and to work purposefully with reducing its climate footprint.

## 2022 in review

KMC Properties considers its ESG initiatives to be crucial to secure long-term value creation for its stakeholders, including tenants, capital markets, employees, and the society at large, and the company experiences increasing interest for ESG related topics from its stakeholders.

In 2022, several regulatory developments impacted KMC Properties' ESG reporting requirements, including the Norwegian Transparency Act, focusing on human rights, and working conditions in the value chain, and the update of the Norwegian technical building regulations (TEK17), resulting in increased attention to the environmental footprint of buildings. Further, upon the announcement from the Norwegian Government that the transposition of the EU Taxonomy regulation into national law was to be delayed by one year, the company decided to postpone its preparations for reporting in alignment with the EU Taxonomy.

Early 2022, KMC Properties carried out a materiality assessment, which later was revisited and updated in October. The assessment was carried out by an independent specialist, and resulted in a total of 11 material topics, of which six topics relate to climate change and environment (E), three to social issues (S), and two to governance (G). The assessment laid the foundation for the development of an ESG strategy, as well as several governing documents, which was approved by the board in November 2022, setting a clear purpose and vision for the company's work. To reduce the climate footprint, KMC Properties' key priorities are to implement measures to improve the energy efficiency of the buildings at its properties, and to increase the use of renewable energy sources, priorities shared with the company's tenants.

Target set in 2021	Status 2022
Develop ESG strategy	✓
Develop governing documents (Code of conduct, Suppliers code of conduct, Environmental policy, Human rights policy, Supplier questionnaire)	✓
Digitalise ESG data collection	✓
Establish a whistle-blower channel	✓
Climate risk review according to the TCFD framework	✓
Set gender diversity targets	✓
Prepare for the Norwegian Transparency Act	✓
Establish contact with identified indigenous groups	See the chapter Indigenous people
Prepare for reporting alignment with the EU taxonomy	Postponed to 2023
Further develop acquisition procedures to include environmental issues	Postponed to 2023
Develop an environmental risk assessment plan for existing properties	Postponed to 2023
Develop a carbon emission reduction strategy	Postponed until baseline is established

## About this report

This is the second ESG report published by KMC Properties. It is prepared with reference to the Global Reporting Initiative (GRI) Standards (2021) and covers the 2022 calendar year. The GRI Standards are the world's most widely used sustainability reporting standards. The report covers material environmental and social impacts and the management approach of KMC Properties. Previous reports can be found on [www.kmcp.no/en/investors/reports+and+presentations](http://www.kmcp.no/en/investors/reports+and+presentations). The report has been approved by KMC Properties' board of directors. Feedback on this report is appreciated and can be directed to [andreas.grimsbu@kmcp.no](mailto:andreas.grimsbu@kmcp.no).

### Scope and boundaries

Information and data given in the report concern all of KMC Properties' properties and activities unless otherwise stated. The report sets out to disclose data on ongoing operations on properties, completed greenfield projects and KMC Properties own operations for 2022. Acquisitions and initiated greenfield

project in the reporting period will be accounted for in the 2023 financial year.

KMC Properties completed one greenfield project and initiated two new projects that are scheduled to be completed in 2023. 16 acquisitions were carried out in 2022.

Capital expenditure projects in current portfolio worth more than NOK 40 million are to be accounted for, but there were no projects that qualified for this in 2022.

KMC Properties had 12 full-time employees at the end of 2022. The company had a turnover rate of 37 per cent in 2022. This is explained by the divestment of the Russian property, where five employees were let go. KMC Properties hired two new employees in 2022. All employees are based in Trondheim and Oslo, Norway.



*BeForm: A manufacturer of injection molded, thermo- and thermoset plastics. Furthermore plastic recycling.*

### Data collection and consolidation

Collecting accurate and relevant data is increasingly important. Stakeholders are demanding information. For this reason, in order for KMC Properties to work effectively with ESG issues it needs to monitor developments in its own operations as well as amongst its tenants.

To support this, KMC Properties has invested in an ESG reporting software that will allow effective gathering and management of ESG data. Going forward, this will be useful in meeting future

assurance criteria included in the European Corporate Sustainability Reporting Directive (CSRD), which KMC Properties will need to comply with by 2026.

In 2022, 43 out of 50 tenants provided data for this ESG report, and data from 43 out of 50 properties with operations was collected. All of these provided data on health and safety-related issues while environmental data related to spills was retrieved from 12 properties with operations.

## ESG in KMC Properties

KMC Properties is a real estate company creating value from investing in industrial and logistical properties. The company's vision is to be a leading real estate partner known for quality, innovation and supporting its tenants.

Managing sustainable risks and opportunities is fundamental in achieving this vision, creating value for the society and generating returns for investors. KMC Properties mainly enters triple net bare-house lease agreements whereby maintenance, insurance and property tax are covered by the tenant. In greenfield projects, the company holds the entire legal responsibility as a landlord to ensure that the project develops according to KMC Properties' standards and goals, as well as all applicable laws and regulations.

