
Sanctions Policy

1 INTRODUCTION

- 1.1 Pharos Energy plc (**Pharos**) and its direct and indirect subsidiaries (together the **Pharos Group**) is an international business with cross-border/jurisdiction operations and contractual relationships.
- 1.2 As recognised in its Code of Business Conduct and Ethics, the Pharos Group operates by established standards in its business conduct in the areas of ethical, social, governance and environmental performance. The Pharos Group's licence to operate is a privilege and host countries deserve the most ethical conduct. This includes complying with all applicable financial, economic, trade, export and import sanctions laws, regulations and other compulsory measures (**Sanctions Laws**) in the countries in which the Pharos Group operates and trades, including wherever Sanctions Laws have extra-territorial application.
- 1.3 Sanctions Laws impose restrictions and/or prohibitions on dealings with certain countries, territories, governments, groups, entities, individuals, or controlled goods or services. The nature and extent of these restrictions and prohibitions may vary, and it is important that all Pharos Group employees and contractors consult with the Pharos Group Risk Manager or the Pharos Group Corporate Counsel/Head of Legal or their line manager if they are in any doubt about their scope and application.
- 1.4 A non-exhaustive list of certain countries/territories and groups that have been the target of economic trade sanctions includes Russian-annexed Crimea, Cuba, Iran, North Korea, Sudan, Syria, Russia, Belarus, narcotics traffickers, human rights abusers, and terrorists.
- 1.5 In the case of the Pharos Group, Sanctions Laws applicable to operations will include those of the United Kingdom (**UK**) (reflecting that Pharos itself is UK incorporated) and the United States of America (**US**) (reflecting the presence of US corporations and US citizens and residents within the Pharos Group), together with applicable United Nations Security Council resolutions.
- 1.6 Any Pharos Group employee or contractor breaching this Policy or who permits anyone to violate those rules may be subject to appropriate disciplinary action, up to and including dismissal, and may be subject to personal civil or criminal fines or other penalties under Sanctions Laws.
- 1.7 The invasion of Ukraine by Russia forces in February 2022, and the subsequent extended conflict within Ukraine, resulted in the introduction of a wave of new Sanctions Laws of unprecedented scope against a large number of Russian individuals and entities. **As a result, any business connection or contact with Russia should be viewed with the utmost caution.**

2 POLICY STATEMENT ON SANCTIONS

- 2.1 It is the Pharos Group's policy to comply with Sanctions Laws in all operations and other business activities worldwide, and to regularly monitor and manage all risks associated with Sanctions Laws.

- 2.2 In addition, the Pharos Group will not participate in transactions or engage in conduct designed or intended to evade, circumvent or facilitate a breach of Sanctions Laws – often informally known as “sanctions busting”.
- 2.3 This Policy has been developed to assist and inform Pharos Group employees and contractors in understanding where issues related to Sanctions Laws may arise and to support them in making the right decisions in line with Sanctions Laws and the Pharos Group broader corporate policy stated in paragraph 2.1 above.

3 BOARD ENDORSEMENT AND WHISTLEBLOWER PROTECTIONS

- 3.1 The Pharos board of directors (**Pharos Board**) will not criticise, reprimand or negatively assess management or staff for any loss of business, or any increased cost of business, resulting from adherence to this Policy.
- 3.2 No employee or contractor will suffer as a consequence of bringing to the attention of the Pharos Board or senior management, in good faith, a known or suspected breach of this Policy. The Pharos Group Whistleblowing Policy and associated procedures sets out the process for raising such concerns and the protections available to any person doing so.
- 3.3 The Pharos Board does not in any circumstances support or tolerate any retaliation or reprisals against individuals that speak openly or otherwise communicate any concerns over conduct they believe is unethical, illegal or inconsistent with corporate policy or the Pharos Group Code of Business of Conduct and Ethics.

4 SCOPE OF POLICY

- 4.1 This Policy applies to the Pharos Group’s operations globally, including all legal entities worldwide owned or controlled directly or indirectly by Pharos (including, to the extent Pharos has direct control over their activities, joint operating companies and joint ventures), and to all directors, officers, employees, contractors, and other third parties acting on behalf of the foregoing.
- 4.2 For joint operating companies and joint ventures over which Pharos does not have control, Pharos will nonetheless seek to exercise influence on the conduct of operations and trading by those entities in a manner consistent with this Policy.

