


Human Resources Policies & Procedures


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PROCEDURE for CODE of CONDUCT Baku Shipyard LLC

HUMAN RESOURCES POLICIES & PROCEDURES

Rev. No	Date	Description	Prepared By	Reviewed By	Agreed With	Approved By
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1. PURPOSE

- 1.1. Baku Shipyard LLC's (hereinafter referred to as "Company" or "BSY") Management considers it important that employees understand the rules of conduct by which the Company operates and for which each of them are accountable, and the consequences of non-adherence to these rules.
- 1.2. This Code of Conduct therefore spells out the rules of conduct by which all employees should adhere to. These rules of conduct fall into the generic categories of:
 - 1.2.1. Employee Conduct - addresses standards of acceptable and unacceptable behavior and personal decorum, as well as BSY's workplace harassment policies.
 - 1.2.2. Business Conduct - addresses standards of ethical business behavior including anti-corruption, the offering and receiving of gifts, hospitality and promotional expenditures, dealings with customers and suppliers as well as conflict of interests.
 - 1.2.3. Any violation of the rules of conduct as described below constitutes misconduct, and may result in disciplinary action taken against an employee. Employees are encouraged to report violations of this Code in accordance with the procedure set out in the BSY Whistle-Blower Protection Policy.


2. SCOPE

The rules of conduct set out herein apply to all employees (whether full or part-time and permanent or temporary) of the Company.

3. POLICY

3.1. Employee Conduct


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3.1.1. The long-standing policy of BSY is one of strict observance of all laws and regulations in all the countries in which the Company operates. BSY employees must always choose the course of highest integrity at all times, guided by the good ethical conduct and core values. Employees must understand that we care how results are obtained, not just that they are obtained.

- (a) Employees must observe and comply with BSY's Health, Safety, Security and Environment (HSSE) Policy.
- (b) Employees must observe and comply with all Azerbaijan laws and regulations as well as the local laws and regulations of other countries where the Company carries on business.
- (c) Employees must always act in the best interests of the Company.
- (d) Employees must at all times act honestly and use reasonable care, skill and diligence in the discharge of their duties and responsibilities.
- (e) An employee should not place himself/herself in a position where his/her duty to the Company and his/her personal interests may conflict.
- (f) Employees must employ the powers and assets that they are entrusted with for the purposes authorised by the Company.
- (g) An employee must not make improper use of any information acquired by virtue of his position to gain advantage for himself or for any other person or to cause detriment to Company.
- (h) An employee should co-operate with colleagues in a manner that promotes the efficient conduct of Company business, and understand and act on the basis that all employees share the responsibility for supporting and adhering to the Company's goals and objectives.
- (i) An employee shall observe hierarchy of reporting and subordination to its supervisor or manager where applicable.
- (j) An employee should not possess or use alcohol in any situation in which behavior or performance at work may be affected.

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- (k) Employees must not possess or use recreational drugs in any situation, even in situations where use of recreational drug is permitted under local laws.
- (l) Employees should channel all press queries to the Senior Management. Press briefings, interviews or conferences should not be initiated without prior consultation with Senior Management.
- (m) Employees should be responsible and accountable for their own actions when using social media and should at all times adhere to BSY's End User Computing Policy.
- (n) Employees must not engage in any act of physical violence, intimidation or bullying behavior.
- (o) Employees must not steal, misuse or misappropriate Company's resources or properties.


3.1.2. Safety

It is our policy to conduct our business in a manner that protects the safety of our employees, others involved in our operations, customers and the public. BSY will strive to prevent all accidents, injuries and occupational illness through the active participation of every employee.

3.1.3. Workplace Harassment

- (a) BSY policy prohibits discrimination on any basis inclusive of any bias on the basis of ethnicity, sex, religious beliefs, nationality, age or any physical disability. Our aim is to provide a work environment that fosters mutual employee respect and promote harmonious working relationships. Harassment creates an intimidating or hostile work environment, interferes with an individual's work performance and adversely affects an individual's employment and/or career progression opportunity.
- (b) Forms of harassment include (but are not limited to) epithets, slurs, negative stereotyping, intimidating acts and the circulation, posting (inside or outside your work area) or e-mailing of written or graphic materials that show hostility towards

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individuals because of their ethnicity, sex, religious beliefs, nationality, age or physical disability.

