

# SHELF DRILLING RIG RECYCLING POLICY

## A. Introduction

Shelf Drilling Ltd (“Shelf Drilling”) recognises that there are serious environmental and human rights risks associated with rig recycling, especially outside the EU. As a responsible and transparent rig owner, Shelf Drilling is committed to recycling or dismantling rigs in a manner that complies with applicable laws and minimizes risk to people and the environment.

In addition, Shelf Drilling will only sell its non-EU flagged rigs to Hong Kong certified recycling yards or intermediate brokers who commit to ‘green-recycling’ with sufficient infrastructure, equipment and procedures to comply with the Hong Kong Convention regime and ensure safe and environmentally sound dismantling practices. Shelf Drilling will also engage, or require the buyer to engage, independent third-party contractors to audit and oversee end-to-end recycling/dismantling of our rigs at the recycling yards. Prior to recycling any rig, when feasible and practical to do so, Shelf Drilling will remove equipment that can be refurbished and reused by our operating fleet.

We believe this approach contributes to raising industry standards and transparency.

“Rigs” as mentioned in this policy are defined as jack-up rigs owned by Shelf Drilling.

## B. Standards and Applicability

Shelf Drilling aims to comply with applicable laws and voluntary guidelines in respect of the recycling of our end-of-life rigs. This includes but is not limited to the following:

### Laws

- United Nations Convention on the Law of the Sea ('**UNCLOS**')
- The Basel Convention on the Control of Trans-Boundary Movements of Hazardous Wastes and their Disposal, 1989 ('**the Basel Convention**');
- The International Convention for the Prevention of Pollution from Ships ('**MARPOL**')
- The EU Waste Shipments Regulations EC No. 1013/2006 ('**the WSR**')
- The European Ship Recycling Regulation EC No. 1257/2013 ('**the SRR**')
- Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships 2009 ('**HKC**')<sup>1</sup>

### Voluntary Guidelines

- UN Guiding Principles on Business and Human Rights (UNGP)
- ILO core conventions
- UN Global Compact
- Responsible Ship Recycling Standards (RSRS) for ship financing

## C. Steps to be taken prior to recycling

1. All rigs in Shelf Drilling’s fleet (whether such rigs are being sold or not) shall comply with the survey and certification requirements of the HKC and SRR (if applicable).
2. Prior to a rig being taken out of service it must complete a Final Survey and be issued with a Ready for Recycling Certificate, when applicable.
3. Shelf Drilling will take steps to remove or minimise waste on board and any equipment that can be refurbished and reused by our operating fleet. This typically includes major

---

<sup>1</sup> As of October 2020, HKC had not entered into force

components such as Blowout Preventers (BOP's), all the way down to electric motors or valves.

#### **D. Applicability of terms and requirements for sale**

1. This Policy is to be adopted for all rigs in the Shelf Drilling fleet, irrespective of age, type or predominant trading location. The certification and survey procedures set out in the SRR (if applicable) and HKC respectively shall be adopted for all existing rigs and new-builds.
2. This Policy shall be consulted each time that a rig in the Shelf Drilling fleet is considered for sale for (i) direct recycling (ii) indirect recycling via an intermediary cash buyer or (iii) further trading.
3. Shelf Drilling acknowledges the role of cash buyers in the recycling industry. Shelf will endeavour to only contract with buyers that:
  - (a) guarantee to comply with all applicable legislation, the HKC and industry best practices and guidelines; and
  - (b) incorporate provisions of "Green Recycling" in the Sale & Purchase Agreement. The provisions include the requirement for the buyer to take the rig to a "Ship Recycling Facility" which is approved by Shelf Drilling and to provide a "Ship Recycling Facility Plan".
  - (c) engage an independent and reputable third-party, reporting to Shelf Drilling, to audit and oversee end-to-end recycling/dismantling of Shelf Drilling's rigs. This includes recycling supervision and on the ground monitoring with reporting detailing yard management meetings, regulatory approvals obtained, site condition assessment and any regulatory inspections from the time the rig arrived at the yard until completion of the recycling.
  - (d) ensure a 'Statement of Recycling Completion' has been issued by the relevant yard.
4. Other than rigs which are subject to binding terms of sale entered into before the existence of this Policy, no sale of a rig within the Shelf Drilling fleet will be permitted unless the senior management in Shelf Drilling have been provided with all necessary documents and written confirmation that the proposed sale and sale terms comply with all applicable recycling and waste movement legislation and the HKC.
5. With respect to contracts entered into before the existence of this Policy which contain binding terms of sale, Shelf Drilling shall endeavour to obtain the buyer's post contractual agreement that the buyer shall not recycle the vessel within 2 years of purchase, and after that period shall only do so in accordance with applicable legislation in respect of recycling and the HKC.

#### **E. Compliance**

1. The flag of a rig and/or its geographical location at the time of the decision to recycle and / or the time of exporting for recycling purposes determines the applicable laws. Compliance with all applicable legislation should always be verified by Shelf Drilling senior management.
2. If a rig is being considered for sale (other than for the purposes of recycling), then due diligence should be carried out to ensure that the proposed buyer is a bona fide trader who does not intend to recycle the rig within 2 years of purchase.
3. Shelf Drilling will report on any rig sales and recycling processes as part of its annual sustainability reporting.

---

***This policy was adopted by the Shelf Drilling Board of Directors on October 28, 2020.***