

Sustainability-related Website Disclosure for financial products that promote environmental or social characteristics.

Website product disclosure for financial products that promote environmental or social characteristics referred to in Article 24 of Regulation (EU) 2022/1288.

Financial product: Maritime Investment Fund II K/S (MIF II)

LEI code: 894500MO76XZ7Y75H089

Summary

English

The fund promotes environmental and social characteristics but does not have sustainable investment as its objective.

1. The fund promotes environmental characteristics by operating the assets purposefully to ensure reduction in carbon intensity and through adherence to international conventions on sound recycling of ships.
2. Further, the fund promotes social characteristics through adherence to relevant international conventions on responsible investments, human and labor rights.
3. The fund promotes certain ethical and social safeguards through the exclusion of certain activities deemed to be non-ethical or controversial.
4. While operating the assets, the fund has effective operational procedures ensuring continuous follow-up on quality, resources, results, and ESG-related practices.
5. The fund seeks to influence cooperative partners' impact on sustainability matters through having voting rights on material sustainability topics when engaging in joint ventures.

The fund considers ESG matters during due diligence and ownership. The approach is governed by Navigare Capital Partners' Responsible Investment Policy, Code of Conduct and Policy for Integration of Sustainability Risks.

Once invested, the vessels' performance on social matters, in particular, is reviewed through quarterly reporting from the third-party technical managers of the time chartered vessels to the fund and through physical onboard inspections carried out by the in-house technical team to assess maintenance standards and evaluate whether the assets are in sound condition in terms of sustainability.

Environmental matters concerning carbon intensity in particular is evaluated yearly by the ESG team in Navigare Capital, while the fuel efficiency of the time chartered vessels is monitored continuously by the in-house team of experienced vessel operators who also optimizes the vessels' performance by arranging the necessary fuel efficiency-improving services such as hull cleaning, among others.

The operations team also monitor that the operation of the vessels is in accordance with the limitations of the charter contracts and in compliance with Navigare Capital Partner's ESG policy. Through close oversight of vessel activities, the team ensures efficient and safe voyages while minimizing the risk of exposure to bribery, corruption, or sanction violations in operations.

A number of indicators are used to assess how environmental and social characteristics are met and key information is provided in the quarterly investor reports. Once a year progress on environmental and social matters is published in an annual sustainability report.

Sammenfatning på Dansk

Fonden fremmer miljømæssige og sociale karakteristika, men har ikke bæredygtig investering som sit mål.

1. Fonden fremmer miljømæssige karakteristika ved at drive aktiverne målrettet for at sikre reduktion af kulstofintensiteten, og gennem overholdelse af internationale konventioner om forsvarlig ophugning og genanvendelse af skibe.
2. Fonden fremmer desuden sociale karakteristika gennem overholdelse af relevante internationale konventioner om ansvarlige investeringer, menneskerettigheder og arbejdstagerrettigheder.
3. Fonden fremmer visse etiske og sociale sikkerhedsforanstaltninger gennem udelukkelse af visse aktiviteter, der anses for at være ikke-etiske eller kontroversielle.
4. I forbindelse med driften af aktiverne har fonden effektive driftsprocedurer, der sikrer løbende opfølgning på kvalitet, ressourcer, resultater og ESG-relateret praksis.
5. Fonden søger at påvirke samarbejdspartneres indflydelse på bæredygtighedsspørgsmål ved at have stemmeret på væsentlige bæredygtighedsemner, når den engagerer sig i joint ventures.

Fonden overvejer ESG-forhold under due diligence og ejerskab. Tilgangen er styret af Navigare Capital Partners' politik for ansvarlige investeringer, adfærdskodeks og politik for integration af bæredygtighedsrisici.

Når der er investeret, følges der op på skibenes ydeevne og på sociale forhold gennem kvartalsvis rapportering fra de tekniske forvaltere af timecharter skibene til fonden, og fysiske inspektioner ombord udføres af det interne tekniske team for at vurdere vedligeholdelsesstandarder og evaluere, om aktiverne er i god stand med hensyn til bæredygtighed.

Miljømæssige forhold omhandlende særligt karbonintensiteten evalueres en gang om året af ESG-teamet i Navigare Capital, mens brændstoffektiviteten af timecharter skibene monitoreres løbende af et internt team af erfarne skibsoperatører, som også optimerer skibenes ydeevne ved at arrangere de nødvendige brændstoffektivitetsforbedrende tjenester, såsom bl.a. skrogrensning.

