LEMSCO

Low Emission Methanol Shipping Company S.C.A

SICAV-RAIF

Information required under the EU Sustainable Finance Disclosure Regulations

Contents


STENA PRO MARINE
LIMASSOL
IMO 9899739

Summary

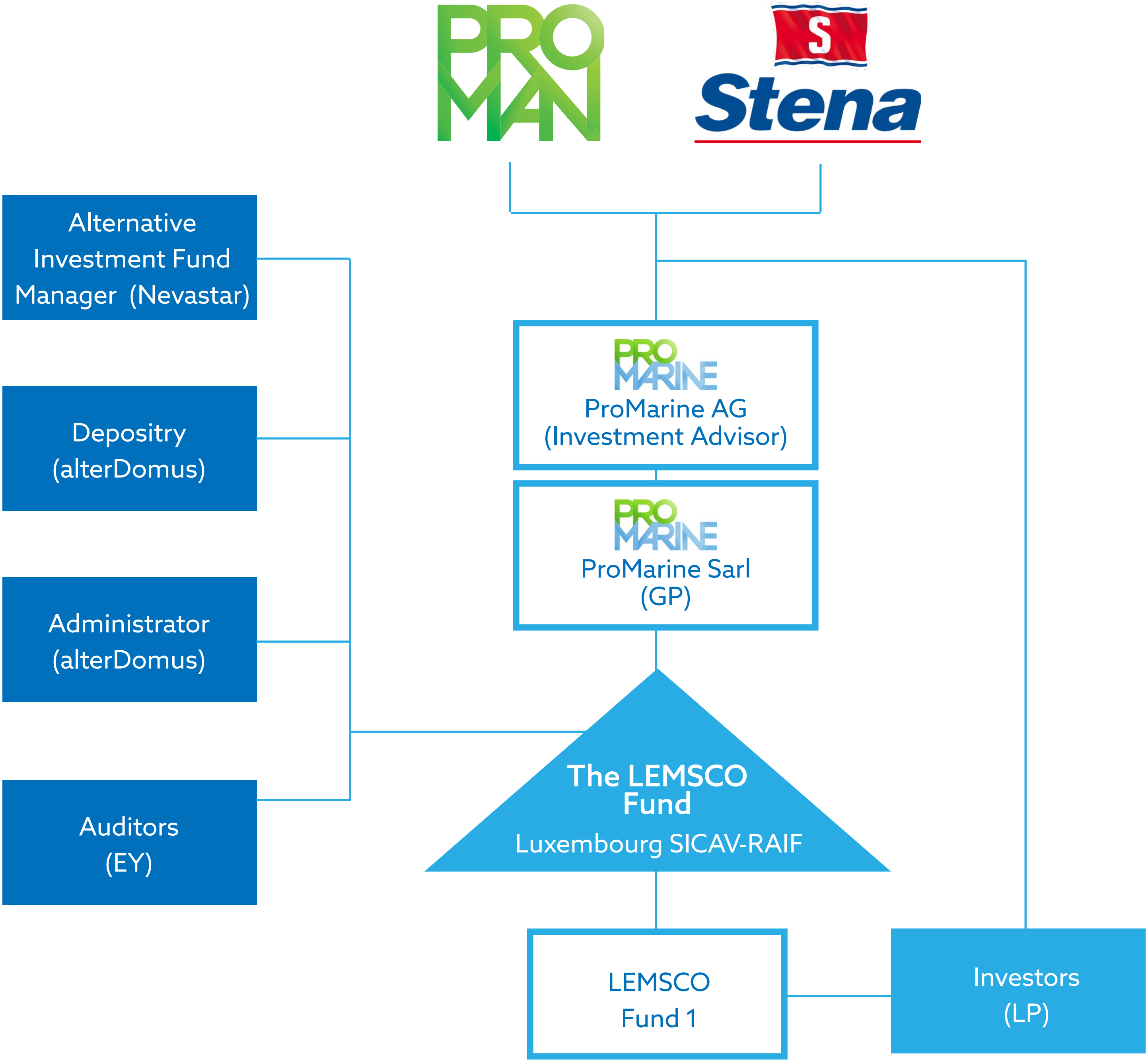
This disclosure document should be read in conjunction with the LEMSCO Private Placement Memorandum dated 14th December 2022 (“PPM”) and SFDR Annex V. capitalized terms not defined herein but in the PPM shall have the meaning subscribed to them in the PPM.

LEMSCO Fund

The Low Emission Methanol Shipping Company S.C.A SICAV-RAIF (hereinafter referred to as the “LEMSCO Fund” or “Fund”) is organised as a collective investment scheme, established as a partnership limited by shares, acting through its General Partner, ProMarine S.à r.l. itself formed by ProMarine AG, the Investment Advisor, created by the Initiators, Proman AG (“Proman”) and Stena AB (“Stena”).

