



## **SECOND PARTY OPINION (SPO)**

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Scope of verification: Sustainability-Linked Finance Framework

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Name of client: Precious Shipping Public Company Limited (PSL)

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Report no.: 2312-78096 -001

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Project no.: 2312-78096

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Type of instrument: Sustainability-Linked Bonds/Loans

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20 August 2024

# Summary

Second Party Opinion (SPO) on Precious Shipping Public Company Limited (PSL) Sustainability-Linked Finance Framework

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**Report no.:**  
2312-78096 -001

**Revision no.:**  
3

**Report date:**  
20 August 2024

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# Document control

## Revision history

Revision No.	Date	Revision
1.0	20.06.2024	First SPO Draft Report
2.0	10.07.2024	Second SPO Draft Report
3.0	20.08.2024	Final SPO Report

# List of Acronym & Abbreviation

Acronym or Abbreviation	Description
ACMF	ASEAN Capital Markets Forum
AER	Annual Efficiency Ratio
CII	Carbon Intensity Index
DCS (IMO)	Data Collection System
ESG	Environment Social Governance
GHG	Green House Gas
ICMA	International Capital Market Association
IMO	International Maritime Organization
KPI	Key Performance Indicator
MEPC	Marine Environment Protection Committee
PSL	Precious Shipping Public Company Limited
SDG	Sustainable Development Goal
SLB	Sustainability Linked Bond
SLBP	Sustainability-Linked Bond Principles
SLFF	Sustainability-Linked Finance Framework
SLL	Sustainability Linked Loan
SLLP	Sustainability-Linked Loan Principles
SPO	Second Party Opinion
SPT	Sustainability Performance Targets

# External Review Statement

LR carried out the external review in line with the Sustainability-Linked Bond Principles (SLBP), Sustainability-Linked Loan Principles (SLLP), and ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS). The review involved assessing:

- The relevance, materiality and reliability of the selected KPI
- The rationale and level of ambition of the proposed SPT
- The relevance and reliability of selected benchmarks and baselines
- The credibility of the strategy outlined to achieve the SPT

Based on the review, LR's findings are as follows:

- Selection of Key Performance Indicators (KPIs):** PSL has selected the Annual Efficiency Ratio (AER) average, which measures carbon intensity per transport work (measured in grams CO<sub>2</sub> emitted per tonne-nautical mile) as its KPI. LR confirms that the KPI selected is relevant, core to the business, material, measurable, externally verifiable, strategically relevant, and can be benchmarked. The KPI is clearly defined with a sound calculation methodology and aligns with Sustainable Development Goals (SDGs) 9.4 and 13.2.
- Calibration of Sustainability Performance Targets (SPTs):** PSL has set an SPT target to achieve an average AER value of 4.64 g CO<sub>2</sub>/t nm by 2034, representing a 38.54% reduction from the 2019 baseline. LR confirms that the chosen SPT is ambitious, meaningful, consistent with PSL's ESG strategy & represents a material improvement of the KPI beyond the "Business as Usual" trajectory.
- Bond or Loan characteristics:** The financial and/or structural characteristics and implications related to the achievement or failure of the SPT will be outlined in the legal documentation of all SLB/SLL instruments. PSL has informed in the sustainability-linked finance framework that the exact bond or loan adjustment mechanism and target date will be outlined in the specific instrument documentation.
- Reporting:** LR confirms that PSL has committed to annual reporting of up-to-date information on the performance of the selected KPI within its Sustainability-Linked Finance Framework. This information will be publicly available on the company website.
- Verification:** PSL has committed to the annual verification of KPI performance by independent external reviewers. LR can confirm PSL's commitment to verification is in line with the requirements of the ICMA SLBP, SLLP and ASEAN SLBS. The performance verification against the SPTs will be made publicly available.

Based on the information provided by PSL and LR's external review, LR concludes that PSL's Sustainability-Linked Finance Framework meets the criteria established under the Sustainability-Linked Bond Principles (SLBP), Sustainability-Linked Loan Principles (SLLP) and ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS).

