

# ODFJELL SE SUSTAINABILITY-LINKED FINANCE FRAMEWORK

## PRE-ISSUANCE 2<sup>ND</sup> PARTY OPINION

### Scope and objectives

DNV GL Business Assurance Norway AS (henceforth referred to as "DNV GL") has been commissioned by Odfjell SE (henceforth referred to as "ODFJELL" or "ISSUER") to provide a 2<sup>nd</sup> party opinion on ODFJELL's Sustainability-Linked Finance Framework dated 21 December 2020 (the "Framework").

ODFJELL is the parent company of Odfjell Group, consisting of Odfjell Tankers, Odfjell Terminals and other subsidiaries/joint ventures. Odfjell Tankers is specialized in the shipping of chemicals and liquids. ODFJELL is listed on the Oslo Stock Exchange and headquartered in Bergen, Norway.

The Framework enables issuance of Sustainability-Linked Bonds and Sustainability-Linked Loans (together referred to as "Sustainability-Linked Securities" or "SECURITIES"), to finance general purposes in ODFJELL, where ODFJELL commits to future sustainability improvements within a predefined timeline.

ODFJELL will assess its sustainability performance against annual Sustainability Performance Targets (SPTs) for the period 2020 to 2030, providing a trajectory towards:

- Reducing the carbon intensity of its Controlled Fleet<sup>1</sup> by a minimum of 50% by 2030, compared to 2008

ODFJELL has chosen to measure performance against the SPT through one Key Performance Indicator (KPI):

- The Average Efficiency Ratio (AER) of the Controlled Fleet in gCO<sub>2</sub> per tonne-nautical mile

Our objective has been to provide an assessment on whether the Sustainability-Linked Securities to be issued under the Framework meet the criteria established on the basis set out below. The scope of this DNV GL opinion is limited to the Sustainability-Linked Bond Principles June 2020 (SLBP) set out by the International Capital Market Association (ICMA) and the Sustainability-Linked Loan Principles May 2020 (SLLP) set out by the Loan Market Association (LMA), APLMA and LSTA. Our methodology to achieve this is described under 'Work Undertaken'.

### Responsibilities of the Management of ODFJELL and DNV GL

The management of ODFJELL has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform ODFJELL management and other interested stakeholders in the SECURITIES as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by ODFJELL. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by ODFJELL's management and used as a basis for this assessment were not correct or complete.

<sup>1</sup> Controlled Fleet defined as ODFJELL's owned tonnage, financially leased tonnage and bareboat chartered tonnage. Joint ventures where ODFJELL owns 50% or less, Pool vessels as well as tonnage on time-charter are excluded.

## Basis of DNV GL's opinion

We have adapted our Sustainability-Linked Bond/Loan Principles methodology, which incorporates the requirements of the SLBP and SLLP, to create an ODFJELL-specific Sustainability-Linked Finance Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle behind the criteria is that a Sustainability-Linked Bond or Loan should "provide an investment opportunity with transparent sustainability credentials". As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the five Principles:

- **Principle One: Selection of Key Performance Indicators (KPIs).** The ISSUER of a sustainability-linked loan or bond should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed SPTs. The KPI should be reliable, material to the ISSUER's core sustainability and business strategy, address relevant ESG challenges of the industry sector and be under management control.
- **Principle Two: Calibration of Sustainability Performance Targets (SPTs).** The SPTs should be ambitious, meaningful and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.
- **Principle Three: Bond Characteristics.** The bond will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The bond documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the SLB's financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.
- **Principle Four: Reporting.** ISSUERS should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report (see Principle 5) outlining the performance against the SPTs and the related impact and timing of such impact on the bond's financial and/or structural characteristics, with such information to be provided to those institutions participating in the loan or to investors participating in the bond at least once per annum.
- **Principle Five: Verification (Post-issuance).** The ISSUER should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, at least once per annum. The verification of the performance against the SPTs should be made publicly available.

## Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by ODFJELL in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a ODFJELL-specific Protocol, adapted to the purpose of the SECURITIES, as described above and in Schedule 2 and Schedule 3 to this 2<sup>nd</sup> Party Opinion;
- Assessment of documentary evidence provided by ODFJELL on the SECURITIES and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with ODFJELL management and technology department, review of relevant documentation including Odfjell's Fleet Transition Plan and review of historical implemented measures to improve the AER of the fleet;

- Review of how the available IMO DCS verified AER data for 2019 has been applied to derive to Odfjell's 2019 average AER for its Controlled Fleet;
- Review of how the available AER data for 2008-2018 has been applied to derive to Odfjell's average AER historical data for its Controlled Fleet;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## Findings and DNV GL's opinion

DNV GL conducted the external review engagement in accordance with the Sustainability-Linked Bond Principles (SLBP) and the Sustainability-Linked Loan Principles (SLLP). The review included i) checking whether the provisions of the SLBP and SLLP were consistently and appropriately applied and ii) the collection of evidence supporting the review. DNV GL's findings are listed below:

- 1. Principle One: Selection of Key Performance Indicators (KPIs).** DNV GL confirms that ODFJELL's environmental sustainability KPI is material to the company's overarching sustainability strategy. The rationale and process for KPI selection, as well as its definition, measurability and verifiability, are deemed to be robust, reliable and in accordance with the SLBP and SLLP.
- 2. Principle Two: Calibration of Sustainability Performance Targets (SPTs).** DNV GL concludes that the SPTs are meaningful and relevant in the context of ODFJELL's broader sustainability and business strategy and represent a material improvement over a predefined timeline. IMO's Initial Strategy on reduction of GHG emissions from ships, adopted in 2018, can be used as external reference to benchmark Odfjell's level of ambition, however noting that the exact definition of the 2008 baseline and timing of implementation are not yet defined. DNV GL concludes that Odfjell's target of -50% reduction in carbon intensity compared to its 2008 baseline is more ambitious than the envisaged -40% reduction in carbon intensity compared to IMO's foreseen 2008 baseline, considering IMO's current views on how to define the 2008 baseline. This highlights that improvements beyond what is considered the industry standard will have to occur and can thus be deemed to go beyond what is considered 'business-as-usual'. DNV GL has reviewed the credibility of Odfjell's strategy to achieve the SPTs by reviewing ODFJELL's Fleet Transition Plan and concludes that this plan is viable and possible to meeting the SPT targets outlined in the framework. The interim SPTs for 2021-2029 are a direct reflection of the projected AER's under Odfjell's Fleet Transition Plan, meaning that only a full implementation of the Fleet Transition Plan is expected to result in meeting the interim SPTs.
- 3. Principle Three: Bond Characteristics.** DNV GL confirms that the financial characteristics of securities issued under the framework are impacted based on KPI performance under SPTs, in line with SLBP and SLLP. This impact can include, but is not limited to, margin adjustment, coupon adjustment or re-payment amount adjustment. The specific security documentation for an instrument issued under the framework will determine relevant target observation dates for specified trigger events. The framework has also put in place appropriate fallback mechanisms.
- 4. Principle Four: Reporting.** DNV GL concludes that the framework will ensure that the required information, as outlined in SLBP and SLLP, will be published at an appropriate interval and kept publicly available.
- 5. Principle Five: Verification.** DNV GL confirms that ODFJELL will have its performance against each SPT independently verified annually – and at a more frequent interval if required by the specific terms of an issued security under the framework.

On the basis of the information provided by ODFJELL and the work undertaken, it is DNV GL's opinion that the ODFJELL Sustainability-Linked Finance Framework meets the criteria established in the Protocol and that it is aligned with the stated definition of Sustainability-Linked Bonds within the SLBP, which is to "incentivize the issuer's achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability (ESG) objectives through KPIs and SPTs", thereby

providing "an investment opportunity with transparent sustainability credentials". DNV GL also concludes that the sustainability-linked Finance Framework is aligned with the stated definition of Sustainability-Linked Loans within the SLLP, which is to "incentivise the borrower's achievement of ambitious, predetermined sustainability performance objectives".