5 THE CONSEQUENCES OF NON-COMPLIANCE

- 5.1 **Corporate:** Violations of Sanctions Laws may lead to severe civil and/or criminal penalties against companies and individuals, including significant monetary fines, imprisonment, extradition, blacklisting, revocation of licences, consents and authorisations, and disqualification of directors. In addition, violations of Sanctions Laws can lead to damaging practical consequences, including harm to reputation and commercial relationships, restrictions in the way the Pharos Group is able to do business or access capital (whether in the form of debt or equity), and extensive time and cost in conducting internal investigations and/or defending against investigations and enforcement actions.
- 5.2 **Individual:** Any Pharos Group employee or contractor breaching this Policy or who permits anyone to violate those rules may be subject to appropriate disciplinary action, up to and including dismissal, and may be subject to personal civil or criminal fines or other penalties under Sanctions Laws.

6 INTERNAL CONTROLS AND RESPONSIBILITIES

- 6.1 The responsibility to provide Pharos Group employees and contractors with the necessary information to comply with this Policy falls with the relevant heads of department/function or the general manager assigned to the relevant asset(s).

- 6.2 In addition to the general responsibility set out in paragraph 6.1 above, certain functions, department heads or managers have specific responsibilities relating to the Pharos Group's sanctions compliance policy:

Group Risk Manager

- 6.2.1 Planning Sanctions Laws periodic risk assessments in high-risk regions and monitor the processes and controls in place.
- 6.2.2 In conjunction with the Corporate Counsel/Group Head of Legal, ensuring that Pharos Group employees and staff have effective, relevant and proportionate training and education on Sanctions Laws relative to their function within the business.
- 6.2.3 In conjunction with the Corporate Counsel/Group Head of Legal, reviewing this Policy at least annually and otherwise on an ad hoc basis in response to events.

Group Finance Manager/Group Senior Finance Adviser

- 6.2.4 Ensuring that financial transactions (including contact with financial institutions, usage of certain currency and segregation of funds) are in line with applicable Sanctions Laws, by following approved processes and controls.
- 6.2.5 Conducting due diligence checks on suppliers, service companies and other commercial counterparties, including by reference to current sanctions lists.
- 6.2.6 Ensuring that all licences, consents and approvals required under Sanctions Laws in connection with the Pharos Group's financial transactions are in place.
- 6.2.7 Monitoring sanctions compliance under applicable facility and borrowing documentation, bond/debt instruments and bank account terms of business and ensure full and transparent communication and cooperation with banks and financial institutions on compliance with Sanctions Laws and the appropriate steps taken by the Pharos Group to manage sanctions risk.

Corporate Counsel/Group Head of Legal or equivalent

- 6.2.8 Monitoring changes to applicable Sanctions Laws, including official lists of sanctioned entities and individuals, and update the Pharos Board and management of material changes including, where required, proposing revisions to this Policy to the Audit and Risk Committee in conjunction with the Group Risk Manager.
- 6.2.9 Providing legal advice and guidance on specific situations or potential transactions on request, including on resolution of compliance concerns/exposure, further due diligence and other follow-up actions and consultation on any specific controls to be followed.
- 6.2.10 Assisting the business in obtaining official licences or consents necessary for compliance with Sanctions Laws.

General Manager/Country Manager

- 6.2.11 Assuming ultimate responsible for ensuring local activities and operations, to the extent they are within the Pharos Group's control, comply with Sanctions Laws.
- 6.2.12 Setting an appropriate tone and example on Sanctions Laws compliance, including the provision of appropriate support to compliance activities.
- 6.2.13 Ensuring that, at a regional/asset/project level, all employees, contractors and other local representatives of the Pharos Group are properly trained on Sanctions Laws and follow approved processes for compliance with Sanctions Laws.
- 6.2.14 Ensuring that all service companies, suppliers and other counterparties are aware of this Policy and monitor compliance on an ongoing basis.

- 6.2.15 Ensuring that, where the Pharos Group has an interest in an autonomous joint venture or joint operating company, it shall exercise influence on the conduct of operations and trading by those entities in a manner consistent with this Policy.