Signed by:



Name: Amrish Bansal

Title: Senior VP, Business Advisory & Consultancy

Date: 16 August 2024

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## 1. Scope & Objectives

Lloyd's Register Pte Ltd, Singapore (henceforth referred to as "LR") has been commissioned by Precious Shipping Public Company Limited (henceforth referred to as "PSL", or "Issuer" to provide a second-party opinion on PSL's Sustainability-Linked Finance Framework – 2024 (the "Framework"). The Framework enables the issuance of sustainability-linked bonds (or "loans", used interchangeably hereinafter), where the proceeds of the bond or loan are intended to be used for general corporate purposes. The Framework contains one Key Performance Indicator (KPI) & one Sustainable Performance Target (SPT), focused on reducing the carbon intensity of PSL's shipping operations by 38.54% by 2034 from a 2019 baseline.

PSL is committed to achieving sustainability improvements within the set timeline, and the Framework links its funding to these sustainability goals. This approach aims to drive significant sustainability advancements that are relevant, core, and material to both PSL's business and the broader shipping industry.

The objective of the external review has been to provide an independent assessment of whether the sustainability-linked bonds/loans to be issued under the Framework comply with the criteria outlined in the Sustainability-Linked Bond Principles (SLBP) by the International Capital Market Association (ICMA), Sustainability-Linked Loan Principles (SLLP), and ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) by the ASEAN Capital Markets Forum (ACMF).

## 2. Business Overview

PSL is an owner and operator of dry bulk vessels headquartered in Thailand. PSL was established in December 1989 and commenced commercial operations in March 1991, after obtaining the approvals from the Bank of Thailand and the Board of Investment. PSL was granted "listed" status on the Stock Exchange of Thailand on the 16th of September 1993. It operates in the Handysize, Supramax and Ultramax sectors of the tramp freight market on a time charter as well as on a voyage charter basis. Its fleet consists of 17 Handysize, 8 Supramax, 8 Ultramax & 4 cement carriers.



**37** Vessels Under Operation as of 31 July 2024



**1,620,808 DWT** Capacity as of 31 July 2024

## 3. Verification criteria & standards

LR has adopted Sustainability-Linked Bond Principles (SLBP) set out by the International Capital Market Association (ICMA), ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) set out by ASEAN Capital Markets Forum (ACMF) and Sustainability-Linked Loan Principles (SLLP) to include a set of criteria that can be used to underpin LR's opinion on the Framework. The criteria used to assess the Framework are organized under the following components:

**Core Components of SLBP / SLLP**

**Selection of KPIs**

KPI should be relevant, material to issuer’s business, measurable, externally verifiable & able to be benchmarked

**Calibration of SPTs**

The SPT should be ambitious, represent a material improvement, consistent & realistic

**Bond / Loan characteristics**

Bond characteristics should describe how the bonds financial or structural characteristics vary depending on whether KPI reach or not reach predefined SPT

**Reporting**

Report up to date information on the performance of selected KPI at least annually & publish a verification assurance report

**Verification**

Issuers should seek independent and external verification (limited or reasonable) of their performance against each SPT for each KPI

**Additional Components of ASEAN SLBs**

**Eligible Issuers**

Must have a geographical or economic connection to the ASEAN region

**Continuous Accessibility to Information**

Information on ASEAN SLB KPI, SPT, etc. to be made publicly accessible from a designated website

**More Frequent Reporting**

Issuers are encouraged to provide more frequent periodic reporting in addition to annual reporting

**Increased Transparency on Timeline**

Issuers are encouraged to indicate the timeline of reporting

**External Review**

Issuer must appoint an external review provider for SPO prior to issuance of ASEAN SLB

**Alignment of KPIs with SDG**

Align the KPIs of ASEAN SLB with SDG

Figure 1: Components of sustainability-linked bond/loan principles & ASEAN sustainability-linked bond standards



#### 4. Assessment of PSL’s Sustainability-Linked Finance Framework

In this section LR has provided its comment on the alignment of PSL’s framework with the Sustainability-Linked Bond Principles (SLBP), ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) & Sustainability-Linked Loan Principles.

