



VS TANKERS

**SANCTIONS COMPLIANCE
& GUIDANCE POLICY**

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SANCTIONS COMPLIANCE & GUIDANCE POLICY

1. Introduction and overview

Various countries and international organizations around the world, most notably the European Union (EU), United States (US), United Kingdom (UK), United Nations (UN), Canada, Japan, Australia and Switzerland, have adopted sanctions against certain countries, territories, organizations and individuals.

Sanctions measures can take many forms, depending on the objectives or purpose they aim to achieve - by the country or state enacting or creating them. New sanctions are imposed or created (or existing ones amended) depending on the geo-political climate and international circumstances prevailing at the time.

Sanctions will generally have the force of law by the country or organization enacting them and can attract adverse legal consequences, penalties, or liability for their breach, by the country or organization establishing and enforcing them. They are generally designed to prevent, hinder or restrict certain goods, services, finance, technology or know-how being supplied to specified recipients or a country, or to restrict or prevent certain types of trading or commercial activity from taking place in a targeted country or region.

2. Background and applicability

VS TANKERS engages in international trade and maritime & shipping commercial transactions, with many customers, clients and commercial counterparts operating and established in different countries and regions around the world. In the maritime and shipping sector, this may include port authorities, charterers, STS vessels, bunker & vessel suppliers, agents, brokers and shippers, consignees and end receivers.

VS TANKERS is further committed to doing business the right way, to continually earn the trust and confidence of commercial and contractual counterparties, other stakeholders and the wider marketplace. Failing to adhere to or comply with sanctions regulations or directives, exposes VS TANKERS (including its employees) to reputational damage, criminal or civil penalties, operational interruptions and contractual/ legal risk and liabilities.

Given that international geo-political circumstances are constantly changing, with consequential new or amended sanctions taking effect, VS TANKERS's sanctions compliance policy is regularly reviewed and updated to take into account recent trends, changes and developments on international sanctions regulations, sanctions related laws and directives that may have an effect or impact on VS TANKERS's commercial trading activities and business.

The Board of Directors expects all its employees, anyone performing any work on behalf of or representing VS TANKERS and all of VS TANKERS's commercial counterparts, suppliers and vendors – to maintain the best standards of ethical business conduct and personal behaviour at all times, and to act safely, honestly, responsibly, lawfully and with integrity.

3. VS TANKERS sanctions policy

In support of this commitment, VS TANKERS has adopted a “**zero tolerance**” **sanctions policy**, in its dealings with clients, counterparts, other stakeholders and suppliers or vendors. VS TANKERS will never deal directly or indirectly, with or engage in any unlawful, illicit or sanctionable trade or activity, nor conclude or engage in any commercial transaction involving any sanctioned entity, person or organization.

VS TANKERS shall provide regular internal training at least on an annual basis, on its sanctions policy and compliance guidelines. VS TANKERS's Compliance Officer/ Legal Manager shall determine the content of the training relevant for each group of employees. The Compliance/ Legal Manager shall also ensure that all employees complete the relevant training.

This Policy applies to shipping and any other trading business of VS TANKERS. This Policy shall be reviewed by the Compliance/ Legal Manager on a regular basis, but at least semi-annually to ensure that the Policy is up to date and reflects all relevant changes to VS TANKERS's obligations under applicable sanctions laws and regulations. Questions related to this Policy shall be addressed to: legal@vstankers.com

4. VS TANKERS SANCTIONS POLICY & GUIDELINES ON SANCTIONS COMPLIANCE

4.1 Meaning of “*sanctions*” in this policy and guidelines

Reference to “*sanctions*” or “*sanctions laws*” or “*sanctions regulations*” means: any laws, regulations, decrees, ordinances, orders, demands, requests, rules or requirements of the United States of America, the European Union, EU Member States, the United Kingdom, the United Nations or its Security Council, Canada, Australia, Switzerland or any other country where VS TANKERS operates, and which has enacted any trade embargos, asset freezing provisions, international boycotts of any type, trading activity sanctions, foreign trade controls, export controls, non-proliferation, anti-terrorism and similar laws, and any restrictions relating to trading, doing business, investment, exporting, financing or making assets available. This includes sanctions, prohibitions or restrictions imposed by any State, organ of state or sanctioning body/ organization.

4.2 Meaning of “*designated persons*” in this policy and guidelines

Reference to “*designated persons*” means: (i) any individuals, groups, organizations or entities which: are named, listed, designated by sanctioned by the U.S, EU, UK, UN, UN Security Council, Canada, Switzerland or Australia, or by any sanctioning body or authority from any of the foregoing countries or organizations, or (ii) any individual, group, organization or entity indirectly owned or controlled by, or acting at the discretion, control, direction or for the benefit of any designated persons.

4.3 Meaning of “*sanctioned country*” in this policy and guidelines

Reference to “*sanctioned country*” means: the countries or territories listed in **Appendix A** or **B**, and which may be amended from time to time.

