

APPROVED BY

by the Minutes of the Extraordinary General Meeting
of Limited Liability Company
Thyssen Schachtbau EuroChem Drilling
of 07.04.2017

P O L I C Y
of Limited Liability Company
Thyssen Schachtbau EuroChem Drilling
REGARDING SANCTIONS

Kotelnikovo

2017

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I. INTRODUCTION

The United States of America (the **US**), European Union (the **EU**), Switzerland and some other countries and sources of sanctions imposed certain sanctions and export restrictive measures against certain countries, businesses and individuals.

In 2014, the US, EU and Switzerland and several other countries imposed sanctions and export restrictions against Ukraine/Russia.

Sanctions Policy (hereinafter, the Policy) shall contain the summary of restrictive measures imposed by the US, EU and Switzerland (hereinafter collectively referred to as the "Sanctions" listed in Annexes 1, 2 and 3 hereto) that restrict possibilities for **Thyssen Schachtbau EuroChem Drilling** Limited Liability Company (hereinafter, the **Company**) to conduct any business in certain territories or with certain persons targeted by the Sanctions. The Policy shall also set out restrictive and protective measures to be observed consistently by every Employee of the Company.

It is worthy of noting that Sanctions may apply not only to transactions involving residents and companies in the US, EU and Switzerland, but also companies in the Russian Federation, depending on the nature of their transactions. Consequently, it is critical for the Company and its Employees to read this Policy before involving in any business activity.

The scope and content of these Sanctions may be amended in the future. This Policy shall provide a general analysis of the existing Sanctions, but each individual transaction may require special advice or clarification. Certain business relations/transactions described herein will be permitted, if the relevant Source of Sanctions (i.e. Office of Foreign Assets Control of the US Department of the Treasury) issues a special license or other authorisation for them. Any business relations or transactions covered by the Sanctions or this Policy shall be authorised only upon consultation with and signature by the Compliance Specialist.

1. DEFINITIONS

- 1.1 "**Business Day**" shall mean a day (other than a Saturday or Sunday) when banks are open for normal banking operations at the place of the Company's business.
- 1.2 "**Employee**" shall mean officials, directors and Employees of the Company.
- 1.3 "**The Company's Sanctions-related Commitments**" shall mean commitments, *inter alia*, under any loan, credit, guarantee, surety or similar agreement, assumed by the Company in relation to the Sanctions.
- 1.4 "**Compliance Specialist**" shall mean an Employee of the Company who is responsible for ensuring continuous fulfilment of the compliance policies (including this Policy) in the Company.
- 1.5 "**OFAC**" shall mean the Office of Foreign Assets Control of the US Department of the Treasury;
- 1.6 "**Source of Sanctions**" shall mean the United States of America;
United Nations Organisation;
European Union (or the United Kingdom, Italy, Austria, Germany, France);
jurisdiction of every financial party or a credit office of each financial party to any credit agreement with the Company as a party;
Hong Kong Monetary Authority;
World Bank;
State Secretariat for Economic Affairs (SECO) of Switzerland;
relevant government departments and agencies of the above countries and organisations, including OFAC, U.S. State Department, U.S. Department of Commerce and Her Majesty's Treasury;
and any other governmental, national or supranational body as amended.
- 1.7 "**Sanctions Laws**" shall mean:
any laws, regulations and embargoes governing economic, sectoral, financial or trade sanctions imposed or applied by any Source of Sanctions; or
any other law, enabling legislation, executive order or regulation linked to those listed in paragraph *a* above;
- 1.8 "**Sanctioned Country**" shall mean any country covered by the Sanctions Laws as specified in Annex 3 hereto;
- 1.9 "**Sanctioned Person**" shall mean a person:
- being or owned or directly or indirectly controlled by (definitions of these terms are under the sanctions laws or guidelines for use thereof) a person or persons from a list of natural and legal persons, entities and bodies (as amended) published by the source of sanctions and effective for the time being, including:
 - Sectoral Sanctions Identifications List with sectoral sanctions imposed against them; Specially Designated Nationals and Blocked Persons List and Foreign Sanctions Evaders List published by OFAC, Denied Persons Lists and Entity Lists published by the U.S. Department of Commerce; Blocked Persons Lists, List of Foreign Terrorist Organizations and Specially Designated Terrorists List published by the U.S. State Department;

