NavigareCapital

6. RESPONSIBLE INVESTMENT POLICY

Policy title:	Responsible Investment Policy
Administrator:	Henrik Ramskov
Approved by the Board of Directors:	22 September 2023

6.1 Introduction

Navigare Capital Partners A/S (the Company) is an authorised Alternative Investment Fund Manager (AIFM) according to the Danish Act on Alternative Investment Fund Managers.

Responsible investing is a central element of the Company's investment strategy, integrated into the entire investment process and all key decisions from deal origination to exit. This integration is ensured via the careful consideration of sustainability – covering the most material environmental, social and governance (ESG) issues – through clear and guiding principles as well as measurable KPIs in every process and decision of the Company across the entire value chain.

The purpose of the policy is to set the principles and the framework for the Company's work to integrate ESG into all aspects of the Company including all steps in the investment process, and the supporting governance processes and stakeholder relations.

Section 6.2 describes the background for sustainability in the Company.

Section 6.3 describes the Company's purpose and ESG principles.

Section 6.4 describes the Company's ESG governance.

Section 6.5 describes the Company's ESG reporting.

Section 6.6 describes the Company's ESG targets and commitments.

Section 6.7 describes how the Company integrates ESG into the investment process and daily operations.

Section 6.8 describes stewardship and engagement and the contractual obligations for committing investments.

Section 6.9 describes the requirements for marine insurance coverage.

Section 6.10 describes the electronic register.

Section 6.11 describes monitoring and surveillance.

Section 6.12 describes the control approach.

6.2 Background

The Company is the advisor and fund manager for the Maritime Investment Funds I and II (the Funds). In relation to investment activity, the Company acts as a *responsible* fund manager on behalf of investors.

In light of the implications of climate change in general – as recently evidenced by the sixth assessment report by the IPPC – both in terms of physical and transitional risks and opportunities and the fact that the shipping sector holds responsibility for its adverse impact on the climate, the Company considers its role as a responsible investor to be more relevant than ever.

The Company is built on strong corporate governance, where integrity and ethics are paramount and deeply rooted throughout the organisation. The Company has decided to operate as a Danish legal entity, meaning that investments are placed in tax-transparent legal entities in Denmark and must comply with relevant tax legislation. It also means that the Company prefers to operate its vessels under the Danish flag or other transparent flag states complying with IMO conventions of an equivalent MoU standing and with a proven track record of few incidents and detentions.

Furthermore, the Company acts as a responsible fund manager by ensuring that material environmental, social and governance (ESG) principles are respected and adhered to in all relevant processes and decisions. It has always been a fundamental principle that the Company will make investments in assets which are considered to be of high quality – meaning vessels that are modern and fuel efficient, with limited environmental impacts, and which are operated under the highest standards regarding health, safety, labour rights and anti-corruption.

The Company 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 Company 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 company 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 Company aligns its approach to ESG with its fiduciary duty to act in the best interests of its Limited Partners by ensuring a balanced view of ESG opportunities and risks that may impact long-term returns.

The Limited Partnership Agreement (LPA) with investors is the contractual basis for the Company's activities. According to the Alternative Investment Fund Manager Act, the Company must act according to the best interests of the Funds and investors. The Company must therefore apply appropriate policies and procedures which prevent irregularities. Furthermore, the Company must also implement procedures that ensure effective management of the investments. This Responsible Investment Policy should be seen in light of these obligations stipulated by the LPA.

6.3 Purpose and ESG principles

The purpose of the Company is to:

> "Deliver attractive, risk-adjusted returns while enabling the green transition of the shipping sector".

Supporting the purpose are four ESG principles underpinning the Company's daily work with sustainability:

- ESG governance and responsibility: The Company ensures that ESG responsibilities are assigned to effectively oversee the implementation of the framework, and that each member of staff is accountable for ESG integration in accordance with internal policies with support from suitably qualified staff, including from third parties where appropriate.
- ESG commitments: The Company commits to follow all relevant global standards and regulation within areas such as responsible investing, human and labour rights, responsible business, etc.
- ESG reporting: The Company reports to the Limited Partners and the Board of Directors on its activities and progress towards implementing and maintaining the ESG framework and engages with other key stakeholders in a transparent way, providing them with key data on material ESG topics.
- ESG in the investment process and daily operations: The Company incorporates ESG considerations into its investment analysis and decision-making regarding investments, into its operating practices during ownership, and into its decision-making regarding exits/realisations.

Each principle is elaborated in the following sections.

6.4 ESG governance and responsibility

The Company's Board of Directors has overall responsibility for compliance with the Company's policies.

The Investment Committee approves each investment and is responsible for ensuring that ESG considerations are adequately reflected and valued in each case.

