



SHIP RECYCLING POLICY

Introduction

1. As a responsible ship owner, Flex LNG Ltd. (“**Flex LNG**”) is committed to ensuring that its end-of-life vessels are as far as possible recycled in an environmentally friendly manner, and that risks of personal injury and death are minimised. To this end, Flex LNG endeavours to comply with all applicable legislation in respect of the recycling of its end-of-life vessels where relevant. This legislation currently includes, but is not limited to:
 - (a) The Basel Convention on the Control of Trans-Boundary Movements of Hazardous Wastes and their Disposal, 1989 (**‘the Basel Convention’**);
 - (b) United Nations Convention on the Law of the Sea (**‘UNCLOS’**)
 - (c) The EU Waste Shipments Regulations EC No. 1013/2006 (**‘the WSR’**)
 - (d) The International Convention for the Prevention of Pollution from Ships (**‘MARPOL’**)
 - (e) The European Ship Recycling Regulation EC No. 1257/2013 (**‘the SRR’**)
2. Even though it is recognised that at the time of issuance of this Ship Recycling Policy, The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships 2009 (**‘the Hong Kong Convention’**) is not yet in force, Flex LNG intends to voluntarily comply with the Hong Kong Convention where possible.
3. It is acknowledged that non-compliance with the above legislation:
 - (a) Is not in accordance with best practices as a responsible ship owner;
 - (b) Can result in fines against the company or fines or imprisonment against employees, officers and / or shareholders in the Flex LNG; and
 - (c) Can negatively affect Flex LNG’s international reputation and its standing with industry stakeholders.

Applicability and Authority

4. This Policy is to be adopted for all vessels in the Flex LNG fleet, irrespective of age, type or predominant trading location. The certification and survey procedures set out in the SRR and Hong Kong Convention respectively shall be adopted for all existing vessels and new-buildings.
5. This Policy shall be consulted each time that a vessel in the Flex LNG fleet is considered for sale for (i) direct recycling (ii) indirect recycling via an intermediary cash buyer or (iii) further trading. Where it is reasonably anticipated that a vessel is of an age or condition where recycling within the preceding two-year period is a possibility¹, then even if the vessel is intended to be sold for further trading, Flex LNG will undertake due diligence to ensure that the proposed buyer is a bona fide trading company and (ii) the buyer warrants it does not intend to recycle the vessel within two years in the memorandum of sale. With respect to contracts entered into before the existence of this Policy which contain binding terms of sale, Flex LNG shall endeavour to obtain the buyer’s confirmation that it shall not recycle the vessel within 2 years or shall only do so in accordance with

¹ This applies to any vessel older than 15 years

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all applicable legislation in respect of recycling and the Hong Kong Convention.

6. Other than vessels which are subject to binding terms of sale entered into before the existence of this Policy, no sale of a vessel within the Flex LNG fleet will be permitted unless the senior management in Flex LNG have been provided with and approved all necessary documents and written confirmation it is believed that the sale complies with all applicable recycling legislation and the Hong Kong Convention.

THE POLICY

Inventory of Hazardous Materials ('IHM') / Certification / Surveys during life time of vessel

7. All ships in the Flex LNG fleet (whether being sold or not) shall comply with the survey and certification requirements of the Hong Kong Convention and SRR.
8. An Initial Survey must take place before a Newbuilding enters service, verifying inter alia an appropriate and accurate IHM has been prepared. Thereafter the ship shall comply with the requirements set out below for existing ships.
9. An Initial Survey will be carried out for all existing ships in the Flex LNG fleet, and all second hand ships purchased by Flex LNG. The Initial Survey must verify that each ship has a valid IHM. All ships in the Flex LNG fleet must have completed their Initial Survey by 31 December 2020 latest. Following completion of the Initial Survey, each ship shall carry on board at all times a copy of its Inventory Certificate issued by the relevant authority.
10. A Renewal Survey will take place every 5 years after the date of the Initial Survey.
11. In the event any ship undergoes significant repairs, upgrades, conversions or refits to the extent that the structure of the ship is modified, then an Additional Survey shall be completed.
12. Prior to a ship being taken out of service a ship must complete a Final Survey, and be issued with a Ready for Recycling Certificate.
13. Surveys are to be carried out by the relevant Flag State.

