KMC PROPERTIES

Annual report

2023

KMC Properties ASA

Environmental, social and governance report

KMC Properties is experiencing a growing emphasis on Environmental, Social and Governance (ESG) concerns from financial institutions, regulatory stakeholders, and society at large. The employees and management of KMC Properties are dedicated to professionally engaging with ESG, considering it an ongoing and evolving process.

In 2023, there have been several regulatory developments that will guide KMC Properties' continued work with ESG. The Corporate Sustainability Reporting Directive (CSRD)[1] was adopted by the European Union (EU) and is likely to be implemented in Norwegian law. KMC Properties will have to comply with this in 2026, reporting for full year 2025. The company will start preparing for CSRD in 2024.

Energy efficiency in focus

The EU updated the EU Directive on the Energy Performance of Buildings (EPBD) in 2023, which aims to contribute to reducing emissions and enhancing energy efficiency in buildings in accordance with the overall environmental goals of the Union. The formal adoption process of the revised directive will start early 2024. In preparation for the EU Taxonomy[2], KMC Properties has mapped the energy labelling of its properties in 2023. This will inform the company's strategy regarding how to meet the expectations set out in the updated directive. In July 2023, the climate accounting requirement for new buildings, including commercial buildings, came into force through the Norwegian technical building regulations (TEK17). This will impact how KMC Properties plans greenfield projects going forward.

More extreme weather

The frequency and severity of extreme weather events is increasing, posing risks to KMC Properties' assets and operations. KMC Properties acknowledges the importance of understanding and managing climate-related risks concerning the current and future property portfolio. In 2023, KMC Properties therefore started conducting physical climate risk assessments of current portfolios. This will also be integrated in the due diligence procedures in future acquisitions going forward.

Employee satisfaction survey

KMC Properties conducted an employee satisfaction survey in 2023, which was followed by a collaborative session with the management team to analyse the results and discuss strategies for further improvement. Notably, the company achieved a satisfactory 69 per cent positive response rate on overall job satisfaction. KMC Properties remains committed to employee well-being, using survey findings to guide upcoming initiatives.

KMC Properties' progress

A set of targets for ESG initiatives and management action points was communicated in the 2022 report. Below is a status of the work completed so far.

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1) The Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS) have been adopted by the European Commission to expand the existing, non-financial reporting requirements for companies. The CSRD aims to enhance corporate transparency and sustainability reporting by introducing more comprehensive and standardised disclosure obligations.

2) EU Taxonomy, a classification system for sustainable economic activities developed by the EU set to be implemented in Norwegian law.

__Synprodo by BEWI:__ Produces EPS and EPP products to a variety of industries including Horticulture, automotive industry, food sector and pharmaceutical industry.

Target set in 2022	Status 2023
Employ an ESG Manager	Completed (50% FTE)
Prepare for reporting alignment with the EU taxonomy	Commenced
Further develop acquisition procedures to include environmental issues	Completed
Collect energy performance certificate (EPC) for the entire portfolio	Completed
Develop procedures to ensure diversity in the recruitment process	Completed
Conduct employee surveys	Completed
Continue supplier assessments and monitoring	Completed
Perform a physical climate risk assessment and create a plan to mitigate the risks	Commenced
Conduct a Double Materiality Assessment	Postponed to 2024
Conduct a gap analysis in preparation for the Corporate Sustainability Reporting Directive	Postponed to 2024
Develop a carbon emission reduction strategy	Postponed until baseline is established

2023 in numbers

- 17 tenants
- 66 properties in 7 countries
- 0.89 CO_2-e/m^2
- Capital expenditure NOK 205.3 million
- 75 per cent waste sorted on our construction sites
- 643 080 kWh renewable energy produced on our properties
- 3 serious injuries
- Gender balance:
  - Board of directors: Three women, five men
  - Executive management: One woman, four men
- Zero incidents of corruption


TA-04
SVOVELSYRE 50%
15 m³
SVOVELSYRE
UN 1830
SVOVELSYRE
37%

About this report

This is the third ESG report published by KMC Properties. It is prepared with reference to the Global Reporting Initiative (GRI) Standards (2021) and covers the 2023 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 the KMC Properties website.

The report has been approved by KMC Properties' Board of Directors. Feedback on this report is appreciated and can be directed to haavard.vatnan@kmcp.no.

Scope and boundaries

Information and data in the report concerns all of KMC Properties' properties and activities unless otherwise stated. The report sets out to disclose data about ongoing operations on properties, completed greenfield projects and KMC Properties' own operations for 2023. The intention of the report is to disclose the management approach in regard to the company's own operations as well as key parts of its value chain e.g. tenants.

Scope 3 GHG accounting

The Building Technical Regulations (TEK17) § 17-1 requiring greenhouse gas accounting for new residential and commercial constructions came into effect on 1 July 2022, with a one-year transition period. KMC Properties currently has no CAPEX projects within the scope of this reporting[3]. The Scope 3 GHG accounting includes the company's Scope 1 and 2, as well as Scope 3 categories for Business Travel and Downstream Leased Assets.

Employees

KMC Properties had 14 full-time employees at the end of 2023. The company had a turnover rate of zero per cent in 2023 and welcomed one new member to the team. All employees are based in Trondheim and Oslo, Norway.

Tenants and properties

In 2023, KMC Properties had 17 tenants. The number of properties has grown from 61 in 2022 to 66, including greenfield projects.

Data collection and consolidation

Stakeholders demand precise ESG data, making accurate collection crucial for KMC Properties. The company efficiently manages Environmental, Social, and Governance (ESG) data using reporting software, incorporating input from tenants to ensure high-quality consolidation for informed decision-making.

In 2023, 10 out of 17 tenants provided data for this ESG report, and data from 55 out of 66 properties was collected, resulting in an 82 per cent completion rate. All of these provided environmental data related to spills, while 20 properties provided data on health & safety issuesrate. All of these provided environmental data related to spills, while 20 properties provided data on health & safety issues.

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 to achieving this vision, creating value for 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.

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 Euro-

3) In 2023, KMC Properties executed a CAPEX project surpassing the threshold of NOK 40 million, known as Hitra I. The application for the building permit associated with this project was submitted to the municipality prior to 1 July 2023. Consequently, the project falls within the transition period, exempting it from the obligation to conduct greenhouse gas accounting.

PSW Technology (part of Scana ASA): *Providing complete lifecycle services towards specialised well equipment and offshore wind installations. Subsea and yard facilities located at Mongstad Base.*

pean industries, known for quality, innovation and properties that support their tenants in achieving their goals.

Responsibility

The board of directors holds the overall responsibility for ensuring KMC Properties' responsible implementation of ESG issues and has approved this report. The ESG Manager and key functions, manage ESG issues on a day-to-day basis and report directly to the CEO. 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.

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 2023, KMC Properties conducted a physical climate risk assessment to complement its existing risk management system. 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, signed by the company's CEO and are readily available on the company website (https://www.kmcp.no/) alongside other governing documents.

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

Materiality assessment and strategic priorities

The 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.

KMC Properties plans to undertake a Double Materiality Assessment (DMA) aligned with the guidelines of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard (ESRS) in 2024.

	No financial impact	Financial impact
High external impact	■ **Biodiversity:** – *Waste and pollution from tenants* ■ **Material and resources:** – *Use of materials in construction, scarce or non-recyclable*	■ **Climate change:** – *Emissions from construction and rehabilitation* – *Emissions from tenants' use of property* ■ **Health and safety** – *Injuries among contractors, suppliers, and tenants* ■ **Labor and human rights** – *Working conditions and structure*
Medium external impact	■ Negative impact on communities: – *Reduction in well-being of immediate surroundings of properties*	■ **Waste and pollution:** – *In connection with construction or rehabilitation* ■ **Circular economy:** – *Contributions through material selection* ■ **Labor and human rights:** – *Violation of indigenous rights* ■ **Illegal or unethical practices in own operation or supply chain**
Low external impact	■ Biodiversity: – *Sourcing of raw materials for construction* ■ Positive impact on communities: – *Employment and business opportunities*	■ Discrimination: – *Hiring practices and pay level* ■ Tax contributions: – *Ownership structure and tax practices*

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

KMC Properties' ESG strategy sets a clear purpose and vision for KMC Properties and defines four pillars (referenced in the accompanying table) to uphold 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.