(c) Sexual harassment constitutes a form of workplace harassment and is also not tolerated at BSY. Sexual harassment includes (but is not limited to):

- Offensive, sexually-oriented verbal kidding, teasing or jokes
- Repeated unwanted sexual advances, flirtations or propositions
- Graphic or degrading comments about an individual's appearance or sexual activity
- Offensive physical contact such as patting, grabbing, pinching or brushing against another's body.

3.2. Business Conduct


3.2.1. The rules of business conduct set out below extend to BSY business dealings and transactions in all countries in which they operate.

3.2.2. Ethical Conduct and Compliance with Laws: BSY's policy is to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. In conducting our business, integrity must underlie all relationships, including those with customers, suppliers, communities and employees. In this connection, employees are required to have the strength to do what they believe to be right in difficult situations.

3.2.3. Anti-Bribery and Corruption Policy: The purpose of Company's Anti-Bribery and Corruption Policy (see Annex A) is to reiterate its commitment to full compliance by the Company, its contractors, suppliers, subsidiaries, affiliates, and its officers, directors, employees and agents with all anti-bribery or anti-corruption laws that may be applicable. Anti-Bribery and Corruption Policy supplements this Code of Conduct and provides guidelines for compliance with applicable anti-bribery and corruption laws.

The anti-corruption policies and measures set out below are necessary to protect the business, resources and reputation of BSY.

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- Employees must under no circumstances offer, promise, give or authorize the giving, directly or through third parties, of any bribe, kickback, illicit payment, benefit in kind or any other advantage to a public official, private sector customer, supplier, contractor, or any other person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity. Facilitation payments (also referred to as grease payments; that is, payments or gifts made to a government or public official to speed up, or secure the performance of, a routine, governmental action which the official is already obliged to perform such as issuing permits, immigration controls, providing services or releasing goods held in customs) are also bribes. Accordingly, employees should not make any facilitation payments on Company's behalf.
- Similarly, employees must not under any circumstances solicit or accept, directly or indirectly, any bribe, kickback, illicit payment, benefit in kind or any other advantage from any customer, supplier, contractor, or any other person or entity that is intended to induce or reward an improper performance or non-performance of a function or activity.


3.2.4. Gifts and Hospitality Payments:

While it is recognized that the giving or receiving of gifts and hospitality payments may help in the building of business relationships, good judgment must be exercised at all times. The offer and receipt of gifts, hospitality or expense must be avoided whenever they could affect or be perceived to affect the outcome of business transactions or dealings, or are not reasonable and bona fide. Employees should avoid giving or receiving of gifts or hospitality (including entertainment or sports events etc.) which is excessive in value, given too often, or leaves the employee or (as the case may be) the other person in a position of obligation. Gifts in the form of cash or cash equivalent should be avoided.

Further details of the Company's policy in respect of gifts and hospitality are set out in the Annex B hereto.

3.2.5. Donations and Contributions: Donations, sponsorships and other contributions made on behalf of Company must not be used as a subterfuge for bribery. They should only be made without expectation of tangible business returns.

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3.2.6. Record keeping:

- For purposes of financial audits and so as to prevent improper payments being made, it is important that the books and records of company contain full and accurate information about all transactions and expenditures incurred by the company. The information documented should be such that it is possible to see exactly what was paid, to whom, the reason why it was paid, where it was paid (for example, from or to which accounts) and when. Attempts to create false or misleading records are prohibited.
- Employees seeking approval for a payment must provide adequate supporting documentation in order for the payment to be authorized.


4. CONFLICT OF INTEREST

4.1. All employees and officers of the Company must avoid any conflict between their own interests and the interests of the Company. This includes transaction in dealing with suppliers, customers, contractors and other third parties.