Sl. No	Component	Requirement	LR Findings
1	Selection of Key Performance Indicators (KPIs)	KPI should be relevant, core and material to the corporate issuer’s overall business and of high strategic significance to the issuer’s current and/or future operations	<ul style="list-style-type: none"> <li>PSL has selected the average Annual Efficiency Ratio (AER), which measures carbon intensity per transport work (in grams CO<sub>2</sub> emitted per tonne-nautical mile), as its KPI</li> <li>PSL sustainable development policy aims at establishing measures for reducing carbon emissions, improving resource efficiency and energy consumption.</li> <li>The AER is a widely used metric in the shipping sector to monitor and report annual GHG performance as part of the Carbon Intensity Indicator (CII)</li> <li>LR confirms that the KPI selected is relevant, core and material to the PSL’s overall business</li> <li>The chosen KPI is of high strategic relevance to the issuer’s current and future operations</li> </ul>
2		KPI should be measurable or quantifiable on a consistent methodological basis, externally verifiable & able to be benchmarked	<ul style="list-style-type: none"> <li>Historical AER values have been available since 2019 and have been reported to IMO Data Collection System (DCS)</li> <li>The CII (AER) values are verified for each ship in accordance with regulation 27.7 of MARPOL Annex VI and 2022 guidelines for administration verification of ship fuel oil consumption data and operational carbon intensity MEPC.348(78)</li> <li>The KPI can be benchmarked with PSLs own performance (since 2019)</li> <li>The KPI is easily comparable with the data reported by other companies and aligns with the 2023 IMO strategy on reducing GHG emissions from ships</li> <li>LR confirms that the selected KPI is measurable, externally verifiable &amp; able to be benchmarked</li> </ul>

Sl. No	Component	Requirement	LR Findings
3	Selection of Key Performance Indicators (KPIs)	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter	<ul style="list-style-type: none"> <li>The KPI covers 100% of PSL's fleet operations</li> <li>The KPI uses relevant parameters including dead weight (DWT), distance travelled and fuel consumption, and is reported in grams CO<sub>2</sub> emitted per tonne-nautical mile</li> <li>Carbon emissions from fuel consumption are calculated based on the correction factors as per Annex 5, MEPC. 308(73)</li> <li>LR confirms that the selected KPI provides a clear scope and calculation methodology</li> </ul>
4	Calibration of Sustainability Performance Targets (SPTs)	The SPTs should be ambitious and represent a material improvement in the respective KPIs & be beyond a "Business as Usual" trajectory	<ul style="list-style-type: none"> <li>PSL has set an SPT target to achieve an average AER value of 4.64 g CO<sub>2</sub>/t nm by 2034, which corresponds to a reduction of 38.54% from the 2019 baseline. The average AER value in 2019 was 7.55 g CO<sub>2</sub>/t nm</li> <li>The SPT aligns with the IMO GHG strategy for reducing carbon emissions by 40% by 2030 (compared to 2008 values) and the IMO net-zero 2050 strategy</li> <li>Achieving this AER reduction goes beyond "business as usual", as PSL will need to implement technical and operational measures as outlined in the Framework to meet the targets</li> <li>LR confirms that the chosen SPT is ambitious and represents a material improvement of the KPI beyond a "Business as Usual" scenario</li> </ul>

Year	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>a</sup>	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Average CII (AER) (g CO <sub>2</sub> /t nm)	7.55 (Base Year)	7.19	7.42	7.14	6.80	6.66	6.51	6.37	6.23	6.09	5.94	5.8	5.51	5.22	4.93	4.64
% reduction with respect to base year	-	4.77	1.72	5.43	9.93	11.79	13.77	15.63	17.48	19.34	21.32	23.18	27.02	30.86	34.70	38.54



The values from 2024 to 2034 represents the SPT trajectory.

