



ULSTEIN®

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ESG REPORT 2022

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS



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LETTER FROM THE CEO

Ulstein's vision is to create tomorrow's solutions for sustainable marine operations.

Our ESG Report 2022 serves as our Communication on Progress (COP) in terms of implementing the UN Global Compact principles in the areas of human rights, labour, environment and anti-corruption, and is our 10th report to the initiative.

Ulstein put emphasis on diversity and equality, actively seeking people with diverse backgrounds. As a result, we have set high targets for the percentage of female workers in Ulstein Group. However, these targets will not be achievable without more women making careers in the maritime industry. We are therefore engaging directly with schools and universities to encourage more women to choose a maritime path.

Furthermore, we strive to ensure equal career opportunities and actively encourage female workers to aspire for management positions.

The daily impact on the environment of all the vessels we have designed and/or built is far larger than the combined daily activities of our companies. We have the power to reduce this impact in existing and future vessels through innovations in hull design, system integration, energy carriers and operational improvements.

We constantly aim to be one step ahead when it comes to solutions for sustainable marine operations, and our goal is to

reduce any adverse effects that our activities or products have on the environment. We are involved in a wide range of actions, initiatives and projects that have a positive impact on both the environment and society in general.

Norway is the world's fifth-largest shipping nation, and the Norwegian maritime cluster, with shipyards at its core, is a vital facilitator of the green transition. To ensure that we maintain this important position, we need politicians who understand and support our industry.

We are in the forefront when it comes to developing innovative solutions, and through collaboration across company boundaries in the maritime cluster, we are well positioned to take a leading role on the path towards a zero-emission society.



CATHRINE KRISTISETER MARTI
CEO



ESG REPORT 2022



INTRODUCTION

Ulstein Group, established in 1917, is a family-owned company with activities that consist primarily of ship design and solutions, shipbuilding and aftermarket services.

The group is headquartered in Ulsteinvik, Norway, and is present in four countries. At the end of 2022, Ulstein Group had 358 employees. Our vision is to create tomorrow's solutions for sustainable marine operations. Sustainability is our duty and the backbone of our vision. We are dedicated to contributing to a sustainable future for our planet. To achieve this Ulstein will continue to reduce the environmental impact of all our activities and products.

We keep a steady focus on sustainability through our annual Communication on Progress (COP) Report to the UN Global Compact.

Ulstein wholeheartedly supports all 17 Sustainability Development Goals (SDGs), however we have identified four specific goals where we believe we can make the largest impact.



MAIN AREAS

Our COP Report is divided in three main areas, Governance, Social and Environment:

GOVERNANCE Laws and rules	
SOCIAL Human Rights Labour Anti-Corruption	ENVIRONMENT Climate Natural resources

MATERIALITY ASSESSMENT

In 2022, we carried out a revised materiality assessment process to identify where we can make the largest impact.

Priority 1 – Emissions reduction in operating vessels and new designs

The daily impact on the environment caused by vessels in operation that we have designed and/or built is far larger than the combined daily activities of our companies. We have the ability to reduce this impact in existing and future vessels through our design activities, power and control solutions and yard services.

Priority 2 – Reducing local air pollution caused by shipbuilding activities

The second-largest impact is local air pollution caused by our shipbuilding activities. The most effective initiative to reduce local air pollution is to install shore power facilities.

Priority 3 - Reduce and reuse of resources

Building a ship involves the use of energy and water resources and produces a lot of waste. We have procedures for the responsible handling of waste, including hazardous waste and various metals, oils and residues from sandblasting and painting. To track our progress in reducing the use of resources and minimising waste, we have established a set of Key Performance Indicators (KPIs).

GOVERNANCE

Governance describes the overall strategy to secure sustainable growth. We are committed to working in accordance with responsible, ethical and sound business principles based on the vision and values set out in our Code of Conduct, as well as our policies regarding compliance and Corporate Social Responsibility. These policies form the foundation of our business, and in reflecting our vision and values their purpose is to promote the right attitudes and secure a positive company culture.



Ulstein Group's Board of Directors is responsible for ensuring that our sustainability work is incorporated into governance and strategy, aligned with our Environmental Policy and in compliance with applicable laws and regulations in the areas where we operate. The CEO, together with Group Management, has overall responsibility for carrying out our day-to-day sustainability work.