Teamet af erfarne skibsoperatører overvåger også, at driften af skibene er i overensstemmelse med begrænsningerne i charterkontrakterne og i overensstemmelse med Navigare Capital Partners ESG-politik. Gennem tæt overvågning af fartøjernes aktiviteter sikrer teamet effektive og sikre rejser, samtidig med at risikoen for at blive udsat for bestikkelse, korruption eller sanktionsovertrædelser i forbindelse med driften minimeres.

Der anvendes en række indikatorer for at vurdere, hvordan miljømæssige og sociale karakteristika opfyldes, og nøgleoplysninger gives i de kvartalsvise investorrapporter. En gang om året offentliggøres fremskridt i miljømæssige og sociale forhold i en årlig bæredygtighedsrapport.

No sustainable investment objective

This fund promotes environmental or social characteristics but does not have sustainable investment as its objective.

Environmental or social characteristics of the financial product

The fund promotes the following environmental and social characteristics:

1. 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.
2. 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. Further, the fund invests in suitable energy-saving devices for individual vessels in its portfolio.
3. 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.
4. The fund promotes certain ethical and social safeguards through the exclusion of certain activities deemed to be non-ethical or controversial.
5. While operating the assets, the fund has effective operational procedures ensuring continuous follow-up on quality, resources, results, and the ESG-related practices. The fund seeks to influence technical managers and charterparties having chartered the vessels by influencing their impact on sustainability matters through engagement and requirements for operating the vessels according to the above conventions.
6. The fund seeks to influence cooperative partners' impact on sustainability matters through having voting rights on material sustainability topics when engaging in joint ventures.

Investment strategy

The investment strategy of the fund offers investors the opportunity to invest directly in a diversified portfolio of maritime assets for which there are diverse underlying demand drivers with attractive growth prospects.

The fund targets an attractive return with the majority of the investment returns derived from stable and predictable cash flows, and it intends to achieve this via a proven investment strategy focused on segment diversification and long-term fixed employment contracts for the assets.

The fund perceives a systematic integration of ESG in the entire investment process and working towards ensuring high ESG standards as prerequisites for mitigating risk, seizing opportunities, and delivering returns to investors. As such, the fund aligns its approach to ESG with its fiduciary duty to act in the best interests of its investors by ensuring a balanced view of ESG opportunities and risks that may impact long-term returns.

The fund is categorized under Article 8 of the EU's SFDR regulation on sustainability-related information and promotes environmental and/or social characteristics and ensures good management practices through screening and restrictions.

The extent to which the fund's environmental and/or social characteristics are attained through the investment strategy is monitored on a regular basis and is reported in the fund's annual report.

Policies to assess good governance

The Responsible Investment Policy of Navigare Capital Partners A/S, who is the investment manager of the fund, provides the basis for sourcing and selecting the right assets, based among other things on thoroughly screening the individual assets regarding relevant environmental criteria, such as their GHG emissions, fuel consumption and fuel efficiency, and ballast water treatment.

Further, when entering into a contract with a third party for chartering or technical operation of the individual asset, the fund will act with due care and make reasonable investigations regarding the counterparty's experience, quality, resources, results and ESG practices before entering into such an agreement.

For the management of the assets, the fund further seeks to be an active owner and to influence counterparties through dialogue on matters pertaining to good governance. If deemed suitable, assets will be retrofitted with more energy efficient technologies or alternative propulsion techniques to improve energy efficiency and thus reduce emissions and protect the environment. And further, the fund will constantly look at ways to incentivize charterers to operate the vessels as efficiently as possible, while at the same time ensuring that the vessels made available to the charterers by the fund are as efficient as possible.

