



**Contships Logistics Corp.**

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# **Sustainability–Linked Financing Framework**

January 2025



# 1. Introduction

## 1.1. About Contships Logistics Corp.

Contships Logistics Corp. (“Contships” or the “Company”), through its subsidiaries, owns and operates a fleet of 41 container vessels with a total capacity of approximately 50,000 TEU. Contships and its subsidiaries are collectively referred to in this Sustainability-Linked Financing Framework as the “Group”. 2,182 seafarers are employed on vessels owned by members of the Group on a rotational basis.

The Group charters its vessels to international and regional liner companies through time charter agreements. Contships Management Inc., based in Athens and employing 132 shore-based personnel, manages all essential operations of the Company’s fleet, including the commercial and technical aspects.

Contships and Contships Management Inc. are committed to:

- Providing the Group’s charterers the best available tonnage to achieve sustainable shipping.
- Ensuring safe practices in ship operations and maintaining a safe and healthy working environment for both sea and shore personnel.
- Preventing damage to ships, cargo, and the environment – including oil spills and disruptions to marine ecosystems.
- Performing thorough assessments of all identified risks related the Group’s activities, and their potential impact on crew and shore personnel, the vessels’ cargo, and the environment, whilst establishing the appropriate measures and formulating the relevant policies to mitigate those risks.
- Preventing loss of human life and personal injury.
- Promoting occupational safety and health for shipboard and shore personnel.
- Continuous improvement of ship and shore personnel’s safety management skills,—including preparation for emergencies related to safety, health, and environmental protection as per Emergency Response Plan (ERP).

## 1.2. Our Approach to Sustainability

Contships is committed to environmental sustainability, focusing on minimizing its ecological footprint and promoting marine ecosystem stewardship. Key aspects of our approach include:

- **ESG Integration:** Embedding Environmental, Social, and Governance (ESG) policies into our framework focusing on reducing waste generation and air emissions, optimizing energy efficiency and water consumption, and promoting biodiversity conservation.
- **Risk Management:** Identifying, assessing, monitoring and mitigating ESG-related risks aiming to ensure operational efficiency and financial stability.
- **Ethical Conduct:** Promoting transparency, integrity, and compliance with industry regulations as well as ESG standards and practices allows fostering trust and credibility while safeguarding company's reputation.
- **Pollution Prevention:** Implementing strict protocols for waste management, ballast water treatment, and handling hazardous substances to prevent pollution.

Implementing robust protocols for waste management, ballast water treatment, and the safe handling of hazardous substances to mitigate environmental impact and ensure compliance with sustainability standards.

- **Emissions Reduction:** Developing strategies to reduce air pollutants and greenhouse gas emissions, including optimization of voyage planning while exploring alternative cleaner energy sources and implementing greener solutions.
- **Stakeholder Engagement:** Conducting materiality assessments to collect insights from various stakeholders and identify the key-ESG material topics.
- **Community Engagement:** Addressing social needs and minimizing the Group's operational impacts on coastal areas and marine ecosystems.

### 1.3. Our Target

As a provider of chartered tonnage to container liner operators, the Group's customers primarily influence two key factors impacting fuel consumption and energy efficiency: vessel speed and port utilization.

Our goal is to continuously improve our Annual Energy Efficiency through the implementation of specific technical and operational measures.

#### **Target: Annual Efficiency Ratio (AER)**

Continuous improvement of yearly average AER with 2024 as baseline year

Year	Cumulative Reduction %
2025	2
2026	4
2027	6
2028	8
2029	10

where,

Bad weather, dry docking or ship idling as well as waiting time on anchorage or extended port stays due to Charterers' instructions are currently included despite it worsening the AER. However, this may be excluded in future data once we have the tools to remove the outliers.

### 1.4. ESG Management

Our approach to managing ESG is to gradually embed all relevant initiatives in our policies, frameworks and processes which help us analyze and reduce risks in our daily operations.

