Azerbaijan Caspian Shipping Company



Sustainability Linked Loan Framework

July 2025 – Draft



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Glossary

Table 1 – Glossary

Acronym	Definition
AER	Annual Efficiency Ratio
Aframax	A medium-sized crude oil tanker with a deadweight of about 80,000–120,000 metric tons.
ASCO CJSC	Azerbaijan Caspian Shipping Company Closed Joint-Stock Company
BP	British Petroleum
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
Handysize	A small to medium-sized tanker with a deadweight of about 10,000–50,000 metric tons.
HSE	Health, Safety and Environment
IMO	International Maritime Organisation
KPI	Key Performance Indicator
KTZ	Kazakhstan Temir Zholy
LNG	Liquefied Natural Gas
LTIFR	Lost Time Injury Frequency Ratio
OSV	Offshore Support Vessels
Ro-Ro ships	Roll-on/Roll-off ships. Vessels designed to carry wheeled cargo—such as cars, trucks, trailers, or heavy equipment—that is driven on and off the ship using built-in ramps.
SLL	Sustainability Linked-Loan
SOCAR	State Oil Company of Azerbaijan Republic
SPO	Second Party Opinion
SPT	Sustainability Performance Target
TRACECA Corridor	Transport Corridor Europe-Caucasus-Asia

I. Company overview

Azerbaijan Caspian Shipping Company CJSC (ASCO) is the largest maritime transport and offshore support operator in the Caspian Sea region. Headquartered in Baku, ASCO was established through the 2013–2014 merger of Azerbaijan's two major fleets, with roots dating back to 1858. The company operates a diverse fleet of 51 merchant marine transportation vessels—including tankers, ferries, and Ro-Ro ships—and 198 specialized offshore support vessels serving the oil and gas sector. ASCO also manages ship repair and construction facilities, including the Bibiheybat and Zigh shipyards. A key player in the TRACECA corridor, ASCO supports regional energy infrastructure and international logistics by partnering with major organizations such as SOCAR, BP, and Saipem. The company employs over 7,000 staff and adheres to international standards in quality, health, safety, and environmental management. In recent years, ASCO has focused on enhancing its sustainability practices, expanding its fleet, and aligning its governance and reporting frameworks with global ESG standards.

ASCO is currently expanding its activities beyond the Caspian Sea through the acquisition of larger-capacity vessels such as Aframax and Handysize tankers, which are designed for international deep-sea routes and have already been deployed on voyages to destinations such as China, Ecuador, and Colombia. In parallel, the company is placing new vessel orders at Baku Shipyard to support domestic industry and regional logistics. With a strong financial foundation and a growing focus on ESG performance, the company aims to strengthen its position in the global maritime transport sector.

II. Sustainability at ASCO

This section presents ASCO's sustainability strategy and governance

A. ASCO sustainability governance and strategy

ASCO's sustainability strategy is guided by its mission to support Azerbaijan's strategic role as a regional transportation and logistics hub, while ensuring the efficient and sustainable operation of its shipping activities. The Company's Sustainability Policy, applicable to all structural units and stakeholders, defines the integration of environmental, social, and economic principles across its operations and decision-making.

ASCO's vision is to build a modern shipping company that ensures sustainable development, operates safely, and expands beyond the Caspian Sea. Its strategic goals for 2022–2030, approved by the Supervisory Board, include fleet renewal, ESG advancement, digital transformation, and financial stability. Sustainable development, environmental protection, safety, and high-quality services form the foundation of ASCO's core values.

Governance of sustainability is primarily embedded within the responsibilities of the Management Board, ASCO's highest executive body, and its key Committees (Procurement, Risk Management, and Personnel Management). These bodies consider sustainability and climate-related topics when overseeing strategic planning, risk management, and operational policies. In 2023, ASCO established an ESG Working Group led by the Director of Sustainability and Emissions Management. The Group focuses on emission reduction initiatives.

B. ASCO sustainability targets and objectives

This section summarizes ASCO's main sustainability internal targets and objectives.

The KPIs considered in this financing framework (section III) are the most material for ASCO and are linked to the fleet energy efficiency and health and safety of its employees. They have been defined to complement and strengthen the existing targets and objectives presented in the following sections.

