



# BLUETRANSITION BOND REPORT

MARCH 2023

SEASPAN SENIOR UNSECURED 5.5% NOTES DUE 2029

## SEASPAN SENIOR UNSECURED 5.5% NOTES DUE 2029

Seaspan has obtained an assurance report from KPMG which is included at the back of this report.

**USHY Issue Date: 14-Jul-2021**

**Use of Proceeds Target** **\$750,000,000.00**

**Spend to Date on Eligible Projects**

**10x 15K TEU LNG Dual Fuel (Announced February 2021)** **\$459,603,400.00**

**15x 7K TEU LNG Dual Fuel (Announced July & September 2021)** **\$181,898,650.00**

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**Total Spend to Date (as of 31-Dec-2022)** **\$641,502,050.00**

**Remaining Spend** **\$108,497,950.00**

**Target Status** **In Progress**

Note: Seaspan also has sustainability-linked bonds; their Sustainability-Linked Bond Reports are included on the Sustainable Finance portion of our website: <https://www.seaspancorp.com/sustainable-financings/>. As stated in our Blue Transition Bond Framework, proceeds allocated in conjunction this framework will not be redundant to those allocated to satisfy the sustainability performance target in our sustainability-linked bonds (i.e., the Company will continue to report spend to date until all performance targets are met without duplication of uses.)

### Explanatory Notes

An amount equal to the net proceeds raised in any Blue Transition Bond issuance will be allocated towards Eligible Projects defined as:

- Containership newbuilds targeting decarbonization by utilizing an alternative and/or low-carbon emission fuel source (“Alternative Fuel Source”), which is defined as a fuel source that emits less CO<sub>2</sub> than a conventional fuel vessel. This includes the use of LNG, bio- or electro-methane, hydrogen, bio-diesel, ammonia or other future commercially viable alternative low or zero carbon fuel source technology and may include dedicated and dual-fueled vessels, utilizing Alternative Fuel Sources
- Investment in R&D, retrofitting, and vessel modifications, to advance the technical and/or operational efficiency of marine vessels allowing for lower emission intensity through the use of low or zero carbon fuels and/or advanced design and/or propulsion technology

Eligible containership newbuild projects will feature:

- Technical specifications consistent with the Poseidon Principles, which is aligned with the International Marine Organization’s (IMO) goal of at least 50% reduction in total annual GHG emissions by 2050 compared to 2008. These technical specifications may include measures to improve the Energy Efficiency Design Index (EEDI) of the vessel and other widely accepted metrics for carbon emissions
- Fuel flexibility and future proofing considerations designed for lower and zero carbon pathways such as the transition from LNG to Synthetic or Bio-methane to Hydrogen fuel sources

Additional details can be found on our Blue Transition Bond Framework found here: <https://www.seaspancorp.com/sustainable-financings/>

## Climate Change and CO<sub>2</sub> Emissions

CO<sub>2</sub> is a naturally occurring greenhouse gas (“GHG”), which traps additional heat within our atmosphere as levels rise. Trapped heat leads to climate change, which in turn has significant negative economic and health impacts.

Based on the fourth International Maritime Organization (“IMO”) Report, shipping contributes approximately 3% of global anthropogenic carbon dioxide emissions. In 2018, the IMO announced targets to reduce the total annual GHG emissions from the shipping sector by at least 50% by 2050, and achieve zero GHG emissions as soon as possible, in this century. The IMO also set a target to reduce vessel carbon intensity by 40% by 2030, and by 70% by 2050.

Seaspan’s emissions performance is influenced by vessel design, travel speed, trade route, cargo carried, data analytics, industry best practices for maintenance, and continuous efficiency updates and vessel modifications developed through its asset development program. The following summary illustrates Seaspan’s pursuit of lowered emissions through ship design.

To meet and exceed the IMO’s GHG reduction targets, Seaspan has developed a decarbonization strategy based on four pillars:

### 1. Continuous Efficiency Improvement:

- Seaspan Action for Vessel Energy Reduction (“SAVER”) is Seaspan’s eco-vessel initiative aimed at improving the overall efficiency of the vessel, reducing fuel consumption, and improving cargo loadability
- The result is lower fuel consumption and emissions per unit of cargo carried, which is important considering the expected high cost of alternative fuels and GHG emissions

### 2. Transition Pathways:

- Seaspan’s CleanBlue initiative, researches the viability of low and zero carbon fuels and energy converters, such as methanol or ammonia as main fuels, battery, wind, heat recovery, etc. as solutions for either new build concepts or retrofit upgrades
- Build institutional knowledge vault to add value to discussions with customers and other strategic partners

### 3. Fleet Insights:

- Development of data systems and analytical capability, providing actionable insights and intelligence to be used for decision support and improved operational performance

