

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Low Emission Methanol Shipping Company S.C.A. SICAV-RAIF – LEMSCO Fund 1

Legal entity identifier:

Sustainable investment objective

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

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

Yes **No**

<p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: <u>90</u> %</p> <p><input checked="" type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: <u> </u> %</p>	<p><input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u> </u> % of sustainable investments</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with a social objective</p> <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
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Sustainability indicators measure how the sustainable objectives of this financial product are attained.

What is the sustainable investment objective of this financial product?

The Sub-Fund has a sustainable investment objective within the meaning of article 9 of the SFDR and intends to invest in sustainable investments contributing to climate change mitigation.

The Sub-Fund seeks to contribute to the reduction of greenhouse gas emissions and air pollution by acquiring low-emission vessels, which will run on methanol instead of conventional oil-based fuels. By switching to this clean-burning fuel, the Sub-Fund aims to help solve the emissions problem of the global marine industry, which is collectively responsible for c. 3% of the world's greenhouse gas emissions. Methanol is an immediate solution which practically eliminates SOx emissions and reduces NOx emissions by c. 60%.

All the Sub-Fund's investments are assessed and measured against the objectives of the IMO emissions reduction targets for 2030 and 2050.

The Sub-Fund does not use a reference benchmark to attain its sustainable investment objective.

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The attainment of the Sub-Fund’s sustainable investment objective is measured primarily based on the calculation of greenhouse gas (GHG) emissions and fossil fuel consumption avoided by the use of methanol as a marine fuel in the vessels acquired by the Sub-Fund and held through Ship SPVs. Avoidance of GHG emissions is derived by comparing the emissions associated with the Sub-Fund's portfolio to equivalent emissions associated to a counterfactual (where the vessels would run on marine gas oil). The Sub-Fund's portfolio will be assessed in terms of GHG avoided, as well as MGO avoided during the reporting period.

Metric	Unit
GHG avoided	ktCO2e
NOx avoided	tonnes
SOx avoided	tonnes
PM2.5/10 avoided	Tonnes
MGO avoided	Kilotonnes oil equivalent (ktoe)

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The investment decision making process of the Investment Committee of the Sub-Fund is designed to ensure that investments in the methanol fuelled marine sector contribute to environmental objectives, and also do no significant harm to other environmental objectives and are conducted in accordance with minimum safeguards on matters such as human rights and labour conventions. A due diligence process will review all aspects of the vessels and the associated principal adverse impacts (PAI) including environmental, social and employee, human rights, anti-corruption etc) during the pre-investment stage. Prior to and following acquisition of the vessels, ad hoc due diligence will be conducted to capture and identify any potential risks.

In the event that risks which could cause significant harm to environmental and /or social objectives are identified and cannot be mitigated, the transactions will be halted and not progressed.

— — ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

All of the mandatory adverse impact indicators of Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288 (the “SFDR RTS”) are taken into account and any relevant ones in Tables 2 and 3 of the SFDR RTS. Specific KPIs have been defined to track performance and impacts of the vessels under management and they are tracked by ProMarine and reported to the Sub-Fund. These indicators provide an ongoing narrative of any positive or negative impacts the vessels may have. KPIs include GHG and MGO avoided by use of methanol as a marine fuel.

All the PAI indicators are subject to data availability and may also change with improving data quality and availability.

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.

More information on how the adverse impact indicators are taken into account is available on www.lemsco.com.

— — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

ProMarine as the Sub-Fund's investment adviser has a strong sustainable investment thesis and human rights position aligning with the associated requirements of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles. ProMarine ensures that both it and the investments made by the Sub-Fund align with these requirements.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

Principal Adverse Impacts (PAI), as stated above, are considered throughout the investment process. ProMarine's sustainability approach is based on a multi stage approach – including identifying, managing, reporting and engaging with PAIs. If a PAI is identified, it is managed and reported internally to the Investment Committee for further consideration. Where possible, mitigating actions will be implemented and monitored throughout ownership.

More information on the PAI's can be found in the annual report of the Fund.



What investment strategy does this financial product follow?

The Sub-Fund seeks to contribute to the reduction of greenhouse gas emissions and air pollution by acquiring low-emission vessels, which will run on methanol instead of conventional oil-based fuels.

The vessels will initially use widely available low carbon methanol produced by ProMarine, which has an immediate and significantly positive impact on air quality and will be 'green methanol-ready'. The vessels will provide an immediate reduction in greenhouse gas emissions during the vessels' normal commercial operations compared to conventional marine fuels, including the virtual elimination of sulphur and particulate matter, a c. 60% reduction of NOx emissions and reduction in carbon dioxide emissions.

The Sub-Fund's investment strategy aims to direct capital towards activities with positive environmental benefits and social co-benefits, including investments which provide long term benefits for society. For example, the low-emission vessels are used to transport chemicals which are used as feedstocks or additives in the stimulation of other economic activities.

Please refer to the Sub-Fund's investment policy in section 2 of Appendix A of the PPM for further details.