Strategic pillar and ambitions for 2030	2026 targets	Status 2023
Long-term thinking KMC Properties' decisions today determines its ability to adapt to a low-carbon and just economy.		
Being considered an ethical and sustainable market player.	Zero reported corruption incidents	0 reported corruption incidents
	100% of portfolio properties assessed for physical climate risk	100%
	Map climate-related risks and opportunities for the main sectors that KMC Properties serve and update acquisition strategy	Commenced
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
Internal competency KMC Properties is a lean organisation, and every employee counts towards its success.		
Being an employer where employees experience a clear purpose in their work and be given equal opportunities to grow.	85% satisfaction rate on survey	Project conducted with external partner with conclusion shared in the social chapter.
	Minimum 40/60 (%) gender balance	Board of directors: 37.5%/62.5% (women/men) Management team:20%/80% (women/men) Employees: 35.7%/64.3% (women/men)
	Zero incidents of discrimination	Zero reported incidents of discrimination
Partnerships with tenants Ensuring good cooperation with tenants creates value and reduce risks for both parties.		
Being considered an attentive landlord supporting its tenants.	100% completion rate of planned visit inspections per year	20/20 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)	17.6% of tenants report that they have climate accounting
	25% of portfolio produce renewable energy	9% of properties have had renewable energy technology installed
	Zero spills from tenants' operation	There were 12 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	Zero fatalities Zero high-consequence work-related injuries (excluding fatalities 28 recordable work-related injuries
Future-fit properties A building, with all its components, has significant environmental and social impacts throughout its lifetime.		
Building robust, flexible, and low carbon buildings	Reduce waste generation on construction sites	Data not available
	Minimum sorting rate of 70% on construction sites	75.41% and 73.67% rates for the two greenfield projects completed in 2023
Ensuring the health and safety, as well as good working conditions, on greenfield and brownfield projects	Zero serious accidents on construction sites	No serious accidents
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	4 Suppliers

JACKON Insulation by BEWI: *Producing high-quality insulation materials and construction products for over 35 years. Their expertise lies in creating materials from extruded polystyrene foam (XPS)*

Environment

KMC Properties' impact on the environment occurs through its tenants' operations, capital expenditure projects in current portfolio and greenfield projects for new constructions. The company's environmental risks and opportunities have an impact on its assets, reputation and strategic decision making.

KMC Properties' strategy communicates its commitment to operating in an environmentally sustainable manner and to ensure that its properties are future-fit for the planet and society.

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

Key environment-related material topics:

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

Assessing climate-related risks

KMC Properties must ensure the resilience of its business in the light of more extreme weather plus changing regulatory and market-related expectations. KMC Properties carried out a climate risk review according to the recommendations of the Task force on Climate-related Financial Disclosures

(TCFD) in 2022. Building on this, KMC Properties conducted a physical climate risk assessment in 2023 aligned with the EU Taxonomy assessment criteria.

The assessment concluded that properties located in Norway are most susceptible to storm, river flood and storm surge. The properties outside of Norway are most vulnerable to wildfire, pluvial & ground water flood and water stress. In 2024, vulnerability analysis and specific mitigation action plans will be developed and presented to the board. KMC Properties will use this insight in property valuation, value preservation and investment decisions going forward.

Results of climate risk assessment – whole portfolio:

Physical climate risks	Unlikely	Moderately likely	Likely	Very likely	Highly likely
Wildfire	8	4	2	9	10
Hurricane				4	
Storm				8	15
River flood		2	12	6	
Storm surge				16	2
Sea level rise		1	12		
Avalanche	1	5			
Landslide	3	6			
Quick clay landslide			1	2	
Flooding			14	10	2
Settling hazard		4	2	2	1
Water stress					6

<table>
<tr><th>Type</th><th>Risk</th><th>Opportunities</th></tr>
<tr><td>Physical</td><td>■ Extreme weather, flood, and drought
■ Ocean acidification and rising sea levels</td><td rowspan="5">■ Energy efficiency measures
■ Renewable energy production offering
■ Attract capital through green bonds</td></tr>
<tr><td>Regulatory</td><td>■ Energy efficiency requirements
■ Increased CO_2 taxes</td></tr>
<tr><td>Market</td><td>■ Reduced access to capital
■ Reduced access to properties
■ Change in tenants’ preferences</td></tr>
<tr><td>Technological</td><td>■ Lack of circular building competency in supply chain</td></tr>
<tr><td>Reputational</td><td>■ Recruitment and retention of employees
■ Attracting solid tenants</td></tr>
</table>

Reducing emissions

The real estate sector accounts for up to 30 per cent of GHG emissions globally, and mitigating emissions is essential to reduce the impact that the sector has on climate change. The main drivers of emissions in the real estate sector are energy use in buildings, building construction and operation.

Stricter energy efficiency and carbon reduction requirements for buildings, impacting acquisition profitability and maintenance costs, are a part of KMC Properties' due diligence processes, and shall be formally integrated in the company’s procedures in 2024. Despite the potential challenges, the company's triple net bare-house lease agreements transfer responsibility for compliance costs, including Energy Performance Certificate (EPC) improvements, to the tenant. Notably, these changes do not directly increase maintenance costs for KMC Properties.

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 efforts to build partnerships with its tenants. The company actively works to reduce emissions across its value chain, as stated in its environmental strategy.

The vast majority of KMC Properties emissions lies in Scope 3, particularly downstream leased assets, and business travel. As a landlord and real estate developer, KMC Properties focuses its efforts in reducing emissions through cooperation with tenants and stricter requirements for contractors on greenfield projects.

In 2023, KMC Properties set intensity KPIs for emissions per m^2, adopting a pragmatic approach in the real estate sector. Intensity targets prove more effective than absolute emission targets, offering a nuanced assessment that considers variations in building size, function, and occupancy levels. This ensures a more accurate reflection of sustainability efforts relative to the scale and purpose of individual properties.

GHG accounting

KMC Properties' climate accounting has been prepared according to the GHG Protocol using operational control approach. For Scope 2 and 3 emissions, calculations are based on actual reported data.

In 2023, KMC Properties received energy consumption data from 82 per cent of its portfolio. The surge in total emissions stems from both a greater number of properties in 2023 compared to 2022 and an elevated energy consumption within these properties.

In December 2023, two new properties were acquired, one in Belgium and one in Germany. Due to the low proportion of the financial year when the buildings were under KMC Properties' control, they were excluded from the accounting in this report

GHG emissions (metric tonnes CO_2)

	2023	2022	2021
Scope 1	**0.00**	0.00	0.00
Scope 2 (Location-based)[4]	**0.18**	0.04	0.07
Scope 2 (Market-based)	**9.04**	3.77	3.56
Scope 3[5]			
Business travel	**20.37**	10.72	10.29
Downstream leased assets	**493 097.40**	47 009.96	46 362.00
Total emissions	**493 126.99**	47 020.72	46 372.36
Intensity metric (t CO_2e/m^2)	**0.89**	0.12	N/A

For this year's report, an intensity metric has been introduced, representing the tonnes of carbon dioxide equivalents coming from downstream leased assets per metre squared of leased properties. The metric has decreased from 2022 to 2023 due to significantly higher surface area owned and leased by KMC Properties, with relatively low increase in emissions from downstream leased assets.

In the future, KMC Properties will further expand its climate accounting boundaries to include new buildings in like with the Norwegian technical building regulations (TEK17).

Enhancing energy efficiency

Energy consumption (MWh)

	2023	2022	2021
Norway	**377 451**	71 862	80 290
Sweden	**33 904**	16 512	23 560
Denmark	**2 178 318**	56 676	57 336
The Netherlands	**82 029**	97 681	98 521
Finland	**14 927**	4 660	N/A
Total	**2 686 630**	242 731	259 707

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 2023, the total reported energy consumption for KMC Properties' portfolio was 2 686 630 MWh, compared with 242 731 MWh consumed in 2022. The significant increase is due to increased energy consumption across all countries apart from The Netherlands, and an especially high consumption of natural gas in Denmark.

The upcoming EU Energy Performance of Buildings Directive (EPBD), expected to be adopted in spring 2024, prohibits leasing commercial buildings below an energy rating of F from 2027 and E from 2030. To comply, KMC Properties is prioritising enhancing the energy efficiency of properties below a D rating, regardless of their rental income proportion.

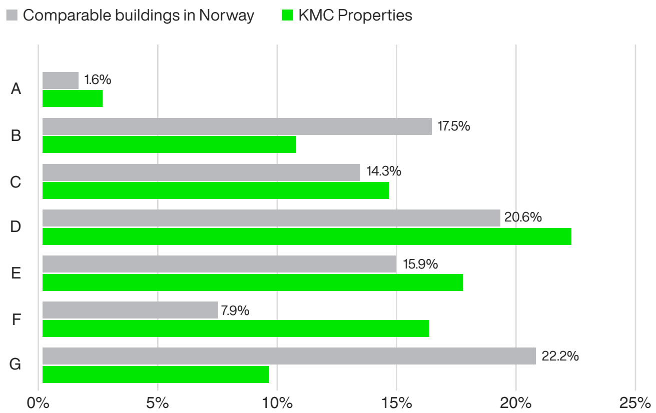
In 2023, KMC Properties conducted a systematic mapping of current energy consumption in its portfolio by acquiring updated energy reports with Energy Performance Certificates (EPCs). The results have uncovered the current energy condition of buildings and areas for potential improvement. The current EPC distribution across the Norwegian portfolio has also been compared to similar buildings with available certificates subject to Enova database.

4) Scope 2 – Electricity calculations are made using AIB emission factors.

5) Scope 3 – Includes two categories: Business travel and downstream leased assets. The calculations are made using DEFRA and AIB emission factors.

KMC Properties leveraged Enova's October 2023 support program, providing 50 per cent funding for property energy assessments. Focusing on properties below a D rating, the company successfully applied for and secured approval for 17 properties. Enova covers 50 per cent of assessment costs, aligning with lease terms and complying with energy standards. Tenants contribute the remaining 50 per cent, facilitating necessary improvements following the Energy Performance of Buildings Directive.

EPC rating distribution



KMC Energy

KMC Energy, a KMC Properties subsidiary, offers solutions that secure tenants' reliable access to renewable energy and contributes to a more stable capacity on the grid, which will benefit local communities.

