

Standard covenant clause

Definitions:

The below are standard definitions and covenant wording to be inserted (subject to appropriate drafting adjustments to take into account each specific set of definitions) in the relevant vessel financing documents.

“Annex VI” means Annex VI of the Protocol of 1997 (as subsequently amended from time to time) to amend the International Convention for the Prevention of Pollution from Ships 1973 (Marpol), as modified by the Protocol of 1978 relating thereto.

“Poseidon Principles” means the financial industry framework for assessing and disclosing the climate alignment of ship finance portfolios published in June 2019 as the same may be amended or replaced [to reflect changes in applicable law or regulation or the introduction of or changes to mandatory requirements of the International Maritime Organization] from time to time.

“Recognized Organization” means, in respect of a [vessel] an organization representing that [vessel’s] flag state and, for the purposes of this [Clause], duly authorized to determine whether the [Owner] has complied with regulation 22A of Annex VI.¹

“Statement of Compliance” means a Statement of Compliance related to fuel oil consumption pursuant to regulations 6.6 and 6.7 of Annex VI.

Covenant Clause: The [Owner] shall, upon the request of [any Lender] and at the cost of the [Owner], on or before [31st July] in each calendar year, supply or procure the supply to [the Facility Agent] [such Lender] of all information necessary² in order for [any Lender] to comply with its obligations under the Poseidon Principles in respect of the preceding year, including, without limitation, all ship fuel oil consumption data required to be collected and reported in accordance with Regulation 22A of Annex VI and any Statement of Compliance, in each case relating to the [Vessel] for the preceding calendar year³[provided always that [no Lender] shall publicly disclose such information with the identity of the [Vessel] without the prior written consent of the [Owner]/[.For the avoidance of doubt, such information shall be [“Confidential Information”][“Information”] for the purposes of [Clause [•] (Confidential Information)]] [Section [•] (Treatment of Certain Information; Confidentiality)]] but the [Owner] acknowledges that, in accordance with the Poseidon Principles, such information will form part of the information published regarding the [relevant] [Lender’s] portfolio climate alignment.

For guidance: Whilst the inclusion of the Covenant Clause creates an obligation upon an Owner to provide the relevant information, it is not intended to be more onerous than any of the Owner’s other obligations in relation to the provision of periodic information to Lenders under its facility agreements (for example to provide copies of class and ISM documentation) and the Covenant Clause should benefit from any relevant grace periods as customarily negotiated in those facility agreements.

¹ For most Owners, this is likely to be its classification society.

² See Figure 7 in the Technical Guidance, referring to the IMO DCS and SoC.

³ The information supplied should be “Confidential Information” for the purposes of LMA style facility agreements and can be identified as “Information” for the purposes of LSTA based agreements and therefore subject to the restrictions on disclosure but alternative drafting should be considered where confidentiality is not addressed in the relevant agreement.