### 4. Market Based Initiatives:

- Focus on commercial and financial aspects, including revenue generation and value preservation of our assets
- These initiatives involve collaboration with customers and industry partners to develop practical solutions and offerings that enhance our value proposition

*Seaspan commissioned ten 15,000 TEU and fifteen 7,800 TEU dual-fuel LNG container ship newbuilds. These ultra-modern and efficient vessels are anticipated to begin deliveries in the first half of 2023. They will enter service on long-term time charters with a global container liner upon completion. Currently, LNG is the most commercially viable cleaner burning fuel source and an important step in the transition to low-carbon fuels as they become commercially available for deep sea container shipping. The use of Bio-LNG and e-Methane provide a path for these vessels to easily meet the IMO 2050 targets.*

## Reductions – LNG compared to HFO/MDO



SHI 15,000 TEU DF LNG

NO<sub>x</sub> approx. ↓ 20~30%

SO<sub>x</sub> approx. ↓ 90~99%

Particulate Matter approx. ↓ 90%

CO<sub>2</sub> approx. ↓ 20% (Tank to Wake)

### **Note on direct emissions from Seaspan's ships**

Seaspan ship emissions are determined by several variables, including the condition of the hull and machinery, fuel type used, cargo carried, speed and routing of its ships – some of which are not under Seaspan's full control.

To enhance the efficiency of its ships, Seaspan has introduced measures that reduce drag, utilize more fuel-efficient engines, improve cargo loadability, and introduce cleaner-burning fuels such as LNG. We also are exploring zero carbon fuels, such as green hydrogen and ammonia.

These vessels also align with Seaspan's efforts to contribute to the U.N. Sustainable Development Goals (SDGs) related to building clean and environmentally sound technologies (SDG #9) and life below water (SDG #14). As outlined by the U.N. Global Compact's 5 Tipping Points for a Healthy and Productive Ocean by 2030, "More green ships on a blue ocean represent a tipping point for fostering a sustainable and healthy ocean."



# OUR VIEW ON EMISSIONS PERFORMANCE

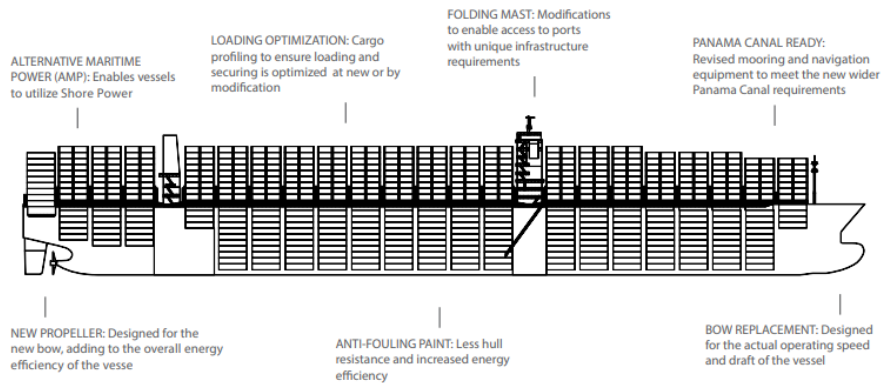
Compared to our liner customers, Seaspan does not control the speed and trade route of its vessels on time charter (speed is a primary driver of emissions). As such, Seaspan's leading emissions performance is driven by the design of our vessels, operational excellence, and continuous updates and modifications through our asset development program. Our sustainability-linked framework is reflective of this position.

**Since its inception in 2012, our SAVER program has reduced our vessels' carbon emissions by 25%, equating to 9.2 million tons of abatement.**

SAVER stands for Seaspan Action for Vessel Energy Reduction and is Seaspan's eco-vessel initiative geared toward vessel efficiency and optimization through vessel design and equipment enhancements. Some of the enhancements include optimized hull, rudder and propeller designs, efficient engines and auxiliary machinery, and optimized cargo loadability. These all serve to maximize vessel efficiency for our customers, and to minimize our impact on the environment.

Maximizing economies of scale by building larger and more efficient ships has been a key focus area for the container shipping industry over the past several years. Responding to industry demand, our 10,000 and 14,000 TEU SAVER series of vessels incorporate the latest technological and environmental advancements while maintaining our commitment to quality.

As an industry leader in vessel operation and maritime technology, Seaspan continues to research alternative fuel sources and decarbonization pathways. While there are incremental costs to develop and build vessels that better position Seaspan on its path to decarbonization, Seaspan is constantly engaging with its global customers to evaluate these ambitious, eco-friendly newbuilding opportunities. Seaspan has invested in R&D with the goal of significantly increasing the proportion of best-in-class, fuel-efficient, low emission ships for our fleet, as well as supporting our customers' path to decarbonization. The Sustainability-Linked Bond Framework described in this report defines and captures these ambitions.



