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MIF II Feeder no. 2 A/S

Strandvejen 70, 2.
2900 Hellerup
CVR No. 42804150

Annual report 2023

The Annual General Meeting adopted the annual report on 26.03.2024

Henrik Ramskov
Chairman of the General Meeting

Contents

Entity details

Entity

MIF II Feeder no. 2 A/S
Strandvejen 70, 2.
2900 Hellerup

Business Registration No.: 42804150
Date of foundation: 02.11.2021
Registered office: Gentofte
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Henrik Ramskov, Chairman
John Peter Boesen
Søren Fogh

Executive Board

Christina Andersen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of MIF II Feeder no. 2 A/S for the financial year 01.01.2023 - 31.12.2023.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

Furthermore, the supplementary report has been prepared in accordance with the Sustainable Finance Disclosure Regulation (SFDR) and contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hellerup, 26.03.2024

Executive Board

Christina Andersen

Board of Directors

Henrik Ramskov
Chairman

John Peter Boesen

Søren Fogh

Independent auditor's report

To the shareholders of MIF II Feeder no. 2 A/S

Opinion

We have audited the financial statements of MIF II Feeder no. 2 A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary, as well as for the supplementary report on disclosures in accordance with the SFDR etc, hereinafter referred to as ”the supplementary report”.

Our opinion on the financial statements does not cover the management commentary or the supplementary report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and the supplementary report and, in doing so, consider whether the management commentary and the supplementary report are materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appear to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required by the Danish Financial Statements Act and article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation) .

Based on the work we have performed, we conclude that the management commentary and the supplementary report are in accordance with the financial statements and have been prepared in accordance with the information required by the Danish Financial Statements Act and article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation) .

We did not identify any material misstatement of the management commentary or the supplementary report.

Hellerup, 26.03.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Thorø Larsen
State Authorised Public Accountant
Identification No (MNE) mne35823

Management commentary

Primary activities

The object of the Company is to conduct business within trade and industry, including purchase and sale of assets, and other hereto-related business at the discretion of the board of directors, including the holding of shares in other companies.

The Company's sole activity is to act as a feeder fund for the shareholders investment in Maritime Investment Fund II K/S.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Supplementary reports

Periodic disclosure for Article 8 financial products

Please refer to page 16 for MIF II Feeder no. 2 A/S' periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852 for the period 01.01.2023-31.12.2023.

Income statement for 2023

	Notes	2023 USD	2022 USD
Other external expenses	1	(66,555)	(24,179)
Gross profit/loss		**(66,555)**	**(24,179)**
Income from financial assets		1,266,626	2,064,419
Other financial income		8,414	10,697
Other financial expenses		(5,633)	(339,133)
Profit/loss before tax		**1,202,852**	**1,711,804**
Tax on profit/loss for the year		101,297	(206,595)
Profit/loss for the year		**1,304,149**	**1,505,209**
Proposed distribution of profit and loss:			
Ordinary dividend for the financial year		433,687	0
Extraordinary dividend distributed in the financial year		585,050	1,650,117
Retained earnings		285,412	(144,908)
Proposed distribution of profit and loss		**1,304,149**	**1,505,209**

Balance sheet at 31.12.2023

Assets

	Notes	2023 USD	2022 USD
Other investments		19,718,658	8,416,495
Financial assets		**19,718,658**	**8,416,495**
Fixed assets		**19,718,658**	**8,416,495**
Other receivables		353,893	0
Income tax receivable		23,582	0
Receivables		**377,475**	**0**
Cash		**7,532**	**53,956**
Current assets		**385,007**	**53,956**
Assets		**20,103,665**	**8,470,451**

Equity and liabilities

	Notes	2023 USD	2022 USD
Contributed capital		135,432	134,199
Share premium		19,425,197	8,596,617
Retained earnings		(92,072)	(377,484)
Proposed dividend		433,687	0
Equity		**19,902,244**	**8,353,332**
Income tax payable		2,589	103,297
Other payables		198,832	13,822
Current liabilities other than provisions		**201,421**	**117,119**
Liabilities other than provisions		**201,421**	**117,119**
Equity and liabilities		**20,103,665**	**8,470,451**
Contingent liabilities	2		

