



FLEX LNG

ESG  
REPORT  
2023



This report has been prepared based on the requirements of the Sustainability Accounting Standards Board (SASB)

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# ABOUT FLEX LNG

FLEX LNG Ltd. ("Flex LNG") is an owner and commercial operator of fuel efficient fifth generation LNG carriers with large cargo capacity, focusing on the growth market for Liquefied Natural Gas (LNG). Flex LNG is listed on the Oslo Stock Exchange (OSE) and on the New York Stock Exchange (NYSE) under the symbol FLNG. Throughout this report, "Flex LNG", the "Company", "we", "us" and "our" all refer to FLEX LNG Ltd. and its consolidated subsidiaries.

Our fleet consists of 13 state-of-the-art LNG carriers with the latest generation two-stroke propulsion (MEGI and X-DF). These modern ships, built between 2018 and 2021, offer significant improvements in fuel efficiency, and thus also a lower carbon footprint including methane slip compared to the older steam and four-stroke propelled ships. Over the last few years, we have built up significant contract backlog while maintaining market exposure to capture the opportunities in the growing LNG market.



# SASB ACTIVITY METRICS

| ACTIVITY METRIC                                  | UNIT OF MEASURE     | DATA 2021 | DATA 2022 | DATA 2023        | SASB REFERENCE |
|--|---------------------|-----------|-----------|------------------|----------------|
| Number of shipboard personnel <sup>n</sup>       | Number              | 338       | 338       | <b>338</b>       | TR-MT-000.A    |
| Total distance travelled by vessels <sup>o</sup> | Nautical miles (nm) | 1,408,137 | 1,339,981 | <b>1,310,584</b> | TR-MT-000.B    |
| Operating days <sup>p</sup>                      | Days                | 4,745     | 4,745     | <b>4,745</b>     | TR-MT-000.C    |
| Deadweight tonnage                               | Deadweight tonnes   | 1,221,177 | 1 221 177 | <b>1,221,177</b> | TR-MT-000.D    |
| Number of assets in fleet <sup>q</sup>           | Number              | 13        | 13        | <b>13</b>        | TR-MT-000.E    |
| Number of vessels port calls <sup>r</sup>        | Number              | 151       | 243       | <b>237</b>       | TR-MT-000.F    |

\*All letter references are indexed and listed on page 29 in this document, containing definitions and assumptions to the information provided.

# ABOUT THIS REPORT

The disclosures in this report aim to provide analysts and other key stakeholders with material ESG information. Flex LNG's report has been prepared on a consolidated basis in accordance with the SASB Marine Transportation Standard (2023) and with reference to the Global Reporting Initiative (GRI) Standards. The report presents our material environmental, social and governance (ESG) performance in our operations and value chain, along with how we manage material sustainability matters, for the financial year ending December 31, 2023.

For report questions or feedback, please email us at [ir@flexlng.com](mailto:ir@flexlng.com) or see contact details on the back cover of this report.

# KEY HIGHLIGHTS



**0.33**

LOST TIME INJURY FREQUENCY



**371**

REVENUE USD MILLION



**0**

NUMBER OF SPILLS



**B**

CDP RATING

# THE LIQUEFIED NATURAL GAS (LNG) VALUE CHAIN



- 1** EXPLORATION & PRODUCTION
- 2** LIQUEFACTION
- 3** SHIPPING
- 4** STORAGE & REGASIFICATION
- 5** END USERS

At Flex LNG, we recognise the dual challenge policy makers face in their efforts to tackle climate change while securing access to cleaner energy sources, which is vital for economic and social development. Natural gas and LNG are one of the mainstays in the global energy mix and have been recognised as part of the solution to replacing more polluting sources of energy, such as coal and fuel oil. Flex LNG believes that supplying LNG to the market by the most efficient seaborne transportation makes an important contribution to the broader global agenda and the ongoing energy trilemma, providing a more affordable and readily available energy solution.

LNG is natural gas that has been cooled down to liquid form for ease and safety of non-pressurized storage or transport. It is odorless, colorless, non-toxic and non-corrosive. The liquefaction process involves removal of certain components, such as dust, acid gases, helium water and heavy hydrocarbons.

Where it replaces more polluting sources of energy, it improves air quality and limits emissions of carbon dioxide. LNG, thus, plays a key role in reducing carbon intensity across all segments of the energy system including power generation, industry, the residential sector and transport. Flex LNG is proud to be part of this value chain.

For a brief informational video about Flex LNG please go to <https://www.flexlng.com/company-profile/>

# INTRODUCTION



The year 2023 concluded with the inclusion of the shipping industry in the EU Emissions Trading Scheme. This development, together with the planned introduction of methane and nitrous oxide in 2026, emphasizes the role played by EU and IMO regulations in incentivising greenhouse gas (GHG) emissions reductions across the sector. This is particularly important given the shipping industry's contributions to GHG emissions, driven in large part by the extensive freight volumes and distances involved.

Flex LNG welcomes these developments as they contribute to creating a more balanced sustainability landscape. In 2023, the Company further committed resources to prepare for the Corporate Sustainability Reporting Directive (CSRD). This work to align with the CSRD will continue into 2024 and will largely be guided by a Double Materiality Assessment (DMA). Based on the outcome of the DMA, the Company aims to further enhance its transparency on ESG topics.

The challenges of the past few years, including the global pandemic and geopolitical tensions such as the ongoing wars in Ukraine and Gaza, have tested many businesses operating in the shipping industry, highlighting the need for deploying low-carbon gases to meet decarbonisation targets. Leveraging a fleet consisting of 13 state-of-the-art LNG carriers with the latest generation two-stroke propulsion (MEGI and X-DF) and a long-term focus on energy efficiency, Flex LNG remains committed to driving positive impact within the sector.

Despite stricter thresholds in the Carbon Intensity Indicator (CII) regulation, the fleet remains at CII average score of B. During 2023, the Company also completed a Scope 3 emissions baseline study to understand the materiality of each emission category in its upstream and downstream value chain. Enhancing the understanding of its value chain emissions will further support Flex LNG in reducing indirect emissions. Looking ahead to 2024, the Company will seek to formalise procedures for the collection of precise data with key stakeholders,

as this will be a key step in aligning to the upcoming reporting requirements of the European Sustainability Reporting Standard (ESRS).

Flex LNG remains committed to providing a safe and diverse place to work, where human rights are respected, and all workers have decent working conditions. In 2023, the Company set a new target to ensure that 100% of seafarers were covered by Collective Bargaining Agreements. The Company has also mapped key areas of human rights risk for Flex LNG in accordance with the Norwegian Transparency Act. Building on this engagement, Flex LNG has carried out comprehensive screenings of the shipyards that we visit to assess the risks of potential human rights impacts. In parallel, the Company has strengthened its due diligence procedures and the mandatory annual compliance training for all employees by adding human and labour rights, as well as the handling of business partners. As a result of this engagement, the Company is proud to report that it has continued to record zero whistleblowing and zero litigations concerning any form of corruption in 2023.

Overall, these developments align with Flex LNG's commitment to ensure ESG risks and opportunities remain at the core of its business strategy. Flex LNG invites you to read its report and welcomes any comments or questions you may have on the information presented.



**ØYSTEIN KALLEKLEV**  
CEO  
Flex LNG

# ESG AT FLEX LNG



At Flex LNG, ESG is a core aspect of how we work and is fully integrated into our business model. We believe that clear guidance and robust control mechanisms are essential to safeguard the proper handling of sustainability risks in our daily operations. Our ESG framework reflects the incorporation of the UN Global Compact principles in our operations and value chain.

We have established policies and control processes to manage our employees and partners and to ensure compliance with all applicable international and local laws and regulations. All of Flex LNG's ESG-related policies and procedures were updated in 2023.

## Flex LNG's governing instruments on ESG:

- Code of Business Ethics and Conduct
- Compliance Policy
- Complaints Procedure (Whistleblowing Policy)
- Environmental Policy
- Ship Recycling Policy
- Know Your Business Partner Policy
- Sanction Policy
- Financial Crime Policy
- Privacy Policy



## MANAGEMENT OF ESG

The Board of Directors (BoD) is ultimately responsible for ESG at Flex LNG. The BoD oversees the Company's strategy, including our decarbonisation strategy, and ensures that appropriate and effective ESG-related risk management and internal control systems are in place. The BoD also reviews Flex LNG's corporate governance framework on an annual basis. The BoD has considered important ESG matters throughout the year and reviewed our annual ESG report. As an example, the BoD has assessed and approved the Company's GHG accounting and emission targets. The BoD's Audit Committee ensures oversight of key ESG risks and external reporting and receive regular updates on ESG reporting processes. In 2023, particular focus was dedicated to the Company's preparations for the Corporate Sustainability Reporting Directive (CSRD). The Committee also monitors reports and complaints received by the Company relating to internal controls and compliance. All incidents are reported to the BoD in an annual review.

The ESG Committee act as a preparatory and advisory body for the BoD in exercising its responsibility for the consideration and preparation of ESG matters. The Committee's primary purpose is to support the development of Flex LNG's overall strategic ESG direction. The Committee meets on a semi-annual basis, and on an ad hoc basis if needed, to address sustainability topics and is considering the Company's policies, reporting practices as well as its ESG-related programmes. An independent director of the Company is the Chair of the ESG Committee.

The Chief Executive Officer (CEO) oversees the daily implementation of ESG at Flex LNG, ensuring our commitment to environmental, social and governance principles. An example of an ESG-related decision made by the CEO is investing in a digital gas management and emission monitoring systems across the entire fleet. The CFO is responsible for establishing monitoring and reporting processes retaining to ESG-related risks and performance. An example of an ESG-related decision made by the CFO is conducting a cost-benefit analysis of implementing a digital emission monitoring systems across the entire fleet. Day to day follow up towards the vessels are done by our in-house ship management, Flex LNG Fleet Management. Flex LNG has a dedicated performance manager ensuring that all vessels are performing at their potential. In addition, energy efficiency studies and energy saving device evaluations are managed by the Head of Decarbonisation, project managers and data analysts.

## SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

The Compensation Committee is responsible for establishing our executive officers' compensation and benefits. The Committee's process for determining the remuneration of our executive management aims to link the performance-related element of remuneration of our executive management (options and bonuses) with the Company's key performance indicators, including those related to ESG. This is to ensure that remuneration promotes strategic goals and long-term value creation.

The executive management of Flex LNG has a bonus structure whereby 10% is tied to sustainability performance over the short-term and longer term. By linking sustainability performance to executive bonuses and ensuring there are no material breaches of ESG policies and related matters, Flex LNG incentivises the Company's executives to prioritise investments and to select operational strategies that reduce carbon emissions.

## MATERIAL TOPICS AND KEY TARGETS

Identifying material ESG risks and opportunities remains at the core of Flex LNG's business strategy. Our strategy is guided by the most relevant ESG topics to our industry according to the SASB Marine Transportation Standard (2023), and by where we can make a substantial contribution through our social, environmental, and economic performance. Addressing material topics helps us streamline our sustainability efforts, allocate resources effectively and report on progress in a meaningful way.

To guide the assessment and our determination of material topics, we consulted with key stakeholders across our operations and value chain. This includes affected stakeholders, such as employees, suppliers, customers and non-governmental organisations (NGOs), as well as users of our ESG report, such as banks, analysts and investors. We engage with these stakeholders on an ongoing basis and have close relationships with them. These various forms of engagements allow us to get a comprehensive view of what our stakeholders regard as important, which is valuable when identifying our material topics.

Our review of actual and potential material impacts considered both the severity and the likelihood of our impacts on environmental, social and governance topics, whereas sustainability-related risks and opportunities considered both the likelihood and the size of their financial effect.



Overall, the following topics have been deemed by the BoD to be material to our ESG efforts:

- Health and safety involving crew
- Climate-related risks
- Fleet emissions
- Spills and releases
- Corruption risk
- Human rights
- Training – compliance training and training onboard (e-based)

Flex LNG will continue to improve performance in these areas, and has developed specific ESG targets to address these material topics as follows:

|   | SDGS                              | MATERIAL TOPICS                         | TARGET  | 2023 PERFORMANCE   |
|---|-----------------------------------|---|---|--------------------|
| E | 13 Climate Action                 | Fleet emissions                         | "A" in overall fleet weighted average carbon intensity rating                                   | "B"<br>See page 12 |
|   | 14 Life Below Water               | Climate related-risks and opportunities | Receive B in CDP  | B                  |
|   |                                   | Spills and releases                     | Zero spills   | Zero               |
| S | 3 Good Health and Well-Being      | Health and safety involving crew        | 0 in Lost time injury frequency (LTIF)  | 0.33 in LTIF       |
|   | 8 Decent Work and Economic Growth | Human rights                            | 100% of seafarers covered by Collective bargaining agreements (CBAs)                            | See page 21        |
| G | 17 Partnerships for the Goals     | Corruption risk                         | 100% of new business partners screened in compliance with our Know Your Business Partner Policy | 100%               |
|   |                                   |   | Zero monetary losses resulting from any form of corruption                                      | Zero               |
|   | 4 Quality Education               | Compliance training                     | 100% completion rate on compliance training amongst employees, including the management team    | 100%               |

### Our CSRD Readiness journey

In 2024, we will review our material topics to align with the upcoming CSRD. This assessment is being done according to the principles of double materiality and will cover the sector-agnostic topics of the ESRS, as well as any entity-specific topics identified. Following the results of the DMA, the Company will conduct an ESRS gap analysis to identify potential data gaps in the current ESG reporting vis-à-vis applicable ESRS requirements. The DMA and the ESRS gap analysis is expected to be completed during the second quarter of 2024. Flex LNG has commissioned the firm Position Green to support the Company in its CSRD readiness journey.

### INDUSTRY COOPERATION

Many of the challenges our industry is facing require joint action. Through cooperation with other stakeholders – including industry and regulatory authorities – we aim to stay ahead of the curve on material risks and opportunities. Together with industry peers such as Avance Gas, Frontline, SFL and Golden Ocean, Flex LNG has established an ESG forum to design industry-leading approaches to ESG risk management and reporting parameters. The aim of this Forum is to enhance the efficiency of the companies' ESG efforts

and contribute to harmonised reporting practices – making communication at management and board levels more effective. In addition, we actively participate in and support the following initiatives and organisations:

- [The Neptune Declaration](#)
- [The Maritime Anti-Corruption Network \(MACN\)](#)
- [The International Association of Independent Tanker Owners \(Intertanko\)](#)
- [Oil Companies International Marine Forum \(OCIMF\)](#)

# ENVIRONMENT



Flex LNG is committed to minimising its environmental footprint through its operational model and fleet utilisation. The Company complies with applicable environmental legislation and proactively seeks to stay ahead of future legislation to meet industry expectations.

The main environmental impacts posed by the shipping industry are related to GHG emissions, nature-related impacts, such as pollution to air and water and biodiversity loss, as well as circular economy.

Flex LNG works diligently to manage its impacts, and our efforts are critical for protecting the environment and the societies in which we operate, as well as our customers and our business. We regularly review identified environmental impacts to establish appropriate safeguards and mitigate any adverse impacts on the environment. Moreover, our long-term focus on maintaining a modern, energy-efficient fleet has positioned us well to mitigate our climate-related risks and capitalise on opportunities provided by increasingly stringent environmental laws and regulations, as well as expectations from key stakeholders such as customers, banks and investors.

Our Environmental Policy applies to all Flex LNG vessels and outlines how we are to reduce emissions through the optimal use of vessels, new technologies and diligent work with our Ship Energy Efficiency Management Plan (SEEMP). Flex LNG Fleet Management AS ensure distribution of this policy to all relevant parties and incorporate it in the respective vessel's Safety Management System. Implementation of the policy shall include awareness among seafarers. Masters shall be responsible for overall onboard compliance.

The Safety Management Systems are annually audited in accordance with the International Safety Management (ISM) Code, and ISO 9001 and ISO 14001, where appropriate. If any breach of the Environmental Policy occurs, we are committed to ensure that an investigation is carried out to establish the root causes and corrective actions are taken to prevent recurrence.

## Performance in 2023

| ACCOUNTING METRIC                                     | UNIT OF MEASURE                   | DATA 2021 | DATA 2022 | DATA 2023      |
|---|-----------------------------------|-----------|-----------|----------------|
| <b>CO<sub>2</sub> EMISSIONS</b>                       |                                   |           |           |                |
| Scope 1 GHG emission (financial control) <sup>a</sup> | Metric tonnes (t) CO <sub>2</sub> | 759,086   | 800,461   | <b>745,186</b> |
| Average Efficiency Ratio (AER): weighted average      | gCO <sub>2</sub> /DWT-nm          | 5.51      | 6.35      | <b>6.04</b>    |

<sup>a</sup>All letter references are indexed and listed on page 29 in this document, containing definitions and assumptions to the information provided

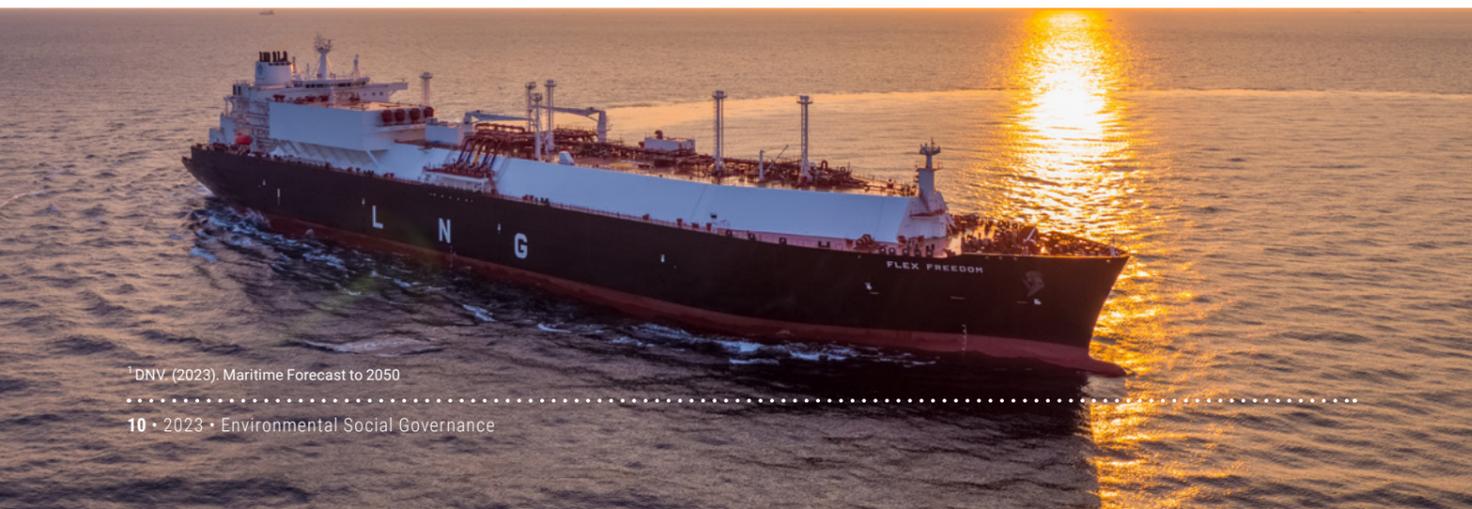
When choosing the financial control criteria in accordance with the GHG Protocol, fleet emissions account for 100% of Flex LNG's direct Scope 1 GHG emissions. In 2023, our fleet emissions (metric tonnes of CO<sub>2</sub>) amounted to 745,186 metric tonnes, representing a 6.9% reduction from the previous year (800,461).

## CLIMATE CHANGE

Despite being 16 times more energy-efficient than other transport modes on average, maritime shipping is responsible for a significant amount of GHG emissions due to the freight volumes and distances involved. At MEPC80 in June 2023, the International Maritime Organisation (IMO) completed the first revision of its GHG Strategy and strengthened its ambition for reducing GHG emissions from international shipping.

The revised strategy and its targets now include to reduce well-to-wake GHG emissions by 20% in 2030 (while striving for 30%) and by 70% in 2040 (while striving for 80%) compared to 2008 levels, as well as to reach net-zero by or around 2050.