Ulstein Group's Board of Directors has adopted a Code of Conduct setting out the principles and standards for ethical conduct across all our companies. The management reports annually to the Board of Directors on the status of compliance in Ulstein. Our corporate framework for governance and control includes the following Group Management policies:

- Code of Conduct for Ulstein Group
- Code of Conduct for Ulstein's business partners
- Due diligence policy
- HSE Policy
- Quality policy
- Personnel policy
- Environmental policy
- Guidelines for information security
- Guidelines for whistleblowing

These policies are implemented in our business processes which are available through our internal collaboration system.

ISO 90001 Ulstein Verft



ISO 90001 Ulstein Marine Equipment



Our Code of Conduct sets out our principles for ethical conduct, including those principles and standards ensuring that Ulstein Group respects and protects human rights and decent work conditions. These can be found on Ulstein.com. Our Code of Conduct is also our key governing document in handling ethical dilemmas.

As a part of the implementation of the Norwegian Transparency Act



in Ulstein, we have developed a due diligence process that has the following main targets:

- Ensure that our business or operations do not have a negative impact on basic human rights or decent working conditions
- Inform the public through a report on an annual basis
- Provide information upon request

Ulstein's overall strategy is to achieve sustainable growth and to promote our international position through dedicated innovation processes and respect for diversity, and we continuously strive to achieve our vision: 'We create tomorrow's solutions for sustainable marine operations'.

Innovation involves the realisation and capitalisation of inventions and is paramount for the continued development of Ulstein's product and service portfolios. Ulstein had NOK 82.2 million in R&D expenses in 2022, of which NOK 1.4 million (1.6%) was government-supported, compared to NOK 61.9 million in R&D expenses in 2021, of which 5.0 % was government-supported.

Several companies in Ulstein Group participate in as well as initiate projects within research, innovation and competence building, partly supported by Norwegian government authorities through organisations such as the European Commission, the Norwegian Research Council, Enova, Innovation Norway and the county of Møre og Romsdal.

We financially support research programmes and projects such as MOVE-SFI (NTNU, Ålesund), MASSFERRY (USN, Kongsberg), DREAMS (NTNU, Trondheim and BI, Oslo) and Digital Twin (Digicat, Ålesund). All our R&D efforts in 2022 are related to green initiatives.

SOCIAL

We are dedicated to contributing to a sustainable future for our planet, it is simply our duty.

Ulstein's business should grow in an ethical, including and

responsible manner for current and future generations. This commits us to consider both the environmental, social and economic impact of our business decisions.

ANTI-CORRUPTION AND RESPONSIBLE PROCUREMENT

Ulstein disapproves of all forms of corruption and makes every effort to ensure that corruption does not occur in our business activities. Corruption undermines all kinds of legitimate business activities and destroys free competition. Ulstein prohibits any provision, offering or accepting of bribes to any person, whether private or public, either directly or through any third party. We have an active anti-corruption policy integrated in our Compliance Programme.

Being a global company means setting the same standards wherever we operate. We have a target of zero incidents related to corruption and carry out anti-corruption training for new employees and annual training for employees in relevant positions.

Adopting responsible business practices is an important step to achieving long-term value creation. We can contribute to change through the demands we set when sourcing products and services. We work against corruption, inequality and discrimination. Ethics in procurement, sales, project and top management is fundamental.

We carried out extensive work in 2022 to implement the requirements following from the Norwegian Transparency Act, which entered into force on 1 July 2022.

HUMAN RIGHTS AND DECENT WORKING CONDITIONS

Ulstein is committed to equal opportunities for all our employees in an inclusive environment. No discrimination on the grounds of gender, pregnancy, parental leave in connection with childbirth or adoption, care responsibilities, ethnicity, religion, belief, disability, sexual orientation or gender identity, gender expression, age or other significant characteristics of a person is acceptable.

In accordance with the Norwegian Transparency Act, we have established a human rights due diligence process for assessing, identifying and mitigating the risk of potential or actual negative impact on basic human rights or decent working conditions in connection with Ulstein's business and operations. The first annual report from this assessment will be available on our website from 2023.