After a successfully complete pilot with one of the tenants from BE Form in 2022, the Kampenveien 5 facility produced 463 079.5 kWh of renewable energy in 2023. The solar panels were sold to the tenant on 1 November 2023.

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.

Six of KMC Properties have installed solar cells on the ground, facades and/or roofs.

Resource management

The construction industry's resource-intensive nature poses a significant challenge due to environmental concerns. Implementing effective resource management practices offers a solution to mitigate both environmental impact and costs. Despite the challenge of limited access to recycled materials and difficulties in recycling, KMC Properties' aspiration is to build robust and flexible buildings with a low carbon design.

The Environmental policy of KMC Properties states that the environmental footprint of the materials should be considered, as well as provides guidance 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 two completed greenfield project in 2023, there was a reported sorting rate of 75.41 per cent and 73.67 per cent. KMC Properties has also conducted a supplier evaluation on a potential contractor for a new construction project and communicated expected reporting datapoints for 2024 to new greenfield contractors.

Preserving biodiversity

The construction and operation of industrial properties have the potential to adversely affect local ecosystems and biodiversity. Risks associated with the company's business include pollution from both the properties and construction activities, as well as habitat disturbance and conversion. Notably, some of the KMC Properties' properties are situated along the Norwegian coastline, either within or in close proximity to vulnerable ecosystems.

Preserving biodiversity is included in KMC Properties' ESG strategy, governing documents, and supplier screening criteria. The environmental policy states that the choice of location for greenfield projects will be informed by the potential impact on biodiversity on the site, and environmental due diligence processes are conducted according to laws and regulations. There were no recorded instances of non-compliance with environmental laws and regulations in 2023.

The procedure KMC Properties follows is to visit the properties at least every 24 months. In addition to reporting data in the company's ESG data platform, tenants are also required to submit a self-report every autumn, detailing any property-related matters from the past year.

There were 11 reported spills from KMC Properties tenants in 2023. Nine of them were refrigerant leakages resulting in a total of 757 litres of spill.

The other two were hydraulic oil spill from transport vehicle and a BOP-fluid spill.

With the company's largest tenant, KMC Properties has established a regular meeting series with their ESG director to address any overarching ESG issues.

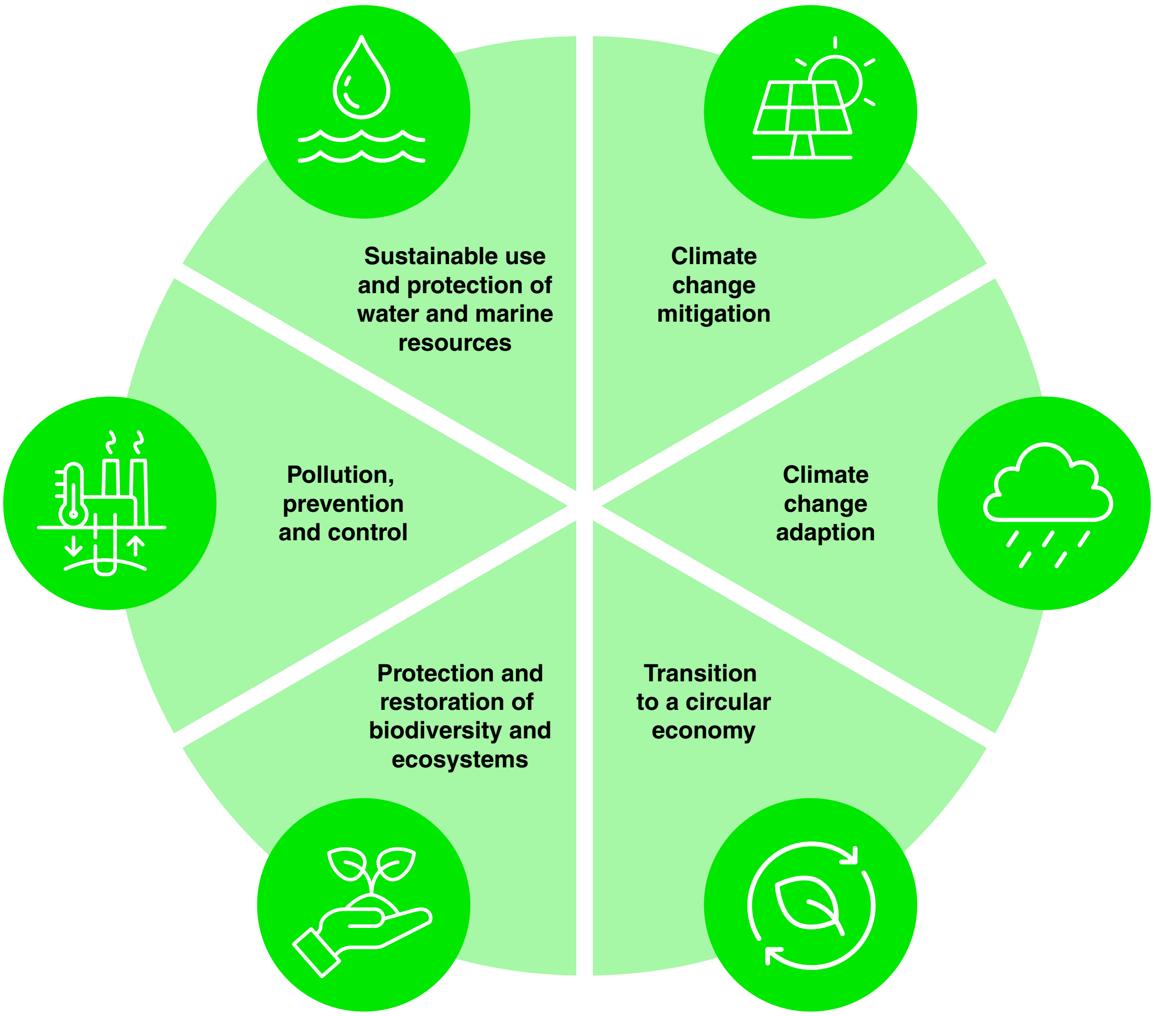
EU Taxonomy

The EU Taxonomy is a classification system for sustainable economic activities developed by the EU set to be implemented in Norwegian law. It is a tool for companies to align their activities with the environmental goals of the Union, as well as to ensure that human rights and ethical business conduct are upheld.

In 2023, KMC Properties identified its eligible activities. The assessment of alignment of these activities will be conducted once the company has completed a mapping of the energy labels and the physical climate risk assessments. Until then, the eligible activities identified are:

4.1 Electricity generation using solar photovoltaic technology
7.1 Construction of new buildings
7.2 Renovation of existing buildings
7.6 Installation, maintenance, and repair of renewable energy technologies

The taxonomy is structured around six environmental objectives:



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

Social

KMC Properties directly influences the working conditions and well-being of its employees and has an indirect impact on human rights and labour conditions within its supply chain. Additionally, the company exerts influence on its tenants and the communities in which its properties are situated.

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.

As a real estate developer and owner, most of KMC Properties' salient issues are in the first tier of its supply chain (construction and transportation services). Though, more work needs to be done to further assess salient issues in the sourcing of materials.

KMC Properties monitors its salient issues and updates its Transparency Statement annually, according to the transparency act. More information on our work with human rights can be found at https://www.kmcp.no/en/sustainability/the+transparency+act

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.

Relevant material topics

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

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 prohibited, as well as abusive discrimination. KMC Properties had zero reported incidents of discrimination in 2023.

Employee satisfaction

KMC Properties is a lean organisation, and each 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 gain experience. In 2023, KMC Properties conducted an employee satisfaction survey.

In February 2024, the results were presented to the management team and discussed to decide on the next steps. Notably, when asked about overall job satisfaction, considering all factors, KMC Properties observed a commendable 69 per cent positive response rate, which, given its small team, is a satisfactory result. KMC Properties intends to continue delivering on its commitment to employees and use the findings from the survey in guiding the upcoming employee well-being initiatives.

Diversity

At the end of 2023, KMC Properties had 14 full-time employees. 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.

To achieve diversity goals, KMC Properties has integrated diversity metrics into its hiring processes. Collaborating with its recruiting partner, the company improves procedures for a diverse candidate pool and fair assessments. KMC Properties actively addresses biases in traditional recruitment, heightening awareness across its five-step process—job analysis, attraction, assessment, decision-making and follow-up—to emphasise diversity at every stage.