Maintaining a modern and energy-efficient fleet remains key to Flex LNG's overall corporate strategy. Investments in research and development, infrastructure, and alternative fuels are critical to driving the necessary innovation and facilitating the industry's transition toward a more sustainable future. Flex LNG believes improved logistics, enhanced hydrodynamic technology, better machinery and cleaner fuels, will be important components in our work toward a more sustainable shipping industry. According to DNV, LNG remains the most prominent alternative fuel technology choice for ship owners in pursuit of decarbonisation<sup>1</sup>. It has emerged as the most popular alternative marine fuel to oil-based bunker fuel as other zero-carbon options do not have the same fuel availability and supply infrastructure as LNG.



<sup>1</sup>DNV (2023). Maritime Forecast to 2050

## OUR DECARBONISATION STRATEGY

In 2020, we initiated our “Decarbonisation journey towards 2030-2050” to ensure that our fleet is in compliance with the constantly evolving regulations. The purpose of this decarbonisation strategy is to provide us with a solid understanding of how to further optimise and modernise our fleet and operations in a cost-efficient and sustainable way. The decarbonisation strategy also ensures that we maintain momentum and allocate the correct resources to our environmental performance. Our strategy puts us in an optimal position to make operational and strategic decisions based on verified data, and we are already experiencing compelling benefits, such as:

- **Lower overall costs**
- **Being better positioned towards our charter market, cargo owners and end-consumers**
- **A more efficient fleet with lower emissions**
- **Future-proofing compliance with upcoming regulations**

### CII compliance

Verification of the first year (2023) of the attained annual operational CII will be conducted in 2024. Each ship will receive an environmental rating from 'A' (major superior) to 'E' (inferior) based on its emissions per unit transport work, calculated using the AER. The rating threshold will become increasingly stringent towards 2030. In 2023, our overall fleet weighted CII rating was B. We have a modern fleet with every vessel being technologically capable of receiving a CII score of A, as demonstrated by Flex Vigilant. While recognising that the CII score is a result of not merely technological capability, we remain at A, aligned with our fleet target.

### Fleet digitalisation and edge computing

Our digital monitoring platform Veracity enables live tracking of each vessel's emissions and energy consumption. It is an important tool to closely monitor, manage, and report on ESG related KPIs as well as our performance against regulations. Flex LNG's performance and emissions data are cloud based, and hence figures for main KPIs such as AER, EEOI and CO<sub>2</sub>, can be provided instantly. DNV is our selected vendor for 3rd party verification of our emission and intensity metrics.

Flex LNG is also continuously investing in edge computing, obtaining digital twins for all vessels entering our fleet. High frequency data increases our ability to identify future hazards and to take timely and qualitative actions, maintaining our position as a premium operator. To ensure that our digital twins are as accurate as possible, all our vessels are equipped with Kongsberg Information Management System (KIMS), pushing

several hundred datapoints continuously ashore. We have also installed Arundo Marathon software on all Flex LNG vessels. This software analyse these data points and use machine learning to further enhance vessels performance in close cooperation with our onboard crew.

### FuelEU Maritime and EU ETS preparation

The EU has agreed to include maritime transportation in its Emission Trading Scheme (EU ETS) from 2024 and on setting requirements on well-to-wake GHG emissions (FuelEU Maritime) from 2025. In 2023, Flex LNG completed a risk assessment for EU regulations included in the Fit-for-55 package. Based on data from 2023, 22% of Flex LNG's fleet CO<sub>2</sub> emissions were exposed to EU ETS. We have a robust Monitoring, Reporting and Verification (MRV) system in place to ensure compliance and effectively manage our allowances (EUAs) exposure on a voyage and fleet basis. The risk assessment also identified that Flex LNG, based on its EU fuel exposure for 2022, will receive a "credit" in the FuelEU Maritime regulation due to the vessels significantly outperforming the requirements.

### Scope 3 reporting

In 2023, we completed a scope 3 emission baseline study to understand the materiality of each emission category in our upstream and downstream value chain. Developing a scope 3 inventory will strengthen Flex LNG's understanding of its value chain emissions as a step towards effectively managing emission-related risks and opportunities, as well as reducing indirect emissions. We are already engaged in discussions with key stakeholders to formalise procedures for the collection of precise data. This will be one of our key focus areas in 2024 and an important step towards complying with upcoming reporting requirements set forward in the ESRS.

### CDP rating

In 2023, Flex LNG disclosed how the Company monitors climate risks and strategically manages its impacts to the CDP. We received a "B" on our reporting from CDP and view our score as an incentive to implement additional measures and expand our current programmes, such as those forming part of our decarbonisation journey.



## OUR DECARBONISATION TOOLBOX

Flex LNG's fleet is equipped with various energy-saving technologies. In 2023, we updated our decarbonisation toolbox to provide an accurate picture of our progress. The technologies used are divided into four main categories:



### TECHNICAL EFFICIENCY

Flex LNG has, through its affiliation with Frontline Management, extensive experience in handling new vessel construction. This experience has enabled us to implement energy-saving technologies fleet-wide, including modern hull designs, pre-swirl ducts, propeller optimisation, variable frequency drives and LED lighting.

For all dry dockings we have taken the opportunity to upgrade the paint scheme for the underwater hull. Given that our vessels are modern eco vessels, the Company prioritise hull performance over more extensive retrofits, which would prolong the dry docking period. We plan to reassess this strategy before the next docking cycle when the vessel will approach 10 years of age.



### FUTURE PROPULSION

The future of ship propulsion is moving towards alternative fuels, assisted propulsion, and onboard carbon capture. Nine of our vessels are powered with M-type, Electronically Controlled, Gas Injection (MEGI), Tier III engines, and four ships are powered with Low Pressure Gas Injection X-DF technology. These are the most efficient LNG vessels on the water. By applying the latest technology in our fleet, we contribute significantly to reducing emissions. Flex LNG is actively working with regulators and vendors to identify the most suitable long-term solution for eco-friendly propulsion.



### OPERATIONAL EFFICIENCY

Operational measures, such as hull cleaning, propellor polishing and weather routing, are fully implemented across our fleet. These are cost-effective measures that can result in significant fuel savings, making them a win-win solution that reduces both emissions and fuel costs. To promote cooperation and faster decision-making, we utilise real-time data sharing – where ship and shore have a common operational picture. VPS is fed with high-frequency sensor data to ensure that we can make the correct decisions.

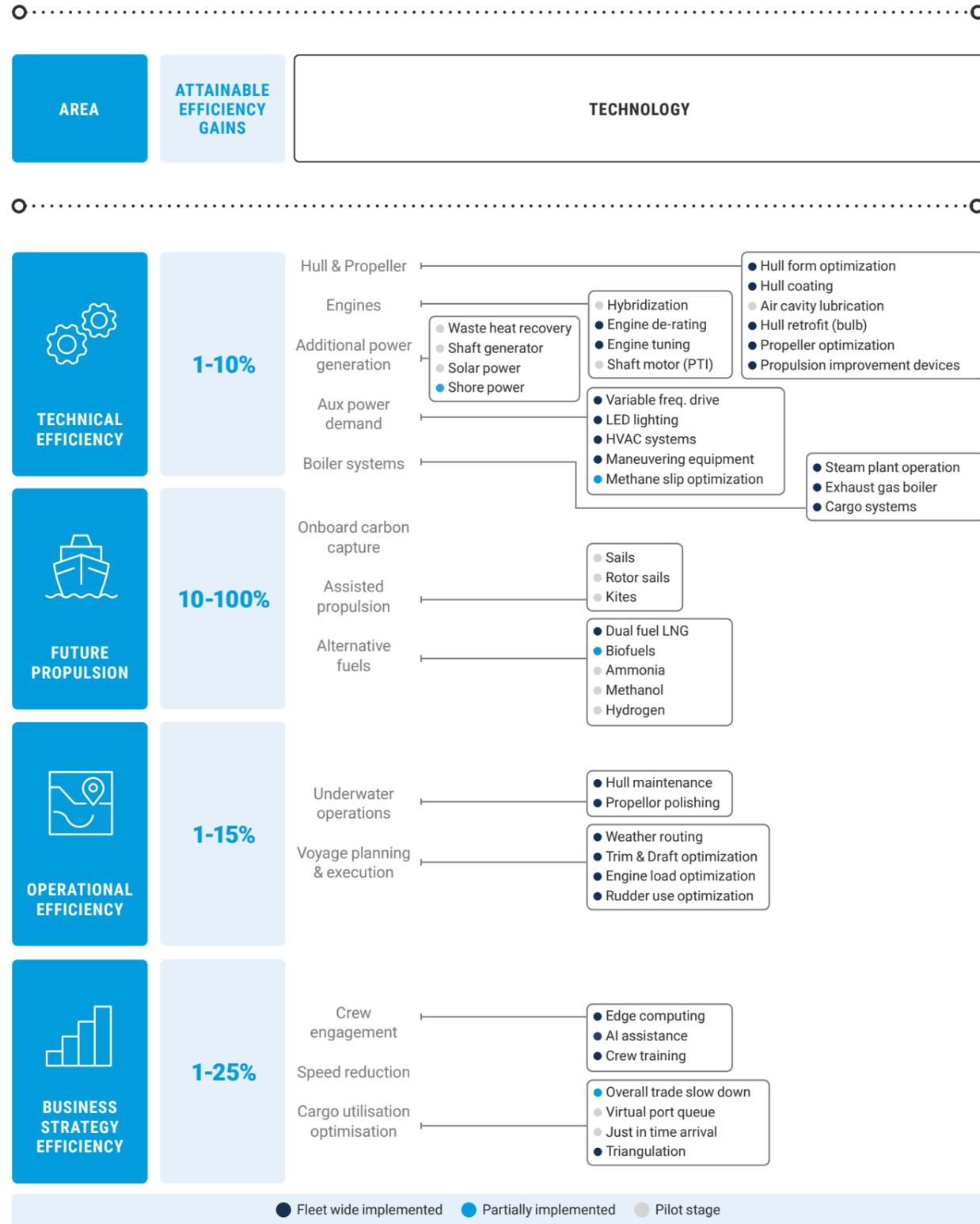
In 2023, Flex LNG finalised the testing and installation of an emission monitoring system on one of our vessels in close co-operation with the charterer. This system allows for exact CO<sub>2</sub> and methane slip measurements. The system is using Heated Filter Probes and Heated Sampling Lines, Hot-Wet sampling in a 'round-robin' basis. Based on our experience with this first installation, we will consider expanding this emission monitoring system to other vessels in our fleet.



