



Methodology

*The **Marine Money Decarbonization Index (MMDI or “the Index”)** tracks the performance of the equity securities of a diversified set of global companies that develop technologies, manufacture equipment or provide services related to marine or ocean decarbonization. This includes companies involved in cleaner propulsion (including alternative fuels, batteries, and fuel cells), carbon capture technologies and offshore wind development.*

Introduction

The maritime industry currently accounts for ~3% of global carbon emissions according to the International Maritime Organization (IMO). Recently, the IMO, the European Union (EU) and other authorities have intensified regulatory efforts to initially limit and ultimately reduce maritime carbon emissions.

As a result, new technologies need to be developed and commercialized to achieve the stated emissions reduction targets. Companies that are involved in developing and commercializing these technologies could benefit significantly from the growth of new sector initiatives aiming to reduce the environmental impact of the global maritime sector, which counts more than 100,000 vessels. As of early 2021, the total cost of modernizing the global commercial fleet and related infrastructure to reach the 2050 emissions targets was estimated to be \$USD1.9 trillion (*The scale of investment needed to decarbonize international shipping*, Global Maritime Forum, 2020) by the Global Maritime Forum, and some experts have predicted investment figures as high as \$3.4 trillion.

In addition, equipment and technologies from the maritime industry are also involved in offshore wind energy development, a major growth sector in the global clean, renewable energy market.

The Index was developed and is maintained by Maritime Transformation Partners, a collaboration between Marine Money, Breakwave Advisors and Sea/Switch Partners.

Index Committee

A Committee composed of staff of the MTP LLC member organizations is responsible for decisions regarding the composition of the Index as well as any amendments to the rules. The future composition of the Index is determined by the Committee via the Rebalancing and Reconstitution Process on the selection days according to the procedure outlined in the index methodology. The Committee shall also decide about the future composition of the Index, if any extraordinary events should occur and the implementation of any necessary adjustments. Members of the Committee can recommend changes to the guideline and submit them to the entire Committee for approval.

Constituent Eligibility

Number of stocks: Target constituent count of 40 to 60 in two tiers:

“Core”: Tier is set at 20 constituents.

“Tracking”: Tier generally includes, but is not limited to, 20 to 40 constituents based on eligibility.

Size: Market capitalization greater or equal to US\$250 million for Core constituents and greater or equal to US\$75 million for Tracking constituents.

Liquidity: 6-month daily average value traded of US\$1 million for Core constituents and US\$500 thousand for Tracking constituents; if security has less than six months of trading history (including companies that underwent an IPO or a recent merger or acquisition), it must have traded at least three months before the rebalancing/reconstitution date; minimum free float equivalent of at least 10% of the shares outstanding.

Security Types: Common stock, ADR, GDR.

Trading Location: Constituents must be trading on a developed market exchange.

Calculating Currency: For all calculation purposes, US Dollar.

Index Construction

Construction of the Index begins with the universe of global companies with a minimum market capitalization of \$75 million and a minimum 6-month daily average value traded of \$500 thousand. The business descriptions of and other information regarding companies that meet the eligibility criteria are reviewed for specific factors related to technologies, equipment or services involved in cleaner propulsion (including alternative fuels, batteries and fuel cells), carbon capture technologies and offshore wind development. The universe of companies that may be considered eligible for potential Index inclusion is determined by an index committee based on factors such as a company’s business

description, product lines, investment growth plans, exposure to the maritime sector, and its most recent reported revenue by segment.

