

Precious Shipping PCL



**Sustainability-Linked
Finance Framework**

September 2024

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Company Profile

Precious Shipping Public Company Limited (hereafter “PSL” or the “the Company”) is a pure dry-cargo ship-owner operating 37 dry-bulk carriers in the Handysize, Supramax, and Ultramax sectors of the tramp freight market, as well as four dedicated cement carriers, with a total capacity of 1,620,808 deadweight tonnage (DWT) as of 31 July 2024. PSL was established in December 1989 and commenced commercial operations in March 1991 after obtaining approvals from the Bank of Thailand and the Board of Investment. PSL was granted listed status on the Stock Exchange of Thailand on 16 September 1993.

With over 30 years of successful operations, PSL stands as a prominent player in the dry-bulk cargo, ship-owning sector and is primed to capitalize on its vast global trade prospects. Leveraging the dynamic tramp freight market, we have successfully positioned ourselves as a trailblazer in the young-modern and eco-vessel segment. Backed by a comprehensive market penetration strategy and an unwavering commitment to sustainable development, PSL is well positioned to harness the potential of emerging shipping markets and seize new avenues for growth.

Vision and Mission

VISION and MISSION STATEMENT

To be the most distinguished shipping company in the world, providing an exemplary level of services and solutions to facilitate global trade.

CORE VALUES

Integrity, Innovation, Sustainability, Tradition, and Safety

Sustainability Governance

The Board of Directors of PSL has established the Sustainability and Risk Management Committee, entrusted with the responsibility of overseeing the Company's sustainability and corporate social responsibility policies, and other related programs, to ensure that sustainability is an integral part of our long-term strategy and aligned with the interests of stakeholders.

PSL has established a sustainability task force comprising representatives from various departments. The leader of this task force collaborates with the Managing Director to oversee the materiality assessment and the establishment of sustainability targets. The outcomes of environmental, social, and governance (ESG) activities are regularly presented to the Sustainability and Risk Management Committee and the Board of Directors for their review and discussion.

Sustainability Strategies

PSL aims to support the United Nations' Sustainable Development Goals (SDGs). The Company integrates these goals into its business operations to ensure that all executives and staff are ready to contribute to international sustainable development along with the achievement of the Company's business growth and stakeholder benefits.

We are dedicated to fulfilling the SDGs, with a specific focus on advancing good health and well-being, quality education, gender equality, decent work and economic growth, climate action, peace, justice, and strong institutions—as well as fostering the partnerships needed to achieve these goals. Alignment with these objectives is crucial for the Company's long-term sustainability.

Our sustainability strategy is based on the following three key components.

- **Concern for the Environment**

We take our obligation to reduce the environmental impact of our business very seriously. We have measurably reduced emissions by replacing our fleet of older vessels with modern fuel-efficient vessels. In addition, we have undertaken a number of fuel-saving measures and are committed to burning only low-sulphur fuel, while avoiding equipment such as scrubbers that cause acidification of the ocean.

- **Concern for Society**

Community development is in our DNA. Over the years, we have made significant donations to community schools and provided scholarships to deserving students at the Merchant Marine Training Centre.

- **Focus on People, Operations, and Technology**

PSL recognizes the importance of human capital in the growth and success of our business. Therefore, we strive to amplify the competence and skills of our employees by conducting a range of in-house training and development programs across the organization. We are committed to continuous advancement and the automation of our operations to ensure the highest level of efficiency.

Sustainability-Linked Finance Framework

Environmental, social, and governance considerations are integral to the investment decisions of PSL. Therefore, the organization has developed a Sustainability-Linked Finance Framework to solidify its sustainability commitments.