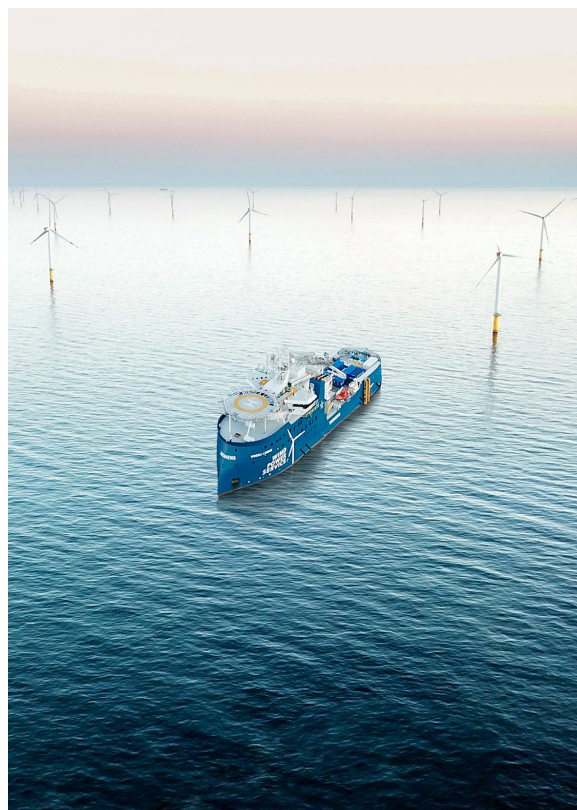
The aim of our sponsorship activities is to contribute to the communities we are a part of, to express our values 'Innovate, Engage and Advance' and to secure equality and non-discrimination. We have set a goal that 10-15 per cent of our sponsorship support goes to education and health initiatives in vulnerable environments. This share is distributed annually to a family village under the aegis of the NGO, SOS Children's Villages.

More than 80 per cent of our support is dedicated to activities that support equality and inclusion. We support recreational sports and activities for children and young people.

LABOUR AND EQUALITY

Ulstein is committed to respecting internationally recognized labour rights and aims to ensure decent work conditions in our own business operations, as well as in our value chain. Ulstein has a target of zero violations in relation to the requirements of the Norwegian Working Environment Act and is committed to ensuring a working environment characterised by diversity and respect. We work in a systematic manner to promote equality and to prevent discrimination in Ulstein, including in our recruitment processes, to ensure equal wages and working conditions, career and development opportunities and protection against harassment.

In our annual Activity and Reporting Obligation (Norwegian: ARP) enquiry in all the Norwegian companies, we examine gender distribution and percentage of part-time workers, potential wage differences and average absence due to maternity and paternity leave.



In 2022, we have carried out a work environment enquiry in all the Norwegian companies and followed up with information and training. We actively work to increase the percentage of women in our organisation, particularly in middle management, technical disciplines and production, as we believe that increased diversity will enhance our competitiveness. We aim for female representation of at least 40 per cent all across the companies and boards, including apprentices.

To support this goal, Ulstein engages in long-term recruitment activities, including company visits, teaching, cooperation with local schools and municipalities, and participation at vocational fairs. We have a representative in the Maritime Forum at NTNU to promote recruitment, particularly of women, in technical and maritime subjects. We maintain close contact with universities and research institutions and collaborate actively with students on BSc, MSc and PhD theses.

ENVIRONMENT

Ulstein provides ship designs, shipbuilding, system solutions and services that make efficient, competitive and reliable marine operations possible.

Sustainability is an integral part of our business activities. To achieve sustainability in the environmental sense, Ulstein focuses on reducing the environmental impact of all activities and products. This is done through:

- **Reducing emissions from our operations** – Taking gradual and measurable steps towards making our products, processes and operations more sustainable. We strive to take necessary actions to ensure energy efficiency in our operations and that we ensure and secure the appropriate recycling of materials.
- **Reducing the environmental impact of our products** – Designing and building greener vessels and developing more environmentally friendly products that help our customers reduce their footprint



- by minimising emissions and causing less harm to the environment.

