


Human Resources Policies & Procedures

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ANTI-BRIBERY AND CORRUPTION POLICY

1. POLICY ON ANTI-BRIBERY AND CORRUPTION

“Baku Shipyard” LLC (hereinafter referred to as “BSY”) has zero tolerance towards corruption and bribery. Giving and receiving of bribes in any form by the employees or by those individuals or companies who are engaged to work for and/or on behalf of BSY (including suppliers/sub-contractors of any tier) are prohibited and will not be tolerated.

2. RATIONALE FOR POLICY

The Anti-Bribery and Corruption Policy (hereinafter referred to as the "Policy") of BSY sets out key principles and requirements designed to prevent corruption and bribery.

Specific definitions, prohibitions, commitments and requirements related to the Policy statement are described in section four (4).


3. POLICY APPLICABILITY

This Policy is applicable to all BSY employees, its business partners, suppliers/sub-contractors of any tier (hereinafter referred to as “Business Partners”) and individuals acting on BSY’s behalf. All BSY employees and Business Partners must follow this Policy and strictly comply with its principles and requirements.

All BSY employees and Business Partners are expected to comply with all anti-bribery and corruption, anti-money laundering laws, rules, and regulations, including but not limited to Criminal Code of the Republic of Azerbaijan, Law of the Republic of Azerbaijan on Combating Corruption (2005), Bribery Act 2010 of the United Kingdom, Foreign Corrupt Practices Act 1977 of the United States of America, and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (hereinafter referred to as “Anti-Bribery Laws”).

4. POLICY IMPLEMENTATION

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a) Definitions

For the purposes of this Policy and all related internal documents and activities, the following definitions shall be used.

The Policy classifies bribery into two categories:

- i. Active Bribery (offering, promising or giving a bribe)
- ii. Passive Bribery (requesting, agreeing to receive or accepting a bribe)

This policy defines bribery as:

- i. An act of offering, or giving, or solicitation, or receipt of any gain, advantage or benefit, financial or otherwise, in return for any kind of misuse or abuse of a position of confidence, or a function, which is normally expected to be discharged without bias and partiality, or in good faith.
- ii. A gift bestowed upon a person in order to influence, affect or otherwise alter the beneficiary's line of conduct. The gift could be in the form of cash, commodity, interest in a claim, property, preferential treatment, privilege, emolument, any object of value, advantage, gain or benefit, or merely a promise or commitment to induce or alter the actions of the person receiving the gift.


This Policy defines a Commercial Bribe as any of the following:

- i. Grafting a procurement officer with a view to prompting such officer to closing a deal;
- ii. Collusion with the agents or employees of prospective buyers in order to secure competitive advantage.

This Policy defines a Public Official as:

- i. any minister, civil servant, director, officer or employee or other official of any government or any department, agency or body, and/or of any government-owned or

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controlled company, any company or enterprise in which a government owns an interest of more than thirty percent, and/or of any public international organization;

- ii. any person acting in any official, legislative, administrative or judicial capacity for or on behalf of any government department, agency, body, or public international organization, including without limitation any judges or other court officials, military personnel and customs, police, national security or other law enforcement personnel; and
- iii. any close family member of any of the foregoing.

This Policy defines Facilitating Payment as follows:

“Facilitating Payment” shall include infrequent payments made to a Public Official which are above and beyond the legally established fee(s) for the particular service of that Public Official and/or his office, and which payments are intended to facilitate prompt, encourage or motivate such Public Official to perform routine, non-discretionary governmental actions that: (i) the Public Official ordinarily performs and is required to perform without such payment; and (ii) both parties are entitled to under the laws of the relevant country.


b) Principle Objectives of the Policy

The Policy reflects the commitment and dedication of BSY to; (i) the highest of ethical standards in conducting its business in an open and transparent manner, (ii) adopting best practices and standards of corporate governance and (iii) upholding the business reputation of BSY to a high standard.

BSY's specific anti-bribery and corruption objectives are:

- i. To minimize the risk of involvement of BSY, its employees (irrespective of their position) and Business Partners in corrupt practices.

