Klappir

Simplify sustainability for your business

ANNUAL REPORT 2023
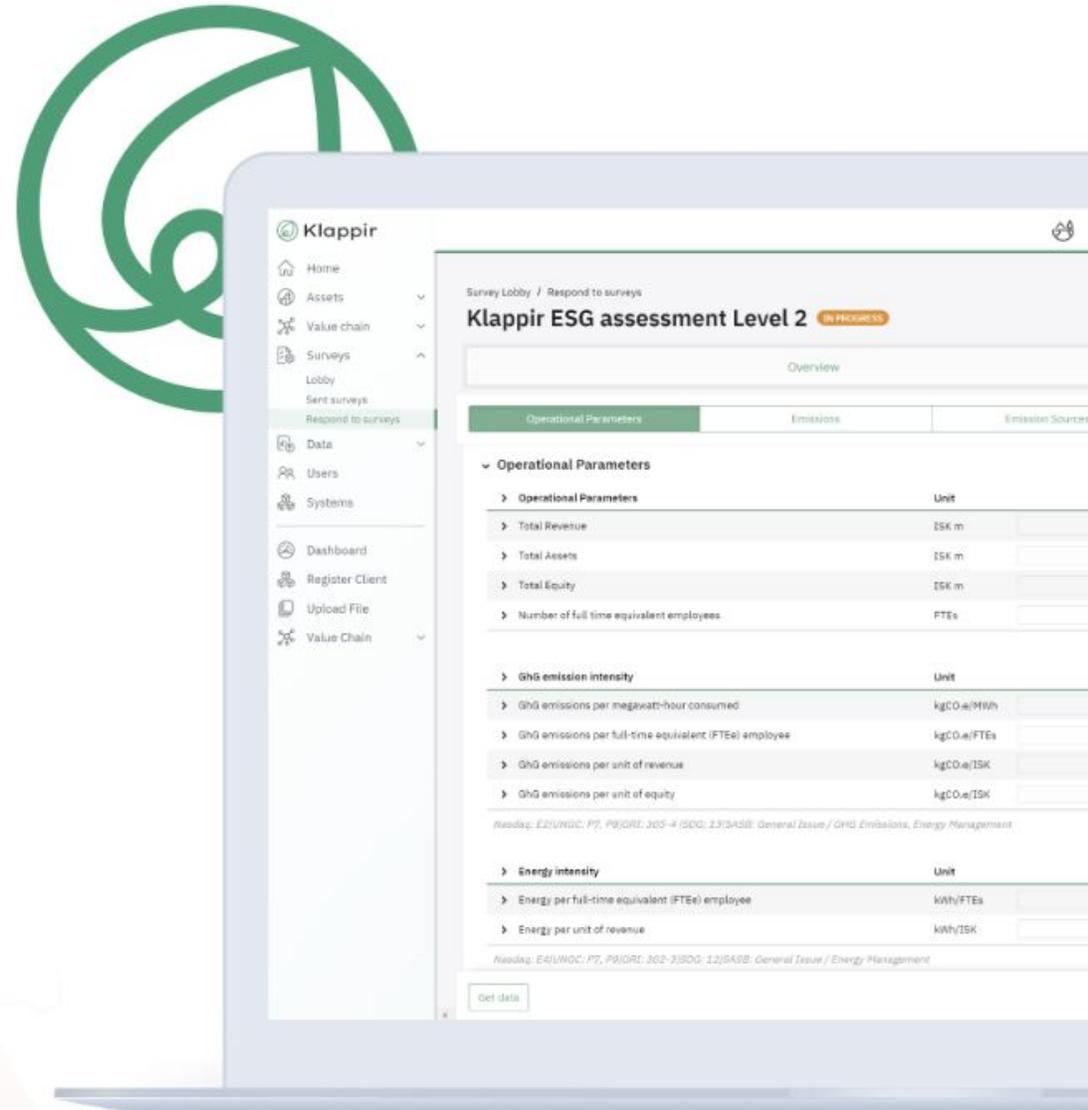
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Notable Growth and Strong Operational Performance

"We are very pleased with our achievements in 2023. Our sustainability ecosystem is dynamically evolving, boasting a noteworthy milestone of engaging companies that rely on our software for solid sustainability accounting, comprehensive reporting, and seamless data sharing.

Undoubtedly, the Klappir ecosystem holds paramount importance in aiding companies to monitor, calculate, and transparently communicate their sustainability performance, thereby facilitating their purposeful sustainability journey.