Audit and Risk Committee

- 6.2.16 Overseeing Pharos Group internal controls relating to compliance with Sanctions Laws and the management of associated risk.
- 6.2.17 Overseeing the regular review of this Policy and approving any revisions for adoption by the Pharos Board.

7 RED FLAGS

- 7.1 Pharos Group employees and contractors should be aware of issues, features or circumstances - "red flags" - that are likely to justify further investigation into a particular transaction or relationship as a result of elevated risk associated with compliance with Sanctions Laws.
- 7.2 As a general principle, Pharos Group employees and contractors are expected to understand and identify red flags or suspicions that may indicate the direct or indirect involvement of a territory, party, item, service, end-use or currency that is or may be subject to Sanctions Laws.
- 7.3 Some examples of red flags to be reported include:
- 7.3.1 a potential counterparty is reluctant to offer information or clear answers on customary KYC requests or on routine commercial issues (including details of beneficial ownership, source of funds, country of origin of goods and/or the locations of operations and management);
 - 7.3.2 the counterparty is evasive about its own suppliers or partners;
 - 7.3.3 unusual invoicing, transportation or delivery requests, including any abnormal shipping or cargo route;
 - 7.3.4 unusually favourable commercial or payment terms or unusual volumes or specification of goods or services relative to comparable counterparties, suppliers or service companies;
 - 7.3.5 any suspicion or evidence to suggest the possible involvement of a country, territory, individual or entity subject to Sanctions Laws directly or indirectly; and
 - 7.3.6 any suspicion or evidence to suggest that any petroleum sold by or on behalf of the Pharos Group is ultimately intended for a country, territory, individual or entity that would not otherwise be a permitted buyer under Sanctions Laws or this Policy.
- 7.4 The above is not intended to be an exhaustive list. Any Sanctions Laws red flag should alert Pharos Group employees and contractors to further investigate and, where required, report the red flag in accordance with this Policy.

8 EMPLOYEE/CONTRACTOR RESPONSIBILITY

- 8.1 Each Pharos Group employee and contractor receiving this Policy has the obligation to read and follow this Policy, to understand and identify any red flags that may arise in business and other activities for the Pharos Group.
- 8.2 Pharos Group employees and contractors are accordingly expected to be alert to risks associated with Sanctions Law and to escalate and report actual or potential compliance concerns or exposure related to Sanctions Laws to the Pharos Group Risk Manager or the Pharos Group Corporate Counsel/Head of Legal. Alternatively, if a Pharos Group employee or contractor is concerned about a potential conflict of interest of a person or persons to whom such a report would otherwise be made, the anonymous hotline established under the Pharos Group Whistleblowing Policy is available.

- 8.3 Having reported an actual or potential compliance concern or exposure relating to Sanctions Laws, a Pharos Group employee or contractor should not take any further action until receiving advice and/or instructions from an authorised individual.

9 TESTING/AUDITING

- 9.1 Pharos will commit to ensuring that the terms of, and compliance with, this Policy is audited as required by the internal audit programme approved by the Audit and Risk Committee.
- 9.2 The testing or internal audit function will be accountable to senior management, independent of the activities and functions of the external auditor, and has sufficient authority, skills, expertise, and resources.
- 9.3 Any audit or review of the Policy will, amongst other objectives, seek to identify any potential omissions or areas of exposure in the Policy and to recommend appropriate remedial action.

10 REVIEW AND REVISIONS

- 10.1 This Policy shall be reviewed at least annually and otherwise on an ad hoc basis in response to events, including any material changes to Sanctions Laws that have, or may have, a material impact on the Pharos Group.
- 10.2 Any revision to this Policy will require the agreement of the Pharos Board or the Audit and Risk Committee. The revised version of the Policy will be communicated to Pharos Group employees and contractors as soon as possible.
- 10.3 The Audit and Risk Committee may also elect to incorporate a review of compliance with Sanctions Laws and/or the associated internal controls as part of a Pharos Group internal audit project.

11 QUESTIONS

Any questions about the scope, meaning and effect of this Policy should be addressed to the Pharos Group Risk Manager, the Pharos Group Corporate Counsel/Head of Legal or an individual's line manager in the first instance.

Jann Brown
Chief Executive Officer

19 May 2022