

Second-Party Opinion

Seaspan Blue Transition Bond Framework



Evaluation Summary

Green Bond Principles 2021

Sustainalytics is of the opinion that the Seaspan Blue Transition Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 administered by ICMA. The eligible categories for the use of proceeds – Alternative Fuel Containerships and Marine Vessel Energy Efficiency – are aligned with those recognized by the Green Bond Principles and will reduce the environmental impacts of the shipping industry. Sustainalytics specifically considers investments in LNG-powered ships and related expenditures to be a viable option for the low-carbon transition of the shipping sector.

Climate Transition Finance Handbook 2020

Sustainalytics has evaluated Seaspan's transition governance, strategy, decarbonization targets, and intentions to report on transition progress, and finds the Company to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020. Seaspan has adopted the International Maritime Organization's emission reduction targets, which are considered by Sustainalytics to be acceptable given that, although they do not fully align to a two-degree climate scenario, they have been adopted by a credible international organization.

Evaluation Date	June 28, 2021
Issuer Location	Hong Kong, China Vancouver, Canada

The Use of Proceeds contributes to the following SDGs:



Table of Contents

Scope of Work and Limitations	3
Introduction	4
Sustainalytics' Opinion	4
Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards	4
Section 2: Assessment of Seaspan's Sustainability Strategy	8
Section 3: Impact of Use of Proceeds.....	10
Conclusion.....	11
Appendix 1	12
Disclaimer	18
About Sustainalytics, a Morningstar Company.....	19

Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021 as administered by ICMA;
- Seaspan's alignment with the recommendations of the Climate Transition Finance (CTF) Handbook 2020;
- The credibility and anticipated positive impacts of the use of proceeds²; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

As part of this engagement, Sustainalytics held conversations with various members of Seaspan's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Seaspan representatives have confirmed that:

- (1) They understand it is the sole responsibility of Seaspan to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Seaspan.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Seaspan has made available to Sustainalytics for the purpose of this Second-Party Opinion.

For inquiries, contact the Sustainable Finance Solutions project team:

Zach Margolis
Project Manager
zach.margolis@sustainalytics.com
(+1) 647 695 4341

Ijeoma Madueke
Project Support
ijeoma.madueke@sustainalytics.com
(+1) 647 317 3631

Andrew Johnson
Project Support
andrew.johnson@sustainalytics.com
(+1) 647 951 3324

Molly Stern
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

¹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

² For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

Introduction

Seaspan Corporation (“Seaspan”, the “Company”, or the “Issuer”) is the largest independent containership lessor in the world. Seaspan charters vessels primarily on long-term, fixed-rate time charters to the world’s largest container shipping companies and has an operating fleet of 127 containerships, as of March 31, 2021. Headquartered in Hong Kong, with global offices in Vancouver and Mumbai, the Company has approximately 5,000 employees globally.

Seaspan has developed the Seaspan Blue Transition Bond Framework (the “Framework”) under which it intends to issue transition bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that facilitate the transition of the Company’s operations to a low-carbon economy. The Framework defines eligibility criteria in the following areas:

1. Clean Transportation:
 - a) Alternative Fuel Containerships
 - b) Marine Vessel Energy Efficiency

Seaspan engaged Sustainalytics to review the Seaspan Blue Transition Bond Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials, its alignment with the Green Bond Principles 2021 (GBP)³ and alignment with the recommendations of the Climate Transition Finance (CTF) Handbook 2020.⁴ This Framework will be published in a separate document.⁵

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment with Green Bond Principles 2021 (GBP)

Sustainalytics is of the opinion that the Seaspan Blue Transition Bond Framework is credible, impactful and aligns with the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond Programme External Review Form. Sustainalytics highlights the following elements of Seaspan’s Blue Transition Bond Framework:



Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Classification	Sustainalytics’ Assessment
Clean Transportation – Alternative Fuel Containerships	Containership new builds	Green/ Transition	- Newbuild containerships financed in the short term will be LNG dual-fuel vessels.⁶ Sustainalytics considers LNG to be an interim solution that can contribute to the decarbonization of the shipping sector and thus to be a transition activity. - LNG has the potential to achieve emissions reductions of up to 25% compared to conventional fuels, while biofuels provide a range of reductions which could, in

³ The Green Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

⁴ The Climate Transition Finance Handbook is administered by the International Capital Market Association and is available at:

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf>

⁵ The Seaspan Blue Transition Bond Framework is available on Seaspan’s website at: <https://www.seaspacorp.com/sustainable-financings/>

⁶ LNG dual-fuel vessels have the capacity to run on either conventional liquid marine fuels (LFO, HFO or liquid bio fuel) or LNG switching between fuels as required.

			theory, reach 100%; and hydrogen and hydrogen-derived fuels may provide near-100% reductions depending on the source of energy inputs. - Seaspan's internal modeling predicts that, all else being equal, a newbuild containership with an LNG-powered propulsion system will be able to remain below the IMO trajectory for approximately eight years longer⁵ than an equivalent conventional-fueled vessel. This provides an additional window for further technological development, including the deployment of lower-carbon fuels. - Vessels eligible to be financed under the Framework may, in the long term, include those with zero or very low emissions such as hydrogen-powered ships. Such investments would be viewed as a green activity.
Clean Transportation – Marine Vessel Energy Efficiency	Refurbishments	Transition	- The refurbishment or retrofit of existing vessels to support LNG or other lower-carbon propulsion systems is considered to be a credible transition activity.
	Improving physical design efficiency of new/existing ships	Green/Transition	- Investments in improving the performance of vessels through improved physical design characteristics⁷ are viewed by Sustainalytics as transition activities, as these features will be, in the short term, implemented on vessels powered by LNG. It is acknowledged that physical design improvements can, in the future, provide efficiency benefits to vessels powered by low-carbon fuels, which would be viewed as a green activity, and as such that there is no “fossil fuel lock-in” associated with these investments.
	Shore-to-ship power (alternative maritime power or “cold ironing”)	Green	- By connecting to electrical grids while in port, vessels can avoid use of auxiliary generators. This electrification, which results in zero direct emissions, is considered to be an activity in line with green bond market practice.
	Research and development	Green/Transition	- Sustainalytics considers expenditures that aim to enable the future use of low- or zero-carbon fuels, such as hydrogen or ammonia, to be in line with green bond market practice. - Sustainalytics considers expenditures in relation to the development of LNG vessels to be a transition activity.

- The eligible categories of the Framework aim to address one of the five key tipping points of the UN Global Compact Blue Bonds Reference Paper, namely “Set Sail For Zero”.

Commentary on Transition Use of Proceeds

- Sustainalytics recognizes the marine shipping sector as well-suited for transition finance, as it is carbon-intensive, important for the economy and human needs, and faces technological barriers to rapid decarbonization.
- Sustainalytics notes that the nature of Seaspan's business model is to serve as lessor; and the Company does not operate vessels. This limits the Company's capacity to directly impact various factors that affect vessel emissions performance such as speed, route selection, fuel choices, which are determined by the vessel operator (the charterer). Consequently, while there are significant carbon emissions resulting from assets owned by the Company, these may not be considered “operational” emissions from Seaspan's perspective, which puts a greater degree of emphasis on vessel technology (e.g. design and propulsion) as the driver of enabling emissions reductions. These technological factors are appropriately addressed by the Issuer's transition approach.

⁷ Seaspan will use accepted metrics to assess vessel efficiency, namely the Energy Efficiency Design Index (EEDI) and Existing Vessel Design Index (EVDI) and aims ensure compliance with IMO targets in these areas.

