

# CUSTOS MARITIME & DEFENCE INDUSTRIES AB

## Environmental, Social, and Governance (ESG) Policy

*Building a Sustainable Future in Maritime and Defence*

<b>Document Owner:</b>	Chief Executive Officer
<b>Approved By:</b>	Board of Directors
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## Message from the CEO

Dear Stakeholders,

At Custos Maritime & Defence Industries, we recognize that our long-term success depends on operating sustainably and responsibly. As a company operating in the maritime and defence sectors, we have unique opportunities and responsibilities to contribute positively to society while minimizing our environmental impact.

Our ESG Policy reflects our commitment to the highest standards of environmental stewardship, social responsibility, and corporate governance. These principles are not separate from our business strategy—they are integral to how we create value for all stakeholders: our employees, customers, shareholders, suppliers, and the communities where we operate.

As shipbuilders and defence manufacturers, we play a vital role in supporting critical maritime infrastructure and national security. We take seriously our responsibility to conduct this work in an environmentally responsible manner, to provide safe and inclusive workplaces, and to maintain the highest standards of ethical conduct and transparency.

This Policy sets out our commitments and the concrete actions we will take to advance our ESG agenda. We are committed to continuous improvement, transparent reporting, and engagement with stakeholders as we work to build a more sustainable future.

I encourage all employees, business partners, and stakeholders to join us in this important work.

Sincerely,

Per Olav Karlsen  
Chief Executive Officer

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# 1. Introduction and Purpose

## 1.1 Purpose

This Environmental, Social, and Governance (ESG) Policy establishes Custos Maritime & Defence Industries AB's commitments and approach to sustainability and responsible business practices. It provides a framework for integrating ESG considerations into our strategy, operations, and decision-making processes.

## 1.2 Scope

This Policy applies to Custos Maritime & Defence Industries AB and all its subsidiaries, and any future acquisitions. It covers all business operations, facilities, and activities in all jurisdictions where we operate.

## 1.3 ESG Vision

Our vision is to be a leader in sustainable maritime and defence operations, recognized for:

- Environmental excellence in shipbuilding and defence manufacturing
- Creating safe, inclusive, and rewarding workplaces
- Exemplary corporate governance and ethical conduct
- Positive contributions to the communities we serve
- Transparent and accountable stakeholder engagement

## 1.4 Alignment with Global Frameworks

Our ESG approach is informed by and aligned with internationally recognized frameworks and standards:

- United Nations Sustainable Development Goals (SDGs)
- UN Global Compact Principles
- Global Reporting Initiative (GRI) Standards
- Task Force on Climate-related Financial Disclosures (TCFD)
- EU Taxonomy for Sustainable Activities
- International Maritime Organization (IMO) environmental conventions
- Norwegian Transparency Act requirements

# 2. ESG Governance and Oversight

## 2.1 Board Responsibilities

The Board of Directors has ultimate responsibility for ESG oversight and:

- Approves ESG strategy, policies, and targets
- Reviews ESG performance and progress against targets
- Oversees climate-related risks and opportunities
- Ensures adequate resources for ESG initiatives
- Approves ESG-related disclosures and reports

## 2.2 Management Responsibilities

The CEO has overall accountability for implementing ESG strategy. An ESG Steering Committee, chaired by the CEO and including representatives from key functions, is responsible for:

- Developing and implementing ESG strategies and programs
- Monitoring ESG performance metrics

- Coordinating ESG activities across subsidiaries
- Preparing reports for Board review
- Engaging with stakeholders on ESG matters

## 2.3 Operational Accountability

Responsibility for day-to-day ESG implementation is integrated into business operations:

- **Environmental Manager:** Environmental compliance, emissions management, waste reduction
- **Health & Safety Director:** Workplace safety, employee well-being programs
- **HR Director:** Diversity & inclusion, training & development, labor practices
- **CFO:** ESG reporting, climate risk disclosure, sustainable finance
- **Compliance Officer:** Ethics, anti-corruption, regulatory compliance
- **Procurement Director:** Responsible sourcing, supplier ESG assessments