4.2. Employees are required to declare to Human Resources Department immediately under any of the following circumstances:

- Any direct reporting relationships within the Company between the employee and his or her spouse or immediate family members, in instances where his or her spouse or his/her immediate family members is also an employee of the Company.
- Any ownership interest (either direct or indirect) in any supplier, customer, or competitor of the Company, unless it is in a listed company for investment purposes only.
- Any representation as an officer, director, partner, consultant, representative, agent or advisor of a supplier, customer, or competitor of the Company, including if acting as a Company's nominee Director on the Board of supplier, customer or other business associate.
- Any other activity that could potentially create conflict of interest Examples include:
 - (a) Having any personal financial dealings with a representative from a supplier, customer, or competitor of the Company.

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(b) Dealing directly, in the course of normal Company responsibilities, with a spouse or immediate family member who is employed by a supplier, customer, or competitor of the Company.

4.3. Notwithstanding the above, it is compulsory for all Senior Management staff to submit their declaration annually, including "NIL" declaration. For the purpose of this declaration, "Senior Management staff" refers to employees HR department will initiate this annual declaration exercise in November of the year.

4.4. HR Department will review the mandatory list of employees being identified for compulsory submission of declaration form, as and where necessary and will notified the respective employees accordingly.


4.5. Declaration must be made using Form 223 – “Declaration of Conflict of Interest” (Annex C).

5. WHISTLE BLOWER PROTECTION

5.1 Experience has shown that a common way in which fraud, corruption and other unethical or illegal conduct is detected is by observation and reporting by fellow workers of the perpetrator(s). It is therefore vital, as part of BSY’s strategy to prevent and control fraud, corruption and other unethical or illegal conduct, that employee within the BSY and persons who deal with BSY have a general awareness of such conduct and how they should respond if such conduct is detected or suspected.

5.2 The purpose of BSY’s “Whistle Blower Protection Policy” (Annex D) is to encourage the reporting in good faith of suspected conducts by establishing clearly defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

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6. REPORTING

6.1. Except to the extent prohibited by applicable law, employees are encouraged to report violations of this Code or applicable laws (including the U.S FCPA, U.K. Bribery Act 2010 and other applicable anti-bribery laws) in accordance with the procedures set out in the BSY Whistle-Blower Protection Policy.

6.2. Appropriate disciplinary action, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the rules of conduct set out in this Code.

7. QUERIES

Employees should contact Human Resources Manager or General Manager should they have any query about any of the rules of conduct of any other matter relating to this code.


8. EFFECTIVE DATE

This revised Code will take effect on 31 March 2016.

9. REVIEW

Human Resources will regularly review and audit this Code in consultation with Finance, Legal and Company internal audit and Risk Management team to ensure that the Company business are carried out with integrity and in an ethical and proper manner, the interest of the Company is safeguarded, and a harmonious and ethical work environment is maintained for all employees.

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ANNEX A-1: COMPLIANCE DECLARATION FORM

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ANNEX A

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”).

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4. POLICY IMPLEMENTATION

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:

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- 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 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:

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

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- 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 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,

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connivance, protection, grant of rights, transaction, agreement, license, permission decision, etc., or an attempt to influence the recipient with any other purpose of 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

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to "grease" foreign officials.

- 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

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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 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

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confirmed case of corruption.


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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ANNEX A-1

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/download;
- 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,


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import/export customs needs, banking, tax issues, utilities, security, and the like. Such 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,

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affiliates and related companies at all tiers, its contractors and subcontractors at all tiers, 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:

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ANNEX B GIFTS AND HOSPITALITY

Giving or receiving gifts or hospitality generally

Gifts and hospitality includes the offer or receipt of gifts, business meals, tokens of appreciation and gratitude, or invitations to or sponsorship of events, functions or other social or entertainment gatherings, in connection with matters related to Company's business.

Company's employees should only give or accept gifts or hospitality where it is reasonable, proportionate and appropriate in the circumstances, and should never do so in order to secure any improper advantage, or to influence a business decision.

Hospitality is only permitted to be given where its purpose is to provide an opportunity to develop or enhance business relationships, by creating an opportunity to engage in discussions with a customer or business partner.