Recycling

Preparation of vessels for recycling

14. No vessel shall be recycled unless a Ready for Recycling Certificate has been issued (see above).
15. In addition, Flex LNG will take steps to ensure cargo residue, bunkers remaining on board, and any other waste on-board is removed / minimised as far as possible.
16. Flex LNG requires a Class Approved Ship Recycling Plan which include handling of hazardous materials in accordance with the above mentioned IHM Certificate.
17. Flex LNG will ensure physical supervision during the recycling of any vessel or asset.

Recycling facilities

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18. Flex LNG will endeavour to ensure that its vessels are only recycled at yards approved on the EU List (to the extent the SRR applies) or otherwise at yards certified as complying with the Hong Kong Convention. The flow chart below sets out which legislation may apply.
19. Flex LNG acknowledges the role of cash buyers in the recycling industry. Flex LNG will endeavour to only contract with cash buyers that:
 - (a) Guarantee to comply with all applicable legislation, the Hong Kong Convention and all industry best practices and guidelines; and
 - (b) Guarantee to recycle a vessel at a yard on the EU List (as applicable) or otherwise certified by the Hong Kong Convention. Yards on the EU List can be found here:

[EUR-Lex - 32018D1906 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/lexuri/cs.do?uri=EN:EUR-Lex:32018D1906)

- (c) Will agree to the inclusion of the following clause (or a similar clause having the same effect) in the memorandum of sale:

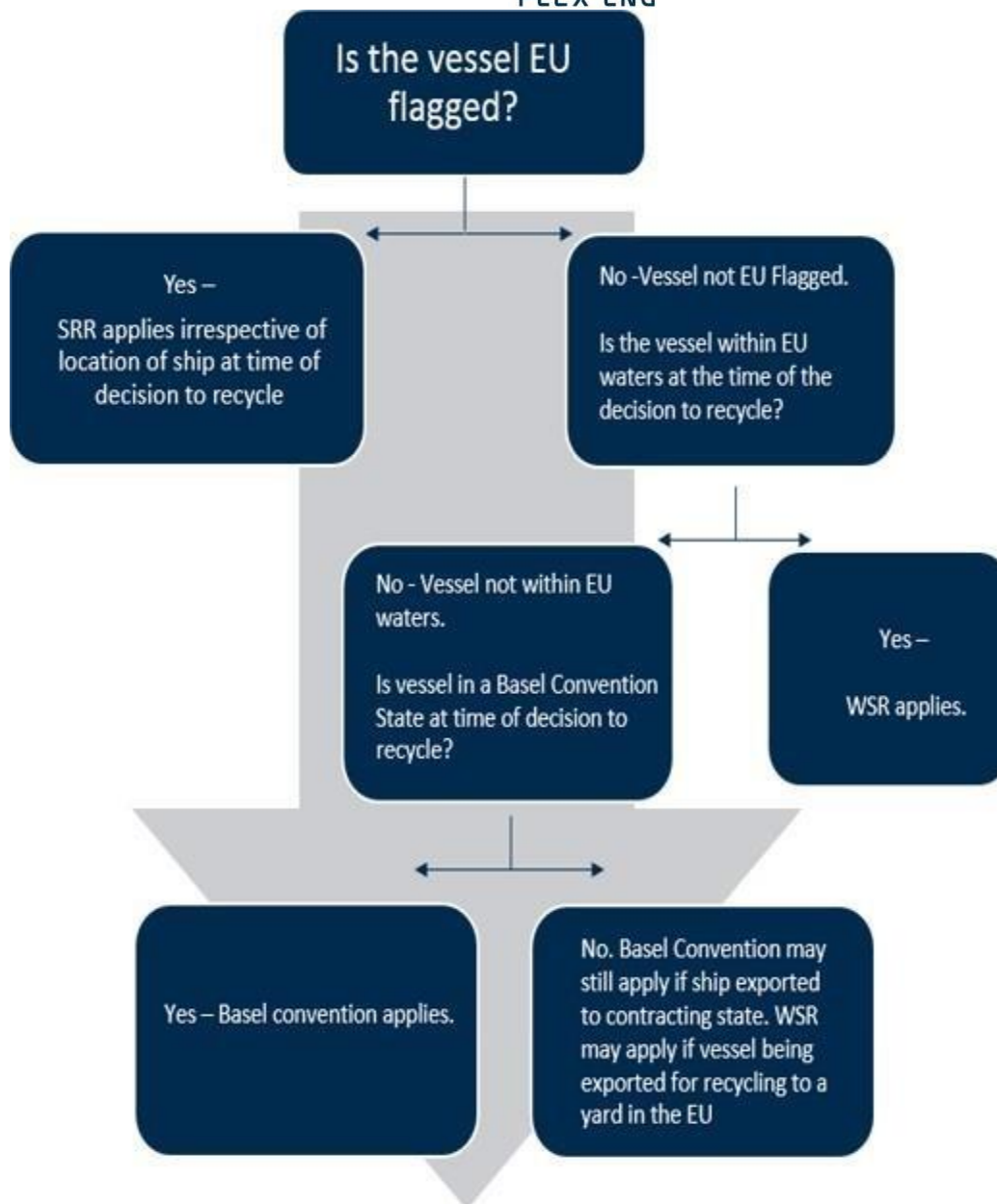
The Buyer and Seller recognise that the Vessel is ultimately being sold for onwards recycling. The Seller is committed to recycling in an ethical, safe and environmentally friendly manner. It is a requirement of the Seller's Ship Recycling Policy that all ships in its fleet are recycled in compliance with the Hong Kong Convention (even if it is not yet in force). In this regard, the Buyer warrants that it will comply with all applicable ship recycling legislation and further will ensure that the Vessel is recycled strictly in compliance with the Hong Kong Convention (even if it is not yet in force), including but not limited to recycling the Vessel only at Hong Kong Convention compliant facilities which comply with MARPOL. The Buyer agrees to indemnify the Seller in respect of any losses, liabilities, fines, penalties, judgements or otherwise that the Seller incurs arising out of or in connection with the Buyer's breach(es) of this provision.