- It is recognized that investments under the Framework will finance assets which may not be aligned with long-term climate objectives, as a low-emissions shipping sector will require ongoing advancements in propulsion technology, ship design, and operational profiles. Seaspan intends that these investments be part of a broader strategy which ensures compliance with IMO target which aims for a 50% reduction in emissions for the sector by 2050.
- The vessels financed under the Framework are intended to be compliant with the Poseidon Principles, which are in turn based on the IMO's decarbonization trajectory. Although this trajectory is not aligned with a two-degree scenario, Sustainalytics considers it to be acceptable, while encouraging more ambitious medium-to-long-term targets.
- The adoption of zero-carbon and carbon-neutral fuels is recognized as important for the long-term decarbonization of the sector. A report from the American Bureau of Shipping defines three "pathways" to this decarbonization, based on the technical characteristics of the fuels: light gases, heavy gases/alcohol, and bio/synthetics. This "pathways" approach aims to drive feasible carbon reductions in the short term, while avoiding the "lock-in" of assets which are not compliant with a long-term reduction strategy. LNG is the first step on the light gases pathway, which expects that renewable gasses such as bio- or electro-methane sourced from wastes or created with renewable energy will be deployed to replace fossil LNG, before the culminating in zero-emission hydrogen. Seaspan's Framework and strategy are focused on the light gas pathway; refer to Section 2 – Decarbonization Pathway and Implementation Plan for further discussion.



Project Evaluation and Selection

- Seaspan's eligible projects will be evaluated and selected by a Sustainable Finance Coordination Group (the "Group"). The Group is made up of individuals of different business units, including Treasury, Legal and other Seaspan representatives. The Group will meet on a regular basis.
- Seaspan's Finance and Commercial teams are responsible for approving the selected projects.
- Sustainalytics considers the use of a Sustainable Finance Coordination Group comprising of individuals from different business units to strengthen the implementation of the framework and is in line with market practice.



Management of Proceeds

- The Company's Treasury department will be responsible for tracking the allocation of net proceeds using its internal tracking system. Pending allocation, unallocated Blue Transition Bond proceeds will be held in accordance with Seaspan's internal liquidity policy.
- Seaspan intends to fully allocate an amount equal to the net proceeds within 36 months of issuance. The Eligible Projects may include expenditures from 36 months preceding the Blue Transition Bond issuance.
- Sustainalytics notes that market practice dictates refinanced debt should not specifically be linked to carbon intensive activities. Sustainalytics considers Seaspan's Framework aligned with market practice for the refinancing of debt.
- Sustainalytics considers Seaspan's delegation of responsibility for the management of proceeds to its Treasury department and subsequent allocation procedures to be in line with market practice.



Reporting

- Seaspan commits to annually report on its website, which will include amounts allocated to eligible projects, case studies and impact metrics where feasible, and the remaining balance of unallocated net proceeds.
- The Company has identified potential impact metrics including EEDI or EVDI, Vessel Annual Efficiency Ratio (AER), and per vessel impact of particulate matter including SOx, NOx and CO₂e.
- Sustainalytics considers Seaspan's reporting commitments to be in line with market practice.

Assessment against the Climate Transition Finance Handbook 2020

Sustainalytics has assessed Seaspan's alignment with the recommendations of the Climate Transition Finance (CTF) Handbook and considers the Company's transition strategy to be partially aligned. Sustainalytics highlights the following key elements of the assessment:

Key Elements	ICMA Recommendation	Sustainalytics' Assessment	
Issuer's climate transition strategy and governance	- Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement - Relevant interim targets on the trajectory towards long-term goal - Governance of transition strategy	- The Issuer is committed to complying with the IMO's emissions reduction trajectory, and to making ongoing efforts to develop and deploy marine technology to this end. - Seaspan does not yet have a formal transition governance structure in place, however it is in the process of establishing an ESG Committee that will report to the Board and will have oversight of the Company's decarbonization strategy; Sustainalytics encourages Seaspan to report on the mandate and activities of this Committee once in place. To date, Seaspan's sustainability initiatives have been led by the Company's management team. The Company has enacted several sustainability-linked financing instruments, including the first SLB from the shipping sector, aligned with this strategy. - While the Company has outlined general pathways, and has established a Technology Advisory Committee to support in identifying and selecting promising decarbonization technologies, Sustainalytics notes the lack of specific targets related to concrete actions to achieve alignment over the medium-to-long term, including timelines for adopting lower-carbon fuels or technologies. - See detailed assessment in Section 2.	Partially aligned
Business model environmental materiality	- Transition trajectory should be relevant to the environmentally-material parts of the issuer's business model	- Seaspan is targeting improved emissions performance across its vessels as well as long-term low-carbon solutions to its operations. - These are relevant and material issues to Seaspan's core business model.	Aligned
Climate transition strategy to be 'science-based' including targets and pathways	- Transition strategy should reference science-based targets and transition pathways	- As the transition strategy is aligned with the IMO 2050 decarbonization trajectory, it is viewed by Sustainalytics to be acceptable given that, although it is not fully aligned to a two-degree climate scenario, the IMO trajectory represents targets adopted by a credible international organization. - See detailed assessment in Section 2.	Partially aligned
Implementation transparency	- Disclosure of CAPEX and OPEX plans - Climate-related outcomes and impacts that expenditures are intended to result in	- The Issuer will report, at the fleet level, on indicators for which the IMO has established trajectories, including carbon intensity. - While Seaspan has not committed to ongoing reporting on the share of its CAPEX dedicated to transition, the Issuer will make available to its investors, information on eligible alternative fuel vessels purchased.	Partially aligned

Section 2: Assessment of Seaspan's Sustainability Strategy

Credibility of Seaspan's Climate Transition Strategy

Climate Governance

Seaspan's transition strategy will be overseen by an ESG Committee which reports to the Company's Board of Directors. The committee comprises of members from Seaspan's Commercial, Operations, Legal and HR departments.

As part of Seaspan's efforts towards a low-carbon economy, the Company established a Technology Advisory Council in 2020 comprised of senior executives from the maritime and energy industries to guide strategic decisions towards alternative fuels to be used by the shipping industry. Additionally, in 2021, Seaspan joined the Maersk Mc-Kinney Møller Center for Zero Carbon Shipping to participate in research on decarbonization trajectory for the Company and industry as a whole.⁸

Emission-Reduction Targets

Seaspan's long-term emission reduction target is the IMO absolute target of a 50% reduction in GHG from shipping by 2050 as well as the respective trajectories under the Poseidon Principles to reduce CO₂ emissions intensity by at least 40% by 2030 and 70% reduction by 2050 per transport work.⁹

Seaspan has not yet established specific short- and medium-term targets. The Company has indicated its intention to do so under its ESG Programme, through which it will identify material ESG issues and develop metrics and targets to communicate its environmental commitments towards an overall decarbonization plan.

Sustainalytics notes that IMO targets do not align with the broadly accepted international goal of achieving net-zero carbon by 2050. Sustainalytics nonetheless considers the IMO targets to be acceptable as a basis for Seaspan's target-setting, while also encouraging Seaspan to seek opportunities to align its decarbonization pathway with the more ambitious goal of net-zero carbon by 2050. Furthermore, Sustainalytics considers it as market expectation that Seaspan communicate interim commitments with milestones that map out a clear decarbonization pathway, the lack of which, weakens the Company's transition strategy.

Decarbonization Pathway and Implementation Plan

Seaspan envisions that its decarbonization pathway will focus on two key pillars: optimizing efficiency of its existing fleet and switching to lower-carbon fuels. The company is still in the process of formalizing its strategy and plans for each.