The universe of companies is then divided into two tiers: the Core tier (“Core”) and the Tracking tier (“Tracking”). The Core tier has an 80% weighting in the Index, while the Tracking tier has a 20% weighting in the Index. The Core tier is comprised of approximately 20 companies that are leaders in their respective business sectors. To be considered for inclusion in the Core Tier, a potential constituent must have a \$250 million minimum market capitalization and a minimum 6-month daily average value traded of \$1 million. In addition, to be considered for inclusion in the Core tier, a potential constituent must (i) derive the majority of its revenues from sales of technology, equipment or services related to marine decarbonization, which includes marine infrastructure modernization that has the effect of reducing carbon emissions; (ii) have made substantial investment commitment, typically a majority of their research and development budget, in marine decarbonization technologies, equipment or services, including lower carbon fuel development, distribution or consumption; or (iii) be a stakeholder in a marine decarbonization demonstration project recognized by the Global Maritime Forum, an international not-for-profit organization committed to shaping the future of global seaborne trade to increase sustainable long-term economic development and human wellbeing, or a similar successor organization. The 20 constituents will be equally weighted in the Core tier of the Index. The Tracking tier of the Index is comprised of companies with promising developments or significant investment in relevant business sectors that have not yet reached the development stage or scale targeted as it relates to decarbonization efforts or sufficient materiality to the company’s overall business. The constituents will be equally weighted in the Tracking tier of the Index. The Tracking tier generally includes, but is not limited to, 20 to 40 constituents based on eligibility.

Any discretion which may need to be exercised in relation to the determination of the Index (for example the determination of the Index universe, the selection of the index constituents or any other relevant decisions in relation to the Index) shall be made in accordance with specific rules regarding the exercise of discretion or expert judgement.

Identified companies may include, but are not limited to, those active in:

- Fuel cell technology and equipment
- Battery technology and equipment
- Offshore wind energy production, equipment, and technology
- Propulsion technology and equipment
- Wind turbine development and manufacturing
- Biofuel production and distribution
- Methanol, Hydrogen and Ammonia production and distribution
- LNG/green LNG production and distribution
- Energy saving devices and technologies for the maritime industry

Given the early stage of the development of technologies and other initiatives related to maritime decarbonization, new, currently unknown technologies and methods not mentioned above might

appear, in which case, companies involved in such new technologies and methods might be included in the selection universe in the future.

Constituent Weightings

The Index is an adjusted equal-weighted Index broken down into two tiers: Core (80% weighting in the overall Index) and Tracking (20% weighting in the overall Index).

The Core component of the Index comprises 20 companies that are leaders in the respective business sectors. The 20 constituents will be equally weighted in the Core component of the Index.

The Tracking component of the Index comprises companies with promising developments or significant investment in the relevant business sectors that have not yet reached the development stage or scale targets as it relates to decarbonization efforts or sufficient materiality to the company's overall business. The constituents will be equally weighted in the Tracking component of the Index.

The weight of each security is capped at 10%. All excess weight is proportionally redistributed to all uncapped constituents within the relevant index tier.

Rebalancing and Reconstitution

The Index follows a quarterly rebalance and reconstitution schedule. Adjustments are made on the third Friday of March, June, September, and December which is deemed the effective day. Weights are calculated and Index shares are frozen at the close of that specific day. The selection list is created based on the data as of the effective day.

Upon the occurrence of an Extraordinary Event, the Index Committee will evaluate reconstituting the Index, including substituting a successor Index constituent, if a successor Index constituent is eligible, as determined by the Index Committee. An "Extraordinary Event" shall mean, any merger, takeover bid, delisting, the Nationalization of a company, or insolvency. Any Index reconstitution resulting from an Extraordinary Event, shall be effective after the close of business on the day when an Extraordinary Event has been determined by the Index Committee.

Corporate Actions

All corporate actions (such as dividends, special dividends, stock splits, reverse stock splits, spin-offs, mergers of index constituents, acquisitions of index constituents, right offerings) will lead to an adjustment in the Divisor of the Index according to standard equal-weighted terms based on each individual category (Core, Tracking)

Market Disruption

The determination of the Index may be limited or impaired by market disruptions, such as unforeseeable or unavoidable circumstances, including but not limited to acts of God, war, crime, terrorism or matters pertaining to public health, resulting in illiquid or fragmented markets and market stress, a “Market Disruption”. If the Market Disruption continues over an extended period, then the Index Committee shall determine the necessary action (including but not limited to taking into account the market conditions prevailing at this point in time, the last quoted trading price for each of the Index constituents as well as any other conditions that it deems relevant for calculating the Index value) such that the affected securities resulting from the Market Disruption are no longer causing such disruption to occur.

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