### BUSINESS STRATEGY EFFICIENCY

We continuously focus on strategies such as crew training, just-in-time arrival and speed adjustments to optimise the efficiency and performance of our fleet. We will continue to develop our strategy, as building a competitive and greener fleet is key to protecting Flex LNG's position as a leading LNG company.

## FLEX LNG'S DECARBONISATION TOOLBOX



## CLIMATE-RELATED RISKS

Climate change poses physical, technological, regulatory and reputational risks to Flex LNG. The Task Force on Climate-related Financial Disclosures (TCFD) provides a useful framework for assessing these risks, and this is a summary of Flex LNG's current approach:

### Governance

The Board of Directors (BoD) has the responsibility of overseeing the Company's strategy, which includes addressing climate-related risks and opportunities. Management provides the BoD with regular updates on climate-related risks and opportunities, including current and emerging regulations, the Company's performance on its decarbonisation strategy, including its emissions reduction trajectories, as well as technological developments. The Chief Executive Officer (CEO) carries the responsibility for the overall implementation of climate related policies and is ensuring the performance and risk management.

The CEO is also responsible for the technical manager, who is to optimise fleet operations in terms of emission management. The Chief Financial Officer (CFO) is responsible for establish monitoring and reporting processes including climate-related financial risks and opportunities. The ESG Committee's primary purpose is to support the development of our overall strategic ESG direction. The Committee act as a preparatory and advisory body for the BoD in exercising its responsibility for considering relevant ESG matters. In addition, the Audit Committee ensures oversight of key ESG risks and external reporting and receive regular updates on ESG reporting processes.

### Strategy

Flex LNG is currently reassessing various climate-related risks and opportunities as part of reviewing its material topics to align with the upcoming CSRD. In the medium to long-term, regulations, such as the inclusion of shipping in the EU ETS in 2024, alongside the introduction of requirements on well-to-wake GHG emissions through the FuelEU Maritime in 2025, may influence the demand for LNG downstream in regions such as Europe. In other regions, the transition from thermal coal as an energy source in national grids will enhance the demand for more emission efficient energy sources, such as LNG. The LNG industry presents a viable and relatively rapid alternative for nations seeking to diversify their energy mix. According to DNV, regions such as the Indian Subcontinent will significantly increase imports of LNG towards 2050 to satisfy a near doubling in its demand for natural gas.

Since 2020, Flex LNG has incorporated decarbonisation as an integral part of its business strategy, and we are committed to achieving the IMO 2030 targets as a minimum threshold.

LNG plays a key role in reducing carbon intensity across all segments of the energy system including power generation, industry, heating, the residential sector and transport. LNG is also identified by DNV as one of the most feasible fuels for adoption by the maritime industry in the transition to low-carbon fuels as it meets the minimum thresholds in terms of availability and economic viability.

### Risk

Climate risk identification is incorporated into our general risk management and internal control system. Every year the BoD reviews climate-related risks and opportunities, as part of a general risk review process. This includes risks and opportunities for complying with the EEXI and CII that entered into force in 2023. In this approach financial risk is isolated to study operational risks.

We assess risks in a short-term (1-3 years), medium-term (3-5 years) and long-term (5-10 years) perspective, taking into consideration the most likely climate scenarios developed by the IPCC and incorporated in the IEA World Energy Outlook reports. This is then shared with the BoD. Market risks and financial risks are assessed every day. Regulatory changes and technological development have been the two most important risk drivers for the company. However, Flex LNG belongs to a segment that is considered part of the green transition and LNG is forecasted to be included in the energy mix through to 2050.

### Targets and metrics

The IMO has revised its emission reduction strategy towards 2050 to combat climate change, in line with the Paris Agreement. The strategy now includes absolute emission reduction targets of 20% by 2030 (while striving for 30%) and 70% by 2040 (while striving for 80%) compared to 2008 levels, as well as to reach net-zero by or around 2050. Flex LNG commits to supporting the IMO's targets. In the short term, Flex LNG is committed to achieve a weighted average fleet CII rating of "A". Our CII values is calculated using the Average Efficiency Ratio (AER) measured as grams of CO<sub>2</sub> per deadweight ton-nautical mile. The CII rating level, where the threshold will become increasingly stringent towards 2030, ranges from 'A' (major superior) to 'E' (inferior).

Since 2018, Flex LNG has annually disclosed its Scope 1 GHG emissions using the financial control approach. In 2023, our Scope 1 emissions amounted to 745,186 metric tonnes CO<sub>2</sub>. The Company's Scope 2 emissions were 0.34 metric tonnes CO<sub>2</sub> (market-based) and 0.13 metric tonnes of CO<sub>2</sub> (location-based). For 2023, our Scope 3 emissions reached 3,093 metric tonnes CO<sub>2</sub>. Formalising procedures for the collection of precise Scope 3 data will be one of Flex LNG's key focus areas in 2024.



## NATURE

To us, nature-related impacts include a wide variety of topics, such as pollution to air and water and biodiversity loss, as well as Flex LNG's reputational and operating risks. As a ship owner, controlling a significant portfolio of physical assets utilised for seaborne transportation of LNG, Flex LNG has significant interaction with the marine environment. We therefore recognise our responsibility to identify, avoid, minimise, manage and monitor our footprint by improving the Company's environmental performance, in compliance with regulations, and to meet the expectations of our customers and other key stakeholders.

Combustion of fuel in our operations results in air pollutants that have adverse impacts on the environment and on human health. Flex LNG are committed to the elimination of emissions at-source and the use of new technologies to reduce our impact. Given that LNG serves as a cleaner fuel and remains the primary choice for our fleet, the Company is not required to install scrubber devices on its vessels.

We recognise our responsibility to safeguard the environment and give prominence to improving our environmental performance and protecting biodiversity. Marine transportation is associated with risks to the surrounding environment with negative impacts on biodiversity. These impacts are related to ship pollution, collisions, noise, grounding and anchor damage, and transportation of invasive species. Our Biofouling Management Plan on each vessel ensures frequent and

efficient anti-fouling and cleaning routines. These plans are in accordance with IMO's Biofouling Guidelines and periodically reviewed and updated to align with best practice. Proper management of ships' biofouling is not only beneficial to prevent the spread of invasive species but will also reduce underwater resistance, and consequently, our GHG emissions.

Flex LNG is aware that larger volumes of oil spills have serious and long-lasting negative impacts on ecosystems. Incidents may cause the degradation of ecosystems, grave injuries or fatalities. Flex LNG experienced zero oil spills or other types of releases to the environment in 2023. If an incident related to spills were to occur, our onshore team is immediately notified by the vessel. A full investigation report is then to be submitted no later than 14 days after the incident has taken place.

Whilst ballast water is essential for shipping operations, it may also represent serious ecological, economic, and health risks, as ships become a vehicle for the transfer of organisms between ecosystems. Through the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention), the IMO has imposed guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. At the end of 2023, 100% of our vessels had ballast water treatment systems (BWTS) installed.

## CIRCULAR ECONOMY

Unsafe waste management and disposal from ships can readily lead to adverse environmental and health consequences. The prevention of pollution by waste from ships is regulated by The International Convention for the Prevention of Pollution from Ships (MARPOL) Annex V, which prohibits the discharge of most waste into the ocean.

Flex LNG has installed water filtration systems onboard all vessels, and we have implemented policies for the use of reusable water bottles. Moreover, in 2019, we introduced strict procedures for ensuring that all debris containing plastics is collected and disposed of safely from the vessel. We have already introduced electronic record keeping (e-logs) with replication to office which allows us to monitor waste generation and handling in real-time.

In 2023, we prioritised refining our waste management and reporting systems to align with the incoming ESRS. As a result, we made the strategic decision to delay establishing a waste baseline to ensure accuracy and reliability in our data. This decision laid the groundwork for setting an accurate baseline in 2024, leveraging the enhanced data from 2023. Our target is to reduce the Company's waste by 3% in 2025 compared to the 2024 baseline. Flex LNG intends to evaluate the ambition of this target and establish a reduction goal for the next four years.

Ships contain hazardous materials, and ship recycling must therefore be performed according to strict standards to

protect human health, safety and the environment. Flex LNG endeavours to comply with all applicable legislation in respect of the recycling of its end-of-life vessels where relevant, such as The Basel Convention, the United Nations Convention on the Law of the Sea, The EU Waste Shipments Regulations, MARPOL and the European Ship Recycling Regulation. Flex LNG welcomes the latest ratification of the Hong Kong Convention, which will enter into force in 2025. The Company intends to voluntarily comply with the Convention where possible prior to 2025. This regulation aims to ensure that ships, when recycled after reaching the end of their operational lives, do not pose a risk to the safety of workers or to the environment.

Despite having one of the most modern fleets in the industry, which reduces the risk and the probability of any ships going to any form of recycling in the near future, the severity of potential impacts to the environment makes ship recycling a prioritised risk to the Company. Consequently, Flex LNG has implemented several measures to mitigate risks related to the sale of ships and ship recycling in its Ship Recycling Policy. This is to ensure that future recycling of Flex LNG's ships may only take place at an approved yard compliant with the Hong Kong Convention, and that our MOAs with cash buyers include a compliance warranty. We always include adequate clauses pertaining to further trading and ship recycling in the contract for sale. Our Ship Recycling Policy is reviewed and updated annually to reflect changes in legislation and ongoing learning and good practice. We always assess the risk of recycling when selling any vessel.