Under this Framework, PSL may issue Sustainability-Linked Bonds (SLBs) and enter into Sustainability-Linked Loans (SLLs) or any other debt instruments agreements classified as such based on the primary Sustainability Performance Targets (SPTs) associated with PSL's sustainability objectives. The Framework was developed based on the following principles and standards:

1. Sustainability-Linked Bond Principles 2024 (SLBP), developed by the International Capital Market Association;



2. ASEAN Sustainability-Linked Bond Standards 2022 (ASEAN SLBS), developed by the ASEAN Capital Markets Forum; and
3. Sustainability-Linked Loan Principles 2023 (SLLP), a collaborative output of the Loan Market Association, the Loan Syndications and Trading Association, and the Asia-Pacific Loan Market Association.

Within the purview of this Framework, all sustainability-linked financing transactions are structured based on the following core components:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Financial Characteristics
4. Reporting
5. Verification

Selection of the Key Performance Indicator (KPI)

In accordance with the principles and standards, the following section focuses on PSL's selection of the Key Performance Indicator (KPI), which serves as a measurable and quantifiable metric that reflect PSL's performance in key sustainability areas. The chosen KPI aligns with PSL's core sustainability objectives and addresses significant environmental and social challenges pertinent to the shipping industry. The KPI has been carefully selected to ensure relevance, materiality, and a direct impact on PSL's operational and strategic sustainability goals. As the table below shows, we have aligned the KPI with specific SDG targets, offering a comprehensive framework for evaluating PSL's contributions to broader global sustainability efforts. This approach reinforces PSL's commitment to sustainable development and enhances transparency and accountability toward its stakeholders.

Key Performance Indicator	Related SDGs
<p>KPI1: Reduction of CO₂ Emissions per Transport Work (ton DWT)</p> <p>Definition: This KPI measures the efficiency of CO₂ emissions relative to the transport work performed, focusing on reducing emissions per ton of DWT.</p> <p>Rationale and Materiality: This KPI is crucial for PSL as it directly addresses the environmental impact of our shipping operations. Reducing CO₂ emissions is critical to global efforts to combat climate change and is particularly relevant for the shipping industry, which is a significant contributor to greenhouse gas emissions. By focusing on per transport work efficiency, PSL is demonstrating its commitment to sustainable operations while maintaining productivity, which align with the objectives set by the International Maritime Organization (IMO) aimed at promoting environmentally responsible shipping practices.</p>	 <p>SDG 13.2</p>  <p>SDG 9.4</p>

Calibration of the Sustainable Performance Target (SPT)

PSL's Sustainability Performance Target (SPT) is aligned with the Company's strategic sustainability objectives and the baseline data for the KPI. Below is the proposed SPT based on the specified target:

KPI: Reduction of CO₂ Emissions per Transport Work (ton DWT)

- **Baseline (2019):** 7.55 gCO₂/tonne-nautical mile
- **SPT:** Achieve a reduction of at least 38.54% in CO₂ emissions per transport work by 2034, compared to the 2019 baseline. This ambitious target positions PSL as a leading force in sustainability within the maritime industry. By setting this benchmark, PSL demonstrates its commitment to environmental stewardship and proactive measures to combat climate change. Furthermore, this target aligns with the IMO's interim target prescribed reduction in carbon intensity targets for international shipping by 2030.¹ From 2031 onwards, it aligns with the IMO's GHG Strategy, which adopts an enhanced common ambition to reach net-zero GHG emissions from international shipping by or around 2050.² This reinforces PSL's dedication to adhering to global standards and contributing to the collective effort to mitigate the impacts of climate change.

The target outlined in the preceding paragraph is subject to modification contingent upon the IMO's revision of targets in 2028. Should the IMO implement any revisions, the target will be adjusted accordingly. In the absence of such revisions, the existing level of commitment will be maintained.