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- ii. To ensure that BSY employees, Business Partners and other relevant persons have a clear understanding of this Policy.
- iii. To communicate and elaborate on the key requirements of the Anti-Bribery Laws that may apply to BSY.
- iv. To obtain a commitment from BSY employees and Business Partners that they are knowledgeable of and are adhering to the principles and requirements of this Policy, related anti-corruption procedures and the key provisions of Anti-Bribery Laws.


Considering all of the above stated, any employee or Business Partner of BSY shall be strictly prohibited from taking part in any corruptive acts, actions or activities, either directly or indirectly, in person or through a third party, including, but not limited to, offering, giving, promising, soliciting or taking bribes, grafts, Facilitating Payments in any form, including, among other things, cash, valuables, services or any other gain, benefit or profit, to or from any persons or institutions, including businesses, central or local governments, public officials, private companies or their representatives.

To support implementation of this Policy and as a demonstration of the BSY's commitment to not engage in corrupt practices, BSY management developed a formal written Statement on Anti-Bribery & Corruption Policy and Compliance Declaration (as per Annex A-1) that state:

The Anti-Bribery & Corruption Policy Statement and Compliance Declaration should communicate BSY's commitment to preventing corruption, and specifically stress:

- i. BSY's commitment to fair, honest and open conduct of business.
- ii. BSY's zero tolerance policy with respect to bribery.
- iii. The consequences of failure to comply with the Policy.
- iv. The consequences of failure to comply with the anti-bribery and corruption clauses of

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- contracts signed with BSY.
 - v. The requirement to report any suspected instances of bribery.
- c) Bribery Risk Assessment

BSY shall make reasonable efforts to avoid the risk of doing business with any counterparties that may be involved in corruptive practices and activities. To this end, BSY shall evaluate the counterparty's tolerance to bribery, including a check of whether they have their own anti-corruption policies and procedures and their willingness to comply with the requirements of that policy. In addition, BSY should include anti-bribery and corruption clauses into contracts, and to facilitate conduct of business in good faith.


BSY may foster communication and education by posting this policy on the corporate web-site and encourage compliance with this Policy by all stakeholders, and shall support efforts aimed at enhancing the anti-bribery culture within BSY.

BSY may engage an external audit firm to conduct a bribery risk assessment by examining to what extent the existing business structures or procedures may contribute to risks and identifying the key factors that may have an input to BSY's risk profile.

Expenses on gifts and business entertainment, including business hospitality, which employees may offer to, or receive from, other persons or organizations on behalf of, or in relation to their work for BSY, must meet all of the criteria as set out below:

- i. Must be in direct relation to the legitimate business objectives of BSY, e.g., completion of business projects or successful execution of contracts.
- ii. Must be reasonable, substantiated, justifiable, of adequate value, and not luxurious.
- iii. Must not be implied or treated as covert reward for a service, action, omission, connivance, protection, grant of rights, transaction, agreement, license, permission decision, etc., or an attempt to influence the recipient with any other purpose of

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unlawful or unethical nature.

- iv. Must not pose any reputational risk for BSY, its employees or other persons in the event information about such gifts or business entertainment expenses becomes available to the general public.
- v. Must not be in conflict with the principles and requirements of this Policy and other regulations of BSY or applicable laws.
- vi. No gifts in any monetary form (cash or bank transfer), in any currency, is permitted on behalf of BSY, its employees or representatives.

d) Involvement in Political Activities

BSY is not allowed fund any political parties, organizations or movements with an aim to securing commercial advantages or benefits for specific projects or business activities.

e) Facilitating Payments


BSY does not recognize the legality of Facilitating Payments and does not delineate such payments from bribes and grafts. Therefore, BSY will not entertain any requests for Facilitating Payments nor will BSY offer any Facilitating Payments in any of the countries in which it is considering to or is currently conducting business.

BSY appreciates that although legal in some countries, Facilitating Payments are nevertheless regarded as questionable from the business ethics perspective and accordingly BSY will not make any Facilitating Payments.

BSY views Facilitating Payments as:

- i. Unfair competition - smaller businesses have less opportunities and financial capacities to "grease" foreign officials.