Proportion of investments

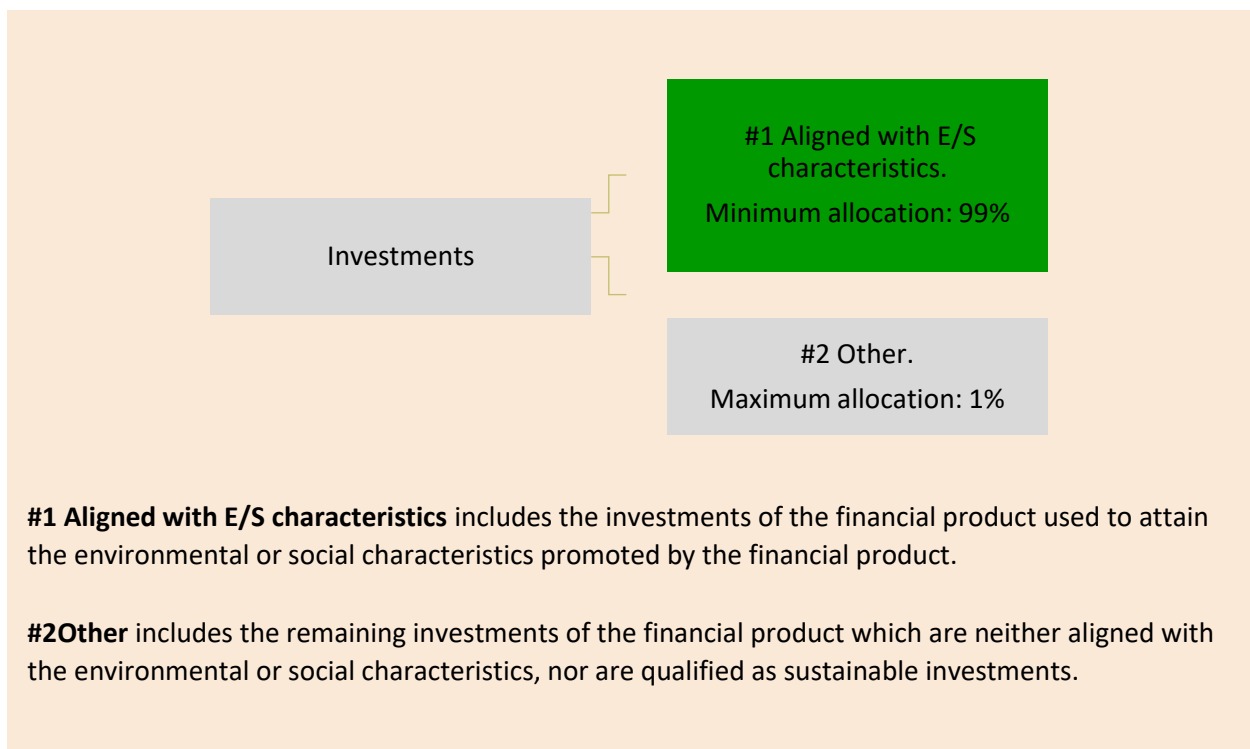
The fund promotes environmental and/or social characteristics but does not make any sustainable investments.

The expected minimum proportion of investments aligned with the fund’s environmental and/or social characteristics is 99%.

The fund reserves the opportunity of making other investments because each vessel needs a liquidity position which is necessary to ensure reliable liquidity management regarding the operation of the asset. The expected proportion of such investments is a maximum of 1%.

For these investments (“Other”) the fund cannot guarantee that the investments promote any environmental or social characteristics.

The minimum proportion of investments aligned with environmental and/or social characteristics and the maximum proportion of other investments are to be seen as the average allocation within the annual reference period as calculated against the total market value of the fund’s investments.



Monitoring of environmental or social characteristics

Before investments are made, all potential assets are thoroughly screened across a set of parameters of which carbon intensity is key. Only assets which meet the criteria satisfactorily proceeded to additional due diligences where other ESG factors are evaluated more thoroughly.

When the investments have been made, each vessel is chartered out to a third party under either a time charter agreement or a bareboat agreement.

In a time-charter agreement, the fund takes the technical, operational, and commercial responsibility of the individual assets and introduces its own guidelines especially within health and safety. However, the fund cannot control the speed, which is a key parameter in determining the fuel consumption of a vessel. The fund can only strive to always make the most fuel-efficient vessels available for its charterers.

A number of processes are in place to collect data on environmental and social characteristics from the technical managers of the time-chartered vessels to monitor the performance of the vessels and the promotion of environmental and social characteristics of the fund.

The follow-up procedures include quarterly review meetings between the inhouse technical team and the third-party technical managers where a list of industry specific KPIs are reviewed. This includes among others near-miss incidents, lost time incidents, port state controls deficiencies and detentions and spills. At the review meetings each incident is discussed thoroughly including the actions taken to avoid any future incidents.

To ensure the ongoing efficiency of the vessels, the time-chartered vessels are enrolled into an online tool where the fuel consumption and speed of the vessels can be monitored daily by an inhouse team of experts. In cases of deteriorating performance, the team can arrange the necessary fuel efficiency-improving services.

On a yearly basis, the main KPIs are summarized, and fuel consumption is verified by a third-party industry expert. The results hereof are published in the fund manager's annual sustainability report, which is reviewed by an external party who issues a statement with limited assurance.

In the case of a bareboat agreement, the bareboat charterer has the full responsibility while the fund has the opportunity to incorporate requirements which consider principle adverse impacts, but the fund does not have the possibility to continuously follow up on the counterparties' compliance with this. However, before entering into a bareboat charter agreement, the fund manager makes reasonable investigations regarding the counterparty's experience, quality, resources, results and ESG practices.