**for DNV GL Business Assurance Norway AS**

Oslo, 21<sup>st</sup> of December 2020



**Mark Robinson**

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**About DNV GL**

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

## SCHEDULE 1: DESCRIPTION OF ODFJELL'S KEY PERFORMANCE INDICATOR (KPI) AND SUSTAINABILITY PERFORMANCE TARGET (SPT)

### KPI

#### THE AVERAGE EFFICIENCY RATIO (AER) OF THE FLEET IN GRAM CO<sub>2</sub> PER TONNE-NAUTICAL MILE

ODFJELL has chosen to measure performance through one KPI, being the Average Efficiency Ratio (AER) of the Controlled Fleet in gCO<sub>2</sub> per tonne-nautical mile. The AER is a widely used metric in shipping to monitor and report the annual operational performance efficiency of a ship. The AER is calculated by multiplying the vessel's actual fuel consumption with the carbon factor of the fuel consumed and divide this by the Deadweight (DWT, metric for carrying capacity) of the vessel multiplied with the distance travelled. It is therefore a metric that reports actual CO<sub>2</sub> emissions per tonne-nautical mile.

$$AER = \frac{\text{Actual fuel consumption} \times \text{carbon factor of fuel}}{\text{Deadweight tonnage} \times \text{Distance}}$$

Under IMO's data collection system on fuel consumption (IMO DCS) started 1 January 2019, it is mandatory for all ships  $\geq$  5000 gross tonnage trading globally to report this information. The annual emission report requires verification and is reported to the IMO Database, which is accessible to all governments that have ratified MARPOL Annex VI. ODFJELL has provided DNV GL with its verified IMO DCS 2019 AER data.

### SPT

#### A TRAJECTORY WITH ANNUAL SPTs REDUCING THE CARBON INTENSITY OF ITS CONTROLLED FLEET BY A MINIMUM OF 50% BY 2030, COMPARED TO 2008

Odfjell has chosen to assess its decarbonisation objective for its fleet against a predefined trajectory of annual AER levels towards 2030. The annual AER levels outline the SPTs and represent the carbon intensity of Odfjell's Controlled Fleet. The SPTs are presented below. The SPTs follow a non-linear trajectory in line with the envisaged AER reductions from Odfjell's Fleet Transition Plan, with a slower improvement for the period 2020-2024 than the period 2025-2030. The SPT in 2030 is equal to 50% of Odfjell's average AER in 2008 of its Controlled Fleet. Controlled Fleet is defined as ODFJELL's owned tonnage, financially leased tonnage and bareboat chartered tonnage. Joint ventures where ODFJELL owns 50% or less, Pool vessels as well as tonnage on time-charter are excluded. Odfjell's SPTs are as follows:

Year (end of period)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
AER	8,56	8,35	8,30	8,20	8,16	7,68	7,06	6,53	6,30	6,17	5,89