Gender balance (women/men)

	2023	2022	2021
Board of directors	**3 / 5**	3 / 4	3 / 4
Management team	**1 / 4**	1 / 4	1 / 4
Employees (excl. management team)	**4 / 5**	4 / 3	6 / 4

Age distribution

	2023	2022	2021
50 <	**2**	1	3
30-49	**12**	11	12
29 >	**0**	0	0

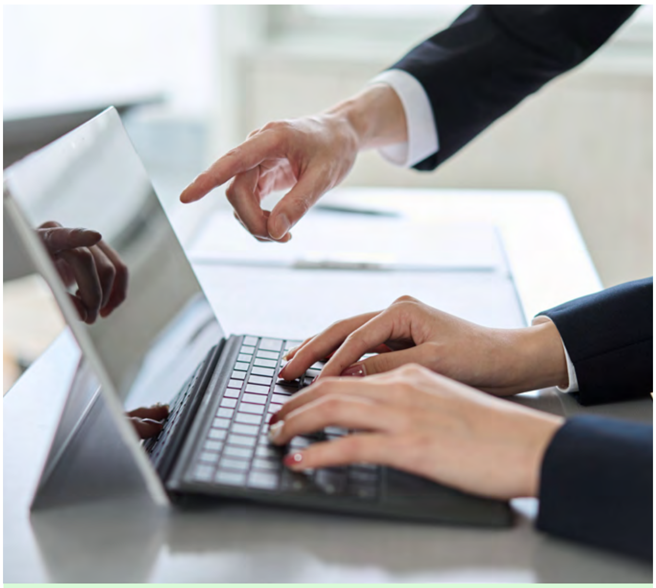
Safe working conditions on properties

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. The global affirmation of the importance of safety and health at work was expressed in June 2022 when the International Labour Conference (ILC) decided 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 its properties to enjoy safe, healthy and fair working conditions. This includes both construction workers and tenants.

Construction workers

KMC Properties aims for safety and favourable working conditions in all greenfield and brownfield projects. Construction site workers face risks such as falling objects, electricity hazards, explosions, crush injuries, conflicts between people and machines and construction collapse. Additionally, there are long-term health risks from noise, dust, chemi-



Internship at KMC Properties

In autumn 2023, KMC Properties hosted two student interns in its Mergers & Acquisitions (M&A) department where they conducted market analyses. The learning objectives included gaining insights into the real estate market within KMC Properties' operational regions. Tasks involved identifying properties, exploring financing methods, understanding the tenant landscape, and comprehending relevant industries' distinctive characteristics.

cal hazards, and ergonomics. The construction industry is prone to social dumping, where intentionally hiring foreign workers under sub-standard conditions can lead to poor working standards.

Health and safety are important for KMC Properties to manage, and contractors are carefully screened on their management and transparency of these issues. As of 2023, they are also 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.

KMC Properties bears the overall responsibility for health, safety, and the working environment (HSE) in construction and rehabilitation projects. The COO, reporting directly to the CEO, manages these matters daily, ensuring compliance with relevant laws and regulations including Norwegian minimum wage rates and injury insurance. Regular inspections are conducted by KMC Properties to uphold favourable working conditions.

KMC Properties has an ambition of zero serious accidents on its construction sites. In 2023, there were two active greenfield construction sites, and two minor injuries were reported. One of them included an employee of an excavation contractor who suffered a minor crushing injury to their foot. On another project, there was one minor injury reported. No other health or safety incidents beyond these have been recorded. Neither of these injuries resulted in any sick leave.

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, and 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. Three high-consequence work-related injuries were recorded in 2023 at KMC Properties. Two were caused by knife use, while the last one occurred during a roof upgrade when one worker experienced a fall accident after neglecting the use of necessary safety equipment. Based on the information, neither of the workers were absent from work for more than a few days. There were also 44 minor work-related injuries recorded, which were a result of tenants' operations including smaller cuts injuries, burns and bruises.

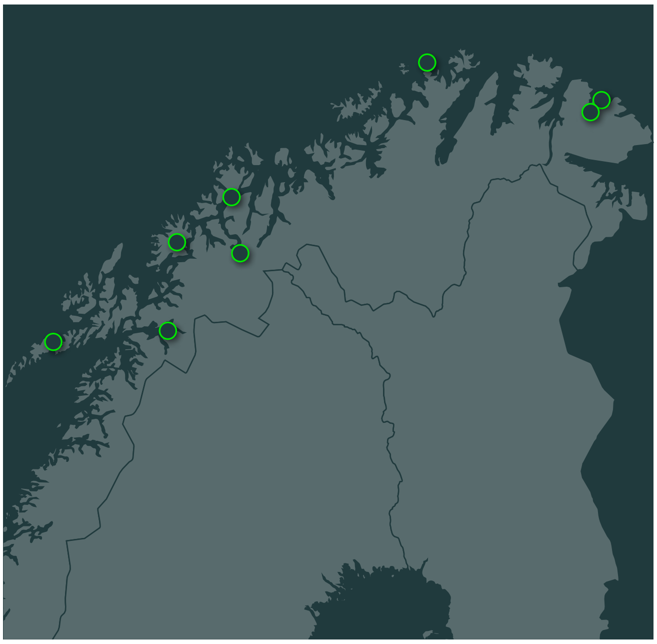
20 out of 66 properties were accounted for in this year's report.

Indigenous groups

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 Properties 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 at their potential developments, particularly when considering building on or near reindeer grazing lands or cultural sites. For the two new greenfield projects designated for commercial purposes by the municipality, no potential conflicts related to indigenous rights were found.

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



KMC Properties' properties in Northern Norway.

BEWI on Hitra: *Modern and efficient factory for the production of fish boxes.*

Governance

KMC Properties recognises that its business conduct has an impact on the economy through transactions and negotiations, as well as its management of the 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 Corporate Governance chapter 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.

Relevant material topics

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

Anti-corruption

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

KMC Properties' code of conduct states the company's zero-tolerance policy towards corruption, extortion, money laundering or bribery. The company mandates that its operations adhere to principles of openness and honesty, ensuring that such practices neither hinder competition nor favour any individual party. This commitment extends to internal dealings as well as external interactions with partners, tenants, and other stakeholders.

There were no reported incidents of corruption in KMC Properties' operations in 2023.

Supply chain management

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

Since 2023, the newly developed supplier code of conduct has applied to all suppliers. It details KMC Properties expectations to human rights, workers' rights, the environment, corruption, and sanctions. Since its implementation, the four current suppliers have signed. All new suppliers will be required to do the same.

Corresponding to this, a supplier questionnaire with detailed screening criteria related to governance of ESG issues was distributed to suppliers after a successful pilot in 2022. This is a crucial tool for KMC Properties to select contractors moving forward, both for new greenfield and brownfield projects. The operations and accounting departments at KMC Properties are responsible for following up on the evaluation of our suppliers.

Whistleblowing mechanism

KMC Properties strives to maintain transparency as well as high business ethics. A whistleblowing mechanism was put in place in January 2023 and is available online, providing an opportunity to communicate on suspected wrongdoings affecting people, the 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. In 2023, zero whistleblowing incidents have been reported.

Corporate Governance

KMC Properties aims to maintain a high standard of corporate governance. Good corporate governance strengthens the confidence in the company and contributes to long-term value creation by regulating the division of roles and responsibilities between shareholders, the board of directors and executive management.

Corporate governance at KMC Properties shall be based on the following main principles:

- All shareholders shall be treated equally
- KMC Properties shall maintain open, relevant, and reliable communication with its stakeholders, including its shareholders, governmental bodies, and the public about the company's activities
- KMC Properties' board of directors shall be autonomous and independent of the company's management
- The majority of the members of the board shall be independent of major shareholders
- KMC Properties shall have a clear division of roles and responsibilities between shareholders, the board and management

At 31 December there were no deviations from the Corporate Governance Code recorded for 2023:

The Corporate Governance Code		Deviations from the Code
1.	Implementation and reporting on corporate governance	None
2.	Business activity	None
3.	Equity and dividends	None
4.	Equal treatment of shareholders and transactions with close associates	None
5.	Shares and negotiability	None
6.	General meetings	None
7.	Nomination committee	None
8.	Board of directors: Composition and independence	None
9.	The work of the board of directors	None
10.	Risk management and internal control	None
11.	Board renumeration	None
12.	Renumeration of Executive Management	None
13.	Take-over situations	None
14.	Auditor	None

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Compliance and regulations

The board of directors (the board) of KMC Properties (the company) has the overall responsibility for ensuring that the company has a high standard of corporate governance. The board has adopted a corporate governance policy document addressing the framework of guidelines and principles regulating the interaction between the shareholders, the board, and the Chief Executive Officer (the CEO). The policy is based on the Norwegian Code of Practice (the Code) for Corporate Governance issued by the Norwegian Corporate Governance Board. The objective of the Code is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the board and executive management more comprehensively than is required by legislation. The board and executive management perform an annual assessment of its principles for corporate governance.

KMC Properties ASA is a Norwegian public limited company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act and listed on the Oslo Børs (Oslo Stock Exchange). The company is subject to section 3-3b of the Norwegian Accounting Act, which requires the company to disclose certain corporate governance related information annually. In addition, the Issuers Rules of Oslo Børs, covered by the Oslo Rulebook II chapter 4.5 requires listed companies to publish an annual statement of its principles and practices with respect to corporate governance, covering every section of the latest version of the Code. The Continuing Obligations also sets out an overview of information required to be included in the statement. The Norwegian Accounting Act is available at www.lovdata.no (in Norwegian), while the Issuers Rules is available at www.oslobors.no.

KMC Properties seeks to comply with the current code of practice, issued on 14 October 2021. The Code is available at www.nues.no/english.

Application of the Code is based on the 'comply or explain' principle, which means that the company must provide an explanation if it has chosen an alternative approach to specific recommendations.

KMC Properties provides an annual statement of its adherence to corporate governance in its annual report, and this information is also available at www.kmcp.no. This statement describes how KMC Properties conducted itself with respect to the Code in 2023.