- Financial Sanctions: Consolidated List of Targets and Investment Ban List drawn up by the Treasury of Her Majesty;
 - European Union lists of restrictive measures against natural and legal persons, entities and bodies published under EC Regulation No. 881/2002 of 27 May 2002, EC Regulation No. 2580/2001 of 27 December 2001, EU Common Position 2005/725/CFSP of 17 October 2005, EU Regulation No. 269/2014 of 17 March 2014, EC Regulation No. 833/2014 of 31 July 2014 and EC Regulation No. 960/2014 of 8 September 2014;
 - Al-Qaeda Sanctions List compiled and updated by the Al-Qaeda Sanctions Committee at the UN Security Council; and
 - any other sectoral sanctions identification lists published by the Source of Sanctions;
- located in or incorporated under the laws or linked to governments of the Sanctioned Countries or Sanctioned Territories;
 - who is a target or an object of the Sanctions Laws;
 - who acts or attempts to act on behalf of any of the persons listed in paragraphs (a) to (c) above; or
 - with whom any financial party under a credit agreement with the Company as a party is prohibited from dealing and transacting in accordance with the Sanctions Laws;

1.10 "**Sanctioned Territory**" means any area covered by the Sanctions Laws, save EC Regulation No. 833/2014 of 31 July 2014 and US Executive Order No. 13662 of July 16, 2014 (and the relevant OFAC Sectoral Sanctions Identification List) (as amended).

2. PURPOSE

2.1 The Policy shall define the minimum expectations of the Company relating to risk management and implementation of the Company's Sanctions-Related Commitments and also shall set out the approach to:

- importance of the Sanctions;
- guidance in compliance with the applicable Sanctions Laws or specific provisions of the Company's Sanctions-Related Commitments;
- principles and measures to mitigate the risks associated with a possible violation of the Sanctions Laws in jurisdictions where the Company operates;
- consequences of failure to comply with the Sanctions and the Policy;
- regular reporting of violations (or compliance risks) of the Sanctions Laws in force;
- regular training of the Employees in the current Sanctions Laws.

2.2 The Company shall comply with the Sanctions Laws in all jurisdictions where it operates and shall apply the Policy in its business practice.

3. APPLICATION

3.1 The Company should apply the Policy and introduce the same in its business practice.

3.2 The Company should ensure application of and introduce standards and rules similar to the Policy in its business practice.

- 3.3 The Employees should comply with the Policy and should be guided by its provisions in their business practice.

II. COMPLIANCE WITH SANCTIONS

4. GENERAL PRINCIPLES

- 4.1 The Company shall follow the sanctions policy in order to meet its Sanctions-Related Commitments or to comply with the Sanctions Laws.
- 4.2 The Company shall make reasonable efforts to ensure that its activities and operations should not involve any violation of the Sanctions-Related Commitments or the applicable Sanctions Laws.
- 4.3 The Company and Employees shall be kept informed of amendments in the applicable Sanctions-Related Commitments or in the Sanctions Laws.
- 4.4 The Company and/or Employees shall report any violation or suspected violation of any of the Sanctions-Related Commitments or the Sanctions Laws immediately after they become aware of an actual or potential violation.
- 4.5 If there are any discrepancies between the above principles and any business requirements, the above principles shall prevail.

5. OBLIGATIONS OF EMPLOYEES

- 5.1 The Company shall not violate any Sanctions-Related Commitments or the Sanctions Laws in force.
- 5.2 The Company shall not perform, permit or engage in any business that would result in violation by the Company (or its Employees) of the Sanctions-Related Commitments or any Sanctions Laws in force.
- 5.3 The Company may not directly or indirectly conduct business or make transactions with any Sanctioned Person, including any activities in trade, investments, contributions, or any other transactions. The Company should ensure that its Employees refrain from such business relations (on behalf of the employing Company) with any Sanctioned Person, if such relations would result in violation of any applicable Sanctions Laws.
- 5.4 The Company shall not directly or indirectly use or allow the use of any funds received by the Company, as well as credit, contribute or otherwise make available such funds directly or indirectly to any natural person for the purpose of financing the activities of any person, which is the Sanctioned Person, in violation of any of the Sanctions Laws.
- 5.5 The Company shall not use any income or payment, directly or indirectly resulting from the transactions prohibited by the Sanctions Laws in force.
- 5.6 The Company shall not conduct business in the Sanctioned Country or Sanctioned Territory (or with any person located or incorporated therein) in a manner violating any applicable Sanctions Laws. The Company should ensure that its Employees refrain from (a) travelling to a Sanctioned Country or Sanctioned Territory for business purposes or (b) dealing (on behalf of his/her employing Company) with any person or entity located or incorporated in the Sanctioned Country or Sanctioned Territory, if this would violate the applicable Sanctions Laws.
- 5.7 The Employee may not violate the current Company's Commitments or the Sanctions Laws.
- 5.8 The Employee may not perform, permit or engage in any activity that would violate the Company's Sanctions-Related Commitments or any applicable Sanctions Laws.

