

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Navigare Capital Partners A/S, LEI: 549300G1V3KY7N4XMR28

Summary, English

Navigare Capital Partners A/S, LEI: 549300G1V3KY7N4XMR28, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Navigare Capital Partners A/S.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022. Since this is the first year of reporting on PAI indicators, there is no reference to historical data in this year's statement.

Navigare Capital Partners is an authorised Alternative Investment Fund Manager (AIFM) according to the Danish Act on Alternative Investment Fund Managers. The funds managed by Navigare Capital Partners primarily invests directly in wholly owned assets, placing the overall operational responsibility directly with Navigare Capital Partners.

Navigare Capital Partners is a signatory of the UN Principles for Responsible Investment and the company's Responsible Investment Policy together with the Policy for Integration of Sustainability Risks confirm and outline the commitment to identify and prioritize principal adverse impacts on sustainability factors and to avoid specific types of investments with an undesirable level of principal adverse impact. Furthermore, the policies describe how Navigare Capital Partners aims to analyze and assess the impacts of all investments and how it will address these aspects in accordance with the best interest of the investors through the entire investment process.

As shipping is a high impact climate sector with inherent safety risks related to operations at sea, the main principal adverse impacts, directly caused by the assets Navigare Capital Partners has invested in, are those related to environment and safety. Hence, to inform on these two topics, Navigare Capital Partners has chosen to report on indicator no. 2. and 5. from table 2 and indicator no. 1., 2., 6., and 7. from table 3.

To support its effort, Navigare Capital Partners has set a target of net zero by 2050 along with short-term carbon intensity targets. It has also set a target for lost time injury frequency that is more restrictive than the industry average.

The PAIs are largely based on data provided by maritime authorities or verified by third-party specialists.

Sammenfatning, på Dansk

Navigare Capital Partners A/S tager hensyn til de væsentligste negative indvirkninger af sine investeringsbeslutninger på bæredygtighedsfaktorer. Denne erklæring er Navigare Capital Partners A/S' konsoliderede erklæring om væsentligste negative indvirkninger på bæredygtighedsfaktorer.

Denne erklæring om de væsentligste negative indvirkninger på bæredygtighedsfaktorer omfatter referenceperioden fra 1. januar 2022 til 31. december 2022. Da dette er det første rapporteringsår er der ingen historisk sammenligning.

Navigare Capital Partners er en autoriseret forvalter af alternative investeringsfonde (AIFM) i henhold til lov om forvaltning af alternative investeringsfonde. Fondene forvaltet af Navigare Capital Partners investerer primært direkte i 100% ejede aktiver, hvilket placerer det overordnede operationelle ansvar direkte hos Navigare Capital Partners.

Navigare Capital Partners er medlem af UN Principles for Responsible Investments og virksomhedens politik for ansvarlige investering og politik for integration af bæredygtighedsrisici bekræfter og skitserer forpligtelsen til at identificere og prioritere væsentlige negative indvirkninger på bæredygtighedsfaktorer og til at undgå specifikke typer investeringer med et uønsket niveau af negativ indvirkning. Desuden beskriver politikkerne, hvordan Navigare Capital Partners sigter mod at analysere og vurdere indvirkningerne af alle investeringer, og hvordan de vil adressere disse aspekter i overensstemmelse med investorernes interesse gennem hele investeringsprocessen.

Da skibsfart er en sektor med høj klimabelastning og iboende sikkerhedsrisici relateret til operationer til søs, er de væsentligste negative indvirkninger, som er direkte forårsaget af de aktiver Navigare Capital Partners har investeret i, dem, der relaterer sig til miljø og sikkerhed. For at informere om disse forhold har Navigare Capital Partners valgt at rapportere på indikator nr. 2. og 5. fra tabel 2 og indikator nr. 1., 2., 6. og 7. fra tabel 3.

For at understøtte sin indsats har Navigare Capital Partners sat et mål om netto nul udledninger i 2050 sammen med kortsigtede mål for CO₂-intensitet. Navigare Capital Partners har også sat et mål for frekvensen af fraværsskader, der er mere restriktivt end branchens gennemsnit.