Deviations from the Code: None

2. BUSINESS ACTIVITY

KMC Properties is a real estate company focused on owning industrial and logistics properties. The company's business purpose is set out in its Articles of Association as:

"The company's business shall comprise of trading, investment in real estate property and security instruments and other business operations in this relation, including participation in other companies with corresponding business through equity, loan or issuance of guarantees."

The company's main goals, strategies and risk profiles are presented in the annual report. It is the board's opinion that these objectives, strategies, and risk profiles are within the scope of the business purpose clause. The objectives for the business are set with the intention of creating value for shareholders.

The board has defined clear and long-term objectives for the company, to ensure value creation for the shareholders in a sustainable manner.

Long-term objectives, strategies and the risk profile are evaluated once a year in connection with the work on strategy, or as necessary in connection with major events or structural changes.

Deviations from the Code: None

3. EQUITY AND DIVIDENDS

Capital structure

The board is committed to maintaining a satisfactory capital structure for the company according to the company's goals, strategy, and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The board continuously assesses the company's capital requirements related to the strategy and risk profile.

On 31 December 2023, the company's equity totaled NOK 2 799 million, corresponding to an equity ratio of 42 per cent. The board considers KMC Properties' capital structure to be appropriate to the company's objectives, strategy, and risk profile.

Dividends

The company's dividend policy is based on the principle of fair distribution of profit among all its shareholders pro rata their respective holdings of shares, considering a rational correlation of the amount paid in dividends and the funds needed to carry out the strategic plans of the company's development. Dividend rights arise on the date approved by the general meeting. There are no restrictions involved for non-resident holders.

The company is focusing on pursuing growth through both organic and in- organic initiatives and anticipates paying dividends according to a dividend pay-out ratio in the 30-50 per cent range of the company's cash earnings, defined as net result from property management less payable tax, in the coming years.

KMC Properties did not distribute dividends for the financial year of 2023. In the company's report for the fourth quarter of 2023, the board stated its intention to propose to the general meeting to pay dividends in line with the company's dividend policy when the company has sufficient liquidity.

Board authorisations

Authorisations to the board to increase the share capital or to buy own shares will normally not be given for periods longer than until the next annual general meeting (AGM) of the company.

The extraordinary general meeting held on 1 December 2023 and the annual general meeting held on 11 May 2023, granted the board authorisations as follows:

1. Authorisation to increase the share capital by up to NOK 15 765 183.20, representing up to 20 per cent of the company's outstanding share capital as of the date granted, in connection with capital raisings for the financing of the company's business and in connection with acquisitions and mergers.
2. Authorisation to increase the share capital by up to NOK 1 000 000 in connection with issuance of shares in connection with share incentive arrangements for key employees and other employees.
3. Authorisation to acquire shares in the company and take security in treasury shares on behalf of the company with an aggregate nominal value of up to NOK 4 800 000.

The authorisations are valid until the annual general meeting in 2024, however no longer than until 30 June 2024.

Deviations from the Code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

In the event of capital increases based on authorisations issued by the general meeting, where the existing shareholders' rights will be waived, the reason for this will be provided in a public announcement in connection with the capital increase.

Any transactions, agreements or arrangements between the company and its shareholders, members of the board, members of the executive management team or close associates of any such parties will be conducted in compliance with the procedures set out in the Norwegian Public Limited Liability Companies Act. The board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question is considered immaterial. Board members and members of the executive management team shall immediately notify the board if they have any material direct or indirect interest in any transaction entered by the company.

Trading in own shares

Any transactions the company carries out in its own shares will be carried out either through the stock exchange or at prevailing stock exchange prices. If there is limited liquidity in the company's shares, KMC Properties will consider other ways to ensure equal treatment of its shareholders.

As per 31 December 2023, KMC Properties did not own any own shares. The company's financial statements provide further information about transactions with related parties.

Deviations from the Code: None

5. SHARES AND NEGOTIABILITY

KMC Properties has only one class of shares, and all shares have equal rights, including the right to dividend and voting rights. Each share has a face value of NOK 0.20 and carries one vote.

The company emphasises equal treatment of its shareholders, and the shares are freely transferable.

Deviations from the Code: None

6. GENERAL MEETINGS

The general meeting is the highest authority of KMC Properties. All shareholders of the company are entitled to attend and vote at general meetings of the company and to table draft resolutions for items to be included on the agenda for a general meeting.

Pursuant to article 7 of the company's articles of associations, the general meeting shall resolve:

1. The appointment of the chairman of the board
2. The approval of the annual accounts and annual report, including the distribution of dividends
3. The appointment of the members and the chairman of the nomination committee
4. Other matters that the general meeting is required by law to resolve.

The general meeting shall also resolve the board of director's declaration for remuneration of the executive management team in accordance with the Norwegian Public Limited Liabilities Act paragraph 6-16a.

The notice for the general meeting shall be sent to the shareholders no later than 21 days prior to the date of the general meeting. The general meeting may, with a majority vote as for amendments to the articles of association, and with effect for the next annual general meeting, decide that the notice for extraordinary general meetings shall be sent to the shareholders no later than two weeks prior to the extraordinary general meeting is held. The annual general meeting (AGM) is held each year no later than six months after expiry of the preceding financial year.

The AGM for 2024 is planned to be held on 15 May 2024. The board shall be present at general meetings.

Deviations from the Code: None

7. NOMINATION COMMITTEE

Article 7 of the company's articles of association stipulates that the nomination committee shall consist of three members. The members shall be elected for a period of two years unless the general meeting decides a shorter period.

The nomination committee shall prepare proposals to the general meeting in relation to the following:

1. The appointment of the members of the board and the chairman of the board
2. The appointment of the members of the nomination committee and the chairman of the nomination committee
3. The remuneration of the board and the nomination committee.
4. Any changes in the mandate of the nomination committee or in the articles of association

The Norwegian Public Limited Liabilities Act paragraphs 6-7 and 6-8 shall apply correspondingly for the members of the nomination committee.

As per 31 December 2023, KMC Properties' nomination committee included:

- Finn Haugan, chairperson
- Andreas Akselsen
- Gabriel Cronstedt

Deviations from the Code: None

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

According to article 5 of KMC Properties' articles of associations, the board of the company shall consist of minimum three members. The chairperson of the board alone, or two members of the board jointly, shall have authority to sign on behalf of the company. The board may designate procurators.

KMC Properties' board has eight members. Bjørnar André Ulstein was elected as chair of the board of directors and Jonas Grandér was elected a member of the board on the company's EGM on 1 December 2023. Mia Arnhult was elected as a member of the board the company's EGM on 2 February 2024.

The board of directors will consist of the following member until the general meeting in 2024; Bjørnar Andre Ulstein, Morten Eivindssøn Astrup, Mia Arnhult, Marianne Bekken, John Thoresen, Hege A. Veiseth, Haakon Sæter and Jonas Grandér.

KMC Properties held an extraordinary general meeting on 28 February 2023, whereas Stig Wærnes and Anna Musiej Aanensen resigned from the board, and Hege Aasen Veiseth and Haakon Sæter were elected as new board members.

Three of the members of the board are women. The Public Limited Companies Act states that there should be at least three of each gender when the board has between six and eight members.

When appointing members to the board, it is emphasised that the board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the company's operation. It is also considered important that the board can function well as a body of colleagues.

Board members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board members shall be encouraged to own shares in the company.

An overview of the board members' competence and background is available in a separate section of this report and from the company's website https://www.kmcp.no/en/our+people.

Independence of the board

All the board members of KMC Properties are considered independent of senior executives, and seven of eight are considered independent of the company's material business contacts. The majority of the members are independent of the company's main shareholders.

Deviations from the Code: None.

9. THE WORK OF THE BOARD OF DIRECTORS

The overall management of the company is vested in the board and the company's management. In accordance with Norwegian law, the board shall ensure that the company has proper management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the board and the executive management team. The CEO is responsible for the executive management of the company.

Instructions to the board and the CEO were last revised and approved by the board on 27 April 2022 and 22 February 2023.

The board has the overall responsibility for the management of the group and the supervision of its day-to-day management and business activities. The board shall prepare an annual plan for its work with special emphasis on goals, strategy, and implementation. The board's primary responsibility shall be (i) participating in the development and approval of the company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the executive management team. The chairperson of the board is responsible for ensuring that the board's work is performed in an effective and correct manner.

The members of the board receive information about the company's operational and financial development on a quarterly basis. The company's strategies shall regularly, and at least once a year, be subject to review and evaluation by the board.

The regulations governing the board's working practices include guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality and inform the board of any possible conflict of interest.

Further, the regulations include guidelines for how the board and executive management shall deal with approval of agreements, which are considered material, between the company and its shareholders and other close associates, including that the board shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the Norwegian Companies Act. Agreements with related parties will be included in the notes to the financial statements in the annual reports.

The board meets as often as necessary to perform its duties and shall prepare an annual evaluation of its work.

Sub-committees of the board

Audit committee

Pursuant to the Norwegian Public Limited Liability Companies Act and the listing rules of the Oslo Stock Exchange, the company shall have an audit committee. The audit committee is appointed by the board.

The committee's main tasks are to prepare the board's follow-up of the financial reporting process, monitor the group's internal control and risk management systems, and maintain an ongoing dialogue with the auditor.