Methodologies

Before acquisition, the fund ensures 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:

- Energy efficiency measured by means of AER and CII
- Energy efficiency design index both for new and existing vessels ("EEDI" / "EEXI")
- 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 AER or CII
- 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 was similarly measured through usage of, among others, the following indicators/KPIs:

- Carbon intensity measured by AER or CII
- 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 make 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.

Data sources and processes

Data sources include data and documentation provided by the technical managers of the vessels to Navigare Capital Partners.

Prior to investment, official documents and certificates are collected and a pre-purchase inspection is conducted to ensure that the energy efficiency design index, fuel efficiency, ballast water treatment system, engine and paint scheme are as described. The documents are issued by a third-party classification society.

All vessels are operated under well-respected flags that are on the IMO's Whitelist, signifying that they abide by IMO requirements and have a proven track record with few incidents and detentions. Whitelist flag states usually also have additional requirements to secure better safety and labour conditions for its seafarers.

The fund outsources the technical management of its assets to carefully selected top-tier companies based on their safety track record and their performance on health and safety KPIs evaluated in a study performed by Boston Consulting Group.

The KPIs applied are largely based on information given by maritime authorities or third-party specialists. For instance, port state controls are performed by port authorities around the world and for each port state control an official report is published and available describing each deficiency and detention. For other data like fuel consumption, it is verified by a third-party industry expert.

In addition to this, some KPIs are based on seafarers reports and best estimate.

Navigare Capital has opted to have its annual sustainability report limited assured to improve procedures and data quality.

Limitations to methodologies and data

The type of charter agreement may imply a limitation of which data can be obtained.

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 the indicators/KPIs described above.

When operating the assets on a bareboat charter, the fund has no possibility to follow up on the counterparties' compliance with social characteristics according to international conventions.

Data quality depends on the level of maturity of the technical managers of the vessels, as well as the level of standardization for calculating the required ESG measure. The fund has during its ownership period increased the requirement for data to be better informed of its impact and thus better equipped to improve.

As one of the first to request this data it is often of poorer quality, but through active engagement, the fund ensures that data quality is improved during ownership, and that environmental and social objectives are met. This is further underpinned by having data on several KPIs verified by third party specialists who issues a statement with limited assurance. This strengthens the process and data quality significantly.

Due diligence

The fund follows relevant due diligence processes that cover all facts and risks of material importance to the investment decision.

ESG is a key factor in each due diligence process, and all potential investments and peripheral activities are evaluated to assess whether they comply with the funds ESG principles and policies.

For instance, employment contracts and agreements are reviewed to ensure they are aligned with the fund's policies. Also, the technical directors assess and verify the assets' physical condition, including the technical specifications, and review the performance of the assets, including fuel consumption and efficiency, key elements impacting the fund's carbon footprint and hence ESG principles. This information is also used to benchmark the assets' GHG emissions against the fund's own targeted reduction trajectory, along with those of known frameworks such as the International Maritime Organisation ("IMO") and the Poseidon Principles.

The technical directors also deliver a catalogue of potential energy saving devices needed to reduce future emissions so that the fund can remain on track towards its target. As part of the financial due diligence, the fund incorporates these into the financial model to assess the financial implications of complying with the ESG principles.

Before entering into a contract with a third party, the teams overseeing asset ownership makes all reasonable investigations regarding the counterparty's experience, quality, resources, results and ESG practices. Hence, contracts are only made with counterparties that have been diligently screened both qualitatively and financially across a set of key parameters. Over and above this, the fund incorporates additional requirements on health and safety, human rights and working conditions into all relevant

contracts to ensure a high standard of welfare among its crew members and to ensure that the management agreements are aligned with the fund's ESG principles.

Engagement policies

Stewardship and engagement are a core part of the funds approach to ESG.

The key stewardship objective is to maximise constructive ESG dialogue between the fund, the Limited Partners, the technical managers, and the charter counterparties. The fund holds regular meetings with these stakeholders where ESG is a fixed topic to engaged on.

The fund's objective is to maximise overall long-term value through active engagement with the stakeholders. The fund engages to improve ESG practice and performance of the vessels and requires the technical managers and charter counterparties to assign responsibilities to effectively identify, manage and monitor ESG risks, work with responsibility and to engage transparently and proactively.

The fund engages the technical managers and charter counterparties on ESG issues on a regular basis with priority being given when there are specific ESG issues to be addressed, e.g. when a serious health and safety incident has occurred.

Designated reference benchmark

The fund does not apply a designated benchmark for the promotion of its environmental and/or social characteristics, however, the IMO has a reference benchmark from which the fund has set its own more ambitious targets.

Published 7 March 2023