ASCO has integrated sustainability into its long-term strategic development, aligning its efforts with both national priorities and international decarbonization trends. The Company's key sustainability objectives are embedded in its strategic goals, which include:

- **Goal 1:** Renewal of the merchant fleet and contribution to Azerbaijan's transit strategy
- **Goal 2:** Renewal of the specialized offshore support fleet and maintaining ASCO's leadership in the Azerbaijani sector of the Caspian Sea
- **Goal 3:** Expansion of operations beyond the Caspian basin
- **Goal 4:** Implementation of advanced ESG initiatives
- **Goal 5:** Digital transformation and optimization of the organizational structure
- **Goal 6:** Financial stability and creation of long-term value for the shareholder

According to ASCO's Energy Conservation and Emissions Reduction Policy, formally adopted by the Chairman and revised in 2023, the Company has a long-term strategy on GHG reductions from its ships to reach zero emissions by 2050, with the following levels of ambition:

- Reduce total annual GHG emissions by at least 20%, striving for 30%, by 2030 compared to 2008
- Reduce total annual GHG emissions by at least 70%, striving for 80%, by 2040 compared to 2008
- Reduce total annual GHG emissions by at least 100% by 2050 compared to 2008

The strategy complies with IMO requirements for the "target Carbon Intensity Indicator" regulation MARPOL Annex VI reg. 2.2.28 and 33.

III. Sustainability Financing Framework

As part of the Loan, ASCO commits to implementing an ambitious plan to reduce the greenhouse gas emissions of the company on the shipping activities and an improvement its safety performance by decreasing the number of injuries of its workforce among its entire range of activity.

A. Selection of Key Performance Indicators (KPIs)

ASCO has selected two material and quantifiable KPIs that address key ESG challenges for the maritime sector. These KPIs are linked to ambitious Sustainability Performance Targets (SPTs) to measure and compare ASCO's sustainability progress:

I. **KPI #1: AER: Annual Efficiency Ratio for the shipping fleet**
II. KPI #2: LTIFR: Lost Time Injury Frequency Rate

These KPIs are material to ASCO's activities as a shipping and OSV company in Azerbaijan. Committing to the reduction of fleet carbon intensity is essential for a maritime carrier to comply with IMO regulations, such as the Carbon Intensity Indicator (CII) and the 2030 greenhouse gas reduction targets, ensuring progress toward decarbonization and the long-term sustainability of shipping operations. These KPIs are measurable, using widely recognized scientific methodologies. This allows ASCO and its stakeholders to track progress against targets and to compare performance with peers', in line with the Sustainability Linked Loan Principles[1].

1. KPI #1: Annual Efficiency Ratio for the shipping fleet

Definition	The Annual Efficiency Ratio is a key performance indicator designed to assess the carbon intensity of a shipping fleet rather than its absolute emissions, providing a consistent and comparable measure of environmental performance over time. This approach aligns with global regulatory frameworks, including the International Maritime Organisation (IMO) 2030 strategy, which prioritizes CO_2 intensity metrics to achieve decarbonization targets. The AER also adheres to regulatory requirements such as the IMO's mandatory fuel oil data collection

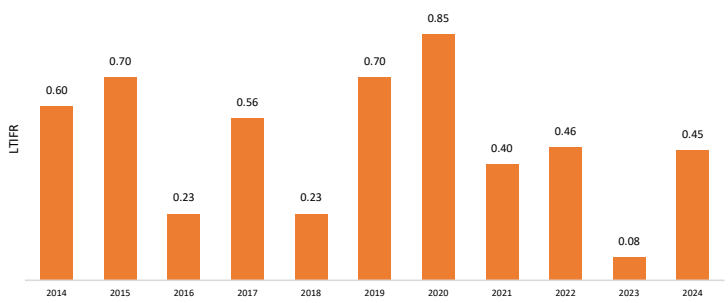
[1] Sustainability Linked Loan Principles, LSTA, 2023

