POSEIDON PRINCIPLES

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Summary of requirements and implications for signatory financial institutions

The Poseidon Principles are a framework for assessing and disclosing the climate alignment of ship finance portfolios.

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.

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

The Poseidon Principles are applicable to lenders, relevant lessors and financial guarantors including export credit agencies. The Principles must be applied by signatories 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 IMO.

Climate alignment is currently the only environmental factor considered by the Poseidon Principles. However, the scope of the Poseidon Principles is intended to evolve over time. Signatories agree to contribute to a review process to ensure that the Poseidon Principles are practical and effective, and that further adverse impacts are identified for inclusion in due course.

Background

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.

Workshops held in June 2018 in Singapore, London and New York explored practical approaches for integrating climate risk into financial decision-making in the maritime industry. A drafting group comprised of Citi, Société Générale, KfW-IPEX and DNB as well as a few key industry representatives (A.P. Moller-Maersk, Cargill, Euronav, J.P. Morgan Asset Management, Lloyd's Register and Watson Farley & Williams) was subsequently constituted to develop the Poseidon Principles together with the Global Maritime Forum, Rocky Mountain Institute and University College London.

The Principles and their requirements

The requirements for signatories fall under the four Principles that constitute the Poseidon Principles:

1. **Assessment of climate alignment**
   Signatories 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.

2. **Accountability**
   Signatories will exclusively rely on classification societies or other IMO-recognised organizations, and mandatory standards established by the IMO for the provision of information used to assess and report on climate alignment.

3. **Enforcement**
   Standardized covenant clauses will be made contractual in new business activities to ensure access to high-quality data.

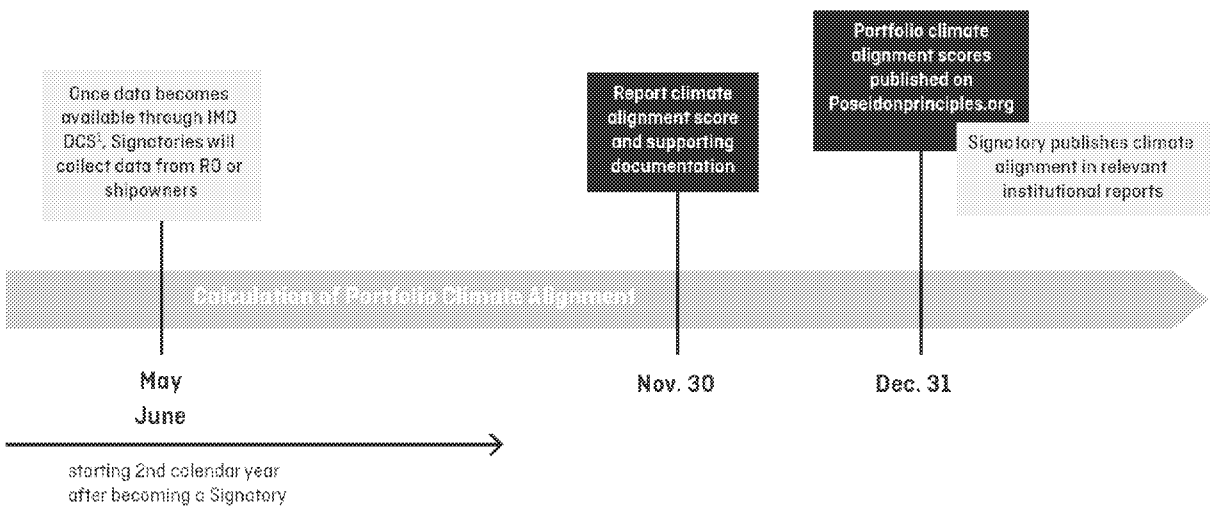
4. **Transparency**
   Portfolio climate alignment scores will be published on an annual basis.

Consistent with other initiatives

The Poseidon Principles are an initiative unique to ship finance. The Principles are consistent with and have been designed to support the implementation of the Task Force on Climate-Related Financial Disclosures (TCFD) as well as the UNEP FI Principles for Responsible Banking. Furthermore, tremendous effort has been made to ensure that the methodology established by the Poseidon Principles is also used in other initiatives, such as the work of 2 Degrees Investing Initiative and Climate Bonds Initiative.

Timeline for Signatories

The general timeline of the requirements for Signatories is as outlined in the figure below.



[1] The IMO's Data Collection System (DCS) for fuel consumption defines the data that the IMO has mandated for shipowners to collect and report per calendar year. DCS is an amendment to MARPOL Annex VI that entered into force in March 2018. The current specification of DCS includes the following data requirements for any vessels in their fleet which are 5,000 gross tonnage and above trading on international voyages: the amount of fuel consumption for each type of fuel, the distance travelled and the design deadweight.