

SECOND PARTY OPINION

on alignment of

Contships Logistics Corp. Sustainability-Linked Financing Framework with
the International Capital Market Association's (ICMA) Sustainability-Linked
Bond Principles (SLBP) and the Loan Markets Association's (LMA)
Sustainability-Linked Loan Principles (SLLP)



Executive Summary

Contships Logistics Corp. (*hereafter referred to as* “CONTSHIPS”) is a shipping company. As a shipping company, its core business revolves around owning and operating a fleet of container vessels engaged in international and regional trades under time-charter agreements. CONTSHIPS has engaged the American Bureau of Shipping (*hereafter referred to as* “ABS”) to provide a Second Party Opinion (SPO) on the alignment of CONTSHIPS Sustainability-Linked Financing Framework with the International Capital Market Association’s (ICMA) Sustainability-Linked Bond Principles (SLBP) and the Loan Markets Association’s (LMA) Sustainability-Linked Loan Principles (SLLP).

The SPO is based on the following standards and guidance, as appropriate for this engagement:

- Sustainability-Linked Bond Principles (June 2024) of the International Capital Market Association
- Sustainability-Linked Loan Principles (February 2023) of the Loan Market Association
- Guidelines for Green, Social, Sustainability, and Sustainability-Linked Bonds External Reviews (June 2022) of the International Capital Market Association
- External Review Guidelines for Green, Social, Sustainability, and Sustainability-Linked Loans (January 2024) of the Loan Market Association

ABS is of the opinion that the CONTSHIPS's Sustainability-Linked Financing Framework aligns with the five core components of the Sustainability-Linked Bond Principles (SLBP) and Sustainability-Linked Loan Principles (SLLP). This assessment is based on the following:

SLBP/SLLP Components	ABS Opinion	Alignment with SLBP/SLLP (✓/ ✕)
Selection of KPIs	ABS considers the KPI relevant, material, and aligned with the company's sustainability strategy. ABS deems the SPT ambitious, as they constitute an important step to reduce GHG emissions.	✓
Calibration of SPTs	ABS views CONTSHIPS's calibration of Sustainability Performance Targets (SPT) as ambitious. It takes into consideration the beyond business-as-usual trajectory and regulatory required targets.	✓
Loan Characteristics	ABS finds that the bond characteristics align well with SLB requirements, including an increase in principal repayment if the SPT is not met, and mandates public reporting and verification to ensure transparency.	✓
Reporting	CONTSHIPS's reporting strategy is thorough and transparent. By providing detailed annual reports on the performance of KPI and, where possible, the impact of the projects. This approach is well-aligned with SLBPs	✓

SLBP/SLLP Components	ABS Opinion	Alignment with SLBP/SLLP (✓/ x)
	and SLLPs and best practices in the industry, to inform stakeholders about the use and impact of the funds.	
Verification	CONTSHIPS recognized that post-issuance verification is a necessary element of the SLBP. Therefore, qualified external reviewers will be provided with the mandate to independently verify the KPI performance data and achievements on the SPTs.	✓

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Nomenclature

AER	Annual Efficiency Ratio
IMO	International Maritime Organization
KPI	Key Performance Indicator
LMA	Loan Market Association
SLB	Sustainability Linked Bond
SLBP	Sustainability Linked Bond Principles
SLFF	Sustainability-Linked Financing Framework
SLL	Sustainability Linked Loan
SLLP	Sustainability Linked Loan Principles
SPT	Sustainability Performance Target
SPO	Second Party Opinion

1. Introduction

Contships Logistics Corp. (*hereafter referred to as 'CONTSHIPS'*) is a prominent container tonnage provider specializing in container ships. As a shipping company, its core business revolves around owning and operating a fleet of container vessels engaged in international and regional trades under time-charter agreements.

This document commences with an examination of the Sustainability-Linked Financing Framework, a structure established by CONTSHIPS. The framework is designed to facilitate the issuance of various sustainable financing instruments, including bonds, loans, and other financial instruments, which are intended to mobilize financing to support CONTSHIPS's efforts toward decarbonizing the shipping industry. The Framework is developed in alignment with the Guidelines for Sustainability-Linked Bonds Principles published by the International Capital Market Associations (ICMA) and Sustainability-Linked Loan Principles by the Loan Markets Association (LMA)¹.

In accordance with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles, it is recommended that borrowers engage external review providers to assess the alignment of their Framework with the four core components of the Principles. CONTSHIPS has retained the services of the American Bureau of Shipping (ABS) to provide a second-party opinion on the alignment of the framework with the guidelines for sustainability-linked bonds and sustainability-linked loan principles.