### Responsibility

The board of directors holds overall responsibility for ensuring KMC Properties' responsible governance of ESG issues and has approved this report. The CEO, together with key functions, manages ESG issues on a day-to-day basis. The board is continuously informed of ESG issues and decisions. The reporting lines from properties to top management are made by selected employees who obtain the necessary information and thereafter send it on to management. Given the increased focus on ESG issues, KMC Properties is looking to hire an ESG manager in 2023.

### Risk management

Transitioning into a low-carbon and just society poses risks and opportunities to all businesses. Understanding how to manage these will be essential for KMC Properties to succeed. In 2022, KMC Properties established an overall risk management system, including ESG related issues such as climate-related risks and corruption. Operational risks such as health and safety will be incorporated in 2023.

The company has established processes to mitigate risks in mergers and acquisition processes, including technical, juridical, environmental and financial due diligence procedures.

### Governing documents

KMC Properties updated and developed its governing documents concerning ESG in 2022. All were approved by the board and signed by the company's CEO and are readily available on the company website; [www.kmcp.no](http://www.kmcp.no) alongside other governing documents.

- Code of conduct
- Environmental policy
- Human Rights Policy
- Supplier code of conduct
- Whistleblowing mechanism

### Strategic priorities

KMC Properties achieved a major milestone in 2022 with the development of the company's ESG strategy. The strategy sets a clear purpose and vision for KMC Properties, and defines four pillars (referenced in the accompanying table) for its ESG work towards 2030.

The strategy was developed in October 2022, and involved the entire management team. It was approved by the board on 17.11.22.

### Purpose

KMC Properties is a real estate company creating value from investing in industrial and logistical properties.

### Vision

KMC Properties will be a leading business partner to European industries and is known for quality, innovations and properties that supports its tenants in achieving their goals.

Strategic pillar and ambitions for 2030	2026 targets	Status 2022
<b>Long-term thinking</b>		
KMC Properties' decisions today determines its ability to adapt to a low-carbon just economy. Aspirations:		
Being considered an ethical and sustainable market player.	Zero reported corruption incidents	Zero reported corruption incidents
	100% of portfolio properties assessed for physical climate risk	52%
	Map climate-related risks and opportunities for the main sectors that KMC Properties serve and update acquisition strategy	Not started
KMC Properties actively working to reduce emissions across its value chain.	Develop absolute and/or intensity-based GHG-reduction targets for KMC Properties	Not started
<b>Internal competency</b>		
KMC Properties is a lean organisation, and every employee counts towards its success. Aspirations:		
Being an employer where employees experience a clear purpose in their work and be given equal opportunities to grow.	85% satisfaction rate on survey	Survey to be developed in 2023
	Minimum 40/60 (%) gender balance	Board of directors: 42/58 (women/men) Management team: 25/75 (women/men) Employees: 58/42 (women/men)
	Zero incidents of discrimination	Zero reported incidents of discrimination
<b>Partnerships with tenants</b>		
Ensuring good cooperation with tenants creates value and reduce risks for both parties. Aspirations:		
Being considered an attentive landlord supporting its tenants.	100% completion rate of planned visit inspections per year	17/17 planned visit inspections carried out
Strengthening tenant relationship by encouraging sustainable practices and offer green solutions.	100% of tenants communicate their climate accounting (minimum scope 1 and 2)	33% of tenants report that they have climate accounting
	25% of portfolio produce renewable energy	6.5% of properties have had renewable energy technology installed
	Zero spills from tenants' operation	There were 3 minor spills reported from tenants
Providing safe and healthy and fair working conditions on for workers on its properties.	Zero HSE incident reported from KMC Properties tenants	0 fatalities 10 high-consequence work-related injuries (excluding fatalities) 48 recordable work-related injuries
<b>Future-fit properties</b>		
A building, with all its components, has significant environmental and social impacts throughout its lifetime. Aspirations:		
Building robust, flexible and low carbon buildings	Reduce waste generation on construction sites	Data not available
	Minimum sorting rate of 70% on construction sites	72% rate for the one greenfield project completed in 2022
Ensuring the health and safety, as well as good working conditions, on greenfield and brownfield projects	Zero serious accidents on construction sites	1 serious accident
Engaging with contractors and suppliers that actively work to reduce their negative impacts on construction sites and in supply chain.	All suppliers have due diligence procedures in place in accordance with EU regulatory requirements	Data not available

## Stakeholder engagement and materiality

The ESG strategy is based on KMC Properties' material topics as identified in January 2022 and updated in October 2022 with input from a climate risk review and a human rights saliency assessment.

A materiality assessment was carried out by an independent specialist, using the GRI-3 Materiality Standard. Stakeholders, including banks, investors, employees, and tenants were interviewed. In these interviews, potential and actual impacts caused by KMC Properties' activities to the environment, society and economy were assessed according to their significance. Additionally, the financial materiality of the topics was discussed and incorporated into the list of material topics.

See full assessment in Appendix 1.

