



Taxonomy reporting 2022

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Taxonomy Framework

The Taxonomy Regulation was published on June 22, 2020 and came into force on July 12, 2020.

It establishes the basis for the EU taxonomy by outlining the **overarching criteria** an economic activity must meet to be considered environmentally sustainable.

The Taxonomy Regulation lays out six **environmental objectives**.

Different means can be required for an activity to make a substantial contribution to each **objective**.

The EU has presented the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through **delegated acts**.

A first delegated act on sustainable activities for climate change adaptation and mitigation objectives was published December 9, 2021 and became effective in January 2022.

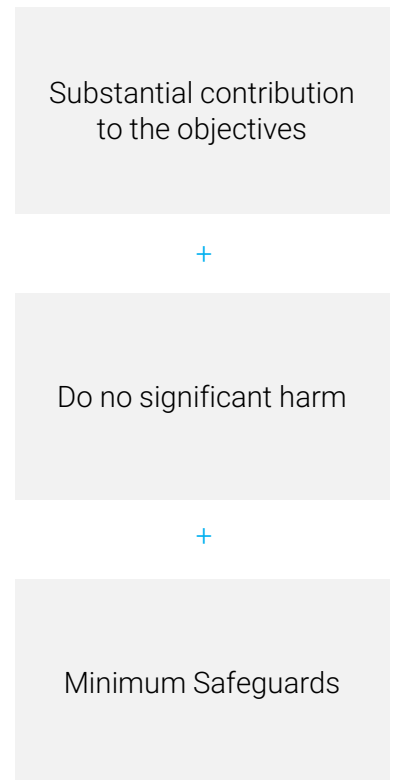
The EU Commission has not yet published its Delegated Act, which will outline the final four environmental objectives (the Taxo4).

During the EFRAG Sustainability Reporting Board on February 24, the European Commission (EC) announced that on June 30, 2023, it will adopt the remaining environmental technical screening criteria, complementing the EU Taxonomy Regulation, in the form of a Delegated Act ('Taxo4').

Environmental objectives



Overarching criteria



Ref https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

* However the Platform on Sustainable Finance (POSF) has drafted a report and detailed annex that establishes a detailed blueprint of technical recommendations for the four non-climate environmental objectives.

About this reporting

- This report covers Odfjell's reporting and interpretations IAW existing guidance
- See relevant sources for complete guides:
 - EU Taxonomy Compass
 - Delegated Act on the climate objectives (climate change mitigation (Annex I) and climate change adaptation (Annex II)), as published in the Official Journal on December 9, 2021. The Climate Delegated Act entered into force on January 1, 2022
 - Platform Sustainable Finance - Final report on minimum safeguards Oct 2022

Taxonomy Compass: <https://ec.europa.eu/sustainable-finance-taxonomy/index.htm>

Taxonomy regulation: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139&from=EN>
https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf



Odfjell Approach to Taxonomy reporting in steps

Steps	Approach
1 Are we within Reporting Scope?	<ul style="list-style-type: none">• In Scope of the NFRD (Listed, 500 employees)• Not implemented in Norway• CSRD Scope from 2024
2 Do we perform Taxonomy eligible economic activity?	<ul style="list-style-type: none">• Check, using EU Taxonomy Compass, and relevant NACE codes
3 Determine the eligibility share	<ul style="list-style-type: none">• Share of Revenue, CAPEX and OPEX of the identified activity
4 Does the activity meet the criteria?	<ul style="list-style-type: none">• Substantial Contribution to Climate Change Mitigation or Adaptation• The relevant "Do no significant Harm Criteria"• The Minimum Safeguards
5 Determine share of aligned eligible activity	<ul style="list-style-type: none">• Determine the share of the company's revenue, CAPEX and OPEX of the identified aligned economic activity
6 Report	<ul style="list-style-type: none">• Report the share of the revenue, CAPEX and OPEX