### Performance in 2023

| ACCOUNTING METRIC  | UNIT OF MEASURE   | DATA 2021 | DATA 2022          | DATA 2023    |
|--|-------------------|-----------|--------------------|--------------|
| <b>OTHER EMISSIONS TO AIR</b>  |                   |           |                    |              |
| NOx (excluding N <sub>2</sub> O) <sup>d</sup>  | Metric tonnes (t) | 18 982    | 5 402 <sup>3</sup> | <b>4 026</b> |
| SOx <sup>d</sup>   | Metric tonnes (t) | 220       | 208                | <b>151</b>   |
| Particulate matter <sup>d</sup>  | Metric tonnes (t) | 144       | 171                | <b>127</b>   |
| Shipping duration in marine protected areas or areas of protected conservation status <sup>e</sup> | Number of days    | 18        | 84                 | <b>75</b>    |
| Implemented ballast water exchange <sup>f</sup>  | Percentage        | 100%      | 100%               | <b>100%</b>  |
| Implemented ballast water treatment <sup>f</sup>   | Percentage        | 0%        | 0%                 | <b>0%</b>    |
| Spills and releases to the environment <sup>g</sup>  | Number            | 0         | 0                  | <b>0</b>     |
|  | Cubic meters      | 0         | 0                  | <b>0</b>     |

<sup>a</sup>All letter references are indexed and listed on page 29 in this document, containing definitions and assumptions to the information provided.

<sup>3</sup> NOx drop due to conservative estimates used during previous reporting year.

Over the past year, the Company maintained a clean record with zero spill incidents, which is key to avoid unnecessary negative impact on nature. Flex LNG has also made progress in reducing its air pollutants, including SOx, NOx and particulate matter. Additionally, the Company decreased its presence in marine protected areas, showcasing our efforts to minimise our impact on sensitive ecosystems.



# SOCIAL



Flex LNG’s ambition is to ensure a safe and diverse place to work, that human rights are respected, that all workers have decent working conditions, and to improve the well-being of all our employees. Our actions are guided by industry and international standards, in line with what is expected by our key stakeholders.

In this section, we explain how we are meeting our strategic commitments to health and safety, human rights, labour rights protection, diversity and inclusion and human capital development.



**10**

Onshore workforce



**338**

Offshore workforce

At the end of 2023, Flex LNG employed 10 permanent onshore staff across its three offices located in Oslo and London. The employee turnover rate for our onshore workforce was 11% in 2023. Our offshore workforce, referring to those who work onboard Flex LNG’s vessels, numbered 338 in 2023.

## HEALTH AND SAFETY

At Flex LNG, our number one priority is the health, safety and well-being of our people, including our seafarers employed by the crew management companies we partner with. We have implemented several measures in this regard also when it comes to crew training and the facilities onboard our vessels. Through our involvement with the Neptune Declaration, we have made an obligation to support all relevant well-being initiatives and ensure that all seafarers have the appropriate access to mental health support, where required. During the pandemic, we introduced the SayFlex app to all our seafarers. By leveraging gamification and digital tools, this app allows us to monitor weak signals and act proactively to support crew and strengthen safety.

Access to entertainment is also important at sea. Flex LNG has made Bazeport available on all vessels. Bazeport synchronises the latest news, movies and tv-series, and make them available to the crew onboard – both on the commonroom TV and on

the cabin laptops. In 2024, we will also roll out StarLink to all vessels to ensure high speed Internet coverage and easier access to said services. The system was tried out in 2023 on one of our vessels.

Through Flex LNG’s health insurance policies, which includes Marine Benefits insurance, a well-being app is available to all of our onshore employees. The app “Overvinne” is developed by psychologists for our employees to get help when and where they want – arranged on their own terms. The app contains a digital self-help programme consisting of short videos, audio files, mood reports and articles.

The safety and security risks connected to operations at sea must always be managed carefully to safeguard crew, vessels, cargo and the environment. Flex LNG has a zero-accident ambition and operates according to the principle that no serious injury or environmental incident is acceptable. All tasks at Flex LNG are evaluated in terms of the hazards inherent to the job, prior to the work itself being undertaken.

Work is planned on a monthly, weekly and daily basis with an evaluation of the relevant hazards, indicating where risk assessments should be developed to fully explore the risks and apply the hierarchy of controls to eliminate hazards and reduce risks. For work considered particularly hazardous, such as enclosed entry or work from heights, a “permit to work” system ensures that the work planned, and the risk assessment developed is reviewed by relevant personnel from the HSEQ and the Technical Department onshore. Together the safety management system and predictive maintenance system ensure that routine work is planned to allow due attention to the hazards and risks inherent in the work offshore.

Flex LNG ensures that key systems, such as the safety management system, are audited at a minimum on an annual basis by independent auditors. In addition, individual vessels are inspected at regular intervals by Port State Control (PSC) inspectors and by our customers. A Ship Inspection Report Programme (SIRE inspection) is conducted when dealing with LNG carriers. Flex LNG Fleet Management also performs internal audits on a continuous basis on all vessels.

Crew and onshore employees can report a range of work-related hazards or hazardous situations through our near miss reporting and unsafe acts reporting systems. We have a Stop Work Policy where it is made clear that any person may stop work if they deem the work unsafe. In addition, we promote a culture of “learner mindsets” where mistakes are seen as opportunities to learn and develop. Our crew has a direct reporting line to the Designated Person Ashore (DPA), and an anonymous whistleblowing hotline, that allows them to report on any circumstances that give rise to concern.

Work-related incidents are investigated using robust accident investigation techniques and include methods appropriate to the incident, such as technical examinations and interviews of staff along with recreating the accident trajectory. Reporting follows DNV’s Marine Systematic Cause Analysis Technique and data is captured in an incident reporting system which allows for analysis of the root causes of the incident. Corrective actions are identified and tracked until implemented. The incident reporting system allows analysis of incident trends and aims to strengthen barriers to avoid similar incidents from taking place in the future.

## THE MARITIME PARTNERS IN SAFETY PROGRAM

The Maritime Partners in Safety Programme has been fully implemented on all vessels in the fleet. As part of the program, the Managing Director of Flex LNG Fleet Management is actively engaging directly with crew members with an objective to understand how each seafarer understands risks and the safety protocols in place. This engagement gives an opportunity for leaders to gain first-hand knowledge of concerns onboard as well as sharing good practices. Furthermore, seafarers of all ranks may engage directly with top management, which in turn helps removing barriers between ship and shore.

## Performance in 2023

| ACCOUNTING METRIC                              | UNIT OF MEASURE | DATA 2021 | DATA 2022 | DATA 2023   |
|--|-----------------|-----------|-----------|-------------|
| <b>LOST TIME INJURY FREQUENCY</b>              |                 |           |           |             |
| Lost time injury frequency (LTIF) <sup>i</sup> | Rate            | 0.34      | 0.33      | <b>0.33</b> |
| <b>MARINE CASUALTIES</b>                       |                 |           |           |             |
| Incidents <sup>j</sup>                         | Number          | 0         | 0         | <b>0</b>    |
| Very serious marine casualties <sup>k</sup>    | Percentage (%)  | 0         | 0         | <b>0</b>    |

\*All letter references are indexed and listed on page 29 in this document, containing definitions and assumptions to the information provided

This year, our lost time injury frequency (LTIF) stands at 0.33, which is the same rate as in 2022. Flex LNG continues its track record of zero incidents onboard its assets. The maintenance of a low LTIF and zero incidents underscores Flex LNG’s emphasis on safety in its operations and reaffirms our dedication to ensuring a secure workplace for our employees.

## HUMAN AND LABOUR RIGHTS

Flex LNG is fully committed to respecting fundamental human and labour rights in our business operations and value chain. We recognise the rights set out in the UN International Bill of Human Rights, the Maritime Labour Convention and the International Labour Organisation's (ILO) Core Conventions on Fundamental Principles and Rights at Work. Flex LNG acts in accordance with the UN Guiding Principles for Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises and national laws, such as the Norwegian Transparency Act.

The shipping industry faces a number of specific human rights risks, given our business operations, business partners and suppliers across the globe, many of which are in high-risk jurisdictions. Consequently, Flex LNG has taken several steps to manage our human rights risks, including conducting human risk due diligence to identify, prevent and mitigate any negative human rights impacts throughout our value chain.

This exercise enabled us to identify three prioritised human rights risk areas going forward:

- **Shipbuilding and dry-docking**
- **Sale of ships and ship recycling**
- **Crew**

The BoD has the overall responsibility for risk management, including human rights risks, and approves Flex LNG's policies. The Company's management carries the responsibility for the

implementation of routines related to human rights in our daily operations, while the Audit Committee monitors and reports any complaints received relating to our internal controls and compliance personnel.

We expect that our business partners share our human and labour rights commitment and standards. As a safeguard against negative human rights impacts, we include audit rights and termination clauses in our contracts. These allow us to undertake regular and randomised audits (including assessment of wages and working hours), as well as announced and unannounced on-site visits, inspections, and interviews with crew. In addition to contract clauses, we employ a third-party whistleblowing channel and urge employees and third parties to voice any concerns or suspected violations of our Code of Business Ethics and Conduct through our external whistleblowing channel. This effort was strengthened in 2023 through including human and labour rights, as well as the handling of business partners, in the mandatory annual compliance training for all employees.

Going forward, we will continue to strengthen our routines in respect of human rights and labour rights, and for documenting activities in our value chain. This includes, but is not limited to, continued testing of our crew's social and labour rights and closely monitoring high-risk business partners such as yards. We further aim to consistently include human rights clauses in 100% of relevant contracts.

There have been no recorded incidents of severe human rights issues in 2023.

## HUMAN RIGHTS RISK AREAS



### SHIPBUILDING, SHIP REPAIRS AND DRY-DOCKING

Shipbuilding and repairs are labour-intensive activities that can be associated with human and labour rights issues, both when it comes to risks of accidents and injuries, and when it comes to risks of worker exploitation. As part of our general compliance program, compliance testing and screening of current and potential business partners are carried out. In 2023, Flex LNG screened all shipyards used for drydocking and newbuildings and assessed the risks of potential human rights impacts. Our screening results in concrete follow-up measures for improvements business partners should implement and highlights where it is preferable to terminate business relationships.

In 2024, we aim to continue our work with external testing, including spot checks and on-site visits to key business partners.