## KMC Properties' material topics

### *Climate change and environment:*

- Climate-related risks and opportunities
- Greenhouse gas emissions
- Energy efficiency in buildings
- Circular economy
- Pollution and spills from properties
- Biodiversity on properties

### *Social issues:*

- Health and safety on properties, construction sites and in transportation services
- Diversity and equality in own operations
- Rights of indigenous people

### *Governance issues:*

- Anti-corruption
- Ethical supply chain management

## Environment

### Key environment-related material topics:

- Climate-related risks
- Greenhouse gas emissions
- Energy efficiency in buildings
- Circular economy
- Pollution and spills from properties

KMC Properties' impact on the environment occurs through its tenants' operations as well as capital expenditure projects in current portfolio and greenfield projects for new constructions.

The company's environmental policy states that KMC Properties is committed to operating in an environmentally sustainable manner and to ensure that its properties are future-fit for the planet and society.

KMC Properties seeks to be a partner for green solutions. Close cooperation with tenants and contractors is necessary for KMC Properties to succeed in reaching its environmental targets and ambitions.

### Climate-related risks

In a world where climate change is the most pressing issue, KMC Properties must ensure the resilience of its business. In 2022, the company therefore carried out a climate-risk review in accordance with the recommendations of the Task force on Climate-related Financial Disclosures (TCFD).

The review found several risks and opportunities related to climate change, which KMC Properties will work to manage better going forward.

The review informed the company's ESG strategy, targets and KPIs, recognising in particular that KMC Properties' decisions today determines its ability to adapt to a low-carbon and just economy. A key target for KMC Properties is for all portfolio projects to be assessed for physical climate risk by 2026. This work started in 2022 and will continue in 2023.

The TCFD review was an important first step in gaining insight and recommendations for enhanced ESG risk management. This will include obtaining a better understanding of nature-related risks, other environmental and social risks associated by KMC Properties activities.

## Identified climate-related risks and opportunities

Type	Risk	Opportunities
Physical	<ul style="list-style-type: none"> <li>■ Extreme weather, flood and drought</li> <li>■ Ocean acidification and rising sea levels</li> </ul>	<ul style="list-style-type: none"> <li>■ Energy efficiency measures</li> <li>■ Renewable energy production offering</li> <li>■ Attract capital through green bonds</li> </ul>
Regulatory	<ul style="list-style-type: none"> <li>■ Energy efficiency requirements</li> <li>■ Increased CO<sub>2</sub> taxes</li> </ul>	
Market	<ul style="list-style-type: none"> <li>■ Reduced access to capital</li> <li>■ Reduced access to properties</li> <li>■ Change in tenants' preferences</li> </ul>	
Technological	<ul style="list-style-type: none"> <li>■ Lack of circular building competency in supply chain</li> </ul>	
Reputational	<ul style="list-style-type: none"> <li>■ Recruitment and retention of employees</li> <li>■ Attracting solid tenants</li> </ul>	

## Reducing emissions

The real estate sector accounts for up to 30 per cent of GHG emissions globally, and mitigating emissions is essential in order to reduce the impact that the sector has on climate change.

Stricter requirements for existing and new buildings, particularly linked to energy efficiency and carbon reduction, could impact the profitability of acquisitions and increase maintenance costs for KMC Properties' existing portfolio. Moreover, KMC Properties is experiencing an increased interest regarding emission data, and it is expected that the emissions profile of the company will impact its access to capital in the future.

Reducing emissions is central to KMC Properties' long-term thinking and building partnerships with its tenants. The company's environmental strategy states that it will actively work to reduce emissions across its value chain.

The vast majority of KMC Properties emissions lies in Scope 3. As a landlord and real estate developer, KMC Properties will focus its efforts in reducing emissions through cooperation with tenants and through stricter requirements to contractors on greenfield projects.

KMC Properties climate accounting has been prepared according to the GHG Protocol using operational control approach. The Scope 3 emissions calculations for 2021 and 2022 are based on actual reported data. In 2022, KMC Properties received energy consumption data from 86.5 per cent of its portfolio. The increase in total emissions is caused by a higher number of properties in 2022 compared to 2021 as well as an increase of use of fossil fuels in the Swedish properties.

In 2023, KMC Properties will communicate intensity KPIs for emissions per m<sup>2</sup>.

## GHG emissions

Metric tonnes CO <sub>2</sub>	2022	2021
<b>Scope 1</b>	<b>0.00</b>	0.00
<b>Scope 2 (location-based)</b>	<b>0.04</b>	0.07
<b>Scope 2 (market-based)</b>	<b>3.77</b>	3.56
<b>Scope 3:</b>		
Business travel	<b>10.72</b>	10.29
Downstream leased assets	<b>47 009.96</b>	46 362.00
<b>Total emissions</b>	<b>47 020.72</b>	46 372.36

- **Scope 2** – electricity calculations are made using AIB emission factors
- **Scope 3** – includes two categories: Business travels and downstream leased assets. The calculations are made using DEFRA and AIB emission factors.