Odfjell and Scope of EU Taxonomy

- *The Odfjell Group is one of the leading players in the global market for seaborne transportation and storage of chemicals and other specialty bulk liquids.*
- *The Odfjell fleet comprises approx. 80 ships, which trade both globally and regionally.*
- *The tank terminal division consists of four tank terminals, and is part of a network of another 11 tank terminals partly owned by related parties. The tank terminals are strategically located at selected international shipping hubs.*
- *The Odfjell Group's headquarters are in Bergen, Norway, and the Group has offices in 14 locations around the world.*
- *Listed on the OSE, and total turnover 1,038 Mill USD*
- *2,271 Employees in 2022*
- *Read more on [Odfjell.com](https://odfjell.com).*

Are we within Reporting Scope?

Requirements for 2022	Comments	
In Scope of NFRD?	Yes, and Norwegian Accounting act 3-3C	✓
Listed	Yes, OSE	✓
> 500 employees	Yes, 2,271 employees	✓
Mandatory to report in Norway for 2022	No, regulations have not yet been implemented in Norwegian Law*	✗
Requirements for 2023		
Mandatory to report in Norway for 2023	Yes, from the fiscal year 2023 for reporting in 2024**	✓
In scope of CSRD	Yes	✓
Listed	Yes, OSE	✓
Turnover > EUR 40 Mill EUR	Yes	✓
Balance Sheet > EUR 20	Yes	✓
Employees > 250	Yes	✓

* <https://www.regjeringen.no/no/aktuelt/lov-om-barekraftig-finans-vil-tre-i-kraft-i-2023/id2940988/> <https://www.regjeringen.no/no/aktuelt/lov-om-barekraftig-finans-trer-i-kraft-1.-januar/id2952378/>

** Delegert Kommissjonsforordning (EU) 2021/2178 av 6. juli 2021, <https://lovdata.no/static/NLX3/32021r2178.pdf>

**Lov og forskrift om offentliggjøring av bærekraftsinformasjon i finanssektoren og et rammeverk for bærekraftige investeringer 2021

Eligibility

Do we perform Taxonomy eligible economic activity?

Odfjell's business falls in two sectors:

- Transport
- Storage/Terminals

On the Sectors:

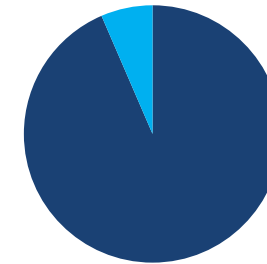
- Under **Transport**, we identified two relevant activities that were categorised as transitional activity (If meeting the criteria)
- **Storage of chemicals** is not screened in the EU Taxonomy and not eligible
- Maritime transport infrastructure is covered in 6.16

6.16. Infrastructure enabling low carbon water transport

Construction, modernization, operation, and maintenance of infrastructure that is required for zero tailpipe CO₂ operation of vessels or the port's own operations, as well as infrastructure dedicated to transshipment.



Segment	Revenue 2022
Shipping	1 308,0 Mill USD
Terminals	84,1 Mill USD



6% Terminals
94% Transport

Activity	Share of revenue of Eligible activities	Taxonomy Eligible Revenue	Taxonomy Eligible CAPEX	Taxonomy Eligible OPEX
Transport	100%	100%	100%	100%
Terminals	0 %	0 %	0 %	0 %
Sum	94 %	94 %	94 %	94 %

Our terminals do not meet the technical screening criteria as **terminals are not dedicated to operations of zero direct CO₂ emissions vessels**



Relevant Activities identified under Transport in 2022

6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities

Purchase, financing, chartering (with or without crew) and **operation of vessels designed and equipped for transport of freight** or for the combined transport of freight and passengers on sea or coastal waters, whether scheduled or not.

Purchase, financing, renting and operation of vessels required for port operations and auxiliary activities, such as tugboats, mooring vessels, pilot vessels, salvage vessels and ice-breakers.