Our approach to managing ESG is to gradually integrate the relevant initiatives and the established goals into our policies, frameworks, and processes. This helps us to systematically analyze and mitigate risks, ensuring they are effectively addressed in our daily operations.

Contships is managed by a Board of Directors consisting of three members, with one female member and two male members. This board plays a crucial role in guiding the strategic direction and governance of the company on ESG matters.

**Anti-Bribery and Corruption Policy:** Our Anti-Bribery and Corruption Policy outlines our zero-tolerance approach towards bribery and corruption. It applies to all employees and third parties performing duties for or on behalf of the Group, regardless of their employment status or location. Employees encompass officers, directors, representatives, crew, and all other individuals working on behalf of the Group. Third parties include agents, brokers, partners, consultants, contractors, joint venture partners, and other representatives acting on behalf of the company. We are committed to upholding the highest standards of ethical conduct and complying with all relevant anti-bribery legislation, including the U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act 2010 (BA). This policy serves to communicate our dedication to ethical business practices and to ensure that all employees and third parties associated with the Group understand their responsibilities in preventing bribery and corruption.

**Our principles:**

- Fair Business Practices
- Compliance
- Prohibition of Bribes
- Global Application of our principles

## 1.5. Sustainability Strategy and Decarbonization of our Fleet

The global shipping industry is confronted with a significant challenge in reducing greenhouse gas emissions. Currently, shipping contributes to 3% of global GHG emissions, and this figure is predicted to increase to approximately 17% by 2050 if current trends persist. Recognizing the ongoing reliance on container shipping for global trade, it is imperative to implement steps to achieve energy efficiency and enable vessel operations to be undertaken in a more environmentally friendly manner.

The IMO's 2023 Revised GHG Strategy has three interlinked ambitions:

- A reduction in carbon intensity of international shipping by at least 40 per cent by 2030 compared to 2008.
- Uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources to represent at least 5%, striving for 10% of the energy used by 2030.
- GHG emissions from international shipping to reach net zero by or around, i.e. close to, 2050.

The strategy also sets out indicative checkpoints for 2030 and 2040

- to reduce the total annual GHG emissions from international shipping by at least 20%, striving for 30%, by 2030.
- to reduce the total annual GHG emissions from international shipping by at least 70%, striving for 80%, by 2040.

In addition to IMO Strategy, The EU's legislative bodies reached a preliminary agreement in December 2022 to include maritime shipping in the EU's Emission Trading System (EU ETS) from 2024 onwards.

At Contships, we recognize the urgent need for more energy-efficient and environmentally friendly vessel operations. To maintain an attractive and competitive fleet, we are continuously optimizing vessel performance and proactively exploring viable options, through assessments of retrofits and new investments, for reducing pollutants and GHG emissions.

### **Improvement of Energy Efficiency**

1. Port Power Management Plan: Focused on reducing energy consumption while vessels are idle, with enhanced reporting standards in 2023 and plans to set specific reduction targets in 2024.
2. Ballast Water Treatment Systems: Increased fleet coverage from 69.57% in 2022 to 87.5% in 2023, aiming for 100% by the end of 2024 to protect marine ecosystems.
3. Low Friction Antifouling Paint: Usage increased from 19.5% in 2022 to 25.5% in 2023, with plans to apply it to 75% of vessels scheduled for drydock in 2024 to improve fuel efficiency.
4. Biofuels Integration: Targeting 5% of fleet to utilize biofuels in 2024 to reduce greenhouse gas emissions, with plans to increase this percentage over time.
5. Waste Management and Reduction: Phased out incinerators in favor of sustainable shore-based disposal methods, with ongoing efforts to reduce waste volume and improve environmental practices.