## SCHEDULE 2: SUSTAINABILITY-LINKED BOND ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	KPI – material to core sustainability and business strategy	<p>The issuer’s sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the issuer’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control. The KPI should be of high strategic significance to the issuer’s current and/or future operations;</p> <p>It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Global Operations – Our Responsibility</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Transition Plan)</li> </ul> <p>Discussions with Odfjell’s management Discussions with Odfjell’s Technology department</p>	<p>DNV GL has reviewed Odfjell’s sustainability KPI and can confirm that the chosen KPI is material and relevant to the company’s core sustainability and business strategy. Core to Odfjell’s business strategy is to handle hazardous liquids safely, sustainably and efficiently. Core to Odfjell’s sustainability strategy is the environment and more specifically reducing GHG emissions in shipping. This is evidenced by Odfjell’s 4 climate targets, all being focused on emission reductions from its shipping activities towards zero emissions in 2050. This is clearly communicated in the sustainability-linked finance framework.</p> <p>The chosen KPI is outlined in more detail in Schedule 1, and entails:</p> <ul style="list-style-type: none"> <li>• The average efficiency ratio (AER) of Odfjell’s controlled fleet, measured in CO<sub>2</sub> grams per tonne-nautical mile.</li> </ul> <p>The AER is a widely used metric in shipping to monitor and report the annual operational performance efficiency of a ship. It is a metric to measure carbon intensity and a suitable metric to be used to address the environmental challenge for shipping being the needed reduction in GHG emissions. The KPI is therefore of high strategic relevance for the ISSUER now and for the foreseeable future to measure relative carbon intensity reduction of its shipping operations. All elements which make up the AER are under management control. The KPI is material, as carbon intensity impacts Odfjell’s own value creation as well as external stakeholders.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
				<p>DNV GL believes that the focus on deploying one KPI will enable a targeted effort to deliver on Odfjell’s overarching decarbonisation targets. The chosen carbon intensity KPI aligns with Odfjell’s broader decarbonisation aims and facilitates the incorporation of tangible and transparent annual milestones that will facilitate measurable and transparent implementation of the broader Odfjell environmental sustainability strategy.</p> <p>In terms of Odfjell’s broader business strategy, DNV GL acknowledges that reducing relative fuel consumption per tonne-nautical mile, resulting in a reduced AER, will be a key driver of lowering operational costs for the controlled fleet. As such, the AER KPI will also be instrumental to Odfjell’s performance beyond that of delivering on environmental sustainability targets.</p>
1b	KPI - Measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT’s level of ambition.</p> <p>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Transition Plan)</li> </ul> <p>Discussions with Odfjell’s management</p>	<p>DNV GL concludes that the AER KPI is measurable on a consistent methodological basis, externally verifiable and able to be benchmarked to external references. DNV GL concludes that it is a robust and reliable metric to measure carbon intensity for a vessel.</p> <p>The AER KPI is already an industry standard for reporting on carbon intensity in the shipping industry. The AER figures will be reported to the IMO data collection system on fuel consumption and will therefore be collected on a consistent methodological basis and be externally verified. The KPI can therefore be benchmarked to external references.</p> <p>IMO’s Initial Strategy on reduction of GHG emissions from ships, adopted in 2018, can be used as external reference to benchmark Odfjell’s level of ambition. IMO states that the</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		<p>disclosures to allow investors to evaluate historical performance of the KPIs selected. In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>	<p>Discussions with Odfjell's Technology department</p>	<p>"carbon intensity of international shipping to decline" "by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008". At the time of writing, the exact definition and timing of implementation is not yet defined. We therefore highlight that there is a possibility that Odfjell's KPI will not be directly comparable to IMO's target going forward. That said, we stress that Odfjell's decision to formulate a holistic carbon intensity reduction strategy based on AER, prior to a final IMO decision on what carbon intensity metric will be used, highlights the company's push to deliver on its broader environmental sustainability targets. Another relevant benchmark comes from the Norwegian Ship Owner's association's climate strategy released in May 2020 which has set an ambitious goal to cut emissions by 50% per transported unit by 2030, compared against 2008 levels.</p> <p>We confirm that Odfjell provides AER performance figures for its fleet dating back to 2008 in the Framework, but we note that only the 2019 figures are externally verified under IMO DCS implemented 1 January 2019, thereby not covering the term of 3 years. Odfjell has confirmed to DNV GL that significant resources have been allocated to ensure that the 2008-2018 AER performance data is correct. Odfjell has been reporting on its fleet gram CO2 per tonne cargo transported 1 nautical mile for the last 3 years, using the Energy Efficiency Operational Indicator (EEOI) instead of AER. The only difference between the two KPI's is that AER uses deadweight tonne of the vessel, while the EEOI uses actual metric tonne cargo carried, e.g. the only difference is that EEOI accounts for utilization of the vessel's theoretical carrying capacity.</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it</li> </ul> <p>Discussions with Odfjell’s management Discussions with Odfjell’s Technology department</p>	DNV GL confirms that the KPI chosen by Odfjell provides a clear scope and calculation methodology. The AER KPI uses the parameters of fuel consumption, distance travelled and deadweight tonnage – and is reported in unit grams of CO <sub>2</sub> per tonne-mile. This is reported at the controlled fleet level, and thus encompass the average relative emissions from Odfjell’s controlled fleet shipping activities. This KPI is already an industry standard and widely reported on, as outlined in 1b.