5.9 The Company should, to the extent permitted by the applicable law, ensure that its Employees make no violations of the Sanctions-Related Commitments or the Sanctions Laws in force.

6. NON-COMPLIANCE

6.1 Employees shall promptly, using any means of communication, report to the Compliance Specialist on:

- "being located" in any Sanctioned Country or Sanctioned Territory described in paragraph (b) of the definition of the Sanctioned Person.

6.2 Upon receipt of information about any actual or suspected violation reported by the Employee pursuant to paragraph 6.1 above, the Compliance Specialist shall immediately report the actual or potential violation to the Company's Management.

6.3 If the Employee knowingly or deliberately violates any applicable Sanctions Laws and Sanctions-Related Commitments, the Company's Management shall immediately, upon consultation with the Compliance Specialist, terminate the employment relations with such Employee in accordance with the applicable labour laws or corporate regulations.

6.4 If the Employee intentionally fails to comply with this Policy provisions, the Company's Management, upon consultation with the Compliance Specialist, will have the right, in its sole discretion, either (i) to terminate employment relations with such Employee or (ii) to impose disciplinary penalties on such Employee to the extent permitted by the applicable labour laws and corporate regulations.

6.5 In the event that the Company is a party to an agreement and, as a result of (i) amendments in the applicable Sanctions Laws or (ii) change of control in a counterparty thereto, the existence of such agreement would conflict with the Sanctions Laws in force, the Company Management shall immediately notify the Compliance Specialist thereof.

6.6 Upon receipt of instructions from the Compliance Officer, the Company in breach of the Sanctions Laws, as stated in paragraph 6.5, should apply its best efforts to remedy such a breach, including any measures to suspend, freeze, terminate and/or cancel the respective agreement to eliminate the non-compliance with the Sanctions Laws in force.

6.7 The Management of the Company in breach of the Sanctions Laws referred to in paragraph 6.5 shall confirm to the Compliance Specialist within fifteen (15) business days following the identification of such non-compliance that the latter has been eliminated.

6.8 In accordance with the corporate regulations, this Policy shall be brought to the information of all Employees. Any future Employees should be informed of the Policy when signing employment agreements. When signing the employment agreements (or amendments thereto), the Employees confirm that they have read and agree to implement the Policy.

7. COMPLIANCE REPORTING

7.1 The Company shall appoint a qualified in-house person (hereinafter, the **Compliance Specialist**) for monitoring the compliance with this Policy. Such Compliance Specialist shall regularly issue a certificate of compliance (hereinafter, the Certificate of Compliance) in the form attached in Appendix 4 hereto and addressed to the Chief Financial Officer who verifies compliance with the Policy by the Company/its Employees and absence of violations of the Company's Sanctions-Related Commitments and the existing Sanctions Laws for the reporting quarter.

7.2 The Certificate of Compliance shall be submitted on a regular basis, but not later than ten (10) business days following the close of each fiscal quarter.

8. TRAINING

- 8.1 The Company should at intervals, but at least once every twelve months, conduct training in application of the Policy by the Company's Employees.
- 8.2 The Compliance Specialist shall determine the training content for the Employees to be trained.
- 8.3 The Compliance Specialist shall ensure that the Employees are trained in accordance with paragraph 8.1.

III. POLICY MANAGEMENT

9. POLICY REVIEW

- 9.1 The Policy should be regularly reviewed by the Compliance Officer, but at least once every six months, to ensure that the Policy remains up-to-date and reflects all changes in the Company's Sanctions-Related Commitments or the Sanctions Laws in force.