KMC Properties' audit committee comprised the following members:

- Hege Aasen Veiseth
- John Thoresen

The board approved instructions to the audit committee at the board meeting on 4 February 2021.

Remuneration committee

The board has appointed a remuneration committee. The committee evaluates and proposes the compensation of KMC Properties' CEO and other members of the executive management team and provide general compensation related advice to the board.

KMC Properties' remuneration committee comprised the following members:

- Bjørnar Andre Ullstein, chairperson
- Marianne Bekken
- Haakon Sæter

The board adopted instructions to the remuneration committee on 29 April 2021.

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board shall ensure that KMC Properties has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the com-

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

pany's activities. The internal control and the systems shall also encompass the company's corporate values and ethical guidelines.

The objective of the risk management and internal control is to manage exposure to risks to ensure successful conduct of the company's business and to support the quality of its financial reporting.

The board shall carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The board shall provide an account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting.

Internal control of financial reporting is conducted through day-to-day follow-up by management, and supervision by the company's audit committee.

Deviations from the Code: None

11. BOARD REMUNERATION

The general meeting shall determine the board's remuneration annually. Remuneration of board members shall be reasonable and based on the board's responsibilities, work, time invested and the complexity of the enterprise. The remuneration of the board members shall not be performance-related nor include share option elements.

The board shall be informed if individual board members perform tasks for the company other than exercising their role as board members. Work in sub-committees may be compensated in addition to the remuneration received for board membership.

The board's remuneration was approved at the company's annual general meeting on 11 May 2023, following a proposal from the nomination committee.

Deviations from the Code: None

12. REMUNERATION OF EXECUTIVE MANAGEMENT

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act (NPLCA), the board prepares guidelines for determination of salaries and other benefits payable to senior executives.

The guidelines will, in line with the said statutory provision, as well as Section 5-6 (3) of the same Act be approved by the general meeting. If the guidelines are materially altered, the new guidelines will be laid before, and approved by the general meeting. The guidelines will be approved by the general meeting at least every four years.

In addition to the guidelines, the board prepares a remuneration report pursuant to Section 6-16b of NPLCA. Such report will be considered by the company's general meeting and shall be subject to an advisory vote by the general meeting in accordance with NPLCA Section 5-6 (4). The guidelines and report are published in a separate report and made available from the company's website, www.kmcp.no.

The company's senior executive remuneration policy is based primarily on the principle that executive pay should be competitive and motivating, to attract and retain key personnel with the necessary competence.

The statement refers to the fact that the board shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the statement. The CEO will normally propose the remuneration to senior executives in consultation with members of the remuneration committee.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATION

Investor relations

Communication with shareholders, investors and analysts is a high priority for KMC Properties. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing a sound foundation for a valuation of the company. All market players shall have access to the same information, and all information is published in English.

All notices sent to the stock exchange are made available on the company's website and at www.newsweb.no.

Financial information

The company normally holds investor presentations in association with the publication of its quarterly results. These presentations are open to all and provide an overview of the group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and the company's own prospects. The presentations are also available on the company's website.

Restricted trading periods

Persons discharging managerial responsibilities (PDMR) are not allowed to acquire or sell shares in the company or related financial instruments during the period from 30 days prior to the publication of the company's report for the first half year and for the fourth quarter, including preliminary full year results, following the regulations of the Market Abuse Regulations (MAR).

KMC Properties publishes a financial calendar on Oslo Børs's website, setting out the expected dates of publication for its reports. The dates are also available at the company's website.

Deviations from the Code: None

14. TAKE-OVER SITUATIONS

In a take-over process, should it occur, the board and the executive management team each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the board shall ensure that:

a) the board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;

b) the board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;

c) the board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and the board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This could include obtaining a valuation and fairness opinion from an independent expert. On this basis, the board shall draw up a statement containing a well-grounded evaluation of the bid and make a recommendation as to whether the shareholders should accept the bid. The evaluation shall specify how, for example, a take-over would affect long-term value creation of KMC Properties.

Deviations from the Code: None

15. AUDITOR

The auditor is appointed by the annual general meeting and is independent of KMC Properties. Each year the board shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

Each year, the auditor shall draw up a plan for the execution of their auditing activities, and the plan shall be made known to the board and the audit committee. The board should specifically consider if the auditor to a satisfactory degree also carries out a control function and the auditor shall meet with the audit committee annually to review and evaluate the company's internal control activities.

The auditor shall be present at board meetings where the annual accounts are on the agenda. Whenever necessary, the board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines, etc.

The auditor may only be used as a financial advisor to the company provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the company. Only the company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the annual general meeting the board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other specific assignments.

Deviations from the Code: None

***BEWI on Hitra:** Modern and efficient factory for the production of fish boxes.*

Financial statements 2023

Consolidated statement of comprehensive income

Amounts in NOK million	*Note*	**2023**	2022
Rental income	*2, 7*	**409.4**	272.7
Property expenses	*8*	**(5.0)**	(2.5)
Net operating income		**404.4**	270.2
Administration expenses	*8*	**(55.5)**	(52.1)
Net realised financials	*9*	**(199.7)**	(122.4)
Net income from property management		**149.1**	95.7
Net unrealised financials	*9*	**(18.2)**	34.7
Changes in value of financial instruments	*11*	**(65.1)**	110.6
Changes in value of investment properties	*6, 10*	**(117.4)**	41.3
Profit before tax		**(51.6)**	282.2
Current tax	*14*	**(20.1)**	(8.9)
Deferred tax	*14*	**(6.2)**	(29.3)
Profit from continued operations		**(77.9)**	244.0
Profit from discontinued operations	*4*	**(0.1)**	(80.8)
Profit		**(78.0)**	163.2
Other Comprehensive Income - Items that may be reclassified to profit or loss			
Translation differences for foreign operations		**76.7**	53.6
Comprehensive income		**(1.4)**	216.8
Profit attributable to:			
Equity holders of the company		**(78.0)**	163.2
Non-controlling interest		**-**	-
Earnings per share	*20*		
Continuing operations		**(0.22)**	0.56
Basic=Diluted (NOK)			

Consolidated statement of financial position

Amounts in NOK million	*Note*	**31.12.2023**	31.12.2022
ASSETS			
Non-current assets			
Investment properties	*6, 10*	**6 153.0**	5 365.6
Site leaseholds, right-of-use assets	*16*	**23.0**	18.9
Financial derivatives	*5, 11*	**149.2**	180.0
Other non-current assets		**12.1**	16.0
Total non-current assets		**6 337.3**	5 580.4
Current assets			
Trade receivables	*11*	**4.7**	7.0
Other current assets	*11*	**24.0**	6.8
Cash and cash equivalents	*12*	**275.0**	186.5
Total current assets		**303.8**	200.3
Total assets		**6 641.1**	5 780.7
EQUITY AND LIABILITIES			
Equity			
Share capital	*13*	**78.8**	64.8
Share premium		**1 918.8**	1 511.8
Translation reserve		**96.5**	19.8
Retained earnings		**704.4**	780.6
Total equity		**2 798.5**	2 376.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*14*	**135.9**	163.4
Non-current interest-bearing liabilities	*15*	**3 164.0**	1 217.4
Lease liabilities	*16*	**23.6**	19.1
Other non-current liabilities	*17*	**18.4**	19.8
Total non-current liabilities		**3 341.8**	1 419.7
Current liabilities			
Current interest-bearing liabilities	*15*	**363.3**	1 904.9
Trade payables	*17*	**22.3**	37.4
Current tax liabilities	*14, 17*	**12.0**	0.2
Other current liabilities	*17*	**103.1**	41.4
Liabilities held for sale	*4*	**0.2**	0.2
Total current liabilities		**500.8**	1 984.1
Total liabilities		**3 842.6**	3 403.8
TOTAL EQUITY AND LIABILITIES		**6 641.1**	5 780.7

Trondheim, Norway, 21 March 2024

The board of directors and CEO, KMC Properties ASA

Bjørn André Ulstein
Chair

Morten Eivindssøn Astrup
Director

Mia Arnhult
Director

Jonas Grandér
Director

Haakon Sæter
Director

Hege A. Veiseth
Director

Marianne Bekken
Director

John Thoresen
Director

Liv Malvik
CEO

Consolidated statement of cash flows

Amounts in NOK million	*Note*	**2023**	2022
Profit before tax		**(51.6)**	282.2
Changes in value of investment properties		**117.4**	(41.3)
Financial items		**283.1**	(22.9)
Change in working capital			
- change in current assets		**(16.8)**	40.6
- change in current liabilities		**44.7**	24.0
Other items not included in the cash flow		**(2.6)**	3.8
Taxes paid		**(17.3)**	(7.1)
Net cash flow from operating activities		**357.0**	279.3
Purchase of investment property	*10*	**(672.4)**	(1 307.7)
Upgrades of investment properties	*10*	**(205.3)**	(139.3)
Proceeds from property transactions	*10*	**101.4**	99.1
Interest received		**6.7**	3.1
Change in other non-current assets		**3.9**	(11.7)
Net cash flow from investment activities		**(765.7)**	(1 356.5)
Proceeds from issue of shares	*13*	**423.3**	324.1
Proceeds interest-bearing liabilities	*15*	**2 513.2**	866.0
Repayment interest-bearing liabilities	*15*	**(2 165.1)**	(18.7)
Interest paid		**(206.4)**	(125.5)
Transaction fees paid and other financial costs		**(55.5)**	(2.7)
Change in other non-current liabilities		**0.0**	9.6
Net cash flow from financing activities		**509.5**	1 052.9
Effects of exchange rate changes on cash and cash equivalents		**(12.3)**	3.2
Net change in cash and cash equivalents		**88.5**	(21.0)
Cash and cash equivalents at beginning of period		**186.5**	207.5
Cash and cash equivalents at end of period		**275.0**	186.5