We are expanding our sales through our partner networks which presents a strategic growth opportunity - together with our partners, we are poised to utilize the opportunity in the EU market effectively.

As we focus on expanding our partner network, we're reducing our advisory services to ensure efficient resource allocation together with our partners.

Our continued investment in research and development has ensured that we are able to deliver new, innovative product capability that will empower Klappir customers to comply with the new Corporate Sustainability Reporting (CSRD) directives and the European Sustainability Reporting Standards (ESRS).

By our offerings, we are giving Klappir customers a significant edge, positioning them at the forefront of their industry sustainability efforts".

Agust Einarsson,
Chairman of the board

Jon Agust Thorsteinsson
CEO

Business Highlights

- Total Revenue increased by 27% YoY.

- Subscription Revenue grew by 35% YoY.

- The European Partner Network has grown to include 13 Partners.

- Total revenue was 573.5 million compared to 450.7 million in 2022.

- Operational EBITDA was 97.2 million (16,9%), compared with 31.5 million (7,0%) in 2022.

- Operational profit was 46.0 million, compared with -36.5 million in 2022.

- Net profit was 8.7 million, compared with -35.5 million in 2022.

- Total assets were 804 million, compared with 617 million in 2022.

- Equity was 377 million, compared with 373 million in 2022.

- Total liabilities were 427 million compared with 244 million in 2022.

- Equity ratio was 46.9%, compared with 60.5% in 2022.

- Cash and cash equivalents at end of 2023 was 274 million compared with 152 million in 2022.

"Figures in ISK"
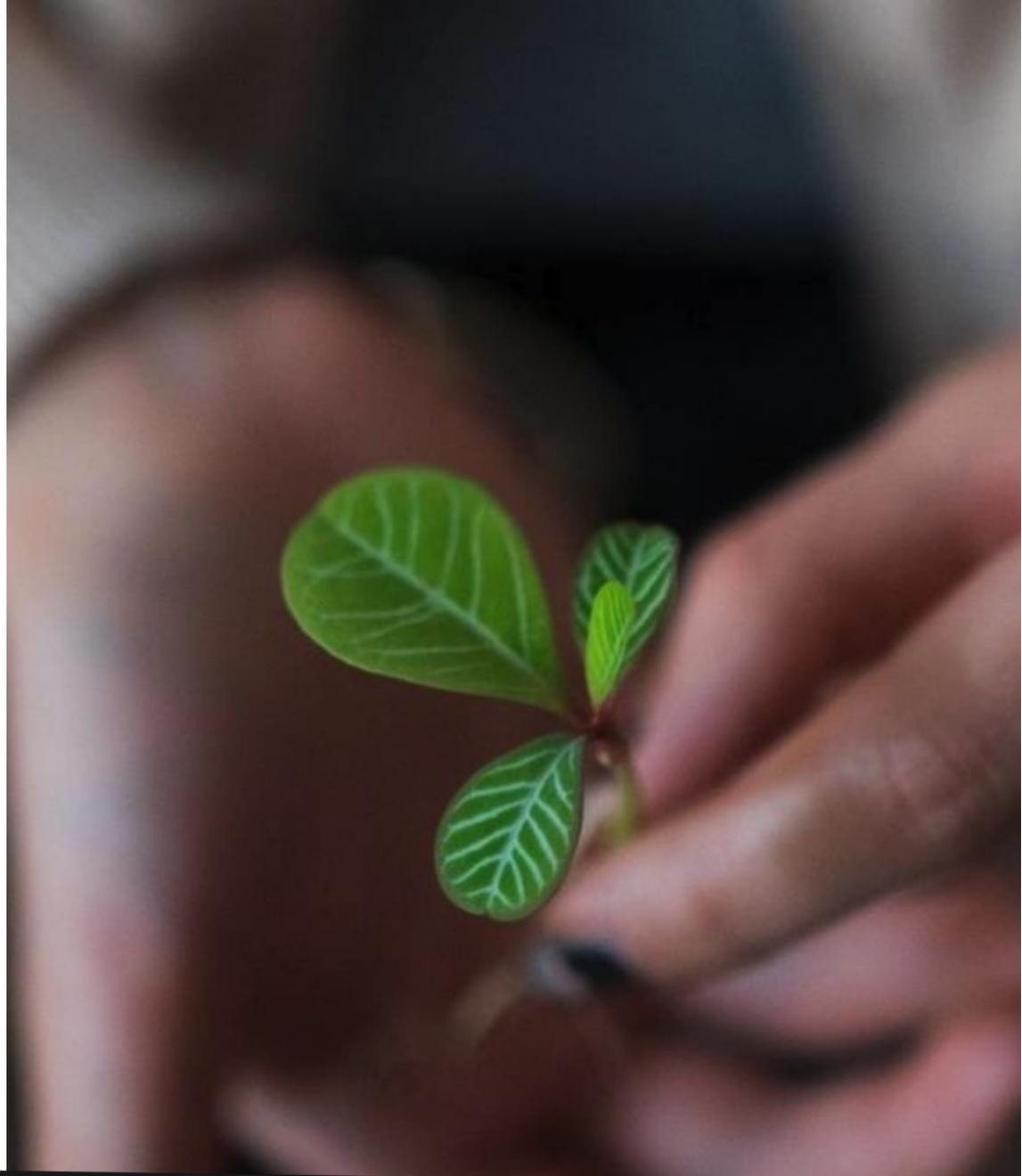
Substantial growth in Subscription revenue supports strong and healthy operation