## 2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious, realistic and meaningful to the issuer’s business and be consistent with the issuers’ overall strategic sustainability/ESG strategy	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Global Operations – Our Responsibility</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> </ul>	DNV GL confirms that the SPTs are consistent with the Issuer’s overall strategic sustainability/ESG strategy, as it is 100% aligned with one of Odfjell’s four climate targets and supports the other three. This target is meaningful to the Issuer’s business, as it addresses the environmental challenge for shipping being the needed reduction in GHG emissions. Odfjell’s four climate targets work towards zero emissions by 2050 and the chosen SPT provides an interim target to measure progress.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			<ul style="list-style-type: none"> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it</li> </ul> <p>Discussions with Odfjell's management Discussions with Odfjell's Technology department</p>	<p>After review of Odfjell's Fleet Transition Plan (provided to DNV GL in confidence), DNV GL concludes that the SPTs are realistic and that the plan is viable and possible to meeting the SPT targets outlined in the framework.</p> <p>A predetermined annual AER reduction year-on-year, totalling a 50% AER reduction by 2030 relative to a 2008 baseline, will build on carbon intensity reductions already achieved since 2008. This will add impetus to Odfjell's environmental sustainability strategy implementation efforts.</p>
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Transition Plan)</li> </ul> <p>Discussions with Odfjell's management Discussions with Odfjell's Technology department</p>	<p>DNV GL confirms that the chosen SPTs represent a material improvement of the KPI, being year-on-year reductions culminating in a -50% reduction in 2030 vs. 2008 baseline. An overall 50% reduction goes beyond "business as usual", as Odfjell will not achieve the targets without the deployment of technical and operational measures to its Controlled Fleet, which will likely come with significant retrofit programs for certain parts of the fleet, next to the implementation of energy saving devices.</p> <p>Comparing Odfjell's SPT for 2030 to the external reference from IMO described under 1b, DNV GL concludes that Odfjell's target of -50% reduction vs. its own 2008 baseline is more ambitious than the envisaged -40% vs. IMO's foreseen 2008 baseline, considering IMO's current views on how to define the 2008 baseline. This highlights that improvements beyond what is considered the industry standard will have to occur and can thus be deemed to go beyond what is considered 'business-as-usual'.</p> <p>The interim SPTs for 2021-2029 are a direct reflection of the projected AER's under Odfjell's Fleet Transition Plan, meaning that only a full implementation of the Fleet Transition Plan is expected to result in meeting the interim SPTs.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
				Odfjell commits to a carbon intensity reduction over a predefined timeline from 2020 to 2030 ahead of IMO's confirmation on implementation of its GHG reduction strategy.
2c	Target Setting – benchmarks	<p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> <li>1. The issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI</li> <li>2. The SPTs relative positioning versus the issuer's peers where comparable or available, or versus industry or sector standards</li> <li>3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies</li> </ol>	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Transition Plan)</li> </ul> <p>Discussions with Odfjell's management Discussions with Odfjell's Technology department</p>	<p>DNV GL confirms that the SPT target setting exercise has been based on an appropriate combination of benchmarking approaches:</p> <ol style="list-style-type: none"> <li>1. DNV GL confirms that the framework provides a KPI performance track-record going back to 2008, and provides forward year-on-year guidance leading up to 2030 – in accordance with the ICMA principles.</li> <li>2. DNV GL concludes that the SPTs outlined go beyond that of the industry standard as highlighted in Ref 2b.</li> <li>3. DNV GL concludes that the SPT is put in an appropriate context of international climate change mitigation efforts. The framework highlights Odfjell's ambition to "do what we can achieve the goals of the Paris targets". The SPT can be seen as aiming to outperform IMO's carbon intensity targets - which were in part formulated in response to shipping not being included in the Paris agreement. Broader aims adopted by Odfjell include: <ul style="list-style-type: none"> <li>- cutting total GHG emissions by 50% by 2030 compared to 2008</li> <li>- only ordering vessels with zero-emission technology from 2030</li> <li>- Have a climate neutral fleet by 2050.</li> </ul> </li> </ol>
2d	Target setting – disclosures	<p>Disclosures on target setting should make clear reference to:</p> <ol style="list-style-type: none"> <li>1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs</li> </ol>	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> </ul>	<p>DNV GL confirms that the relevant disclosures on target setting are appropriately referenced:</p> <ol style="list-style-type: none"> <li>1. The timelines of SPT target achievement are clearly referred to, at an annual frequency leading up to 2030. Securities issued under the framework will need to deliver on applicable SPT(s) – in accordance with corresponding target</li> </ol>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		<ol style="list-style-type: none"> <li>2. Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used</li> <li>3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place</li> <li>4. Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs</li> </ol>	<ul style="list-style-type: none"> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (fleet transition plan)</li> </ul> <p>Discussions with Odfjell's management Discussions with Odfjell's Technology department</p>	<p>observation dates for specified trigger events. These can vary depending on the security issued. It is noted by DNV GL that some of the SPT targets may extend beyond the potential maturity dates of some financial securities. For securities with maturity before 2030, relevant trigger events based on KPI performance under SPTs within the maturity timeline of the instrument will determine performance.</p> <p>2. The reference point for the SPT will be a baseline from 2008. 2008 is widely used as reference year in aims to reduce GHG emissions, including by IMO. The rationale for Odfjell to use its overall 2008 controlled fleet average AER is that it provides one clear reference point to compare against.</p> <p>3. The framework appropriately defines the situations that could lead to a recalculation of the KPI baseline/trajectory – namely following material fleet transactions.</p> <p>4. The framework provides sufficient information on how AER reduction progress will be achieved, highlighting how progress to date has been achieved and the likely measures implemented to meet the AER trajectory outlined leading up to 2030. Leading up to 2025, this will be through various ship upgrades, while post-2025 the phase-out of existing ships and introduction of new ships with low-carbon intensity technology will drive AER improvement, together with potential propulsion retrofit projects.</p> <p>After review of Odfjell's Fleet Transition Plan (provided to DNV GL in confidence), DNV GL concludes that the SPTs are realistic and that the plan is viable and possible to meeting the SPT targets outlined in the framework.</p>