<sup>a</sup> a - Actual historical emissions

Sl. No	Component	Requirement	LR Findings
5		The SPTs should be realistic, and meaningful to the Issuer's business and be consistent with the Issuers' overall strategic sustainability/ESG strategy	<ul style="list-style-type: none"> <li>LR confirms that the SPT is consistent with the Issuer's overall strategic sustainability/ESG strategy, as it is fully aligned with the PSL's decarbonisation strategy</li> <li>The set SPT is significant as it tackles a major environmental challenge faced by PSL and the broader maritime industry, aiding the transition to a low-carbon economy by 2030 and net-zero by 2050</li> </ul>
6	Calibration of Sustainability Performance Targets (SPTs)	<p>SPT should be compared to a benchmark or an external reference where possible.</p> <p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> <li>The Issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended</li> <li>The SPTs relative positioning versus the Issuer's peers where comparable or available, or versus industry or sector standards</li> <li>Systematic reference to science-based scenarios or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies</li> </ol>	<ul style="list-style-type: none"> <li>The SPT can be benchmarked against PSL's past performance utilizing clear calculation methods and three years of historical data, as outlined in the Framework.</li> <li>The SPT aligns with the IMO GHG strategy for reducing the carbon emissions by 40% in 2030 (compared to 2008 values) and IMO net zero 2050 strategy.</li> <li>To align with the IMO GHG strategy, a minimum 21.5% reduction from 2019 AER values is required, as detailed in Annex 12, MEPC.338(76).</li> </ul>

Sl. No	Component	Requirement	LR Findings
7	Calibration of Sustainability Performance Targets (SPTs)	<p>Disclosures on target setting should make clear reference to:</p> <ul style="list-style-type: none"> <li>• The timelines of target achievement, the trigger event(s), and the frequency of SPTs</li> <li>• Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used</li> <li>• Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs</li> </ul> <p>Any other key factors beyond the issuer's direct control that may affect the achievement of the SPT(s).</p>	<ul style="list-style-type: none"> <li>• The SPT has a clearly defined base year (2019) and target year (2034).</li> <li>• The baseline of 2019 is selected as verifiable emissions data are available from 2019 onwards as per IMO DCS data requirements.</li> <li>• PSL has outlined specific "trigger events" that could impact the financial or structural terms of the bond, including: <ul style="list-style-type: none"> <li>○ Non-compliance with the SPT by the target observation date or</li> <li>○ Failure to meet the reporting and verification requirements outlined in the Framework</li> </ul> </li> <li>• PSL has devised the following strategies to achieve the SPT by 2034: <ul style="list-style-type: none"> <li>○ Upgrade to more efficient vessels by investing in newer, more energy-efficient ships or retrofit existing vessels with advanced technologies</li> <li>○ Implement advanced route planning utilizing AI and weather-routing software to optimize voyages for fuel efficiency</li> <li>○ Adopt slow-steaming practices &amp; enhance crew training on best practices for fuel-efficient operations</li> <li>○ Install energy saving devices &amp; sensors to optimize operational efficiency</li> <li>○ Use additives and biofuels to reduce emissions</li> </ul> </li> <li>• PSL has identified and reported the external risk factors that could impact the attainment of the SPT in the framework</li> </ul>

Sl. No	Component	Requirement	LR Findings
8		The SLB/SLL will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	<ul style="list-style-type: none"> <li>PSL will detail the specific bond or loan adjustment mechanism and target date in the instrument documentation</li> <li>PSL has mentioned in the framework that the bond or loan characteristics will result in a coupon adjustment, a margin adjustment, a premium payment, the purchase of voluntary carbon offsets, or additional covenants or a combination of the aforementioned—should the issuer achieve or fail to achieve the targets.</li> </ul>
9	Bond or Loan characteristics	Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained. Issuers may also consider including, where needed, language in the bond documentation to take into consideration potential exceptional events.	<ul style="list-style-type: none"> <li>LR confirms that there is low risk of PSL not being able to calculate its KPI as it is required to report the same as part of IMO DCS as part of its regulatory requirement.</li> <li>PSL has mentioned in the framework that any recalculations or pro forma adjustments must be outlined in the bond, loan or securities-specific documentation and such recalculations or pro forma adjustments will have to be externally verified by an independent external reviewer</li> <li>LR confirms that the PSL's commitment to the bond or loan characteristics is in line with the requirements of the ICMA SLBP, SLLP and ASEAN SLBS.</li> </ul>