## 2. Sustainability-Linked Financing Framework

Contships has established this Sustainability-Linked Financing Framework (“Framework”) pursuant to which members of the Group intend to issue Sustainability Linked Instruments, including bonds, loans and any other type of financial instruments to finance and/or refinance new and/or existing assets or projects promoting environmental progress. The Framework is aligned with the relevant international market standards and guidelines listed below:

- Sustainability Linked Loan Principles and Green Loan Principles 2023 by the Loan Market Association
- Green Bond Principles 2021 and Sustainability Bond Guidelines 2021 by the International Capital Market Association

The following section outlines the Framework, which aims to mobilize financing to support Contships’ contribution to decarbonizing the shipping industry.

### 2.1. Framework for Sustainability Linked Instruments

The first part of the Framework will be used for Sustainability Linked Instruments that can be used for general corporate purposes. These include, but are not limited to, Sustainability Linked Loans and Sustainability Linked Bonds.

Following the Sustainability Linked Loan Principles (“SLLP”) 2023 and the Sustainability Linked Bond Principles (“SLBP”) 2023, the Framework adopts the four key pillars as follows:

- i. Selection of Key Performance Indicators (“KPIs”)
- ii. Target Setting and Calibration of Sustainability Performance Targets (“SPTs”)
- iii. Reporting
- iv. Review and Verification

#### 2.1.1. Integrating Sustainability Goals with Financial Instruments

The Group has chosen to issue Sustainability-Linked Bonds (SLBs) and Sustainability-Linked Loans (SLLs) to support its long-term sustainability goals. These financial instruments are designed to reduce carbon intensity, enhance energy efficiency, and promote the use of low- and zero-carbon fuels across its fleet. With a target of achieving net-zero emissions by 2050, these bonds and loans directly link Contships’ financial performance to its sustainability achievements.

## 2.1.2. Integrating Sustainability Goals with Financial Instruments

### **Harmonizing Financial Instruments with Sustainability Targets**

The Group is committed to reducing carbon intensity, enhancing energy efficiency and promoting the adoption of low- and zero-carbon fuels across its fleet. For this purpose, Contships has made the decision that members of the Group will issue Sustainability-Linked Bonds and Sustainability-Linked Loans. Aiming for net-zero emissions by 2050 and targeting a 35.5% reduction in greenhouse gas emissions intensity by 2030 (from a 2022 baseline), these financial instruments will align the Group's financial performance directly with its sustainability achievements.

### **Driving Decarbonization Efforts in Maritime Transport**

Contships recognizes its responsibility in the global effort to combat climate change, as the shipping industry is responsible for approximately 2.9% of global GHG emissions. In alignment with the International Maritime Organization's (IMO) updated GHG reduction strategy, Contships is committed to significantly reducing its carbon intensity and views these bonds as crucial facilitators of this transition.

Through the issuance of Sustainability-Linked Bonds and Sustainability-Linked Loans, the Groups is actively contributing to the creation of a more energy-efficient and environmentally sustainable shipping sector while also being in alignment with global decarbonization targets. These financial instruments will facilitate the Group's ability to finance and accelerate investments in sustainable technologies and practices, which are crucial for meeting both short-term and long-term sustainability targets.

### **Building Investor Confidence and Integrating ESG**

Contships' is a dependable partner for investors pursuing sustainable investment opportunities due to the Group's dedication to transparent reporting, stringent ESG standards, and robust corporate governance. Contships reinforces its commitment to the increasing demand for sustainable investments by tying its financial instruments to sustainability outcomes. The Group integrates sustainability into its business strategy through the issuance of Sustainability-Linked Bonds and Sustainability-Linked Loans, while providing investors with a distinctive opportunity to engage in the Company's decarbonization journey.

