

# INTERNATIONAL SHIPHOLDING CORPORATION

## Code of Business Conduct and Ethics for Directors, Officers, and Employees

1. **Introduction:** This Code of Business Conduct and Ethics (the “Code”) sets forth the policies and ethical standards for the conduct of business of International Shipholding Corporation and its subsidiaries (the “Company”). Officers, directors, and employees are expected to comply with the applicable sections of the Code while acting on behalf of the Company. These policies should be applied in good faith with reasonable business judgment to facilitate the achievement of the Company’s operating and financial objectives within the framework of the law and ethical standards set forth in this Code. The policies set forth in the Code were reasonably designed to deter wrongdoing and to promote:
  - Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
  - Avoidance of conflicts of interest, including disclosure of any material transaction or relationship that reasonably could be expected to give rise to such a conflict.
  - Full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (“SEC”) and in other public communications made by the Company.
  - Compliance with applicable governmental laws, rules, and regulations.
  - The prompt internal reporting of violations of the Code to an appropriate person or persons.
  - Accountability for adherence to the Code.

Conduct that is not in compliance with these policies is subject to disciplinary action, up to and including termination. Failure to comply with the legal requirements discussed in this Code can also subject officers, directors and employees and the Company to criminal and civil penalties, monetary damages, and regulatory sanctions.

2. **Compliance with laws, rules, and regulations:** All directors, officers, and employees of the Company must fully comply with the letter of, and the spirit of, all laws, rules, and regulations that are applicable to the Company’s business. A summary of the more important applicable laws, rules, and regulations is included in this section of the Code. However, it is not practical to describe them all.
  - A. **Shipping industry regulations:** - The Company’s operations between the United States and foreign countries are subject to the Shipping Act of 1984 and certain provisions of the Federal Water Pollution Control Act, the Oil Pollution Act of 1990, the Comprehensive Environmental Response Compensation and Liability Act and certain other international, federal, state, and local laws and regulations, including international conventions and laws and regulations of the flag nations of its vessels. These regulations are discussed in more detail in the “Regulation” section of the Company’s Form 10-K filed with the SEC.
  - B. **Anti-rebating policies:** In compliance with the Shipping Act of 1984, as amended by the Shipping Reform Act of 1998, the Company has established policies prohibiting the activities listed below. The Company requires agents acting on its behalf to comply with its anti-rebating policies and to periodically acknowledge their receipt of and agreement to comply with such policies.
    - Payment, solicitation, or receipt of any rebate, directly or indirectly by a company or any officer, employee, or agent of such company.
    - Booking cargo or providing service at rates different (higher or lower) than those specified in the applicable tariffs.
    - "Kickbacks" of any type.
    - Acceptance of currency at lesser rates of exchange than officially prevailing.
    - Granting commissions in excess of those stated in the applicable tariff.
    - Non-assessment of demurrage or other charges specified in the applicable tariff.
    - Granting any other concessions or facilities not specified by tariff.
    - Engaging in any unfair or unjustly discriminatory practice related to rates, charges, cargo classifications, space accommodations, loading, or settlement of claims.
    - Giving or imposing any undue or unreasonable preference or advantage.
    - Accepting cargo from, transporting cargo for, or entering into a service contract with an ocean freight forwarder on a non-vessel operating common carrier that does not have a tariff and a bond, insurance, or other surety as required by law.

- C. **International Maritime Organization:** - The Company is also subject to the International Maritime Organization's standards that require all vessels documented under the laws of its member countries, including the United States, to develop and implement quality and safety programs. The Company has accomplished this through its wholly-owned ship management subsidiary, LMS Shipmanagement, Inc., which administers an ISO 9002 certified Quality Management System.
- D. **Foreign Corrupt Practices Act:** The Company conducts business in many countries and attempts to employ local personnel to the greatest extent possible, training them for the highest position that they are capable of filling, and uses expatriates only when a qualified local person is not available. As such, the Company is subject to the Foreign Corrupt Practices Act of 1977, as amended by the International Anti-Bribery and Fair Competition Act of 1998. In compliance with such Acts, the Company has established the following policy:

All officers and employees of the Company must obey the local laws and conform to the business customs of the country in which they work. Business practices vary widely from country to country, and what is standard business practice in one country may be totally unacceptable in another. All employees and officers must adapt to the local practice unless it violates one of the policies set forth below. Agents acting on behalf of the Company also must comply with these policies. The Company does not have the ability to police the activities of those agents beyond its usual business procedures and accounting controls. However, if the Company has evidence that an agent has not conformed to its policies regarding the Foreign Corrupt Practices Act, arrangements with that agent will be terminated.

- Accounting records must be maintained in reasonable detail that accurately and fairly reflects the transactions and dispositions of the assets of the Company.
- No employee shall knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record, or account.
- A system of internal accounting controls must be maintained that is sufficient to provide reasonable assurances that:
  - transactions are executed in accordance with management's general or specific authorization and are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets;
  - access to assets is permitted only in accordance with management's general or specific authorization; and
  - written records of assets are compared with existing assets at reasonable intervals, and appropriate action is taken with respect to any difference.
- Contributions, payments, or offers of payment of anything of value shall not be made to any political party or official thereof or for any candidate to a political office or to any third person knowing it will be given to any governmental official or candidate for political office official in any jurisdiction where such contribution or payment is illegal. Contributions shall not be made in any jurisdiction where it is legal without first obtaining the approval of the Company's President.
- Payments, anything of value, offers of payments or gifts, promises of payments or gifts, or authorization of payments or gifts shall not be made directly or through another person to any government official or employee, political party or official thereof, or any candidate for political office, or any official employee or consultant of a government-owned enterprise or a public international organization, for the purposes stated below in order to assist in obtaining or retaining business:
  - for the purpose of (i) influencing any act or decision of such official, party, or candidate in his official capacity, (ii) inducing such person to do or omit to do any act in violation of the official duties of such person or (iii) securing any improper advantage; or
  - for the purpose of inducing such official, party, or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality.

The above statement shall not apply to any facilitating or expediting payment to a foreign official, political party, or party official, the purpose of which is to expedite or to secure the performance of a routine governmental action by a foreign official, political party, or political official. *Routine*

*governmental action* means any action which is ordinarily and commonly performed by a foreign official in obtaining permits or licenses, processing governmental papers, providing police protection or scheduling inspections associated with contract performance, providing telephone service, power and water supply, loading and unloading cargo, protecting perishable products or commodities from deterioration, or other actions similar in nature. *Routine governmental action* does not include any decision by a foreign official to award new business to or to continue business with a particular party.

- E. **Insider trading laws:** The federal securities laws prohibit persons who possess material non-public information about a company from trading securities of that company and from disclosing that information to others. One of these laws, the Insider Trading and Securities Fraud Enforcement Act, requires, among other things, that all publicly traded companies take active steps to prevent improper trades by directors, officers, and employees. In this regard, the Company has established an Insider Trading and Confidentiality Policy and requires all employees, officers and directors to comply with this policy. Among other things, this policy states that no officer, director or employee or any of their family members or other persons living in their households may buy or sell securities of the Company while in possession of material non-public information relating to the Company or engage in any other action to take advantage of, or disclose to others, that information. Officers, directors, and employees must assume responsibility for compliance by members of their households. Furthermore, transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception.

Even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct. The prohibition against insider trading also applies to material non-public information obtained in the course of employment that relates to any other company that has publicly traded stock. Questions regarding the Company's Insider Trading and Confidentiality Policy should be directed to the Company's Investor Relations personnel.

3. **Conflicts of interest:** Directors, officers and employees are expected to be and to remain free of interests or relationships which are actually or potentially detrimental to the best interests of the Company and shall not engage or participate in any commercial transaction involving the Company or its affiliates in which they have a significant undisclosed financial interest. Conflicts of interest are prohibited as a matter of Company policy. A conflict of interest exists where an employee or officer:
- Has an outside interest that materially encroaches on time or attention that should be devoted to the affairs of the Company.
  - Has a direct or indirect interest in or relationship with a third party that might be construed to be a conflict of interest with the Company or which makes possible personal gains due to the employee's ability to influence dealings; that renders the employee partial toward the third party for personal reasons or otherwise inhibits the impartiality of the employee's business judgment; or that places the employee or the Company in an equivocal, embarrassing, or ethically questionable position, or reflects poorly on the integrity of the Company.

Any member of management who has assumed, or is about to assume, a financial or other outside business relationship that might involve a conflict of interest with the Company must immediately inform his or her superior of the circumstances involved. The following are some more specific guidelines and policies regarding conflicts of interest:

- A. **Loans to officers and directors:** Loans to, or guarantees of the obligations of, employees, officers and directors or of their family members may create conflicts of interest. It is the Company's policy that members of the Company's Board of Directors and executive officers cannot receive, directly or indirectly, credit in the form of a personal loan from the Company.
- B. **Gifts and gratuities:** Gifts or gratuities of any type other than routinely distributed standard advertising or promotional material available to all companies shall not be accepted and shall be returned, if received. Minor courtesies, not exceeding \$25.00 in value at any one time, and food or entertainment of a routine nature are permitted, provided that such entertainment is reasonably expected to contribute to the benefit of

the Company. Acceptance of free services, samples, or experimental merchandise from vendors is prohibited if such acceptance would be detrimental to the Company or the prospective vendor would be given false expectations. No pressure, directly or indirectly, is to be exerted on suppliers and vendors to obtain merchandise for personal use at a reduced or wholesale price.

**C. General purchasing policy:** All officers and employees engaged in the procurement of materials and services shall pursue their duties in such a manner as to obtain the greatest benefit to the Company from every transaction. Relationships with suppliers shall be based on mutual fairness, and every attempt shall be made to avoid taking undue advantage of vendors or allowing them to take undue advantage of the Company. Officers and employees engaged in the specification, requisition, procurement, or payment of material and services must act at all times in accordance with the highest ethical standards and must report to their superiors any beneficial interest which they hold or which has been offered to them pertaining to any transactions in which they are engaged.

4. **Confidentiality:** It is the Company's policy to ensure that the operations, activities, and business affairs of the Company and business associates are kept confidential. All officers, directors, and employees must handle confidential or proprietary information about the Company or its associates in strict confidence and not discuss it with outsiders except when disclosure is authorized by an authorized officer of the Company or legally mandated. Officers and employees are also responsible for the internal security of such information. Any employee who receives a request from a governmental authority to disclose confidential Company information should notify his supervisor immediately of the request.

Officers, directors, and employees who come into possession of material nonpublic information concerning the Company must safeguard the information and not intentionally or inadvertently communicate it to any person (including family members and friends) unless the person has a need to know the information for legitimate, Company-related reasons. They should be discreet with such information; should not discuss it in public places where it can be overheard such as elevators, restaurants, taxis, and airplanes; and should divulge such information only to persons having a need to know it in order to carry out their job responsibilities.

5. **Corporate opportunities:** Employees, officers, and directors are prohibited from taking for themselves personally any opportunities that are discovered through the use of corporate property, information, or position without the consent of the Board of Directors and may not use corporate property, information, or position for improper personal gain or compete with the Company directly or indirectly.

6. **Corporate communications:** It is the Company's policy that no interview, press release, speech, or other contact with anyone regarding the Company, especially the media, is to be made by any officer, director, or employee without the approval of the appropriate Company officer. The Company's Public Information Policy, which is distributed to all officers, directors, and employees periodically, provides guidance as to the officers to contact.

7. **Competition and fair dealing:** The Company seeks to compete fairly and honestly and expects each officer, director, and employee to endeavor to deal fairly and in good faith with the Company's customers, shareholders, other employees, suppliers, regulators, business partners, competitors, and others. No officer, director, or employee shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged or confidential information, misrepresentation, fraudulent behavior, or any other unfair practice.

8. **Accounting practices:** The Company's policy is to fully and fairly disclose the financial condition of the Company in compliance with applicable accounting principles, laws, rules, and regulations. All books and records of the Company shall be kept in such a way as to fully and fairly reflect all Company transactions.

A. **SEC reports and other public disclosures:** The Company's senior financial officers, including the Chief Financial Officer ("CFO") and Controller, shall prepare, or cause to be prepared under their guidance, full, fair, accurate, timely, and understandable disclosures in reports and documents that the Company files with, or submits to, the SEC and in other public disclosures.

The Chief Executive Officer (“CEO”) and CFO must certify in certain SEC reports that, among other things, the report fully complies with applicable securities law reporting requirements, information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company, and the report does not contain any untrue statement of material fact or omit to state a material fact. The CEO and CFO must also make certain certifications regarding the Company’s disclosure controls and procedures and internal controls for financial reporting.

If a financial report filed with the SEC must later be restated due to material noncompliance with any financial reporting requirement under the securities laws as a result of misconduct, the Company’s CEO and CFO must forfeit any bonuses or other incentive or equity-based compensation received and profits realized on the sale of Company securities in the twelve months following the first public issuance or filing with the SEC (whichever occurs first) of the noncompliant report.

- B. **Improper influence over auditors:** All officers, directors, and employees are prohibited from taking any action to fraudulently influence, coerce, manipulate, or mislead any of the Company’s auditors during their review or audit of the Company’s financial statements and related books and records for the purpose of rendering the financial statements false or materially misleading. Specifically prohibited actions include, but are not limited to, improperly influencing the auditor to:
- issue or reissue an inappropriate audit report on the Company’s financial statements due to material violations of GAAP, GAAS, or other professional or regulatory standards;
  - not perform audit, review, or other procedures required by GAAS or other professional standards;
  - not withdraw, as appropriate, a previously issued audit report; and
  - not communicate matters to the Company’s audit committee.

Such conduct is prohibited even if it does not succeed in affecting the auditors’ review or audit. Improper influence would include, but is not limited to:

- directly or indirectly offering or paying bribes or other financial incentives, including offering future employment or contracts for non-audit services;
- providing an auditor with inaccurate or misleading accounting, financial, or legal analysis, records, or information;
- threatening to cancel or canceling existing non-audit or audit engagements if the auditor objects to the proposed accounting; and
- seeking to have a partner removed from the audit engagement because the partner objects to the proposed accounting.

- C. **Internal controls and disclosure controls and procedures:** It is the Company’s policy to maintain disclosure controls and procedures and internal controls for financial reporting. These controls are designed to collectively ensure that the information required to be disclosed by the Company in its reports filed with, or submitted to, the SEC is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

The Company maintains a system to document its Standard Operating Procedures (“SOP”) for various activities. The SOP’s document, among other things, the internal controls over the Company’s significant processes related to financial reporting and its disclosure controls and procedures. All officers, directors, and employees are expected to perform their duties in accordance with the policies and procedures described in the applicable SOP’s, and, accordingly, are responsible for the effective operation of the internal control activities described in those SOP’s.

- D. **Complaints regarding accounting, internal accounting controls, and auditing matters:** The Audit Committee of the Board of Directors has established a system for the receipt, retention, and treatment of complaints regarding accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns about questionable accounting or auditing matters. Instructions for communicating complaints or concerns are provided to employees upon commencement of employment, are communicated to all employees at least annually, and are available on the Company’s intranet.

9. **Protection and proper use of company assets:** All employees and officers are expected to protect the Company's assets to which they have access and to ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Company equipment should not be used for non-Company business. Incidental personal use that occurs in the course of carrying out Company business may be permitted. The obligation of employees to protect the Company's assets includes the obligation to protect the Company's proprietary information. This includes intellectual property such as trade secrets, trademarks, designs, databases, records, unpublished financial data and reports, and business and marketing plans. The Company strictly prohibits corruptly altering, destroying, mutilating, or concealing a record or document with the intent to impair an official proceeding, or corruptly obstructing, influencing, or impeding an official proceeding.

The Company has established specific policies to address information systems assets such as hardware and software, communications equipment such as cellular phones and pagers, various inventories including those aboard ship and shoreside, records retention, and the removal of property from the Company's premises. Employees and officers are expected to be familiar with and to comply with the asset protection policies applicable to their respective positions.

10. **Employment practices:** The Company is committed to maintaining a safe workplace free from discrimination and harassment and to providing equal employment opportunities as described below:
- A. **Discrimination and harassment:** Sexual harassment and workplace harassment on the basis of race, color, creed, religion, national origin, age, sexual orientation, or disability are strictly prohibited. Descriptions of prohibited behavior are provided in the Company's policy statements on sexual and workplace harassment, which are available from the Human Resources department and are posted in common places on the Company's premises.
  - B. **Equal employment opportunity:** The Company is an Equal Opportunity Employer and is committed to providing equal opportunity for the participation of all qualified persons in all job classifications without regard to race, color, sex, marital status, age, religion, national origin, disability, veteran status, or any other factor, the consideration of which is prohibited by law. The Company's policy extends to all employment decisions and personnel actions including recruitment, hiring, training, promotion, transfer, compensation, benefits, and all other terms and conditions of employment. All employment decisions are made on the basis of job qualifications and the ability to perform the essential functions of the job in question, and the Company is committed to making reasonable accommodations whenever necessary to allow qualified persons with disabilities to enjoy equal opportunity. The Company also has established and maintains written affirmative action plans for minorities and women and for Vietnam Era veterans, disabled veterans, and other persons with disabilities. The Statement of Company Policy on Equal Employment Opportunity is available from the Human Resources department and is posted in common areas on the Company's premises.
  - C. **Health and safety:** The Company aims to eliminate work-related injuries, accidents, and illnesses by the adoption of safe work practices through training, procedural, and regulatory compliance, and through personal discipline and individual accountability. The safety objectives and policies are implemented through the Quality / Safety Management System of LMS Shipmanagement, Inc.
11. **Environmental stewardship:** The Company, through LMS Shipmanagement, Inc., is committed to preventing environmental pollution from oil, chemicals, refuse, harmful substances, and emissions. All of the Company's ships and employees aboard those ships and shore side are expected to rigorously adhere to all regulatory and Company policies, procedures, and guidelines where environmentally sensitive activities are concerned and to participate in improving pollution prevention activities.
12. **Reporting illegal or unethical behavior:** Employees who have information regarding a possible past or future violation of this Code or any law, rule or regulation should contact his or her immediate supervisor or department head with the exception that violations involving senior officers of the Company should be addressed to the Audit Committee of the Board of Directors. As discussed in the "Accounting Practices"

section of this Code, issues regarding accounting, internal controls, or auditing matters may also be reported directly to the Audit Committee. Management is responsible for maintaining a workplace environment that encourages frank and open communication regarding compliance with this Code. If an employee is not comfortable reporting actual or possible violations of the Code to his or her supervisor, the employee should report the information to the Human Resources department.

It is the Company's policy that retaliation against employees for good faith reporting of misconduct by others is not allowed. Employees also can be assured that the Company will not discharge, harass, or otherwise discriminate against employees who provide evidence of fraud or violations of laws, rules, regulations or Company policies.

Any employee who has doubts about the best course of action in a particular situation or who has questions about this Code or any other Company policy is encouraged to talk to his or her supervisor or members of Company management.

13. **Certification of compliance:** At commencement of employment or membership on the Board of Directors, as applicable, and at least annually thereafter, all officers, directors, and employees will be provided with a copy of this Code and will be required to sign a Compliance Certificate stating that they read, understood, and agree to comply with the Code.