The LEMSCO Fund is an umbrella fund designed for Eligible Investors. Low Emission Methanol Shipping Company S.C.A. SICAV-RAIF – Fund 1 is the first sub-fund of the LEMSCO Fund (hereinafter referred to as the "LEMSCO Fund 1" or the “Sub-Fund”).

LEMSCO Fund Structure:

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The LEMSCO Fund builds on growing momentum and provides investors with an opportunity to invest directly in the energy transition of the maritime sector, which represents a market worth of $105 billion per annum (Longspur Research: Decarbonising Shipping (25.1.2022)). Benefiting from the industry expertise of Proman and its affiliates (collectively operating as a fully integrated energy and chemicals company and global leader in methanol production, logistics, and marketing) and Stena and its affiliates (collectively operating as a diversified commercial services group across shipping, ferry lines, offshore drilling, property, finance, recycling, environmental services, and trading), the LEMSCO Fund will invest in shipping and associated infrastructure with the aim of reducing emissions from the global maritime sector; a sector which is responsible for c. 3% of global greenhouse gas emissions (Longspur Research: Decarbonising Shipping (21.03.2023)).

LEMSCO Fund 1

The Sub-Fund is a green marine infrastructure fund with a dual financial and sustainable investment objective, which aims to provide Investors with an attractive, asset backed yield by owning and leasing low-emission, dual fuel methanol vessels on long-dated charter contracts to end-users, the first of which is Proman Shipping, a subsidiary of Proman.

Document Objective

The LEMSCO Fund 1 is targeting sustainable investments pursuant to Article 9 of Regulation (EU) 2019/2088, the Sustainable Finance Disclosure Regulation ("SFDR").

As key instruments of the European Union (EU) Sustainable Finance Action Plan, SFDR together with the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 ("RTS") supplementing the Regulation (EU) 2019/2088 ("Disclosure Regulation") together with the Regulation (EU) 2020/852 ("Taxonomy Regulation"), together with SFDR and RTS, (the "Regulations"), introduced new regulatory requirements to increase transparency on sustainability among financial market participants and financial products and set measurable industry benchmarks.

The purpose of this document is to provide the required information disclosures prescribed under those Regulations and provide investors with an overview of the sustainability objectives and impacts of the LEMSCO Fund.

Integration of sustainability risks in the LEMSCO Fund's investment decision-making process

As part of the investment decision-making process, the LEMSCO Fund analyses sustainability risks in its risk management process.

A sustainability risk refers to an environmental, social or governance ("ESG") event or condition that may potentially or actually cause a material negative impact on the value of the LEMSCO Fund's investments. Sustainability risks may present a risk in themselves or have an impact on other risks and may contribute significantly to risks such as market risks, operational risks, liquidity risks or counterparty risks.

The impacts resulting from the emergence of a sustainability risk can be numerous and vary depending on the specific risk, the region, and the asset class. In general, when a sustainability risk arises for an asset, there will be a negative impact and possibly a total loss of the value and therefore of the Net Asset Value of the LEMSCO Fund or a Sub-Fund.

The LEMSCO Fund considers ESG risks in every stage of the investment process. This includes the following considerations:

- As presented in the Investment Policy in Appendix I, the LEMSCO Fund's exclusion policy provides specific exclusions in investments across three sustainability linked policies:

  1. **Controversial Weapons Policy**
  2. **Sustainable Exclusions Policy**
  3. **Enhanced Sustainable Exclusions Policy**

Each investment has to undergo a due diligence process pre-and post-investment which ensures that No Significant Harm is done to any other environmental objective considered material to the activity of the Fund. These other objectives are pollution prevention.

The due diligence also considers additional safeguards such as human rights, community engagement and labor conditions, amongst others. It is our goal to align all our due diligence processes with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and other international conventions on human rights, as per the Fund's Sustainable Exclusions Policy.

For further details, please see ix. Due Diligence Section below. For further details, please see ix. **Due Diligence Section** below.

In combination with the above key ESG considerations, below we highlight select sustainability risks identified:

Methanol Availability

Proman is the world's second largest methanol producer and has a total annual installed production capacity of 7.1 million tonnes with an ownership interest in eight methanol plants globally. It is estimated that each of the initial vessels owned by the LEMSCO Fund 1 will use up to approximately 12,000 tonnes of methanol fuel per annum. It is therefore not expected that the Sub-Fund's vessels will encounter issues with methanol availability. Nevertheless, there can be no guarantees that Proman Shipping will not default on its obligations under the relevant methanol supply contract, or that the methanol will be capable of being delivered to the end-user of the vessel.

Methanol Use

While there are contractual requirements under the chartering arrangements in respect of the vessels which require the end-users of the vessels to use methanol wherever possible, there can be no guarantees that the end-users of the vessels will adhere to such requirements. Equally, there may be areas of the world where methanol is unavailable or outages in production or transportation of methanol hinder the use of methanol as fuel for the Sub-Fund's vessels. In such cases, there may be instances where the vessels run on very low sulfur fuel oil ("VLSFO") which could impact the Sub-Fund's emissions profile.

