

# Poseidon Principles I

## A uniform approach and message toward our clients

### Summary

The maritime sector has provided efficient economic services that play a key role in enabling growth of global trade and global economic development. However, this has not been without some adverse social and environmental consequences unique to the maritime sector. The continued success of the maritime sector is intrinsically linked to the well-being and prosperity of society, and all industry participants must play a role in addressing these adverse factors.

The Poseidon Principles create common global baselines that are consistent with and supportive of society's goals to better enable financial institutions to align their portfolios with responsible environmental impacts. We will apply the Principles in all business activities that are credit products secured by vessel mortgages or finance leases secured by title over vessel and where vessels fall under the purview of the International Maritime Organization (IMO).

The Principles are consistent with the policies and ambitions of the IMO, including its ambition to reduce shipping's total annual greenhouse gas (GHG) emissions by at least 50% by 2050 compared to 2008.

### The Principles and their requirements

The requirements for Signatory financial institutions fall under the four Principles that constitute the Poseidon Principles:

#### 1. Assessment of climate alignment

As a Signatory, we will, on an annual basis, measure the carbon intensity and assess climate alignment (carbon intensity relative to established decarbonization pathways) of their shipping portfolio using the methodology established by the Poseidon Principles in line with the Technical Guidance<sup>1</sup> (p.12).

#### 2. Accountability

As a Signatory, we will exclusively rely on classification societies or other IMO-Recognized Organizations (RO), and mandatory standards established by the IMO for the provision of information used to assess and report on climate alignment.

#### 3. Enforcement

As a Signatory we will introduce standard covenant clauses into facility documentation for all new loan transactions in order to ensure access to high quality data.

#### 4. Transparency

As a Signatory, we will publish our overall portfolio climate alignment scores on an annual basis. Climate alignment at a more granular level (e.g. by vessel or ship category) will not be publicly disclosed.

### Standard Covenant Clause

The purpose of the standard covenant clause is to simplify the loan process by standardizing the covenanting of information requirements across Signatories and clients. This is to help clients to know the data process and is intended for the benefit of the clients. While standard LMA documentation legally cover these elements already, the addition of a standard clause to new agreements outlines the consent for data collection and the privacy protections established through the Poseidon Principles.

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<sup>1</sup> Download the full Poseidon Principles with Technical Guidance [here](#).

### Sourcing the data

To ease global adoption and implementation, the Poseidon Principles are based on information already prepared and submitted under the IMO Data Collection System (DCS). To see the IMO regulation document, click [here](#).

### What is the IMO DCS?

The IMO Data Collection System, or DCS, was adopted by resolution MEPC.278(70), which entered into force on 1 March 2018. This regulation requires shipowners to collect and report per calendar year for ships which are 5,000 gross tonnage and above engaged in international trade:

- 1) The amount of fuel consumption for each type of fuel in metric tonnes,
- 2) Distance travelled,
- 3) Hours underway, and
- 4) Technical characteristics of the ship including design deadweight.

Clients will not be required to perform any calculations, but simply to share information already collected for the purposes of the IMO.

### Statement of Compliance (SoC)

The SoC is issued by a flag State or an RO on behalf of the flag state to the ship confirming its compliance with the IMO DCS. This occurs no later than 5 months from the beginning of the following calendar year (e.g., for the calendar year 2021, it would be issued by the end of May 2022).

Once the RO or flag State has verified the data submitted and issued the SoC, that ship is in compliance.

For more information on data sourcing, please see *Figure 8* on page 26 in the [Poseidon Principles Technical Guidance](#), and for the SoC, see Appendix X in the [IMO regulation document](#).

### About client and data privacy

The data reported to the IMO database through the IMO DCS regulation is confidential and cannot be accessed by the Signatories. Data from the IMO DCS is given to the Signatory via a third-party.

Likewise, the information that Signatories report to the Poseidon Principles Association is also confidential between clients and their loan provider. Confidential information is not shared between Signatories. We do not report who our clients are or the vessels in our portfolio, but exclusively the climate alignment score of our overall shipping portfolio.

As a Signatory, we may decide to report additional information in our own sustainability reports, such as average ship type and size in our portfolio or trends in our alignment score over time, but loan and client information remain confidential throughout this process.

### Timelines for data reporting and sharing

The timelines below illustrate the data sharing and annual processes for both clients and Signatories. The boxes above the timeline are for the shipowners and clients, the boxes below are for Signatories.