Sl. No	Component	Requirement	LR Findings
10	Reporting	<p>Issuers of SLB/SLL should publish, and keep readily available and easily accessible:</p> <ul style="list-style-type: none"> <li>▪ Up-to-date information on the performance of the selected KPI(s), including baselines where relevant</li> <li>▪ A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics</li> <li>▪ Any information enabling investors to monitor the level of ambition of the SPTs</li> </ul> <p>Reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's or SLL's financial and/or structural characteristics.</p>	<ul style="list-style-type: none"> <li>• PSL has mentioned in the framework that it will include up-to-date information on the performance of the selected KPI in its annual sustainability report, or at least annually in any other official report that may replace it in the future</li> <li>• The report will be accessible and publicly available on PSL's website</li> <li>• PSL has mentioned that the information in the report will include, but not be limited to, the following: <ul style="list-style-type: none"> <li>○ The most recent information on the performance of the selected KPIs, including the relevant baseline.</li> <li>○ A verification assurance report, conducted on the basis of limited assurance, outlining the performance of the KPI against the SPT</li> <li>○ Any other relevant information to enable investors/lenders to monitor the progress of the selected KPI</li> </ul> </li> <li>• LR confirms that PSL has committed to annual reporting against the KPI within its Sustainability-Linked Finance Framework and will be accessible on the company website</li> </ul>
11	Verification	<ul style="list-style-type: none"> <li>▪ Issuers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year, and for each SPT trigger event.</li> <li>▪ The verification of the performance against the SPTs should be made publicly available.</li> </ul>	<ul style="list-style-type: none"> <li>• PSL has committed to publish the annual KPI performance, based on the GHG emissions verified by independent external reviewers which will be made publicly available on the company's website (<a href="http://www.preciousshipping.com">www.preciousshipping.com</a>)</li> <li>• PSL has committed to the external verification against any SPT related trigger events</li> <li>• LR confirms PSL commitment to verification is in line with the requirements of the ICMA SLBP, SLLP and ASEAN SLBS</li> </ul>

## Appendix A: Referenced Documents List

Sl. No	Document Name	Description	Reference
1	PSL sustainability-linked finance framework	Publicly available document	
2	Sustainability reports from 2019 to 2023	Publicly available document	<a href="https://www.preciousshipping.com">Sustainability Report   PSL (preciousshipping.com)</a>
3	Ship fuel oil consumption verification report of all ships from 2019 to 2023	The verification report is provided in accordance with the regulation 27.7 of MARPOL Annex VI and 2022 guidelines for administration verification of ship fuel oil consumption data and operational carbon intensity MEPC.348(78)	
4	PSL sustainable development policy	Publicly available document	<a href="#">Sustainable Development Policy</a>
5	Ship Energy Efficiency Management Plan (SEEMP) Part III	Provides calculation methodology of the ship's attained annual CII	
6	CII reduction factors guidelines	Publicly available document – Annex 12, Résolution MEPC.328(76), 2021	<a href="#">CII reduction factors guidelines</a>
7	Peer benchmarking of KPI & SPT	KPI & SPT considered among peers in the shipping industry	

## Appendix B: External Reviewer's Credentials

Lloyd's Register is a leading provider of classification and compliance services to the marine and offshore industries. LR offers a comprehensive range of services centred around Environmental, Social, and Governance (ESG) factors, recognizing their significance in organizational operations.

The firm facilitates the development and implementation of robust ESG strategies and reporting mechanisms, providing clients with a credible foundation for long-term, targeted commitments. Services include materiality and lifecycle assessments, carbon footprint evaluations, and the utilization of rating systems like EEXI, EEDI, and CII. LR's experts guide organizations through ESG risk assessments, energy transition initiatives, and the overall ESG reporting process.