An important outcome of Klappir's product-led strategy is the remarkable year-over-year growth of 35% in subscription revenue. The newly introduced ESRS premium plan and the annual statement subscription have positively contributed to this growth, along with an increased number of new Nordic customers.

The growing interest and responsibility of customers to lead by example and adhere to sustainability standards have inspired other companies in their value chain to embark on their own sustainability journey, often utilizing Klappir software. This network effect is expected to further motivate companies to initiate their sustainability journey, especially considering Klappir Platform's flexible product and service subscription model, tailored to individual needs.

A higher proportion of subscription revenue in the total revenue signifies a robust and healthy operation. Subscription revenue has increased from 53% to 57% of total revenue. Similarly, EBITDA has improved, reaching 97.2M kr or 16.9% in 2023 compared to the previous 31.5M kr or 7% in 2022.

An increased focus on Product innovation and Partner network drive Global expansion

Klappir's recent expansion into the Danish market has confirmed the strength of its product offering compared to alternatives solutions in the market. This success has encouraged Klappir to further expand into the Nordic and European markets.

While Klappir's platform is well-prepared for upcoming EU legislation, the company has never invested more in product innovation to solidify its position as a leading ESG and Sustainability Accounting platform. A key element in Klappir's growth strategy is transitioning into a PLG (Product-Led Growth) company and building a network of solution partners who sell, consult, implement, and provide value-added solutions to the platform.

Implementation of this strategy has already begun, with over 13 partners and a team of more than 60 consultants working with Klappir to develop business across Europe in just 6 months. We believe this growth strategy is the right path for Klappir to scale and expand into European countries, setting us apart from the competition.

EU Taxonomy and Sustainable Finance Disclosure Regulations adapted into Icelandic law

Two major EU legal instruments on sustainability, the EU Taxonomy Regulation and Sustainable Finance Disclosure Regulation (SFDR) were adapted into Icelandic law with Act no. 25/2023, which took effect in May 2023.

Both regulations are pillars of the EU sustainable finance framework of the EU Green Deal and aim at establishing a framework for classifying sustainable economic activities and requiring financial institutions and financial market participants to disclose information on the sustainability of their investment products.

Data quality and integrity is of the essence and Klappir has had fruitful conversations with several stakeholders, which are starting to materialize.

The Corporate Sustainability Reporting Directive (CSRD) is taking effect

The year 2024 marks the first year that large, listed companies are subject to report on according to the EU's Corporate Sustainability Reporting Directive. EU and EEA member states need to transpose the Directive into their own laws by July 2024.

These large, listed companies were already subject to submitting sustainability-related information with their annual reports according to current legislation but the new directive expands the reporting obligations and ensures better conformity and comparability. Klappir's product team has worked hard to keep up with these developments and adapt our solutions to this new reality in order to assist Klappir's customers through this transition.

In the coming years, large unlisted companies (reporting in 2026 on 2025 data) and listed SMEs (reporting in 2027 on 2026 data) will follow suit.