	system, ensuring compliance with industry standards and offering a robust framework for tracking emissions. The measurement is based on the fleet-weighted average carbon intensity, which accounts for gross tonnage and distance traveled—key indicators of transport work. This methodology reflects the operational efficiency of the fleet and captures the dynamic nature of vessel operations. The AER includes all owned and long-term chartered vessels within the controlled fleet (below and above 5000 Gross Tonnage), focusing on the primary contributors to emissions over which the company has significant operational influence.
Rationale and materiality of the KPI	The selection of CO2 emissions from shipping as the basis for this KPI reflects the significant contribution of this segment to the company's overall carbon footprint. Shipping represents approximately 60% of the group's Scope 1 and Scope 2 CO2 emissions, as evidenced by 2023 data. This makes it a highly material aspect of the company's environmental impact and an appropriate focus for performance measurement and improvement efforts.
Calculation methodology	The Annual Efficiency Ratio is an indicator that measures a ship's carbon efficiency by calculating the annual CO2 emissions per unit of deadweight tonnage multiplied by the total distance traveled, providing an estimate of the environmental impact based on the ship's overall activity over a year. The formula is as follows: $AER = \frac{C}{GTxD}$, where • C is the total amount of carbon dioxide emitted by the vessel over the year, derived from fuel consumption data and the carbon content of the fuels used. • GT is the vessel's maximum carrying capacity, representing its potential to perform transport activities. • D is the total nautical miles covered by the vessel during the year. The unit is grams of CO2 per deadweight ton-nautical mile (gCO2/dwt-nm).
Scope	The scope of the Annual Efficiency Ratio includes Scope 1 CO_2 emissions from all vessels within the controlled fleet, specifically those that are owned or operated under long-term charter agreements where the company has significant operational influence. This encompasses vessels such as tankers, bulk carriers, container ships, and offshore support vessels used in the company's core operations. It focuses on direct emissions from fuel combustion, measured using metrics like fuel consumption, distance traveled, and vessel deadweight tonnage. Short-term charters and indirect emissions (Scope 3) are excluded.
Baseline	Annual Efficiency Ratio in 2023 was 19,11 gCO2/t.km
Historical data and baseline year	Baseline year 2023: 19,11 gCO2/t.km There is no other historical data available.

2. KPI #2: Lost Time Injury Frequency Ratio (LTIFR)

Definition	The Lost Time Injury Frequency Ratio (LTIFR) is a key performance indicator designed to assess the safety performance of a company. It provides a standardized method to measure and compare the safety performance of organizations over time or across industries. This approach aligns with global regulatory frameworks. The measurement is based on the number of lost time injuries occurring in a workplace per million man-hours worked. This methodology reflects the trends in workplace injuries, which is vital for effective risk management and safe operations.
Rationale and materiality of the KPI	The LTIFR is particularly relevant for the maritime and Offshore Support Vessel (OSV) sector due to the high-risk nature of its operations. In 2023, ASCO group experienced two fatalities, underscoring the high-hazard environment of the sector. This makes the KPI highly material for ASCO and highlights the critical need for effective safety improvement.
Calculation methodology	The Lost Time Injury Frequency Ratio is an indicator that measures a company's safety performance by calculating the number of lost time injuries occurring in a workplace per million man-hours worked. The formula is as follows: $LTIFR = \frac{A}{H} * 1\,000\,000$, where III. A is the total number of accidents that occurred during the year that resulted in at least twenty-four hours of lost time. It includes incidents linked to workplace hazards, including fatalities and excludes heart attacks unrelated to work, commuting accidents (unless transport is company-organized), epilepsy seizures, and health issues stemming from personal lifestyle choices (e.g. smoking, poor diet). IV. H is the total number of hours worked by the "own workforce" during the year. If not directly available, this number may be estimated based on standard working hours (including paid absences), provided the estimation method is clearly disclosed. The unit is a ratio per million hours worked.
Scope	The scope of the Lost Time Injury Frequency Ratio (LTIFR) covers the "own workforce," including all group employees, contractors performing employee-equivalent tasks, and temporary workers acting as substitutes or support for employees.
Baseline	In 2024, the LTIFR stood at 0,45.
Historical Data and baseline year	The historical values of the LTIFR for ASCO over the last ten years are presented below:

Figure 1 – KPI #2 Historical values from 2014 - 2024



B. Calibration of Sustainability Performance Targets (SPTs)

As part of the implementation of a sustainability linked loan (SLL), the indicators to which the loan is backed must be subject to objectives called *Sustainable Performance Targets* (SPTs). These objectives must be set annually and get a target value assigned, compared to a *baseline*.