In addition, if the Company in which an employee works has additional authority thresholds or requirements in respect of the giving or receipt of gifts and/or hospitality, the employee must also observe such thresholds or requirements at all times. If an employee is in doubt as to whether such thresholds or requirements exist, the employee should contact Company's Human Resource department.


Gifts, hospitality and other advantages offered, or received by, closely related individuals of Company employee must also comply with this Policy.

Practical Guidance:

Some guidance in determining whether gifts or hospitality payments comply with this policy is set out below:

- Made for the right reason: If a gift or hospitality, it should be given clearly as an act of appreciation; if it involves travel expenses, there should be a bona fide business purpose;

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- No obligation: The gift or payment does not place the recipient under any obligation;
- No expectation: The gift or payment does not leave the employee or (as the case may be) the other person in a position of obligation;
- Made openly: If made secretly and undocumented then the purpose may be open to question;
- Accords with stakeholder perception: The gift or payment would not be viewed unfavorably by stakeholders if it were to be made known to them;

Reasonable value: The size of the gift is small and the value of the hospitality or and accords with general business practice and local customs;


- Legality: It is compliant with relevant laws;
- Infrequent: The giving or receiving of gifts and hospitality is not frequent between the giver and recipient;
- Documented: The expense is fully documented including purpose and approvals given (if required) and properly recorded in the books and records of the Company.

Some key questions to ask when considering gifts and hospitality are:

- Could the gift or hospitality been seen as lavish or excessive? - if the recipient is not in a position to reciprocate to the same standard, this could indicate that the gift or hospitality is excessive.
- Is the gift or hospitality out of the ordinary in the context of industry or local norms?
- Does the gift or hospitality invitation extend to family members or other parties outside the normal business relationship?
- Is the gift or hospitality intended to be an inducement or reward for past or future business (or are you aware of any new business being pitched to or tendered for by the recipient at the time the gift or hospitality is offered)?
- Is the recipient a government or public official?
- If details of the gift or hospitality were to become publicly known, would it seem difficult to justify or otherwise risk being harmful to Company's reputation?

If the answer to any of the above questions is 'yes' or 'possibly', this indicates an increased risk profile for bribery. An employee should consider carefully whether the gift or

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hospitality is permissible within the terms of this policy and seek guidance from the Human Resources department of the Company if he/she is unsure.

Declaration of gifts: The information on receipt of any gifts, benefits and hospitality with an individual or cumulative value over 200 (two hundred) manats (during one-year period) must be sent to the below e-mail within 5 (five) days of receipt:

giftdeclaration@bakushipyard.com

It is the responsibility of each employee to ensure that they comply with this policy and its related procedures. A failure to make a declaration within 5 (five) days when required to do so, or the submission of an incomplete or misleading information may constitute misconduct and could result in disciplinary action.

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ANNEX C

FORM 223 – “DECLARATION OF CONFLICT OF INTEREST”

Name: _____ Passport No: _____
Designation: _____ Start date in BSY: _____
Department: _____

Tick and complete where applicable:

Yes, I declare that I am an immediate family member* of _____

*Immediate family member means a spouse, child, adopted child, step-child, brother, sister or parent.

Relationship: _____

Yes, I declare that I have a direct reporting relationship within the Company with:
Name of spouse or immediate family member: _____

Designation/ Department & Company: _____

Relationship to employee: _____

Details of reporting relationship: _____

Yes, I declare that I have an ownership interest (direct or indirect) in one or more of the following to the Company (exclude interest in listed companies if held/owned for investment purposes only):


a) Supplier: _____

b) Customer: _____

c) Competitor: _____

Yes, I declare that I am an officer, director, partner, consultant, representative, agent or advisor of a supplier, customer, or competitor of the Company (please also indicate if acting as a company’s nominee Director on the Board of supplier, customer or other business associate):

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Indicate details: _____

- Declaration of any other activities that could potentially create conflict of interest (including if immediate family member is working at, or has ownership interest in, a supplier or subcontractor):

Indicate details: _____

- I DO NOT have any declaration of interests or activities that could potentially create conflict of interest.

I hereby declare that the information contained in this form is true and complete.