Some notable highlights are outlined below:

- In 2012, the Company developed the Seaspan Action for Vessel Energy Reduction (SAVER) initiative targeted towards improving vessel efficiency, minimizing fuel consumption and maximizing cargo loading. Some of the enhancements include optimized hull, rudder and propeller designs, efficient engines and auxiliary machinery, and optimized cargo loadability. This has led to a 25% reduction in Seaspan vessel carbon emissions. Although speed management has the potential to significantly improve energy efficiency of shipping vessels, as the lessor and not operator, this not under the immediate control of Seaspan.
- Seaspan entered into an agreement in 2021 to acquire ten 15,000 TEU LNG containership newbuilds scheduled for delivery in 2023. This is part of the Company's commitment to the development of its fleet through increasingly environmentally-friendly technologies for a viable alternative fuel source. Using LNG to power ships has reduction potential of up to 25% of 'tank-to-wake' GHG emissions as compared to diesel and heavy fuel oils, particularly when burned in high-pressure dual-fuel (HDPDF) engines. Sustainalytics encourages the Issuer to outline a clear pathway for switching to bio-based or synthetic fuel sources that have higher potential to reduce GHG emissions from its vessels.
- Seaspan recognizes that several decarbonization pathways for the shipping sector exist over the long term, focused on light gases, bio or synthetic fuels and heavy gas. The Company has identified its immediate actions

⁸ Seaspan Press Release, "Seaspan Signs on as Strategic Partner of Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping", (2021), at: <https://www.seaspancorp.com/seaspan-signs-on-as-strategic-partner-of-maersk-mc-kinney-moller-center-for-zero-carbon-shipping/>

⁹ Transport work refers to the unit of transportation metric computed based on amount of cargo carried multiplied by distance covered.

towards short-term carbon reduction by switching to LNG, and consequently intends to focus its efforts on the light gas pathway. This pathway implies future efforts related to the development and deployment of low-carbon natural gas (eg. bio- or electro-methane) as well as hydrogen fuels and vessels. Other pathways, notably the heavy gas pathway culminating in ammonia, may be considered based on future technological development, but are not considered a primary focus of the Company at this time. Sustainalytics notes Seaspan has not indicated a specific timeline to implement the pathways into its transition strategy.

- Given the role of Seaspan as a lessor to operators within the industry, the Company is looking beyond its own operations to expand its decarbonization efforts. This involves incorporating fuel use into charter agreements in order to incentivize charterers to align with IMO's carbon intensity trajectory during the use of leased vessels. Through this strategy, Seaspan intends to influence other stakeholders across the value chain.

While recognizing the steps that Seaspan is undertaking to execute its transition strategy, Sustainalytics also notes the limited GHG reduction potential that LNG offers as an alternative fuel source.

Reporting on Implementation

Seaspan intends to report on the progress of decarbonization and overall transition strategy through the issuance of an inaugural 2021 Sustainability Report, which will subsequently be released annually. With respect to its carbon intensity, Seaspan plans to track and report on CO₂ emissions from its fleet using energy efficiency performance metrics recognized by the IMO such as AER and EEDI by 2021 as well as Energy Efficiency Existing Ship Index (EEXI) by 2022. Additionally, other air pollutants such as sulphur and nitrogen oxides will be tracked and reported on. Seaspan has not indicated any intentions report on the share of CAPEX dedicated to its transition activities.

Seaspan's Environmental and Social Risk Management

While Sustainalytics recognizes that Seaspan's defined targets are impactful, we acknowledge that a company operating in the maritime shipping industry must manage certain environmental and social risk related to operation of its vessels. Some of the most material ESG risks that shipping companies must manage include risk from regulatory changes, air and water pollution (including non-GHG emissions, ballast water discharge, and waste/spills), negative effects on marine biodiversity and health and safety risks for its employees.