Statement of changes in equity for 2023

	Contributed capital USD	Share premium USD	Retained earnings USD	Proposed extraordinary dividend USD	Proposed dividend USD
Equity beginning of year	134,199	8,596,617	(377,484)	0	0
Increase of capital	1,233	10,828,580	0	0	0
Extraordinary dividend paid	0	0	0	(585,050)	0
Profit/loss for the year	0	0	285,412	585,050	433,687
Equity end of year	**135,432**	**19,425,197**	**(92,072)**	**0**	**433,687**

	Total USD
Equity beginning of year	8,353,332
Increase of capital	10,829,813
Extraordinary dividend paid	(585,050)
Profit/loss for the year	1,304,149
Equity end of year	**19,902,244**

Notes

1 Other external expenses

The Company has no employees.

The Management has not received remuneration.

In accordance with the Alternative Investment Fund Managers etc. Act, section 61, 3 (5 and 6) information regarding salaries paid to employees of the investment manager can be found in Navigare Capital Partners A/S', Business Reg. No. 37338109, Annual report 2023.

2 Contingent liabilities

There is a remaining investment commitment of a total of USD 7.9m.

In addition there are no guarantees or contingent liabilities of the Company.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Reporting currency is U.S. Dollars (USD).

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities.

Income from other financial assets

Income from other financial assets comprise dividend from investments.

Other financial income

Other financial income comprises interest income, equalization interests and net exchange rate adjustments on transactions in foreign currencies.

Other financial expenses

Other financial income comprises interest income, equalization fee and net exchange rate adjustments on transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is taxed in accordance with the Danish tonnage tax regime.

Balance sheet

Other investments

Other investments comprise investments in portfolio companies which are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: MIF II Feeder no. 2 A/S (MIF II Feeder 2)
Legal entity identifier: 894500MNW3UFXZJE5W24

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** ___%	☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 5% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☒ 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	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

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

To what extent were the environmental and/or social characteristics promoted by this financial product met?

1. The fund promoted 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 promoted 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.
3. Further, the fund promoted 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 promoted 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 had effective operational procedures ensuring continuous follow-up on quality, resources, results, and ESG-related practices. The fund sought to influence technical managers' and charterparties' impact on sustainability matters through engagement and requirements for operating the vessels according to the above conventions.
6. The fund sought to influence cooperative partners' impact on sustainability matters through having voting rights on material sustainability topics.

How did the sustainability indicators perform?

Navigare Capital's sustainability performance disclosure is divided into three dimentions.

Environment:

Decarbonisation is a key priority among industry participants, including Navigare Capital. Thus, Navigare Capital remains focused on meeting its net zero by 2050 target, including its short term carbon intensity targets.

Navigare Capital measures carbon intensity based on a vessel's cargo-carrying capacity relative to its fuel consumption. In shipping, this number is referred to as the Annual Efficiency Ratio ("AER") and is the most used intensity metric in the sector. The AER is applicable to all vessels over 5,000 gross tonnes, which includes the majority of the Fund's fleet and the global fleet in general. As the recently purchased offshore wind support vessels Norwind Breeze and Norwind Gale are below this threshold, they are not included in the AER. However, Navigare Capital monitors industry standards closely for vessels below 5,000 gross tonnes in the offshore wind industry, in particular.

By investing in vessels with favourable AER numbers, Navigare Capital ensures that it always invests in fuel-efficient vessels, enabling it to steadily reduce carbon emissions and reach its targets.

In 2023, the Fund's AER performance was estimated to be 5.6% below the targeted trajectory stipulated by the 2018 IMO strategy, and 0.6% below Navigare Capital's own targeted trajectory due to an overall good performance across the fleet.. In total, the Fund emitted roughly 365,000 tonnes of greenhouse gases in 2023.

Social:

Navigare Capital puts strong emphasis on the safety and wellbeing of both its onshore and offshore workforce. As a consequence of this, in 2023, the Fund operated all its vessels under Danish flag, which ensures additional legal protections for all seafarers regardless of nationality, including the Danish regulations for injury compensation, sick pay and vacation. Furthermore, Danish-flagged vessels must also implement occupational health and safety systems, which together with the in-house monitoring of the technical directors, create a secure working environment for seafarers.