3. Bond Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Bond Characteristics – SPT Financial/structural impact	The SLB will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	Review of: <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Bond Indicative Term sheet</li> </ul> Discussions with Odfjell management	DNV GL can confirm that the inclusion of trigger event(s) under the framework is in line with the requirements outlined by ICMA’s SLBP. Trigger events, with corresponding target observation date(s) and performance requirements under specific SPTs - as outlined in each specific financial security issued under the framework - will ensure that the financial characteristics of the security changes in accordance with performance. The extent of this impact will be outlined in the specific security documentation. DNV GL can confirm that the reviewed Bond indicative Term Sheet fulfils the requirements of the ICMA SLBP regarding Bond Characteristics.
3b	Bond Characteristics – Fallback mechanism	Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained.  Issuers may also consider including, where needed, language in the bond documentation to take into consideration potential exceptional events	Review of: <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> </ul> Discussions with Odfjell management	DNV GL concludes that the framework appropriate explains fallback mechanisms for cases when the SPTs cannot be calculated or observed in a satisfactory manner.  The framework highlights that arrests, capture, seizure or detention of vessels, as well as incidents where Odfjell’s vessels are prevented from discharging for longer than one month can lead to alterations to the KPI dataset relative to what is reported for IMO DCS. With the current COVID-19 pandemic, this is a carve-out that could materialise.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Reporting	<p>Issuers of SLBs should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> <li>1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant</li> <li>2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics</li> <li>3. Any information enabling investors to monitor the level of ambition of the SPTs</li> </ol> <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's financial and/or structural characteristics.</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> </ul> <p>Discussions with Odfjell management</p>	<p>DNV GL concludes that the framework will ensure that required information, as required by the SLBP, will be published in a timely manner and kept publicly available:</p> <ol style="list-style-type: none"> <li>1. KPI performance relative to the SPT targets will published annually, as well as after an applicable target observation date making up a trigger event as outlined in the documentation of any specific security issued under the framework. The information will be made publicly available through the Communication on Progress Report in no later than 90 days after year-end or the relevant target observation date.</li> <li>2. Odfjell performance relative to outlined SPTs will be subject to annual verification from an independent reviewer – and made public alongside Odfjell's Communication on Progress report.</li> <li>3. The Communication on Progress report will provide updates on new or proposed regulations (i.e. from IMO) that are relevant to monitoring the level of ambition of the SPTs.</li> </ol>

5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
5a	External Verification	Issuers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year and for each SPT trigger event.	<ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> </ul> <p>Discussions with Odfjell management</p>	DNV GL confirms that Odfjell has committed in their Sustainability-Linked Finance Framework to obtain external and independent verification of its annual KPI performance relative to the SPT and in connection with any trigger event as specified in specific security documentation.