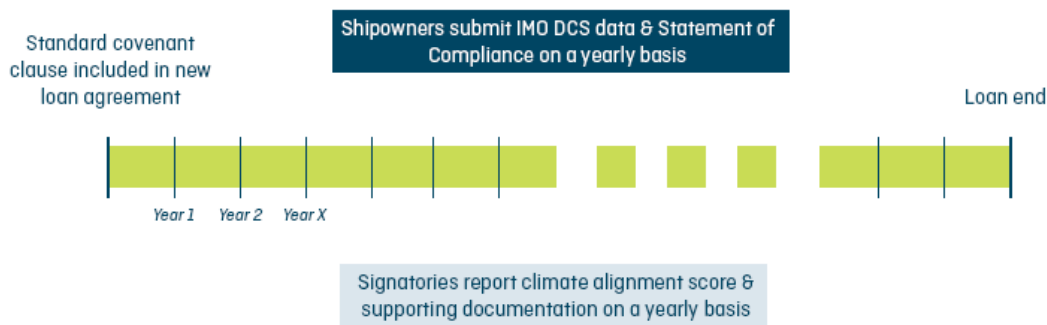


Figure 1: Timeline for clients of Signatories of the Poseidon Principles for the duration of the loan

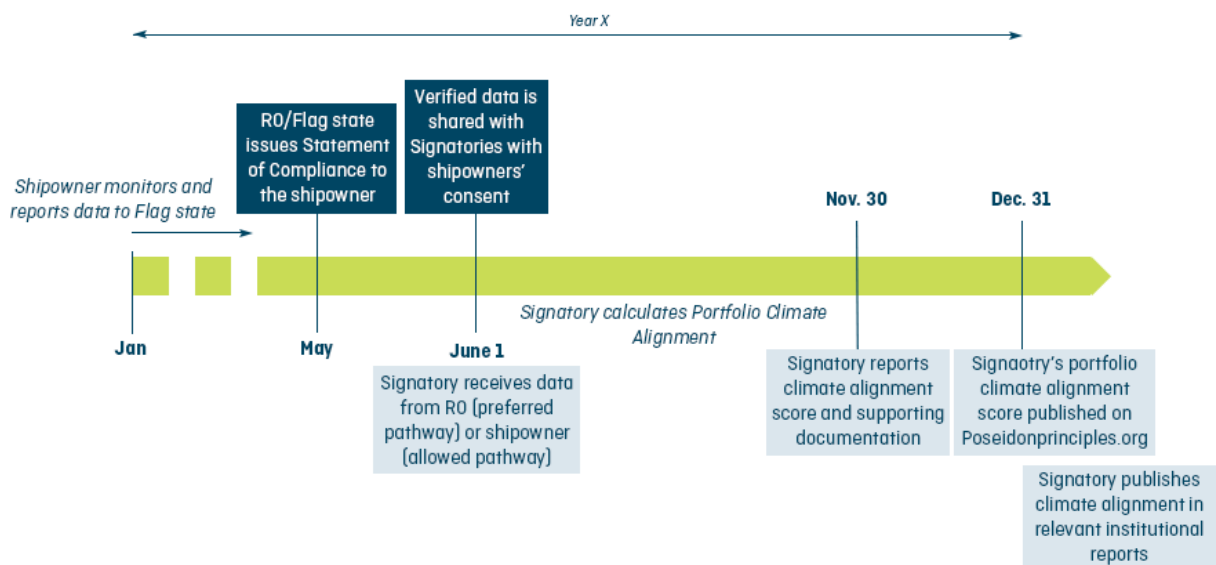


Figure 2: Timeline for clients and Signatories of the Poseidon Principles for any given year

### The expectations of the Signatories to the Poseidon Principles

As a Signatory, it is our expectation that our clients:

1. Accept the covenant clause,
2. Provide the necessary data, as already done in compliance with regulations, and
3. Provide the Statement of Compliance, as already provided when in compliance.

We are happy to have further discussions to answer any questions you might have.

### The ambition of the Poseidon Principles

It is our ambition to gradually see the climate alignment of shipping portfolios to the decarbonization trajectories and the goals set by the IMO. Ultimately, we wish to see a carbon-neutral and decarbonized maritime sector.

The Poseidon Principles are particularly interesting for Signatory banks as we see the Principles as an opportunity to work with our customers to initiate conversations which lead the transition to a greener industry. We will open a dialogue with you so that we can come up with solutions together. Having these conversations allow for everyone to distinguish between efficient and inefficient vessels and activities in order to make the most financially secure and environmentally conscious decisions in maritime finance.

*Additional questions on vessels and detailed information regarding alignment, retrofitting, and similar questions will be available separately, as it will take time for us to collect and share this data as it becomes more readily available.*