

Gram Car Carriers' Climate Risk Statement 2023

This summary statement of Gram Car Carriers' climate-related risks has been prepared in alignment with the Taskforce for Climate-related Financial Disclosures' (TCFD) recommendations.

Governance		
1	Describe the Board's oversight of climate-related risks and opportunities	<p>In accordance with the principles supporting value-based management, the Board of Directors places significant importance on systematic risk management. This is done by identifying existing and potential risk exposures. This approach satisfies the requirements set out in law and ensures the company's governance remains fit for purpose in a highly dynamic market environment.</p> <p>This year Gram Car Carriers undertook a Climate Risk Review, with support from an independent expert. The review has been presented to the Board of Directors (BoD). The review covered risk categories described in the TCFD framework – namely, physical, regulatory, market, technology and reputation risks (and opportunities).</p> <p>Climate-related risks and opportunities are regularly reviewed as part of its overall responsibility for risk governance by the BoD. Going forward, the BoD will receive yearly updates on climate risk, including emerging regulations, developments in the company's performance on the decarbonization strategy – emissions reduction trajectories and technological developments.</p>
2	Describe management's role in assessing and managing climate-related risks and opportunities	<p>The management team regularly reviews climate related risk and opportunity, as part of its daily operations. The management team's responsibility for ongoing climate risk and opportunity review contributes to our company strategy and enterprise risk management approach. Gram Car Carriers has conducted an initial assessment of all relevant risk and opportunity areas, including operations; contracts; charter parties and so forth. Where risks have been identified, they are defined, and specific countermeasures are being developed.</p> <p>In 2022, the management team completed the following projects, where climate-related risks and opportunities were assessed, or that contributed to the assessment of or deployment of countermeasures for climate-related risks and opportunities:</p> <ul style="list-style-type: none"> - ESG Strategy review - TCFD-aligned climate risk review - Collection and reporting of climate-related data including GHG emissions - Collaboration with DNV in setting decarbonization plans for each vessel. - A biofuel trial on one of our vessels (Viking Constanza) - Climate change risk has been an integral part of the general risk review in 2022 and is under continuous monitoring under the CEO. <p>Management reports all material climate related risks and opportunities to the BoD.</p>

Strategy		
3	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	See separate risks and opportunities table following.
4	Describe the impact of climate-related risks and opportunities on the organization’s business, strategy and financial planning	<p>See separate risks and opportunities table following.</p> <p>Gram Car Carriers has undertaken a climate risk review and analysis to understand how climate risks and opportunities are likely to impact the business, its strategy and financial planning. Using information from these sources and its ongoing monitoring of GHG emission performance across the fleet, Gram Car Carriers believes it is well positioned to absorb, mitigate or adapt to climate-related risks; and, in some cases may exploit available opportunities. This position is supported by the following assertions:</p> <ul style="list-style-type: none"> - The business's financial strength and ability to execute its financially-planned, long-term fleet upgrade. - Ongoing investment in and updating of the knowledge and capability of human capital within the business to respond to climate-related risks and opportunities. - A focused, well-resourced, and regularly reviewed/updated ESG Strategy which has Climate, together with governance and social responsibility as the central theme. - The ready availability and high quality of climate-related data and information on which to make strategic and financial decisions. - The resilience of the existing business model, financial planning and strategic approach to respond to a wide range of forecast climate scenarios.
5	Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2 degree C or lower scenario	<p>Gram Car Carriers are currently scoping and assessing what future climate scenarios will look like – ranging from business-as-usual to 2 degree C or lower, and how these will affect the business. The work in this area is designed to ensure that the business strategy can be refined to better meet future scenarios. For Gram Car Carriers, the approach to emissions reductions will be mainly through investments in new assets and technology, with a planned long-term fleet upgrade and renewal programme in place.</p> <p>Reduction pathways required to achieve various climate goals have been analysed, including the IMO’s and the Paris Agreement’s current 2030 and 2050 climate targets. Gram Car Carrier’s strategy is evolving in response to these and various future climate scenarios, aiming to adapt as required and ensure resilience is built in, as described in point 4.</p>
Risk management		
6	Describe the organization’s processes for identifying and assessing climate-related risks	<p>Gram Car Carriers has undertaken a climate risk review to understand its climate risks and opportunities.</p> <p>Risk management is an integrated part of our daily operations and management processes. Every year enterprise risks, including climate risk, are formally presented by management</p>

