

**Pre-contractual disclosure pursuant to Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 (SFDR) and Article 6, first paragraph, of Regulation (EU) 2020/852 (Taxonomy)**

**Product name:** Maritime Investment Fund III K/S  
**Legal entity identifier:** 89450060HLP7IKF6H844

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

The fund promotes environmental characteristics through adherence to the following conventions:

- Hong Kong International Convention for the safe and environmentally sound recycling of ships.
- Basel Convention: Technical guidelines for the environmentally sound management of the full and partial dismantling of ships.
- EU Regulation (No. 1257/2013) on ship recycling.
- International Convention for the Prevention of Pollution from Ships (the IMO MARPOL Convention).
- International Convention for the Control and Management of Ship's Ballast Water and Sediments.

1. The fund promotes environmental characteristics by operating the assets purposefully to ensure the achievement of net-zero in 2050 in line with the Paris Agreement, supported by short- and medium-term targets of 35% and 55% reduction in carbon intensity in 2025 and 2030, respectively. Currently, the benchmark, developed by the IMO, does not cover all types of assets to be invested in, for example vessels below 5,000 Gross Tonnage (GT) or vessels in the offshore wind sector. However, this is expected to be developed and once developed, the vessels will be included in the carbon intensity targets.
2. Further, the fund promotes social characteristics through adherence to the following conventions:
  - UN Principles for Responsible Investments.
  - UN Global Compact.
  - UN Guiding Principles on Business and Human Rights.
  - OECD Guidelines for Multinational Enterprises.
  - ILO Declaration on Fundamental Principles and Rights at Work.
3. The fund promotes certain ethical and social safeguards through the exclusion of specific activities deemed to be non-ethical or controversial.
4. While operating the assets, the fund will have effective operational procedures ensuring continuous follow-up on quality, resources, results, and ESG-related practices. The fund will seek to influence the technical managers' and charterparties' impact on sustainability matters through engagement and requirements for operating the vessels according to the above conventions.
5. The fund will follow an approach of active ownership and seek to influence investee companies' impact on sustainability matters through stewardship and engagement and by exercising its voting rights regarding material sustainability topics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Before acquisition, the fund will ensure that the design of the asset is aligned with the ESG principles of the fund. This includes among other things a review of the following:

- Operational energy efficiency
- Technical specifications for energy efficiency
- Ballast water treatment system
- Engine type

When operating the assets on a time charter basis, the attainment of the environmental or social characteristics promoted by the fund is measured through usage of, among others, the following indicators/KPIs:

- Carbon intensity measured by for instance AER or CII for deep-sea vessels above 5,000 GT
- GHG emissions
- Spills
- Other air emissions
- Time spent in marine protected areas
- Port state detentions and deficiencies including measures on safety and MLC
- Lost time incident frequency

Beside these, the fund also tracks a number of additional environmental and social KPIs to ensure performance is aligned with the fund's ESG principles.

The indicators are reviewed at least once a year, but the majority is reviewed on a quarterly basis.

When operating the assets on a bareboat charter, the attainment of the environmental characteristics promoted by the fund is similarly measured through usage of, among others, the following indicators/KPIs:

- Carbon intensity measured by AER or CII for deep-sea vessels above 5,000 GT
- GHG emissions

However, as a result of the contract provisions, the fund has no possibility to continuously follow up on the counterparties' compliance with social characteristics according to international conventions, but before entering into the contract the fund manager makes reasonable investigations regarding the counterparty's experience, quality, resources, results and ESG practices and also incorporates additional requirements on health and safety, human rights and

working conditions into these.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes, Navigare Capital uses the 14 mandatory PAI indicators as well as 6 voluntary PAI indicators to consider principal adverse impacts.

No

As shipping is a high impact climate sector with inherent safety risks related to operations at sea, PAIs like greenhouse gas emissions, carbon footprint, biodiversity and the voluntary PAIs on accidents are of high importance and are tracked and reviewed on a regular basis by inhouse experts.

As an example, Navigare Capital calculates and tracks its total greenhouse gases of which direct emissions from the vessels amounts to more than 90%. Hence, it also closely monitors the individual vessel's GHG emissions and carbon intensity to evaluate and compare potential improvements. The improvements range from a hull cleaning arranged by the inhouse vessel operators, to energy saving devices installed during the vessel's next dry docking.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## What investment strategy does this financial product follow?

Maritime Investment Fund III will invest in a diversified portfolio of shipping assets in a low-cost and capital-efficient fund structure. The Fund will own and operate the vessels, and will provide investors with investment income by distributing operational cash flows and residual equity value upon exiting a vessel investment.

Navigare Capital will, as Investment Manager, deliver value through the combination of an experienced industrial team, a proven investment strategy, and a disciplined investment approach and processes.

The four pillar investment strategy is built on the following de-risking principles:

- **Segment diversification:** The Fund invests in multiple shipping segments with a portfolio approach to utilise the low intra-segment correlation.
- **Fixed employment:** The Fund's assets are employed on fixed contracts with various durations that are actively managed to avoid timing risk.
- **Multiple counterparties:** The Fund's assets are employed with multiple counterparties to reduce contract risk and ensure diversification across industries and geographies.
- **Conservative financing:** The Fund applies a financing strategy with moderate gearing and a conservative repayment profile to protect the Fund's equity and reduce financial risk.