# SUSTAINABILITY AND CONTAINER SHIPPING

## ENVIRONMENTAL ISSUES THAT SEASPAN FOCUSES ON ADDRESSING

Although shipping represents the most emissions-efficient mode of transportation, Seaspan is focused on leveraging its fully-integrated operating platform and expertise to address the following:

- **Emissions & Energy Reduction** – green-house gas (“GHG”) emissions and the ability to meet stricter climate-related regulations, as well as other polluting emissions from ships, such as NOX, SOX, PM
- **Biodiversity / Marine Pollution** – transfer of invasive species through ballast water, and poor waste management
- **Ship Recycling** – considerations surrounding the health, safety, and environment at ship recycling facilities
- **Accidental Spills** – large-scale environmental damage from accidental spills not properly managed or contained

At Seaspan, we aim to contribute to environmentally sustainable and climate-resilient development in our industry, and this commitment goes beyond meeting environmental laws and regulations. In order to address the environmental challenges of our industry and to identify and access the necessary technology, we have established a Technology Advisory Council (the “Committee”), comprised of senior members from leading industrial companies with expertise in areas such as fuel development, machinery design and development, and regulatory bodies. The Committee will advise and guide Seaspan’s management on future technology strategies and help ensure that we stay at the forefront of industry developments.

Seaspan’s sustainability position is predicated on the vessels we lease to our customers. As such, maritime technology and operational excellence are our core focus as we adapt to meet our sustainability goals. This is primarily through newbuilding (committing investments to build vessels with efficient designs and low carbon fuel sources), retrofitting (investing in upgrades that improve fuel efficiency and use lower carbon fuel sources), or vessel maintenance (maintaining the quality and efficiency of our fleet).

We pride ourselves on our partnerships with our customers and are proud of the economic and environmental advances we have achieved working closely with them. The container shipping industry will remain a vital part of the solution to the world’s environmental challenges.

## SUSTAINABILITY-LINKED BOND FRAMEWORK

At Seaspan, we are committed to driving environmentally sustainable and climate resilient development in our industry. To do so, ambitious investments to improve the environmental performance of our fleet are necessary. To showcase our commitment, we have established this Sustainability-Linked Bond Framework (the “Framework”) which is aligned with the Sustainability-Linked Bond Principles published by the International Capital Markets Association (ICMA) in June 2020.

The Sustainability-Linked Bond Principles are voluntary guidelines that outline best practices for financial instruments incorporating forward-looking ESG outcomes. These principles also promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance of a Sustainability-Linked Bond.

Our Framework is available on our website:

<https://www.seaspancorp.com/sustainable-financings/>



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## INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

To the Management of Seaspan Corporation

We have undertaken a limited assurance engagement on certain key performance indicators of Seaspan Corporation (the Entity), included in the accompanying Blue Transition Bond Report for Seaspan Senior Unsecured 5.5% Notes due 2029 (the "Report") and as described below, as at the year ended December 31, 2022.

Subject Matter Information	Results	Applicable Criteria
Total Spend to Date (Spent in 2022 and 2021)	\$641,502,050	Internally developed criteria defined by the Entity

The subject matter information is contained within the Report on page 2.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### Management's Responsibility

Management is responsible for the preparation and presentation of the subject matter information in accordance with the applicable criteria.

There are no mandatory requirements for the preparation or presentation of sustainability performance metrics. As such, the Entity has applied internally developed criteria, which is presented on page 2 of the Report. Management is responsible for the development of such criteria.

Management is responsible for determining the appropriateness of the use of the applicable criteria.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error.

### Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on the subject matter information based on evidence we have obtained. We conducted our limited assurance engagement in





accordance with Canadian Standards on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether based on the procedures performed and evidence obtained, any matter has come to our attention to cause us to believe that the subject matter information is materially misstated.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, it is not a guarantee that a limited assurance engagement conducted in accordance with this standard will always detect a matter that causes the practitioner to believe that the subject matter information is materially misstated.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the subject matter information.

Our engagement included: assessing the appropriateness of the total spend to date criteria, the suitability of the criteria used by the Entity in preparing the subject matter information in the circumstances of the engagement and evaluating the appropriateness of the methods, policies and procedures used in the preparation of subject matter information and the reasonableness of estimates made by the Entity.

Our engagement included, amongst others, the following procedures: making inquiries, primarily of persons responsible for the preparation of performance information for the Subject Matter Information, and applying analytical and other evidence gathering procedures, as appropriate.

### **Practitioner's Independence and Quality Management**

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Based on the procedures performed and evidence obtained, no matters have come to our attention to cause us to believe that the Entity's subject matter information as at December 31, 2022, is not prepared and presented, in all material respects, in accordance with the applicable criteria.



**Specific Purpose of Subject Matter Information**

The subject matter information has been prepared in accordance with the applicable criteria and as a result may not be suitable for another purpose.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada

March 31, 2023