**SCHEDULE 3: SUSTAINABILITY-LINKED LOAN ELIGIBILITY ASSESSMENT PROTOCOL**

**1. Relationship to Borrower’s Overall Sustainability Strategy**

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Overall Strategy - Objectives	The borrower of a sustainability-linked loan should clearly communicate to its lenders its sustainability objectives, as set out in its sustainability strategy, and how these align with its proposed SPTs.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Plan)</li> </ul> <p>Discussions with Odfjell management Discussions with Odfjell’s Technology department</p>	<p>DNV GL has reviewed Odfjell’s corporate policies and Sustainability Strategy as detailed and benchmarked in their annual Sustainability Reporting. DNV GL concludes that the framework clearly communicates Odfjell’s efforts to support the UN sustainability goals across environment, social and governance goals. More specifically, these are SDG 7, 12, 13 and 14 for environment, SDG 3 and 8 for social responsibility and SDG 19 for governance.</p> <p>The SPTs and corresponding KPI in this framework are exclusively focused on the environment component of Odfjell’s sustainability strategy. This approach is deemed appropriate with reference to the rationale in Ref. 1a in schedule 2.</p> <p>Odfjell’s framework is confirmed to be aligned and consistent with the company’s overarching sustainability strategy through its environmental focus – notably reducing emissions in the shipping segment. As highlighted in schedule 2 – Ref 2a and Ref 2b, the SPTs outlined in the framework underbuilds Odfjell’s overarching decarbonisation aims for 2030 and 2050 by providing a year-on-year trajectory to achieving carbon intensity reductions beyond business-as-usual and industry standard rates.</p>
1b	Overall Strategy - Context	Borrowers are encouraged to position this information within the context of their overarching	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> </ul>	As per the analysis in Ref 1a in schedule 3, DNV GL has confirmed that the context of the Sustainability-Linked Finance Framework has been positioned in context with Odfjell’s values,



Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		objectives, strategy, policy and/or processes relating to sustainability.	<ul style="list-style-type: none"> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Plan)</li> </ul> <p>Discussions with Odfjell management</p>	strategy and objectives as set out in their sustainability reporting.
1c	Overall Strategy - Standards	Borrowers are also encouraged to disclose any sustainability standards or certifications to which they are seeking to conform.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Plan)</li> </ul> <p>Discussions with Odfjell management Discussions with Odfjell's Technology department</p>	Odfjell is committed to the UN SDGs, ref 1a schedule 3.

2. Target Setting – Measuring the Sustainability of the Borrower

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious and meaningful to the borrower's business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Transition Plan)</li> </ul> <p>Discussions with Odfjell management Discussions with Odfjell's Technology department</p>	Confirmed as meaningful by DNV GL and appropriately tied to a predetermined performance target benchmark. Refer to 2c in schedule 2 for elaboration.
2b	Target Setting - Meaningful	Market participants recognise that any targets should be based on recent performance levels.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Transition Plan)</li> </ul> <p>Discussions with Odfjell management</p>	Confirmed as appropriate by DNV GL, given the provision of an AER track-record and forward guidance. Refer to 2d in schedule 2 for elaboration.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
			Discussions with Odfjell's Technology department	
2c	Target Setting - Meaningful	Interaction of the KPIs with the interest rate or equivalent.	Review of: <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Transition Plan)</li> </ul> Discussions with Odfjell management Discussions with Odfjell's Technology department	Confirmed by DNV GL as appropriate under the SLLP. Refer to 3a in schedule 2 for elaboration.

### 3. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Reporting	Borrowers should, where possible, make and keep readily available up to date information relating to their SPTs, with such information to be provided to those institutions participating in the loan at least	Review of: <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> </ul>	DNV GL concludes that the framework meets the reporting requirements outlined under the SLLP. Refer to 4.a in schedule 2 for elaboration.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		once per annum. Borrowers should be encouraged to publicly report information relating to their SPTs and this information will often be included in a borrower's annual report or its sustainability report.	<ul style="list-style-type: none"> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Plan)</li> </ul> <p>Discussions with Odfjell management</p>	

#### 4. Review

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	External Review	The borrower should have its performance against its SPTs independently verified by a qualified external reviewer, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Odfjell sustainability-linked finance framework</li> <li>- Odfjell Annual Report 2019</li> <li>- Communication on sustainability progress 2019 - March 2020</li> <li>- Towards zero-emission: Summary of upcoming regulations and how Odfjell can meet it (Fleet Plan)</li> </ul> <p>Discussions with Odfjell management</p>	DNV GL concludes that the framework meets the review requirements outlined under SLLP. Refer to 5a in schedule 2 for elaboration.

**About DNV GL**

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.