Consolidated statement of changes in equity

	Subscribed share capital	Share premium	Translation reserves	Retained earnings	**Total equity**
Total equity at 31 December 2021	56.4	1 196.0	(33.8)	617.4	**1 836.0**
Issue of shares	8.4	321.6	-		**330.0**
Transaction cost issue of shares	-	(5.9)	-	-	**(5.9)**
Profit /(loss) for the period	-	-	-	163.2	**163.2**
Other comprehensive income (translation reserves)	-	-	53.6	-	**53.6**
Total equity at 31 December 2022	64.8	1 511.8	19.8	780.6	**2 376.9**
Issue of shares	14.0	409.3	-	-	**423.3**
Transaction cost issue of shares	-	(2.3)	-	-	**(2.3)**
Profit	-	-	-	(78.0)	**(78.0)**
Shared-based payment	-	-	-	1.8	**1.8**
Other comprehensive income (translation reserves)	-	-	76.7	-	**76.7**
Total equity at 31 December 2023	78.8	1 918.8	96.5	704.4	**2 798.5**

Notes to the consolidated financial statements

Note 01 Company information

KMC Properties ASA ("the company") is listed on Oslo Stock Exchange with the ticker KMCP. The company and its subsidiaries ("the group") business idea is to acquire and manage commercial industry and logistics properties. The group has a diversified portfolio of properties in the Nordics, Belgium, Germany, and the Netherlands. The properties are strategically located and have long lease agreements with solid tenants.

The holding company, KMC Properties ASA, is a public limited liability company with headquarter in Trondheim, Norway.

The consolidated financial statements were approved by the company's Board on 21 March 2024.

Note 02 Basis of preparation and accounting principles

2.1 Basis of Preparation

The financial statements are prepared in accordance with IFRS® standards as adopted by the EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

Acquired properties are included in the financial statements from the date of acquisition. Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate primarily to the valuation of investment property. Refer to note 6 related to critical accounting estimates and judgements.

The consolidated financial statements are presented in Norwegian kroner (NOK). The majority of the note disclosures are presented in NOK millions, unless otherwise indicated. The consolidated financial statements for 2023 with comparatives for 2022 have been prepared on a going concern basis.

2.2 Accounting principles

The consolidated financial statements are based on historical cost, except for the following:

- Financial instruments at fair value through profit or loss
- Investment properties which are measured at fair value

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

2.3 Basis of consolidation and business combinations

Subsidiaries are all entities over which the group has control. Control exists when the group is exposed to, or has rights to, variable returns as a result of involvement with the company, and the group is able to impact returns through its power over the company.

All acquired companies are included in the consolidated financial statements from the date on which the group obtains control over the company. In the same way, the company is deconsolidated when control over the company ceases.

For accounting purposes, acquisitions of subsidiaries that do not constitute a business as defined in IFRS 3, such as acquisitions where substantially all of the fair value of the gross assets acquired is concentrated in a single property or group of similar properties, are treated as asset acquisitions. The cost of acquisition is then attributed to the individual identifiable assets and liabilities based on their relative fair values on the acquisition date. Expenses associated with the transaction are capitalised under the investment property.

In such cases, deferred tax liabilities or assets are not recognised, except for deferred taxes related to losses carried forward, in accordance with the exceptions in IAS 12.

2.4 Functional currency and presentation currency

The group's presentation currency is NOK. Each entity in the group determines its own functional currency, and items included in the income statement of each entity are measured using that functional currency. The functional currency is the currency within the primary economic environment in which the entity operates. Transactions in foreign currencies are initially recorded in the functional currency at the rate on the transaction date. Monetary items denominated in foreign currencies are translated using the functional currency spot rates of exchange on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the rate on the reporting date. All currency translation differences are recognised in the income statement and statement of comprehensive income.

The assets and liabilities of foreign entities are translated into the presentation currency at the rate on the reporting date, and related income statement items are translated at average exchange rates per quarter. Currency translation differences arising on the translation are recognised as other comprehensive income. In the consolidated financial statements, currency translation differences linked to net investments in foreign operations are included in other comprehensive income until disposal of the net investment, at which point they are recognised in the income statement.

2.5 Segment information

There are no material differences in risks and returns in the economic environments in which the group operates. The group's highest decision-making authority, which is responsible for allocating resources and assessing the profitability of the operating segments, has been identified as the board of directors and the CEO. KMC Properties has one segment, industrial- and logistic properties. Consequently, the group is only present in one business segment. The group is present in following geographic markets per 31 December 2023:

Amounts in NOK million	Norway		Sweden		Denmark		Netherland		Finland		Germany		Belgium		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Rental income	**226.1**	171.2	**73.3**	38.5	**55.0**	30.8	**35.4**	27.3	**19.1**	4.7	**0.5**	-	**0.1**	-	**409.4**	272.7
Investment property	**3 480.7**	3 360.0	**842.1**	848.0	**787.6**	646.0	**474.4**	453.0	**317.0**	59.0	**149.5**	-	**101.7**	-	**6 153.0**	5 366.0

KMC Properties ASA has rental income from 2 customers that exceeds 10 per cent of total rental income in 2023:

Amounts in NOK million	BEWI		Insula		Grøntvedt		Scana		Other		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Rental income	**202.4**	125.0	**61.2**	51.5	**34.2**	30.3	**33.8**	31.3	**77.8**	34.7	**409.4**	272.7
Share of rental income	**49%**	46%	**15%**	19%	**8%**	11%	**8%**	11%	**19%**	13%	**100%**	100%

Note 03 Summary of significant accounting policies

3.1 Investment property

Investment property comprises completed property held to generate rental income or for capital appreciation or both. Investment property is recognised initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the withdrawal or disposal of investment property are recognised in the income statement in the year of disposal. Gains or losses on the disposal of investment property are determined as the difference between net selling price and the carrying amount of the asset at the time of sale.

3.2 Leasing

Leases in which KMC Properties is the lessee mainly comprise site leaseholds. The group recognises a lease liability for site leaseholds based on the premise that the leases are perpetual, and a corresponding right-of-use asset is recognised as an investment property. KMC Properties has chosen to recognise right-of-use assets separately in the balance sheet.

3.3 Financial assets

3.3.1 Classification, recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The group measures financial assets at amortised cost if both of the following conditions are met:

1) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Since the group's financial assets (trade (rent) and other receivables, cash, and short-term deposits) meet these conditions, they are subsequently measured at amortised cost. The group has entered a cross currency interest rate swap, this derivative is carried at fair value through profit or loss.

All the group's currency, interest-rate swaps and forward exchange contracts are used as economic hedges. Hedge accounting is not applied. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently recognised continuously at their fair value. Changes in the fair value of derivatives are recognised in the income statement under changes in value of financial instruments. The realised payable part of the interest-rate swap agreements is presented under net realised financials.

3.3.2 Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when:

1) The rights to receive cash flows from the asset have expired, or

2) The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

3.3.3 Impairment of trade (rent) receivables
For trade (rent) receivables the group applies a simplified lifetime approach in calculating expected credit losses (ECLs). The group historically has very low to null credit losses. Management evaluates on a regular basis the tenant's credit risk and guarantees in place related to trade receivables when determining the need for a loss allowance. For 2023 and 2022 no provision for an ECL allowance has been recognised, and there have been no losses on accounts receivable during 2023 and 2022.

3.4 Financial liabilities
3.4.1 Classification, recognition and measurement
Financial liabilities are classified at initial recognition, and subsequently measured at amortised cost, with some exemptions.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance expenses in the statement of profit or loss.

3.4.2 Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.5 Trade (rent) receivables
Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in note 3.4.

3.6 Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held with banks.

3.7 Share capital and treasury shares
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Own equity instruments which are bought back (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue, or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other equity/ other contributed equity. Voting rights related to treasury shares are cancelled and no provision is made for payment of dividends on treasury shares.

3.8 Related-party transactions
A person or a company (or other legal entities) is considered as a related party if he, she or it, directly or indirectly, has the possibility to exercise control or influence over another party in connection with financial and operational decisions. Parties are also considered related if they are under control or significant influence. Loans to certain subsidiaries are considered as part of the group's net investment. Exchange rate changes related to monetary items (receivables and liabilities) which are a part of the company's net investment in foreign entities are treated as currency translation differences, and thus entered against equity.

3.9 Taxes payable and deferred tax

The tax expense for the period comprises taxes payable and change in deferred tax. However, deferred tax is not recorded if it arises on initial recognition of an asset or liability in a transaction, other than a business combination, that affects neither accounting nor taxable profit or loss on the transaction date.

Deferred tax assets are recognised only to the extent that it is probable that there will be future taxable income against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related tax asset is realised, or the deferred tax liability is settled. The provision for deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities.