Sustainability Targets Risk

The LEMSCO Fund 1 has developed and publicised goals, targets, and other investment objectives related to sustainability matters, including the Sub-Fund's compliance under Article 9 of SFDR. These objectives and statements reflect our current plans at the time they are made, and do not constitute a guarantee that they will be achieved. Our ability to track and meet these goals depends on various factors, including the availability, and costs, of technology and accurate reporting methods. Our efforts to research, establish, accomplish, and accurately report on these goals, targets, and objectives could expose us to operational, reputational, financial, legal, and other risks. Our ability to achieve any stated goal, target, or objective is and will be subject to numerous factors and conditions, many of which are outside of our control, such as evolving regulatory or quasi-regulatory sustainability standards.

Compliance Risks

Failure to comply with anti-money laundering, anti-bribery, anti-corruption and sanction laws in applicable jurisdictions could adversely affect our reputation, ability to raise capital, ability to deploy capital, and our risk management and internal controls may not be successful in preventing or detecting all violations of law or of investment policies.

Environmental Risks

Ships and vessels are subject to accidental spills, discharges or other releases of regulated substances into the environment. Past or future spills related to the LEMSCO Fund 1 assets may give rise to liability (including strict liability, or liability without fault and potential clean-up responsibility) to governmental entities or private parties. The potential penalties and clean-up costs for past or future releases or spills, liability to third parties for damage to their property or exposure to regulated substances, or the need to address newly discovered information or conditions that may require response actions, could be significant and could have a material adverse effect on our results of operations and financial condition.

Transition Risks

Greenhouse Gas ("GHG") emissions have become the subject of increasing attention and scrutiny at an international, national, regional, state and local level. For example, the Environmental Protection Agency ("EPA") and the U.S. Securities and Exchange Commission ("SEC") have promulgated or proposed extensive rules concerning reporting of GHG emissions. The International Maritime Organisation's 2023 GHG Strategy envisages reductions in CO2 emissions by at least 40% by 2030, compared with 2008, and the European Commission's European Green Deal has a goal of carbon neutrality by by 2050, and a 55% reduction in GHG emissions by 2030, which is leading to additional statutory and regulatory requirements. In addition, regulation of greenhouse gas and other emissions also could occur pursuant to future treaty obligations, statutory or regulatory changes or new climate change legislation intended to reduce or mitigate the effects of GHG emissions. Compliance with such legislation, regulation and accords and the associated potential cost is complicated by the fact that various countries and regions are following different approaches and standards to the regulation of climate change.

Taxonomy Regulation

The Taxonomy Regulation was established to provide a classification system which provides investors and investee companies with a set of common criteria to identify whether certain economic activities should be considered environmentally sustainable.

Under the Taxonomy Regulation, an economic activity will be considered to be environmentally sustainable where it:

- contributes substantially to one or more defined environmental objectives;
- does not significantly harm any of the other environmental objectives;
- complies with certain minimum social safeguards; and
- complies with specified technical screening criteria.

Only if all of the above criteria are met can an activity qualify as environmentally sustainable under the Taxonomy Regulation ("Taxonomy-aligned Environmentally Sustainable Activity").

The Taxonomy Regulation currently defines six environmental objectives:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control; and
- protection and restoration of biodiversity and ecosystems.

From 1 January 2022, the Taxonomy Regulation only started applying to the first two environmental objectives – climate change mitigation and climate change adaptation. From 1 January 2024, it applies to the remaining four environmental objectives.

The only current existing Sub-Fund, LEMSCO Fund 1, has been classified under Article 9 of SFDR, meaning that it pursues a sustainable investment objective. The Sub-Fund takes into consideration the principles laid out by Article 2(17) of SFDR to ensure that the investments of the Sub-Fund qualify as a "sustainable investment" and do not significantly harm any environmental and/or social objectives and that the investee companies follow good governance practices.

Transparency of remuneration policies in relation to the integration of sustainability risks

We consider our employees' development as essential to the growth and success of the LEMSCO Fund. Thus, we encourage participation in professional training to maintain our caliber of highly qualified and skilled employees and their share in value creation. We also recognised that in our sector the competition for employees is high, and attracting, retaining and motivating experienced and qualified employees is essential for us to continue to be successful. We ensure that employees receive fair compensation by local standards and are entitled to paid holidays and leave which comply with the law, supplemented by other benefits.

All entities involved in the LEMSCO Fund's development are encouraged to define their level of ESG commitment. The General Partner and Investment Advisor, in conjunction with the Fund's AIFM, are collectively responsible for regular review of ESG criteria and achievement of objectives. These ESG objectives are assessed for all entities, taking into account the results of ProMarine and consolidated results of other operating companies.

Northern Marine – an affiliate of Stena which provides technical, personnel and administrative marine management services and is recognised as a leading marine management company – upholds the highest employment standards with a number of wellbeing initiatives, training and development of staff, sustainability programmes and fair remuneration packages which ensure that there are no zero hours contracts or pay below the "living wage".