PAI'erne er i vid udstrækning baseret på data leveret af maritime myndigheder eller verificeret af tredjepartsspecialister.

Description of the principal adverse impacts on sustainability factors

For the purposes of this statement, by “principal adverse impacts” means the negative, material, or likely to be material effects on sustainability factors caused, compounded by, or directly linked to Navigare Capital Partners investment decisions. Navigare Capital Partners prioritizes and reports on principal adverse impacts of its investment decisions on sustainability factors on the basis of and covering the indicators listed below.

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	794,909 tonnes	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	<p>Navigare Capital Partners has a target of net-zero by 2050, supported by short-term carbon intensity targets of 35% and 55% reduction in 2025 and 2030, respectively, compared to a 2008 baseline provided by the IMO.</p> <p>To achieve this, Navigare Capital Partners, overall, has a strategic focus on buying modern and energy-efficient vessels, and when possible, it prioritises divesting less energy-efficient ones. It also invests in energy saving devices onboard its vessels when relevant and looks at ways to incentivise its charterers to operate the vessels as efficiently as possible.</p>
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						This has been further supported by new regulation which has been put in place in 2023.
		Scope 2 GHG emissions	0 tonnes	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	The funds do not have any Scope 2 emissions
		Scope 3 GHG emissions	10,295 tonnes	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Scope 3.2 is the largest Scope 3 category. It mainly consists of embedded carbon in the vessels. Hence, to mitigate its emissions within this category, Navigare Capital Partners has increased its focus on using recycled steel when possible when building new vessels.