1. SPT #1: Annual Efficiency Ratio for the shipping fleet

Benchmark used

The International Maritime Organization (IMO) objectives were used to define the trajectory of the Annual Efficiency Ratio KPI for ASCO. Specifically, an annual reduction of 1.8% was targeted for the period 2023-2030, in alignment with the IMO's objective of a 40% reduction between 2008 and 2030. Then, an annual reduction of 5% was set for the period 2030-2040, in alignment with the IMO's objective of a 70% absolute emission reduction between 2008 and 2040.
These targets are ambitious for ASCO due to the following reasons:

- Only two-thirds of the shipping fleet exceeds 5000 T deadweight and is subject to IMO regulation, yet the target applies to the entire fleet.
- The average age of ASCO's shipping fleet in 2025 is however above 19 years old, while the global average of peers is closer to 16 years old[1]. Moreover, 31% of ASCO fleet is over 30 years old and likely to be decommissioned within the next decade. The ageing profile of the fleet suggests significant investment needs ahead, as older vessels will gradually be phased out and replaced. Access to low interest financing is therefore crucial for ASCO to reach this target and contribute to the decarbonization of the maritime shipping sector while remaining competitive on its market.
- Alternative fuels, along with energy efficiency, appears to be the most prominent solutions for maritime decarbonization. International companies are relying on the development of alternative fuels across the world to reach their decarbonization targets and are developing partnerships with fuel producers. However, the geographic region where ASCO operates currently doesn't has neither the infrastructure to store alternative fuels nor production sites. In addition, countries having access to the Caspian Sea are not among those having taken the most ambitious unconditional climate commitments with regards to the Paris Agreement, leading to potentially less climate change-related investment in infrastructure enabling decarbonization of maritime shipping industry in the region. Therefore, ASCO might have to make more efforts than its peers to reach IMO objectives and go beyond this level of market maturity and infrastructure readiness.

SPTs

The table below presents the SPTs which have been defined for this KPI.

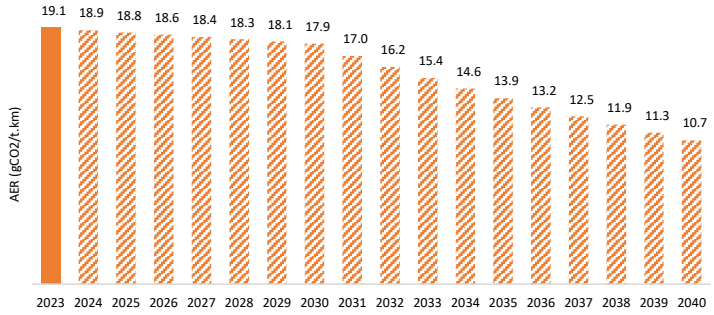
Table 2 - SPT #1 values (gCO2/t.km)

SPTs	Base	SPT 1.1	SPT 1.2	SPT 1.3	SPT 1.4	SPT 1.5	SPT 1.6	SPT 1.7	SPT 1.8
Year	2023	2024	2025	2026	2027	2028	2029	2030	2031
SPT values	19,1	18,9	18,8	18,6	18,4	18,3	18,1	17,9	17,0

SPTs	SPT 1.9	SPT 1.10	SPT 1.11	SPT 1.12	SPT 1.13	SPT 1.14	SPT 1.15	SPT 1.16	SPT 1.17
Year	2032	2033	2034	2035	2036	2037	2038	2039	2040
SPT values	16,2	15,4	14,6	13,9	13,2	12,5	11,9	11,3	10,7

Graph

Figure 2 - SPT #1 Baseline and trajectory (2023 – 2040) (gCO2/t.km)



2. SPT #2: LTIFR

Benchmark used

IMCA published a benchmark dated May 2024 highlighting a downward trend in the Lost Time Injury Frequency Rate (LTIFR) across the Offshore Support Vessel (OSV) and broader maritime sector in recent years. The compound annual growth rate (CAGR) from 2020 to 2023 stands at -1.09% per year. This rate was applied to ASCO's historical data to model an ambitious trajectory aimed at maintaining a Lost Time Injury Rate below industry benchmarks.

SPTs

The table below presents the SPTs which have been defined for this KPI.