While it is not currently within the 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 ProMarine's internal governance practices and supported by the LEMSCO Fund's investment policies, its AIFM and administrator. Together, these entities are responsible for the safeguarding of the LEMSCO Fund's assets and ensuring appropriate procedures are followed when executing any investment.

The Low Emission Methanol Shipping Company SICAV-RAIF

Fund 1

LEMSCO Fund 1

Information required under the EU Disclosure Regulations

SFDR/RTS DISCLOSURE OVERVIEW		
i.	No significant harm to the sustainable investment objective	✓
ii.	Sustainable investment objective of the financial product	✓
iii.	Investment strategy	✓
iv.	Proportion of investments	✓
v.	Monitoring of sustainable investment objective	✓
vi.	Methodologies	✓
vii.	Data sources and processing	✓
viii.	Limitation to methodologies and Data	✓
ix.	Due diligence	✓
x.	Principal Adverse Impacts	✓
xi.	Engagement policies	✓
xii.	Attainment of the sustainable investment objective	n/a

No significant harm to the sustainable investment objective

The LEMSCO Fund considers and, where possible, mitigates adverse impacts of its investments on society and the environment through a combination of active ownership activities and exclusion of investments with controversial conduct or activities.

The LEMSCO Fund excludes investments that are subject to severe controversies in areas such as human rights, labor standards, environmental protection and anti-corruption. Please refer to Appendix I, where details on the LEMSCO Fund's exclusion policy provides specific exclusions.

The Fund considers an investment sustainable if it does no significant harm to any environmental or social objective, which the investment team determines by using a combination of quantitative and qualitative assessments. The assessments include both general and industry-relevant indicators and include exposure to material sustainability risks. Periodic reviews and risk controls are in place to monitor implementation.

The investment decision-making process of the Investment Committee of the Fund is designed to ensure that investments in the methanol fueled 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 labor conventions. A due diligence process will review all aspects of the vessels and the associated principal adverse impacts (PAI) which have been determined at the time including inter alia environmental, social and employee, human rights, anti-corruption 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 to an extent acceptable to the Investment Committee, the transactions will be halted and not progressed.

Sustainable investment objective of the financial product

The LEMSCO Fund 1 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. It will account for 96% of the sustainable investment with an environmental objective economic activity that qualify as environmentally sustainable under the EU Taxonomy.

The LEMSCO Fund 1 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 cleaner-burning fuel, the LEMSCO Fund 1 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 virtually eliminates SOx emissions (can be >98%) and particulate matter (usually >95%) and reduces NOx emissions by up to 80%.

All the LEMSCO Fund 1's investments are assessed and measured against the objectives of the IMO emissions reduction targets for 2030 and 2050. The first six vessels which constitute the LEMSCO Fund 1's initial portfolio have all been awarded Energy Efficiency Design Index (EEDI) ratings which are substantially below the IMO's current efficiency requirements for new-build vessels. Fully re-engineered for low resistance and efficient propulsion, the LEMSCO Fund 1's IMOIIMeMAX vessels are among the most energy efficient and eco-friendly designs in the world, with methanol power providing a pathway to eliminating nearly all greenhouse gases.

The first five vessels which constitute the LEMSCO Fund 1's initial portfolio as of 31 December 2023 have all been awarded Energy Efficiency Design Index (EEDI) ratings which are substantially below the IMO's current efficiency requirements for new-build vessels. In 2023, the vessels had a combined travel distance of 279,262 nautical miles, with the first of the five vessels delivered in June 2022.

The LEMSCO Fund 1 does not use a reference benchmark to measure its sustainable investment objective.

Type of Sustainable Investments	Objective	Applied by LEMSCO Fund 1
Environmental	• Climate change mitigation or adaptation • Pollution prevention and control • Sustainable use and protection of water and marine resources	YES

Investment strategy

The LEMSCO Fund 1 seeks to attain its sustainable investment objective by being focused on the direct acquisition of newly built low emission, methanol fueled vessels which provide a solution to reducing the maritime industry's greenhouse gas emissions, which currently represent 3% of the world's annual greenhouse gas emissions. The Sub-Fund's wholly owned subsidiaries have entered into long-duration charters which provide long-term visibility on income to its Investors.

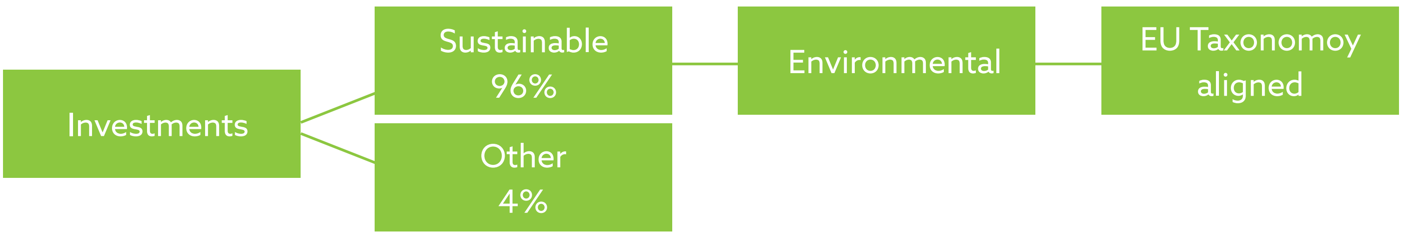
The Sub-Fund seeks to contribute to the reduction of greenhouse gas emissions and air pollution by running on methanol instead of conventional oil-based fuels and by operating new efficient vessels with EEDI ratings well below that of the global shipping fleet.