10. POLICY IMPLEMENTATION

- 10.1 The Management shall be liable for introduction and implementation of this Policy in the employee training program and related personnel policies and standards.

* * *

Annex 1

Description of Sanctions

1. Description of US Sanctions

1.1 Applicable Law

Major US Russia/Ukraine Sanctions were introduced by four Executive Orders: Executive Order 13660 of 06 March 2014 ("**E.O. 13660**"); Executive Order 13661 of 17 March 2014 ("**E.O. 13661**"); Executive Order 13662 of 20 March 2014 ("**E.O. 13662**"); and Executive Order 13685 of 19 December 2014 ("**E.O. 13685**") (hereinafter collectively, Executive Orders). In particular, the US Sectoral Sanctions (i.e. sanctions aimed at persons operating in certain sectors of the Russian economy, including the financial services sector, energy, defence and key related sectors) were introduced under E.O. 13662.

Executive Orders established a regulatory framework for the introduction of sanctions and shall not result in the automatic designation on the SDN or SSI lists. Instead, OFAC shall rather make an affirmative decision, upon consultation with other government bodies, that a person meets the criteria for designation and, therefore, should be entered on the SDN or SSI lists.

In addition to various Executive Orders, on 18 December 2014 the US President adopted the 2014 Ukraine Freedom Support Act (hereinafter, the Act), which authorises the President to impose additional sanctions on Russian companies in the defence, energy and financial sectors. None of these additional sanctions has been imposed to date.

1.2 Persons obliged to comply with the US Sanctions:

The US Ukraine-/Russia-related Sanctions mainly cover "U.S. Persons" that include U.S. nationals and permanent residents (green cards holders) wherever they are located, legal entities incorporated under the U.S. laws (including foreign branches), and any person within the USA.¹

Sanctions may also apply to persons who are not U.S. persons, if such persons are involved in transactions with a "U.S. intermediary" linking any activities with the United States, for example, any transaction denominated in US dollars, which usually implies the use of the U.S. financial system.

In addition, some US Sanctions may apply to non-U.S. persons, even in absence of the U.S. intermediary. For example, Executive Orders prohibit transactions that avoid or evade or aim to evade or avoid, cause a breach or an attempted breach of any of the prohibitions set out in the Executive Order, including any conspiracy formed to violate any of the prohibitions. Such restrictions can be applied both to U.S. persons and to other parties.

1.3 Prohibited Activities

US Ukraine-/Russia-related Sanctions are composed of various restrictions depending on whether an entity subject to the sanctions is entered on the SDN or SSI lists.

Entry on the SDN list means that all "property and interests in property" of persons on the SDN List who are or have become owned or controlled by a U.S. person or within the United States shall be blocked, and dealing with them is prohibited. Entities directly or indirectly owned 50 percent or more whether individually or in the aggregate by one or more blocked persons are considered blocked by operation of law. In absence of an OFAC license or other authorisation, all transactions with a person on the SDN list (as well as any entities directly or indirectly owned 50 percent or more by one or more

¹See 31 C.F.R. § 589,312

persons on the SDN list) are prohibited for U.S. persons, as well as any transactions with an U.S. intermediary involved.

The current SDN list is given in Annex 2.

With respect to financial institutions on the SSI list according to Directive 1 under E.O.13662, which is aimed at the financial services sector, prohibited are the following activities of an U.S. person or within the United States: transacting in, providing financing for, or otherwise dealing in new debt with a maturity of longer than 30 days or new equity by, on behalf of, or for the benefit of the persons named under Directive 1, their property, or their interests in property. In contrast, for the persons on the SSI list named under Directive 2, the current new debt maturity is 90 days, and new equity is not prohibited. New debt and new equity prohibition will not apply to any financial institution designated under Directive 4 under E.O. 13662, if the financial institution is not listed under Directives 1–3 under E.O. 13662.²

These prohibitions also apply to companies owned 50% or more by one or more persons on the SSI list. In addition, Directives under E.O. 13662 prohibit any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions contained in the Directives; and any conspiracy formed to violate any of the prohibitions.

