

THE INTERNATIONAL SHIPPING FEDERATION LIMITED COMPETITION LAW COMPLIANCE POLICY

PRELIMINARY

At the Meeting of the Council of The International Shipping Federation Limited (the "Meeting" of the "Council" of "ISF") on 2 February 2009 this competition law compliance policy (the "Compliance Policy") was presented to the Council. After due and careful consideration of this Compliance Policy the Council approved and adopted this Compliance Policy with immediate effect and resolved that a copy of this Compliance Policy be circulated to all members of ISF (the "Members").

STATUS OF ISF

The Council recognises that the unique structure of ISF as an international association of national shipowners' associations means that it is most unlikely that the activities of ISF will infringe competition laws. ISF is not competing in any commercial markets and its activities are directed primarily at promoting and representing the interests of shipowners and operators in matters pertaining to labour affairs, manning and training, and seafarers' welfare, within the international shipping industry. As such, ISF is not engaged in economic activity that would have any effect on competition in commercial markets.

Nevertheless the Council recognises the fundamental importance of compliance with competition laws.

Accordingly the Council considers it appropriate by means of this Compliance Policy to remind Members and staff of ISF of the basic principles of competition laws generally and to highlight areas that may be of specific relevance to ISF.

COMPLIANCE CULTURE

Compliance with competition law is of primary importance to ISF. As such, it is the policy of ISF to fully comply with all applicable competition laws including but not limited to such laws and regulations enacted in the United States of America, the European Union and the United Kingdom, including the Sherman Antitrust Act 1890, Articles 81 and 82 of the EC Treaty 1957, the Competition Act 1998, the Enterprise Act 2002 and all associated legislation, guidelines and notices. ISF aims to foster a culture of competition law compliance and it is in this spirit that ISF adopts this Compliance Policy. It is essential that the activities of ISF comply with competition law and this Compliance Policy not only in form but also in substance.

The Council recognises that breach of competition law exposes ISF and its Members to the risk of heavy fines, court orders and significant costs and bad publicity associated with a competition investigation. Individuals may also face criminal sanctions and director disqualification orders. Failure to comply with competition law or with this Compliance Policy is a serious matter and any Member's conduct contributing to non-compliance which comes to our attention may result in a Member's expulsion.

TRADE ASSOCIATIONS AND COMPETITION LAW

Competition law treats the activities of trade associations much like any other form of cooperation between competitors: there is no special competition law regime. So whilst trade associations often perform legitimate and valuable functions, like any other form of cooperation between competitors, the activities of trade associations are capable of breaching competition law. For competition law purposes decisions or recommendations of trade associations are treated as agreements between its Members. Competition law may be breached even when the decisions or recommendations of trade associations are not binding on the Members.

PROHIBITED AGREEMENTS AND UNDERSTANDINGS

It is recognised that the following are serious breaches of competition law:

- Agreements with the object or effect of fixing prices, restricting discounts or rebates;
- Agreements limiting output or production, allocating markets or customers;
- Agreements to exchange current and specific information on price, capacity, costs and other commercially sensitive information;
- Collective boycotts or other coordinated measures intended to eliminate competitors; and
- Coordinated measures that slow technical development or otherwise exploit markets

Accordingly, ISF must not serve as a means for Members to coordinate on any of these matters. Nor must ISF be used as a forum for discussions that would facilitate the arrival at or enforcement of any such anti-competitive agreements or understandings.

AREAS OF SPECIFIC RELEVANCE TO ISF

1. Coordination with other Trade Associations on Terms of Membership

ISF must not coordinate with other shipowners' trade and employers' associations or similar bodies on membership fees, services offered to members or any other terms of membership liable to affect competition between associations. Discussions that take place between associations must avoid such commercially sensitive subjects.

2. Terms of Membership

Rules on admission of Members to ISF and terms of membership must be transparent, proportionate, non-discriminatory and based on objective

standards. Procedures for expelling Members from ISF should be based on reasonable and objective standards.