Management is responsible for ensuring that the Company implements and complies with ESG standards and objectives – as approved by the Board of Directors – when acting as investment managers for the investors, as asset owners when operating the assets, and when divesting the assets. This can be done with support from internal ESG specialists and eventually third-party advisers. ESG considerations and due diligence findings are presented to the Investment Committee.

The ESG Manager is a dedicated responsible employee and is responsible for the ESG management system and for supporting the organisation during due diligence and portfolio management.

The Risk Manager is responsible for monitoring the ESG-related risks in the due diligence processes and when operating and exiting the portfolio assets.

The Compliance Manager is responsible for monitoring and reviewing the Company's compliance with all policies including risk management and ESG.

All employees, board members and executive management in the Company are responsible for assisting in meeting these responsibilities.

Should any such person uncover or receive information that the Company or an asset under evaluation for investment causes, contributes, or is linked to potential or actual significant adverse impacts in relation to any of the ESG principles, such person shall immediately use the Company's whistleblower solution.

6.5 ESG targets and commitments

ESG targets:

The Company has pledged to achieve 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, respectively.

International standards, conventions, and guidelines:

The Company's Code of Conduct sets the overall approach to managing ESG-related issues. According to the Code of Conduct and the LPAs, the Company and the Funds are committed to complying with the following standards, conventions, and guidelines:

- 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.
- 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.

According to recognised good governance practice, the Company has developed internal policies and procedures in relation to anti-bribery and anti-corruption (ABC) in compliance with the US, UK and Danish ABC regulations, anti-money laundering

(AML) in compliance with the EU AML Directive, responsible tax practices and guidelines for company boards.

EU Sustainable Finance Disclosure Regulation (SFDR):

As a financial market participant, the Company is subject to the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR).

In accordance with the SFDR, the Company has done the following to ensure compliance and adequate implementation of the SFDR:

- Published and maintains on its website a statement that it has adopted adequate due diligence policies to consider the principal adverse impacts of investment decisions on sustainability factors.
- Published and maintains on its website the adopted policy for integration of sustainability risks. The policy for integration of sustainability risks determines how sustainability risks must be integrated into the investment process and cover investment analysis and decision-making regarding investments, operating practices during ownership, and decision-making regarding exits/realisations.
- Published and maintains on its website relevant information on its adopted renumeration policy and how to handle sustainability risks in relation to remuneration. Sustainability risks have been included in the remuneration policy's overall risk parameters to determine the remuneration in the Company, just as the remuneration policy aims to prevent financial incentives for excessive risk-taking with respect to sustainability risks which may lead to adverse negative consequences for the return to investors.

6.6 ESG reporting

In alignment with the Company's commitment, the following information shall be publicly disclosed (additional to the disclosures made in compliance with the SFDR, cf. section above):

- This Responsible Investment Policy.
- Annual sustainability reporting.

The sustainability reporting must include the Company's ESG strategy, carbon-reduction targets, and performance against the targets, as well as a description of its progress relative to the targets. Furthermore, the sustainability reporting must contain the latest available data on KPIs within all material ESG topics reflecting acknowledged reporting standards (SASB, GRI) as well as the Principal Adverse Impact (PAI) indicators as stipulated by the SFDR.

6.7 ESG in the investment process and daily operations

The Company's value creation is achieved through a methodical investment approach, which consists of six underlying principles that ensure disciplined management of the Funds' investment strategies – the 6S Model:

- **Sourcing**: Sourcing of investments through a significant international network and broad base of sourcing channels, supported by extensive market research.
- **Selecting**: Selecting the right assets based on thorough due diligence processes and allocation of equity with the aim of obtaining a well-diversified portfolio.
- **Structuring**: Structuring of debt financing to achieve attractive risk-adjusted returns while minimising financial risk.
- **Servicing**: Servicing the assets via cost-effective operational and technical management of the vessels with strict supervision and control.
- **Steering**: Steering the assets by actively managing employment decisions and handling operational risks.
- **Selling**: Selling assets based on research-based exit strategies and market insights.

ESG is an integral part of each of these underlying principles, as outlined below.

a) <u>*Sourcing*</u>

During Sourcing, the individual assets shall be thoroughly screened to assess the following relevant environmental criteria:

- CO_2 and SOx/NOx emissions.
- Fuel consumption and fuel efficiency.
- Ballast water treatment.
- Paint scheme and status.
- Classification class status.

Only assets which meet the criteria satisfactorily may proceed to Selecting.

b) <u>*Selecting*</u>

During Selecting, a thorough investment analysis must be performed regarding the investment opportunity. The investment analysis comprises relevant due diligence elements which must cover all facts and risks of material importance to the investment decision, including:

- Commercial due diligence: Analysis of the investment from a commercial perspective.
- Technical due diligence: Analysis of the investment from a technical perspective.
- Financial due diligence: Analysis of the investment from a financial perspective.