OFAC has provided for an informal guidance that term deposits with a maturity of longer than 30 days in the banks subject to SSI Directive 1 or longer than 90 days in the banks subject to SSI Directive 2 would rather refer to a "new debt". As a result, U.S. persons will be prohibited from opening any time deposit accounts in the banks subject to SSI Directive 1 for a period longer than 30 days or in the banks subject to SSI Directive 2 for a period longer than 90 days. The same prohibition applies in the event that the deposit activities involve an U.S. intermediary, either directly or indirectly, of any kind.

The current SSI list is given in Annex 2.

We note that, in regard to both the SDN list and the SSI list, any entities owned, individually or in the aggregate, directly or indirectly, 50 percent or more by persons appeared on the SDN or SSI lists are considered to be persons on the SDN or SSI lists by virtue of law. These companies do not appear on the SDN list or the SSI list separately. **Therefore, it is important to conduct appropriate due diligence on an entity in terms of its structure of ownership, to identify any designated ownership stakes prior to entering into any transaction involving an U.S. person or U.S. intermediary.**

2. Description of EU Sanctions

2.1 Applicable Laws

Regulation 833/2014 entered into force on 01 August 2014 and imposes the Sanctions aimed, in particular, at the financial sector and the oil and gas sector in Russia. These restrictive measures against Russia were intensified on September 12, 2014 in accordance with Council Regulation 960/2014 as further amended on 6 December 2014 by Council Regulation 1290/2014.³

²We do not discuss the prohibitions contained in Directive 3 since there are no financial institutions listed under Directive 3 as of the date of this Policy. However, if the financial institution should be designated by this Directive in the future, the applicable date for the new debt maturity will be 30 days (same as in Directive 1). We also note that Directive 4 establishes no restrictions on the equity market as done by Directives 1–3, but rather specifies that the following activities by a U.S. person or within the United States are prohibited: the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve any person determined to be subject to Directive 4, its property, or its interests in property.

³ Consolidated version of Regulation 833/2014 that incorporates the existing amendments is available here: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0833-20141206&from=EN>

Since March 2014, the EU has imposed the freezing of assets (according to Regulations 269/2014⁴ and 208/2014⁵ against the increasing number of Russian (and Ukrainian) parties. As of 20 October 2015, this EU assets freeze was directed against, in aggregate, 167 natural persons and 37 legal persons in Russia and Ukraine⁶. Certain Russian banks have also been covered by the EU sanctions regime, for example, effected against Iran.⁷

It is also worth noting that the EU has published a guidance document on certain measures against Russia as described in Regulation 833/2014 (as last amended on 25 September 2015).⁸ This guidance provides answers to certain questions that have been brought to the attention of the European Commission and, in particular, relate to the Sanctions targeting the capital market and financial services. It is important to note that in this context, if the EU Sanctions are imposed on the EU level, the competent national authorities of the Member State are responsible for the interpretation and application thereof. Accordingly, the direction, guidance and practical application can vary greatly in the Member States. The below description provides an overview of the relevant EU Sanctions and certain universally accepted principles; in many cases, it will be required to check with the national practice or to consult with a public authority of a Member State in the event of uncertainty regarding the application of the EU Sanctions to a particular transaction.

2.2 Persons obliged to comply with the EU Sanctions

EU Sanctions are not extraterritorial and apply only in presence of an **EU jurisdiction**, i.e., a "bond" that bind a specific type of business to the EU. There are five situations where the EU Sanctions may be applied:

- within the territory of the EU, including its airspace;
- on board any aircraft or any vessel under the jurisdiction of a Member State;
- to any person inside or outside the territory of the EU who is a national of a Member State;
- to any legal person, entity or body, inside or outside the territory of the EU, which is incorporated or constituted under the law of a Member State; and
- to any legal person, entity or body, which is not incorporated within the EU, in respect of any business done in whole or in part within the EU.