20. Flex LNG will endeavour to develop an approved list of cash buyers who are willing to abide by the above conditions.
21. The flag of a vessel or its geographical location at the time of the decision to recycle and / or the time of exporting for recycling purposes determines the applicable legislation. The following flow chart is designed to assist with identifying which legislation is applicable. Compliance with all applicable legislations should always be verified by Flex LNG senior management if the sale of a vessel is contemplated.

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22. Notwithstanding that Flex LNG shall comply with the requirements of the Hong Kong Convention and / or SRR as far as possible, the below table briefly summarizes the requirements of each legislation.

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Applicable Legislation	Requirements	Permitted Yards
The SRR	Vessel to undertake Initial Survey on entering FLEX LNG fleet, a Renewal Survey every 5 years thereafter and a Final Survey before recycling. Vessel to have an IHM at all times and a Ready for Recycling Certificate prior to recycling.	EU List Yards ² only.
WSR	Consent required from country of export and import prior to recycling. Request to be accompanied by a financial guarantee covering the costs of transportation, recycling and storage for 90 days.	Yards in EU or OECD ³ countries only. Where possible vessels should be recycled at yards certified to Hong Kong Convention Standards. Export to non-OECD countries is banned. In practice, this means the vessel can be recycled in the EU or Turkey.
Basel Convention	Consent required from country of export and import prior to recycling.	Yards in the jurisdiction of contracting states to the Basel Convention. In practice, this means all major ship recycling countries save for the USA. Where possible vessels should be recycled at yards certified to Hong Kong Convention Standards.

² https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.310.01.0029.01.ENG&toc=OJ:L:2018:310:TOC

³ The full list of OECD countries is: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the UK, and the US.

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Summary of steps to take prior to recycling

- 23. When possible, vessels should not be sold for recycling within EU waters.
- 24. Prior to recycling:
 - (a) Check vessel has an up to date Inventory Certificate and Ready for Recycling Certificate.
 - (b) Check steps have been taken to minimise cargo residue, bunkers, and any other waste on-board.
 - (c) Check tanks have been prepared ready for hot-works.
 - (d) Ensure that cash buyers agree to abide by this Policy and guarantee to recycle the vessel in accordance with the SRR and / or Hong Kong Convention, including only using SRR or Hong Kong Convention certified recycling facilities. Ensure MOA includes compliance warranty from cash buyers.
 - (e) Check applicable legislation and seek written authority from Flex LNG senior management to proceed with recycling.
 - (f) If the vessel is potentially subject to the Basel Convention, WSR or SRR, seek advice from local lawyer on compliance with applicable legislation.
- 24. If a vessel is being considered for sale generally, 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 vessel within two years of purchase. In the event that Flex LNG has any suspicions that the buyer intends to recycle the vessel then paragraph 22 above applies.

This Policy will be reviewed and updated periodically in order to reflect changes in legislation and on- going learning and good practices.

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