		Total GHG emissions	805,205 tonnes	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Navigare Capital Partners has a target of net-zero by 2050, supported by short-term carbon intensity targets of 35% and 55% reduction in 2025 and 2030, respectively, compared to a 2008 baseline provided by the IMO.
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	2. Carbon footprint	Carbon footprint	794 tonnes per million EUR invested	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	<p>More than 90% of Navigare Capital Partner's GHG emissions comes from Scope 1. Hence, Navigare Capital Partners has to reduce fuel consumption onboard its vessels. This is done by</p> <ol style="list-style-type: none"> 1. having a strategic focus on buying modern and energy-efficient vessels, and when possible, divesting less energy-efficient ones. 2. investing in energy saving devices onboard vessels when relevant 3. incentivising its charterers to operate the vessels as efficiently as possible.
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	3. GHG intensity of investee companies	GHG intensity of investee companies	4,811 tonnes per million EUR revenue	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Navigare Capital Partners is constantly looking at ways to improve its GHG intensity by improving the fuel efficiency of the vessels. Improved fuel efficiency also improves the revenue of the vessels as improved fuel efficiency results in lower fuel costs for the charterer, increasing their willingness to pay for the vessel.
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	<p>4. Exposure to companies active in the fossil fuel sector</p>	<p>Share of investments in companies active in the fossil fuel sector</p>	<p>50%</p>	<p>N/A</p>	<p>As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.</p>	<p>Navigare Capital Partners as estimated its exposure as investments in vessels dedicated to the transportation of fossil fuels such as crude and product tankers, LNG and LPG carriers.</p> <p>Navigare Capital Partners has prioritized reducing its exposure to coal, as this seemed most import to its investors and has thus put a cap on the number of coal cargoes transported a year.</p>
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	<p>5. Share of non-renewable energy consumption and production</p>	<p>Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</p>	<p>100%</p>	<p>N/A</p>	<p>As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.</p>	<p>All vessels currently run on fossil fuels, but Navigare Capital Partners has set a target of net-zero by 2050. Fuel from renewable energy sources is a long-term strategy which will be applied when it becomes readily available. Until then, Navigare Capital focuses on making the most fuel-efficient vessels available to its charterers. Also, its latest newbuildings come with a methanol-ready notation meaning they can easily be converted to run on green methanol during its first dry dock.</p>
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	<p>6. Energy consumption intensity per high impact climate sector</p>	<p>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p>	<p>2.76 GWh per million EUR revenue</p>	<p>N/A</p>	<p>As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.</p>	<p>Navigare Capital only have exposure to one high impact climate section. Energy consumption in this section has been assumed to come from the fuel consumed by the vessels during operation.</p>
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Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	3%	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	<p>Navigare Capital Partners primarily invests in real assets and not in companies, hence, this number is estimated as time spent in marine protected areas for the portfolio of vessels.</p> <p>Marine protected areas range from coast lines to shallow waters to areas such as the Great Barrier Reef and the Paracas National Reserve in Peru. Vessels sailing through these regions, particularly those carrying oil or hazardous cargo, are required to avoid certain areas or take special precautions. These sailing restrictions appear in captains' digital navigation systems, which are continually updated.</p>
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Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	3.35 tonnes per million EUR invested		As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Navigare Capital Partners primarily invests in real assets and not in companies, hence, emissions to water is assumed as sulphur emissions from fuel consumption onboard vessels with scrubbers. Scrubbers are approved by the IMO as a means to remove and clean SOx from the engine exhaust down to a level equivalent to, or lower than, the limit required by the IMO regulation.
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Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.09 tonnes per million EUR invested		As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	<p>Navigare Capital Partners primarily invests in real assets and not in companies, hence, hazardous waste is assumed to be that generated onboard its vessels.</p> <p>The number is calculated as total waste generated within the four waste categories which might contain hazardous waste as hazardous waste is presently not categorized. Hazardous waste is, however, always landed to shore separately, even if it is reported within one of the waste categories.</p> <p>Note, garbage and waste are handled onboard according to the regulations in Marpol Annex V and hazardous waste can</p>
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						<p>be found within the following waste categories.</p> <ul style="list-style-type: none"> • Category A: EPIRB, expired pyrotechnics, all garbage that consists of or includes plastic in any form including synthetic ropes, synthetic fishing nets, plastic garbage bags and incinerator ashes from plastic products. • Category C: Tea bags, tissue paper, expired medicines, etc. • Category F: Paint buckets, empty oil drums, wire ropes, used L.O, / F.O filter cartridges, scavenge space carbon, dry soot from economizer cleaning, paint,
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						<p>scale and rust flakes.</p> <ul style="list-style-type: none"> • Category I: Electronic cards (PCBs), CRT, batteries, tube lights, bulbs, gadgets, instruments, equipment, computers, printer cartridges, etc.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	No violations of the UNGC principles or OECD Guidelines for Multinational Enterprises has been identified during the due diligences performed by Navigare Capital Partners.

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Investments are primarily made in real assets and not in companies. Navigare Capital Partners is a signatory to the UN Principles for Responsible Investments and includes UNGC principles and the OECD Guidelines for Multinational Enterprises in all contractual agreements and monitor the compliance herof.
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	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	<p>Navigare Capital Partners did not have any female seafarers on board its vessels in 2022 and will hence not be able to report on a gender pay gap for the year.</p> <p>However, Navigare Capital Partners is an equal opportunities employer committed to equal pay for equal work and hence, seafarers are paid only based on seniority.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	10%	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Investments are primarily made in real assets and not in companies, and thus boards are made solely for the purpose of ensuring the operation of the vessels.

	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Investments are primarily made in real assets and not in companies.
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A		No investments in sovereigns and supranationals
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	N/A		No investments in sovereigns and supranationals

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A		Navigare Capital Partners does not have any investments in real estate assets
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A		Navigare Capital Partners does not have any investments in real estate assets
Other indicators for principal adverse impacts on sustainability factors						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period

Emissions	2: Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average	<ul style="list-style-type: none"> a. Sulphur oxides: 1.77 b. Particulate matter: 1.57 c. Nitrogen oxides: 15.91 d. Carbon monoxide: 0.73 e. Volatile compounds: 0.66 	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Navigare Capital Partners emissions of other air pollutants is also dependent on its fuel consumption, hence, the actions and targets described in 1: Scope 1 GHG emissions is also valid for this PAI.
Energy performance	5: Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source	<ul style="list-style-type: none"> a. Oil: 93% b. Natural gas: 7% 	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	The number is estimated based on fuel consumption onboard the vessels. The technology allowing vessels to run on renewable fuels is currently under development. Navigare Capital Partners has invested in six vessels with a methanol-ready notation allowing them to be easily converted during their first dry docking.