Our air emissions during 2022 in numbers:

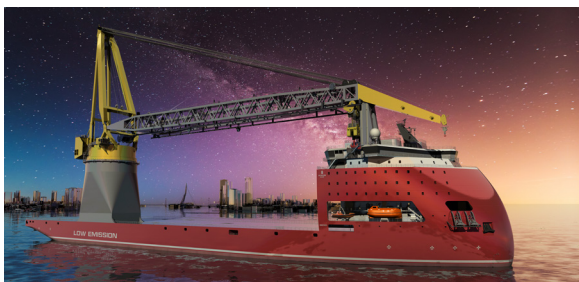
- The 167 vessels designed and/or built since 1999 cause, based on a rough estimate, annual CO₂ emissions of 1.5 million tonnes (approximately 0.014 % of world fleet emissions).
- The 25+ vessels visiting the Ulstein Verft shipyard for aftermarket services generated an estimated 4,600 tonnes of CO₂ in 2022 (approximately 12.7 tonnes per day).
- Our operations at Ulsteinvik resulted in 123 tonnes of CO₂ in 2022, primarily from electricity consumption.

REDUCING EMISSIONS FROM OUR OPERATIONS

AIR POLLUTION FROM SHIPBUILDING AND HEADQUARTER'S (HQ) ACTIVITY

The emissions generated from our operations form a very small fraction of both the emissions generated by the vessels that Ulstein has designed or built over the years and the vessels visiting our site for aftermarket services.

Even though the total energy consumption at our HQ, which includes shipbuilding, was 11,225,631 kWh in 2022, 97 per cent of this energy



comes from renewable sources, thus resulting in lower emissions. Nevertheless, we continuously work to reduce the environmental impact of our own operations by enhancing energy management at our Ulsteinvik yard.

Similarly, Ulstein plans to install a shore power system that is planned to be up and running by the end of 2024. This will considerably reduce emissions from vessels under construction or undergoing aftermarket services at Ulsteinvik (the latter accounting for approximately 12.7 tonnes of CO₂ per day in 2022).

The following efforts were carried out in 2022 with the purpose of reducing energy consumption:



- Numerous energy-saving measures were implemented in the shipbuilding area, including the installation of LED lights in the dock hall, which alone has led to more than a 70 per cent reduction in dock hall energy consumption.
- A LED project in six other halls at the yard has led to a 95 per cent reduction in energy spendings, equivalent to an annual saving of more than 80,000 kWh.
- We installed an air compressor with heat exchanger that is now used to heat the warehouse, replacing the former diesel-powered compressor. This has saved 73 tonnes of CO₂. The new compressor is more efficient and we expect further savings in the range of 15 tonnes up to 31 tonnes of CO₂.

Measurements show that the total energy consumption at our HQ, including shipbuilding activity, was 33.8 kWh per work hour. This was an increase from 28.2 kWh per work hour in 2021 but was primarily the result of changes in activities in 2022.

Ulstein Verft will also be ISO 14001 certified in 2023.

SUSTAINABLE USE OF NATURAL RESOURCES AND WASTE HANDLING

The shipyard is our single largest company, and due to the type of activities carried out, has a great demand for resources.

In our own operations we concentrate on energy management, waste reduction, improved waste handling and recycling of materials at the yard.

All vessels built by Ulstein Verft include an inventory of hazardous materials and Marine Equipment Directive (MED) documentation, ensuring compliance with the EU's MED. Our vessels include certificates for asbestos-free production. The shipbuilding area has strict procedures for the responsible handling of waste, including hazardous waste and various metals, oil and residues from sandblasting and painting.

The total amount of waste generated by our shipbuilding activities was reduced in 2022, but the percentage of hazardous waste has increased. This resulted from a change in activities during the year where Ulstein was mainly occupied with repair and service assignments. More of the waste from such activities must be treated as hazardous waste.

The share of waste fractions sorted increased significantly, from 24 fractions in 2021 to 38 in 2022.

All sea water from the yard's dry dock is cleaned using sludge separation (oil and debris) before it is returned to the sea.

Chemical handling is performed according to regulations and our procedures have been evaluated by external consultants. The dry dock hall ensures that paint and dust are concentrated inside the hall and not emitted to nature. In 2022, in connection with dockings, 17,000 litres of oil emulsions/slop water were recovered, of which 95 per cent was sent for material reuse and 5 per cent for energy reuse.

In 2023, we will formulate a comprehensive Waste Management Plan for the Norwegian companies.