- Legal due diligence: Analysis of the investment from a legal perspective.
- Due diligence on ESG-related issues: Analysis of the investment asset and the selected technical manager and charter counterparty from an ESG perspective.

The Company shall use the resources and competencies necessary to prepare this investment analysis.

Based on the investment analysis and associated due diligence, the Management makes a recommendation to the Investment Committee, which makes decisions regarding every investment and exit/realisation. An acquisition recommendation shall contain all relevant information regarding the prospective investment, including:

- Asset class
- Business case (including rate assumptions).
- Counterparty assessment.
- Value propositions.
- Risks associated with the investment.
- Risk management and risk coverage.
- Fitting of the investment into the existing portfolio.
- Price.
- Relevant ESG aspects, including, but not limited to, emissions, fuel consumption, ballast water treatment, labour convention and working conditions for seafarers.
- Financing.
- Exit strategy.
- Overall terms of the acquisition.
- Costs related to the investment.
- Compliance with the investment policy together with relevant documentation.

c) *<u>Structuring</u>*

During Structuring, the Company must identify and assess the asset relative to the Poseidon Principles.

The Poseidon Principles is a global framework for ship financing established by a group of global financial institutions to integrate climate considerations into lending decisions thereby ensuring sustainability linked loans for ship financing.

The Company specifically analyses the asset's performance according to the annual efficiency ratio (AER) reduction trajectory as stipulated by the Poseidon Principles.

d) *Servicing and Steering*

During Servicing and Steering, the Company must ensure that the asset does not violate any applicable sanctions, including, but not limited to, the transportation of:

- Weapons intended for warfare.
- Components for nuclear power or nuclear waste.

The Company is responsible for identifying and negotiating the contracts necessary for each investment, including time charter agreements or bareboat agreements, technical management agreements, administration agreements, commercial management agreements, maintenance/crewing agreements and all other relevant agreements and actions necessary for the operation and technical management of the asset as assumed in the investment analysis.

The asset must be carefully maintained, and it must be ensured through relevant retrofits and upgrades that the asset is always in sound condition in relation to ESG.

When entering into a contract with a third party, the Company shall act with due care and shall make reasonable investigations regarding the counterparty's experience, quality, resources, results and ESG practices before entering into such an agreement.

The Management is responsible for monitoring compliance with all such agreements having been entered into.

The Company must have effective operational procedures ensuring continuous follow-up on quality, resources, results, and ESG-related matters of the counterparty having chartered the asset and of the technical manager.

e) *Selling*

During Selling, the Company is responsible for providing an exit/realisation strategy to the Investment Committee in each case. The Investment Committee makes decisions regarding every exit/realisation.

In the event that the exit strategy involves a potential dismantling of an asset, the Company must ensure that such a dismantling is compliant with the Hong

Kong International Convention for the safe and environmentally sound recycling of ships and the Basel Convention: Technical guidelines for the environmentally sound management of the full and partial dismantling of ships.

The exit/realisation recommendation shall contain all relevant information regarding the sale, including:

- Proposed buyer.
- Price.
- Exit/sales terms.
- Risk and potential analysis.
- Costs.

6.8 SPVs, Joint Ventures and other investee companies, allocation limits, and leverage limits

<u>Special purpose vehicles (SPVs):</u>

For strategic, commercial and risk management reasons, each of the assets must be placed in separate vessel-owning limited partnerships/SPVs.

The Funds shall, as a general rule, acquire 100% of the shares and voting rights of the SPVs. However, the Company may invite certain strategic partners to become co-owner of the individual SPV.

The Company shall always have the majority of shares and voting rights of the individual SPV.

<u>Joint Ventures and other investee companies:</u>

Joint Ventures and other investee companies may be appealing for strategic commercial reasons.

In such cases, the Company must follow an approach of active ownership, framed by the expectations set in the UN-backed Principles for Responsible Investment (PRI), to encourage and support the Joint Ventures and other investee companies in their endeavors to report according to, for instance, the Taskforce for Climate-related Financial Disclosure (TCFD), SASB, GRI and other known frameworks which improve transparency.

Stewardship and engagement shall be a central element of the Company's investment strategy in Joint Ventures and other investee companies. The Company shall use its ownership position to the extent possible to ensure an active stewardship and engagement approach, emphasizing direct dialogue with the investee companies on sustainability, including social and governance issues that have a material impact on principal adverse sustainability factors as well as long-term financial performance.