This means that EU companies (including subsidiaries of companies not linked to but located within the EU) and nationals of a Member State should comply with the Sanctions. This also implies that even companies not linked to the EU, such as Russian companies within a Group, may be subject to the EU Sanctions, depending on the specific circumstances where they conduct their business in the EU, and on how they are associated with the activities restricted by the Sanctions. EU Sanctions will apply to the Employees who are nationals of EU Member States, wherever such Employees are located. (All persons who are subject to the EU jurisdiction pursuant to the above principles are hereinafter referred to as "the EU persons".) To the contrary, if any transaction only involves entities

⁴ The final consolidated version of Regulation 269/2014 directed against persons identified as responsible for actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine is available here: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?URI=CELEX:02014R0269-20150916&from=EN>

⁵ The final consolidated version of Regulation 208/2014 directed against persons identified as responsible for the misappropriation of Ukrainian State funds and for human rights violations in Ukraine is available here: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0208-20150607&from=EN>

⁶ Consolidated list of all persons (including all other third countries other than Russia and Ukraine) subject to the EU asset freeze can be found here: http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm

⁷ See Regulation 267/2012 as amended (final consolidated version is available here: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02012R0267-20150802&qid=1445429319430&from=EN>)

⁸ The latest version of the Commission's Guidance Note on the implementation of certain provisions of Regulation (EC) No. 833/2014 is available at: http://europa.eu/newsroom/files/pdf/1_act_part1_v2_en.pdf

not belonging to the EU or not associated otherwise with the EU on the above principles, the EU Sanctions shall not apply.

2.3 Prohibited Activities

EU Sanctions impose various restrictions or bans depending on whether a company subject to sanctions may be designated as subject to the EU assets freeze (i.e. appear on the "**Assets Freeze List**") or as subject to financial sector restrictions directed against Russia (i.e. appear on the "**Sectoral List**").

Assets Freeze List

All funds and economic resources belonging to, owned, held or controlled by persons as listed in the Assets Freeze List shall be frozen in the EU. Most importantly, all EU persons are also prohibited from making available any funds or economic resources, directly or indirectly, to or for the benefit of the persons listed. The terms "funds" and "economic resources" shall be construed broadly to include anything that can be used to obtain funds, goods or services. The funds or economic resources will be generally (with some exceptions, because the actual analysis depends on the facts) provided "indirectly", if they are obtained by persons or entities that are "owned or controlled" by a designated person. When determining whether a person is "owned or controlled" by a designated person, it is necessary to take into account certain factual components such as ownership stakes and participation in decision-making.⁹

In other words, any company of the Group considered as an EU person (as described in Part A above) may not directly or indirectly conduct business with any person on the Assets Freeze List. The same prohibition applies to employees who are nationals of an EU Member State. Since it is prohibited to provide funds and economic resources "indirectly" to or for the benefit of the said persons, any company of the Group (if considered to be an EU person), and/or employees (wherever located) who are nationals of an EU Member State should also exercise caution in dealings with third parties that are in any way linked to or affiliated with the companies on the Assets Freeze List.

The up-to-date Assets Freeze List is given in Annex 2.

Sectoral List

As part of the Sectoral Sanctions against Russia, the EU shall prohibit to directly or indirectly purchase, sell, provide investment services for or assistance in the issuance of, or otherwise deal with **transferable securities**¹⁰ and **money-market instruments**¹¹ of certain Russian companies. Namely, transferable securities and money-market instruments, which fall within the ban, are (i) those with a maturity exceeding 90 days, issued after 1 August 2014 to 12 September 2014 by the five targeted Russian State-owned banks and certain affiliates; or (ii) with a maturity exceeding 30 days, issued after 12 September 2014 by these five Russian banks and certain affiliates (and also by six targeted Russian defence and energy companies, and certain affiliates).

With regard to these Russian companies (including five of the targeted banks) and their affiliates, it shall be prohibited to **directly or indirectly make or be part of any arrangement to make new loans or credit with a maturity exceeding 30 days** to them after 12 September 2014 (although

⁹ As regards violations of the assets freeze measures through third parties, the EU Council has issued a guidance document (available at: <http://data.consilium.europa.eu/doc/document/ST-7383-2015-REV-1/en/pdf>), which specifies the conditions for the provision of funds and economic resources "indirectly" through individuals or companies owned or controlled by the listed parties, referring to such factual components.

¹⁰ "Transferable securities" are defined by Regulation 833/2014 as "the following classes of securities which are negotiable on the capital market, with the exception of instruments of payment": (i) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares, (ii) bonds or other forms of securitised debt, including depositary receipts in respect of such securities, (iii) any other securities giving the right to acquire or sell any such transferable securities".