Table 3 - SPT #2 values

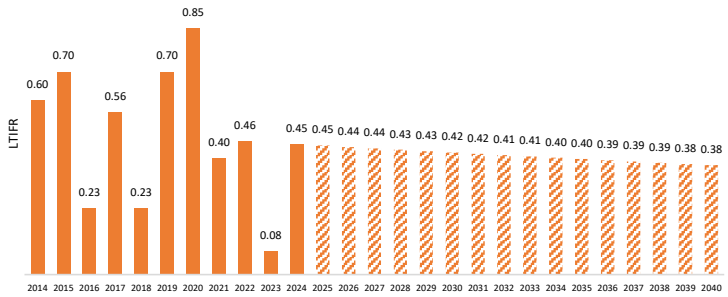
SPTs	Base	SPT 2.1	SPT 2.2	SPT 2.3	SPT 2.4	SPT 2.5	SPT 2.6	SPT 2.7	SPT 2.8
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032
SPT values	0,45	0,45	0,44	0,44	0,43	0,43	0,42	0,42	0,41

SPTs	SPT 2.9	SPT 2.10	SPT 2.11	SPT 2.12	SPT 2.13	SPT 2.14	SPT 2.15	SPT 2.16

Year	2033	2034	2035	2036	2037	2038	2039	2040
SPT values	0,41	0,40	0,40	0,39	0,39	0,39	0,38	0,38

Graph

Figure 3 - SPT #2 Baseline and trajectory (2014 – 2040)



C. Strategy for implementation

1. KPI #1: Annual Efficiency Ratio for the shipping fleet

Table 4 – KPI #1 strategy for implementation

	Annual Efficiency Ratio
Action plans	Actions for ASCO implementation include: 1. **Fleet Modernization**: Investment in newer, more fuel-efficient vessels to replace older ships. This will significantly reduce fuel consumption and emissions. 2. **Operational Efficiency**: Implementation of best practices for operational efficiency, such as optimizing routes, reducing ship speeds, and improving cargo handling to minimize fuel usage. 3. **Regular Maintenance**: Maintenance and timely repairs of the fleet to maintain optimal performance and fuel efficiency. 4. **Alternative Fuels**: Exploration and adoption of alternative fuels such as LNG (Liquefied Natural Gas), biofuels, or hydrogen to reduce carbon emissions. 5. **Energy-Efficient Technologies**: Investment in energy-efficient technologies such as air lubrication systems, energy-saving devices, and advanced hull coatings to reduce drag and improve fuel efficiency. Close cooperation with ship manufacturers would be required.
Risks to be mitigated	**1. Structural barrier: ageing vessel fleet and delayed renewal** Risk: ASCO's fleet is significantly older than peers (average 19+ years vs. ~16 years for global players such as Maersk or CMA CGM), with 31% of ships over 30 years old and due for decommissioning within a decade. Mitigation: • Secure access to low-interest or concessional financing to support the renewal of vessels with modern, energy-efficient designs while containing cost of capital. • Integrate a clear CAPEX roadmap aligned with AER trajectory in SLL documentation. • Consider phased replacement aligned with operational lifespan and strategic route needs. **2. Fuel switch constraints: lack of biofuel infrastructure and geographic lock-in** Risk: The Caspian Sea is a landlocked maritime zone with no existing infrastructure to support biomethanol, advanced biofuels or green ammonia – no storage, no bunkering facilities, no local production.

	Annual Efficiency Ratio
	Unlike European shipping companies, ASCO cannot pivot to alternative ports equipped for low-carbon fuels appropriate supply due to the geographical closure of the Caspian basin. Mitigation: • ASCO must take a leadership role in regional coalition-building, initiating public-private partnerships to co-develop local supply chains and biofuel hubs. • Coordinate with regional stakeholders (e.g., KTZ, Baku port) to align logistics growth with green transport strategies: this is an opportunity with the expected surge in freight volumes on the corridor spanning from China, Kazakhstan and Azerbaijan towards Europe. • Communicate clear demand signals to international suppliers to secure future volumes. • Explore small-scale pilot projects and MoUs with fuel technology providers, with SLL incentives tied to progress milestones. **3. Lack of financing** Risk: Achieving ASCO's climate goals without preferential financing would be highly challenging due to the high upfront investment needs: • Estimated CAPEX for fleet renewal (partial replacement) and fuel readiness could reach approximately USD 700 million. • Operating costs may also increase in the short term due to biofuel premiums and training requirements. **Mitigation:** • Position AER targets within a credible investment plan supported by DFI/blended finance instruments and shareholder support. Leverage the SLL to unlock technical assistance and donor support for feasibility studies and project preparation.

