

Ref: 2021 - 14

19 October 2021

To: The President of the Stock Exchange of Thailand (“SET”)

Subject: Further clarification on the news regarding the arrest of 22 Thai crew members on board M.V. Chayanee Naree in Nigeria (as per the SET’s queries)

We, Precious Shipping Public Company Limited (the “Company”), refer to our disclosure of 15 October 2021 regarding our clarification on the news regarding the arrest of 22 Thai crew members on board M.V. Chayanee Naree (“Vessel”) in Nigeria. We would like to further clarify to the SET as follows:

Impact from the Incident

- The current commercial impact of this drug find is related primarily to the speed of cargo discharge, which has halved following a directive by the Nigerian local law enforcement authorities.
- Unless it is proved that one or more of our crew members was involved in this drug trafficking attempt, we expect that the charterers (clients) will be fully responsible for all costs attributable to the delayed discharge of cargo.
- Legal costs associated with this incident are covered by our P&I insurance.
- Other costs shall be governed by the charter contract made with the charterers.
- We do not expect any impact whatsoever on our future charters. We enjoy an excellent reputation in the international Shipping market and fully expect to be able to maintain that going forward.
- Over the long term, we do not expect this incident to have any impact on the Vessel or on any other ship in PSL’s fleet.

Current Internal Controls

- We run a criminal check on all new joiners in Thailand
- Wherever possible, we employ crew members who have worked with us for a long period of time. This in large part, is to ensure that the personnel we employ are of good character and integrity.
- Our crew members are licensed professionals who are familiar with the Company’s standard operating procedures and protocols to deal with identified risks.
- We have written policies in place which prohibit the unlawful possession, consumption, distribution or smuggling of drugs by any crew member employed on board our ships.

These policies are included in our Safety Management System (SMS) manuals and Standard Operating Procedure (SOP).

- Specifically, our policies state that Drug Smuggling in any form is an act of gross misconduct and a criminal offence punishable by dismissal and probable prosecution and / or imprisonment by the authorities of the country in which the act is committed / detected.
- Annual internal reviews on preventative measures are conducted by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliance, accidents and near misses are thoroughly investigated and analyzed. In the event of any failures of the SOP, reviews are immediately conducted.
- We have signed a voluntary agreement referred to as the Sea Carrier Initiative Agreement with the United States Customs Service to deter the illegal use of drugs. We are also signatories to anti-drug smuggling agreements with various other countries through BIMCO (The Baltic and International Maritime Council). They are Canada, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, The Netherlands, Norway, Sweden, and the UK. A copy of these agreements is placed on board each vessel of PSL's fleet. The basic principles are the same in all these agreements. Ship owners agree to implement preventive measures on board all their vessels in order to reduce the opportunities available to drug smugglers. Additionally, ship owners agree to inform the Customs authorities whenever they become aware of any suspicious activities that might relate to drug smuggling. The Customs authorities, in turn, reciprocate the ship owners' efforts by agreeing to handle all information in the strictest confidentiality. Should drugs be discovered on board, the Customs will take the established preventive measures into account, a consideration which can significantly reduce vessel delays that could otherwise occur when such seizures are made. Customs also agree to inform ship owners if they obtain information regarding smuggling activities on board signatories' vessels. The agreement also serves as a warrant to carry out a drug search on vessels belonging to the signatories.
- We check our clients' background prior to engaging any business with them in order to mitigate any counterparty and reputational risk. We always prefer to do business with clients with whom we have long-term relationships.

Short-term and Long-term preventive measures

- We have notified all the vessels in the fleet of this incident and have alerted them on the possible ways in which drugs/illegal substances may find their way on board, on our suspicions regarding what may have transpired in this particular case, the possible consequences and warned the crew members to be extremely vigilant when loading bulk cargo, especially at ports where security facilities are known to be lax and where there have been similar such incidents reported in the past. We will also provide the vessels with a list of ports/countries where drugs and other illegal substances are known to have originated from so that they may be extra careful when calling at these ports/countries.
- Crew members who are on watch during loading operations are to keep a very close watch on cargo being loaded in each hatch. Anything suspicious to be reported to the master and the Company immediately. Cargo operations are to be immediately suspended until the matter is resolved.
- If drugs/illegal substances are found at the time of loading, local law enforcement authorities are to be notified immediately. In addition to suspending loading operations, all necessary checks to be carried out including emptying the cargo holds before

resuming loading operations again to ensure that there are no such substances that remain in the vessel's cargo holds before the vessel departs from the loading port.

- We will consider providing additional external guards to be posted at the holds where loading is in progress, at sensitive ports in Colombia, Brazil, Venezuela etc. Additional portable and easily visible CCTV and bright lights aimed at the loading chutes shall be installed on all our vessels as soon as possible to record all cargo loading operations.
- We understand that there has been a marked increase in the incidence of drug finds on vessels trading between Brazilian and Nigerian ports in the recent past. The increased use of the sea route for drug transportation is purportedly because there has been a significant reduction in flights, due to the pandemic. As long as the risks of drug trade between these two countries via the sea route remains heightened, we shall as far as commercially feasible, try to avoid carrying out voyages between these two countries.

However, despite all the measures/policies/manuals/controls that we have in place and without arriving at any conclusions over how this drug trafficking incident took place given that the investigation is still ongoing, it should be noted that the cargo in this instance was loaded in Santos through a chute at an extremely high rate of around 3,000 tons per hour or 50 tons per minute. Notwithstanding all the precautions one may take, at that speed of loading, it would be almost impossible for a crew member to spot a 33 kg package clandestinely dropped (if at all) into a hold which is 28m long, 17m high and 24m wide (aft).

PSL has never faced such an incident in the past, and therefore, the Company takes this matter very seriously. Once again, the Company affirms that it is not involved in any manner whatsoever with such illegal activities and intends to continue cooperating with the relevant authorities until the case is fully resolved.

We shall keep the SET informed of any major updates in relation to this case.

Please be informed accordingly.

Yours sincerely,
Precious Shipping Public Company Limited

Khalid Moinuddin Hashim
Managing Director

Gautam Khurana
Executive Director