We judged that our operation of chemical tankers falls under the activities described in 6.10



6.12 Retrofitting of sea and coastal freight and passenger water transport

Retrofit and upgrade of vessels designed and equipped for the transport of freight or passengers on sea or coastal waters, and of vessels required for port operations and auxiliary activities, such as tugboats, mooring vessels, pilot vessels, salvage vessels and ice-breakers.



In 2022 we did several retrofits of our vessels. We noted that no single activity could meet the criteria:






*The retrofitting activity **reduced fuel consumption of the vessels by at least 10 %** expressed in grams of fuel per deadweight tons per nautical mile.*



1) Does the activity meet the criteria on Substantial Contribution on Climate Change Mitigation?





6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities (Extract)	Comments and assessment	Aligned
<p>1. Confirm with a, b, c or d. (a) the vessels have zero direct (tailpipe) CO₂ emissions</p>	Not meeting the criteria	✗
<p>(b) until 31 December 2025, hybrid and dual fuel vessels derive at least 25 % of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power for their normal operation at sea and in ports</p>	Not meeting the criteria	✗
<p>(c) where technologically and economically not feasible to comply with the criterion in point (a), until December 31, 2025, and only where it can be proved that the vessels are used exclusively for operating coastal and short sea services designed to enable modal shift of freight currently transported by land to sea, the vessels have direct (tailpipe) CO₂ emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI), 50 % lower than the average reference CO₂ emissions value defined for heavy duty vehicles</p>	Not meeting the criteria – a short sea criteria to enable change from road to sea, so we regard the criteria as not applicable to Odfjell's operations	✗
<p>(d) where technologically and economically not feasible to comply with the criterion in point (a), until December 31, 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on April 1, 2022, if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources</p>	It is possible to meet the criteria on a ship basis on some vessels in the Odfjell fleet, but not on an activity basis Question on what is regarded as renewable source. - Ref pt 3.10 Hydrogen - Ref pt 4.13 Manufacturing of Biogas and biofuels (See requirements)	✗
<p>2. Vessels are not dedicated to the transport of fossil fuels.</p>	Meeting the criteria, Odfjell fleet is not dedicated to the transport of fossil fuel, but to the transport of organic and inorganic chemicals	✓

2) Does the activity meet the Do no significant harm criteria to climate change **Mitigation?**






Criteria, (incl. relevant extracts)	Comments	Aligned
<p>Climate change adaptation (Activity complies with criteria set out in Appendix A (p 140) to Annex 1)</p> <ul style="list-style-type: none"> Climate Risk Assessments 	<ul style="list-style-type: none"> Odfjell performs climate risk assessment IAW the criteria described in App A Climate risk available on our website 	
<p>Water (Activity complies with criteria set out in Appendix B (p 142) to Annex 1)</p> <p>Identified and addressed environmental degradation risks related to preserving water quality and avoiding water stress. Developed water use and protection management plan, thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders</p> <p>Alternative developed an Environmental Impact Assessment includes an assessment of the impact on water</p>	<ul style="list-style-type: none"> Water is included in Odfjell's Nature Risk assessment IAW the TNFD framework 	
<p>Circular Economy</p> <ul style="list-style-type: none"> Waste management Compliance with inventory of hazardous materials on board Recycled in facilities included on the European list of ship recycling facilities Protection of the marine environment against the negative effects from discharges of waste from ships Operations in accordance with IMO MARPOL 	<ul style="list-style-type: none"> Odfjell is in compliance with all applicable regulations. Odfjell has recycled one vessel IAW Hong Kong Conventions, and the requirements set by the EU. But the yard is not yet on the EU list 	
<p>Pollution Prevention</p> <ul style="list-style-type: none"> Sulphur, IAW IMO Regulation NoX, Black and Grey water Toxicity of antifouling and biocides 	<ul style="list-style-type: none"> Odfjell is in compliance with all applicable regulations on pollution prevention 	
<p>Biodiversity and exco systems</p> <ul style="list-style-type: none"> Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM). Prevent the introduction of non-indigenous species by biofouling of hull IMO Guidelines for the Reduction of Underwater Noise 	<ul style="list-style-type: none"> Odfjell has fitted the fleet with BWTS and in compliance with convention and regulations on BWTS and fouling Odfjell follows the guidelines for the reduction of underwater noise Odfjell has retrofitted several ships with Propeller Boss Cap Finn that reduce underwater noise. PCB can reduce noise by 3-6 dB* 	