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- ii. Fueling questionable business practices.
- iii. Overreliance on irregular payments creates additional risk and therefore discourages investment.
- f) Relations with Government Officials

BSY shall avoid covering any expense (including but not limited to travel, accommodation, meals, entertainment, PR-campaigns, etc.,) of government officials and their family members and relatives (or in their favor) with the intention of securing commercial advantages / benefits for specific projects or routine business activities.

- g) Payments via Intermediaries in Favor of Third Parties


BSY and its employees shall be prohibited from engaging and using intermediaries, partners, agents, joint ventures or other persons to perform any actions that contravene the principles and requirements of this Policy or provisions of the applicable Anti-Bribery Laws.

As required, BSY will carry out due diligence verification of intermediaries, partners, agents, joint ventures and other persons in order to prevent and / or identify any of the aforementioned offenses with an aim to minimizing and mitigating the risk of BSY's involvement in corruptive activities.

- h) No Punishment or Sanctions

BSY declares that no employee shall be punished or otherwise persecuted (including termination of employment, demotion, or bonus revocation) if they report an alleged act of corruption, or if they refuse to offer or to accept a bribe, commit an act of commercial bribery or act as an intermediary in bribery, even if as a result of such refusal, among other things, BSY lost profit or failed to secure a business or competitive advantage. Further details of the application of this matter is outlined in Company's

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Whistle Blower Protection Policy (Annex D).

i) Audit and Control

The scope of internal and external audits will periodically include a check for; (i) the presence of relevant Policies and adherence to the principles and requirements of those Policies, (2) compliance with applicable laws and regulations, and (3) a determination as to what extent the information presented in the accounts is complete and accurately presented.

The audit may include spot checks of payment legitimacy and shall verify whether supporting documents are available and complete, and whether the payments and expenses are in line with this Policy.


BSY shall also conduct the following, but not limited to, prequalification due-diligence, as may be necessary, during selection of Business Partners, followed by receipt of annual compliance statements (in the form attached to this Policy) from selected Business Partners:

- Receive all incorporation documents, information on registered owners and beneficiaries;
- Open source background checks, internet and media search inquiries;
- Comprehensive check of available sanctions, embargo and watch lists;
- Public database searches, phone interviews, reference checks;
- On-site inspections;
- Reviewing other corporate and financial documents.

j) Responsibility for Non-Compliance

Considering that BSY may be subject to sanctions due to the involvement of its employees, Business Partners and other individuals in bribery-corruption activities and practices, it shall initiate in-house investigations on each reasonably suspected or confirmed case of corruption.

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Individuals or Business Partners failing to comply with the requirements of this Policy may be subject to disciplinary, administrative, civil or criminal sanctions initiated by BSY, law enforcement agencies and other bodies in accordance with the existing laws, its internal regulations and policies or employment contracts provided there are reasonable grounds, in accordance with the provisions Anti-Bribery Laws that may be applicable to BSY.

Failure of any employee, and/or Business Partner to comply with this Policy and Anti-Bribery Laws will entitle BSY to immediately suspend any further payments to and relationship with such breaching party, including but not limited to provision and/or receipt of any services/works/goods, and may result to immediate termination of contracts.

k) Other

This Policy shall be reviewed periodically and amended, as necessary, to address areas that are found to be in need of modification or improvement and to reflect any changes in applicable laws.

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COMPLIANCE DECLARATION FORM

Contracting party (hereinafter referred to as “Contractor/Supplier”) hereby represents, warrants, and covenants to Baku Shipyard LLC (hereinafter referred to as “Company”):