## Energy consumption

MWh	2022	2021
Norge	<b>71 862</b>	80 290
Sweden	<b>16 512</b>	23 560
Denmark	<b>56 676</b>	57 336
Netherlands	<b>97 681</b>	98 521
Finland	<b>4 660</b>	N/A
<b>Total</b>	<b>242 731</b>	259 707

## Restatement of information

Energy consumption data from tenants has been collected for 2021 and 2022 for this year's report and are comparable. The 2021 data for Scope 3 Downstream leased assets, and the energy consumption data communicated in this report are therefore different from those communicated in last year's report.





Adjustments have also been made for KMC Properties' Scope 2 market-based emissions for 2021 from 31 tCO<sub>2</sub>-e to 3.56 tCO<sub>2</sub>-e. The data communicated in the 2021 report was based on the total energy consumption in KMC Properties' shared offices and has not been adjusted to only include KMC Properties' own offices.

### Enhancing energy efficiency

A building's net energy demand has a large impact on the emissions of the building throughout its lifetime, as well as the associated costs of heating and cooling.

In 2022, KMC Properties started a systematic mapping of current energy consumption in the portfolio by acquiring updated energy reports with energy efficiency measures. This is also included in the environmental due diligence procedure for acquisitions.

KMC also established the company KMC Energy, which will provide renewable energy systems to tenants where the focus is energy transition in the property portfolio. In 2022, 7 properties had installed solar cells on ground, facades and/or roofs.

In 2022, the total reported energy consumption for KMC Properties' portfolio was 242 731 MWh. This is a reduction from last year's 259 707 MWh. KMC Properties assumes this is a result of the ongoing European energy crisis.

### KMC Energy established in 2022

KMC Properties strive to be a provider of green solutions to its tenants. In 2022, a NOK 13 million investment was made in KMC Energy, a KMC Properties subsidiary that will offer solutions that secure tenants' reliable access to renewable energy, and contribute to a more stable capacity on the grid, which will benefit the local communities.

### A tested solution

In 2022, KMC Properties initiated a pilot project for use of solar panels and battery containers at its facility in Kampenveien 5, Fredrikstad. The project was done in cooperation with the tenant BE Form, targeting a more sustainable production by using locally produced renewable energy. In 2023, Kampenveien 5 is set to produce 503 594 kWh renewable energy per year, covering 20-25 percent of its energy demand.

### Energy storage

The demand for renewable energy increases due to technological developments and need for carbon reduction. However, renewable energy is unpredictable and requires a high grid capacity to ensure access.

KMC Energy's storage solution optimises the production of solar power on sites, and provides a feasible solution to manage peak load periods. This creates stability and predictability for tenants, as well as reduces costs for operators of the power grid.

### Resource management

KMC Properties' aspiration is to build robust and flexible buildings with a low carbon design. In building future-fit properties, materials must be carefully considered and managed based on their environmental footprint.

The company's environmental policy states that it will consider the environmental footprint of the materials sourced, as well as actively seek to reduce waste and material consumption while increasing opportunities for recycling. KMC Properties has an overall target to reduce waste generation by 2026, and for the sorting rate to be higher than 70 per cent in greenfield projects. For the completed greenfield project in 2023, there was a reported sorting rate of 72 per cent. KMC Properties has communicated expected reporting datapoints for 2023 to new greenfield contractors.

KMC Properties' ambitions will influence its criteria and procedures for selecting contractors going forward. An important measure to be completed in 2023 is the development of an environmental criteria for greenfield projects.

### Considering biodiversity

When constructing and operating industrial properties, local ecosystems and biodiversity can be negatively impacted. Pollution from the properties or construction activities, and habitat disturbance and conversion, are identified risks associated with the company's business.

Several of the company's properties are located along the Norwegian coastline, in or close to vulnerable ecosystems. There were three reported smaller spills from KMC Properties tenants in 2022.

In 2022, KMC Properties formalised its management approach to biodiversity in the ESG strategy, governing documents, reporting and suppliers screening criteria, covering its entire value chain.

The environmental policy states that the choice of location for greenfield projects will be informed by potential impact on biodiversity on the site, and environmental due diligence processes are conducted according to laws and regulations. There were no instances of non-compliance with environmental laws and regulations recorded in 2022.

## Social

### Relevant material topics

- Health and safety on construction sites and with tenants
- Working conditions in supply chain
- Diversity
- Indigenous peoples' rights

KMC Properties has a direct impact on its employees' working conditions and well-being, as well as an indirect impact on human rights and labour conditions in its supply chain. Moreover, the company influences its tenants as well as the communities where its properties are located.

The company's Human Rights policy states that KMC Properties is committed to respecting human rights as defined in the

International Bill of Rights, the ILO Fundamental Conventions on Labour Standards and the UN Guiding Principles on Business and Human Rights.

KMC Properties aims to be a responsible employer, property owner and real estate developer. KMC Properties' most important priority is to take care of its own employees' welfare and safeguard decent working conditions for its tenants and suppliers.