Pursuant to the exception in IAS 12, deferred tax is not recognised when buying a company which is not a business. A provision for deferred tax is made after subsequent increases in the value beyond initial cost, while a fall in value below initial cost will only reverse previous provisions for deferred tax. Furthermore, an increase in temporary differences related to tax depreciation will give grounds for a recognition of deferred tax.

Tax effects on other comprehensive income are separated and presented via other comprehensive income. These include exchange differences on net investments in foreign entities.

3.10 Revenue recognition

The group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the lease term.

3.11 Interest income

Interest income is recognised in income as it is earned using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the effective interest rate.

3.12 Classification of assets and liabilities

The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realised or intended to sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

3.13 Financial instruments

Derivatives are financial instruments at fair value through profit and loss unless the derivative is designated as a hedge accounting instrument. See also note 3.3.1.

3.14 Discontinued operation

In the beginning of 2022, the group decided to exit the Russian market and initiated an active process to locate a buyer for its Russian subsidiary owning the company's office building in Moscow. The investment in Russia is consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5. The Russian subsidiary was sold in the fourth quarter of 2022.

Note 04 Discontinued operations

In the first half of 2022 the company decided to exit the Russian market and initiated a sale of its Russian subsidiary owning the company's office building in Moscow. The investment in Russia was consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5.

In the fourth quarter KMC Properties sold and receive payment for the Russian entity. A complete sanction control and ownership research has been carried out of the buyer. The settlement has been made outside Russia. The remaining liabilities held for sale applies to a subsidiary in Cyprus under liquidation which is considered immaterial.

Amounts in NOK millions	**2023**	2022
Rental income	**-**	22.1
Property expenses	**-**	(11.6)
Net operating income	**-**	10.6
Administration expenses	**(0.1)**	(3.0)
Net realised financials	**-**	0.2
Net income from property management	**(0.1)**	7.8
Net unrealised financials	**-**	0.0
Changes in value of financial instruments	**-**	-
Changes in value of investment properties	**-**	(89.2)
Profit before tax	**(0.1)**	(81.4)
Current tax	**-**	0.6
Deferred tax	**-**	-
Loss from discontinued operations	**(0.1)**	(80.8)

Note 05 Financial risk management

The group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk,and
- Climate risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

FINANCIAL INSTRUMENTS BY CATEGORY:

Financial assets

Amounts in NOK million	Amortised cost 31.12.2023	Fair value through profit or loss 31.12.2023	**Total**	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	**Total**
Cash and cash equivalents	275.0	-	**275.0**	186.5	-	**186.5**
Currency and interest swaps	-	149.2	**149.2**	-	180.0	**180.0**
Trade receivables (non-interest bearing)	4.7	-	**4.7**	7.2	-	**7.2**
Total financial assets	279.8	149.2	**429.0**	193.7	180.0	**373.7**

Financial liabilities

Amounts in NOK million	Amortised cost 31.12.2023	Fair value through profit or loss 31.12.2023	Total	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	Total
Non-current interest-bearing liabilities	3 164.0	-	**3 164.0**	1 217.4	-	**1 217.4**
Land plot lease agreements (financial liability)	23.6	-	**23.6**	19.1	-	**19.1**
Other non-current liabilities	18.4		**18.4**	19.8	-	**19.8**
Current interest-bearing liabilities	363.3		**363.3**	1 904.9		**1 904.9**
Trade payables (non-interest bearing)	22.3	-	**22.3**	37.6	-	**37.6**
Total financial liabilities	3 591.5	-	**3 591.6**	3 198.9	-	**3 198.9**
Net financial assets and liabilities	(3 311.7)	149.2	**(3 162.6)**	(3 005.2)	180.0	**(2 825.2)**

Financial instruments at amortised cost
Financial instruments at amortised cost includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

Financial instruments measured at fair value
The table below shows an analysis of fair values of financial instruments in the Statement of Financial Position, grouped by level in the fair value hierarchy:

Level 1 - Quoted prices in active markets that the entity can access at the measurement date.

Level 2 - Use of a model with inputs other than level 1 that are directly or indirectly observable market data.

Level 3 - Use of a model with inputs that are not based on observable market data.

All financial derivatives are currency and interest swap agreements booked at fair value according to level 2.

Financial assets measured at fair value

Amounts in NOK million	Fair value level	2023	2022
Financial derivatives	Level 2	**149.2**	180.0

There were no transfers between levels during the period.

Derivatives
The fair value of financial derivatives, including currency forward exchange contracts/swaps and interest-rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest-rate curves and exchange rates at the balance-sheet date. The technical calculations are generally performed by the group's banks. The group has tested these valuations for reasonableness.

The group uses derivatives to manage its interest rate risk. Derivatives are initially recognised at fair value on the date on which the contract was signed, and subsequently at fair value. Gains or losses on remeasurement at fair value are recognised in the income statement. Changes in the value of the derivatives are presented under "Changes in value of financial instruments". Interest income from financial derivatives is presented under "Net realised financials".

The fair value of interest rate swaps is the estimated amount the group would receive or pay to redeem the contracts on the balance sheet date. This amount will depend on interest rates and the contracts' remaining term to maturity. The derivatives are classified on the balance sheet as non-current.

General objectives, policies and processes
The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives periodic reports from the group's finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

The group is exposed to market risk (including interest rate risk), currency risk, credit risk and liquidity risk. The risk policies are continuously being assessed by the board of directors and the appropriate policies and procedures to identify, measure and manage the financial risks has been implemented. The group's overall risk management program seeks to minimise potential adverse effects on the group's financial performance.

5.1 Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of
changes in market prices.

(i) Currency risk
Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional cur-

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: Salient issues

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

Appendix 3: GRI content index

Statement of use	KMC Properties ASA has reported the information cited in this GRI content index for the period 01.01.2023 to 31.12.2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	Disclosure	
GRI 2: General Disclosures 2022	2-1 Organisational details	Page 7
	2-2 Entities included in the organisation's sustainability reporting	Page 38
	2-3 Reporting period, frequency and contact point	Page 38
	2-4 Restatements of information	
	2-5 External assurance	Page 110-111
	2-6 Activities, value chain and other business relationships	Page 7-9
	2-7 Employees	Page 48
	2-8 Workers who are not employees	
	2-9 Governance structure and composition	Page 39
	2-10 Nomination and selection of the highest governance body	Page 55
	2-11 Chair of the highest governance body	Page 20
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 38
	2-13 Delegation of responsibility for managing impacts	
	2-14 Role of the highest governance body in sustainability reporting	Page 38
	2-15 Conflicts of interest	Page 55
	2-16 Communication of critical concerns	Page 39
	2-17 Collective knowledge of the highest governance body	Page 20-21
	2-18 Evaluation of the performance of the highest governance body	Page 55
	2-19 Remuneration policies	Page 56
	2-20 Process to determine remuneration	Page 56
	2-21 Annual total compensation ratio	Page 75
	2-22 Statement on sustainable development strategy	Page 4
	2-23 Policy commitments	Page 40, 44, 47
	2-24 Embedding policy commitments	Page 38-51
	2-25 Processes to remediate negative impacts	Page 38-51
	2-26 Mechanisms for seeking advice and raising concerns	Page 51
	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 does not participate in any associations or advocacy organisations.
	2-29 Approach to stakeholder engagement	Page 40
	2-30 Collective bargaining agreements	

GRI STANDARD	Disclosure	Location in report
GRI 3: Material Topics 2022	3-1 Process to determine material topics	Page 40
	3-2 List of material topics	Page 40
GRI 205: Anti-corruption 2016	3-3 Management of material topics	Page 51
	205-1 Operations assessed for risks related to corruption	Page 51
	205-3 Confirmed incidents of corruption and actions taken	Page 51
GRI 302: Energy 2016	3-3 Management of material topics	Page 44-45
	302-1 Energy consumption within the organisation	Page 44-45
	302-3 Energy intensity	
GRI 304: Biodiversity	3-3 Management of material topics	Page 45
	304-2 Significant impacts of activities, products and services on biodiversity	Page 45
GRI 305: Emissions 2016	3-3 Management of material topics	Page 43-45
	305-2 Energy indirect (Scope 2) GHG emissions	Page 44
	305-3 Other indirect (Scope 3) GHG emissions	Page 44
GRI 306: Waste 2020	3-3 Management of material topics	Page 45
	306-3 Waste generated	Page 45
	Additional - Sorting rate: Percentage of waste that is diverted from disposal for recycling or reuse	Page 45
GRI 308: Supplier Environmental Assessment 2016	3-3 Management of material topics	Page 43
	308-1 New suppliers that were screened using environmental criteria	Page 43
GRI 403: Occupational Health and Safety 2018	3-3 Management of material topics	Page 48-49
	403-9 Work-related injuries	Page 49
GRI 405: Diversity and Equal Opportunity 2016	3-3 Management of material topics	Page 48
	405-1 Diversity of governance bodies and employees	Page 48
GRI 406: Non-discrimination 2016	3-3 Management of material topics	Page 47-48
	406-1 Incidents of discrimination and corrective actions taken	Page 47-48
GRI 411: Rights of Indigenous Peoples 2016	3-3 Management of material topics	Page 49
	411-1 Incidents of violations involving rights of indigenous peoples	Page 49

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