### **Navigating Climate Risks and Opportunities**

Climate change presents both challenges and opportunities for Contships. Navigating regulatory, physical, and market risks tied to the transition to a low-carbon economy is essential for the company, while it also recognizes an opportunity to innovate and set itself apart through investments in sustainable shipping technologies and practices. Contships is equipped with the financial resources needed to tackle climate-related risks and capitalize on opportunities through the issuance of Sustainability-Linked



Bonds and Sustainability-Linked Loans. This financial strategy will support Contships' investments in:

- Zero- and low-carbon vessels: The acquisition or newbuilding of vessels powered by alternative fuels such as green methanol and hydrogen will be financed by SLBs and SLLs, significantly reducing the Group's dependence on fossil fuels.
- Fleet renewal: To enhance the overall efficiency of the fleet, modern (eco-)tonnage will be acquired.
- Energy efficiency technologies: Prioritizing the retrofitting of existing vessels with energy-saving technologies and the implementation of fuel consumption reduction strategies will be of paramount importance.
- R&D and innovation: To remain competitive and comply with future environmental regulations, it is essential for the Group to continue investing in the development of next-generation fuels and shipping technologies.

### **Sustainability-Linked Bonds (SLBs)**

Sustainability-Linked Bonds (SLBs): Contships' financial obligations will be linked to the achievement of predefined sustainability targets through SLBs, focusing particularly on reducing GHG emissions and enhancing energy efficiency. SLBs provide flexibility in the use of proceeds, allowing them to be utilized for broader corporate purposes while ensuring Contships remains accountable to its sustainability objectives.

### **Sustainability-Linked Loans (SLLs)**

Sustainability-Linked Loans (SLLs): Contships will gain a flexible financing option through SLLs, where loan terms are directly connected to the achievement of predefined sustainability performance targets (SPTs). These loans will motivate Contships to meet its SPTs by offering more favorable terms, such as reduced interest rates, upon achieving the targets. SLLs offer flexibility in the use of proceeds, enabling Contships to distribute funds across a wide array of corporate initiatives. This approach ensures that Contships remains accountable to its sustainability commitments and continues to make progress toward its environmental goals.

### **Dedication to Transparency and Accountability**

Ensuring that the proceeds from its SLBs and SLLs are used effectively and responsibly is a key commitment for Contships. The Company will publish annual reports that detail the achievement of sustainability targets to promote transparency

and maintain investor confidence. These reports will be assured by independent external reviewers, promoting the alignment of Contships’ financial activities with its sustainability commitments within the SLBs and SLLs. Through these SLBs and SLLs, the Group demonstrates that sustainability is central to its business strategy, aiming to build trust with its investors.

2.1.3. Key Performance Indicator

Fleet average Annual Efficiency Ratio (AER), which is a metric used to measure the carbon efficiency of a vessel or an entire fleet. It is calculated as the amount of CO2 emissions per transport work. Typically, it is expressed in grams of CO2 per deadweight ton-mile gCO2/dwt-nm).

$$AER = \frac{\sum_i C_i}{\sum_i dwt \ D_i}$$

Where C<sub>i</sub> is the fleet Well-to-Wake emissions, dwt is the fleet design deadweight, and D<sub>i</sub> is the fleet distance travelled.

2.1.4. Target Setting and Calibration of Sustainability Performance Targets

Establishing the Sustainability Performance Target (SPT) is crucial for defining the goals of Contships’ sustainability-linked financial instruments. These targets are set to ensure significant progress towards Contships’ long-term sustainability objectives, particularly in reducing carbon intensity and aiding global decarbonization efforts.

Annual Efficiency Ratio (AER)

Contships’ SPT focuses on achieving a 10% reduction in the fleet’s average well-to-wake Annual Emissions Rate (AER) over the five-year period of the Sustainability-Linked Bond (SLB), setting 2024 as the baseline year. The 2024 AER of 24.41 was validated by the American Bureau of Shipping (ABS) in January 2025. The company aims to meet this target by the end of 2029, with a trajectory for an annual average reduction of 2% from 2024 to 2029. The trajectory sets out a guideline, and compliance with the SPT shall be measured yearly on average for the measurable period from the issue date until the repayment date of the bond.