- **Strategies:**
 - **Upgrade to More Efficient Vessels:** Invest in newer, more energy-efficient ships or retrofit existing vessels with advanced technologies to reduce fuel consumption and emissions
 - **Implement Advanced Route Planning:** Utilize AI and weather-routing software to optimize voyages for fuel efficiency
 - **Adopt Slow-Steaming Practices:** Implement slow steaming to reduce fuel consumption, which directly lowers CO₂ emissions
 - **Enhance Crew Training:** Provide training to crew members on best practices for fuel-efficient operations
 - **Sensors:** Enhance engine operational efficiency by installing sensors, enabling real-time correction of operational problems, thus improving fuel efficiency

¹ Annex 12, Resolution MEPC.338(76), 2021 Guidelines on the Operational Carbon Intensity Reduction Factors Relative to Reference Lines (CII Reduction Factors Guidelines, G3)

([https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Air%20pollution/MEPC.338\(76\).pdf](https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Air%20pollution/MEPC.338(76).pdf))

² Annex 15, Resolution MEPC.377(80), 2023 IMO Strategy on Reduction of GHG Emissions from Ships

(<https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/annex/MEPC%2080/Annex%2015.pdf>)

- **Energy Saving Devices:** Install energy saving devices such as Mewis Ducts and pre-shrouded vanes, or even completely new propellers to enhance fuel efficiency
- **Fuel:** Use additives and biofuels to reduce emissions

Year	2019 ^{*a}	2020 ^a	2021 ^a	2022 ^a	2023 ^a	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Average CII (AER) CO ₂ Emissions/Transport Work (gCO ₂ /tonne-nautical mile)	7.55	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

* Base year

^a Actual historical emissions

Notes:

The values from 2019 to 2023 represents actual historical emissions, whereas the values from 2024 to 2034 represents the SPT trajectory. The targets may be adjusted to conform with the new IMO's revision of targets, which are expected to be released in 2028 and do not required approval.

External risk factors that could impact the attainment of the SPT, which are outside the PSL's direct control:

- **Delays in Delivery of Energy-Efficient Vessels:** The prolonged period required for the construction and delivery of new energy-efficient vessels could delay the attainment of sustainability goals.
- **Customer Acceptance of Slow Steaming:** The success of slow-steaming initiatives, intended to enhance fuel efficiency and reduce emissions, depends on customer acceptance. If not widely accepted, they could lead to less efficient operation of vessels and increased operational costs.
- **Economic and Geopolitical Instability:** Events impacting economic stability and geopolitical risks can affect shipping routes, increase travel time, and disrupt existing schedules, leading to longer wait times at ports.
- **Climate Change-Induced Disruptions:** Changes in climate patterns may create schedule disruptions, necessitate reroutes, and impact operational timelines, further complicating efforts to achieve the SPT.

Financial Characteristics

The financial and/or structural characteristics and implications related to the achievement or non-achievement of the SPT are (in the case of existing SLBs, SLLs, or any other debt instruments), or will be (in the case of SLBs, SLLs, or any other debt instruments entered into in the future), outlined in the legal documentation of all SLBs, SLLs, or any other debt instruments.

The securities/loans or instruments issued under this Framework have a sustainability-linked feature that will result in a coupon adjustment, a margin adjustment, a premium payment, the purchase of voluntary carbon offsets, or additional covenants to PSL—or a combination of the aforementioned—should the issuer achieve or fail to achieve the targets, as the case may be. The exact bond or loan adjustment mechanism and Target Observation Date are specified in the instrument documentation.

Investors/lenders will be promptly informed about the achievement or non-achievement of the SPT within 150 days of the specified Target Observation Date.

Trigger Events

Any of the following events (referred to as the trigger events) could alter the financial and/or structural characteristics of the relevant securities/loans or instruments as outlined below:

- PSL fails to meet the SPT for the corresponding Target Observation Date.
- PSL does not comply with reporting requirements as set out under this Framework.
- The verification of its performance on the KPI, as stipulated in this Framework, has not been provided and made public available within the relevant reporting period specified in the instrument documentation.

The respective securities/loans documentation will outline additional details concerning trigger events and the potential impact on the financial and/or structural characteristics of any relevant securities/loans or instruments.

Fallback Mechanism

The KPI and SPT set out in this Framework will remain applicable throughout the tenor of the bonds, loans, or any securities or instruments issued under this Framework, regardless of any significant changes in PSL's sustainability strategy or any significant or structural changes within PSL. However, PSL may review the KPI and SPT when they are no longer appropriate for the purpose of adjustments in financial characteristics. This includes, but is not limited to, the potential publication of the IMO's revised targets in 2028.

