

# **POLICY ON TRADE SANCTIONS**

## **EUOPRIS ASA**

(Adopted by the board on 1 February 2023)

### **1. Introduction to trade sanctions**

The term “trade sanctions” or “trade embargos” refers to legislation and regulations imposed by states – usually as an extension of foreign policy, national security issues or serious breaches of human rights – which restrict trade and other dealings with listed individuals, enterprises or governments. Such restrictions can include a general ban on dealings of any kind with a government in a listed state, as well as with individuals or enterprises resident in, belonging to or organised in that state.

Penalties for breaching trade sanctions can be serious – companies have earlier accepted several settlements involving hundreds of millions of dollars, while individuals can risk big fines and/or prison sentences.

This policy applies to everyone in the group – all employees, managers, senior executives and directors (who are all included in the term “employees” when used in this policy) and to all others covered by the group’s overall code of conduct.

The policy provides general rules which, if followed, will support the group’s work in complying with trade-sanction legislation and regulations adopted by the UN, the USA and the EU which, in many cases, implement UN Security Council sanctions. Applicable national legislation will naturally also be complied with in this context.

### **2. Summary**

- Trade sanctions imposed by a number of different jurisdictions restrict the group’s opportunities to do business with specific countries, companies and governments.
- Breaches can result in substantial financial fines or prison sentences, as well as significant damage to the group’s reputation.
- Intended operations or transactions involving high-risk countries must be subjected to careful analysis to ensure that they do not involve breaches of trade-sanction legislation.
- Due diligence of counterparties, including acquisition of identifying information and screening, can help to reduce the risk of breaching trade sanctions.
- In some case, it may be necessary to inset a sanction clause in the group’s contracts with counterparties. The latter thereby guarantee not to break applicable sanction legislation, helping to reduce the risk of such breaches.

### **3. Identifying high-risk countries**

The group's employees must understand the risk faced by the group when it operates in specific countries or with specific individuals or companies in these countries. Such understanding includes knowing how to identify countries which represent a sanction-related risk.

Trade sanctions change quickly in line with global geopolitical developments and national politics. As a result, no complete or static list of people or countries exists which adequately covers those countries subject to sanctions at any given time. However, such a list could be a useful aid in identifying risk, providing it is updated regularly. When compiling it, the following codes will be applied to the listed/identified countries.

Red – without written authority from the CEO, an employee will not participate under any circumstances in operations or transactions involving:

- the government of a Red state
- an individual registered or resident in a Red state
- an enterprise domiciled in or organised under the law of a Red state.

Note that this prohibition also applies to enterprise owned and controlled by, or acting on behalf of, governments, individuals or enterprises in the above-mentioned categories.

Yellow – an employee must consult with the CEO before participating in an operation or transaction involving:

- the government of a Yellow state
- an individual registered or resident in a Yellow state
- an enterprise domiciled in or organised under the law of a Yellow state.

Note that this prohibition applies to legal enterprises owned or controlled by, or enterprises which act on behalf of governments, individuals or enterprises in the above-mentioned categories.

Generally speaking, operations and transactions involving states not listed as Red or Yellow typically pose a low level of risk for trade sanctions. However, individuals and enterprises from states which are not listed could nevertheless be subject to sanctions. Furthermore, operations and transactions conducted in states neighbouring listed countries could also require a more detailed evaluation. The procedures described in section 4 below must be followed in relation to all partners unless they are domiciled in the EU or the USA.

The group's vice president for international sourcing is responsible for mapping the group's purchases to ensure that these comply to a reasonable degree with applicable sanction legislation. Existing operations must be regularly assessed to determine how far the group is operating in countries or industrial sectors, or with individuals or enterprises, which represent a particular risk of breaching sanctions. Special attention must be paid to new risks resulting from changes to sanction legislation.

### **4. Risk reduction related to counterparties**

Due diligence and sanction clauses play key roles in reducing the risk of trade sanctions in relation to agents, suppliers, distributors and other counterparties.

## 1. Due diligence

A risk-based due diligence must be conducted with agents, suppliers, distributors and other counterparties to ensure that the group does not breach trade sanctions. This check must concentrate on understanding whether the counterparty is:

1. itself subject to sanctions
2. located, organised or domiciled in a sanctioned state
3. owned, controlled or acting of behalf of a government authority, individual or enterprise falling within (1) or (2).

Step 1: acquire identifying information.

As a minimum, every counterparty who is an individual must be asked to provide the following:

- full name
- nationality and the state they are resident in
- address
- if an agent or representative, the name of the individual or enterprise they represent (and corresponding information for that individual/enterprise).

As a minimum, every new counterparty who is an enterprise must be asked to provide the following:

- full legal name and every name used in connection with its business activities
- the state in which it is registered or domiciled
- where it pursues business activities
- corresponding information on its parent company
- if an agent or representative, the name of the individual or enterprise they represent (and corresponding information for that individual/enterprise).

Step 2: screening

Further due diligence is unnecessary if the counterparty is located in the EU or the USA, providing it is not owned, controlled or acting on behalf of a party in another jurisdiction, suspicious activity is not detected (if, for example, the party is reluctant to provide information about itself, indications suggest that it is acting for an unknown party, or it asks to use unusual payment methods), or clear risks exist in relation to the counterparty.

Note that the group has opted to limit counterparty screening in this way because conducting identical due diligence of all new counterparties, regardless of risk factors, often proves counterproductive. Instead, particular attention must be paid to counterparties which represent a special risk.