Our Mission

We support society by bringing clarity to the world of sustainability through data and compliance processes

Our Way

We develop and provide leading sustainability software solution to legal entities

Highlights

10
Years of experience

35%
Growth YoY

ISK 97.2 million
In operational EBITDA

13
European reselling partners connected to the ecosystem

Our Software

We build digital ecosystem that enable organisations to join forces and together build a sustainable future for all

Our Service

We provide services that is focused on our software and our ecosystem

Our Products and Services

At Klappir, we aim to fulfil our mission and deliver to society our cutting-edge contributions in software development.

The core of the software architecture and the overall design of the software is the compliance to sustainability law and regulations.

This is relevant both for the platform, ecosystem and the industry specific solutions. Our digital sustainability solutions includes:

Klappir Sustainability Platform - the proprietary software solution developed by Klappir.

Klappir Sustainability Ecosystem – the infrastructure of connected databases delivering data into the digital platform.

Klappir Sustainability Platform

The platform is a digital sustainability solution that enable users to perform their sustainability accounting and reporting. The platform includes number of features to support the users in related tasks.

For the accounting purposes the platform has number of available data collection methods like API framework for automatic data collection from the ecosystem, logbooks and surveys. All data collected is bounded to conversion factors which have been verified though Klappir ISAE 3000 reasonable assurance.

For the reporting purpose the platform includes flexible reporting tool that can be aligned to various standards.

## Klappir Sustainability Ecosystem

The ecosystem is an interconnected socio-technological system with adaptive properties of self-organization and scalability. In this sense, our digital sustainability ecosystem is much like natural ecosystems that are characterized by competition and collaboration among their many diverse components.

Transparency and safeguarding data and privacy are at the core of our ecosystem for data, algorithms and insights. Our ecosystem does not live in a single cloud – but it utilizes a network in which data, data processing techniques, metadata and experiences can be shared, tracked and replicated by the connected users.

Our Platform

Metrics

Accounting, value chain due diligence, data management, asset management, report management and progress.
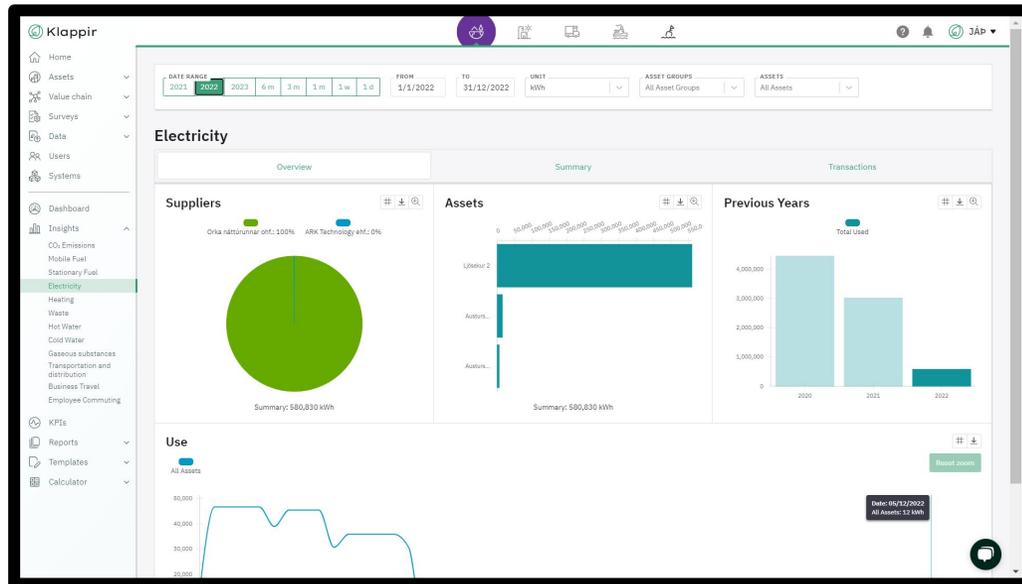
Framework

Processes, governance, strategy, impact, risk and opportunity, transition plan, target and actions

Sustainability Ecosystem

The Klappir ecosystem is an interconnected socio-technological system with adaptive properties of self-organization and scalability.

The ecosystem enables organisations to work together, receive support from others and share data with each other.