ESG is a crucial element in each of the four strategy pillars and each investment is thoroughly screened to assess whether it fits with Navigare Capital's ESG strategy.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Navigare Capital ensures a disciplined investment approach by implementing methodical risk mitigation into its 6S Model related to deal sourcing, investment structuring and asset management, where sustainability- and ESG-related topics are integrated throughout the entire model.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

Navigare Capital has made exclusions ranging from industries it won't service, commodities it won't transport, vessel types it won't invest in and counterparties it won't accept.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable.

- ***What is the policy to assess good governance practices of the investee companies?***

To assess Good Governance, Navigare Capital screens potential charter candidates to assess their experience, quality, resources, results and ESG practices. The objective of the screening is to assess the risk of violating relevant social aspects, such as human rights, bad working conditions, child labor, inequality, and discrimination, as well as governance related aspects, such as corruption, bribery, conflicts of interest:

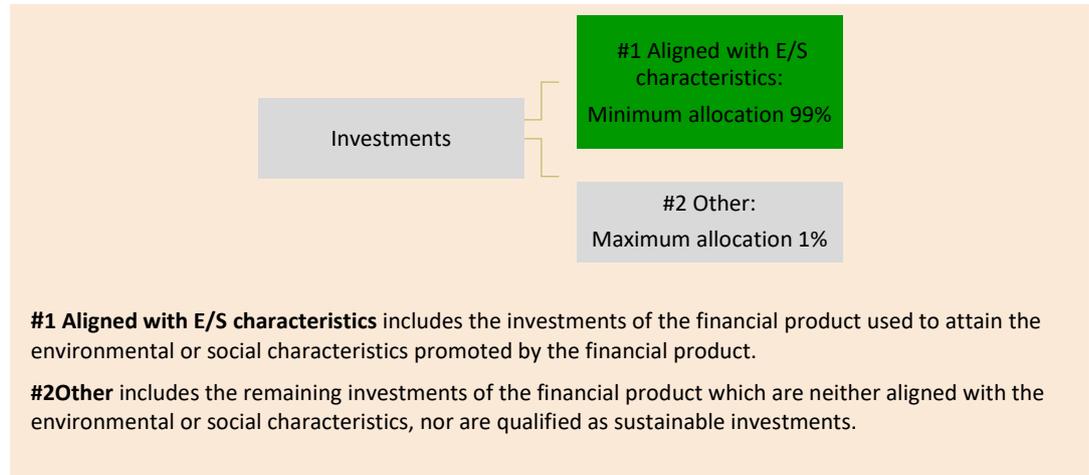
- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- ILO Declaration on Fundamental Principles of Right at Work

The Fund must obtain data on the above matters from the relevant counterparty, including from information in the counterparty's annual report.

The counterparties' effort to be compliant with the provisions in the above international standards must be incorporated in the internal Counterparty Assessment for each Charterer.



## What is the asset allocation planned for this financial product?



**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable



- **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

Yes:

In fossil gas

In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

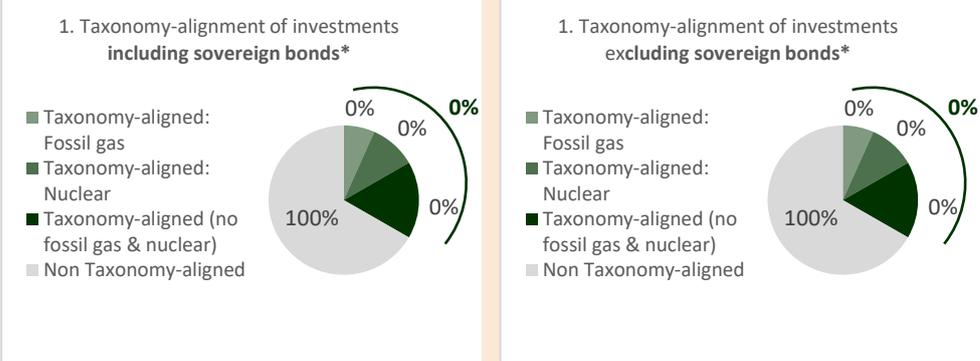
To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● What is the minimum share of investments in transitional and enabling activities?

Not applicable.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.



What is the minimum share of socially sustainable investments?

Not applicable.



What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

For each vessel there is a liquidity position which is necessary to ensure reliable liquidity management regarding the operation of the asset. This liquidity position part of the investments has no minimum environmental or social safeguards.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

Not applicable to Maritime Investment Fund III

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

Not applicable to Maritime Investment Fund III

- *How does the designated index differ from a relevant broad market index?*

Not applicable to Maritime Investment Fund III

- *Where can the methodology used for the calculation of the designated index be found?*

Not applicable to Maritime Investment Fund III



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.navigarecapital.com/publications/>