### SALE OF SHIPS AND SHIP RECYCLING

The risks related to the sale of ships and ship recycling mainly relate to the risk of ships ending up in a process of "beaching" or an informal shipbreaking process. Both of these outcomes can involve risks related to workers as well as local communities and the environment. Although the modernity of our fleet makes ship recycling less probable, it is to be noted that any form of ship recycling, even through a formalised process, is a labour-intensive activity that warrants specific attention to human and labour rights risks. The risks will be similar to the ones associated with shipbuilding, and if relevant, we will apply the same type of measures to mitigate any risks.

In 2023, Flex LNG has strengthened the due diligence procedure in respect of potential buyers of second-hand vessels.



### CREW

There are several human and labour rights risks related to seafaring. The working environment on a ship, with extended periods offshore, can mean limited oversight and weak law enforcement, which increase the risks of worker exploitation. This can take the form of excessive working hours, poor wage levels and risks of modern slavery. These risks are minimised by having our own internal ship management which are responsible for the technical ship management for our entire fleet.

The Company commits to meeting the standards set out in the Maritime Labour Convention and ILO's Core Conventions, at a minimum, and aim to safeguard seafarers' rights to collective bargaining and ensuring that no employee is discriminated against. Moreover, the Company complies with the requirements of the International Transport Workers' Federation.

One of our key targets is that 100% of Flex LNG's seafarers are covered by collective bargaining agreements. In 2023, we conducted "crew payment testing" in respect of our crew's labour rights conditions on several vessels. No significant irregularities were detected with Flex LNG Fleet Management.

## EQUAL TREATMENT AND OPPORTUNITIES

Flex LNG prohibits discrimination against any employee, or any other person based on sex, race, colour, age, religion, sexual orientation, marital status, national origin, disability, ancestry, political opinion or any other basis. The Company prohibits unlawful harassment. Employees are expected to treat one another with respect. We also expect our contractors, suppliers and other business partners to aspire to similar standards of fair treatment and equal opportunities for their employees.

To enhance awareness on this topic as well as to prevent and mitigate any form of discrimination and harassment, Flex LNG has included discrimination and harassment as a topic in its compliance training that is mandatory for all employees and management.

There have been no reports of discrimination and harassment incidents in 2023.

Flex LNG places high importance on the continuous expansion of our cultural diversity and identity within the workplace. Our offshore employees come from a wide range of countries around the world, such as the Philippines, Malaysia, Ukraine, Poland and Croatia. Despite the maritime transportation industry being largely male dominated, we actively promote and encourage more female applicants to new roles. In the past few years we have had several female cadets onboard our vessels and are encouraging them to take on more senior roles onboard once promotion ready.

Our success is built on the ability, determination and dedication of our staff, both onshore and at sea. Employees are encouraged to identify training needs through their development plan. To assist with this, we provide several opportunities for employees to develop their skills and careers. This includes training in skills to improve interpersonal competence, such as leadership development

and communication training, and technical skills relevant to the execution of their work, such as Electronic Chart Display and Information System (ECDIS) training or specific training courses for technical machinery.

To enhance our communication in respect of compliance risks we are facing, Flex LNG provides training to all employees and management, through in-person training sessions and an e-learning platform. This training is also made available for the BoD. We have a separate section on our intranet that makes all policies, training materials and news easily available for all employees.

In 2023, all employees, including the management team and two board members, completed an annual compliance e-learning. The e-learning covered financial crime, competition law and anti-trust, insider trading, confidentiality and privacy, sanctions and KYC, social and labour conditions, human rights and whistleblowing. We conducted face-to-face compliance training sessions in the Oslo and London offices. We have also conducted ad hoc training sessions on the Dow Jones RiskCenter, a web-based due diligence tool for assessing compliance risks with monitoring functionalities. For new employees, Flex LNG also requires an introductory training session on compliance.

In April 2023, we organised a "Compliance Awareness Week". The weeklong programme included online dilemma-training, as well as lunch seminars with external experts covering topics such as corruption, anti-trust and whistleblowing, podcasts covering employment related matters and publication of sanction related news, case law regarding corruption and bribery and enforcement actions from the SEC regarding FCPA cases. In 2024, Flex LNG will conduct another "Compliance Awareness Week", to maintain awareness and continue to improve our e-learning and face-to-face training sessions. We plan to evaluate the effectiveness of these initiatives to identify opportunities to further enhance our programme.



## GOVERNANCE



Flex LNG is committed to conducting its business honestly and ethically, as outlined in our Corporate Code of Business Ethics and Conduct and Financial Crime Policy. Our Financial Crime Policy further commits us to the most stringent rules and regulations and is aligned with the NYSE guidelines.

### OUR COMPLIANCE PROGRAMME

Flex LNG has a comprehensive Compliance Programme led by our Compliance Officer, ensuring that we conduct our business in an honest and ethical manner.

In 2023, Flex LNG contracted Agenda Risk to conduct a risk assessment and gap analysis of the Company's current compliance programme to identify and mitigate risks Flex LNG is exposed to. The assessment resulted in a risk map covering all identified risks, and a gap analysis highlighted certain areas that would benefit from further attention. Some risk mitigating actions have already been implemented in 2023, and in 2024, Flex LNG has established a further training target as a means of risk mitigation in areas such as sanctions, and bribery. The Company will ensure that key staff at yards in connection to newbuildings and dry-docking receive necessary training in anti-corruption and Flex LNG's Corporate Code of Business Ethics and Conduct.

Over the past few years, the primary risk for individuals or entities operating in the maritime industry or energy sector has been the potential violation of sanctions, either directly or indirectly through third parties. Following Russia's invasion of Ukraine, the UK, EU and US have imposed extensive sanctions against Russian interests targeting, inter alia, entities, individuals, oil and oil products. Flex LNG has a Sanctions policy and Know Your Business Partner policy and monitors its fleet on an ongoing basis through IHS Markit's Maritime Intelligence Risk Suite (MIRS).

We use this system for screening purposes, and we receive and follow-up on alerts if any of our vessels are in proximity to sanctioned areas or there is a gap in their AIS signals. In addition, third-party testing, strict due diligence requirements, monitoring of business partners and contractual risk mitigation are all measures that can also significantly reduce the risk of any sanction violation.

### TOP COMPLIANCE RISKS IN 2023

|   |
|---|
| Third-party corruption and bribery (newbuildings, dry-docking, commercial operations etc.)          |
| Breach of sanctions (both direct and through third parties)   |
| Anti-trust/anti-competitive practices   |
| Severe breaches of human and labour rights at yards for Newbuildings and Dry-docking                |
| Facilitation payments   |
| Receiving funds from sanctioned/illegal (includes money laundering) activities when selling vessels |
| Environmental crime   |
| Legal risk exposure if a vessel is involved in drug smuggling                                       |
| Insider trading   |
| Various types of fraudulent activities on ship (theft of cargo, financial crime etc.)               |
| Sale of vessels resulting in environmental crime and breach of human and labour rights              |
| Harassment of crew and other employees  |
| Conflict of interest  |

1 = Very low   2 = Low   3 = Moderate   4 = High   5 = Very high

## ANTI-CORRUPTION AND BUSINESS ETHICS

In addition to sanction risks, and similar to many other companies in the maritime industry, we continued to face bribery and corruption risks in 2023. The industry operates in many countries with high inherent risk for corruption and utilise several intermediaries, agents and sub-suppliers that may not have a compliance programme nor the same culture and cultural standards that the ship owner expects. Due to the current macroeconomic situation, Flex LNG believes there is higher likelihood of corruption across several geographical areas compared to previous years.

For Flex LNG, these risk areas are subject to continued risk-mitigating actions. In addition to providing employees and key suppliers with anti-corruption training, these actions involve incorporating anti-corruption and bribery clauses into contracts, as well as screening and monitoring of business partners and beneficial owners for any adverse media relating to corruption and bribery. To consistently evaluate and address the risks confronting our business, we utilise Transparency International's Corruption Perception Index (CPI).

Our Corporate Code of Business Ethics and Conduct (the Code) and Financial Crime Policy have a zero-tolerance approach to any violations of applicable laws and regulations, including the UK Bribery Act and US Foreign Corrupt Practices Act (FCPA). The policies apply to all entities controlled by Flex LNG's officers, directors and employees, as well as workers and third-party consultants, wherever they are located.

The Code describes our expectations and requirements relating to:

- Compliance with laws and regulations
- Honest and fair dealing
- Conflict of interest and corporate opportunity
- Anti-corruption
- Confidentiality and privacy
- Proper use of company assets
- Anti-discrimination and harassment
- Integrity of corporate records.

The Code explains how violations of the Code are managed and requires employees who observe a situation they believe to be in violation of the Code to promptly notify their manager. As part of our Financial Crime Policy and associated compliance procedures, appropriate risk-based communication and training are provided to employees as part of their onboarding and ongoing development. Suspected deviations from our policy are to be reported to the line manager or our anonymous whistleblowing platform provided by Ethicspoint. The platform is open to everyone, including staff, seafarers and those outside of our organisation. The whistleblowing facility is tested quarterly by Flex LNG's Compliance Officer.

Flex LNG values the united voice against corruption and has joined MACN for collective action. MACN members collaborate with stakeholders, such as local authorities, to develop solutions that are beneficial to all parties and are realistic to implement. Based on reports from our vessels, we report facilitation payment demands to MACN each quarter.



## Performance in 2023

| ACCOUNTING METRIC   | UNIT OF MEASURE    | DATA 2021 | DATA 2022 | DATA 2023 |
|---|--------------------|-----------|-----------|-----------|
| <b>CORRUPTION INDEX</b>   |                    |           |           |           |
| Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perceptions Index | Number             | 12        | 11        | 16        |
| <b>CORRUPTION</b>   |                    |           |           |           |
| Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption                              | Reporting currency | 0         | 0         | 0         |

\*All letter references are indexed and listed on page 29 in this document, containing definitions and assumptions to the information provided

Flex LNG have had zero litigations concerning any form of corruption in 2023. Moreover, no instances of whistleblowing were reported in 2023. Taken together, these metrics suggest that business conduct issues remained minimal throughout the year.