In the following section Sustainalytics comments on Seaspan's ability to mitigate such risks:

- The Company complies with conventions such as the IMO's International Convention for the Prevention of Pollution from Ships ("MARPOL"), which imposes liability for pollution in international waters and a signatory's territorial waters. Seaspan's fleet of vessels comply with international maritime environmental laws and regulations, which mandate a variety of reporting and analysis.
- Seaspan has received ISO 14001:2015 certification, verifying its ongoing compliance and commitments to minimizing potential environmental impact of its operations. The Company has highlighted to Sustainalytics its ambition to further develop its environmental strategy and environmental risk management approach. This approach will also involve the updating of its environmental policy, which will aim to further implement its ISO 14000 Environmental Management System and develop reporting environmental metrics and development of appropriate targets. Key considerations will include the continued compliance of its assets and operations with local and international environmental legislation and will be supported by the establishment of targets to reduce GHG emissions.
- Seaspan is committed to exploring pathways to meet the IMO's GHG targets, underscoring the importance of limiting air pollution from the international shipping sector, which is almost entirely powered by highly polluting bunker fuels such as heavy fuel oil or diesel. As part of this effort the Company has installed scrubber systems on some of its vessels, is working towards improving new vessel designs, modifying its existing vessels to make them more fuel efficient and is exploring use of as well as alternative fuels.
- Seaspan is compliant with the International Convention for the Control and Management of Ships' Ballast Water and Sediments or the BWM Convention which are regulations to control the transfer of potentially invasive species.¹⁰ All new vessels delivered to Seaspan post 2014 have Ballast Water Treatment System installed and the Company is in the process of retrofitting its older vessels to include the same system.

¹⁰ International Maritime Organization, Ballast water management - the control of harmful invasive species, accessed in September 2020, at: <http://www.imo.org/en/MediaCentre/HotTopics/BWM/Pages/default.aspx>

- Seaspan has a Health and Safety Policy¹¹ in place which is applicable to all its ship and shore staff. The policy calls for the implementation of a Safety Management System which promotes safe working practices and working environment and continual improvement of its safety management practices. Seaspan also ensures compliance with the International Convention for the Safety of Life at Sea (SOLAS)¹².
- Seaspan applies a series of enterprise-wide policies across its operations and assets, including a Standard of Business Conduct Policy¹³ and Quality Policy¹⁴. Under these policies, the company strives to enforce ethical standards and culture of accountability, set up risk control measures and violation reporting mechanisms, protect and improve community relations and health, safety, environment, and quality etc.
- Seaspan is committed to the recycling of ships through its Ship Recycling Policy that emphasizes the responsible decommissioning of ships. The policy is aligned with the EU Ship Recycling Regulations and the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships.¹⁵ Alignment with these two conventions is important because of the large number of decommissioned ships that end up broken down on beaches in South Asia.¹⁶ In 2020, 446 of 630 ocean-going commercial decommissioned ships, could be found broken down on three beaches in South Asia.¹⁷

Based on these policies, standards and compliance to various laws and conventions, Sustainalytics is of the opinion that Seaspan has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with its operations.

Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by GBP. Sustainalytics has focused on decarbonizing the shipping industry below where the impact is specifically relevant in the local context.

Importance of decarbonizing the shipping industry

In 2018, the International Maritime Organization (IMO) adopted the Initial IMO Strategy on Reduction of GHG Emissions from Ships. The objective of the Strategy is to reduce the carbon intensity of the international shipping industry 40% by 2030, and 70% by 2050, compared to 2008 levels.¹⁸ In 2020, 80 percent of the global merchant trade by volume was carried by maritime vessels,¹⁹ and contributed roughly than 2% of total global energy-related CO2 emissions.²⁰ A 2020 report jointly published by Deloitte and Shell highlighted the shipping sector's acknowledgment of the need for sustainable solutions and provided 12 short, medium and long-term solutions based on the research conducted. The 12 solutions included a call for global regulatory alignment, scaling-up customer demand for low-carbon emissions, R&D, and a short and long-term focus on operational efficiency within the sector.²¹

Despite buy-in from the shipping sector, the IEA recommends that more efforts are needed to assist the shipping sector transition to become a more sustainable sector. The average age of shipping vessels is 20-30 years, and because many of the technologies that the industry require are not yet commercialized, there is a call to accelerate R&D investments for shipping

¹¹ Seaspan, Policy: Health and Safety, June 2020, available at <https://www.seaspancorp.com/wp-content/uploads/2020/08/PL-005-Health-Safety-Policy.pdf>

¹² SOLAS is an international maritime treaty which sets minimum safety standards in the construction, equipment and operation of merchant ships.