REDUCING THE ENVIRONMENTAL IMPACT OF OUR PRODUCTS

DELIVERING GREENER VESSELS THROUGH INNOVATIVE PRODUCT DEVELOPMENT

When designing or redesigning a ship or developing a product, we keep in mind their life-cycle environmental impact. Any product will have an impact when manufactured, when in use and when taken out of use. We keep updated on all new environmental standards and safety regulations and constantly work to implement these in new developments to reduce our overall impact.

Reaching national and international decarbonisation goals will require a holistic approach. Ulstein is promoting the decarbonisation of the fleet by optimizing our designs according to the following four approaches:

- i) more effective vessel operations
- ii) reduce energy consumption
- iii) smarter use of energy onboard
- iv) use of greener energy sources



STEPWISE TRANSITION TO ZERO-EMISSION CRUISES

In 2022, we introduced the ULSTEIN CX129 cruise ship design for a stepwise transition towards zero-emission operations. The design has been developed to operate on dual-fuel methanol/MGO engines. With a battery capacity of 4 MWh, a total fuel range of 11,000 nautical miles on MGO/HVO and 3,800 nautical miles on methanol, the design also includes the option for a future upgrade to 1,200 nautical miles of hydrogen range. The concept shows that typical cruise operations can be dramatically decarbonised.



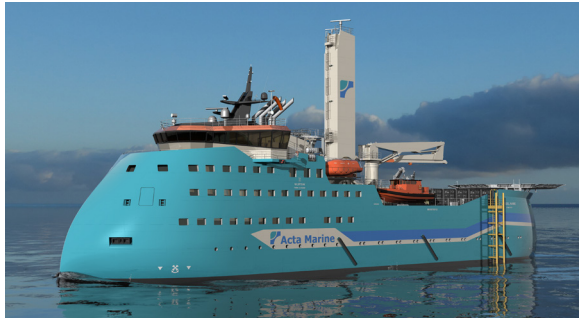
Our holistic design approach, including analysis of actual vessel operations, generates more innovative ideas when combining considerations regarding hull design with smart energy solutions. We implement and/or prepare for alternative fuel solutions in almost every vessel design that we work on. Our designs also include energy-saving technologies such as battery energy storage systems for peak shaving and spinning reserve purposes, and heat regeneration (waste heat recovery) in accommodations.

Our iconic X-BOW itself is a clear environmental contribution that Ulstein has implemented systematically in most of its vessel designs. A study on the X-BOW effect in expedition cruise vessels shows that this hull shape alone is responsible for more than a 5 per cent fuel reduction.

An X-BOW PSV (platform supply vessel) requires 7-8 per cent lower propulsion power than conventional bulbous bow vessels in transit, resulting in reduced fuel consumption and emissions. Operating the X-STERN towards the weather requires 60 per cent less propulsion power than for a conventional, transom-stern-arranged vessel.

Less carbon-intensive fuels are playing an increasingly important role in the industry, and Ulstein is positioning itself in this transition. Methanol is present in many of our discussions regarding newbuilding projects, and we are working with conversions to both ammonia and methanol.

Fully electric vessels are also under evaluation, together with offshore charging solutions. Finally, Ulstein is actively monitoring data from vessels in operation to support shipping companies in the pursuit of more sustainable vessel operations.



In summary, we believe Ulstein can realise the next-generation low-emission vessels by combining:

- 1) A proper understanding of the intended operation of the vessel
- 2) Identifying the optimal hull, machinery and propulsion systems for those operations
- 3) Identifying viable alternative fuel(s) for those operations
- 4) Integrating energy-saving systems onboard

OFFSHORE WIND - AN ABUNDANT SOURCE OF ENERGY



Offshore wind is a renewable source of energy and one of our main market segments at Ulstein. We had extensive activities in this area in 2022.

We succeeded in bringing our first TWIN X-STERN designs to the market, for several SOVs (service operation vessels)/CSOVs (construction support offshore vessels) to different ship owners. All the sold CSOV designs are prepared for or include dual-fuel methanol power.

We sold the designs for the first purpose-built SOVs for the Chinese Offshore Wind industry, and are also supporting the development of offshore wind in Japan.

We also launched the HX118 heavylift crane vessel design with high lifting capacity of 5,000 tonnes, large deck area and methanol/battery power. The design helps to solve the lack of specialised heavylift vessels to install larger wind turbines in future. We also developed an even larger, 8,000-tonne foundation installation vessel for offshore wind.