In 2023, the Fund recorded almost 900,000 working hours onboard its time chartered vessels and vessels in joint venturs, with only two work-related safety incident, of which one resulted in lost time. The lost-time injury involved a crew member who injured his hand while conducting an inspection onboard a vessel, resulting in several fractures. The injured crew member received immediate first aid on the vessel before disembarking for further onshore medical care. The crew member was then repatriated to receive further treatment and has since recovered and returned to work. Following the incident, a full investigation was conducted into the contributing factors, which led to the implementation of new procedures and requirements for protective equipment to prevent the reoccurrence of injuries during that procedure. The other cases involved a seafarer who bruised his ankle after being hit by a rope during a mooring operation and a seafarer who was hit in the head by a faulty crane while working in the engine room without a helmet. Both received immediate first aid on board before receiving a medical evaluation onshore and were eventually able to return to their duties on the vessel. The frequency of lost time incidents was 1.16 per one million hours worked, slightly above Navigare Capital's target frequency of below one.

Maritime Autorities around the world also continiously inspect vessels to verify that the condition of a ship and its equipment complies with the requirements of international regulations and that the ship is manned and operated in compliance with these instruments to ensure maritime safety and security and prevent pollution. The Fund had a total of 10 port state controls in 2023. Following the port state controls, it had zero detentions, but an average of 0.70 deficiencies per port state control. All deficiencies were resolved immediately and a feedback loop enabled the Fund to avoid repetition of the deficiencies.

The number of PSC deficiencies was above the level targeted by Navigare Capital, but still well below the industry standard. Nevertheless, Navigare Capital will take action to ensure future alignment with its targets.

Governance:

Navigare Capital considers good corporate governance to be a cornerstone of its entire operation and way of doing business and thus has a as a zero-tolerance policy regarding corruption, bribery and facilitation payments. In order to minimise the vessels' exposure to any unwanted requests, Navigare Capital is a member of the Maritime Anti-Corruption Network ("MACN"), a not-for-profit organisation established by the maritime industry to tackle corruption. MACN collaborates with key stakeholders, including businesses, governments, civil society and international organisations, to identify and mitigate the root causes of corruption in the maritime sector.

In 2023, the Fund's time-chartered vessels and vessels in joint ventures reported zero incidents where either bribes or facilitation payments were requested. There were also no fines levied against its vessels.

Further details can be found in Navigare Capital's Sustainability reports, where the next is scheduled to be published at the beginning of April.

…and compared to previous periods?

Navigare Capital's sustainability performance disclosure is divided into three dimentions.

Environment:

The increase in carbon intensity in 2023 was a deterioration of roughly 9.7 percentage points compared to 2022, leaving the Fund on track to overshoot on the 2025 target of a 35% reduction in carbon intensity compared to 2008. However, it is important to note that the target covers all of Navigare Capital's funds and as a total, it is still on track to meet its 2025 target. The unfavourable development in 2023 was driven by a combination of adding an additional eight vessels to the portfolio and a reduction in carbon intensity on several of the existing vessels.

While the new vessels were energy-efficient, they were less so, compared to the 2022 portfolio average, lowering the portfolio's combined carbon intensity performance from 2022 to 2023.

While it is important to have energy-efficient vessels, how they are operated is equally important – if not more – especially with regards to the choice of speed, as fuel consumption and speed have an exponential relationship, meaning that higher speeds result in significantly higher fuel consumption and vice versa. As Navigare Capital does not have operational control of its vessels, including their speed, it can only encourage and incentivise its charterers to operate the vessels as efficiently as possible, while making the most energy- efficient vessels available to them. New regulations, such as shipping's inclusion in the EU Emissions Trading System ("EU ETS"), which increases the cost of emitting more GHGs, will also incentivise charters to optimise speed and vessel performance.