2. KPI #2: LTIFR

Table 5 – KPI #2 strategy for implementation

	LTIFR
Action plans	Actions for implementation include: **Strengthen HSE standards and governance:** • Align internal procedures with international safety standards (e.g., ISO 45001). • Roll out standardized HSE management systems across vessels and port facilities.

	LTIFR
	Training and capacity-building: • Implement recurring safety training programs for seafarers and onshore staff. • Promote safety awareness campaigns, including for subcontractors and temporary workers. **Incident reporting and monitoring:** • Deploy a transparent reporting mechanism for all incidents and near misses. • Conduct regular safety audits and root cause analysis of reported incidents. **Leadership and accountability:** • Establish an operational HSE committee reporting directly to executive management. • Introduce LTIFR objectives in the performance review of operations managers. **Subcontractor integration:** • Enforce HSE clauses in all subcontracting agreements. • Monitor and assess subcontractors' safety performance periodically. **Workplace safety and ergonomics:** • Invest in better Personal Protective Equipment and reduce physical strain (e.g. through ergonomic improvements or exoskeletons), and • Regularly audit high-risk areas (stairs, mooring stations, engine room).
Risks to be mitigated	• **Underreporting of incidents due to fear of sanction** → Promote a no-blame culture by establishing clear policies and providing training on transparent reporting practices. • **Limited HSE maturity among subcontractors** → Integrate binding HSE requirements into contracts and conduct regular audits to verify compliance and capacity-building needs. • **Change resistance from crew or technical staff** → Deploy change management programs, identify internal HSE ambassadors, and organize feedback sessions to encourage engagement. • **Shortage of local HSE expertise in Azerbaijan** → Recruit qualified professionals and establish partnerships with local technical institutes to build internal capabilities. • **Weather-related operational risks in the Caspian Sea** (e.g., seasonal fog, icing in northern zones, sudden wind gusts) → Adapt safety procedures to local maritime conditions, reinforce navigational protocols, and deploy real-time weather monitoring tools. • **Safety challenges linked to the introduction of biofuels or alternative fuels** (e.g., new combustion profiles, storage or handling risks) → Revise HSE procedures to cover alternative fuel characteristics, provide targeted crew training, and coordinate closely with suppliers for safe fuel handling.

D. Financing characteristics

The financial and/or structural characteristics and implications related to the achievement or failure of the SPTs are outlined in the legal documentation of any Sustainability-Linked Loan.

Sustainability Framework	The sustainability framework document prepared by the Borrower and the sustainability Framework Advisor, which will be an annexed to the Loan Agreement, will present, among other things, forecasted Annual Efficiency Ratio (AER) reduction and decrease in Lost Time Injury Frequency Ratio (LTIFR) for the company, which ASCO will commit to implement.
SPO Provider	[to be agreed upon]
Second Party Opinion	The SPO Provider will review the Sustainability Framework and will issue an opinion on its conformity with international standards for sustainability-linked loans including with the relevant Sustainability-Linked Loan Provisions and accompanying Guidance notes of the Loan Market Association as well as on the level of ambition of the SPTs.
Rendez-vous clause	By no later than 2029, submit annual numbers for each of the [Number] KPIs [Number] for 2031, 2032, 2033, 2034 and 2035 for SPT determining Margin step down, which will be required to be (i) consistent with the [Decarbonisation/Safety Strategies] adopted by ASCO, and (ii) certified by the SPO Provider with a rating of the SLL equal or higher than at signing. These numbers will then become SPTs until the end of the loan tenor and the parties shall sign an amendment agreement documenting such SPTs. The lack of timely submission of relevant numbers or agreement on new SPTs by the [Bank/Lender(s)] and ASCO shall constitute an Event of Default. As long as there is no agreement on new applicable SPTs, the Loan shall be declassified as non-SLL (subject to the other rights of [Bank/Lenders] resulting from the occurrence of an Event of Default) and the applicable Interest Rate Margin shall be set at the highest level (i.e. [number] %).
Testing events	The SPTs will be tested [number] times during the life of the Loan, on a Testing Event to be set no later than three months after the end of each of the following financial years: • [Year W] (reported in Year W + 1) • [Year X] (reported in Year X + 1) • [Year Y] (reported in Year Y + 1) • [Year Z] (reported in Year Z + 1)
Sustainability amendment event	The Borrower will be granted the option to request to the [Bank/Lender(s)], no more than [Number] times during the life of the Loan, an amendment to one or several of the SPTs. A Sustainability Amendment Event will be deemed to have occurred if the request is (i) consistent with the ASCO Decarbonisation and/or Safety Strategies (once revised versions are adopted), (ii) accepted by the Bank and (iii) certified by the SPO Provider with a rating of the SLL equal or higher than at signing. Should any or all of these conditions not be met, the SPTs will remain unchanged.