4.4 Importance of complying with sanctions laws & regulations

Most areas and sectors of cross-border international trade today, including banking, financing, insurance, transport and shipping, require

some sort of contractual and legal sanctions compliance undertakings and legal & contractual obligations between the parties involved in these commercial activities.

Failure to meet the required standards of sanctions compliance or contractual or legal obligations, is likely to expose VS TANKERS to significant reputational damage, criminal and civil fines/ penalties, operational delays/ interruptions and other contractual & legal risk and liabilities.

One company may cause another company to breach sanctions through its actions. It is vital therefore to communicate to VS TANKERS's counterparties that VS TANKERS takes its sanctions compliance obligations seriously and to ensure that it's counterparties likewise also do the same.

It's also important to understand that sanctions screening and due diligence are often legal obligations imposed by the sanctioning authority. Due to the risk of secondary sanctions, even if VS TANKERS unintentionally or "accidentally" finds itself engaging or dealing with a sanctioned counterparty or cargo, the complete absence of any evidence of any due diligence being done, will likely result in an adverse inference being drawn by the sanctioning authority.

4.5 Effect and consequences of non-compliance

Significant **direct consequences** may result in VS TANKERS or its employees (or external counterparts also involved in the sanctioned activity/ transaction) being subject to fines and/ or imprisonment or becoming sanctioned individuals or entities themselves depending on the circumstances. This can also result in the freezing of VS TANKERSs funds/ assets by the country enforcing the sanctions.

Vessels insured with P&I Clubs or other insurers having an interest in a vessel or cargo, could withdraw cover and/ or claim damages for breach of any insurance terms, containing sanctions compliance clauses. If VS TANKERS or any of its employees are designated by a sanctioning authority, other third party customers, clients or suppliers will not be permitted to engage in any commercial trading activities with VS TANKERS.

There may also be significant **indirect consequences**, such as exclusion from the US dollar banking system (SWIFT), such that VS TANKERS would be unable to make or receive US Dollar payments. Breaches of US sanctions have resulted in companies, individuals and vessels being specifically listed on the US Specially Designated Nationals ("SDN") List, which effectively excludes them from conducting international trade. An individual or entity that breaches a sanction regulation, but that exists outside the country which is enacting/ enforcing a particular sanction, may be liable to "secondary sanctions" and designated accordingly.

Some banks may refuse to handle any payments to, from or relating to a sanctioned country, territory, vessel, individual or entity. For financing banks, non-compliance could result in termination of loan financing deals resulting in the withdrawal, cancellation of some or all financing transactions and all payments being blocked.

Some banks (including intermediary banks) could also impose a number of stricter requirements and restrictions, going beyond their strict legal obligations, by refusing to deal with any person or entity which isn't necessary sanctioned, but which may be deemed to pose a "sanctions risk" and deemed "too risky" by the bank, because of ties, connections or commercial links with other sanctioned entities/ individuals. This can result in the blocking and returning of hire or freight payments, even where no party is sanctioned, but the relevant bank is unable to process the payment as to do so would violate its own internal policies and procedures.

4.6 Purpose of these guidelines

Given the serious consequences for breaching sanctions laws and regulations, non-compliance is not an option. The level of due diligence necessary will be proportionate to the sanctions risk. This document aims to help VS TANKERS, its employees and representatives strike that balance, and to understand the seriousness and importance of sanctions screening, due diligence and compliance.

This Sanctions Compliance Policy (the "Policy") details the fundamental responsibilities of all VS TANKERS employees relating to sanctions compliance, and provides guidance on:

- how to make an initial assessment of the sanctions risk of a certain trade or commercial activity, and
- what to do after having made that risk assessment.

Given the variety of international jurisdictions within which VS TANKERS trades, it is not possible to provide specific advice relevant to all markets and jurisdictions. If a sanctions risk arises or if there any doubts you should contact the Legal Manager/ legal department for guidance.

4.7 CONTRACTUAL CLAUSES: breach avoidance vs. tools of protection and risk mitigation

In order to protect VS TANKERS, its employees and its counterparties, it is necessary to include standard sanctions compliance clauses (or suitable wording having an equivalent protective legal effect) in all contracts, including but not limited to: trading agreements (buying/ selling), bunker supply contracts, ship management agreements, S&P agreements, charterparties and bills of lading to which VS TANKERS is a party, unless the Legal Department/ Legal Manager agrees that it is not necessary, **after having conducted a proper risk assessment of the entity, person and nature of commercial activity involved in the transaction/ deal.**

Sanctions breach avoidance is largely controlled and achieved via commercial decisions and behavior (ie. intentionally avoiding/ refusing to commercially deal with any parties/ persons or trades involving **Appendix A** countries). Sanctions risk mitigation and protection is achieved using suitable contractual clauses and legal mechanisms in contracts to hold counterparties liable if they breach sanctions and to have them compensate VS TANKERS if their breach exposes VS TANKERS to loss, fines, penalties and other damages. Generally, the presence of sanctions compliance clauses in contracts also strongly evidences the contractual party's intention not to breach any sanctions when concluding the particular commercial agreement.