## 3. Environmental Pillar

### 3.1 Climate Change and Greenhouse Gas Emissions

#### 3.1.1 Commitment

Custos is committed to reducing our greenhouse gas emissions and contributing to global efforts to limit climate change. We will:

- Measure and report Scope 1, 2, and material Scope 3 emissions annually
- Establish science-based emissions reduction targets aligned with limiting global warming to 1.5°C
- Develop and implement emissions reduction roadmaps for each facility
- Transition to renewable energy where feasible
- Improve energy efficiency across operations
- Support development of low-carbon maritime technologies

#### 3.1.2 Emissions Targets

Custos commits to the following emissions reduction targets (baseline year 2025):

- **Scope 1 & 2:** 50% reduction by 2030, net zero by 2040
- **Scope 3:** 30% reduction in key categories by 2030

#### 3.1.3 Climate Risk Management

We assess and manage climate-related risks and opportunities in accordance with TCFD recommendations, including:

- Physical risks from extreme weather events affecting shipyard operations
- Transition risks from evolving regulations and market demands
- Opportunities in green maritime technologies and sustainable shipbuilding

### 3.2 Maritime Environmental Protection

#### 3.2.1 Regulatory Compliance

We comply with all applicable maritime environmental regulations, including:

- IMO MARPOL Convention (all annexes)
- Ballast Water Management Convention
- Ship Recycling Convention (Hong Kong Convention)
- EU Ship Recycling Regulation

- IMO 2020 Sulphur Cap regulations
- Norwegian pollution prevention regulations

### 3.2.2 Pollution Prevention

Our shipyards and facilities implement comprehensive pollution prevention measures:

- Proper containment and disposal of hazardous materials (paints, solvents, oils)
- Stormwater management systems to prevent marine pollution
- Air emission controls for welding, painting, and blasting operations
- Noise pollution reduction measures
- Marine debris prevention protocols

### 3.2.3 Sustainable Ship Design

We promote environmental excellence in vessel design and construction:

- Energy-efficient hull designs and propulsion systems
- Alternative fuel capability (LNG, methanol, ammonia, hydrogen)
- Advanced emissions reduction technologies
- Use of environmentally-preferred materials
- Design for vessel lifecycle environmental performance

## 3.3 Waste Management and Circular Economy

### 3.3.1 Waste Hierarchy

We apply the waste hierarchy in all operations: prevention, reuse, recycling, recovery, and only then disposal. Our targets are:

- Zero waste to landfill by 2030
- 95% recycling rate for steel and metal waste
- 50% reduction in hazardous waste generation by 2030
- Elimination of single-use plastics from operations by 2027

### 3.3.2 Ship Recycling

For any ship recycling activities, we adhere to the highest environmental and safety standards:

- EU-approved recycling facility certification
- Safe removal and disposal of hazardous materials
- Maximum recovery and recycling of materials
- Worker safety and environmental protection protocols
- No beaching or similar hazardous dismantling methods

## 3.4 Biodiversity and Ecosystem Protection

We recognize the importance of protecting marine and terrestrial ecosystems near our facilities:

- Conduct environmental impact assessments for new projects
- Avoid operations in or near protected areas and critical habitats
- Implement measures to prevent invasive species transfer
- Monitor and minimize impact on local marine life
- Support marine conservation initiatives in operating regions

## 3.5 Water Management

Water is essential to our shipyard operations. We commit to:

- Reduce freshwater consumption by 30% by 2030
- Implement water recycling and reuse systems
- Treat all wastewater to meet or exceed regulatory standards
- Monitor discharge quality and volume
- Prevent contamination of groundwater and marine environments

### **3.6 Hazardous Materials Management**

Shipbuilding and defense manufacturing involve various hazardous materials. We:

- Maintain inventory of all hazardous materials used
- Substitute less hazardous alternatives where possible
- Implement strict handling, storage, and disposal procedures
- Train employees on hazardous materials safety
- Maintain emergency response capabilities for spills or releases
- Comply with REACH and other chemical regulations

## **4. Social Pillar**

### **4.1 Health, Safety, and Well-being**

#### **4.1.1 Safety Commitment**

The safety and health of our employees is our highest priority. We are committed to:

- Zero fatalities, always
- Total Recordable Incident Rate (TRIR) below industry average
- Zero tolerance for safety violations
- Continuous improvement in safety performance
- Proactive hazard identification and risk mitigation

#### **4.1.2 Safety Programs**

We implement comprehensive safety programs including:

- Mandatory safety training for all employees
- Job safety analysis and permit-to-work systems
- Personal protective equipment (PPE) requirements
- Regular safety inspections and audits
- Incident investigation and corrective action processes
- Safety leadership and visible safety commitment from management
- Contractor safety management

#### **4.1.3 Occupational Health**

We protect employees from occupational health hazards through:

- Industrial hygiene monitoring (noise, air quality, exposure)
- Health surveillance programs
- Ergonomics assessments and improvements
- Mental health and stress management support
- Employee assistance programs
- Work-life balance initiatives

### **4.2 People Development and Fair Labor Practices**

#### **4.2.1 Employment Rights**

We respect and uphold fundamental labor rights:

- Freedom of association and collective bargaining
- Fair wages and benefits that meet or exceed local requirements
- Reasonable working hours and overtime compensation
- Prohibition of forced labor, child labor, and human trafficking
- Equal pay for equal work

#### **4.2.2 Training and Development**

We invest in our employees' professional development:

- Technical skills training for shipyard workers
- Leadership development programs
- Apprenticeship and early career programs
- Cross-functional training opportunities
- Tuition assistance for relevant education
- Regular performance reviews and career planning

#### **4.2.3 Talent Development Targets**

- Average 40 hours training per employee annually
- 100% of employees receive annual performance reviews
- 70% internal promotion rate for leadership positions
- 20 new apprentices hired annually across subsidiaries

### **4.3 Diversity, Equity, and Inclusion**

#### **4.3.1 Commitment**

We are committed to building a diverse, equitable, and inclusive workplace where all individuals are valued and can thrive. We:

- Prohibit discrimination and harassment of any kind
- Promote diversity in recruitment and advancement
- Provide equal opportunities regardless of gender, race, age, religion, disability, sexual orientation, or other protected characteristics
- Foster inclusive culture through training and leadership commitment
- Monitor diversity metrics and set improvement targets

#### **4.3.2 Gender Equality**

Recognizing that maritime and defence are traditionally male-dominated, we commit to:

- Increase women in workforce to 30% by 2030
- Achieve 40% women in leadership positions by 2030
- Close any gender pay gaps
- Provide family-friendly policies including parental leave
- Partner with organizations promoting women in STEM and maritime careers

### **4.4 Human Rights**

We respect internationally recognized human rights as outlined in the UN Guiding Principles on Business and Human Rights. We:

- Conduct human rights due diligence in our operations and supply chain
- Identify and mitigate adverse human rights impacts
- Provide access to remedy for those affected by our operations
- Report on human rights performance in accordance with Norwegian Transparency Act
- Engage with stakeholders on human rights concerns
- Require suppliers to uphold human rights standards

## **4.5 Community Engagement**

### **4.5.1 Local Communities**

We are committed to being good neighbors and contributing to the communities where we operate:

- Prioritize local hiring and supplier relationships
- Minimize negative impacts (noise, traffic, pollution)
- Engage proactively on community concerns
- Support local education and skills development
- Partner with local organizations on community initiatives
- Contribute to local economic development

### **4.5.2 Social Investment**

We support communities through strategic social investment focused on:

- Maritime education and training programs
- Youth development and apprenticeship opportunities
- Marine conservation initiatives
- Veteran employment and support programs
- STEM education partnerships

## **4.6 Responsible Supply Chain**

### **4.6.1 Supplier Standards**

We expect our suppliers and business partners to uphold standards consistent with our values:

- Respect for human rights and labour standards
- Environmental responsibility
- Ethical business conduct
- Health and safety standards
- Compliance with applicable laws

### **4.6.2 Supply Chain Due Diligence**

We implement risk-based supply chain due diligence:

- ESG risk assessments for suppliers
- Enhanced due diligence for high-risk suppliers or commodities
- Supplier audits and site visits
- Contractual ESG requirements
- Supplier development programs
- Corrective action plans for non-compliance
- Whistleblower mechanisms for supply chain concerns

### **4.6.3 Conflict Minerals**

We are committed to responsible sourcing of minerals and ensuring our supply chain does not contribute to conflict or human rights abuses. We conduct due diligence on tin, tantalum, tungsten, and gold (3TG) and other conflict-affected minerals in accordance with OECD guidance.