Signature: _____

Date: _____

Note:

1. Employee has to complete "Declaration of Conflict of Interest" form and return to HR Department if he/she has any declaration that could potentially create conflict of interest.
2. If employee is a Senior Management staff of BSY and does not have any declaration that could potentially create conflict of interest, he/she is still required to submit a "NIL" declaration to HR Department.
3. The declaration does not negate the requirement that employees should act in the best interests of the Company

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ANNEX D

WHISTLE BLOWER PROTECTION POLICY


1. PREAMBLE

- 1.1 Experience has shown that a common way in which fraud, corruption and other unethical or illegal conduct is detected is by observation and reporting by fellow workers of the perpetrator(s). It is therefore vital, as part of BSY's (as defined below) strategy to prevent and control fraud, corruption and other unethical or illegal conduct, that employee within the BSY and persons who deal with BSY have a general awareness of such conduct and how they should respond if such conduct is detected or suspected.
- 1.2 The purpose of this policy is to encourage the reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.
- 1.3 It should be noted however that employees and other persons who file reports or provide evidence which they know to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by this policy and may be subject to administrative and/or disciplinary action including termination of employment or other contract, as the case may be.
- 1.4 In all instances, BSY retains the prerogative to determine when circumstances warrant an investigation and, in conformity with this policy and applicable laws and regulations, the appropriate investigative process to be employed and corrective or remedial actions to take.
- 1.5 This policy will be reviewed and amended as required to take into account current best practices and changes in the law.

2. EFFECTIVE DATE

- 2.1 This policy is effective from 31 March 2016.

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3. OBJECTIVE

3.1 The objectives of this whistle-blower protection policy are to:

- (1) provide for the mechanisms by which Whistle-Blowers may report Reportable Conduct;
- (2) enable BSY to effectively deal with reports from Whistle-Blowers in a way that will protect, to the extent possible, the identity of the Whistle-Blowers and persons who participate (or who intend to participate) in investigations initiated under this policy, and provide for the secure storage of the information provided;
- (3) establish the policies for protecting, to the extent possible, Whistle-Blowers and persons who participate (or who intend to participate) in investigations initiated under this policy, against Reprisal (as defined below) by any person internal or external to BSY; and
- (4) provide for an appropriate infrastructure for receiving, investigating and taking corrective or remedial action in relation to such reports.

4. DEFINITIONS


4.1 For the purpose of this policy, the definitions below apply:

“BSY” means “Baku Shipyard” LLC

“BSY Resources” include but is not limited to the following, owned by or under the management of BSY:

- (a) cash and other assets, whether tangible or intangible and whether real or personal property;
- (b) receivables and other rights or claims against third parties;

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- (c) names, logos, trademarks, service marks, patents and other intellectual property rights;
- (d) effort of a BSY's personnel and/or of any non-BSY entity billing BSY for its effort;
- (e) facilities and the right to use such facilities; and
- (f) confidential records and proprietary information.

"Employee" means an employee of BSY

"General Manager" refers to the general manager of BSY

"Investigation Subject(s)" refers to the person(s) who is/are the subject(s) of an investigation initiated under this policy

"Protected Report" refers to any good faith communication that discloses, or demonstrates an intention to disclose, information that may evidence a Reportable Conduct, in accordance with this policy.


"Reportable Conduct" refers to any act or omission by BSY's employee, contract worker, supplier, sub-contractor and associate appointed by BSY, which occurred in the course of his or her work (whether or not the act is within the scope of his or her employment) which in the view of a Whistle-Blower acting in good faith, is:

- (a) dishonest, including but not limited to theft or misuse of BSY Resources;
- (b) fraudulent;
- (c) corrupt;
- (d) illegal;
- (e) other serious improper conduct;
- (f) an unsafe work practice; or
- (g) any other conduct which may cause financial or non-financial loss to BSY or damage to BSY's reputation.

"Reprisal" means personal disadvantage by:

- (a) dismissal;
- (b) demotion;
- (c) suspension;

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- (d) termination of employment / contract;
- (e) any form of harassment or threatened harassment;
- (f) discrimination; or
- (g) current or future bias.