Also note that often there will be circumstances where VS TANKERS is legally obligated to include a sanctions compliance clause in other separate contracts it has with other counterparties (eg. by vessel owners in a BBCP contractually obliging VS TANKERS as the BB charterer not to engage in sanctioned trades or call at sanctioned ports with any sub-charterers; or P&I Club insurers obliging VS TANKERS not to expose the vessel to any sanctions risk, or face losing insurance cover). In such cases, it's important for the Legal Department to review these clauses to ensure that **VS TANKERS is suitably protected and substantially complies with its contractual obligations, and which**

meets a particular standard or level of compliance.

Common areas where sanctions clauses should be considered:

- For **bills of lading**, VS TANKERS may be unable to amend pro-forma bills because they are usually issued without VS TANKERS's involvement other than in respect of the quantity/quality stated on the B/L. In such cases, it's important to ensure that the head charterparty with the head charterer contains suitably worded sanctions compliance clauses to protect VS TANKERS against actions or conduct by sub-charterers, receivers, shippers, consignees or buyers/ sellers of the cargo which VS TANKERS has no direct dealings with.
- For **charterparties**, it is generally advisable to use the latest BIMCO standard sanctions clauses for a voyage or time charter. These clauses are updated from time to time for use in the international shipping market and have been created to fairly balance the risks and liabilities between an owner and charterer. If bespoke wording is used, it's advisable to have same checked/ reviewed by the Legal Department to ensure that VS TANKERS is suitably protected. Also consider adopting an "AIS switch-off" clause, allowing an option to terminate the contract if there is evidence of illicit shipping practices (eg. demonstrating a pattern of multiple instances of AIS manipulation/ black outs that is inconsistent with SOLAS). Consider also, incorporating contractual language that prohibits transfers of cargo to STS vessels that are not broadcasting AIS or have an AIS history that indicates manipulation inconsistent with SOLAS. See **APPENDIX C** for recommended sample clauses.
- For **sub-charters and bills of lading**, VS TANKERS will generally have no control or knowledge of who the charterer may sub-charter the vessel to. VS TANKERS will have no contractual relationship with the sub-charterer, and therefore it's advisable that the head charterer should be contractually obliged to ensure that it includes sanctions compliance clauses in any of its sub-charter parties to ensure the sub-charterer complies with sanctions regulations, and so that if there is a sanctions breach by a sub-charterer, the head-charterer (ie. the charterer in the CP with VS TANKERS) can be held liable.
- For **oil & petroleum trade agreements/ contracts** whether buying/ or selling, it's advisable that you should use a suitable GTC (general terms and conditions of trade) such as the *BP Oil International GTC 2015 for Sales/ Purchases of Oil & Petroleum Products ("BP GTC 2015")*, or the BP GTC 2015 sanctions compliance clause, or other standard (widely-used) sanctions compliance clauses/ wording approved by the Legal Department.
- For **bunker suppliers**, usually supply contracts are based on the supplier's own standard GTCs, which generally will often exempt the supplier from any liability for any sanctions breach. It's strongly advisable that bunker supply contracts also contain sanctions compliance clauses, to ensure that no petroleum or bunker supplies originate from or breach any sanctions regulations, and to ensure that bunker suppliers do not trade or supply VS TANKERS vessels with any sanctioned petroleum products.
- On a case-by-case basis, depending on the legal, contractual and sanctions risk, additional legal "comfort" (e.g. by way of a separate letter of warranty or indemnity) from the Shipper that the trade or cargo, end-user/ receiver or end-destination is lawful and not sanctioned, could be considered. The Legal department will review whether it is reasonable or necessary, on a case by case basis, to rely on such additional warranties/ indemnity.

4.8 RISK BASED ASSESSMENT: country-by-country approach

The initial assessment of sanctions risk should be with reference to the **country, region or territory** of origin, transit or delivery, including the load port, discharge port or intermediary port relating to the trading activity. These listed countries are subject to countrywide or territorial sanctions.

This also includes assessing the country, region or territory where the **counterparty, supplier, vendor or client** has its registered corporate address, where it is incorporated/ based, domiciled or trades from.

A list of key, sensitive or prohibited countries, regions and territories to be aware of are listed in the **APPENDICES**. The countries named in each list will change over time depending on the geo-political international circumstances and international political climate prevailing at the time. This list will be updated at regular intervals and as part of the sanctions policy annual review. Always check with the Legal Manager/ Legal Department for the most recent updates/ changes to the list.