Where counterparties are from a jurisdiction outside the EU and the USA, the name of the individual or enterprise (and the parent company and all other parties being represented) will be screened with the following tools:

- List of people, groups and entities subject to EU financial sanctions:  
[http://eeas.europa.eu/cfsp/sanctions/consol-list\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm)
- US Office of Foreign Assets Control, sanctions list search:  
<https://sdnsearch.ofac.treas.gov/>

- any and all similar lists pursuant to national legislation

Results registered must be preserved to ensure notoriety in the event of subsequent checks.

#### Step 3: consult with CEO

If a counterparty is listed or screening results in a relevant match, the CEO must be contacted before the transaction takes place. There may be reasons why the transaction cannot be conducted as normal, or further due diligence might be needed. Regardless of the screening results, consultation concerning listed countries must be carried out in accordance with section 3.

## 2. Sanction clauses

To the extent required by the circumstances of a transaction, a guarantee can be requested from the counterparty that it will behave in accordance with applicable sanction legislation – that it has not been directly or indirectly sanctioned, for example, and is not present, organised, domiciled or conducting business in a sanctioned state.

Depending on the circumstances, a clause may also need to be inserted which regulates the performance of the counterparty. The latter could, for example, provide an assurance that it will refrain from any and all dealings with sanctioned individuals and enterprises in connection with its contractual obligations (through a sub-supplier, for example).

## 5. Automatic disqualification of American persons

American persons (a term which refers to all US citizens and permanent US residents) are prohibited under the American sanction regime not only from having dealings with sanctioned enterprises and individuals but also from participating in any form of decision or other action related to such transactions. To comply with US law, American persons must be disqualified from participation in any and all decisions related to the US sanction regime.

On that basis, the following people are automatically disqualified from participating in any and all decisions, dealings or transactions related to individuals or enterprises in the US sanction regime.

- all group employees who are US citizens or permanent US residents
- all group employees who find themselves in the USA (on business trips, for example).

No further action is necessary by these individuals for them to be disqualified. The authority to disqualify an employee rests with their superior. Questions related to disqualification for sanction compliance must be directed to the vice president for international sourcing.

## 6. Penalties

Penalties for breaching sanctions may include fines and prison sentences. Earlier settlements have ranged up to several hundred million euros or dollars.

Deliberate breaches of EU sanctions are dealt with by each member state, and are often punishable with fines and imprisonment.

EU sanctions apply not only to all individuals and enterprises which conduct business in all or parts of the union, but also to all nationals of its member states, regardless of where they are located, and to each and every enterprise incorporated in or regulated under the laws of a member state. Deliberate

breaches of the US sanction regime can incur fines of up to USD 1 million or imprisonment for up to 20 years. Civil penalties for negligent breaches of most sanction programmes vary up to USD 250 000, or double the underlying transaction for each breach.

US sanctions apply not only to American companies but also to US citizens and permanent US residents (regardless of location), departments abroad and (with regard to some special sanction programmes) branches of non-American companies located in the USA, and any and all non-American persons located on US territory. The US authorities have aggressively applied a number of theories to expand American jurisdiction for trade sanctions, and generally non-US companies for breaches of American sanctions – even in cases where the transactions have been legal under local legislation. Applicable legislation can impose corresponding penalties.

Employees who breach trading sanctions may be subject to disciplinary action by the group, including dismissal. No employee who, after consultation with the appropriate people in the group, refrains from implementing a transaction because of concerns related to trade sanctions will suffer any negative consequences.

## **7. Export controls**

Apart from trade sanctions, many jurisdictions (including the EU and the USA) apply controls on the export of certain objects, materials or technology from the jurisdiction. These regulations largely involve restrictions on the sale of military materials or multi-use objects which can be utilised for both civil and military purposes or in relation to nuclear power. In some cases, however, export controls cover a broader area. Generally speaking, permission to export depends on which objects, materials or technology are involved as well as their destination, end user and end use. Note that US export controls also apply to re-exporting objects of American origin.

Employees participating in activities which they believe could be subject to export controls must contact the vice president for international sourcing if they have questions in that context.

## **8. Dos and don'ts**

### **DO**

- Assess how far an intended activity or transaction involves a high-risk country.
- Conduct due diligence checks of new counterparties by acquiring identifiable information, and screen the information received against relevant sanction lists.
- Report to the group's CEO if high-risk countries are involved or a match has been identified through screening.
- Report sanction breaches through appropriate channels.
- Contact the group's vice president for international sourcing with questions.

### **DON'T**

- Participate in transactions where the counterparty's place of residence is unclear or other important information is not provided.
- Remain in an existing contractual relationship which becomes subject to trade sanctions through changes to sanction legislation or regulation.

- Presume that a counterparty's suspicious behaviour or reluctance to provide information does not pose a genuine risk of sanction breaches. In such cases, the group's vice president for international sourcing must be contacted.
- Seek to evade sanction regulations in order to complete a transaction, including the use of third parties as intermediaries for transferring funds to sanctioned individuals or enterprises.

## **9. Reporting**

Employees who suspect breaches of the policy on trade sanctions in the group are duty-bound to comply with the group's rules on reporting or the rules described in the group's policy on whistleblowing.

## **10. Training**

The group must conduct adequate training and education of all its employees in accordance with the group's risk profile and on the basis of the individual employee's area of responsibility.

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