## **5. Governance Pillar**

### **5.1 Corporate Governance Framework**

### 5.1.1 Board Composition and Independence

Custos maintains a Board of Directors that provides effective oversight and strategic guidance:

- Majority of independent directors
- Diverse skills, experience, and perspectives
- Regular assessment of Board effectiveness
- Clear separation of Board and management roles
- Term limits and refreshment mechanisms

### 5.1.2 Board Committees

The Board has established committees with defined responsibilities:

- **Audit Committee:** Financial reporting, internal controls, external audit oversight
- **Remuneration Committee:** Executive compensation, incentive programs
- **Nomination Committee:** Board composition, director nominations, succession planning
- **Risk Committee:** Enterprise risk management, including ESG and climate risks

## 5.2 Business Ethics and Anti-Corruption

As detailed in our Code of Conduct and Anti-Corruption Policy, we maintain zero tolerance for corruption and unethical business practices. Key governance elements include:

- Comprehensive anti-bribery and anti-corruption program
- Conflicts of interest disclosure and management
- Gifts and hospitality controls
- Third-party due diligence procedures
- Whistleblower mechanisms and non-retaliation policy
- Regular ethics and compliance training

## 5.3 Risk Management

### 5.3.1 Enterprise Risk Management

We maintain a comprehensive enterprise risk management framework that identifies, assesses, and manages risks including:

- Strategic and business risks
- Financial and market risks
- Operational and safety risks
- Environmental and climate risks
- Compliance and regulatory risks
- Cyber security and data protection risks
- Reputational risks
- Geopolitical risks (relevant to defense operations)

### 5.3.2 ESG Risk Integration

ESG risks are integrated into our enterprise risk management process with regular Board oversight. Material ESG risks are disclosed in our annual report and sustainability report.

## 5.4 Transparency and Reporting

### 5.4.1 Financial Reporting

We maintain high standards of financial reporting:

- Compliance with IFRS accounting standards

- Timely and accurate financial disclosures
- External audit by reputable audit firm
- Robust internal controls over financial reporting
- Compliance with Euronext Growth reporting requirements

## 5.4.2 ESG Reporting

We commit to transparent ESG reporting aligned with leading frameworks:

- Annual sustainability report following GRI Standards
- Climate disclosure aligned with TCFD recommendations
- Reporting on key ESG metrics and targets
- Third-party assurance of selected ESG data
- Public disclosure of ESG policies
- Response to ESG rating agency questionnaires
- Compliance with Norwegian Transparency Act reporting

## 5.5 Stakeholder Engagement

### 5.5.1 Engagement Approach

We engage proactively with stakeholders to understand their perspectives and concerns:

- **Shareholders and investors:** Annual general meeting, investor relations, ESG engagement
- **Employees:** Employee surveys, town halls, works councils, union dialogue
- **Customers:** Regular meetings, satisfaction surveys, collaborative projects
- **Suppliers:** Supplier forums, sustainability partnerships
- **Communities:** Community meetings, local partnerships, grievance mechanisms
- **Regulators:** Compliance reporting, consultations, industry associations
- **NGOs and civil society:** Dialogue on sustainability issues, partnerships

### 5.5.2 Materiality Assessment

We conduct regular materiality assessments to identify the ESG topics most important to our business and stakeholders. These assessments inform our ESG strategy and reporting priorities.