In addition, we entered into an agreement with Vallianz on an HX120 design for heavy transport with dual-fuel engines and battery storage.

CONVERSIONS, UPGRADES AND RETROFITS

In 2022-2023, we upgraded the Windea Leibniz SOV to increase its flexibility. These kinds of upgrades reduce emissions and help prolong the lifetime of vessels in operation.

We have calculated the amount of CO2 emissions that can be saved by converting a PSV to an SOV. Conversion results in more than 15,000 tonnes of reduced emissions, equivalent to typical emissions from a PSV during three years of work. The converted vessel will consequently have a lower life-cycle footprint even if it is used for 30 years compared to a purpose-built newbuild.

In addition, we have explored 30 alternative market uses that conversion, upgrade and retrofit can open up for existing PSVs, and are actively offering these solutions to the market.

Several PX121 PSV designs have now been converted to the offshore energy market based on our design inputs.

Another way to improve the existing fleet is to install battery and shore power systems.

In 2022, Ulstein Power & Control finalised the retrofit battery hybrid project on the ERRV vessels Esvagt Heidi and Esvagt Leah.

The upgrades will reduce operating hours on the main engines, save fuel and reduce the vessels' environmental footprint.

AWARDED FOR GREEN INITIATIVES

In 2022, we introduced the ULSTEIN THOR concept for true zero-emission shipping. This concept for a thorium-powered floating power station with capacity to refuel up to four battery-powered vessels, addresses urgent infrastructure challenges related to the charging of electric vessels.

The propulsion system and integration in our factory trawler design, currently under construction, enables fuel savings of at least 25 per cent and up to 40 per cent per kilo of fish product versus conventional power systems. The innovations in this vessel include a trawl system enabling 100 per cent use of the catch. The trawler was the winner of the Nor-Fishing Innovation Award in 2022.



During the year we also brought the earlier mentioned TWIN X-STERN hull line design to the market. The design, using azimuths instead of tunnel thrusters, contributes to a substantial reduction in energy consumption, reduced manoeuvring time and lower resistance in transit.

Thanks to these unique developments we are proud to be named 'Industrial Design Company of the Year 2022' in the Sunnmøre region.

KEY FIGURES

LABOUR - SAFETY

	Unit	Target	2022	2021
Lost time injuries	Total number	<5	6	7
LTI rate		5	16.7	7.6
Sick leave total	Per cent	4	5.6	4.6
Turnover rate	Per cent	7	10.4	32.5*

*Results from a downsizing process

HUMAN RIGHTS - EQUALITY

	Unit	Target	2022	2021
Employees	Total number		358	367
Female employees	Percent	>40	20.7	22
Female leaders	Per cent	>40	25	N.A.
Female Board representatives	Per cent	>40	33	N.A.
Female apprentices	Per cent	>40	-	N.A.
Persons in work or language training in the Norwegian companies	Total number	2	-	-

ANTI-CORRUPTION

	Unit	Target	2022	2021
No cases of corruption	Total numbers	0	0	0

ENVIRONMENT - RESOURCES AND POLLUTION

	Unit	Target	2022	2021
Total energy consumption at HQ	GWh	-	11.2	13.8
Energy consumption / work hour at HQ	kWh/work hour	-	33.8	28.2
Percentage of renewable energy, all sites included, in 2030	Per cent	90	97*	97*
Annual reduction of energy consumption in the production facilities (Norway/China)**	Per cent	2	-	-
Vessels on aftermarket assignments on shore connection***	Per cent	100	-	-
Newbuild vessels on shore connection***	Per cent	100	-	-
Alternative energy sources available in new ship designs****	Per cent	75	-	-
Number of waste fractions sorted at HQ	Total number		38	24
Total waste at HQ	Tonnes	-	947	1,537
Waste at HQ sent to material recycling *****	Per cent	-	25.3	28.6
Waste at HQ sent to energy recycling*****	Per cent	-	41.7	49.9
Non-recyclable waste at HQ sent to landfill*****	Per cent	-	33	21.5

*97% renewable energy in our Norwegian companies, companies outside Norway unknown

**Energy management plan to be updated in 2023

***Installation of shore connection within end 2024

****KPI established in 2022, to be reported from 2023

*****Waste plan to be established in 2023