ABS is a recognized leader in new technology development and assessment, serving as a trusted technical advisor to the marine and offshore industries. For over 150 years, these pillars have formed the foundation of ABS's success and have positioned the organization to provide practical solutions for the future. With a global team of nearly 3,500 technical professionals, ABS possesses the requisite experience, knowledge, and professional judgment to assist its members and clients worldwide. ABS adheres to the following five fundamental ethical and professional principles for external reviews:

1. Integrity
2. Objectivity
3. Professional Competence and Due Care
4. Confidentiality
5. Professional Behavior

¹ Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles can be accessed at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Sustainability-Linked-Bond-Principles-June-2024.pdf> and, <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Sustainability-Linked-Bond-Principles-June-2024.pdf>

1.1. CONTSHIPS Decarbonization Strategy

CONTSHIPS has established a decarbonization pathway aligned with the 2023 IMO Strategy on the reduction of GHG emissions, which follows a well-below 2 degrees pathway. As detailed in CONTSHIPS's 2022 Sustainability Report², their Scope 1 emissions were 733,520 metric tons CO₂e and according to their DCS data, a decrease of 27,361 metric tons CO₂e has been achieved in 2023. CONTSHIPS aims to use the following decarbonization levers as detailed in their 2022 Sustainability report are summarized below:

Investing in Low Emission Vessels: Recognizing the growing need for energy-efficient and environmentally sustainable vessel operations, CONTSHIPS is committed to regularly assessing potential upgrades, retrofit options, and investment opportunities. In close collaboration with its charterers, the company ensures the continuous modernization of its fleet to remain both attractive and competitive in the market.

Low-Carbon Fuel Solutions: Biofuels are seen as a vital component of CONTSHIPS' strategy to decrease emissions, especially for vessels traveling into Europe. By replacing conventional marine fuels with biofuels, which are derived from renewable resources, CONTSHIPS significantly reduces greenhouse gas emissions and contributes to cleaner air quality.

The company's biofuel strategy focuses on vessels operating in European waters, where environmental regulations are increasingly stringent. These fuels not only minimize the carbon footprint but also support CONTSHIPS in meeting the European Union's environmental goals for sustainable shipping.

² CONTSHIPS's 2022 Sustainability Report can be accessed at <https://contships-management.com/contships-esg-report-2022/>

2. Scope of Work

The objective of this report is to provide an SPO on CONTSHIPS's Framework based on the guidelines set forth by the International Capital Market Association Sustainability-Linked Bond Principles and the Loan Markets Association Sustainability-Linked Loan Principles. The Sustainability-Linked Bond/Loan incentivizes the borrower to achieve material, ambitious, pre-determined, regularly monitored and externally verified sustainability objectives through Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs). By seeking this SPO, CONTSHIPS aims to demonstrate its commitment to these principles and alignment of its SLB/SLL with recognized standards and guidelines.

ABS, as an independent third-party, has been appointed to evaluate CONTSHIPS SLB/SLL. The scope of this evaluation includes:

- Framework Review: A high-level assessment of CONTSHIPS's Sustainability Linked Financing Framework.
- Alignment: Assessment of CONTSHIPS's Sustainability Linked Financing Framework with the International Capital Market Association's (ICMA) Sustainability-Linked Bond Principles (SLBP) and the Loan Markets Association's (LMA) Sustainability-Linked Loan Principles (SLLP).

2.1. Assumptions & Limitations

In preparing this SPO, ABS has considered the Sustainability Linked Financing Framework submitted by CONTSHIPS. Additionally, ABS has reviewed CONTSHIPS's Sustainability Report 2022 and the information available on the CONTSHIPS's website.

The information and data provided to ABS by CONTSHIPS formed the basis for the assumptions made in rendering this SPO. ABS has relied in good faith on the information provided by CONTSHIPS and assumes it to be accurate, true, and complete. ABS accepts no liability for errors or misrepresentations in the data provided.

3. Methodology

To evaluate the alignment of the agreement with relevant international standards and best practices, ABS employed a comprehensive three-step approach, consistent with its established methodology for such engagements.

As the initial step, a thorough review of the Documents provided by CONTSHIPS was conducted. This review allowed ABS to gain a broad understanding of the Framework's scope, objectives, and governing principles.

Secondly, ABS thoroughly examined CONTSHIPS's sustainability reports, corporate social responsibility statements, and other pertinent public disclosures to enable the evaluation of the company's ESG performance, as well as its commitments to sustainable practices and responsible operations.

In the third step, ABS engaged in interviews with CONTSHIPS's management team to gain valuable first-hand insights into their green strategy, objectives, and implementation plans. These discussions provided ABS with a deeper understanding of CONTSHIPS's vision and approach toward sustainability and environmental stewardship.