Добавлено примечание ([YP1]): Optional clause : could be incorporated if ASCO would like to submit future numbers for its SPTs later (for both or individual KPIs), at a previously agreed certain year (for instance 2030 here), and applicable until the end of the duration of the loan. For example, if ASCO takes this option, it shall submit 1 year before 2030, the annual numbers applicable from 2031 until 2040. Therefore, ASCO will have "rendez-vous" with its lenders in 2029.

Добавлено примечание ([YP2]): Specify the number of the KPI if the Rendez-vous clause applies to only one KPI.

Добавлено примечание ([YP3]): To be define once lenders would be known.

Добавлено примечание ([YP4]): Testing year could occur on an annual basis or every three years. Number of testing times shall be agree upon between ASCO and its lender(s) and cover the entire duration of the loan.

Добавлено примечание ([YP5]): To be defined and agreed upon once lenders would be known.

Interest Rate Margin	[To be agreed upon X%] per annum at signing, which can increase or decrease upon the occurrence of an Interest Rate Margin Step-Up Event or the Interest Rate Margin Step-Down Event, but in any case will not exceed [Number] % and not be lower than [Number] %.

Such documentation will specify the exact financial and/or structural implications (which could include for instance, but are not limited to, redemption premium or margin adjustment, depending on the nature of the instrument). It will also provide, among others, the following characteristics: KPI definition, KPI calculation methodologies, SPTs, applicable variation mechanisms of the financial and/or structural characteristics and related trigger events as well as, where needed, fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner.

Each KPI may be assigned with a relative weight of the aggregate coupon step-up, redemption premium or margin adjustment, as applicable, and will be specified in the documentation.

A step-up of the coupon, (or other adjustment such as premium redemption or margin adjustment, as applicable) shall be triggered if:

- One or more specified KPIs has not achieved the relevant SPTs on the Target Observation Date (e.g., pricing adjustment triggered according to the "Successful/Unsuccessful completion" mechanics),
- The verification (as per the verification section of this Sustainability-Linked Loan Framework) of the SPTs has not been provided by the time of the Target Observation Date as defined in each specific instrument's legal documentation, or
- The Company fails to comply with the reporting requirements as of the notification date related to achieving the SPT, each as defined in each specific instrument's legal documentation.

A step-down of the coupon, (or other adjustment such as or margin adjustment, as applicable) shall be triggered if:

- All specified KPIs have achieved the relevant SPTs on the Target Observation Date (e.g., pricing adjustment triggered according to the "Successful/Unsuccessful completion" mechanics),
- The verification (as per the verification section of this Sustainability-Linked Loan Framework) of the SPTs has been provided by the time of the Target Observation Date as defined in each specific instrument's legal documentation, or
- The Company comply with the reporting requirements as of the notification date related to achieving the SPT, each as defined in each specific instrument's legal documentation.

The proceeds of ASCO Sustainability-Linked Loan will be used for [to be specified]. The perimeters of the KPIs or calibration of the SPTs may change if there is a material change to ASCO's business. Any such change will be communicated within the expected annual reporting.

Добавлено примечание ([YP6]): This is to be agreed upon between the lender(s) and ASCO. These could be used for general corporate purposes or be earmarked on CAPEX and OPEX on low carbon ships procurement and biofuels procurement for instance.

If, for any reason, the performance level against each SPT cannot be calculated or observed, or not in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a reservation or the independent auditor not being in a position to provide such certificate), the premium (as defined above and will be specified in the final terms of the Sustainability-Linked Loan) will be applicable. If, for any reason, ASCO does not publish

the relevant performance against the SPT(s) within the time limit as prescribed by the terms and conditions of the Sustainability-Linked, the premium will also be applicable.