“Management Team” - The executive officers (other than General Manager) nominated by BSY’s external manager and officers nominated by SOCAR shall be members of the Management Team.

“Whistle-Blower” - a person or entity making a Protected Report, including but not limited to employees, applicants for employment, contract workers, vendors, purchasers, contractors, clients, associates or the general public.

5. ROLE OF WHISTLE-BLOWER


5.1 The Whistle-Blower’s role is as a reporting party. Whistle-Blowers are not investigators or finders of fact, nor do they determine the appropriate corrective or remedial actions that may be warranted.

6. ROLE OF RECEIVING OFFICERS

6.1 The Receiving Officers are responsible for administering this policy. The Company has designated Management Team members and project managers specified in Exhibit I as the Receiving Officers. The responsibilities of the Receiving Officers are as follows:

- (a) To administer, implement and oversee ongoing compliance with this policy;
- (b) Promptly receive, record (if the disclosure is made orally), and/or refer to the General Manager, a Protected Report and any matter arising therefrom or in connection therewith;
- (c) To assist the General Manager and, as the case may be, in administrative and, if directed by the General Manager investigative work;
- (d) To ensure that documents related to Protected Reports are retained in a safe, secure and proper manner;
- (e) To be accessible to persons who wish to discuss any matter raised in or in connection with a Protected Report;

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- (f) To work with the relevant supervisors towards ensuring that all efforts are taken to protect the Whistle-Blower(s) and persons who participate (or who intend to participate) in the investigation arising from a Protected Report, from Reprisal;
- (g) To ensure that the relevant supervisors promptly execute the corrective and/or remedial actions recommended by the General Manager; and
- (h) To attend, in confidence, to inquiries about this policy and provide advice to persons who are considering making a disclosure under this policy.

6.2 Contact details of Receiving Officers are set out in the attached Exhibit I.

7. ROLE OF GENERAL MANAGER

7.1 The responsibilities of the General Manager under this policy are as follows:

- (a) To review Protected Reports and any matters arising therefrom or in connection therewith, and establish whether there is sufficient ground for further action;
- (b) To recommend, if need be, procedures to be put in place to manage Protected Reports that require immediate or urgent action;
- (c) To initiate investigations when required.


7.2 Contact details of General Manager are set out in the attached Exhibit I.

8. RESPONSIBILITIES OF SUPERVISORS

8.1 Each supervisor must:

- (a) inform all employees / contract workers in his supervision of this policy, including the name and contact details of the Receiving Officers and the General Manager;
- (b) emphasize to all employees / contract workers in his supervision BSY's commitment to protect Whistle-Blowers who act in good faith, and also emphasize that employees / contract workers who abuse the system by making disclosures which they know to be

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false or without reasonable belief in the truth or accuracy of the information reported may be subject to administrative or disciplinary action;

- (c) inform the Receiving Officers of Protected Reports promptly;
- (d) ensure that all efforts are taken to protect the Whistle-Blower(s) and persons who participate (or who intend to participate) in investigations initiated under this policy, from Reprisal; and
- (e) ensure that such actions as may be recommended by General Manager pursuant to this policy are taken promptly.

9. RESPONSIBILITIES OF EMPLOYEES AND OTHER PERSONS DISCLOSING REPORTABLE CONDUCT

9.1 Employees and other persons intending to disclose suspected Reportable Conduct:


- (a) should follow the process set out in this policy in raising instances of suspected Reportable Conduct; and
- (b) must respect the reputation of individuals by not making trivial, frivolous or vexatious disclosures of wrongdoing and by not making disclosures in bad faith.

9.2 Employees and other persons who breach paragraph 9.1(a) and/or 9.1 (b) will not be protected under this policy, and those who breach paragraph 9.1 (b) may be subject to administrative and/or disciplinary measures as set out paragraph 16 below.

10. REPORTING MECHANISMS

10.1 Employees are encouraged to make a Protected Report in relation to a suspected Reportable Conduct to his supervisor, who is in turn responsible for promptly informing the Receiving Officers of any such report. However, if the supervisor is of the view that the Receiving Officers are, or may be, in a conflict of interest position, the supervisor may inform the General Manager, instead of the Receiving Officers, about the Protected Report. In any event, the supervisor must not start any investigation.