As vessel speeds are often dependent on fluctuating factors such as market and supply chain conditions, carbon intensity can vary from year to year, typically increasing when markets improve and decreasing when markets slow down. In 2023, improved market conditions within the tanker segment incentivised charterers to increase speeds, leading to a poorer operational efficiency, while other tankers were used for storage rather than trading, resulting in reduced sailing distances which negatively impacted carbon intensity. This was partly counterbalanced by an improved performance on the container vessels, where charteres reduced speeds to compensate the poorer market conditions

As a result of the above, , the Fund experienced a sharp increase in GHG emissions from roughly 210,000 tonnes CO_2e in 2022 to 350,000 tonnes CO_2e in 2023. This was mainly driven by Scope 1 emissions, which constitute more than 70% of the Fund's total GHG emissions and Scope 3, category 3.2, where embedded carbon from the 2023 purchased vessels resulted in a 28-fold increase from 2022 to roughly 96,000 tonnes CO_2e in 2023. Scope 2 remained unchanged at zero from 2023.

Social:

While Navigare Capital hires third-party technical managers to operate and staff its vessels, it maintains close in-house monitoring of health and safety conditions onboard vessels. As required by the MLC, 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 inspect all vessels on a rotating basis, to ensure that the working and operating conditions of the vessels meet the environmental, social and governance ("ESG") requirements and contractual commitments established by Navigare Capital. The technical managers of Navigare Capital's vessels report on a wide range of KPIs, including health and safety topics, on a quarterly basis, which are reviewed by the Technical Directors. These quarterly reports include any findings from port state controls and external audits required by the International Safety Management ("ISM") Code and the International Ship and Port Facility Safety ("ISPS") Code, in addition to the MLC. Tracking these KPIs promotes best practice onboard vessels and provides knowledge via a feedback loop enabling Navigare Capital to keep its number of incidents below industry standards. The LITF increased from zero in the previous two years to 1.16 in 2023.

While the Fund experienced an increase in safety incidents, the number of deficiencies per port state control decreased in 2023 from 2 in 2022 to 0.7 in 2023.

Governance:

The Fund continued to have no incidents of bribery or facilitation payment requests on its vessels. The consistent low rates of corruption-related incidents reported throughout the fleet was the result of concerted efforts by MACN to combat corruption at ports, as well as the current composition of Navigare Capital's fleet, which is less exposed to bribery and facilitation requests due to the type of cargo it carries and the areas it sails to.

Navigare Capital has also stepped up its focus on mitigating corruption risks at ports by ensuring that crews are up to date on relevant anti-corruption procedures. To further pre-empt requests for bribes and facilitation payments at ports, all vessels are equipped with large MACN posters on their bridges to emphasise that they are not authorised to make such payments and are contractually obliged to decline any such requests. When operating in high-risk areas, Navigare Capital also employs onshore Protection & Indemnity Club representatives for additional support when necessary.

Again, further details can be found in Navigare Capital's Sustainability reports, where the next is scheduled to be published at the beginning of April.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

Not applicable.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

As Norwind Breeze is subject to the economic activity 'Installation, maintenance and repair of renewable energy technologies' under the EU taxonomy, only one of the five "do no significant harm criteria" is applicable - climate adaptation - under climate mitigation. To ensure the DNSH criteria, the Norwind Breeze, including its remodelling in 2022, was built to comply with all applicable ship design and construction rules, which include considerations of the ocean wave patterns and extreme weather vessels must withstand.

In addition, it upholds the "do no significant harm" criteria relevant for all vessels operating at sea under the economic activity 'Sea and coastal freight water transport, vessels for port operations and auxiliary activities', including considerations of circular economy, pollution prevention and biodiversity. For instance, to facilitate future recycling of the vessel, it carries inventory of hazardous materials ("IHM") certificates onboard, as required by the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and the EU ship recycling regulation, which Navigare Capital along with with EU Waste Regulation has committed to follow in the event that it has to recycle the ship itself. Navigare Capital is also committed to limiting other forms of pollution from the operation of the vessel by always ensuring that it is fully compliant with all regulations on air emissions, including the IMO MARPOL Convention, which regulates the emissions of sulphur and nitrogen oxides, among other pollutants. To prevent the introduction of invasive species during operations through ballast water, the vessel also complies with the International Convention for the Control and Management of Ships' Ballast Water and Sediments ("BWM Convention"), and has a BWT system installed.

How were the indicators for adverse impacts on sustainability factors taken into account?