Building upon the knowledge acquired through this comprehensive three-step approach, encompassing document analysis, public disclosure review, and management consultations, ABS formulated its opinion on the alignment of CONTSHIPS's Sustainability Linked Financing Framework with SLBPs and SLLPs .

4. Alignment with Sustainability-Linked Bond Principles (SLBP) and Sustainability-Linked Loan Principles (SLLP)

The sustainability-linked Bond Principles (SLBP) and Sustainability-Linked Loan Principles (SLLP) established a framework that enables all market participants to clearly understand the characteristics of an SLB and SLL. This framework is based on the following five core components:

1. Selection of KPIs
2. Calibration of SPTs
3. Loan Characteristics
4. Reporting
5. Verification

The SLBP and SLLP also emphasize the required transparency, accuracy, and integrity of the information that borrowers will disclose and report to stakeholders through these core components. The following sections detail the alignment of CONTSHIPS's Sustainable Finance Framework with the SLBPs and SLLPs, along with ABS's opinion on the alignment.

4.1. Selection of KPIs

CONTSHIPS used the below sustainability metric for its KPI:

- **Annual Efficiency Ratio (AER)** as a metric of the annual emissions intensity of the fleet, taken as a weighted average for the time each vessel remains under CONTSHIPS ownership. It is based on well-to-wake (WtW) GHG emissions. Only vessels owned by CONTSHIPS as of 31st December each year are included.

ABS Opinion

Greenhouse gas (GHG) emissions are a major material issue for a shipping company, both as a source of financial risk and in terms of environmental and societal impact, as is also reflected in the company's own Sustainability Report.

The calculation of the emissions is conducted on a Well-to-wake basis. This approach is forward-looking and aligned with the revised IMO's strategy stated the levels of ambition and indicative checkpoints should take into account the well-to-wake GHG emissions. The calculation of the weighted average AER is clearly defined, easily measured and quantified.

Supporting documentation for the calculation of this KPI shall be the data submitted to IMO DCS as a statutory requirement for all vessels of the company during their ownership. The KPI – AER is calculated on a fleet level.

ABS acknowledges that the KPIs selected by CONTSHIPS are in line with its environmental goals. The alignment with SLBP and SLLP, as well as the focus on reducing greenhouse gas emissions, indicate a strong potential for a positive environmental impact. AER is identified as a core potential KPI in the Illustrative KPIs Registry published by ICMA for the maritime sector and shipping subsector.

4.2. Calibration of SPTs

The primary SPT is achieving a 10% reduction in the fleet's average well-to-wake AER over the period of the Sustainability-Linked Bond with an indicative 2% reduction each year starting from 2024. A continuous improvement of yearly weighted fleet average AER with 2024 as the baseline year.

Year	YoY Reduction %
2025	2
2026	2
2027	2
2028	2
2029	2

ABS Opinion

ABS study confirms that the 2008 Fleet WtW Annual Efficiency Ratio (AER) is 34.53 grams of CO₂e per tonne-mile, while the 2024 Fleet WtW Annual Efficiency Ratio (AER) is 24.41 grams of CO₂e per tonne-mile. During the five-year period, an AER of 22.06 is projected for 2029, reflecting a 10% reduction from the 2024 baseline.

Year	AER grams CO ₂ per tonne-mile	Reduction %
2008	34.53	NA
2024	24.41	29.3%
2029 (projected)	22.06	36.1%

The company has set a sustainable performance target (SPT) in the context of the SLFF to reduce GHG intensity by 36.1% at the end of year 2029, aligning with internationally recognized frameworks in the maritime sector. This SPT reflects a proactive approach and demonstrates a commitment to advancing beyond established regulatory baselines outlined by IMO. CONTSHIPS is set to achieve a 36.1% reduction in 2029 and the ambition in this target indicates a dedication to long-term environmental performance improvements in line with industry expectations.

CONTSHIPS intends to improve vessels' efficiency through retrofits and fleet renewal. Additionally, CONTSHIPS is focusing on the use of biofuels for vessels operating in European waters, with the goal of further reducing emissions.

ABS Opinion

ABS views CONTSHIPS's calibration of Sustainability Performance Targets (SPTs) as ambitious. It takes into consideration the beyond business as usual trajectory and regulatory required targets.

4.3. Bond Characteristics

The Sustainability-Linked Bond incorporates a penalty mechanism, increasing the principal repayment by 0.50% (to 100.50% of the Nominal Amount) on the Maturity Date or any Call Option Repayment Date if CONTSHIPS fails to provide the required evidence. To maintain the original bond terms, CONTSHIPS must:

1. Target Observation Date Compliance:

Provide written evidence by the Target Observation Date confirming that the Sustainability Performance Target (SPT), verified by ABS, has been met. This should cover the period from 2025 to either:

- The year 2029 (published in the Sustainability Report or separate verified data if unavailable), or
- The year 2028 if 2029 data and ABS confirmation are not ready in time.