The benefits of the ecosystem are:

- Collaboration on the basis of SDG number 17 (partnership for the goals)
- Each individual organization in the ecosystem can deliver data to other organizations in the eco-system.
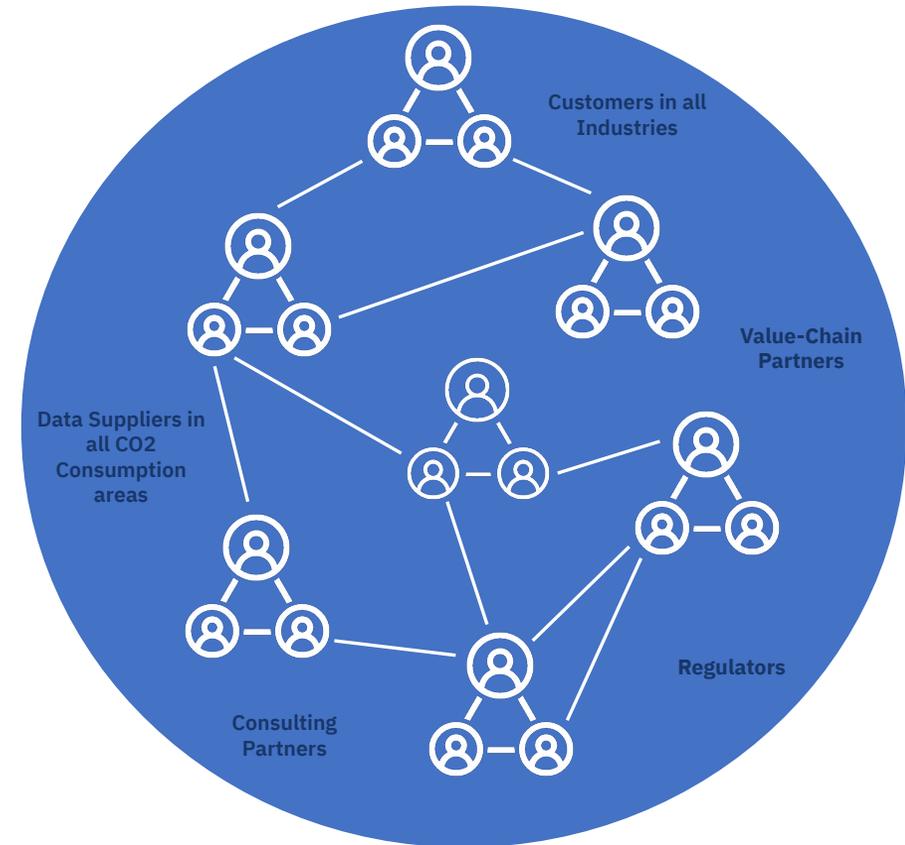
Partnership and Collaboration within the Ecosystem

Our impact on society

We passionately care for the environment and are committed to building software solutions and providing advisory services, together with our partners, that create an ecosystem, enabling organizations, municipalities, and governments to execute transparent and reliable sustainability accounting and reporting in a cost-efficient way

Our impact comes from our digital sustainability solutions, services and innovation.

As a technology company with a relatively small sustainability footprint, our most significant impact comes from our products and services as well as the methodologies provided to our customers.

We actively use in our operation our leading sustainability solutions to enhance the quality and compatibility of our work.

Our sustainability impact comes from our products and our services. To enhance our impact on society, we focus is on innovation, spreading new ideas and leading collaborative efforts with businesses, universities, authorities and civil partners.

Our digital software solutions, services and methodologies enable our customers to support a sustainable future while ensure legal compliance to sustainability law and regulations.

We give our customers the critical ability to continuously follow and improve their sustainable performance in cost efficient way, collect reliable data and improve.

We provide our customers with solid support and assistance while working with our software enable them to develop and integrate sustainability way of operation into their whole operation.

Our ecosystem is based on SDG 17

The SDGs include 17 main goals, 169 targets and 231 unique indicators linked to the goals.

SDG 17
Partnerships for the goals

This is the core of everything Klappir does as our sustainability solutions are structured around SDG number 17. Our digital ecosystem for sustainability is built to enable organisations, businesses and individuals to work together in terms of improving their sustainability performance.

By connecting in the ecosystem, customers can work together towards their goals for improved sustainability performance. One customer can communicate with all his suppliers and service providers through the Platform and ecosystem and push/support them to do better in terms of their sustainability performance.

We are proud of connecting people, their businesses, municipalities and authorities into a single force. Working together they will build a greener future for all of us.

Our product development is influenced by the following SDG´s

SDG 9
Industry, Innovation and Infrastructure

Klappir has invested considerably in digital infrastructure "Digital Ecosystem for Sustainability" which is one of the most innovative pieces of software to push for sustainability improvements by companies. Klappir is becoming a trusted and innovative partner for sustainability action.