Before investing in the vessel, Navigare Capital considered the principal adverse impacts, GHG emissions and carbon footprint in particular, and in order to mitigate these adverse impacts, MIF II purchased an energy-efficient SOV vessel – Norwind Breeze – to be employed in the offshore wind industry. The Norwind Breeze mitigates climate impacts primarily through fuel efficiency, battery hybrid propulsion and by incorporating recycled steel parts. As a fuel-efficient vessel featuring battery hybrid propulsion, the Norwind Breeze reduces overall fuel consumption and, thus, GHG emissions. By incorporating recycled steel in its construction, the vessel also has a lower carbon footprint due to reduced embedded carbon from steel production. As the vessel is employed in the offshore wind industry, the Norwind Breeze also reduces the Fund's exposure to the fossil fuel industry.

In addition to mitigating these climate-related impacts, Navigare Capital ensured that the fund's social and governance PAIs, such as violations of UN and OECD principles and exposure to controversial weapons, were addressed in the employment of the Norwind Breeze. Firstly, it conducted due diligence on the technical management company to ensure it upholds proper safety standards and working conditions. Secondly, the counterparties on Norwind Breeze must agree to the UN Global Compact principles, OECD Guidelines for Multinational Enterprises and the ILO Declaration on Fundamental Principles and Rights at Work. They must also agree to restrictions on transporting nuclear weapons and weapons for warfare, something which is anyway not relevant for this particular vessel type. By operating under the Norwegian flag, seafarers on the Norwind Breeze are protected by salary, sick pay, vacation and pension regulations that are typically above industry standards. As a Norwegian-flagged vessel, seafarers on the Norwind Breeze also have access to an independent whistle-blower system run by the Norwegian Maritime Authority.

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

In order to ensure that the Norwind Breeze complies with the minimum safeguard requirements of the Taxonomy, Navigare Capital initiated an audit of the shipyard where it was built to verify its alignment with the OECD guidelines and UN principles. An audit of the shipyard involves a comprehensive onsite inspection by Navigare Capital to verify that policies, procedures and facilities at the shipyard comply with the health and safety standards of Navigare Capital, and that the shipyard holds the necessary safety certifications and provides adequate safety training. In addition, it verifies that adequate risk assessment and mitigation processes are in place and that all workers have access to a functioning grievance mechanism.

The shipyard is also, on an ongoing basis, subject to audits made by accredited third-party classification societies, which verify the quality, environmental and safety standards of the shipyard.

In addition to the required safety certifications, the shipyard itself can opt for additional certifications such as those of Social Accountability International (SAI). VARD Shipyard has been SA8000 certified since 2011, meaning they follow internationally recognised frameworks for human rights and decent working conditions. In addition, the shipyard is ISO 45001 and ISO 9001 certified, which relates to the shipyard's safety and quality management systems, respectively.

Navigare Capital also conducts due diligence on all charter parties and technical managers for the Norwind Breeze as part of ensuring minimum safeguard compliance. This includes verifying that the parties abide by the OECD guidelines for multinational enterprises (MNEs), UN Guiding Principles on Business and Human Rights (UNGPs), ILO core conventions and the International Bill of Human Rights and that it has not been in violation of corruption and tax laws.

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 Union 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.

How did this financial product consider principal adverse impacts on sustainability factors?

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.

Before investment occurs, 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 were evaluated more thoroughly.

When the investments are 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 has the technical, operational, and commercial responsibility of the assets and it is therefore possible for Navigare Capital to introduce its own guidelines especially within health and safety thus taking other adverse impact indicators like injuries, accidents and the like into consideration when choosing the technical manager of the vessels.

The fund also ensures that the principles and guidelines of conventions and known frameworks are adhered to and the technical managers are audited on a regular basis by the fund manager's technical directors and by external third party specialists to ensure this.

Besides calculating and tracking the carbon intensity of the fund's fleet, it has also, in the recent two years, calculated the carbon intensity of a peer group of vessels measured by means of the EU MRV database. The EU MRV database covers all vessels when operating in European waters. Based on these calculations the fund's fleet is operated well above that of the industry.

In the case of a bareboat agreement, the bareboat charterer has the corresponding 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.

What were the top investments of this financial product?