APPENDIX A	it is forbidden to trade with, or deal in any goods or services, to or from all of the countries and territories shown in this list, because these countries and regions are subject to the most severe, and broadest country-wide/ region-wide or activity related sanctions and trade embargoes. These countries expose VS TANKERS to the highest and greatest sanctions risk, because these countries are subject to the most stringent and far-reaching sanctions and trade embargoes, and should be avoided.
APPENDIX B	the countries and regions listed here are highly sensitive areas , and <u>extra caution and due diligence</u> must be exercised, when trading or dealing in any goods or services, to or from the countries and territories shown in this list (or with any entities/ individual based or from these countries /territories). Trade is not completely prohibited with/to/from or in these areas, but certain specific trading or financial activities (and entities/ individuals based/ registered in these countries/ regions), are partly or wholly sanctioned, limited or restricted by export/ import embargoes.
<p>The Guidelines for countries listed in APPENDIX A and B above must be adhered to as follows:</p> <ol style="list-style-type: none"> 1. <i>Buying or selling products directly or indirectly from or to a country listed in Appendix A or B;</i> 2. <i>Loading or delivering cargo directly from or to a country listed in Appendix A or B;</i> 3. <i>Loading or delivering cargo indirectly from or to a country listed in Appendix A or B (e.g. where cargo is discharged in another country and there are reasonable grounds to believe that the cargo is destined for a listed country);</i> 4. <i>Supply to a company or individual which is believed to have links to a country listed in Appendix A or B;</i> 5. <i>Where payment needs to be made to or from a person or company located in a country listed in Appendix A or B.</i> <p>It should be noted that all the scenarios listed at (1) to (5) above involving Appendix A countries are prohibited for VS TANKERS and</p>	

should be avoided.

An **Appendix A** or **B** listed country will be deemed to be “involved” in a transaction if (but not limited to):

- a. Payment originates in an Appendix A or B country;
- b. Payment is to be made to an entity in an Appendix A or B country;
- c. Payment is to be routed via an Appendix A or B country;
- d. Cargo/product originates or is exported from an Appendix A or B country;
- e. Cargo/product is to be loaded in, or carried to, an Appendix A or B country;
- f. Cargo/product contains parts originating from an Appendix A or B country;
- g. Goods or services rendered to a vessel originate in an Appendix A or B country;
- h. The subject vessel conducts an STS transfer (or takes on bunkers) in the territorial waters of an Appendix A or B country (**NOTE:** In the case of STS, extra attention must be paid to the suppliers, sub-suppliers and any other parties or feeder vessels involved in the STS must be screened for sanctions)

*The Appendix A & B lists may be amended/ updated from to time, always check with the legal department.

** If in doubt about any transaction, consult with the legal department. For the avoidance of doubt, the legal department will never approve any trades which violate and sanctions regulations.

*** The legal department will also use formal compliance/ sanctions screening programs to screen and conduct sanctions due diligence on counterparties.

4.9 RISK BASED ASSESSMENT: named sanctioned individuals & entities

You should also consider who VS TANKERS's counterparty is, whether they are subject to the same (or more onerous) sanctions regulations and whether they present a reduced or heightened sanctions risk. The Compliance Officer/ Legal Manager can assist with this risk assessment. Generally, if any counterparty is based, registered or trading from the countries/ territories listed in **APPENDIX A**, they should be avoided. Those counterparties registered/ based or trading/ operating from a country / territory listed in **APPENDIX B**, should be subject to special caution and sanctions screening due diligence, as some entities/ persons could be subject to “indirect” or “secondary” sanctions due to having a “ownership” or “controlling” link to an actual sanctioned entity/ person.

OFAC's “indirect ownership” 50% rule: refers to one or more blocked persons' ownership of shares of an entity through another entity or entities that are 50 percent or more owned in the aggregate by the blocked person(s).

Example: Blocked Person X owns 50 percent of Entity A, and Entity A owns 50 percent of Entity B. Entity B is considered to be designated/ blocked. This is so because Blocked Person X owns, indirectly, 50% of Entity B. In addition, Blocked Person X's 50 percent ownership of Entity A makes Entity A a blocked/ designated person. Entity A's 50 percent ownership of Entity B in turn makes Entity B a blocked person.

For shipping/ maritime trade and services, this includes assessing /screening charterers, vessels, STS vessels, brokers, agents, known shippers/ consignees or known end-receivers/ exporters or buyers/ sellers of cargo. All parties and persons involved in the performance of trade involving **Appendix B** countries, including but not limited to local agents, shippers, terminal operators, consignees, banks, vessel partners, owners of chartered vessels, and any third party contractors and/or any other persons must be carefully screened before contracting to ensure that they are not or have not been at any time US SDN listed persons (or owned or controlled by US SDN listed persons).

4.10 LEVEL OF COMPLIANCE

Generally, although sanctions will only apply to the persons/ entities who are legally subject to the measures e.g. EU sanctions apply generally only to EU persons/ entities or trade within the EU, and US sanctions apply to US Persons and also where there is a 'US nexus'. Most sanctions have so-called “secondary sanctions”, which would for example, apply to non-US persons where there is no US nexus.

Due to the serious consequences of non-compliance and risk of exposure to secondary sanctions, **VS TANKERS's policy is to strictly comply with all US, EU, UN, UK and Swiss Sanctions - regardless of whether these sanctions are applicable or not directly to VS TANKERS.** i.e. VS TANKERS will comply as if it were an EU or a US person/ entity. VS TANKERS's policy is that in the event of a conflict between its policy or any sanctions regimes/ regulations, VS TANKERS will comply with the most stringent interpretation of any sanctions measures. It is prohibited for VS TANKERS to engage in any trade or business subject to US Sanctions or any transaction or trade with any parties and persons involved in the performance of trade restricted or prohibited by US Sanctions.