E. Reporting

To provide lenders with information on the progress of KPI(s) and the achievement (or lack thereof) of the SPT(s) laid out in this Sustainability-Linked Loan Framework and legal documentation on Sustainability-Linked Financing Instruments, as well as the impact on the pricing of Sustainability-Linked Loans, ASCO agrees to report annually in its Annual Activity Report (or similar publication, including annual sustainability reporting). This report must be readily obtainable and easily accessible on the ASCO's website. Up-to-date information on the performance of the selected KPI, as per the relevant reporting period, and when applicable, as per the Target Observation Date including the calculation methodology and including the baselines where relevant.

- Any relevant information enabling investors/lenders to monitor the ambition of the SPTs including any update in the issuer's sustainability strategy and/ or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPIs and SPTs.
- When relevant, any re-assessments of KPIs and/or restatement of the SPTs and/or pro-forma adjustments of KPI scope more generally any information relevant to the analysis of the KPIs and SPTs.

F. Verification

1. Pre issuance

[SPO Provider name] reviewed ASCO's Sustainability Financing Framework and issued a Second Party Opinion (SPO), affirming that it aligns with the ICMA-administered SLBP, as well as the LSTA and LMA-administered SLLPs (templates to be confirmed). Any other external review from consultants with recognized environmental and social expertise to provide an opinion on the sustainability benefit of this Sustainability-Linked Loan Framework as well as the alignment to the SLL Principles will also be made publicly available on ASCO's website. The results will be documented in [SPO Provider name] SPO.

EY & Associés' consultants assisted ASCO in the elaboration of this SLL Framework.

2. Post issuance

ASCO will ensure that its performance against the KPIs will be subject to limited assurance by an external and independent party at every Testing Event year. The external verification will be performed by ASCO's external auditor or any such other qualified provider of third-party assurance or attestation services appointed by ASCO, who will provide:

- An assurance report confirming the annual performance of each selected KPI(s);
- A verification assurance certificate confirming the level of the KPI(s) against the applicable SPT(s) following each Target Observation Date.

The assurance report and the verification assurance certificate will be provided to [Bank/Lender(s)].

IV. Recalculation event

The KPIs and or baseline(s) and or SPT(s) set out in the Sustainability-Linked Loan Framework may be amended and/or substituted and/or recalculated (as the case may be) by ASCO and applied to existing Sustainability-Linked Loans at the occurrence of any change or other potential events, that have a material impact on the calculation of a SPT and/or KPI realized score (each, a "Sustainability Recalculation Event"), such as, without limitation:

1. any change to data availability and accuracy, discovery of historical errors in relevant data, change of sustainability regulations, change of sustainability reporting methodology (including ASCO' sustainability reporting),
2. any change of the ASCO activity scope or the Groups perimeter further to an acquisition, disposal, demerger, merger or divesture,
3. any change to the methodology of calculation on any KPI, or
4. any change to a regulation which is relevant to the determination of any KPI.

Such amendments and/or substitution and/or recalculation mechanisms may be performed provided that:

1. in the opinion of ASCO, such change has no significant adverse effect on the interests of the lenders or other type of counterparty, and
2. an external verifier has independently confirmed that the proposed revision, when relevant:
    a. is consistent with ASCO's sustainability strategy,
    b. is in line with the initial level of ambition of the SPT(s).

Any such change will be communicated and notified as soon as reasonably practicable by ASCO in accordance with the conditions detailed in the specific documentation of each Sustainability-Linked Loan.

V. Amendments to this framework

[Bank/Lender(s)] will review this Sustainability-Linked Loan Framework, with a view to ensuring its ongoing alignment with updated versions of the SLBP, SLLP and any relevant principles as and when they are released, and to reflect evolving market practices. Such review may result in this Sustainability-Linked Loan Framework being updated and amended. Such changes, if deemed material, will be subject to review by the SPO provider. Any future adjustments to the KPIs, SPTs or baseline will maintain or increase the proposed level of ambition of the SPTs stated in this Sustainability-Linked Loan Framework. Any future updated version of this Sustainability-Linked Loan Framework will either maintain or enhance the current levels of transparency and reporting, including the corresponding review by a SPO provider. Any revised Sustainability-Linked Loan Framework will be made available on ASCO's website and will replace this Sustainability-Linked Loan Framework.