The investment strategy

guides investment decisions based on factors such as investment objectives and risk tolerance.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Sub-Fund seeks to attain its sustainable investment objective by being focused on the direct or indirect acquisition of newly-built low emission, methanol fueled vessels which provide an immediate solution to reducing the maritime industry's greenhouse gas emissions, which currently represent c. 3% of the world's annual greenhouse gas emissions.¹

The following strategy for selecting vessels that meet the Sub-Fund's sustainable investment objective is binding:

ESG factors are embedded within the investment strategy of the Sub-Fund in its selection of some of the latest, most efficient methanol fuelled vessels in the world. The Sub-Fund will not acquire any vessels which do not meet the sustainable objective of the Sub-Fund. As a Sub-Fund focused on methanol-fuelled vessels, the Sub-Fund acquires the latest, most efficient vessels available and the Investment Committee, benefiting from the expertise of Stena, is able to apply its vast experience to its selection criteria when working with the ship yards to design and build vessels which are awarded EEDI ratings well beyond market and regulatory standards. The vessels acquired by the Sub-Fund also benefit from all of the advantages of methanol – lowering CO₂ and NO_x significantly and completely eliminating SO_x and particulate matter emissions.

Good governance

practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

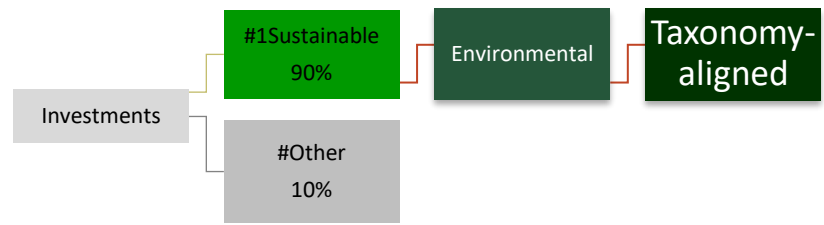
While it is not within the Sub-Fund's investment strategy to invest in companies other than the vessel owning SPVs, the practice of good governance is an integral part of the Sub-Fund's long term sustainability strategy and the achievement of its strategic objectives with a particular focus on sound management structures, employee relations, remuneration of staff and tax compliance. The investment in the vessel owning SPVs is subject to Proman and Stena's internal governance practices.

What is the asset allocation and the minimum share of sustainable investments?

Asset allocation is 90% sustainable investments with the remainder being made up of cash for liquidity management



¹ Source: [https://ec.europa.eu/research-and-innovation/en/horizon-magazine/emissions-free-sailing-full-steam-ahead-ocean-going-shipping#:~:text=Shipping%2C%20while%20essential%20for%20trade,worldwide%20greenhouse%20gases%20\(GHG\)](https://ec.europa.eu/research-and-innovation/en/horizon-magazine/emissions-free-sailing-full-steam-ahead-ocean-going-shipping#:~:text=Shipping%2C%20while%20essential%20for%20trade,worldwide%20greenhouse%20gases%20(GHG))



- **How does the use of derivatives attain the sustainable investment objective?**
N/A

Asset allocation
describes the share
of investments in
specific assets.



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

The Sub-Fund is 90% aligned with the EU Taxonomy environmental objectives of climate change mitigation and climate change adaptation.

A description of the investments underlying the Sub-Fund that are in environmentally sustainable economic activities:

<u>Investments</u>	<u>Compliance with Article 3 of the Taxonomy Regulation</u>	<u>Subject to external audit /third party review</u>
Vessels in accordance with Section 3.3. of EU Taxonomy technical screening criteria for climate change mitigation	Yes	No

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The Sub-Fund may in addition to the investments with an environmental objective aligned with EU Taxonomy, also hold cash.

The Sub-Fund does not have any sovereign exposure.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy²?**

Yes:

In fossil gas In nuclear energy

No

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 objectives – 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.

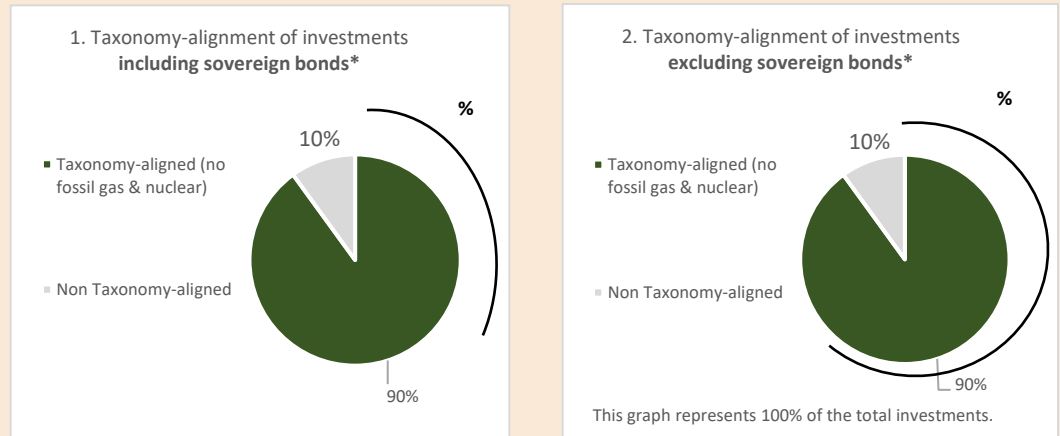
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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.


 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

The two graphs below show in green the minimum percentage of investments that are 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*

- **What is the minimum share of investments in transitional and enabling activities?**
0%

-  **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

0%

-  **What is the minimum share of sustainable investments with a social objective?**



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The Sub-Fund may hold cash. There are no specific safeguards being applied to cash.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

- *How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?*

No

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

No

- *How does the designated index differ from a relevant broad market index?*

No

- *Where can the methodology used for the calculation of the designated index be found?*

No



Where can I find more product specific information online?

More product-specific information can be found on the website:

www.lemsco.com