

European Maritime Finance
Green Harmony Subfunds
CVR: 39 63 56 31



Sustainability Risk Policy

Adopted by: European Maritime Finance A/S

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Background

European Maritime Finance (hereafter the “**Company**”) grants defined benefit supplementary investment opportunities to its investors. The Company’s target is to secure decent return on the Investment Assets, achieving the sustainability goal while minimizing risks while ensuring no significant harm to society and environment. This Sustainability Risk Policy for impact funds only applies to the EU Sustainable Financial Disclosure Regulation (hereafter, “**SFDR**”) Article 9 sub-funds managed by the Company (the “**Sub-Funds**”).

Purpose & scope

The Company has adopted the Sustainability Risk Policy (the “**Policy**”) with the purpose of providing the principles and the overall rules for the management and control of sustainability risk in the Company.

Definitions

Sustainability risk is defined as an environmental, social or governance (“**ESG**”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the Sub-Funds’ investments made by the Company. Investments in the Sub-Funds’ portfolio are guided by definitions in accordance with SFDR. The Company’s operational and technical suppliers (hereafter “**Suppliers**”) are responsible for the construction and operations if the investment products are to be in an operational case since the vessels are only exposed to maritime investments.

Sustainable investment principles

The Company takes sustainability risks into account in accordance with the principles for responsible investment as defined by UN. The principles for responsible investment are followed in all asset classes, incl. fixed income investments and equities, with their special characteristics in mind. The



objective of the Company's portfolio management is to ensure a stable and positive long-term development of the Sub-Funds' assets in a responsible manner. A further objective is to mitigate long-term sustainability risks and create value by finding sustainable and attractive investments. The Company strives to contribute to the transition towards a sustainable future through investments in sustainable solutions and activities that are creating positive, measurable and sustainable impacts on society while simultaneously delivering attractive returns. According to the Company's view, incorporating sustainability risks in the investment decision-making process can enhance the risk-adjusted returns of the investments.

Sustainability risk integration

The Company has engaged Suppliers to administer the investments within the Sub-Funds in accordance with purchase agreements. The sustainability-risk-related issues are handled jointly by the Suppliers and the Company, in order to ensure that decisions regarding the Sub-Funds' investments align within the framework of the agreement. In joint collaboration with the Suppliers, the Company monitors the portfolio's development and receives from the Suppliers reports on any relevant market events and market prospects, which can potentially affect the portfolio in both the short and long term. In addition, matters related to sustainability risks and the principal adverse impacts that affect sustainability factors in investment decisions and how they have been integrated in the Company's investment decision-making, are also reported on in the meetings as required. Sustainability shipping investments risks are essentially dependent on environmental considerations.

Investment Decision-making process

The Company shall integrate sustainability risks in the investment decision-making process when building and monitoring portfolios in the managed Sub-Funds. International ESG conventions and norms (Such as UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding

Principles on Business and Human Rights, and The ILO & IMO conventions on labour standards mentioned in the PAI Statement) are considered in the the Supplier's reporting, investment analysis, decision-making processes and governance. The investments shall be in accordance with the the Company's most recent Engagement Policy and Good Governance policy. These are available at the Company webpages. The investments in the Sub-Funds shall comply with principles of sustainable investments. That means that the Company shall ensure not to invest in assets which relate to, for example, chemical weapons or nuclear weapons. The Company also does not invest in assets in which the Supplier's breach international norms and are not willing or able to change their activities to comply with the norms. The Company additionally do not invest in production of vessels in conflict with EU Sanctions.

Screening

Each Supplier is screened through availability and performance for sustainability factors. It is crucial for the investment decision that the Supplier can supply the Company with ESG data and policies. The Supplier is in addition screened on ESG performance from public available information such as ESG reporting, ESG-compliance to relevant EU and UN legislation and performance.

The final screening of the assets includes an assessment of EU taxonomy eligibility and SFDR art. 2.

Engagement

The Company engages in active ownership and dialogue and uses them as key tools to raise ESG issues and achieve improvements. The Company is also required to follow an active ownership policy, which includes participating in and voting at general meetings, acting on nomination committees and holding a dialogue with companies.

Paris-Aligned Fossil Fuel Policy (PAFF)

With respect to the Sub-Funds, the Company aims to comply with the 2050 Paris-Aligned Fossil Fuel Policy in its investments and IMO NetZero targets. Based on the Policy, fossil companies are excluded from the investment universe if they do not have a credible strategy for alignment with the Paris Agreement.