¹³ Atlas Corp's Standards of Business Conduct Policy Document. Provided by Seaspan to Sustainalytics.

¹⁴ Seaspan Quality Policy, accessed September 2020, available at <https://www.seaspancorp.com/wp-content/uploads/2020/08/PL-016-Quality-Policy.pdf>

¹⁵ Atlas Corp, "Environmental, Social Governance", (2021), at: <https://atlascorporation.com/environmental-social-governance/>

¹⁶ Shipbreaking Platform" Press Release – Platform publishes list of ships dismantled worldwide in 2020", (2021), at: <https://shipbreakingplatform.org/platform-publishes-list-2020/>

¹⁷ Shipbreaking Platform" Press Release – Platform publishes list of ships dismantled worldwide in 2020", (2021), at: <https://shipbreakingplatform.org/platform-publishes-list-2020/>

¹⁸ IMO, "Adoption of the initial IMO Strategy on Reduction of GHG Emissions from Ships and Existing IMO Activity Related to Reducing GHG Emissions in the Shipping Sector", (2018), at:

https://unfccc.int/sites/default/files/resource/250_IMO%20submission_Talanoa%20Dialogue_April%202018.pdf

¹⁹ UNCTAD, "Review of Maritime Transport", (2020), at: https://unctad.org/system/files/official-document/rmt2020_en.pdf

²⁰ IEA, "International Shipping", (2020), at: <https://www.iea.org/reports/international-shipping>

²¹ Deloitte-Shell, "Decarbonising Shipping: All Hands on Deck – Executive Summary", (2020), at: https://www.shell.com/promos/energy-and-innovation/executive-summary/_jcr_content.stream/1594141816703/b185c072b017f2a26d4ef94b18cacd201b24d2be/decarbonising-shipping-exec-sum.pdf

related technologies to achieve the 2050 goal of 70% reduction of emissions based on 2008 levels.²² The OECD recommends that technology needed for emissions reductions includes use of hydrogen, improved efficiency including through wind assistance and carbon intensity measures.²³

Achieving these targets will require large amounts of capital investment. One study estimates that total investment of USD 1.65 trillion will be required by 2050 to decarbonize the shipping sector. Sustainalytics is of the opinion that Seaspan's investment in retrofitting and acquiring vessels that can run on alternative fuels will contribute to steering the shipping sector towards a low carbon future.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This transition bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG Target
Clean Transportation – Alternative Fuel Containerships	9. Industry, innovation and infrastructure	9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation – Marine Vessel Energy Efficiency	14. Life Below Water	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution

Conclusion

Seaspan has developed the Seaspan Blue Transition Bond Framework under which it intends to issue green and/or transition bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that facilitate the transition of the Company's operations to a low-carbon economy. The eligible categories of the Framework aim to address one of the five key tipping points of the UN Global Compact Blue Bonds Reference Paper.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Seaspan Blue Transition Bond Framework is aligned with the overall transition strategy of the company and that the bond use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 9 and 14. Additionally, Sustainalytics is of the opinion that Seaspan has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics is of the opinion that the Seaspan Blue Transition Bond Framework is robust and transparent, and aligns with the four core components of the Green Bond Principles 2021. Sustainalytics has also assessed Seaspan's alignment with the recommendations of the Climate Transition Finance Handbook and considers the Company's transition strategy to be partially aligned overall. Seaspan has articulated an emissions reduction trajectory that addresses material issues based on acceptable targets as well as a transparent transition reporting process. Based on the above, Sustainalytics is confident that Seaspan is well-positioned to issue transition bonds.