SDG 13
Climate Action

Klappir's primary focus over the years has been on climate and GHG reduction. Its software collects data from society on performance by streaming the information, which is then disclosed with robust and transparent data on performance.

Our Digital Sustainability Platform is designed to enable organizations to obtain transparent and reliable data regarding their sustainability performance.

SDG 14
Life underwater

Klappir empowers the maritime industry to combat climate change and its impacts with Digital Logbooks and Port software for MARPOL Annex I-VI.

SDG 16
Peace, justice and strong institutions

The Klappir Platform facilitates work for institutions such as the Environmental Agency and Tax Office. These institutions can gain access to digital data from Klappir's customers for control and supervision. Via the Klappir Platform, all users have access to the same framework and ability to disclose their sustainability performance and information.

We cooperate with the Environmental Agency of Iceland, the Icelandic Transport Authorities and the Icelandic Coast Guard in regards to providing access to digital data from Klappir's customers for control and supervision. With the consent of shipowners, we share processed information through the Klappir ecosystem. This increases the quality of information, coverage and transparency.

SDG 15
Life on land

It is important to connect GHG accounting and offsetting as one task, and Klappir's Platform offers this, leading to a direct increase in offsetting projects funded by companies. Our goal is to extend our software to collect more accurate and transparent data on agriculture and offsetting. We work with Icelandic partners that offer carbon offsetting, to enlarge their customer network through our Platform.

We are
Pure Play Company

Klappir aims to make its digital platform and ecosystem for sustainability the leading instrument to help companies, municipalities, governments and communities to understand, monitor and improve their sustainability performances, including the reduction of their greenhouse gas (GHG) emissions.

Klappir offers its customers the critical ability to continuously follow and improve their sustainability performance by measuring their GHG emissions in a reliable and cost-efficient way. Together with its customers, Klappir is building solid, transparent and reliable digital infrastructures, striving to have a greater positive impact for a more sustainable world.

Klappir has a leading position in its domestic market in Iceland as well as in the global maritime market and is now accelerating its growth into the Nordic region. The company's most significant impact on society comes from its products and services as well as the methodology provided by its digital platform and ecosystem for sustainability.

This Green Financing Framework is based on existing international standards:

- **The Green Bond Principles as published by the International Capital Market Association (ICMA) in June 2021**
- **The Green Loan Principles published by the Loan Market Association (LMA) in May 2020**

Since the activities of the company have been classified by ISS as green, all proceeds from Green Instruments will be used to finance Klappir's digital platform and ecosystem for sustainability. As such, operations can be defined as projects, investments and expenditures under this framework which supports society's transition toward sustainability.

A Green Financing Committee is in place at Klappir in which senior representatives from the company take part, tasked with ensuring that 90% of the company's revenues continue to be eligible for the pure play option.

Klappir has worked with global sustainability advisor Ernst & Young (EY) to develop the Green Financing Framework and ISS-ESG has provided a second party opinion (SPO) to the framework. An independent assurance provider will provide limited assurance on the annual report for the purposes of this framework.

The Green Financing Framework is an important part of Klappir's sustainability strategy moving forward. This applies both to Klappir's internal operations, owners and the sustainable business environment and community that Klappir influences through its products and services.

Klappir is listed on the Nasdaq First North and was one of the first Icelandic companies to enter that market.

Key risks and opportunities

We focus on our risk and opportunities in all our operation. Here we list some of the risks and opportunities Klappir focus on.

Policy and legal

Our products and services are dependent on the policy and implementation of sustainability legislation. It is expected that policy changes may happen at a different times across different geographical areas. Our focus over the next 3-5 years is on Europe and therefore we do not anticipate meaningful negative impact.
Our opportunities is being frontrunners in adapting our solutions to the new standards and legal requirements.

Technological and data

We strive to develop software infrastructure which will be resilient to cyberattack. To back up our work, we have got ISAE 3000/Type 1 Reasonable Assurance from Deloitte covering our digital technology, methodology and support and services. We are moving the databases from USA to Europe.

All data is owned by the respective organization. All data shared between organizations in the ecosystem is shared by each individual organization without Klappir involvement. Klappir does not use the data for any purpose without the consent and agreement of the owner of the data.

Environment

We are well prepared regarding risk posed by climate change, legal risks presented by stricter new legislation and regulation on climate-related issues.