## SYSTEMS FOR SUPPLIER MONITORING

Flex LNG has implemented Dow Jones RiskCenter, a third-party management tool, for conducting integrity due diligence, screening and monitoring of our business partners. The term "business partners" include all enterprises or individuals our Company enters into a business relationship with, including banks, charterers, agents, brokers, consultants, joint venture partners, suppliers and other intermediaries. The Tool enables Flex LNG to track its business partners, from the pre-contractual phase throughout the entire lifecycle of the

business relationship. This approach enables us to proactively identify potential risks of business partners violating sanctions, being involved in money laundering, corruption or other non-compliant conditions.

The Compliance Officer is responsible for screening and monitoring. All employees receive training in using the management tool for onboarding new business partners. We conduct checks internally once a year towards spend reports from accounting, and our auditor conducts spot checks on an ad hoc basis.





# APPENDIX

## SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURES

| TOPIC   | ACCOUNTING METRIC  | UNIT OF MEASURE  | 2021           | 2022                                     | 2023                                     | SASB CODE    |  |
|---|--|--|----------------|--|--|--------------|--|
| <b>CO<sub>2</sub> EMISSIONS</b>                         |  |  |                |  |  |              |  |
| GREENHOUSE GAS EMISSIONS                                | Gross global Scope 1 emissions: Financial control <sup>a</sup>   | Metric tonnes (t) CO <sub>2</sub>                          | 727,999        | 800,461                                  | 745,186                                  | TR-MT-110a.1 |  |
|   | Discussions of long-term and short-term strategy or plan to manage Scope 1 emissions, emission reduction targets, and an analysis of performance against those targets | Qualitative description                                    | See page 10-15 |  |  | TR-MT-110a.2 |  |
|   | Indirect emissions: Scope 2, purchased electricity <sup>b</sup>  | Metric tonnes (t) CO <sub>2</sub>                          | 9.4            | Location based: 0.1<br>Market based: 5.4 | Location based: 0.1<br>Market based: 0.3 | Additional   |  |
|   | Indirect emissions: Scope 3, business travel <sup>b</sup>  | Metric tonnes (t) CO <sub>2</sub>                          | 2,680          | 1,113                                    | 3,093                                    | Additional   |  |
|   | <b>ENERGY CONSUMED</b>   |  |                |  |  |              |  |
|   | Total energy consumed  | Gigajoules (GJ)  | 12,333,021     | 14,823,799                               | 14,129,346                               | TR-MT-110a.3 |  |
|   |  | Percentage of energy from heavy fuel (%)                   | 0%             | 0%                                       | 0%                                       | TR-MT-110a.3 |  |
|   |  | Percentage of energy from renewable/low-carbon sources (%) | 0%             | 0%                                       | 0%                                       | TR-MT-110a.3 |  |
|   | <b>EEDI &amp; CARBON INTENSITY INDICATOR</b>   |  |                |  |  |              |  |
|   | Average Energy Efficiency Design Index (EEDI) for new ships <sup>c</sup>   | Grams of CO <sub>2</sub> per ton-nautical mil              | 4.55           | Not applicable                           | Not applicable                           | TR-MT-110a.4 |  |
| Average Energy Efficiency Design Index (EEDI) for fleet | Grams of CO <sub>2</sub> per ton-nautical mil  | 4.24   | 4.11           | 4.11                                     | Additional                               |              |  |
| Average Efficiency Ratio (AER): weighted average        | Grams of CO <sub>2</sub> per ton-nautical mile   | 5.51   | 6.35           | 6.04                                     | Additional                               |              |  |
| <b>OTHER EMISSIONS TO AIR</b>                           |  |  |                |  |  |              |  |
| AIR QUALITY   | NO <sub>x</sub> (excluding N <sub>2</sub> O) <sup>d</sup>  | Metric tonnes  | 18,982         | 5,402                                    | 4,026                                    | TR-MT-120a.1 |  |
|   | SO <sub>x</sub> <sup>d</sup>   | Metric tonnes  | 220.0          | 208                                      | 151                                      |              |  |
|   | Particulate matter <sup>d</sup>  | Metric tonnes  | 144.0          | 171                                      | 127                                      |              |  |
| <b>MARINE PROTECTED AREAS</b>                           |  |  |                |  |  |              |  |
| ECOLOGICAL IMPACTS                                      | Shipping duration in marine protected areas or areas of protected conservation status <sup>e</sup>   | Number of travel days                                      | 18             | 84                                       | 75                                       | TR-MT-160a.1 |  |
|   | <b>IMPLEMENTED BALLAST WATER</b>   |  |                |  |  |              |  |
|   | Exchange <sup>f</sup>  | Percentage (%)   | 0%             | 0%                                       | 0%                                       | TR-MT-160a.2 |  |
|   | Treatment <sup>f</sup>   | Percentage (%)   | 100%           | 100%                                     | 100%                                     | TR-MT-160a.2 |  |
|   | <b>SPILLS AND RELEASES TO THE ENVIRONMENT</b>  |  |                |  |  |              |  |
| Incidents <sup>g</sup>                                  | Number   | 0  | 0              | 0  | TR-MT-160a.3                             |              |  |
| Aggregate volume <sup>g</sup>                           | Cubic meters (m <sup>3</sup> )   | 0  | 0              | 0  | TR-MT-160a.3                             |              |  |

**SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURES**

| TOPIC  | ACCOUNTING METRIC  | UNIT OF MEASURE    | 2021 | 2022 | 2023         | SASB CODE    |
|--|--|--------------------|------|------|--------------|--------------|
| BUSINESS ETHICS  | <b>CORRUPTION INDEX</b>  |                    |      |      |              |              |
|  | Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perceptions Index <sup>h</sup> | Number             | 12   | 11   | 16           | TR-MT-510a.1 |
|  | <b>CORRUPTION</b>  |                    |      |      |              |              |
|  | Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption   | Reporting currency | 0    | 0    | 0            | TR-MT-510a.2 |
|  | <b>FINES AND SANCTIONS</b>   |                    |      |      |              |              |
| Number of fines and total monetary value of fines                      | Number and reporting currency  | 0                  | 0    | 0    | Additional   |              |
| Non-monetary sanctions for non-compliance with laws and/or regulations | Number   | 0                  | 0    | 0    | Additional   |              |
| EMPLOYEE HEALTH AND SAFETY   | <b>LOST TIME INCIDENT</b>  |                    |      |      |              |              |
|  | Lost time injury frequency (LTIF) <sup>i</sup>   | Rate               | 0.34 | 0.33 | 0.33         | TR-MT-320a.1 |
| ACCIDENT & SAFETY MANAGEMENT   | <b>MARINE CASUALTIES</b>   |                    |      |      |              |              |
|  | Incidents <sup>j</sup>   | Number             | 0    | 0    | 0            | TR-MT-540a.1 |
|  | Very serious marine casualties <sup>k</sup>  | Percentage         | 0    | 0    | 0            | TR-MT-540a.1 |
|  | <b>CONDITIONS OF CLASS</b>   |                    |      |      |              |              |
|  | Condition of class or Recommendations <sup>m</sup>   | Number             | 0    | 0    | 0            | TR-MT-540a.2 |
|  | <b>PORT STATE CONTROL</b>  |                    |      |      |              |              |
|  | Deficiencies <sup>l</sup>  | Rate               | 0.10 | 0.23 | 0.45         | TR-MT-540a.3 |
| Detentions <sup>l</sup>  | Number   | 0                  | 0    | 0    | TR-MT-540a.3 |              |

| INDIVIDUALS IN THE ORGANISATION'S GOVERNANCE BODIES BY DIVERSITY CATEGORIES (AS OF DECEMBER 31, 2023) |      |        |                    |                 |                   |
|---|------|--------|--------------------|-----------------|-------------------|
|   | MALE | FEMALE | UNDER 30 YEARS OLD | 30-50 YEARS OLD | OVER 50 YEARS OLD |
| Board of Directors  | 4    | 1      | 0                  | 1               | 4                 |

| INDIVIDUALS IN THE ORGANISATION'S GOVERNANCE BODIES BY DIVERSITY CATEGORIES (AS OF DECEMBER 31, 2023) |      |        |                    |                 |                   |
|---|------|--------|--------------------|-----------------|-------------------|
|   | MALE | FEMALE | UNDER 30 YEARS OLD | 30-50 YEARS OLD | OVER 50 YEARS OLD |
| Temporary (Headcount)   | 0    | 0      | 0                  | 0               | 0                 |
| Permanent (Headcount)   | 10   | 0      | 2                  | 6               | 2                 |
| Full-time (Headcount)   | 10   | 0      | 2                  | 6               | 2                 |
| Part-time (Headcount)   | 0    | 0      | 0                  | 0               | 0                 |

| LOCATION       | HEADCOUNT |
|----------------|-----------|
| Norway         | 6         |
| United Kingdom | 4         |

**DISCLAIMER AND ASSUMPTIONS FOR THE SASB REPORTING**

The information provided is based on the best data available at the time of reporting. The ESG disclosures should be used to understand the overall risk management of sustainability related issues, however, in some areas data are based on estimates, please see comments below.

<sup>a</sup> **CO<sub>2</sub>-emissions – scope 1:** Based on IMO emission factors. The “financial control” approach defined by the GHG Protocol has been applied. Scope 1: all vessels, based on fuel consumption for the year.

<sup>b</sup> **Indirect CO<sub>2</sub> emissions:** Scope 2 is based on electricity consumption in reporting year for our Head Office in Oslo and calculated using the AIB Production Mix 2022 conversion factors (location based) and NVE conversion factor. In 2023, Flex LNG secured 100% renewable energy to the Company's Head Office in Oslo through a retail supply contract with an electricity supplier. Certificate (GoO) was delivered to Flex LNG from our selected vendor (Veni Energy). Scope 3 is based on 1) business travel (onshore employees and crew) in the reporting year, with figures provided by travel agent and internal ship management, and 2) shipments of spares and supplies to the vessels, with figures provided by MarineTrans.

<sup>c</sup> **Average Energy Efficiency Design Index (EEDI) for new ships:** New ships average EEDI is based on new ships entering the fleet in 2022 (keel laid after July 2013).