## 5.6 Tax Transparency

We are committed to responsible tax practices:

- Compliance with all applicable tax laws and regulations
- No use of tax havens or aggressive tax planning schemes
- Transparent disclosure of tax strategy and payments
- Country-by-country tax reporting as required
- Constructive engagement with tax authorities

## 5.7 Data Privacy and Cyber Security

### 5.7.1 Data Protection

We protect personal data in accordance with GDPR and other applicable laws:

- Data protection by design and default
- Clear privacy notices and consent mechanisms
- Data minimization and retention policies
- Individual rights management (access, rectification, erasure)
- Data breach notification procedures
- Third-party data processing agreements

## 5.7.2 Cyber Security

Given our defense operations, we maintain robust cyber security controls:

- Information security management system (ISO 27001)
- Network security and access controls
- Incident response and business continuity plans
- Employee security awareness training
- Regular security assessments and penetration testing
- Secure handling of classified information

## 6. ESG Targets and Performance Metrics

### 6.1 Environmental Targets

Metric	Target
<b>GHG Emissions (Scope 1 &amp; 2)</b>	50% reduction by 2030, net zero by 2040 (vs. 2025 baseline)
<b>Renewable Energy</b>	80% of electricity from renewable sources by 2028
<b>Waste to Landfill</b>	Zero waste to landfill by 2030
<b>Water Consumption</b>	30% reduction by 2030 (vs. 2025 baseline)
<b>Hazardous Waste</b>	50% reduction by 2030 (vs. 2025 baseline)

### 6.2 Social Targets

Metric	Target
<b>Total Recordable Incident Rate (TRIR)</b>	Below industry average; zero fatalities
<b>Gender Diversity (Workforce)</b>	30% women by 2030
<b>Gender Diversity (Leadership)</b>	40% women in leadership by 2030
<b>Training Hours per Employee</b>	40 hours average annually
<b>Employee Engagement Score</b>	75% favorable by 2028
<b>Supplier ESG Assessments</b>	100% of strategic suppliers assessed by 2027

### 6.3 Governance Metrics

We track and report the following governance metrics:

- Percentage of independent directors
- Board diversity (gender, skills, experience)
- Board meeting attendance rates
- Ethics and compliance training completion rates
- Number and resolution of ethics hotline reports

- Data breaches and cyber security incidents
- Regulatory fines and penalties
- ESG rating scores (MSCI, Sustainalytics, etc.)

## 7. Implementation and Review

### 7.1 Implementation Roadmap

Implementation of this ESG Policy will be phased:

- **2026:** Establish baseline metrics, implement governance structure, launch priority initiatives
- **2027:** Roll out programs across all subsidiaries, publish first sustainability report
- **2028:** Achieve interim targets, implement continuous improvement systems
- **2030:** Achieve 2030 targets, set next phase of long-term goals

### 7.2 Roles and Responsibilities

Clear accountability ensures effective implementation:

- **Board of Directors:** Oversight and approval
- **CEO:** Overall accountability
- **ESG Steering Committee:** Strategy development and coordination
- **Functional Leaders:** Implementation in respective areas
- **All Employees:** Compliance with policies and contribution to targets

### 7.3 Monitoring and Review

This Policy will be reviewed annually or more frequently if required by:

- Changes in applicable laws or regulations
- Material changes to business operations or strategy
- Stakeholder feedback or emerging ESG issues
- Results of performance assessments or audits

### 7.4 Continuous Improvement

We are committed to continuous improvement in ESG performance through:

- Regular performance monitoring and gap analysis
- Benchmarking against peers and industry best practices
- Innovation in sustainable technologies and practices
- Learning from stakeholder feedback
- Adaptation to evolving standards and expectations

## 8. Conclusion

This ESG Policy reflects Custos Maritime & Defence Industries' commitment to conducting business responsibly and sustainably. By integrating environmental stewardship, social responsibility, and strong governance into our operations, we aim to create long-term value for all stakeholders while contributing positively to society and the environment.

We recognize that achieving our ESG ambitions requires ongoing commitment, collaboration, and accountability. We welcome feedback from stakeholders and remain open to dialogue as we work together to build a more sustainable future.

**Approval**

This Environmental, Social, and Governance (ESG) Policy has been approved by the Board of Directors of Custos Maritime & Defence Industries AB.

_____	Date: _____
Board Chairman	
_____	Date: _____
Chief Executive Officer	