### Employee welfare

Creating a diverse, safe and interesting working environment for its employees to thrive is central to attracting and retaining the right competency in KMC Properties.

KMC Properties' code of conduct states that the company shall strive to create a good and healthy work environment based on equality and diversity, where the integrity of employees is safeguarded. No discrimination may take place on the grounds of age, sex, religion, sexual orientation, ethnic background, or other protected characteristic. All forms of harassment are pro-

hibited, as well as abusive discrimination. KMC Properties had zero reported incidents of discrimination in 2022.

### Employee satisfaction

KMC Properties is a lean organisation, and each and every employee counts towards its success. It is the company's aspiration that all its employees experience a clear purpose in their work and are given equal opportunities to grow. In 2023, KMC Properties will develop and conduct an employee satisfaction survey.

### Gender balance (women/men)

	2022	2021
Board of directors	3/4	3/4
Management team	1/4	1/4
Employees (excl. management team)	4/3	6/4

### Diversity

At the end of 2022, KMC Properties had 12 full-time employees all in Norway. We value equality and strive to build a diverse organisation in terms of gender, age and background. KMC Properties has set a target of 40/60 gender balance for each of the employee categories and the board of directors.

### Age distribution

	2022	2021
50 <	1	3
30-49	11	12
29 >	0	0

In 2023, KMC Properties will develop recruitment procedures that ensures a diverse selection of candidates and a fair assessment of these.

## The Norwegian Transparency Act

The Norwegian Transparency Act entered into force in July 2022 to ensure that companies have appropriate procedures and measures in place to respect human rights and decent working conditions in its value chain.

KMC Properties has worked diligently with the Act throughout the year, and an independent statement can be accessed at [www.kmcp.no](http://www.kmcp.no). The work included providing training on human rights to management team and key resources in the organisation. This was followed by a saliency assessment which involved the management team and external stakeholders. The assessment identified salient issues related to human rights and labour rights in KMC Properties' value chain.

As a real estate developer and owner, most of KMC Properties' salient issues are in the first tier of its supply chain (construc-

tion and transportation services), while more work needs to be done to further assess salient issues in the sourcing of materials.

The findings were included in the development of governing documents and procedures for supply chain management and informed the updated materiality assessment (Appendix 1).

KMC Properties views the due diligence work on human rights as a process. The responsibility of implementing a process aligned with the OECD Guidelines and ensure that KMC Properties meet the criteria of the Act lies with the Company CEO.

Salient issue	Relevancy in value chain
Health and safety	Transportation
	Construction
	Tenants
Working conditions	Transportation
	Construction
Social dumping/migrant workers	Transportation
	Construction
Forced labour	Transportation
	Construction
Discrimination	Transportation
Land rights	Local community
Potentially unidentified salient issues	Sourcing of raw materials

## Safe working conditions on properties

KMC Properties owns properties for development and properties with established industry actors. Occupational accidents and diseases can lead to devastating impacts on workers, enterprises and entire communities and economies. The global affirmation of the importance of safety and health at work was expressed in June 2022, when the International Labour Conference (ILC) decided to include a safe and healthy working environment in the ILO's framework of fundamental principles and rights at work (FPRW). For KMC properties, the strategic importance of these conventions is translated through its aspiration for all people working on KMC Properties' properties to enjoy safe, healthy and fair working conditions. This includes both construction workers and tenants.

### Construction workers

KMC Properties' aspiration is for all greenfield and brownfield projects on to be safe and provide good working conditions.

Workers on construction sites are typically exposed to risks related to falling objects, electricity, explosion and fire, crush injuries, people vs machines and construction collapse. There are also occupational health risks related to long-term exposure of noise, dust, chemical health hazards and ergonomics.

Social dumping occurs when a company intentionally hires foreign workers who accept sub-standard pay/working conditions compared to those common in the local labour market. It is a well-known issue in the construction industry, which can lead to poor working conditions and lower standards of working condition.

Health and safety is important for KMC Properties to manage, and contractors are carefully screened on their management and transparency of these issues. As of 2023, they will also be required to sign KMC Properties' supplier code of conduct, outlining the company's expectations for working conditions on its construction sites which also reflects the human rights policy.

The overall responsibility of health, safety and working environment (HSE) in construction and rehabilitation projects lies with KMC Properties. The COO manages these issues on a daily basis and reports directly to the CEO. Projects must at all times follow applicable laws and regulations, including the right to Norwegian minimum wage rates and injury insurance. KMC Properties carries out inspections regularly to safeguard good working conditions.

KMC Properties has an ambition of zero serious accidents on its construction sites. In 2022, there were two active greenfield construction sites, and one recorded serious injury.

### Tenants

KMC Properties' aspiration is for all people working for KMC Properties' tenants to enjoy safe, healthy and fair working conditions. The company manages a portfolio of light industrial facilities, which is associated with risks such as: flammable material, hazardous waste, slippery floors, high altitudes, loose objects.