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 oxides (SOx) and particulate matter, nitrogen oxides (NOx) reductions of up to 80%, and a 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.

Proportion Of Investments

Asset allocation is 96% sustainable investments with the remainder being made up of cash and cash equivalents for liquidity management. The LEMSCO Fund 1 is 96% 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: Investments	Compliance with Article 3 of the Taxonomy Regulation	Subject to external audit / third party review
Vessels in accordance with Section 3.3. of EU Taxonomy technical screening criteria for climate change mitigation	YES	NO

Monitoring of sustainable investment objective

The LEMSCO Fund 1's Investment Advisor and AIFM monitors, on an ongoing basis, the binding elements (referred to in the Investment Strategy section) of the LEMSCO Fund's investment policies to ensure that these are met throughout the lifecycle of the Sub-Fund.

Methodologies

The attainment of the LEMSCO Fund 1's sustainable investment objective is measured primarily based on the calculation of greenhouse gas emissions and oil-derived fuel consumption avoided by the use of methanol as a marine fuel in the Sub-Fund's vessels. 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 or VLFSO avoided during the reporting period.

Data sources and processing

The LEMSCO Fund 1, through its active ownership entities sources ESG data from specialist providers to support its ESG integration. Data received from external providers may be complemented by internal research and analysis provided by Proman, Stena and the Investment Advisor, Proman Shipping teams and ESG specialists.

Main ESG data providers used by the Sub-Fund:

- Sustainalytics: ESG Research and Ratings; ESG Controversies
- Northern Marine: Through the use of IT tools, namely StormGeo and S-insight, vessel fuel consumption, emissions and other operational data reporting are provided

What are the measures taken to ensure data quality?

Data quality controls are implemented by the vessel operators with the use of IT tools for accurate data measurement. The type of data checks assesses fuel consumption and other operational efficiency measures.

Quality issues trigger checks at the operational level, which are followed by manual reviews of our data by our ESG and Proman Shipping teams, and where necessary, by engagements with third-party assessors.

How is data processed?

ESG data are updated daily in internal databases and made available to investment and ESG teams via different systems or modes.

What proportion of data is estimated?

Although we prioritise reported data over estimated data, we do rely to some extent on estimations, where reported data are not available due to lack of measurement capability. Data reported by operating companies are prioritised over estimated data and ranked higher in terms of reliability for investment and active ownership activities.

The proportion of estimated data varies depending on the ESG indicator. For example, for quantification of GHG avoidance indicator, a calculation is performed based on specific fuel consumption and other data received from Northern Marine, the vessels' manager and established emission values provided in the EU regulation, versus measured data on actual emissions from the vessels.

Limitation to methodologies and data

Key limitations to our methodologies may include a lack of data coverage and/or quality. Our methodologies are informed by reliable sources gathered from diverse reputable third-party research providers that are experts in their areas, along with IT tools which enhance the accuracy of data monitoring and reporting.

In instances where the information from third-party providers is deemed incorrect or incomplete, we retain the right to engage with them or to deviate, on a case-by-case basis.

ESG data availability is continually improving, and we are leveraging more and more on our data using information from different providers. The PAI indicators are subject to data availability and may also change with improving data quality and availability.

Due diligence

The objective of ProMarine is to lead the financing of the maritime energy transition, to drive forward the sustainability of the maritime industry for generations to come and secure the prosperity and health of the environment for future generations.

ProMarine, drawing from the experience of the Initiators, has a rare combination and uniquely complementary global presence and experience within multiple markets through the maritime sphere, and in energy and fuel supply markets. This network, experience and expert knowledge is leveraged in the due diligence process applied to LEMSCO Fund 1.

The Sub-Fund investments are subject to rigorous due diligence facilitated by the ProMarine, which covers topics such as review of their business model, research process, technical expertise, data coverage, quality assurance mechanisms, and prevention of conflicts of interests.

The Sub-Fund's has to undertake a due diligence process for each investment pre- and post-investment, which ensures that No Significant Harm is done to any other environmental objective considered material to the activity of the Fund. These other objectives are pollution prevention.

The due diligence also considers additional safeguard such as human rights, community engagement, and labor conditions, amongst others. It is our goal to align all our due diligence processes with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and other international conventions on human rights, as per the Fund's Sustainable Exclusions Policy.

Principal adverse impacts

The LEMSCO Fund considers principal adverse impacts (PAI) of its investment decisions on sustainability factors as part of its investment due diligence process and procedures.