The investments are measured as assets under management during the year.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is 1/1-2023 – 31/12-2023

Largest investments	Sector	% Assets	Country
RoRo	*Transportation of wheeled cargo*	*36%*	*100% Danish flagged*
Crude tankers	*Transportation of unrefined oil*	*30%*	*100% Danish flagged*
Container ships	*Transportation of various goods in truck-size containers*	*12%*	*100% Danish flagged*
LPG carriers	*Transportation of liquified petroleum gas*	*12%*	*100% Danish flagged*
Offshore wind support vessels	*Supporting the installation and maintenance of offshore wind fars*	*10%*[1]	*100% Norwegian flagged*

What was the proportion of sustainability-related investments?

The fund promoted environmental and social characteristics, but did 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 has reserved 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%.

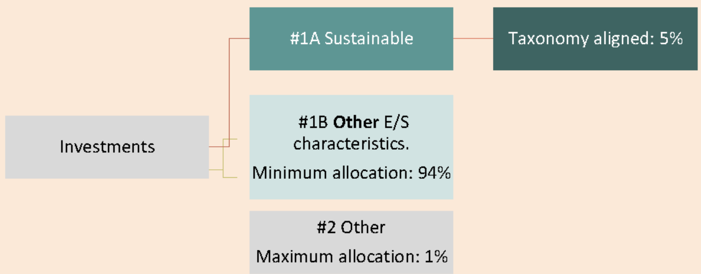
For these investments ("Other") the fund cannot guarantee that the investments promote any environmental or social characteristics.

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.

[1] Only one of the two offshore wind vessels, comprising 50% of the offshore wind vessels' AUM during 2023, were taxonomy aligned.

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully 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.

In which economic sectors were the investments made?

Sector	Activity	Percentage of AUM
Transport	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	90%
Construction and real estate activities	Installation, maintenance and repair of renewable energy technologies	10%

The proportion of investments during the reference period related to transportation of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council, is 42% measured as assets under management during the year.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Environmental objective	Percentage of AUM
Climate mitigation	5%
Climate adaption	0%
Water	0%
Circular economy	0%
Pollution prevention	0%
Biodiversity	0%

In Article 10(1), points (a) and (i), of Regulation (EU) 2020/852 it is stated that "An economic activity shall qualify as contributing substantially to climate change mitigation where that activity contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere [...], by: (a) generating, transmitting, storing, distributing or using renewable energy [...], (i) or by enabling any of the activities listed in points (a) to (h) of this paragraph".

Thus, Norwind Breeze qualifies as the vessel operates in the offshore wind industry, which is seen as enabling activities of installation, maintenance and repair of renewable energy technolgies.

The substantial contribution criteria under climate mitigation set out in the economic activity "installation, maintenance and repair of renewable energy technologies" under the EU Taxnomy is:

- "The activity consists in one of the following individual measures, if installed on-site as technical building systems: [...] (d.) installation, maintenance and repair of wind turbines and the ancillary technical equipment". As such, Norwind Breeze substantially contribute when operating in the offshore wind industry.

This is supported by two KPIs

1. Support the installation of new wind turbine generators ("WTG" measured as number of WTGs) with an installed capacity of megawatt ("MW" measured as the increase of MW capacity):

$$\frac{MW}{Year}$$

2. Support the maintenance and exchange of WTG components with a total capacity of MW:

$$\frac{MW}{Year}$$

Of which Norwind Breeze supported the installation of 179 new wind turbine generators with an installed capacity of 2,062 megawatt and the maintenance of 56 existing wind turbines with a combined capacity of 450 megawatt. This was done on four different offshore wind farms.

The above numbers have not been assured, but, in 2023, Navigare Capital received guidance from The Footprint Firm, a sustainability consultancy firm, on taxonomy alignment requirements for similar vessels.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

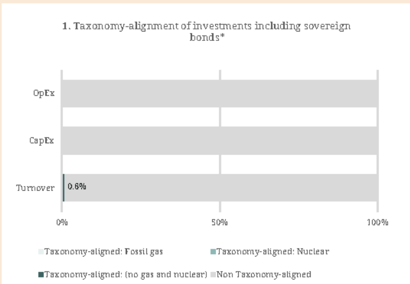
Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[2]?