The tenants are ultimately responsible for their employees' working conditions. KMC Properties seeks to be an attentive landlord that assist its tenants to minimise risks related to health and safety. KMC Properties expects its tenants to apply the same standards of working conditions as set out in the company's code of conduct, as well as comply with any applicable law. In preparation for this report, KMC Properties has requested information on work related injuries from its tenants for each property. 0 high-consequence work related injuries were recorded in 2022.

43 of 50 properties were accounted for in this year's report.

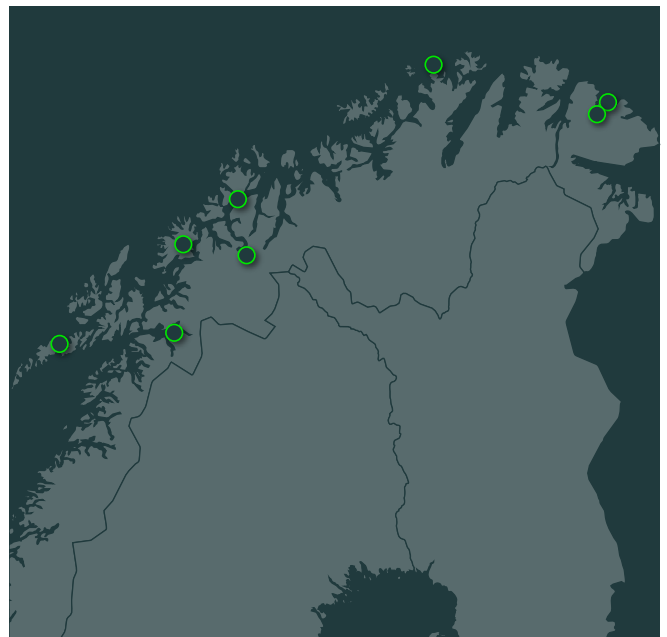
### Indigenous rights

KMC Properties owns properties in Northern Norway, including in areas where indigenous Sámi rights must be given attention and due diligence.

With prosperities in areas known to have prominent Sámi populations and associated traditional practices, KMC Properties has actively consulted with its current tenants to map any previous or ongoing potential conflicts and has not identified any at the time of writing. KMC will continue such consultations.

All new properties will continue to follow a detailed regulatory review process that explicitly includes consultation with relevant local indigenous governing bodies. KMC Properties places additional focus on remaining aware of traditional land uses of potential developments, particularly when considering building on or near reindeer grazing lands or cultural sites.

KMC Properties remains committed to fully respecting indigenous rights and continuing close dialogue with these stakeholders.



*KMC Properties' properties in Northern Norway.*

## Governance

### Key governance-related material topics for KMC Properties include:

- Anti-corruption
- Ethical supply chain management

KMC Properties recognises that its business conduct has an impact on the economy through transactions and negotiations, as well as its management of supply chain. KMC Properties aims to be a transparent market player, and as listed on the Oslo Stock Exchange, it is obliged to disclose detailed information on corporate governance (see separate chapter on Corporate Governance in the annual report).

KMC Properties Code of conduct expresses clear expectations regarding ethical behaviour, including anti-corruption, protection of the environment, safeguarding health and safety and human rights.

The Code applies to the board of directors, management team, employees, subsidiaries and hired consultants. It provides instructions for how to manage any identified breach of the code.

### Anti-corruption

Anti-corruption has been identified as a material topic, particularly linked to property regulation, acquisitions and its supply chain.

An important development in 2022, was the divestment of the company's Russian subsidiary. A complete sanction control and ownership research of the buyer was carried out, and the settlement was completed outside Russia. This has reduced the company's exposure to corruption risk.

KMC Properties' code of conduct state that the company has a zero-tolerance approach to any forms of corruption, extortion, money laundering or bribery. The company's operations must be conducted in an open and honest manner, which in no way impedes competition or benefits any individual party. This applies both internally and externally in relation to partners, tenants and other stakeholders.

There were no reported incidents of corruption in KMC Properties' operations in 2022.

### Supply chain management

Ensuring a responsible supply chain management that includes material ESG issues is the first step towards building future-fit properties.

In 2022, KMC Properties developed a supplier code of conduct that will be applicable to all suppliers from 2023 onwards. It details KMC Properties expectations to human rights, workers' rights, the environment, corruption and sanctions.

Corresponding to this, a supplier questionnaire with detailed screening criteria related to governance of ESG issues was developed and tested on two contractors. This will be an important tool for KMC Properties to select contractors moving forward, both for new greenfield and brownfield projects.

### Whistleblowing mechanism

KMC Properties strive to maintain transparency as well as high business ethics. A whistleblowing mechanism was put in place in January 2023. It is available [online](#) providing an opportunity to communicate on suspected wrongdoings affecting people, our organisation, society or the environment. Instruction on how to make a report is provided, and the mechanism ensures anonymity and is available for both external and internal stakeholders.