Shares and capital structure

Our share and ownership structure is designed to limit risk from uncontrolled changes in the ownership of Klappir. The ownership structure provides a stable basis for Klappir long-term mission.

Market and reputation

Klappir complies with all relevant rules and regulations, Icelandic legislation (Law no. 2/1995 on corporations), the company's Articles of Association and the board's rules of procedure.

Klappir

The smart way to sustainability

Board of Management

Jon Agust Thorsteinsson
CEO & Co-Founder

Holds a PhD in engineering from the Institute of Energy Technology at Aalborg University, Denmark. He has been with Klappir since its foundation in 2014.

Olof Asta Olafsdottir
CFO

Holds a BS in Business Administration from Reykjavík University. She has been with Klappir since 2019.

Thorsteinn Svanur Jonsson
CGSO & Co-Founder

Responsible for the growth and sustainability team.

Holds a Mjur from the University of Iceland. He has been with Klappir since 2014.

Sigrun Hildur Jonsdottir
CPO & Co-Founder

Responsible for the product vision and product management.

Holds an MBA from the University of Iceland and MSc in Comparative Politics (Conflict Study Stream) from LSE, London. She has been with Klappir since 2014.

Kristjan Hall
CTO

Responsible for the software team and the technology

Holds a BS in Computer Science from the University of Iceland. He has been with Klappir since 2014.

Board of Directors

Agust Einarsson
Chairman of the Board

Holds an MSc in Industrial and Business Engineering from Aalborg University.

Ágúst has more than 25 years of experience as a CEO within the software industry. He advises high-tech and cloud businesses to transform and accelerate growth.

He joined the Klappir board in April 2021.

Hildur Jonsdottir
Board member

Holds a Masters degree in psychology from Aarhus University, Denmark.

Hildur is co-founder of Klappir and investor.

Hildur is CEO of Kvistar Holding and Board member of Klappir ehf.

She has been a board member since 2014.

Vilborg Einarsdóttir
Board member

Holds an MSc in Management and Strategy from University of Iceland and University of Commerce in Aarhus.

Vilborg is the founder and CEO of BravoEarth and co-founder and former CEO of InfoMentor.

She joined the board of Klappir in April 2022.

Gunnar Sigurðsson
Board member

Holds an MSc in Mechanical Engineering and MSc in Corporate Finance from the University of Iceland.

Gunnar has more than 11 years experience in finance and engineering industry.

He joined the Klappir board in April 2022.

Sigurður Þórarinsson
Board member

Holds an MSc in Industrial Engineering from the University of Washington.

Sigurður is an technology executive with extensive international leadership experience. He has a solid track record in growing and improving business in various IT domains.

He joined the Klappir board in April 2023.

Summary on performance 2023

Financial

✔ The operating income was ISK 573.5 million in the year 2023 compared to ISK 450.7 million in 2022.

✔ EBITDA from the regular operations was ISK 97.2 million instead ISK 31.5 million in the year 2022.

✔ The European Partner Network has growth to include 13 Partners.

✔ Equity ratio was 46.9%, compared with 60.7% in 2022.

See Sustainability Statements and Financial Statements

https://www.klappir.com/investors

Environment

✔ Scope 1, 2 & 3 emission is 18,640 kgC02e in 2023 compared to 22,800 kgC02e in 2022.

✔ Carbon intensity per full time employee (FTE) which was 777 kgC02e /FTE in 2023 compared to 844 kgC02e /FTE in 2022.

✔ Total generation of waste was 493 kg in 2023 compared to 758 kg 2022.

Governance

✔ Klappir complies with all relevant rules and regulations, Icelandic legislation (Law no. 2/1995 on corporations)

✔ Klappir comply to the company's Articles of Association and the board's Rules of Procedure.

Social

✔ We aim to bring together skills and know-how, companies, international corporations, individual users, local authorities, national governments and other stakeholders to help us to develop and implement our software solutions.

✔ We manage our business by integrating environmental, social, governance (ESG) and economic considerations into our operations, products and services. As a technology company with a relatively small operational footprint, some of our most significant impact comes from our products and services as well as the customer success methodology provided with our software.

✔ We focus on developing new products and services, spreading new ideas and leading collaborative efforts with our customers, businesses, universities and civil partners to develop a sustainable future. We invite different businesses, NGOs and governmental authorities to our open platform where they can provide their sustainability services.

Klappir

The smart way to sustainability