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- 10.2 If the employee prefers not to disclose the matter to his supervisor, the employee may make the Protected Report to the Receiving Officers or, if he also prefers not to disclose the matter to the Receiving Officers, the General Manager.
- 10.3 The Receiving Officers shall promptly refer Protected Reports to the General Manager.
- 10.4 If an employee is of the view that a Protected Report made with his supervisor and/or the Receiving Officers has not been handled appropriately, the employee may make the Protected Report directly to the General Manager.
- 10.5 Other Whistle-Blowers (other than employees) may make a Protected Report in relation to a suspected Reportable Conduct to either the Receiving Officers or the General Manager.

11. REPORTING MANNER AND SUBSTANCE

- 11.1 A Protected Report may be made orally or in writing. However, such reports should preferably be in writing so as to ensure a clear understanding of the matters raised. Oral reports should be documented by the supervisor, Receiving Officers or General Manager (depending on who is the first to receive the report). All communications relating to the allegations made in a Protected Report should also be in writing.
- 11.2 The Receiving Officers will retain all documents related to Protected Reports in a safe, secure and proper manner.
- 11.3 Protected Reports (whether oral or written) should be factual rather than speculative, but need not be conclusive evidence of the alleged Reportable Conduct. The report should include the nature of the alleged Reportable Conduct, the name(s) of the person(s) alleged to be involved, the date and description of the alleged wrongdoing and other pertinent information. The information disclosed should be as precise as possible so as to allow for proper assessment of the nature, extent and urgency of preliminary investigative procedures to be undertaken.

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11.4 Whistle-Blowers must provide their name, phone number and address so that the Receiving Officers or General Manager may, if need be, contact them for more information.

12. INVESTIGATION

12.1 The General Manager will review the information disclosed, interview the Whistle-Blower(s) when required and, either exercising his own discretion or in consultation with Receiving Officers, determine whether the circumstances warrant an investigation and if so, the appropriate investigative process to be employed and corrective actions (if any) to take.

12.2 The General Manager will use his/her best endeavours to ensure that there is no conflict of interests on the part of any party involved in any way in the investigations.

12.3 The General Manager will also require the matter to be reported to the authorities if a crime is involved, and/or to the relevant insurance company in accordance with the terms of the applicable insurance policies.


12.4 The General Manager may consult with such internal or external advisors as they see fit.

12.5 All employees have a duty to cooperate with investigations initiated under this policy. All persons who are interviewed, asked to provide information or otherwise participate in an investigation must refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no circumstance should such persons discuss with the person(s) who is/are the subject(s) of the investigation ("Investigation Subject(s)") the nature of the evidence requested or provided or testimony given to the investigators unless agreed by the investigators.

12.6 The General Manager, with the assistance of the Receiving Officers if necessary, will prepare a report of its findings including recommendations on any corrective or remedial actions to be taken. The Whistle-Blower will be informed of the findings of the investigation of his Protected Report or the fact that none was conducted, as the case may be.

13. INVESTIGATION SUBJECT(S)

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- 13.1 It should be noted that a decision to conduct an investigation is not an accusation. It is to be treated as a neutral fact-finding process. The outcome of the investigation may or may not support a conclusion that a Reportable Conduct has been committed by the Investigation Subject(s).
- 13.2 Investigation Subject(s) will be informed of the allegations made in due course, and will have the right to a fair hearing during the investigations.
- 13.3 Investigation Subject(s) have a right to consult or otherwise seek the assistance of such persons as they deem necessary, including retaining their own lawyer to represent them.
- 13.4 Investigation Subject(s) will be informed of the outcome of the investigations.


14. CONFIDENTIALITY

- 14.1 Confidentiality of the identity of Whistle-Blowers and persons who participate (or who intend to participate) in investigations initiated under this policy will, to the extent possible, be maintained. Such persons should nevertheless be cautioned that their identity may become known for reasons outside of the control of all those involved in receiving the Protected Report and/or investigating the matters raised therein.
- 14.2 The identity of the Investigation Subject(s) will similarly be maintained in confidence to the extent possible.