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of LEMSCO Sub-Fund for the 2023 financial year reference period.

The LEMSCO Fund seeks to ensure that any investments it executes have no significant harm to any environmental or social objective. Reporting year 2024 will be the first year reflecting impacts under the indicators detailed below, with the sixth vessel entering the fund in 2024.

The LEMSCO Fund is in the process of collating all necessary data, baselines, and strategic actions for each PAI detailed in Table 1 of the RTS. It is understood that full disclosure against all metrics is not mandatory. However, if specific metrics cannot be disclosed, an explanatory statement is required. This aligns with the broader market approach to PAI disclosures.

A non-exhaustive summary of Principal Adverse Indicators are presented in the table:

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS:		
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

Engagement policies

The LEMSCO Fund delegates its portfolio management services to Nevastar Finance (Luxembourg) S.A., the authorised alternative investment fund manager ("AIFM").

As part of the alternative investment fund management agreement ("Fund Management Agreement"), there are specific duties and obligations that facilitate the integration of shareholder engagement in their investment strategy.

The AIFM is bound by specific duties and obligations which cover the following elements:

- Portfolio Management Function - the AIFM shall observe and comply with the articles of incorporation of the LEMSCO Fund ("Constitutive Documents"), all regulations, investments policy and objectives, and restrictions applying to the assets as laid down in the Private Placement Memorandum ("Offering Documents") of the Fund, and the AIFM Law and generally all Luxembourg laws and regulations applicable to the Fund and Sub-Fund.

Risk Management services - the AIFM shall provide risk management services to the LEMSCO Fund in order to assess its exposure to market, liquidity and counterparty risks and the exposure to all other relevant risks, including operational risks which may be material, subject to and in accordance with the terms and provisions of this Fund Management Agreement, the AIFM Law, the AIFM Rules and any applicable regulation and/or circular (to be) issued by the CSSF (the "CSSF Rules") and the risk management systems implemented by the AIFM, as may be amended and supplemented from time to time (the "RMS").

As prescribed in the Constitutive Documents of the LEMSCO Fund, compliance with the above obligations and duties ensures that fund investments are closely monitored across the following areas:
- conduct dialogue with subsidiaries held by LEMSCO Fund;
- exercise voting rights and other rights attached to shares held in the Fund 1 investee companies;
- facilitate co-operation with other shareholders;
- communicate with relevant stakeholders; and
- manage actual and potential conflicts of interests in relation to such engagements.

Attainment of the sustainable investment objective

The LEMSCO 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.

ESG factors are embedded within the LEMSCO Fund's investment strategy and assessment by its Investment Advisor. The Sub-Fund will not acquire any vessels which do not meet the sustainable objective of the LEMSCO Fund. As a Sub-Fund focused on methanol fueled vessels, the Sub-Fund acquires the latest, most efficient methanol fueled 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 shipyards to design and build vessels which are awarded EEDI ratings are well beyond market and regulatory standards. The vessels acquired by the Sub-Fund also benefit from all of the advantages of methanol – lowering CO_2 and NO_x significantly and eliminating SO_x and particulate matter emissions.

APPENDIX I

Sustainable Investment Policies

The LEMSCO Fund adopts sustainable investment practices and aim to lead impact investing within the maritime sector. The Fund is committed to the following policy related to constructing a sustainable portfolio. For certain policies, the Fund prohibits investment in securities or assets that it believes does not meet a minimum sustainability criteria as explained below. In the event that an asset or security held within the LEMSCO Fund becomes non-compliant with the policies below following its acquisition by the LEMSCO Fund, the LEMSCO Fund will divest of it within 60 days, subject to the consent of the General Partner.

Controversial Weapons Policy

The LEMSCO Fund is committed to supporting and upholding conventions that seek to ban the production of controversial weapons and prohibit a number of investments by the LEMSCO Fund. As a result, the LEMSCO Fund shall not invest in securities or assets that have been identified by the LEMSCO Fund through the utilisation of third-party data, as having corporate involvement in the end manufacture or manufacture of intended use components of controversial weapons. The manufacture of controversial weapons is defined as either being responsible for end manufacture and assembly of controversial weapons, or being responsible for the manufacture of intended use components for controversial weapons. The controversial weapons policy does not include dual-use component manufacturers or delivery platform manufacturers.

Controversial weapons are defined as:

- **Biological and chemical weapons.**
  Weapons outlawed by the Biological and Toxin Weapons Convention of 1972, and the Chemical Weapons Convention of 1993.

- **Anti-personnel mines.**
  Weapons that signatories agreed to prohibit the use, stockpiling, production or transfer of under the 1997 Anti-personnel Landmines Convention. The convention was concluded in Oslo on September 18, 1997 and entered into force on March 1, 1999, six months after it was ratified by 40 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before March 1999. The Convention does not address the issue of financial support for companies that manufacture such weapons.