If this happens, PSL may revise the SPT to be in line with international standards and requirements, and it will obtain an updated sustainability opinion from the external reviewer to confirm that the revised SPT is aligned with the new IMO targets.

The SPT may change following certain PSL activities such as, but not limited to, mergers and acquisitions (M&A), spin-offs, the purchase or sale of companies or vessels materially impacting the structure of the Company and the composition of our fleet, and/or drastic changes in the regulatory landscape that could significantly affect the calculation of the KPI. Any recalculations or pro forma adjustments must be outlined in the bond, loan or securities-specific documentation. Such recalculations or pro forma adjustments will have to be verified and approved by an independent external reviewer, as detailed in the securities-specific/loan-specific documentation.

All these mechanisms and their triggering conditions will be explicitly outlined in the respective bond (loan) documentation for each issuance (borrowing). This ensures transparency and provides investors/lenders with comprehensive information about PSL's commitments to its sustainability goals and the financial implications of its performance against these goals.

Reporting

In order to update investors/lenders on the KPI and the achievement, or non-achievement of the SPT set out in this Framework and the legal documentation of our SLBs, SLLs, or any other debt instruments, PSL will include in its annual sustainability report, or at least annually in any other official report that may replace it in the future, adequate information about the progress being made. Such reporting will be accessible and publicly available on PSL's website. The information will include, but not be limited to, the following:

- the most recent information on the performance of the selected KPI, including the relevant baseline;
- a verification assurance report, conducted on the basis of limited assurance, outlining the performance of the KPI against the SPT; and
- any other relevant information to enable investors/lenders to monitor the progress of the selected KPI.

When feasible, the information provided may also include a qualitative or quantitative explanation of the following:

- the contribution of the main factors, including M&A activities, to the evolution of the KPI on an annual basis;
- an illustration of the positive sustainability impacts of improved performance; and
- any re-assessments of the KPI and/or restatement of the SPT, and/or adjustments of the KPI baselines or scope.

Verification

Pre-Issuance: Review of the Framework

PSL's Sustainability-Linked Finance Framework has been reviewed by Lloyd's Register, who provided a Second Party Opinion confirming its alignment with the SLBP administered by the ICMA; ASEAN-SLBS administered by the ASEAN Capital Markets Forum; and SLLP, a collaborative output of the Loan Market Association, Loan Syndications and Trading Association, and Asia-Pacific Loan Market Association. Any other external review from consultants with recognized environmental and social expertise to provide an opinion on the benefits of this Sustainability-Linked Finance Framework, as well as its alignment with the aforementioned principles and standards, will also be made publicly available on PSL's website (www.preciousshipping.com).

Post-Issuance: Verification and Review of the KPI against the SPT

PSL will publish its progress toward achievement of the KPI in its annual sustainability report, which will be made publicly available on the Company's website (www.preciousshipping.com).

The assessment of KPI performance will be based on PSL's data, which will be verified by independent external agencies annually and in case of any SPT-related trigger event, subject to limited assurance.

Any information enabling investors/lenders to monitor the level of ambition of the SPT (e.g., an update to PSL's sustainability strategy or the related KPI or ESG policies and practices), and more generally any information relevant to the analysis of the KPI and SPT, will be included in PSL's annual sustainability report.

Framework Review and/or Amendment

PSL will review this Sustainability-Linked Finance Framework from time to time, with a view to ensuring its ongoing alignment with updated versions of the aforementioned principles and standards, and any other relevant principles as and when they are released, in order to reflect evolving market practices. These reviews may result in this Sustainability-Linked Finance Framework being updated and amended. Such changes, if deemed material, will be subject to further review via a Second Party Opinion. It should be noted that any update and/or amendment to the Framework will not impact those SLBs, SLLs, or any other debt instruments that were issued or launched prior to the update and/or amendment.

Any updated version of this Framework may replace the current version and would be published on PSL's website (www.preciousshipping.com).