15. PROTECTION FROM REPRISAL

- 15.1 Except in the circumstances stated in this policy, no person shall be subject to any Reprisal for having made a Protected Report in accordance with this policy. The protection from Reprisal also extends to persons who may have been called as witnesses or otherwise participated in the investigation arising from a Protected Report.
- 15.2 A Whistle-Blower or any person who participated or intends to participate in an investigation arising from a Protected Report, who believes that he is subject to Reprisal and that the Protected Report is a contributing factor to the Reprisal may complain to the

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Receiving Officers (who will refer the matter to the General Manager) or the General Manager. The General Manager shall review the matter and determine the actions to be taken following basically the same process as that set out in paragraphs 12 and 13 above. Such persons may also resort to any other available redress procedures.

15.3 If it is determined that the Whistle-Blower, or person who participated or intended to participate in an investigation arising from a Protected Report, has experienced any Reprisal which would not have occurred but for the Protected Report, the General Manager shall recommend the appropriate remedial actions to be taken, including but is not limited to:

- (a) reinstatement of the employee to his former position;
- (b) changing in reporting relationships;
- (c) back pay.


15.4 The protection from Reprisal does not extend to situations where the Whistle-Blower or witness has committed or abetted the Reportable Conduct that is the subject of the allegations contained in the Protected Report. However, the General Manager will take into account the fact that he has cooperated as a Whistle Blower or a witness pursuant to this policy in determining whether, and to what extent, disciplinary measures are to be taken against him.

16. ADMININSTRATIVE AND DISCIPLINARY MEASURES

16.1 A person may be subject to administrative and disciplinary measures, including but not limited to termination of employment/contract, if he files a report or provide evidence which he knows to be false or without a reasonable belief in the truth and accuracy of such information.

16.2 Any administrative or disciplinary measures are to be taken in consultation with Human Resource Department and duly recorded in employment records.

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17. INQUIRIES

- 17.1 Inquiries about this policy may be referred to the employee's supervisor or the Receiving Officers. The supervisors and the Receiving Officers are also available to provide information on the policy and to give informal advice to assist employees and other persons who are considering making a disclosure under this policy. Please feel free to consult them in confidence.

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EXHIBIT I

CONTACT DETAILS

General Manager

Phone: +994 50 243 76 05

Mr. Lam Khee Chong

Email : kc.lam@bakushipyard.com

Receiving Officers

Name: Imanverdi Hasanov

Phone: +994 50 254 55 54

Designation: Deputy General Manager

E-mail: imanverdi.hasanov@bakushipyard.com

Name: Turgay Baytalov

Phone: +994 50 265 60 14

Designation: Chief Financial Officer

E-mail: turgay.baytalov@bakushipyard.com

Name: Lawrence Quah

Phone: +994 50 210 86 32

Designation: Deputy CFO

E-mail: lawrence.quah@bakushipyard.com

Name: Yu Cheng Hee

Phone: +994 50 257 15 68

Designation: Senior Commercial Officer

E-mail: lawrence.quah@bakushipyard.com

Name: Lim Tuan

Phone: +994 50 256 12 69


Designation: Operations Manager

E-mail: lim.tuan@bakushipyard.com

Name: Rashad Gurbanov

Phone: +994 50 257 15 59

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Designation: HR Manager

E-mail: rashad.gurbanov@bakushipyard.com

Name: William Ho

Phone: +994 50 256 12 70

Designation: Procurement Manager

E-mail: william.ho@bakushipyard.com

Name: Siyavush Akhundov

Phone: +994 50 257 15 65

Designation: Project Manager

E-mail: siyavush.akhundov@bakushipyard.com

Name: Fuad Madatov

Phone: +994 50 257 15 14

Designation: Project Manager

E-mail: fuad.madatov@bakushipyard.com

Name: Salauddin Salim

Phone: +994 50 243 76 49

Designation: Project Manager

E-mail: salauddin.salim@bakushipyard.com