4.11 THE MEANING OF DUE DILIGENCE: exercising caution

Sanctions screening and counterparty due diligence is in most cases, a **legal obligation** imposed by a sanctioning authority, and not just a precautionary measure.

Due to the serious consequences for VS TANKERS and its employees of non-compliance, always **err on the side of caution and avoid taking blind risks.** Never just blindly “assume” or take a “short cut” in the KYC or due diligence process. Ensure that any “assumptions” are always based on objective fact-checked or evidence-based verifiable and reliable data sources and information. Heightened due diligence on the counterparty or trade - will always be required for any countries involved listed in **Appendix A** and **B**.

If it doesn't “smell” or “feel right”, it probably isn't. Always follow these guidelines even if the transaction isn't strictly covered by the requirements of this policy, and when in doubt that sanctions regulations might be violated, consult with the legal department for guidance. You should report any breach or suspected breach of any part of this Policy, other Sanctions obligations imposed on VS TANKERS (e.g. by counterparties or by lenders) or any Sanctions Laws and Regulations promptly to the Legal Department/ Legal Manager.

4.12 SANCTIONS SCREENING DUE DILIGENCE: checklist and guidance

4.12.1 SHIPPING: for all charterparties or shipments (not just those involving listed countries) the below internal sanctions check list should be completed and maintained

Ship name* & registered owner*:	
Type of Cargo (with HS Code if available)*:	
End User:	
Charterers and sub-charterers*:	
Load port* and Discharge port*::	
Commercial operator ^m and technical managers*:	
Shipper* (with country of incorporation):	
Port(s) of transshipment if any:	
Supplier (if different to Shipper) (with country of incorporation):	
Final Receiver*(with country of incorporation):	
Consignee* (with country of incorporation):	
(any subsequent amendments must be resubmitted for further sanctions checks)	
Agent at load port (with country of incorporation):	
Agent at discharge port (with country of incorporation):	
Currency of sale contract for goods involved (if available):	
Date of loading:	
Date of unloading:	
If a bank is financing the operation (L/C or otherwise) please provide name of bank:	
Use of tug and/or tug owners (in case of STS):	
Details of the STS vessels if applicable including their historical AIS tracking for 6 months:*	
Does the contract involve any US, EU or UK origin or controlled goods (including goods containing 10% or more US, EU or UK content)?:	

4.12.2 VESSELS:

- Check that the vessel registered owner and operator is not sanctioned and the proposed voyage is not to or from a country listed in **Appendix A**. If the proposed voyage is to or from a country listed in **Appendix B** check that the vessel is not prohibited from carrying out the proposed voyage by Sanctions, our banks or under the terms of the insurance or any other applicable contract.
- Check that the vessel is insured with P&I IG Club and is not due to call at a country which imposes restrictions on vessels which have previously called in other countries. For example, while Cuba is prohibited under this Policy, the US has restrictions on some vessels calling in the US if those vessels have previously called in Cuba in the last 180 days.
- Check where the vessel is due to call at a port in **Appendix A** or **B** country, which could risk a payment to a sanctioned person or entity e.g. a sanctioned port authority, agent or bunker supplier.

4.12.3 CHARTERERS:

- Check that the charterer (and it's owner/ parent or associated companies) is not sanctioned itself and does not have a commercial history (eg. fixture history) of engaging in trades or fixing vessels that have called at countries listed in **Appendix A**. If the Charterer has a history of engaging in trades or fixing vessels calling at countries listed in **Appendix B**, its advisable to ensure that any charterparty with that charterer has warranties and/ or indemnities that ensures any voyage orders involving cargo to or from countries listed on **Appendix B** does not expose VS TANKERS to any risk of engaging in unlawful, sanctioned or embargoed trade to those countries.
- Check that the vessel is not due to call at a port in **Appendix A** or **B** country, which would require a payment to a sanctioned person or entity e.g. a sanctioned port authority, agent or bunker supplier. If the Charterer is not sanctioned but has a history of calling or fixing trades or vessels in or near **Appendix A** or **B**, consider also requiring explicit contractual language that describes AIS disablement and manipulation inconsistent with SOLAS as grounds to terminate the CP or for refusal to perform any STS or related operations with such a vessel.

4.12.4 BILLS OF LADING:

- No cargo should be sold, transported or delivered to a country listed in **Appendix A** using a vessel owned or chartered by VS TANKERS.
- Where cargo is delivered to or near a country listed in **Appendix B**, by a vessel owned or chartered by VS TANKERS, then a straight (i.e. non-negotiable) B/Ls should be issued instead, to guard against the risk that the cargo is received by a receiver which has not been screened. Alternatively, charterparties should contain clauses or wording imposing obligations on the charterers and sub-charterers to include such wording on the B/Ls. If Charterers request to amend BLs details or ask for a "switch" BL, the vessel should always only agree to this or amend same in exchange for an LOI (based on IG Clubs standard LOI wording).
- For voyages involving countries listed on or near **Appendix B**, checks/ screening must be carried out on the origin of the named exported cargo (eg. certificate of origin), and all parties named on the B/L against all relevant sanctions lists (including the "notify party"). This should happen at the point of confirmation of the booking, prior to its loading, and (if the B/L is subsequently endorsed to a party not named on the B/L) prior to delivery.