3. Commercial Negotiations

ISF should not engage in joint buying or selling on behalf of Members. Coordination on buying and selling is only permissible in competition law when the combined market share of the parties is very low. ISF may engage in discussions on behalf its Members that are merely consultative or that do not involve negotiation on the parameters of competition such as price or quantity.

4. Information Exchange

Information relating to the parameters of competition, such as price, capacity or costs should not be exchanged between Members unless it is sufficiently historic or aggregated so that competitors are unable to discern each other's business strategies.

Exchange of data that is aggregated so as to combine a sufficient number of independent undertakings so that recognition of individual competitors is impossible does not in principle infringe competition law. Even so, ISF must not be used for the exchange of capacity forecasts not based on publicly available information, even in aggregated form.

Similarly exchange of historic data does not in principle breach competition law. Although much will depend on the individual circumstances – the key being whether the information exchanged is still relevant to a Member's current or future business strategy – individualised commercial data that is less than a year old is not usually considered as historic. The more frequently data is exchanged the more likely it is to breach competition law.

In addition to the exchange of historical and/or sufficiently aggregated data, the exchange of information which is already in the public domain or that does not relate to the parameters of competition such as technical or environmental standards is unlikely to cause competition law problems.

5. Technical Standards, Codes of Conduct and Recommendations

Coordination activities of ISF (both as between Members of ISF and between ISF and other trade associations) are unlikely to raise competition law concerns to the extent that the sole object and effect of this coordination is the implementation of technical agreements or the achievement of technical cooperation. Likewise coordination that relates to the implementation of environmental standards will not usually infringe competition law. Conversely, ISF must not be used for competitors to coordinate on price, capacity or any other parameter of competition.

Codes of conduct or other forms of guidance for the shipping industry must not be used as a means of competitive coordination. Where they relate to technical and safety standards and do not include guidance on competitive matters such as pricing or market/customer allocation they are unlikely to cause competition law concern.

6. **Standard Terms and Conditions**

Standard terms and conditions are more likely to breach competition law when Members are obliged to contract on those terms. Members should therefore remain free to adopt different terms and conditions if they wish.

Standard terms and conditions must not establish uniform price tariffs; this is the equivalent to an agreement to fix prices and one of the most serious infringements of competition law. Even recommended prices may breach competition law if this leads to the coordination of price behaviour.

Standard terms and conditions may also affect competition by creating coordination on other elements of competition therefore reducing Members' ability or incentive to compete on non-price factors. Standard terms and conditions that benefit customers, for example by making it easier for customers to compare terms offered by Members may be justified. In no case must the standard terms and conditions be more restrictive than necessary to achieve a legitimate objective.

7. **"Off the agenda" discussions**

ISF must not be used by Members or their representatives as an opportunity to engage in anti-competitive behaviour outside the official business of ISF. ISF should diligently prepare an agenda for any meetings, circulate this agenda prior to any meetings of ISF, accurate minutes of discussions should be taken and delegates reminded at the outset of all meetings of the importance of competition law compliance.

RISK MANAGEMENT

Each member of staff of ISF must make every effort to act in full accordance with competition law. Committee chairpersons have particular responsibility to ensure that the activities of ISF committees do not breach competition law. Committee chairpersons should immediately report any actual or suspected breach of competition law to the Secretary General and the President. Members of the ISF Secretariat who suspect or who become aware of any breaches of competition law should report to the Secretary General who in turn should report the matter to the President.

If, in the course of its activities with other trade organisations, ISF becomes aware of anti-competitive behaviour it must take active steps to show unambiguous disapproval of the conduct: silence in meetings is not sufficient. In the event of an investigation the burden of proof will be on ISF to show this disapproval, therefore ISF must make sure that these objections are accurately documented and it should retain copies of relevant documents.

ISF should conduct regular internal competition law compliance audits in order to identify and address any areas of concern. As part of the audit individuals should be invited to report any knowledge or suspicions of anti-competitive behaviour occurring within ISF. If ISF has doubts as to the competition law compliance of its conduct it should seek specialist legal advice.

ISF 2 February 2009