## Appendix

### Appendix 1: Materiality assessment

Impact	Explanation	External impact	Financial impact
Climate change	Emissions from extraction, production and transportation of materials and components used in the construction and rehabilitation of KMCPs buildings (e.g. concrete, steel).	High	X
	Emissions from tenants' use of property.	High	X
Biodiversity & ecosystem impacts on land and water	Impacts from the sourcing of steel, concrete and other components used in buildings and rehabilitation.	Low	
	Impact on surrounding ecosystem due to location of properties and waste/pollution from tenants (e.g., close to the shoreline). This can cause e.g., habitat disturbance or fragmentation.	High	
Waste/pollution impacts	Waste generation and local pollution throughout construction and rehabilitation of properties.	Medium	X
Material and resource use in the supply chain	Use of raw materials, scarce materials, or non-recyclable materials/components for rehabilitation and construction of properties.	High	
Circular economy	Contribution to the circular economy through material selection, reducing use of raw and finite material, considerations for recyclability and longevity	Medium	X
Health, safety and injuries in value chain	Fatalities, injuries or work-related ill health among own contractors, suppliers and tenants.	High	X
Negative impact on local communities	Reduction in local community well-being and property values through e.g. noise, vibrations, dust, smell, emissions, land use from construction and use of properties	Medium	
Positive impact on local communities	Additional employment opportunities, business development and economic influx to local communities in which properties are located	Low	
Discrimination in hiring practices or pay levels	Impacts on equality, inclusion and diversity for our work force in terms of age, gender, sexual orientation, disability, race, nationality, political opinions, religion or ethnic background.	Low	X
Labour and human rights violation	Forced labour, poor working conditions and child labour. This could be related to e.g., sourcing of raw materials, contracted personnel during construction phase or rehabilitation of properties.	High	X
	Violation of indigenous rights in the property acquisition process and development of property	Medium	X
Tax contributions	Transparent ownership structure and taxation practices	Low	X
Illegal or unethical practices in the supply chain	Corruption, bribery and money laundering	Medium	X
Illegal or unethical practices in own operation	Corruption, bribery, and money laundering in regulations and acquisition of properties.	Medium	X