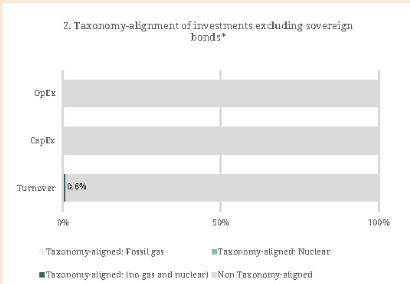
☐ ***Yes:***

☐ ***In fossil gas*** ☐ ***In nuclear energy***

☒ ***No***

The graphs below show in green the percentage of investments that were 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*

[2] 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.

What was the share of investments made in transitional and enabling activities?

Activity type	Percentage of AUM
Transitional	0%
Enabling	5%

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

The percentage of investments that were aligned with the EU taxonomy increased from 0% to 5% as one vessel supported the installation, maintenance and repair of renewable energy technologies while doing no significant harm and complying with the minimum safeguards put forth.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable.

What was the share of socially sustainable investments?

Not applicable.

What investments were included under "other", what was their purpose and were 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.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

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

During 2023 the Fund continued its efforts from 2021 and 2022 where it collaborated with a third-party specialist to develop a catalogue of suitable energy-saving devices for each vessel in its portfolio, while also looking into other ways of reducing its environmental impact.

In 2023, the Fund took delivery of eight vessels- including a newbuild CSOV vessel with hybrid battery propulsion and three highly fuel-efficient newbuild container vessels with methanol-ready notations.

In 2023, the IMO's carbon intensity index ("CII") also came into effect. This will incentivise charterers to operate the vessels as efficiently as possible as it requires all vessels to calculate their carbon intensity, based on which the vessels are graded from A to E, where A is best. If a vessel is ranked D for three consecutive years or E for one year, the Ship Energy Efficiency Management Plan ("SEEMP") must be updated with a corrective action plan to reach the reference line, C, and verified before the statement of compliance can be issued and operation can continue.

To support this, the Fund's charter contracts all included the BIMCO CII clause entitling the owners to order the vessel to adjust course and/or to reduce speed or RPM in order to reduce the carbon intensity of the vessel, thus ensuring that the vessels will be redelivered with the agreed CII grade. Following this, Navigare Capital's in-house team of experienced vessel operators also began monitoring CII complience, in addition to monitoring that the operation of the vessels is in accordance with the limitations of the charter contracts and in compliance with Navigare Capital's ESG policy.

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

In a time charter agreement, 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. As the fund has the technical, operational, and commercial responsibility of the assets, it introduces its own guidelines especially within health and safety thus taking other adverse impact indicators like injuries, accidents and the like into consideration.

For vessels on time charter, the fund manager, through its in-house technical capabilities, exercised strict supervision and control to ascertain that all matters concerning the assets were planned, carried out in accordance with regulations and followed up on in a manner that was safe, cost effective, and environmentally and ethically sustainable. This involved, among other things, performance reviews of the third-party technical managers and physical onboard inspections of the vessels to assess maintenance standards and evaluate whether the assets were in sound condition in terms of sustainability.

The performance was evaluated by means of, but not limited to, the following KPIs:

- Spills
- Port state deficiencies and detentions. These includes measures on safety and MLC
- Lost time incident frequency
- Carbon intensity measured by AER or CII
- GHG emissions

In addition, the fund manager's experienced team of vessel operators monitored voyages, cargoes, speeds and fuel consumption profiles to ensure the effective operation of the vessel. They also made sure that necessary actions were taken in cases where performance was deemed inadequate, this could be a cleaning of the hull to improve the vessels fuel efficiency.

The team also ensured that any ESG-related matters in connection with the operation of the vessel was in accordance with current regulation, the limitations of the charter contract and the fund's ESG strategy.

In the case of a bareboat contract, 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 any contracts 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.

How did this financial product perform compared to the reference benchmark?

Not applicable

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

- ***How does the reference benchmark differ from a broad market index?***

  Not applicable.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

  Not applicable.

- ***How did this financial product perform compared with the reference benchmark?***

  Not applicable.

- ***How did this financial product perform compared with the broad market index?***

  Not applicable.

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