Sustainability related risks

The Company has identified several risks impact with potential to impact the financial performance of the assets negatively. The Sustainability related risks are among others identified using methodology by SASB and sustainability issues within the maritime transport sector.

1. Market Acceptance of sustainable fuels

- a. There still exists uncertainty about preferable future fuels and when market acceptance will occur for certain solutions.
- b. Impact risk: high

2. Technological advancements

- a. Completely Sustainable technology for maritime fuels is still in the developmental stages. There is a risk that the technology may not perform as expected or may require significant unforeseen investments to achieve operational efficiency.
- b. Impact risk: high

3. Risk of other pollutions

- a. Utilizing ammonia can potentially lead to additional NOx emissions, replacing a harmful greenhouse gas with another will not lead to net benefits, therefore engine cleaning systems must evolve in order to minimize other potential pollutions.
- b.** Impact risk: medium

4. Risk of supply chain

- a. The supply of alternative sustainable fuels must evolve in order to supply. In addition, direct supply of sustainable solutions has to expand to meet maritime and demand from other industries.
- b. Impact risk: medium

5. Regulatory changes

- a. Stringent regulations on maritime transport are evolving. These regulatory changes include safety requirements and sustainable requirements that could lead to additional operational costs.
- b. Impact risk: medium

6. Economic viability

- a. There are uncertainties about the costs of producing and the financial competitiveness of alternative fuels for the maritime industry.
- b. Impact risk: medium

7. Operational safety

- a. Handling and operating vessels with sustainable fuels involve safety risks due to the toxicity and flammability of certain green fuels
- b. Impact risk: low

8. Weather changes

- a. Extreme weather conditions may result in increased risk in shipping in certain areas, e.g. through more frequent and severe storms, which may potentially cause physical damage to the Investment Assets and general maritime infrastructure.

This may also jeopardise the health and safety of the Investment Asset's seafaring workforce.

- b. Impact risk: low

Due Diligence

1. Qualitative Criteria

- a. Fulfilling of supply of energy efficient vessels.
- b. Initiative to reduce carbon emissions and avoidance of significant harm to other ESG areas by targets towards minimization of harm when – assessing PAI-indicators.
- c. Checkpoints against traditional industry risks: risks specific to vessels and shipyard risks and supply chain risks.
- d. Policies and guidelines for Supply Chain.
- e. Compliance with internationally recognized standards.

2. Quantitative Criteria

- a. Decrease in scope 1 2 3 emissions.
- b. Decrease in harmful impact
- c. Satisfactory ranking in sustainable rankings for publicly traded companies in the industry.

Criteria above are assessed by an ABC methodology: Act to Contributions, Benefit to society and Contribute to Solutions in which the Company assesses the companies to ESG compliance. These are done through interviews, dialogue, technical IMO screening and external sustainability ratings¹. Further elaboration on governance is described in the Good Governance Policy.

¹ Sustainalytics – Morningstar, MSCI

Principal adverse impacts

The Company shall consider principal adverse impacts (PAIs) indicators of investment decisions on sustainability factors and publish and maintain on its website a statement on due diligence policies with respect to those impacts. PAIs of investment decisions on sustainability factors are primarily considered via the Supplier. The Company shall provide the necessary information in the PAI indicator statement, or by other means facilitate the issuance of the statement. Sustainability-risks are continuously monitored and assessed during the holding period and are elaborated further in the Engagement Policy.

Compliance SFDR

Continuous monitoring and control of SFDR compliance is set with ongoing dialogue and control of compliance to PAI indicators and sustainable target. This includes assessment of Do No Significant Harm to any sustainability risks with technical managers and shipyards. The process about divestment and risk of the assets becoming unsustainable is further described in the SFDR Engagement Policy.

Exclusion policy

To minimize the potential risks, the following exclusions are included:

1. Non-green vessels
 - a. Excluding investments in vessels that will not be able to run on more sustainable fuels by 2050.
2. In non-compliant shipbuilders
 - a. With a lack Sustainable of policies and frameworks within the Environmental, Social and Governance related area.
3. In shipbuilding providers targeted by EU-sanctions.
 - a. This covers investment operations in countries whereas the government is directly targeted by sanctions from the

4. In non co-operative Suppliers
 - a. Within assets where it would be impossible to maintain a sustainability strategy – due to Supplier inefficiency.

5. In vessels with exposure to controversial weapons
 - a. In assets with exposure to: anti-personnel mines, cluster munitions, chemical weapons and biological weapons.

Sustainable reward policy

The rewards policy of investments and adherence to sustainable targets are mentioned in the Remuneration Policy.