4.12.5 CARGO, CUSTOMER & SHIPMENT ROUTE:

- No cargo/ commodities should be carried directly or indirectly to or from a country listed in **Appendix A**. Cargo/commodities being carried to or from a country listed in **Appendix B** must be checked and screened to ensure that both their real/ true place of **origin** and **destination** do not involve a country listed on **Appendix A**.

- Checks/ screening should be carried out on the cargo description at the point of confirmation of the fixture, and prior to its loading. Shipper should provide the full HS Code for the cargo, and a proper (i.e. non generic) description of the cargo. Certificates of origin, sale contracts and other related commercial documents could be called for to evidence this from the shipper/ exporter.

4.12.6 ILLICIT & DECEPTIVE SHIPPING PRACTICES:

As per the US OFAC maritime guidance, current known widespread methods to evade sanctions compliance include:

(1) **Disabling or Manipulating the Automatic Identification System (AIS) on Vessels:**

The practice of manipulating AIS data, referred to as “spoofing,” allows ships to broadcast a different name, International Maritime Organization (IMO) number (a unique, seven-digit vessel identification code), Maritime Mobile Service Identity (MMSI), or other identifying information. This tactic can also conceal a vessel’s next port of call or other information regarding its voyage.

(2) **Physically Altering Vessel Identification:**

Passenger ships of 100 Gross Tonnage (GT) and upwards and cargo ships of 300 GT and upwards are required to display their name and IMO number in a visible location on the vessel’s hull or superstructure. A vessel’s IMO number is intended to be permanent regardless of a change in a vessel’s ownership or name. Vessels involved in illicit activities have often painted over vessel names and IMO numbers to obscure their identities and pass themselves off as different vessels.

(3) **Falsifying Cargo and Vessel Documents:**

Bills of lading, certificates of origin, invoices, packing lists, proof of insurance, and lists of last ports of call are examples of documentation that typically accompanies a shipping transaction. Authorities have found that sanctions evaders have falsified shipping documentation pertaining to petrochemicals, petroleum, petroleum products, or metals (steel, iron) or sand in order to disguise their origin. Falsifying certain documents (including customs and export control documents) is illegal in most countries, and irregularities may provide a basis to hold a shipment until its contents are validated. In addition, persons conducting transportation or trade involving the maritime sector are encouraged to conduct due diligence, as necessary, on documents that indicate or suggest that cargo is from an area they determine to be high-risk for sanctions evasion, notwithstanding any purported low-risk place of origin.

(4) **Ship-to-Ship (STS) Transfers:**

While ship-to-ship transfers (the transfer of cargo between ships at sea) can be conducted for legitimate purposes, STS transfers—especially at night or in areas determined to be high-risk for sanctions evasion or other illicit activity—are frequently used to evade sanctions by concealing the origin or destination of surreptitiously transferred petroleum, coal, and other material.

(5) **Voyage Irregularities:**

These are attempts to disguise the ultimate destination or origin of cargo or recipients by using indirect routing, unscheduled detours, or transit or transshipment of cargo through third countries. Although transit and transshipment are common in the global movement of goods, private sector entities, including flag registry management companies, port operators, shipping industry associations, ship owners, operators, and charterers, ship captains, and crewing companies are encouraged to scrutinize routes and destinations that deviate from normal business practices, as appropriate.

(6) **False Flags and Flag Hopping:**

These are attempts to falsify the flag of vessels to mask illicit trade. They may also repeatedly register with new flag states (“flag hopping”) to avoid detection. Evidence of this are also found with a vessel owner or manager who continues to use a country’s flag after it has been removed from a registry (i.e., “deregistered”), or occurrences of a ship claiming a country flag without proper authorization, or instances when a vessel has changed flags frequently in a short period of time or after a S&P transaction in a suspicious manner consistent with “flag hopping”.

(7) **Complex Levels of Ownership or Opaque Management structures:**

Global shipping is inherently complex and involves multiple interactions with both government and private sector entities. Attempt to take advantage of this complexity occur through the use of complex business structures, including those involving shell companies and/or multiple levels of opaque ownership and management, to disguise the ultimate beneficial owner of cargo or commodities in order to avoid sanctions or other enforcement action, among other reasons. This usually involves engaging in a pattern of very frequent changes in the ownership or management of companies or in the International Safety Management Code (ISM) management companies used.

- **STS operations:** For STS operations in regions, areas or seas in/ near countries listed in **Appendix A and B**, due diligence and screening checks should be done to identify if the STS vessel has a history of AIS blackouts/ gaps/ switching off inconsistent with SOLAS in the last 6 months – 1 year or so. Irregular, unexplained, or prolonged periods of blackouts, and which have a pattern of AIS blackouts not consistent with SOLAS, generally point towards intentional AIS manipulation.