Social and employee matters	1: Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	0%	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	In Navigare Capital, safety is a key priority. Hence, Navigare Capital has close in-house monitoring of health and safety conditions onboard its vessels. All vessels operate under rigorous health and safety support systems, which are audited externally by classification societies as well as internally by Navigare Capital's Technical Directors. The Technical Directors also inspect all vessels on a rotating basis, to ensure that the working and operating conditions of the vessels meet the requirements and contractual commitments established by Navigare Capital.
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						<p>Quarterly review meetings are also put in place to monitor a wide range of KPIs, several on health and safety topics. If an incident or near miss incident is reported, Navigare Capital follows a systematic three step procedure to ensure that adequate actions are taken along with future preventive measures.</p>
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	2: Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	0.01 per million EUR invested	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	The rate of accidents is based on total recordable cases (TRC) for vessels time chartered out by Navigare Capital Partners and vessels in subsidiaries. This has been compared to the investment in these assets only. Navigare Capital Partners has set a clear target for lost time incident refrequency of '<1' and measures on a number of other safety KPI's. In cases of near miss incidents or actual incidents, Navigare Capital follows a systematic three step procedure, to ensure that adequate actions are taken along with future preventive measures.
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	6: Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers	0%	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	<p>Navigare Capital has implemented a whistleblower program that allows employees to raise concerns about misconduct and potential non-compliance with Navigare Capital's policies without fear of recrimination.</p> <p>An anonymous whistleblower system operated by the technical managers is also in place on all vessels. In addition, seafarers onboard Danish-flagged vessels may also anonymously report concerns through the Danish Maritime Authority's ("Søfartsstyrelsen") whistleblower system.</p>
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	7: Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average	1: Zero 2: Zero	N/A	As Navigare Capital Partners does not report on 2021 numbers, 'Explanation' has been left blank.	Navigare Capital Partners has zero tolerance of any kind of discrimination and has not become aware of any incidents during its due diligences and none has been reported to the whistleblower systems.
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Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Governance and organizational framework:

The Responsible Investment Policy of Navigare Capital Partners together with the company's Policy for Integration of Sustainability Risks – both adopted by the Board of Directors on 24 March 2023 – confirm and outline the commitment to identify and prioritize principal adverse impacts on sustainability factors. The two policies are aligned with other policies of Navigare Capital Partners and are subject to regular, and at least annual, review and approval by the Board of Directors.

The Board of Directors is overall responsible for the operations of Navigare Capital Partners and is overall responsible for compliance with the Policies and applicable legislation. The Management of Navigare Capital Partners is responsible for overseeing the day-to-day management of the company and shall ensure that the policies approved by the Board of Directors are complied with.

The policies and their commitments to identify and prioritize principal adverse impacts are further operationalized through underlying Handling Procedures and supported by instruction on Exclusions and the Engagement Policy of the company.

Identification of principal adverse sustainability impacts:

Navigare Capital Partners is committed to the highest degree of business conduct and to comply with the provisions in the following guideline:

- UN Principles for Responsible Investments

In doing so, Navigare Capital Partners acts in the best interest of the investors, including but not limited to, conducting adequate due diligence activities prior to making investment proposals and investments. The impact of sustainability risks is integrated in these due diligence activities and in the subsequent investment decisions in accordance with the adopted policies in the area.

The adopted due diligence procedures ensure that potential investment opportunities are thoroughly screened to identify and assess their principal adverse sustainability impacts. Further, any proposed counterparty who is a candidate to enter into a charter agreement regarding the investment asset must be thoroughly screened to assess their competencies and their compliance with the provisions in relevant international conventions and guidelines.