2. Call Option Repayment Date Compliance:

For any Call Option Repayment Date, deliver evidence within one month before the date confirming that the SPT has been met on average for the financial years from 2025 up to the most recent year with a Sustainability Report, confirmed by ABS.

ABS Opinion

ABS finds that the bond characteristics align well with the requirements for a Sustainability-Linked Bond (SLB). A penalty provision is included, stipulating that the principal repayment will increase by 0.50% if the SPT is not met. This 0.50% increase represents a meaningful change relative to the bond's original terms.

The bond documentation specifies the need to achieve the SPT and to provide the relevant reporting publicly. This requirement ensures transparency and accountability.

4.4. Reporting

CONTSHIPS commits to documenting the Key Performance Indicator (KPI) performance annually in their corporate sustainability report, combined non-financial declaration, or comparable reports. This aligns with the ICMA recommendation for regular and at least annual reporting. The report will include information on the KPI performance and Sustainability Performance Target (SPT) achievements, which are crucial for investor transparency.

While not explicitly stated in the Framework, it is implied that these reports will be publicly available, as is standard practice for corporate sustainability reports.

ABS Opinion

ABS views CONTSHIPS's reporting strategy as thorough and transparent. CONTSHIPS's reporting process demonstrates strong alignment with ICMA and LMA Principles. By integrating this sustainability reporting into their established corporate reporting mechanisms, CONTSHIPS ensures that their sustainability performance is given equal importance alongside other key business metrics. This integration underscores the company's commitment to embedding sustainability into its core business practices. The annual reporting cycle and integration into corporate reporting demonstrate a serious commitment to transparency and stakeholder engagement in their sustainability journey.

4.5. Verification

To ensure the accuracy and validity of KPI performance data and SPT achievements, CONTSHIPS will engage an external verifier. This step aligns with the SLBP's and SLLPs' requirements for independent and external verification. Each year, the external verifier will deliver an independent report on the attainment of SPT, adhering to the recommendation for external verification. The scope of this verification will encompass both the KPI performance data and the progress against the SPTs, providing a comprehensive review in line with best practices.

ABS Opinion

ABS views CONTSHIPS's verification strategy as thorough and transparent. CONTSHIPS's verification process demonstrates alignment with ICMA principles. The engagement of a reputable third-party verifier, commitment to annual verification, and public disclosure of key documents align well with market expectations and best practices for sustainability-linked bonds and loans.

5. Conclusion

ABS has reviewed CONTSHIPS's Sustainability-Linked Finance framework and considers the KPI relevant, material, and aligned with the company's sustainability strategy. ABS deems the SPTs ambitious, as they constitute an important step to reduce GHG emissions trajectory compared with previous reduction efforts. ABS considers reporting and verification commitments to be aligned with current market standards.

Based on the foregoing, ABS regards CONTSHIPS's Sustainability-Linked Finance framework to be aligned with the core elements of the ICMA SLBP and LMA SLLP and the potential achievements of the SPTs to be impactful.

6. Statement of Competence and Independence

With this statement, ABS expresses an independent second opinion on the alignment of the CONTSHIPS's Sustainability-Linked Finance Framework to the SLBPs and SLLPs.

ABS's statement is intended to identify the level of alignment of the Framework with the SLBPs and SLLPs. To help CONTSHIPS in its efforts to align with the SLBPs and SLLPs, ABS has received and reviewed relevant information and facts provided by CONTSHIPS and relied on this as the basis for rendering this statement. CONTSHIPS has represented that the information is materially true, accurate and complete and ABS is under no obligation to verify the same independently. ABS shall not be liable for any opinion rendered under this statement to the extent that it is based on or resulted from inaccurate or incomplete information, data and facts provided by or on behalf of CONTSHIPS whether due to error, omission or deliberate falsification.

ABS applies its own management standards and compliance policies for quality control and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. An independent team of sustainability assurance professionals carried out this engagement work. ABS was not involved in preparing statements or data included in the Framework except for this Statement. ABS maintains complete impartiality toward stakeholders during the assessment process.

ABS's report was prepared by ABS solely for the benefit of CONTSHIPS. Neither ABS nor any person acting on ABS's behalf makes any warranty (express or implied), or assumes any liability to any third party, with respect to the use of any information or methods disclosed herein. Any third-party recipient of this report, by acceptance or use of this report, releases ABS from liability for any direct, indirect, consequential, or special loss or damage, whether arising in contract, tort (including negligence), or otherwise.



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