- a) Contractor/Supplier is not in default under any applicable law or regulation or under any order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency, or instrumentality having jurisdiction over it, and Contractor/Supplier shall remain in compliance with all such applicable laws and regulations;
- b) Contractor/Supplier is familiar with and is, and has been during the term of the Contract, in compliance with all anti-bribery and corruption, anti-money laundering laws, rules, and regulations, including but not limited to Criminal Code of the Republic of Azerbaijan, Law of the Republic of Azerbaijan on Combating Corruption (2005), Bribery Act 2010 of the United Kingdom, Foreign Corrupt Practices Act 1977 of the United States of America, and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (hereinafter referred to as “Anti-Bribery Laws”). Contractor/Supplier further acknowledges that it is, and has been during the term of the Contract familiar and in compliance with “Anti-Bribery and Corruption Policy” of Company (hereinafter referred to as “Policy”) available on the website www.bakushipyard.com;
- c) Contractor/Supplier understands that applicable Anti-Bribery Laws impose severe civil and criminal sanctions on companies and individuals who bribe or offer to bribe government officials to obtain or retain business. Although jurisdictional issues regarding the applicable Anti-Bribery Laws can be complicated, the basic policy behind such laws is straightforward: no employee, agent, consultant, joint venture partner of a company or anyone else doing business in the name of Company shall provide or promise to provide, directly or indirectly, any payment or anything else of value to any government official, political party official, political party or candidate for political office in order to obtain or retain business, or to secure preferential government treatment of the company. Contractor/Supplier also understands that this prohibition extends further than bribes paid to secure government contracts or permits. Projected work under the Contract may require contact with and payment to government authorities relating to work visas, import/export customs needs, banking, tax issues, utilities, security, and the like. Such


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contacts with government authorities may create expectations of gifts and entertainment. All payment to government authorities shall be reviewed for compliance with applicable Anti-Bribery Laws in advance of any such actual payment.

- d) Contractor/Supplier has not paid, promised to pay, authorized a payment, given, promised to give, or authorized the giving of anything of value, including but not limited to direct or indirect payments, gifts, gratuities, homage payments, entertainment, travel expenses, political or charitable contributions, or services, to any Public Official (defined in the Policy), or to any third party at the request of or for the benefit of any government official, for purposes of (i) influencing any act or decision of such government official; (ii) inducing such government official to do or omit to do any act; (iii) securing any advantage; or (iv) inducing such government official to use his influence to affect or influence any decision with respect to activities undertaken in connection with the Contract;
- e) Contractor/Supplier, its principals, owners, partners, officers, directors, employees, agents, consultants, representatives, business partners, and affiliates:
- (i) have not taken and will not take any action in connection with work for Company that would cause either Contractor/Supplier or Company to violate the Anti-Bribery Laws; and
 - (ii) are not foreign officials and are not affiliated with foreign officials. Contractor/Supplier agrees to advise Company of any future affiliations with foreign officials.
- f) Should Contractor/Supplier learn of, have reason to know of, or have any reasonable suspicion of, any potential violations of the Anti-Bribery Laws and the Policy by Contractor/Supplier, by its principals, owners, partners, officers, directors, employees, agents, consultants, representatives, business partners, subcontractors, or affiliates in connection with work performed for Company, it shall immediately advise Company.
- g) Contractor/Supplier shall observe and abide by and shall require its sub-contractors, sub-suppliers, agents and employees to observe and abide by all applicable laws, regulations, by-laws and rules as may be in force in any territory where Contractor/Supplier is performing its work in relation to its obligations under this Contract including those which may come into force during the period of the Contract, and shall defend and indemnify Company, its immediate, intermediate and ultimate holding companies, its subsidiaries, affiliates and related companies at all tiers, its contractors and subcontractors at all tiers,

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consultants, suppliers, and the respective officers, directors and employees of all of the foregoing persons and entities against any loss, liability, damage or claim including legal costs incurred by Company as a result of or in connection with any alleged infringement of such laws, regulations, by-laws or rules asserted against Company arising out of the performance of the Contract by Contractor/Supplier or any of its sub-contractors, sub-suppliers or employees.

- h) Contractor/Supplier undertakes to maintain and shall ensure that all its agents, sub-contractors and sub-suppliers maintain true and complete records in connection with Contract and all transactions related thereto, and shall retain all such for a period of 5 (five) years after the expiration or termination of the Contract. Contractor/Supplier further agrees that Company may audit any and all records of Contractor/Supplier for the purpose of determining whether there has been compliance with this declaration. However, the exercise by Company of the right of audit will not in any way relieve Contractor/Supplier from its obligations under the Contract.
- i) Contractor/Supplier agrees that Company is entitled to terminate its agreement with Contractor/Supplier immediately and withhold future payments for violations of this declaration, the Policy and the applicable Anti-Bribery Laws.

On behalf of Contractor/Supplier, the undersigned declares and affirms that the foregoing is true and correct.

By: PLEASE SIGN HERE

Name (please print):

Title (within Contractor/Supplier): Date: