



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

SETTLEMENT AGREEMENT

This settlement agreement (the “Agreement”) is made by and between the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and Acteon Group Ltd. (“Acteon”), its subsidiary 2H Offshore Engineering Ltd. (“2H Offshore”) in the United Kingdom, and 2H Offshore’s Malaysian affiliates 2H Offshore Engineering Sdn Bhd and 2H Offshore Engineering (Asia Pacific) Sdn Bhd (collectively referred to hereafter as “2H KL”). Acteon, 2H Offshore, and 2H KL are collectively referred to as the “Respondent” hereafter.¹

I. PARTIES

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and proliferators of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

Acteon is organized under the laws of the United Kingdom, and provides specialized subsea services through its subsidiaries, including 2H Offshore. When the conduct described in this Agreement occurred, Acteon was majority owned by funds associated with a U.S. investment firm that no longer holds any interest in Acteon. As a result, throughout the time period in which the conduct and apparent violations described in this Agreement occurred, Acteon was a “person subject to the jurisdiction of the United States” as defined by the Cuban Assets Control Regulations, 31 C.F.R. part 515 (CACR).²

2H Offshore is an engineering contractor specializing in the design, structural analysis, and integrity management of riser and conductor systems used in offshore oil and gas drilling production whose services include: (1) engineering studies, analysis, and verification of drilling completion; (2) detailed design and procurement/delivery management of riser systems; (3) inspections, monitoring, and integrity management of risers, well conductors, other subsea hardware, and conductor supported platforms; and (4) instrumentation procurement management and supply.

II. APPARENT VIOLATIONS

2H Offshore appears to have violated the CACR between 2011 and 2012 when 2H KL performed engineering design analyses for oil well drilling projects in Cuban territorial waters, and sent its engineers to Cuba to conduct workshops in connection with these analyses. 2H KL’s provision of services resulted in the issuance of seven invoices responsive to projects managed by: Petronas Carigali Sdn Bhd (“Petronas”); Repsol S.A. f.k.a. Repsol YPF S.A. (“Repsol”);

¹ 2H Offshore Engineering Sdn Bhd and 2H Offshore Engineering (Asia Pacific) Sdn Bhd largely act as one company. 2H Offshore controls 2H Offshore Engineering Sdn Bhd’s operations, and 2H Offshore wholly-owns 2H Offshore Engineering (Asia Pacific) Sdn Bhd.

² See § 515.329 of the CACR.

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Acteon Group Ltd., and 2H Offshore Engineering Ltd.

Petróleos de Venezuela, S.A. Cuba S.A. (“PdVSA Cuba”); and JSC Zarubezhneft (“Zarubezhneft”).

III. FACTUAL STATEMENT

2H Offshore’s seven apparent violations of the CACR involved misconduct by a former 2H Offshore Engineering Ltd. Global Director (the “Global Director”) whose oversight responsibilities included 2H KL, and 2H KL’s Technical Director (the “Technical Director”) who had oversight of the day-to-day operations of 2H KL.

2H KL’s work for Petronas involved the drafting of reports, and the Technical Director presenting a workshop in Cuba in regard to Petronas’ drilling of the Catoche-1 oil well in Cuban territorial waters. Petronas and Repsol were jointly operating the Scarabeo 9 Frigstad D90 semi-submersible drilling rig.

2H KL’s work for Repsol involved the issuance of reports in regard to Repsol’s drilling of the Jaguey-1, Yari-1, and Tayno-1 oil wells in Cuban territorial waters.

On November 13, 2008, the Technical Director asked the Global Director for guidance regarding a prior email he received from 2H Brazil’s director about the Catoche-1 oil well drilling project in Cuban waters that advised against engaging in any business involving Cuba because 2H Offshore was an American-owned company. The Global Director responded by forwarding an October 2007 memorandum from Acteon that specifically prohibited work or trade in Cuba even through third countries with the added statement that he did not want to turn away work from Petronas for a reason he was not sympathetic to. The Global Director advised finding a way around Acteon’s prohibition on any work involving Cuba.

On the same day, the Global Director emailed 2H Offshore’s then-Managing Director and who advised that approval should be sought from Acteon’s then-Group Finance Director (the “Finance Director”). The Global Director contacted the Finance Director the next day asking for approval to work on Petronas’ project for Repsol. The ensuing conversation clearly stated the drilling activity would be conducted in Cuba. The Finance Director later responded to the Global Director and 2H Offshore’s Managing Director and stated Acteon’s prior U.S. person investor-parent had approved the work on the basis of the information provided by the Global Director with the conditions the report be marked confidential and not provided to anyone else.

In 2010, 2H KL began performing services for Petronas in Cuba, and on August 2011 the Technical Director submitted a proposal to the Global Director to present at a workshop in Cuba that included a statement that he deliberately omitted the name of the country, i.e. Cuba, as discussed.

The Global Director later instructed a 2H KL administrative employee to replace the words “Cuba” or “Cuban” with “Central America” or “Central American” in the Technical Director’s post-trip expense report. After the project was completed in or around April 2012, the Technical Director instructed a 2H KL administrative employee to change the project’s name from “Cuba Drilling Riser Analysis” to “Petronas Drilling Riser Analysis.”

2H KL's work for PdVSA Cuba involved the issuance of reports, and two 2H KL engineers travel to Cuba to present at a workshop in regard to PdVSA Cuba's drilling of the Cabo de San Antonio 1X ("CSA-1X") well in Cuban waters. In October 2011, the Global Director emailed the Technical Director regarding a business opportunity for PdVSA Cuba, and said that a drilling engineer at International PdVSA Services must understand that 2H KL was doing this "under cover so if things can be done over the phone or video conference [it would] be best [and] thus [we can avoid] a trip to Cuba." The Global Director and the Technical Director deliberately avoided executing the contract for this work directly with PdVSA Cuba, so 2H KL issued its reports to PdVSA Intevop S.A., a PdVSA Venezuelan affiliate. The Technical Director also removed any references to "Cuba" in the letter of intent from PdVSA Cuba for this project in an effort to minimize the project's known nexus to Cuba.

2H KL's work for Zarubezhneft was related to yet another oil well rig in Cuban waters, the Songa Mercur. In September 2012, 2H KL entered into a contract with Zarubezhneft represented by the Operational Office of JSC Zarubezhneft in Havana, Cuba that was executed by the Cuban affiliate via power of attorney. The Technical Director appears to have proceeded with this project without seeking authorization from the Global Director or Acteon.

IV. TERMS OF SETTLEMENT

OFAC and Respondent agree as follows:

1. In consideration of the undertakings of Respondent in paragraph 2 below, OFAC agrees to release and forever discharge Respondent, without any finding of fault, from any and all civil liability in connection with the Apparent Violations arising under the legal authorities that OFAC administers.
2. In consideration of the undertakings of OFAC in paragraph 1 above, Respondent agrees and represents:
 - A. Within fifteen (15) days of the date Respondent receives the unsigned copy of this Agreement, to:
 - (i) sign, date, and mail an original signed copy of this Agreement to: [REDACTED], Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Respondent should retain a copy of the signed Agreement and a receipt or other evidence that shows the date that Respondent mailed the signed Agreement to OFAC; and
 - (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of **\$227,500**. Respondent's payment must be made either by electronic funds transfer in accordance with the enclosed "Electronic Funds Transfer (EFT) Instructions," or by cashier's or certified check or money order payable to the "U.S. Treasury" and referencing **ENF 45758**. Unless otherwise arranged with the

U.S. Department of the Treasury's Bureau of the Fiscal Service, Respondent must either: (1) indicate payment by electronic funds transfer, by checking the box on the signature page of this Agreement; or (2) enclose with this Agreement the payment by cashier's or certified check or money order.

B. To waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, and/or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Agreement, including but not limited to OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Agreement at any future date.

C. **Compliance Commitments:** Respondent has terminated the conduct described above and has established, and agrees to maintain, sanctions compliance measures that are designed to minimize the risk of recurrence of similar conduct in the future. Specifically, OFAC and Respondent understand that the following compliance commitments have been made:

a. **Management Commitment:**

- i. Acteon commits to ensuring that its senior management, including the organization's Chief Executive Officer and the Group General Counsel, are committed to supporting 2H Offshore's OFAC compliance program.
- ii. Acteon and 2H Offshore commit to ensuring their respective compliance units are delegated sufficient authority and autonomy to deploy their policies and procedures in a manner that effectively controls 2H Offshore's OFAC risk.
- iii. 2H Offshore commits that senior management has reviewed and approved its sanctions compliance plan.
- iv. Acteon and 2H Offshore commit to ensuring that their respective compliance units receive adequate resources, including in the form of human capital, information technology, and other resources, as appropriate.
- v. Acteon and 2H Offshore's Boards, and Acteon's Compliance Committee, commit to ensuring that senior management promotes a "culture of compliance" throughout the organizations and empowers their sanctions compliance programs and personnel.
- vi. Acteon and 2H Offshore's board of directors, Acteon's Compliance Committee, and senior management demonstrates recognition of the seriousness of apparent violations of the laws and regulations administered by OFAC, and acknowledges its understanding of the apparent violations at issue, and commits to implementing necessary measures to reduce the risk of reoccurrence of similar conduct and apparent violations from occurring in the future.

b. Risk Assessment:

- i. 2H Offshore represents that it will conduct an OFAC risk assessment in a manner, and with a frequency, that adequately accounts for potential risks. Such risks could be posed by its clients and customers, projects, products, services, supply chain, intermediaries, counter-parties, transactions, and geographic locations, depending on the nature of the organization. The risk assessment will be updated to account for the root causes of any apparent violations or systemic deficiencies identified by 2H Offshore during the routine course of business.
- ii. 2H Offshore has developed a methodology to identify, analyze, and address the particular risks it identifies. The risk assessments will be updated to account for the conduct and root causes of any apparent violations or systemic deficiencies identified by 2H Offshore during the routine course of business.
- iii. 2H Offshore represents it will submit the results of its risk assessments to Acteon. Acteon's compliance unit will review and assess the work carried out by 2H Offshore in sections i and ii above.

c. Internal Controls:

- i. 2H Offshore has designed and implemented written policies and procedures outlining its sanctions compliance program. These policies and procedures are relevant to the organization, capture 2H Offshore's day-to-day operations and procedures, are easy to follow, and prohibit employees from engaging in misconduct.
- ii. 2H Offshore commits to ensuring that it maintains clear and effective internal controls pertaining to its ability to identify, interdict, escalate, and report (as appropriate) transactions and activity prohibited by OFAC regulations.
- iii. 2H Offshore commits to enforcing the policies and procedures it implements as part of its OFAC compliance internal controls.
- iv. 2H Offshore commits to ensuring that its OFAC-related recordkeeping policies and procedures adequately account for its requirements pursuant to the sanctions programs administered by OFAC.
- v. 2H Offshore commits to ensuring that, upon learning of a weakness in its internal controls pertaining to OFAC compliance, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.
- vi. 2H Offshore has clearly communicated the sanctions compliance program's policies and procedures to all relevant staff, including personnel within the

sanctions compliance function, as well as relevant gatekeepers and business units operating in high-risk areas (e.g., customer acquisition, payments, sales, etc.).

- vii. 2H Offshore has appointed personnel to integrate the sanctions compliance program's policies and procedures into 2H Offshore's daily operations. This process will include consultations with relevant business units, and ensuring that 2H Offshore's employees understand the policies and procedures.
- viii. Acteon commits to the oversight of 2H Offshore's compliance commitments outlined above.
- ix. Specifically with respect to the conduct outlined above, Acteon agrees that it has appointed a Head of Trade Compliance, with responsibility for monitoring and ensuring 2H Offshore's ongoing compliance, and a Group General Counsel who will provide ultimate oversight of the compliance monitoring function. 2H Offshore has implemented a new automated project proposal management process which includes customer screening (including customer billing location), location screening (including field development locations), and screening of new service projects before a new project can be actioned. Acteon has distributed written guidelines on U.S. sanctions and export restrictions to 2H Offshore and its other operating companies.

d. Testing and Audit:

- i. 2H Offshore commits to ensuring that its testing or audit function is accountable to the 2H Offshore Board of Directors, is independent of the audited activities and functions, and has sufficient standing, skills, resources, and authority within the organization. Acteon commits to ensuring that the Acteon-level testing or audit function is accountable to Acteon's Board of Directors.
- ii. 2H Offshore commits to ensuring that it employs testing and audit procedures appropriate to the level and sophistication of its OFAC compliance program and that this function, whether deployed internally or by an external party, reflects a comprehensive and objective assessment of its OFAC-related risks and internal controls.
- iii. 2H Offshore commits to updating its risk assessment and reviewing its sanctions policies, procedures, and practices on a periodic basis in order to identify and correct any weaknesses or deficiencies.
- iv. 2H Offshore commits to ensuring that, upon learning of a confirmed negative testing or audit result pertaining to its OFAC compliance program, it will take immediate and effective action to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.

- v. Specifically with respect to the conduct outlined above, 2H Offshore commits to implement a compliance audit process, including appropriate mechanisms for reporting audit findings and implementing corrective actions and commits to maintaining the same in accordance with the preceding sections. Acteon has assigned appropriate personnel with responsibility for monitoring and periodically assessing 2H Offshore's compliance with applicable export control and sanctions laws and reporting the results of such assessments.
- e. **Training:**
- i. Acteon and 2H Offshore commits to ensuring that their OFAC-related training program provides adequate information and instruction to employees and stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support their OFAC compliance efforts.
 - ii. Acteon and 2H Offshore commit to providing OFAC-related training with a scope that is appropriate for the products and services 2H Offshore offers, clients and partner relationships 2H Offshore maintains, and the geographic regions in which 2H Offshore operates.
 - iii. Acteon and 2H Offshore commit to providing OFAC-related training with a frequency that is appropriate based on its OFAC risk assessment and risk profile and, at a minimum, at least once a year to all relevant employees.
 - iv. Acteon and 2H Offshore commit to ensuring that, upon learning of a confirmed negative testing, audit result, or deficiency pertaining to its OFAC compliance programs, they will take immediate and effective action to provide training to relevant personnel.
 - v. Acteon and 2H Offshore's training program will include easily accessible resources and materials that are available to all relevant personnel.
 - vi. Specifically with respect to the conduct outlined above, Acteon and 2H Offshore have implemented numerous compliance program enhancements including policies and procedures, compliance communications and trainings. Specifically with respect to the conduct outlined above, Acteon agrees that its Head of Trade Compliance conducted sanctions and compliance training for each 2H Offshore office, and 2H Offshore agrees it will continue to conduct export compliance training tailored to its business model.
- f. **Annual Certification:**
- i. On an annual basis, for a period of five years, starting from 180 days after the date the Agreement is fully executed, a senior-level executive or manager of both Acteon and 2H Offshore will submit a certification confirming that Acteon

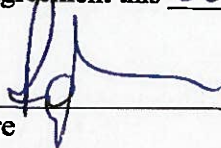
and 2H Offshore have implemented and continued to maintain the sanctions compliance measures as committed above.

- D. Should OFAC determine, in the reasonable exercise of its discretion, that Respondent appears to have materially breached its obligations or made any material misrepresentations under Subparagraph C (Compliance Commitments) above, OFAC shall provide written notice to the applicable Respondent of the alleged breach or misrepresentations and provide the applicable Respondent with 30 days from the date the applicable Respondent receives such notice, or longer as determined by OFAC, to determine that no material breach or misrepresentations has occurred or that any breach or misrepresentation has been cured.
- E. In the event OFAC determines that a material breach of, or misrepresentation in, this Agreement has occurred due to a failure to perform the Compliance Commitments, OFAC will provide notice to the applicable Respondent of its determination and whether OFAC is re-opening its investigation. The statute of limitations applying to the Apparent Violations shall be deemed tolled until a date 180 days following the applicable Respondent's receipt of notice of OFAC's determination that a breach of, or misrepresentation in, this Agreement has occurred.
- F. Should the Respondent engage in any other violations of the sanctions laws and regulations administered by OFAC — including those that are either apparent or alleged — OFAC may consider Respondent's sanctions history, or its failure to employ an adequate sanctions compliance program or appropriate remedial measures, associated with this Agreement as a potential aggravating factor consistent with the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A.
3. This Agreement shall not in any way be construed as an admission by Respondent that Respondent engaged in the Apparent Violations.
 4. This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil monetary penalties, with respect to any activities by Respondent other than those set forth in the Apparent Violations.
 5. OFAC may, in its sole discretion, post on OFAC's website this entire Agreement and/or issue a public statement about the factors of this Agreement, including the identity of any entities involved, the settlement amount, and a brief description of the Apparent Violations.
 6. This Agreement consists of nine pages and expresses the complete understanding of OFAC and Respondent regarding resolution of OFAC's enforcement matter involving the Apparent Violations. No other agreements, oral or written, exist between OFAC and Respondent regarding resolution of this matter.
 7. This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

ENF 45758

Acteon Group Ltd., and 2H Offshore Engineering Ltd.

Acteon accepts the terms of this Settlement Agreement this 29 day of March, 2019.

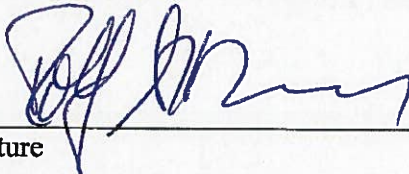


Signature

RICHARD HIGHAM
Printed Name of Acteon's Duly Authorized Representative

CHIEF EXECUTIVE
Printed Title of Acteon's Duly Authorized Representative

2H Offshore accepts the terms of this Settlement Agreement this 29 day of March, 2019.




Signature

ROLF ALTHEN
Printed Name of 2H Offshore's Duly Authorized Representative

GROUP GENERAL COUNSEL
Printed Title of 2H Offshore's Duly Authorized Representative

Please check this box if you have not enclosed payment with this Agreement and will instead be paying or have paid by electronic funds transfer (see paragraph 2(A)(ii) and the Electronic Funds Transfer Instructions enclosed with this Agreement).

Date: March 29, 2019



Andrea M. Gacki
Director
Office of Foreign Assets Control