¹¹ "Money-market instruments" are defined by Regulation 833/2014 as "those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment".

certain exceptions apply, for example, in respect of trade financing for certain non-prohibited commercial transactions).¹²

We note that the Sectoral Sanctions in force established by the EU in relation to capital markets are aimed at the prohibition of transactions that fall under the above description. In other words, companies subject to the sanctions are not considered to be subjects of the freezing of assets, and the EU persons, therefore, are not prohibited from participation, directly or indirectly, in transactions with such persons, which are outside the scope of "transferable securities", "money market instruments" or credit transactions. Such permitted transactions include deposit business, payment services and insurance, as well as loans to or from the said Russian companies and certain affiliates.¹³ In addition to this, the EU guidance note confirms that deposit services (including term deposits), *per se*, are not subject to these prohibitions. For completeness, we note that the guidance note as a whole confirms that term deposits may not be used to circumvent the sanctions (e.g. in relation to the prohibition on new loans to companies subject to the sanctions), because this comes into conflict with the prohibition to circumvent the sanctions in accordance with Regulation 833/2014.¹⁴

3. Description of Swiss Sanctions

3.1 Applicable Laws

On 27 August 2014, Switzerland adopted the "Ordinance on measures to prevent the circumvention of international sanctions connected with the situation in Ukraine" (as amended on 6 March 2015 and 1 July 2015) (the "**Ordinance**").

3.2 Persons obliged to comply with the Swiss Sanctions:

Neither the Federal Act on the Implementation of International Sanctions of Switzerland (the Embargo Act or "EmbA"), nor the Ordinance contain any reference to the personal and territorial scope of the embargo measures taken by Switzerland. According to some authors, this means that the principle of territoriality should be interpreted strictly, i.e. provisions of the Swiss sanctions apply only to natural and legal persons residing and/or doing their business in Switzerland. However, a judge in Switzerland may also make use of a different rationale and apply the Swiss sanctions to a particular transaction, if the transaction is contemplated by an agreement that states Switzerland as a venue for dispute resolution.

3.3 Prohibited Activities

The Ordinance provides for, *inter alia*, the following restrictions regarding the financial sector:

- issuance of financial instruments (of more than 30 days maturity) for some banks and companies is permitted only upon authorisation; and
- granting loans (of more than 30 days maturity) for some banks and companies is permitted only upon authorisation.

¹² Article 5(3) of Regulation 833/2014.

¹³ See Whereas (5) to Regulation 833/2014.

¹⁴ See Article 5(12) of Regulation 833/2014.

Annex 2:

Sanctions Lists

1. **US Specially Designated Nationals and Blocked Persons List (SDN)** (the up-to-date list is available on OFAC website <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>);
2. **US Sectoral Sanctions Identifications List (SDN)** (the up-to-date list is available on OFAC website <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>);
3. **EU Assets Freeze List** (the up-to-date list of all persons subject to the EU restrictive measures for freezing of assets is available on EEAS website http://eeas.europa.eu/cfsp/sanctions/consolidated/index_en.htm);
4. **EU Sectoral Sanctions List** (the up-to-date list of relevant persons subject to the EU sectoral sanctions see in Regulation 833/2014 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0833>);
5. **Swiss List** (the up-to-date list of sanctioned natural and legal persons, entities and bodies is available on the website of the State Secretariat for Economic Affairs: <http://www.seco.admin.ch/themen/00513/00620/index.html?lang=en>)

Prior to entering into any transaction, it is necessary to check the lists at the relevant government websites.

Annex 3:

Sanctioned Countries

A. As at the date of preparing this Policy, country-level sanctions were imposed only by the United States to the following countries:

1. Burma
2. Cuba
3. Iran
4. North Korea
5. Sudan
6. Syria

Prior to making any transaction, consult the up-to-date list:<https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

Annex 3 is subject to amendment. It is necessary to consult the same before making any transaction.

Annex 4

Certificate of Compliance Form

(Name of addressee's department)

Attn.:

(Addressee's title)

Certificate of Compliance

This is to inform that in the period from [●] to [●] [company] and its Employees have committed no violations of the Company's Sanctions-Related Commitments and the Sanctions Laws in force.

(author's title)

(Surname, initials)

(Personal signature)

_____, 20__