*Kimura, Ando, et al Investigation on Full Scale Performance of the Propeller Boss Cap Fins (PBCF), 2018



2) Does the activity meet the criteria on Substantial Contribution to climate change Adaptation?

Substantial Contribution Criteria (Extract)	Odfjell activity	Aligned
<p>1. Implemented physical and non-physical solutions ('adaptation solutions') that substantially reduce the most important physical climate risks that are material to that activity</p>	<ul style="list-style-type: none"> Climate Risk and Nature risk assessment with mitigation actions available on our website Fleet transition plan to decarbonize the fleet 	
<p>2. The physical climate risks that are material to the activity have been studied by performing a robust climate risk and vulnerability assessment. (Screening, assessment, adaptation solutions)</p>	<ul style="list-style-type: none"> Climate risk assessment IAW the TCFD available on our website 	
<p>3. The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications and open source or paying models</p>	<ul style="list-style-type: none"> IAW the TCFD Framework available on our website Used 1.5, 2.0 and 4.0 degree scenarios IPCC AR-6 Report 1-3 	
<p>4. The adaptation solutions implemented:</p> <ul style="list-style-type: none"> do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities favour nature-based solutions or rely on blue or green infrastructure to the extent possible are consistent with local, sectoral, regional or national adaptation plans and strategies the solution complies with the do no significant harm technical screening criteria for that activity 	<ul style="list-style-type: none"> Climate Risk and Nature risk assessment with mitigation actions available on our website See Odfjell's double materiality assessment on our website Adaptation solutions are integrated in the business, and are assessed against these criteria 	

2) Does the activity meet the **Do no significant harm** criteria to climate change **Adaptation**?

Criteria, (incl. relevant extracts)	Comments	Aligned
<p>Climate Mitigation</p> <ul style="list-style-type: none"> The vessels are not dedicated to the transport of fossil fuels 	<p>Not dedicated to transport fossil fuel</p>	
<p>Water (Activity complies with criteria set out in Appendix B (p 347) to Annex 2)</p> <p>Identified and addressed environmental degradation risks related to preserving water quality and avoiding water stress. Developed water use and protection management plan, thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders.</p> <p>Alternative developed includes an assessment of the impact on water</p>	<ul style="list-style-type: none"> Water is included in Odfjell's Nature Risk assessment IAW the TNFD framework 	
<p>Circular Economy</p> <ul style="list-style-type: none"> Waste management Compliance to inventory of hazardous materials on board Recycled in facilities included on the European List of ship recycling facilities Protection of the marine environment against the negative effects from discharges of waste from ships. Operations in accordance with IMO MARPOL 	<ul style="list-style-type: none"> Odfjell is in compliance with all applicable regulations. Odfjell has recycled one vessels IAW Hong Kong Conventions, and the requirements set by EU. The yard is not yet on the EU list 	
<p>Pollution Prevention</p> <ul style="list-style-type: none"> Sulphur, IAW IMO Regulation NoX Black and Grey water Toxicity of antifouling and biocides 	<ul style="list-style-type: none"> Odfjell is in compliance with all applicable regulations on pollution prevention 	
<p>Biodiversity and exco systems</p> <ul style="list-style-type: none"> Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM). prevent the introduction of non-indigenous species by biofouling of hull IMO Guidelines for the Reduction of Underwater Noise 	<ul style="list-style-type: none"> Odfjell has fitted the fleet with BWTS and in compliance with convention and regulations on BWTS and fouling Odfjell follows the guidelines for the reduction of underwater noise 	

2) Does the activity meet the Minimum Safeguards Criteria?