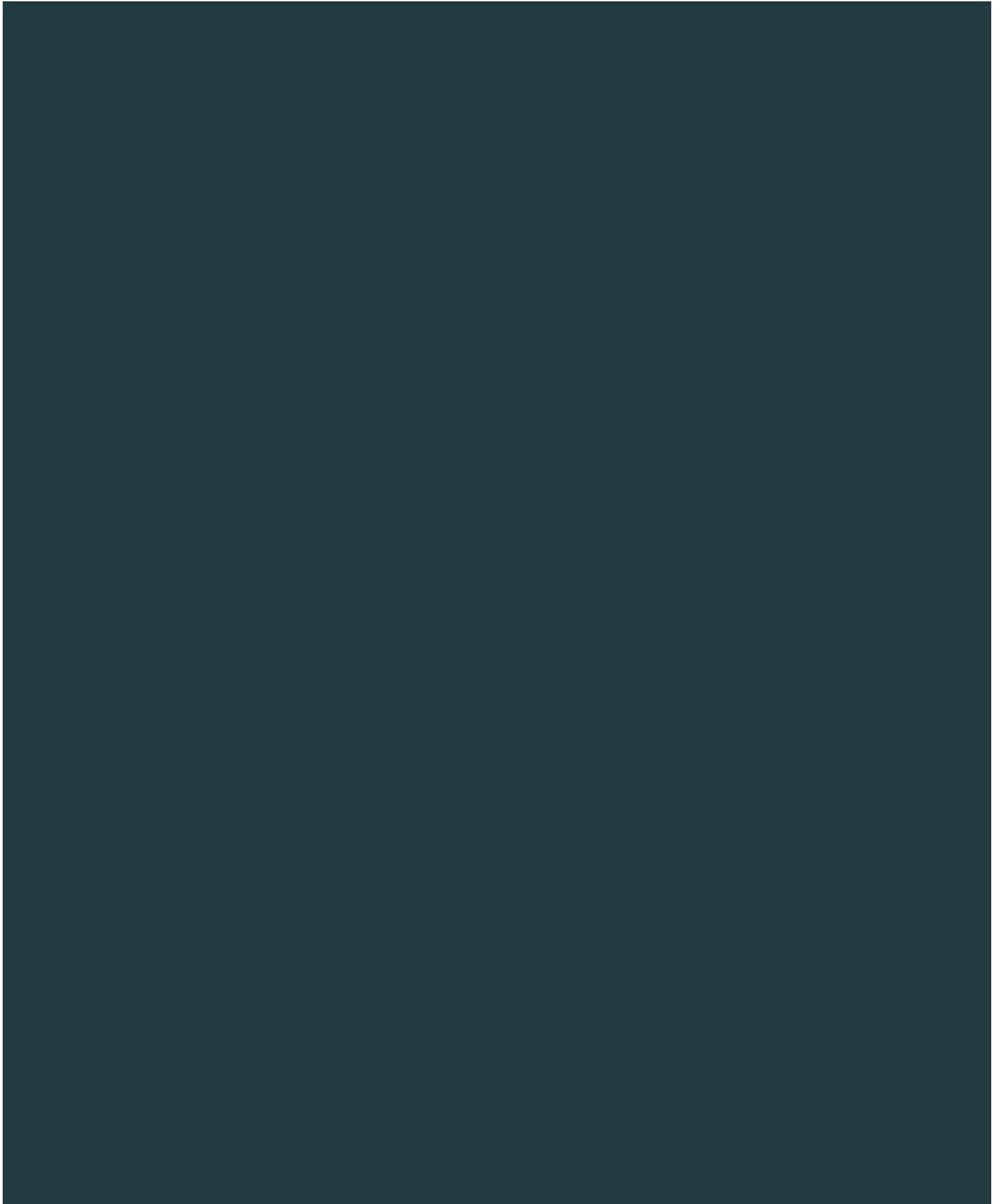
## Appendix 2: GRI content index

<b>Statement of use</b>	KMC Properties ASA has reported the information cited in this GRI content index for the period 01.01.2022 to 31.12.2022 with reference to the GRI Standards.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

<b>GRI STANDARD</b>	<b>Disclosure</b>	<b>Location in report</b>
<b>GRI 2:</b> General Disclosures 2021	2-1 Organisational details	p. 8-9, 30, 54
	2-2 Entities included in the organisation's sustainability reporting	p.20
	2-3 Reporting period, frequency and contact point	p.20
	2-4 Restatements of information	p. 24-5
	2-5 External assurance	p.20
	2-6 Activities, value chain and other business relationships	p. 5-9
	2-7 Employees	p. 20, 27
	2-8 Workers who are not employees	
	2-9 Governance structure and composition	p. 32-34
	2-10 Nomination and selection of the highest governance body	p. 32
	2-11 Chair of the highest governance body	p. 16
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 21
	2-13 Delegation of responsibility for managing impacts	p. 21
	2-14 Role of the highest governance body in sustainability reporting	p. 20
	2-15 Conflicts of interest	p. 33
	2-16 Communication of critical concerns	p. 21
	2-17 Collective knowledge of the highest governance body	p. 16-17
	2-18 Evaluation of the performance of the highest governance body	p. 33
	2-19 Remuneration policies	p. 34
	2-20 Process to determine remuneration	p. 34
	2-21 Annual total compensation ratio	p. 64
	2-22 Statement on sustainable development strategy	p. 10-12
	2-23 Policy commitments	p. 27
	2-24 Embedding policy commitments	p. 20-29
	2-25 Processes to remediate negative impacts	p. 20-29
	2-26 Mechanisms for seeking advice and raising concerns	p. 29
	2-27 Compliance with laws and regulations	There were no incidents of non-compliance in the reporting period
	2-28 Membership associations	Until date, KMC Properties do not participate in any associations or advocacy organisations
	2-29 Approach to stakeholder engagement	p. 23
	2-30 Collective bargaining agreements	

<b>GRI STANDARD</b>	<b>Disclosure</b>	<b>Location in report</b>
<b>GRI 3:</b> Material Topics 2021	3-1 Process to determine material topics	p. 23, 100
	3-2 List of material topics	p. 23, 100
<b>GRI 205:</b> Anti-corruption 2016	3-3 Management of material topics	p. 29
	205-1 Operations assessed for risks related to corruption	p. 29
	205-3 Confirmed incidents of corruption and actions taken	p. 29
<b>GRI 302:</b> Energy 2016	3-3 Management of material topics	p. 25-26
	302-1 Energy consumption within the organisation	p. 24
	302-3 Energy intensity	
<b>GRI 304:</b> Biodiversity	3-3 Management of material topics	p. 26
	304-2 Significant impacts of activities, products and services on biodiversity	p. 26
<b>GRI 305:</b> Emissions 2016	3-3 Management of material topics	p. 24
	305-2 Energy indirect (Scope 2) GHG emissions	p. 24
	305-3 Other indirect (Scope 3) GHG emissions	p. 24
<b>GRI 306:</b> Waste 2020	3-3 Management of material topics	p. 26
	306-3 Waste generated	p. 26
	Additional - Sorting rate: Percentage of waste that is diverted from disposal for recycling or reuse	p. 26
<b>GRI 308:</b> Supplier Environmental Assessment 2016	3-3 Management of material topics	p. 26, 29
	308-1 New suppliers that were screened using environmental criteria	p. 26, 29
<b>GRI 403:</b> Occupational Health and Safety 2018	3-3 Management of material topics	p. 27
	403-9 Work-related injuries	p. 28
<b>GRI 405:</b> Diversity and Equal Opportunity 2016	3-3 Management of material topics	p. 26-27
	405-1 Diversity of governance bodies and employees	p. 27
<b>GRI 406:</b> Non-discrimination 2016	3-3 Management of material topics	p. 26-27
	406-1 Incidents of discrimination and corrective actions taken	p. 26-27
<b>GRI 411:</b> Rights of Indigenous Peoples 2016	3-3 Management of material topics	p. 28
	411-1 Incidents of violations involving rights of indigenous peoples	p. 28







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