- **AIS blackouts & manipulation:** For repeated, prolonged, and unexplained gaps in particularly sensitive locations or near/ in countries listed in **Appendix A or B**, investigation and extra caution should be exercised. AIS transmissions can be verified through LRIT or Inmarsat data, as appropriate, but usually will need to be judged on a case-by-case basis, taking into account vessel type, its area of operations, its cargo, and any other red flags the vessel itself, or its activity.

- **Known “hot spot” areas to be aware of:** specifically in order to evade the trade/ transport of sanctioned cargo and oil involving countries listed in **Appendix A**, the following list represents currently known areas. “Activity markers” to look for include checking to see if AIS may have been disabled for a few days in a known STS “hot spot” zone. Or a vessel repeatedly leaves and returns to the same port within a short period of time, or appears to be shuttling between a port and a known STS “hot spot” zone. Draft changes may also indicate whether cargo has been loaded or discharged in a STS operation.

IMPORTANT NOTE: Sanctions evaders rely on effectively the same set of sanctions evasion tactics. These tactics, however, change and get more sophisticated over time, so keeping up to do date with latest industry practice is important to ensure proper and effective sanctions mitigation risk.

4.12.7 **NON-COMPLIANCE & BREACH OF SANCTIONS CLAUSES OR POLICY**

- All deviations must be notified to and obtain the approval of the Compliance Officer/ Legal Manager in advance of the deviation. Relevant deviations include but are not limited to a diversion of cargo from a **non-Appendix A or B** original destination to a country in **Appendix A** or in **Appendix B**. Such deviations to **Appendix A** countries will not be permissible.
- In the event that you discover any non-compliance (e.g. non-compliant cargo or incorrect declaration, or a Sanctioned person named as a party to the B/L) or suspected non-compliance you should contact the Compliance Officer/ Legal Manager immediately.

4.12.8 **RECORD-KEEPING**

Records of all checks and screening, made in connection with this policy (including completed KYC Checklists, Sanctions Compliance Undertaking forms, and "World Checks") and operational documents collected (including Bill of Lading, Certificate of Origin and STS transfer details if applicable) should be retained indefinitely.

The records should record (i) when checks were done, (ii) what terms were used for the search, (iii) what results were obtained and (iv) why it was decided to proceed with the counterparty.

4.13 SANCTIONS SCREENING & KYC DUE DILIGENCE PROCEDURE

All VS TANKERS counterparties (including vendors, buyers, agents, customers, suppliers, charterers, brokers and vessel owners) must be screened and approved as follows:

1. Each counterparty must complete and sign the standard VS TANKERS Counterparty Due Diligence (CDD) Questionnaire, and provide copies of all the KYC information and documentation requested (see list in **Appendix C**); and
2. Each counterparty must sign the standard VS TANKERS Sanctions Compliance Undertaking form; and
3. Each counterparty must be checked and screened on World-Check; and
4. Wherever possible, check the counterparty with VS TANKERSs regular bankers. Please liaise with VS TANKERS Finance team for this purpose; and
5. In case of a supplier who is engaging with multiple sub-suppliers, ensure that the supplier has an adequate sanctions compliance policy in place, and is screening all sub-suppliers as per this VS TANKERS policy. In case of a supplier with one sub-supplier, VS TANKERS should screen the sub-supplier itself.

- The above information/ documents must then be collated and sent to the Legal Manager/ legal department for final approval at legal@vs tankers.com. No business is to be transacted with any counterparty unless the above sanctions screening and KYC due diligence has been completed and approved.
- **NOTE:** All agents should be properly identified and vetted to ensure that they are not Designated Persons. VS TANKERSs sanctions responsibilities and obligations are non-delegable and although agents may be used or relied upon to ensure that cargoes, shippers, consignees, etc. do not infringe any Sanctions, VS TANKERS must ensure and conduct its own sanctions screening and due diligence, to ensure it complies with sanctions regulations.
- **NOTE:** If a counterparty is designated, it is VS TANKERS's policy that it will not engage in any trade that is prohibited by Sanctions, or which would expose VS TANKERS, the trade, the vessel (whether owned or chartered) or any of VS TANKERS's assets, or counterparties to the risk of contravening any Sanctions. Any dealings with a counterparty that is or becomes designated are prohibited.

4.14 CHANGES IN SANCTIONS LAWS AND REGULATIONS

Sanctions laws/ regulations are often imposed or varied without notice. Previously lawful trades can suddenly become unlawful overnight, and vice versa. This could mean entirely new sanctions, the resumption of suspended sanctions or amendments to existing sanctions (as for example happened when the US reintroduced sanctions targeting Iran when the US withdrew from the Joint Comprehensive Plan of Action), could suddenly take place.

Where new sanctions are imposed it is possible that they may include a limited 'wind down provision' which may allow parties a short period to wind down contracts which were lawfully concluded prior to the imposition of the sanctions. However, such a provision is not always included and the terms of each wind down provision will vary, so such provisions cannot be relied upon with any certainty and must be checked with the Compliance Officer/ Legal Manager.