		to the BoD, based on input from technical managers. The BoD and management also have an ongoing dialogue during committee meetings regarding climate related risk, such as fleet performance, and investment decisions.
7	Describe the organization’s processes for managing climate-related risks	<p>Climate-risk management is integrated in our overall risk management processes, as it is part of assessing the effect of regulatory and propulsion technology developments.</p> <p>Through (i) yearly reviews of the Company’s most prominent areas of risk exposure and its internal control arrangements, (ii) management guidelines and (iii) the appointment of a dedicated risk management unit to perform risk monitoring and provide regular risk management updates, the Board of Directors aims to ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company’s activities.</p>
8	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management	The risk management approach to climate-related risks has been updated and incorporated into board and management processes. It is based on assessing the likelihood and impact of developments and performance of the risks our company face or may face. When the combination of likelihood and impact for a certain factor constitutes a sufficiently high level of risk, that risk is then included in our overall risk management processes.
Metrics and targets		
9	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk process	<p>We measure our total GHG emissions (Scope 1) in CO₂ equivalents, and mapping Scope 3. In addition, we apply the following Carbon Intensity Indicators to vessels in our fleet:</p> <ul style="list-style-type: none"> - Average Energy Efficiency Design Index (EEDI) for new ships measured as grams CO₂ per ton-nautical mile - Average Efficiency Ratio (AER) measured as grams of CO₂ per deadweight ton-nautical mile.
10	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3, greenhouse gas (GHG) emissions, and the related risks	[See climate and emission reporting in the [insert name of section] section of the annual ESG report [insert page reference].]
11	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	<p>In line with the IMO’s emission reduction trajectories (CII ratings) we are following the IMO initial GHG reduction pathway:</p> <ul style="list-style-type: none"> - 40% reduction in emission intensity by 2030 - 50% reduction in total emissions by 2050 - 70% in emission intensity by 2050 - Zero emissions as soon as possible within this century <p>In 2023 we will review our targets to assess whether we can raise them based on our capacity and the decarbonization plans established per each vessel.</p> <p>We aim to maintain an average C rating for all our fleet vessels (IMO ship rating system) which is dependent on the collaboration and commitments of our clients. We will adjust our targets when appropriate to ensure that they are ambitious enough given regulatory and technological developments.</p>

PHYSICAL RISKS

- Physical risks may have financial implications for the company, such as direct damage to assets and indirect impacts from disrupted operations.
- Extreme weather / increased frequency of extreme weather and related knock-on effects that causes disruption in operations, e.g. delays and port closure.
- Extreme weather / increased frequency of extreme weather and related knock-on effects that causes disruption and impacts on Gram Car Carriers customers' activities, operations and markets. Including similar indirect affects further down the value chain.
- Health and safety impacts on workforce caused by extreme weather events e.g. injuries caused by increased wave height, higher storm frequency and prolonged duration of extreme weather events.

REGULATORY RISKS

- The Company is exposed to changes in legal, tax and regulatory regimes within relevant jurisdictions as well as potential private litigation and public prosecution. The Company seeks to mitigate legal risks by maintaining a well-functioning risk management system, management guidelines and dedicated compliance and legal functions within the organization.
- In the current geopolitical context there are newly introduced and further strengthened sanction regimes, and legal risk exposure is elevated.
- Increasing carbon costs and shipping becoming part of the EU ETS will impact the cost of transportation.
- Impacts of speed of regulatory shift on business planning, strategy and cost structures to comply with new and additional regulation.

MARKET RISKS

- Changing customer requirements and contract risks – meeting market expectations for emission profiles of vessels.
- The volatility of the fuel market poses a potential risk. Any sort of regulation can increase product prices, however fuel prices can be particularly volatile in this regard.
- Impacts on business planning, strategy and cost structures to meet new and evolving market requirements.
- Shift from passive disclosure requirements to demonstration of an action-oriented approach.
- Access to reliable and quality fuel supplies can also be considered as a risk in the current dynamic market environment.

TECHNOLOGY RISKS

- IT and cyber risks make up an increasing share of a company's risk universe. The Company purchases IT services from third parties that offer comprehensive security strategies which closely match the Company's business objectives.
- Viable technologies to fully transition to the low carbon solutions does not currently exist, and i.e. dual fuel options are limited by the lack of the relevant infrastructure required to adopt this technology.

REPUTATION RISKS

- Reputational effects related to spills, routes affecting ecosystems and biodiversity.
- Below average fuel efficiency performance.

OPPORTUNITIES

- We look for commercial and decarbonization opportunities throughout cyclical market swings.
- Becoming the recognized low carbon operator of choice and preferred chartering partner.
- High ESG performance driving an enhanced reputation.
- Container shipping is the dominant method of international transportation for a broad range of industrial and consumer goods. As global trade in the foreseeable future will rely on container shipping, it is likely there will be an increased demand for energy-efficient and environmentally friendly vessel operations.
- Adaptation leading to improved operational performance.
- Technology opportunities for improving (increasing efficiency) onboard systems, including alternative fuels and hybrids.
- There are related opportunities in developing partnerships with leading industry actors to accelerate decarbonization, including working in partnership with our charterers on scrubber installations and undertaking biofuel trials in partnership with DNV and Good Fuel.