<sup>d</sup> **Particulate matter (PM), NOx, SOx emissions (Metric tonnes):** The methodology has been developed with support from DNV, based on IMO factors.

<sup>e</sup> **Shipping duration in marine protected areas or areas of protected conservation status:** Shipping duration in marine protected areas or areas of protected conservation status: A marine protected area is not as defined by the International Union for Conservation of Nature (IUCN). However, the reported number does not necessarily include all Marine protected areas internationally established and regulated in International the Marine Organisation (IMO) Conventions and areas established nationally by member states. Shipping duration is the sum of the travel days (24-hour periods).

<sup>f</sup> **Percentage of fleet implementing ballast water exchange and treatment:** Only ships performing ballast water exchange with an efficiency of at least 95% volumetric exchange of ballast water have been included. When it comes to treatment, approved systems must discharge (a) less than 10 viable organisms per cubic meter that are greater than or equal to 50 micrometres in minimum dimension and (b) less than 10 viable organisms per millilitre that are less than 50 micrometres in minimum dimension and greater than or equal to 10 micrometres in minimum dimension.

<sup>g</sup> **Spills and releases to the environment (Number, Cubic meters (m<sup>3</sup>)):** The total number of oil spills to the environment (overboard), excluding contained spills.

<sup>h</sup> **Number of calls at ports in countries that have the 20 lowest rankings in Transparency International's Corruption Perceptions Index (CPI):** In the event that two or more countries share the 20th lowest ranking, all have been included in the scope of disclosure. The list is based on the CPI for 2020.

<sup>i</sup> **Lost time injury frequency (LTIF):** A lost time incident is an incident that results in absence from work beyond the date or shift when it occurred. Lost time incidents are Fatalities, Permanent Total Disabilities, Permanent Partial Disabilities and Lost Workday Cases. The rate is based on lost time incidents / 1,000,000 hours worked.

<sup>j</sup> **Marine Casualties:** Regarding SASB TR-MT-540a.1, the reporting is in accordance with the standard, however injuries to personnel as described in section 1.1.1 are reported as part of Health & Safety statistics (LTIF). The threshold for reporting on material damages as outlined in 1.1.4 and 1.1.6 is defined as USD 1,000,000. Section 1.1.7 “Severe damage to the environment” is reported under ‘Ecological Impacts’ and/or “Very serious marine casualties”. Incidents concerned with oil spills, re SASB 1.1.7 “Severe damage to the environment” is covered under “ecological impact”. For an event to be reported as a marine casualty, one or several out of the below criteria must be true: (1) the loss of a person from a ship, (2) the loss, presumed loss, or abandonment of a ship, (3) the stranding or disabling of a ship that triggered a Lloyds Open Form Salvage or the involvement of a ship in a collision that would seriously endanger the safety of life or property, or (4) material damage to marine infrastructure external to a ship, that could seriously endanger the safety of the ship, another ship or an individual.

<sup>k</sup> **Very Serious Marine Casualties:** A marine casualty involving the total loss of the ship, a death, or severe damage to the environment that is not related to oil spill. Any deaths shall be reported. If the death is decisively concluded not to have anything to do with a marine (very serious) casualty such as latent and unknown illness shall be addressed separately for a case-by-case discussion. Severe damage to the environment that is not related to oil spill is covered by “Very serious marine casualties”.

<sup>l</sup> **Port State Control:** Number of port state control deficiencies (1) and detentions (2). Practices of port state controls reporting on deficiencies do not follow an entirely harmonised methodology making it less useful for reporting purposes without further explanations, hence we have chosen to report this number as a rate: number of deficiencies per Port State Control Inspection. Detentions are reported in number of actual cases. The figure represents number of detentions received from regional PSC organisations.

<sup>m</sup> **Number of Conditions of Class or Recommendations:** Those conditions/recommendations of class that has led to withdrawal of vessel certificates of otherwise has invalidated the ship's compliance are included in this figure.

<sup>n</sup> **Number of shipboard personnel:** Only the number of employees on board ships at any time is recorded, this does not reflect the aggregate number of shipboard employees during the year.

<sup>o</sup> **Total distance travelled by vessels:** The distance (in nautical miles) travelled by all vessels during the reporting period.

<sup>p</sup> **Operating days:** Total operating days, i.e., total number of vessel-days for active vessels during the reporting year. Active vessels are referring to vessels which were in possession of the shipowner during the reporting year.

<sup>q</sup> **Number of assets in fleet:** Reported number of owned during the reporting year.

<sup>r</sup> **Number of vessels port calls:** Total number of port calls during the reporting period.

Flex LNG prepared this report with assistance from **Position Green Advisory**

GRI INDEX

| GRI STANDARD                           | DISCLOSURE  | LOCATION   |
|--|---|--|
| <b>GRI 2: GENERAL DISCLOSURES 2021</b> |   |  |
| 2-1                                    | Organisational details  | Page 2. The Company's Headquarter is in Bermuda.   |
| 2-2                                    | Entities included in the organisation's sustainability reporting            | Page 2-3. Please also see 2023 Annual report   |
| 2-3                                    | Reporting period, frequency and contact point                               | Page 3   |
| 2-4                                    | Restatements of information   | There were no restatements of information made in the reporting period.  |
| 2-5                                    | External assurance  | Partial assurance – Scope 1 CO <sub>2</sub> emissions verified by DNV.   |
| 2-6                                    | Activities, value chain and other business relationships                    | Page 2; 4  |
| 2-7                                    | Employees   | Page 18; 28  |
| 2-8                                    | Workers who are not employees   | Page 18; 21  |
| 2-9                                    | Governance structure and composition  | Corporate Governance report in the Annual Report for 2023 and <b>Corporate Code of Business Ethics and Conduct</b> |
| 2-10                                   | Nomination and selection of the highest governance body                     | Corporate Governance report in the Annual Report for 2023 and <b>Corporate Code of Business Ethics and Conduct</b> |
| 2-11                                   | Chair of the highest governance body  | <b>Board of directors Flex LNG</b>   |
| 2-12                                   | Role of the highest governance body in overseeing the management of impacts | Corporate Governance report in the Annual Report for 2023.   |
| 2-13                                   | Delegation of responsibility for managing impacts                           | Page 6   |
| 2-14                                   | Role of the highest governance body in sustainability reporting             | Page 6   |
| 2-15                                   | Conflicts of interest   | <b>Corporate Code of Business Ethics and Conduct</b>   |
| 2-16                                   | Communication of critical concerns  | <b>Complaints Procedure</b>  |
| 2-17                                   | Collective knowledge of the highest governance body                         | Corporate Governance report in the Annual Report for 2023.   |
| 2-18                                   | Evaluation of the performance of the highest governance body                | Corporate Governance report in the Annual Report for 2023.   |
| 2-19                                   | Remuneration policies   | Corporate Governance report in the Annual Report for 2023.   |
| 2-20                                   | Process to determine remuneration   | Corporate Governance report in the Annual Report for 2023.   |
| 2-21                                   | Annual total compensation ratio   | Not Reported.  |
| 2-22                                   | Statement on sustainable development strategy                               | Page 6-8   |
| 2-23                                   | Policy commitments  | Page 6; <b>Corporate Governance Flex LNG</b>   |
| 2-24                                   | Embedding policy commitments  | Page 10; 17, 20; 22-24   |
| 2-25                                   | Processes to remediate negative impacts                                     | Page 12-13; 16-17; 18-19; 21   |
| 2-26                                   | Mechanisms for seeking advice and raising concerns                          | Page 20; 24  |
| 2-27                                   | Compliance with laws and regulations  | Page 23  |
| 2-28                                   | Membership associations   | Page 9   |
| 2-29                                   | Approach to stakeholder engagement  | Page 7   |
| 2-30                                   | Collective bargaining agreements  | Page 21  |

| GRI STANDARD   | DISCLOSURE   | LOCATION        |
|--|--|-----------------|
| <b>GRI 3: MATERIAL TOPICS 2021</b>                     |  |                 |
| 3-1  | Process to determine material topics   | Page 7          |
| 3-2  | List of material topics  | Page 8          |
| <b>MATERIAL TOPIC: DIRECT EMISSIONS</b>                |  |                 |
| 3-3  | Management of material topics  | Page 10         |
| 305-1  | Direct (Scope 1) GHG emissions   | Page 11; 15; 27 |
| 305-2  | Indirect (Scope 2) GHG emissions   | Page 15; 27     |
| 305-3  | Indirect (Scope 3) GHG emissions   | Page 12; 15; 27 |
| 305-7  | Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions | Page 16; 27     |
| <b>MATERIAL TOPIC: ENERGY MIX</b>                      |  |                 |
| 3-3  | Management of material topics  | Page 13         |
| 302-1  | Energy consumption within the organisation                                       | Page 27         |
| <b>MATERIAL TOPIC: CORRUPTION RISK</b>                 |  |                 |
| 3-3  | Management of material topics  | Page 24         |
| 205-2  | Communication and training about our anti-corruption policies and procedures     | Page 22         |
| 205-3  | Confirmed incidents of corruption and actions taken                              | Page 25         |
| <b>MATERIAL TOPIC: SPILLS AND RELEASES</b>             |  |                 |
| 3-3  | Management of material topics  | Page 16         |
| 306-3  | Significant spills   | Page 16         |
| <b>MATERIAL TOPIC: OCCUPATIONAL HEALTH AND SAFETY</b>  |  |                 |
| 3-3  | Management of material topics  | Page 18-19      |
| 403-1  | Occupational health and safety management system                                 | Page 10; 18-19  |
| 403-6  | Promotion of worker health   | Page 18-19      |
| 403-9  | Work-related injuries  | Page 18-19      |
| <b>MATERIAL TOPIC: DIVERSITY AND EQUAL OPPORTUNITY</b> |  |                 |
| 3-3  | Management of material topics  | Page 22         |
| 405-1  | Diversity of governance bodies and employees                                     | Page 28         |
| <b>MATERIAL TOPIC: SUPPLIER SOCIAL ASSESSMENT</b>      |  |                 |
| 3-3  | Management of material topics  | Page 25         |
| 414-1  | New suppliers that were screened using social criteria                           | Page 21         |





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