The Legal Manager/ legal department is responsible for checking for changes to Sanctions and will advise if there is any indication that Sanctions are expected to be (re)introduced, amended or enacted in respect of a particular country listed in **Appendix A** or **B**, or any other relevant country which may affect VS TANKERS and it's business.

A decision will then need to be made as to which cargoes could lawfully be delivered to particular consignees, depending on the scope and extent of Sanctions. Guidance from the Compliance Officer/ Legal Manager will be issued at that time.

4.15 REGULAR TRAINING

All VS TANKERS employees will receive training on this sanctions compliance policy and guidelines. New employees or new joiners will also receive training as part of their induction process. Further training will be provided at least on an annual basis or as and when there are substantial changes to sanctions laws, or this policy and procedure. Training will generally cover:

- The sanctions laws and regulations relating to the Sanctions regimes; and
- This Policy, guideline and procedures.

This policy has been created in order to protect and strengthen VS TANKERS's commercial and operational interests. VS TANKERS employees are encouraged to read, understand and comply with this policy and to not hesitate to ask the legal department any further queries or clarifications concerning this policy, guideline and procedure.

This policy and guideline are for VS TANKERS's internal use only. The contents are relevant and updated as of the date of this policy. It

has been created with reference to international best practice, and with a particular focus on guidance on compliance in the shipping and maritime sector of trade and business. The following sources have also been referred to in the creation of this policy and guidelines:

- The Office of Foreign Asset Control's Sanctions lists (including US SDN list and US SSI list): <https://sanctionssearch.ofac.treas.gov/>
- HM Treasury's Office of Financial Sanctions Implementation's consolidated list (covering UK, UN, EU sanctions): <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>
- The EU's Consolidated Financial Sanctions List: <https://data.europa.eu/euodp/en/data/dataset/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions>
- SECO's sanctions list (Swiss): https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/exportkontrollen-und-sanktionen/sanktionen-embargos.html
- The United Nations Security Council's consolidated sanctions list: <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>
- The May 2020 USA global sanctions advisory for the shipping & maritime sector: "Sanctions Advisory for the Maritime Industry, Energy and Metals Sectors, and Related Communities", issued on 14 May 2020 by the US department of Treasury and Department of State, titled "Guidance to Address Illicit Shipping and Sanctions Evasion Practices" https://home.treasury.gov/system/files/126/05142020_global_advisory_v1.pdf
- The Dec 2020 UK Office of Office of Financial Sanctions Implementation (OFSI) "Maritime Guidance: Financial sanctions guidance for entities and individuals operating within the maritime shipping sector" document, providing guidance for entities and individuals operating within the maritime shipping sector on complying with sanctions. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948299/OFSI_Guidance_-_Maritime_.pdf
- UK Financial Sanctions "General Guidance for Financial Sanctions Under The Sanctions And Anti-Money Laundering Act 2018". https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/961516/General_Guidance_-_UK_Financial_Sanctions.pdf
- "Maritime Sanctions: Tips for Due Diligence", published in *The Financial Institutions Sanctions Compliance Journal*, Issue 03 (September/October 2021): <https://nonproliferation.org/maritime-sanctions-tips-for-due-diligence/>

APPENDICES

APPENDIX A

Countries or regions where it is prohibited to trade (sell/buy/transport products to/from):

<u>Middle East</u>	<u>Americas</u>	<u>Asia</u>	<u>Europe</u>
Iran	Venezuela	North Korea	Crimea
Syria	Cuba		Donetsk & Luhansk regions
			Russia / Ukraine

*Above list relevant/ updated as of Feb 2022.

** Russian & Ukraine are included in Appendix A countries list (subject to "war" situation as of Feb 2022)

APPENDIX B

Countries where special caution & due diligence must be exercised:

<u>Middle East</u>	<u>Americas</u>	<u>Asia</u>	<u>Europe</u>	<u>Africa</u>
Afghanistan	Nicaragua	Hong Kong	Russia / Ukraine	Central African Republic
Iraq		China	Belarus	Democratic Republic of the Congo
Yemen		Myanmar (Burma)	Western Balkans (i.e. Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, and Serbia)	Ethiopia
Lebanon				Libya
Turkey				Mali
Egypt				Somalia
				Sudan and Darfur
				Zimbabwe
				Burundi
				Guinea / Guinea Bissau

*Above list relevant/ updated as of Feb 2022.

APPENDIX C

Counterparty Due Diligence information/ documents checklist:

1. Valid Certificate of Incorporation
2. Memorandum of Association & Articles of Association (or equivalent)
3. Valid Trade License (or equivalent)
4. List of Shareholder(s) and UBOs passport copy
5. Evidence of identity of current shareholders and the UBOs (attested by external attorney or registered accountant as true certified copy)
6. Document empowering authorized signatory (POA or other authorization)
7. Complete organization chart showing the company's group affiliates, ownership % and UBOs.

**The above list is not exhaustive and represents the recommended minimum required documents/ information required by VS TANKERS when conducting its counterparty due diligence, and may change depending on the level of perceived or actual risk when dealing with a counter-party*