- **Cluster munitions.**
  Weapons that signatories agreed to restrict the manufacture, use and stockpiling of, as well as components of these weapons, under the 2008 Convention on Cluster Munitions. The Convention was agreed in Dublin, Ireland on May 30, 2008 and entered into force on August 1, 2010, six months after it was ratified by 30 states. Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before August 2000. The implications for financial support of companies that manufacture cluster munitions is left unclear in the Convention. As a result, signatory states and the institutions based on them have taken a range of approaches to the question of prohibiting or allowing investments in cluster munitions producers: some prohibit all investments, some prohibit only direct investments and some have not yet banned investments.

- **Depleted uranium weapons.**
  Companies involved in the production of depleted uranium weapons, ammunition and armor.

Sustainable Exclusions Policy

The LEMSCO Fund adopts exclusion criteria which it will utilise to prohibit investments in securities that the LEMSCO Fund does not believe meet a minimum sustainability criteria on behalf of the LEMSCO Fund. As noted above, where the sustainable exclusion policy applies to a Fund, this will be indicated in the relevant Appendix.

The sustainable exclusion policy includes the following:

- **Human rights.**
  Corporations are expected to uphold fundamental responsibilities as defined by the United Nations Global Compact ("UNGC") with regard to human rights, labour, the environment and anti-corruption. The LEMSCO Fund will not invest in the securities of issuers that violate the principles of the UNGC and compliance with the UNGC will continually be monitored. Where an existing holding is deemed to violate the UNGC through change or evolution, LEMSCO Fund will establish a dialogue with the issuer to understand what led to the violation and what remediation is taking place. If, however, LEMSCO Fund is not satisfied about the speed and satisfactory extent of the remediation after three years, the assets or securities will be disposed of.

- **Tobacco.**
  The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets that are involved in tobacco production, such as cigars, cigarettes, ecigarettes, smokeless tobacco, dissolvable and chewing tobacco. This also includes issuers that grow or process raw tobacco leaves.

- **Civilian firearms.**
  The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets that are involved in the manufacture of civilian firearms.

- **Private Prisons.**
  The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets that own, operate or primarily provide integral services to private prisons, given significant social controversy, reputational risks, dependency on their local government policies and facilities which are not easily reconfigurable for alternate uses.

- **Fossil fuels.**
  The LEMSCO Fund will seek to minimise or neutralise its exposure to certain pieces of the fossil fuel value chain, owing to the varied contribution to climate and environmental risk. This specifically excludes methanol produced from natural gas, where the numerous environmental benefits from its use in the LEMSCO vessels include reducing SOx and NOx emissions by approximately 98% and up to 80%, respectively, while also cutting CO2 emissions and eliminating harmful particulate emissions that cause numerous health issues in humans and animals.

- **Coal and unconventional oil and gas supply.**
  The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets which derive substantial revenue from the extraction of coal or the use of unconventional methods to extract oil and gas.

Substantial revenue is defined for this purpose as follows:

- Thermal coal. Issuers and assets should not derive more than 10% of revenue from the mining of thermal coal.
- Unconventional oil supply (oil sands). Issuers and assets should not derive more than 10% of revenue from oil sands extraction.

- **Electricity generation.**
The LEMSCO Fund will only purchase the securities of issuers or assets for which power generation makes up more than 10% of revenue, where they are aligned with a lower greenhouse gas emissions economy. The LEMSCO Fund is therefore prohibited from investing in generators where:

- **Thermal coal.**
More than 30% of MWh generation is derived from thermal coal.

- **Liquid fuels (oil).** More than 30% of MWh generation is derived from liquid fuels (oil).

- **Natural gas electricity generation.**
More than 90% of MWh generation is derived from natural gas. This threshold may decline over time to align with a glide path to greater renewables penetration.

- **Conventional oil and gas supply.**
The LEMSCO Fund is prohibited from investing in the securities of oil and gas producers or assets for whom natural gas makes up less than 20% of their reserves.

Enhanced Sustainable Exclusions Policy

- **Global Standards and Norms.**
The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets whose activities breach the principles of the UNGC, the OECD Guidelines on Multinational Enterprises, the International Labor Organization's declaration on Fundamental Rights and Principles at Work and the UN Guiding Principles on Business and Human Rights.

- **Controversial Weapons.**
The LEMSCO Fund is committed to supporting and upholding conventions that seek to ban the production of controversial weapons. As a result, the LEMSCO Fund is prohibited from investing in securities issued by companies or assets that LEMSCO Fund believes are involved in the manufacture of controversial weapons. The LEMSCO Fund defines involvement in the manufacture of controversial weapons as either being responsible for end manufacture and assembly of controversial weapons, or being responsible for the manufacture of intended use components for controversial weapons. Dual-use component manufacturers or delivery platform manufacturers are not included.

The LEMSCO Fund defines controversial weapons as follows:

- Biological and chemical weapons. Weapons outlawed by the Biological and Toxin Weapons Convention of 1972 and the Chemical Weapons Convention of 1993.
- Anti-personnel mines. Weapons that signatories agreed to prohibit the use, stockpiling, production or transfer of, under the 1997 Anti-personnel Landmines Convention.