The company extends its support to ensure the trustworthiness of non-financial disclosures through third-party assurance, covering aspects such as ESG, GHG emissions, carbon footprint, and life cycle assessments. Furthermore, LR's expertise in sustainable finance aids clients in transitioning to a low-carbon economy, with services encompassing ESG finance assurance, climate bond certification support, and emissions trading certificate assistance. LR is voluntarily aligned with the ICMA guidelines & is listed as an external reviewer in the ICMA website.

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81

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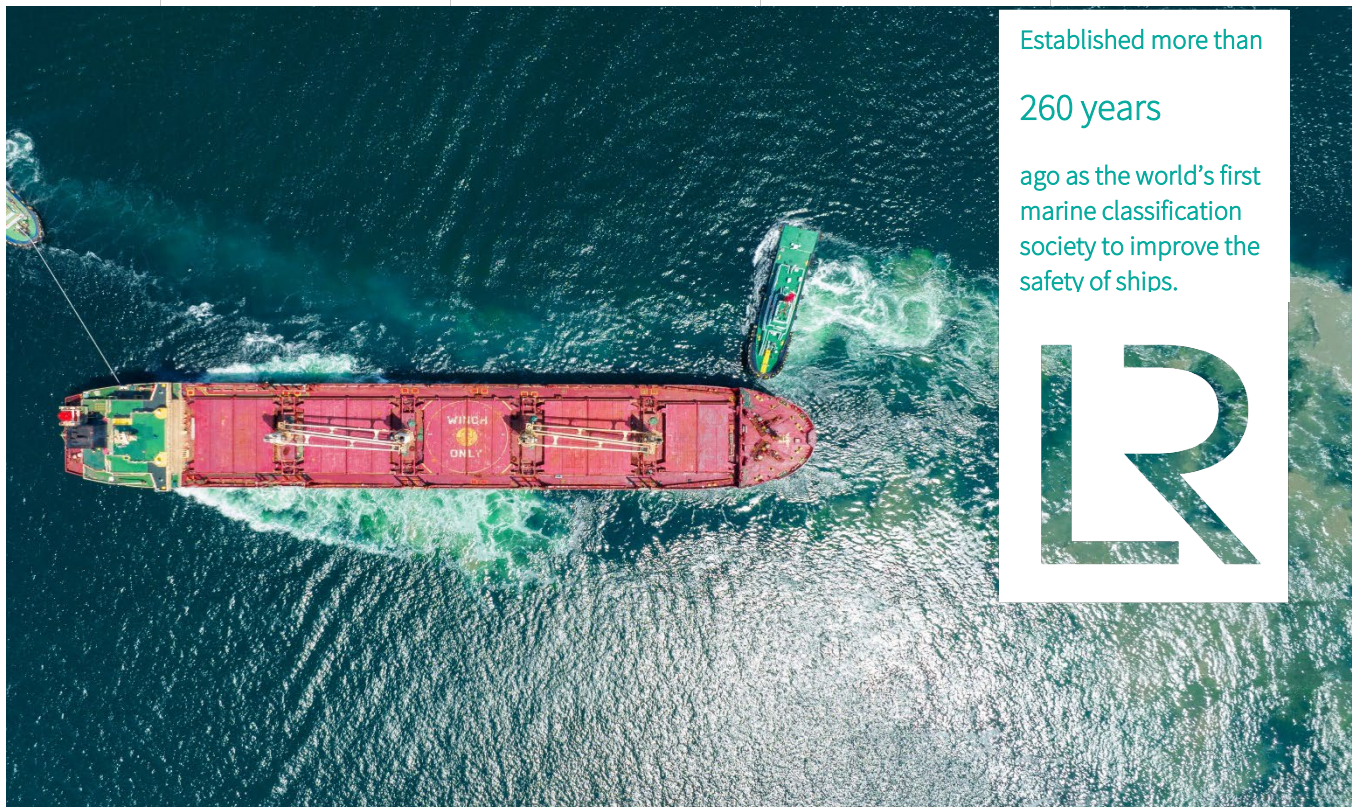


£67.2m

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260 years

ago as the world's first  
marine classification  
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safety of ships.





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