Criteria	Comments	Aligned
1. Alignment with: <ul style="list-style-type: none"> • OECD Guidelines for Multinational Enterprises and the • UN Guiding Principles on Business and Human Rights, • Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work • International Bill of Human Rights 	<ul style="list-style-type: none"> • We operate in compliance with the regulation and expectations • Compliance to Norwegian Transparency act • Dedicated report on Human Rights available on our website 	
2. Adhere to the principle of 'do no significant harm' IAW definition Ref Article 2, point (17), of Regulation (EU) 2019/2088	We operate in compliance with the regulation	

Ref Article 2, point (17), of Regulation (EU) 2019/2088

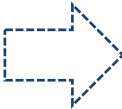

'sustainable investment' means an investment in an economic activity that contributes to an *environmental objective*, as measured, for example, by key resource efficiency indicators on the *use of energy*, renewable energy, raw materials, water and land, on the production of waste, and *greenhouse gas emissions*, or on its impact on *biodiversity and the circular economy*, or an investment in an economic activity that contributes to a *social objective*, in particular an investment that contributes to tackling *inequality* or that fosters *social cohesion, social integration and labour relations*, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments *do not significantly harm any of those objectives* and that the investee *companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance*;

Minimum safeguards – New report from October 22

Ref art 18 in the Taxonomy regulation

Core topics	Indication of non-compliance* with minimum Safeguards	
Human rights, including workers' rights	<ol style="list-style-type: none"> 1. The company has not established adequate human rights due diligence processes, as outlined in the UNGPs and OECD Guidelines for MNE. 2. There are clear indications that the company does not adequately implement HRDD resulting in human rights abuses. Data on breaches should be generated from sources with a high level of independence and impartiality. 	<p>✗</p> <p>✗</p>
Bribery/ corruption	<ol style="list-style-type: none"> 1. The company has not developed and adopted adequate internal controls, ethics and compliance programmes, or measures for preventing and detecting bribery. 2. The undertaking or senior management, including the senior management of its subsidiaries, has been finally convicted on corruption or bribery. 	<p>✗</p> <p>✗</p>
Taxation	<ol style="list-style-type: none"> 1. The company does not treat tax governance and compliance as important elements of oversight, and there exists no adequate tax risk management strategies and processes as outlined in OECD MNE Guidelines covering tax. 2. The company has been found guilty of tax evasion. In the future it might be necessary to further qualify the kind of court cases. 	<p>✗</p> <p>✗</p>
Fair competition	<ol style="list-style-type: none"> 1. The company does not promote employee awareness of the importance of compliance with all applicable competition laws and regulations and does not train senior management in relation to competition issues. 2. The company or its senior management, including the senior management of its subsidiaries, has been found in breach of competition laws. 	<p>✗</p> <p>✗</p>




 Odfjell is in **compliance*** with "Minimum safeguards" criteria
 

* Note that the criteria are **opposite of other** criteria, and that the criteria indicates **non-compliance**. In total **Odfjell is compliant** with Minimum Safeguards

Eligibility share

Activity	Share of revenue of Eligible activities	Taxonomy Aligned Revenue	Taxonomy Aligned CAPEX	Taxonomy Aligned OPEX
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	100%	0 %	0 %	0 %
Retrofitting of sea and coastal freight and passenger water transport	0%	0%	0%	0%

Future:

- New vessels could be included and be taxonomy aligned ,if dedicated in separate fleet
- Significant retrofit activities could be included

For more detailed information on how to assess the revenue, CAPEX and OPEX, please see Annex I of Commission Delegated Regulation (EU) 2021/2178 ([Publications Office \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2178/1))



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