The Convention does not address the issue of financial support for companies that manufacture such weapons.

- Cluster munitions. Weapons that signatories agreed to restrict the manufacture, use and stockpiling of, as well as components of these weapons, under the 2008 Convention on Cluster Munitions. The implications for financial support of companies that manufacture cluster munitions is left unclear in the Convention. As a result, signatory states and the institutions based on them have taken a range of approaches to the question of prohibiting or allowing investments in cluster munitions producers: some prohibit all investments, some prohibit only direct investments and some have not yet banned investments.
- Depleted uranium weapons. Companies involved in the production of depleted uranium (DU) weapons, ammunition and armor.

- **Weapons.**
The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets that derive more than 5% of their revenues from the production of weapons or tailor-made components thereof. The LEMSCO Fund is also prohibited from purchasing the securities of issuers that manufacture nuclear weapons or key nuclear weapons components.

- **Tobacco.**
The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets that derive more than 5% of their revenues from products that contain tobacco or the wholesale trading of these products.

- **Private Prisons.**
The LEMSCO Fund is prohibited from purchasing companies or assets that own, operate or primarily provide integral services to private prisons given significant social controversy, reputational risks, dependency on Department of Justice policies, and facilities that are not easily reconfigurable for alternate uses.

- **Fossil Fuels.**
The LEMSCO Fund will seek to minimise or neutralise its exposure to certain defined pieces of the fossil fuel value chain, owing to the varied contribution to climate and environmental risk. This specifically excludes methanol produced from natural gas, where the numerous environmental benefits from its use in the vessels indirectly owned by the LEMSCO Fund includes reducing SOx and NOx emissions by approximately 98% and 80%, respectively, while also cutting CO2 emissions and eliminating harmful particulate emissions that cause numerous health issues in humans and animals. Specifically, restrictions relate to:
  - **Thermal Coal.**
  The LEMSCO Fund is prohibited from purchasing the securities of issuers with expansion plans for coal extraction. Additionally, 5% of revenue is the maximum acceptable percentage of revenue derived from thermal coal related activities unless the company has one of either: a Science Based Target ("SBTi") set or in the process of being set, less than 10% capex is related to thermal coal activities or greater than 50% of capex is dedicated to Contributing Activities.
  - **Unconventional oil and gas supply.**
  The LEMSCO Fund is prohibited from purchasing the securities of issuers or assets with expansion plans for unconventional oil and gas. Additionally, 5% of revenue is the maximum

acceptable percentage of revenue derived from unconventional oil and gas related activities, unless the company has one of either: a SBTi set, a SBTi is in the process of being set or greater than 50% of capex is dedicated to contributing activities.

- Electricity generation.
The LEMSCO Fund is prohibited from investing in electricity utilities with a carbon intensity greater than 374g CO_2/kWH, and decreasing over time consistent with a 2- degree scenario. If this data is unavailable or cannot be accurately quantified than the following exclusions apply:

A. Thermal Coal.
More than 5% of MWh generation is derived from thermal coal.

B. Liquid Fuels (Oil). More than 30% of MWh generation is derived from liquid fuels (oil).

C. Natural Gas Electricity Generation.
More than 30% of MWh generation is derived from natural gas.

D. Nuclear. More than 30% of MWh generation is derived from nuclear sources.

Additionally, the LEMSCO Fund:

A. is prohibited from holding electricity utilities with expansion plans that would increase their negative environmental impact or go contrary to the two degrees scenario alignment.

B. is prohibited from holding electricity utilities constructing additional coal- or nuclear- power production installations.

C. is prohibited from holding electricity utilities whose contributing activities are not increasing.

D. may buy or hold electric utilities where at least one of the following criteria are met: i) the company has a SBTi set or is in the process of being set, and ii) derive more than 50% of revenue from a contributing activity or iii) more than 50% of capex dedicated to a contributing activity.

- **Countries.**
  The LEMSCO Fund is prohibited from investing via government debt or indirectly via state-owned i.e. quasi-government debt which are subject to international sanctions, or that violate the basic principles like those mentioned in the UNGC.

- **Death Penalty.**
  The LEMSCO Fund is prohibited from investing via government debt or indirectly via state owned i.e. quasi-government debt in countries with the death penalty which score in the bottom quintile the universe in the Rule of Law ranking from the World Bank's Worldwide Governance Indicators.

- **Taxation.**
  The LEMSCO Fund is prohibited from investing in securities issued by foreign governments or quasi-sovereign entities that are deemed non-compliant by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. The LEMSCO Fund is also prohibited from investing in securities of corporates which are domiciled or listed in countries which are deemed non-compliant by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

- **Agricultural Commodities.**
  The LEMSCO Fund is prohibited from investing in forward contracts on agricultural commodities. This does not apply to agricultural commodities which could be used as bio-feedstock in the production of bio-methanol, which would contribute to a reduction in global maritime emissions.

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