While operating the assets, Navigare Capital Partners has effective operational procedures ensuring continuous follow-up on quality, resources, results, and the ESG-related practices of the counterparties having chartered the assets. The follow-up is organized in such a way as to ensure that the portfolio is compliant with the sustainability standards defined by Navigare Capital Partners.

Prioritization of principal adverse sustainability impacts:

As stated in the Responsible Investment Policy, Navigare Capital Partners aims to analyze and assess the negative impacts and positive impacts of all investments and to address these aspects in accordance with the best interest of the investors.

Navigare Capital Partners prioritizes the management of principal adverse impacts on sustainability factors during the entire investment process. The company perceives a systematic prioritization of principal adverse impacts in the entire investment process and working towards ensuring high sustainability standards as prerequisites for mitigating risk, seizing opportunities, and delivering returns to investors. As such, the fund aligns its approach to adverse sustainability impacts 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.

Methodologies to select sustainability risk indicators:

Before acquisition, Navigare Capital Partners ensures that the design of the asset is aligned with the adopted sustainability standards. 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 Navigare Capital Partners 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

Besides these, Navigare Capital Partners also tracks a number of additional environmental and social KPIs to ensure performance is aligned with the adopted sustainability standards.

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

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

- Carbon intensity measured by AER or CII
- GHG emissions

As a result of the contract provisions, Navigare Capital Partners 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 company 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.

Use of data sources:

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, among others, 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 Paris MoU'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 labor conditions for their seafarers.

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

Limitations to data sources and associated margins of error:

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 Navigare Capital Partners is measured through usage of the indicators/KPIs described above.

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

At this point in time, it is difficult to assess the magnitude of the margin of error, but it is expected to be quite small for the main KPIs, GHG and AER.

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. Navigare Capital Partners 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, Navigare Capital Partners 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 issue a statement with limited assurance. This strengthens the process and data quality significantly.

Engagement policies

Navigare Capital Partners primarily invests directly in wholly owned assets.

Where this is not the case, e.g., by investing in joint ventures, which then own the assets, Navigare Capital Partners will follow an approach of active ownership, governed through a number of guiding principles for active ownership framed by the expectations set in the UN-backed Principles for Responsible Investment (PRI), the Taskforce for Climate-related Financial Disclosure (TCFD) and other industry initiatives which Navigare Capital Partners supports.

Active ownership is a central element of Navigare Capital Partner's responsible investment policy. Through active ownership, Navigare Capital Partners uses its ownership position to the extent possible to ensure a close dialogue with the investee companies on sustainability, including social and governance issues that may have principal adverse impacts on sustainability factors.

Active ownership is conducted mainly through dialogue, collaborative engagement, and voting rights. Navigare Capital Partners will seek to engage investee companies in a constructive manner with identified and achievable goals. The investee companies will be challenged on their strategy and risks, financial

and non-financial performance, and their commitments to strong environmental, social, and governance philosophies. This will include, among other things, remuneration policies, capital structure and shareholders' rights, GHG emissions, energy efficiency, gender diversity, biodiversity, human rights, and anti-corruption.

References to international standards

Navigare Capital Partners aims to operate 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, Navigare Capital Partners invests in suitable energy-saving devices for individual vessels in its portfolio.

The net-zero target covers Scope 1-3 GHG emissions of both Navigare Capital Partner's headquarters and its funds as calculated according to the GHG Protocol. The carbon intensity is measured by means of an annual efficiency ratio (AER). The AER is an industry standard developed by the IMO and also used by the Poseidon Principles – a framework for disclosing the climate alignment of shipping-related activities adopted by certain financial institutions. It allows Navigare Capital Partners to track and compare its performance with other industry participants.

Multiple sources are used to calculate the GHG emissions, but fuel consumption is most material, as Scope 1 constitutes more than 90% of the total emissions. Fuel consumption also constitutes the input for calculating the carbon intensity and is used as an input parameter in the TCFD analysis performed on a 1.5 – 2-degree climate scenario. Fuel consumption is verified by third-party specialists.

Navigare Capital Partners is committed to ensure 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.

Further, Navigare Capital Partners 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.

Historical comparison

The earliest historical comparison will be provided in June 2024.