²² EA, "International Shipping, (2020), at: <https://www.iea.org/reports/international-shipping>

²³ OECD, "GHG Emissions Reduction Shipping", (2017), at: <https://www.itf-oecd.org/sites/default/files/docs/imo-ghg-emissions-reduction-shipping-oecd-submission.pdf>

Appendix 1

Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Seaspan Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Seaspan Blue Transition Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 28, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The Framework defines eligibility criteria in the following areas:

1. Clean Transportation:
 - a) Alternative Fuel Containerships
 - b) Marine Vessel Energy Efficiency

Sustainalytics classifies these investments as either green, transition, and/or a combination of the two. Investments in low- or zero-carbon fuel vessels, such as hydrogen, or in emissions reductions through electrified shore-to-ship power are aligned with green bond market expectations, while investments in LNG-powered ships and related expenditures are considered to be a viable option for the low-carbon transition of the shipping sector. Sustainalytics has evaluated Seaspan's transition governance, strategy, decarbonization targets, and intentions to report on transition progress, and finds the Company to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| ☐ Renewable energy | ☒ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☐ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | ☒ Other (<i>please specify</i>): Transition activities for the shipping sector |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

- Seaspan's eligible projects will be evaluated and selected by a Sustainable Finance Coordination Group (the "Group"). The Group is made up of individuals of different business units, including Treasury, Legal and other Seaspan representatives. The Group will meet on a regular basis.
- Seaspan's Finance and Commercial teams are responsible for approving the selected projects.

- Sustainalytics considers the use of a Sustainable Finance Coordination Group comprising of individuals from different business units to strengthen the implementation of the framework and is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☐ Summary criteria for project evaluation and selection publicly available | ☐ Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

- The Company's Treasury department will be responsible for tracking the allocation of net proceeds using its internal tracking system. Pending allocation, unallocated Blue Transition Bond proceeds will be held in accordance with Seaspan's internal liquidity policy.
- Seaspan intends to fully allocate an amount equal to the net proceeds within 36 months of issuance. The Eligible Projects may include expenditures from 36 months preceding the Blue Transition Bond issuance.
- Sustainalytics notes that market practice dictates refinanced debt should not specifically be linked to carbon intensive activities. Sustainalytics considers Seaspan's Framework aligned with market practice for the refinancing of debt.
- Sustainalytics considers Seaspan's delegation of responsibility for the management of proceeds to its Treasury department and subsequent allocation procedures to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (please specify): |

**Additional disclosure:**

- | | |
|---|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
| ☐ Allocation to individual disbursements | ☐ Allocation to a portfolio of disbursements |
| ☒ Disclosure of portfolio balance of unallocated proceeds | ☐ Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

- Seaspan commits to annually report on its website, which will include amounts allocated to eligible projects, case studies and impact metrics where feasible, and the remaining balance of unallocated net proceeds.
- The Company has identified potential impact metrics including EEDI or EVDI, Vessel Annual Efficiency Ratio (AER), and per vessel impact of particulate matter including SOx, NOx and CO2e.
- Sustainalytics considers Seaspan's reporting commitments to be in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| ☒ Allocated amounts | ☐ Green Bond financed share of total investment |
| ☐ Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☒ Other (<i>please specify</i>): Case studies |

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ GHG Emissions / Savings | ☐ Energy Savings |
| ☐ Decrease in water use | ☒ Other ESG indicators (<i>please specify</i>): IMO metrics |

**Frequency**

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other (please specify): Online
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- ☐ Consultancy (incl. 2nd opinion) ☐ Certification
- ☐ Verification / Audit ☐ Rating
- ☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data,



the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified
Climate Bonds of 2019

awarded to Sustainalytics



SUSTAINALYTICS
a Morningstar company

Climate Bonds
AWARDS 2020

More information conference.climatebonds.net/awards



GlobalCapital
SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
Principles