To achieve this ambitious goal, Contships will implement a combination of fleet retrofitting initiatives and the use of low-carbon fuels. These efforts will enhance the energy efficiency of the Group’s operations and support the Company’s broader sustainability and decarbonization commitments.

Sustainability Performance Target	A total fleet average well-to-wake AER reduction of 10% over the period of the SLB.				
Benchmark	ABS validated in January 2025 Contships' baseline figure and reduction targets of Well-to-Wake AER				
Target Year	2029				
Baseline Year	2024				
Baseline Figure (fleet average well-to-wake AER)	24.41				
Trajectory	2025	2026	2027	2028	2029
	-2%	-2%	-2%	-2%	-2%
Measures to achieve the SPT	<p>Improvement of the vessels efficiency by:</p> <ul style="list-style-type: none"> <li>• Applying advanced coatings to reduce hull resistance</li> <li>• Using Biofuels for the vessels trading in EU</li> <li>• Implementing the Port Power Management Plan which focuses on reducing energy consumption while vessels are idle at anchorage or in port.</li> </ul> <p>Fleet renewal: Newer and more efficient vessels will join the fleet over the years reducing the fleets overall AER.</p>				

In line with the 2023 IMO Strategy on reducing GHG emissions from ships, the American Bureau of Shipping (ABS) conducted a thorough benchmarking study for Contships Logistics Corp. This study assessed the fleet's carbon intensity and efficiency, analyzing all voyages in and considering improvements made from January 1, 2008, to December 31, 2024. The focus was on the fleet's Annual Efficiency Ratio (AER), which measures carbon intensity in grams of CO<sub>2</sub> per tonne-mile. ABS confirmed that , Contships achieved an average fleet-wide AER of 24.41 grams CO<sub>2</sub> per tonne-mile. This certification by ABS validates Contships' commitment to enhancing fleet efficiency and reducing environmental impact, aligning with the global decarbonization goals set by the IMO.

### 2.1.5.Reporting

Contships will disclose the progression on the KPI versus the SPT at least once a year, in the annual sustainability report or as a separate document whichever is more suitable considering the timeline and administrative arrangement. Either way, the document will be made publicly available.

The document will compare the Group's performance against the select SPT for the dedicated year. Where possible, Contships will also include details such as calculation methodologies and positive impacts made through the achievement of the SPT as part of the reporting that allow the investors to verify the accuracy.

The report will be accompanied by a verification assurance report prepared by an independent third party.

### **2.1.6. Review and Verification**

As discussed in Section 2.1.4. Contships will seek external verification on the performance against the SPT by a qualified external reviewer with relevant expertise at least once a year.

To ensure alignment with the Sustainability-Linked Bond Principles, Contships has engaged ABS to act as an external verifier of this Framework. The second party opinion will be published on Contships' website.

## **3. External Review**

### **3.1.1. Second party opinion**

To ensure alignment with the Sustainability Linked Loan Principles 2023 by the Loan Market Association, and the Sustainability Bond Guidelines 2021 by the International Capital Market Association, Contships has engaged ABS to act as an external verifier of this Sustainability-Linked Financing Framework. The second party opinion will be published on Contships website.

### **3.1.2. Post-issuance review**

Contships will on an annual basis obtain an external independent review to ensure that, inter alia, the selection process for the financing of any assets and the allocation of net proceeds from issuance of any Sustainability Linked Instruments is carried out in accordance with Contships' Sustainability-Linked Financing Framework.

### **3.1.3. Publicly available documents**

The Sustainability-Linked Financing Framework and the second party opinion will be publicly available on Contships' website, together with the post-issuance review once published.

## **3.2. Amendments to Framework**

Contships will review this Framework on a regular basis, including its alignment to the relevant standards as listed in Section 2, with the aim of adhering to market best practices in line with the version in effect at that time. Upon review, this Framework may be updated and amended.

Any updated Framework and/or SPO will be published on Contships' website and will replace this Framework.