Stewardship and engagement shall mainly be conducted through dialogue, collaborative engagement, and voting rights. The Company must seek to engage Joint Ventures and investee companies in a constructive manner with identified and achievable goals. The Joint Ventures and other investee companies must 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 anticorruption.

The Company must ensure that the individual Joint Venture and investee company commit to the Company's Code of Conduct and implement relevant policies and procedures to ensure that they are operating according to the same standards as committed and followed by the Company and the Funds, including ESG targets and commitments stated in section 6.5 of this policy. Further, each individual Joint Venture and investee company must commit to relevant reporting requirements, so that the Company and the Funds can meet their obligations in, among other things, the SFDR regulation.

Where possible, the majority of shares/ownership and voting rights in Joint Ventures and investee companies will be pursued. Where this is not possible negative control mechanisms will be sought to be included in the relevant parts of the Shareholder Agreement (SHA) or similar agreements between the parties.

Where the Fund does not have majority of shares and voting rights, the Fund's interests must be protected in the Shareholder Agreement for the investee company.

This will include reserved matters such as:

- Decision making on appointment/removal of Technical Manager, Auditor, commercial management, administrator etc.
- Determination of the use of profits, including dividends or similar.
- Trading restrictions.
- Voluntary petition for liquidation, bankruptcy or similar of the Partnership or the general Partner or any SPV.
- Budget/business plan/accounts.
- Registry/flag of any vessel.
- Financing and insurance.
- Instituting or settling legal proceedings.
- The provision of guarantees or indemnities.
- Entry, exit and material employment contracts.

	• Conflict of interest. • Changes in ownership. In addition, the SHA must also address Deadlock situations and divorce mechanisms. <u>LPA-defined equity allocation limits and leverage limits:</u> As an overriding precondition, the Company must comply with the investment strategy, including the allocation limits and leverage limits for investments which are set out in the LPAs for each individual Fund under management. Each time a possible investment is presented to the Investment Committee, the consequences of the proposed investment for the allocation limits and leverage limits must be stated. In addition, compliance with the limits must be reported to investors on a quarterly basis. The allocation limits and leverage limits are set out in Annex 1 to this policy document.
6.9 Marine insurance	The Company is responsible for identifying and negotiating all insurance agreements and taking all actions necessary for prudent insurance coverage of the individual SPVs. When entering into contracts with underwriters, the Company shall act with due care and shall make reasonable investigations regarding the underwriters' quality, resources and credit rating before entering into such agreements. The Management is responsible for monitoring compliance with all such agreements entered into.
6.10 Electronic register	The Company shall keep an electronic register of investments, including proposals, investment analyses and the results of the due diligence investigations. The information shall be stored for a period of at least five years after exiting an investment.
6.11 Monitoring and surveillance	The Management shall be responsible for monitoring compliance with this policy, including monitoring that each investment develops as forecast in the investment analysis. Any detected deviation must be investigated and sought to be remedied as soon as possible. If the Management deems that compliance is not sufficient or that further actions are required, the Management shall inform the Board of Directors and submit a report on the subject matter and proposal for a solution. The Board of Directors shall then make a decision regarding the matter, which the Management shall effect.

6.12 Control	In the event of a report from the Managing Partner, the Board of Directors shall: (i) review the report made by the Managing Partner, and (ii) consider whether the compliance requirements have been fulfilled or whether there is a risk that the compliance requirements may not be fulfilled in the period until the next board meeting. In the event that the Board of Directors deems that compliance with this policy has not been sufficient, the Board of Directors shall adopt a decision on how to remedy this and instruct the Managing Partner to effect such a decision. The Board of Directors shall monitor that the adopted plan is complied with and that the plan is effected as soon as possible.

Change log:	**Comments/changes:**
15 March 2019:	V 2.0: The policy has been clarified regarding approval of Leverage in section 6.3.
7 June 2019	V 3.0: The sections on Monitoring and Surveillance / Control have been amended, respectively.
16 December 2019	V 4.0: Mapping of relevant environmental aspects of an investment is incorporated in the investment process.
9 June 2020	V 5.0: The policy has been updated to include allocation limits and leverage limits for MIF II K/S.
23 September 2021	V 6.0: The policy has been expanded to further integrate sustainability factors and ESG principles into the investment processes and into the Company's daily operations. Further, all major parts of the previous policy on portfolio management, chartering and operations, technical management, and marine insurance (clause 7) have been integrated into this policy.
13 December 2022	V 7.0: Editorial update following the annual review and update.
24 March 2023	V 8.0: Adding obligations regarding supplementary conventions and regulations and clarifying the rules for joint ventures.
22 September 2023	V 9.0: Elaboration of the principles of active ownership through stewardship and engagement in joint ventures and other investee companies in section 6.8.