



Human Resources Policies & Procedures

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HUMAN RESOURCES POLICIES & PROCEDURES Baku Shipyard LLC

Rev. No	Date	Description	Prepared, Updated by	Reviewed by	Agreed with	Approved by
0	15.04.17	1 st issue	HRAD	Legal dept.	Management	BOD
1	18.07.17	Added clause 8.10	HRAD	Legal dept.	Management	BOD

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1. PURPOSE

The establishment of this policy and procedures is for the purpose of regulating and administering Human Resources & Administration policies and procedures, communicating to all staff such policies and procedures and treatment with respects to their work in Baku Shipyard LLC.

2. SCOPE

The policies and procedures set out herein apply to all employees (whether full or part-time and permanent or temporary) as well as secondees and invitees (to the extent as may be reasonably applicable) of Baku Shipyard LLC.

3. DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings:


- **BSY:** Baku Shipyard LLC;
- **HRAD:** Human Resources & Admin Department of BSY;
- **Management:** BSY's General Manager (GM), Deputy General Manager (DGM), Chief Financial Officer (CFO) and Deputy Chief Financial Officer (DCFO);
- **HRAM:** Human Resources & Admin Manager;
- **HOD:** Head of Department of BSY;
- **Superior:** Head of departments, managers, chief, direct in charge person of employee

4. REFERENCES

Where some material in this document is provided in summary form, references are made to detailed information regarding specific policies and procedures. Annex "A" is an integral part of this document. Official BSY policies and procedures set out below are held in the office of HRAD:

- Dress Code procedure (Ref. No. P-203)
- Code of Conduct (Ref. No. P-202)
- Whistle Blower Protection policy (Ref. No. P-207)
- Anti-Bribery and Corruption policy (Ref. No. P-211)
- Gifts and Hospitality procedure (Ref. No. P-212)
- Competence Awareness & Training procedure (Ref. No. P-05)
- Communication procedure (Ref. No. P-06)
- Vacation & Leave procedure (Ref. No. P-213)
- Termination of Employment (Ref. No. P-214)
- ANNEX "A" (Ref. No. P-200)

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5. RESPONSIBILITY

HRAD shall be responsible for the implementation and improvement of this policy and will strive to provide productive and rewarding working environment for its employees. As a BSY staff member, each employee is an important part of this effort.

6. GENERAL POLICIES

6.1. Working Hours

6.1.1. The operating hours at BSY are as follows: -


Working weekdays	From	To
Back end Office Staff		
<i>Only Day Shift</i>		
Monday to Friday	08:00	17:00
Daily Lunch Break	12:00	13:00
Operation Staff		
<i>Day Shift</i>		
Monday to Friday	08:00	17:00
Daily Lunch Break	12:00	13:00
<i>Night Shift</i>		
Monday to Friday	19:00	04:00
Daily Supper Break	00:00	01:00
<i>Multiple Shift</i>		
Monday to Sunday (Day)	08:00	20:00
Monday to Sunday (Night)	20:00	08:00

* Hours are subject to change with prior notice.

For shift operations, the working hours are as follows:

Two working days of 12hrs shift are followed by two days off and working hours start from 8.00am to 8.00pm or vice versa depending on shift of employees.

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6.2. Code of Conduct

- 6.2.1. BSY considers it important that employees understand the rules of conduct by which BSY operates and for which each of them are accountable, and the consequences of non-adherence to these rules.
- 6.2.2. The Code of Conduct therefore spells out the rules of conduct by which all employees should adhere to. For more information, see BSY's [Code of Conduct](#).
- 6.2.3. Any violation of the rules of conduct as described in Code of Conduct constitutes misconduct, and may result in disciplinary action taken against such employee. Employees are encouraged to report any fraud, corruption and other unethical or illegal conduct in accordance with the procedure set out in the BSY's [Whistle-Blower Protection Policy](#).

6.3. Clocking In and Out Procedure

- 6.3.1. All Employees are to observe the operating hours of BSY and adhere to the working hours without exception. Employees must turn up for work punctually during all working days.
- 6.3.2. Each employee will be given a proximity card with photo and ID number and all staff must clock in/out every working day. Upon arrival to or leaving the yard, each employee will need to use the card to register his/her time in/out. Those employees who have forgotten their card will need to report to Security and fill in the Daily Attendance Sheet so that the working hours can be considered in payroll.
- 6.3.3. No employee is to clock in/out on behalf of others for whatsoever reasons. This is serious violation of BSY internal regulations and relevant disciplinary actions will be taken against any employee participating in this type of violation.
- 6.3.4. All employees (except Management and staff who has car access to the yard and internal parking area) of BSY, including yard visitors have to use 2nd gate, entrance through turnstile. This is important requirement to strengthen the yard security and control over employees' attendance by proper clock in & clock out process and to prevent following shortcomings:-
- overusing of visitor cards out of its destination;
 - problems in taking back cards from visitors that leads to the preparation of new additional cards;
 - employees coming to work forgetting their badge cards at home or entering into the yard without clocking in/out that consequently resulting with controversy over salary calculations;
 - 2nd gate of the yard is equipped with 15 turnstile passage lines, thus prevents the overcrowding even at the peak hours.

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- 6.3.5. All types of vehicles should drop off their passengers (persons those coming to work by carpools and or shuttle buses) at the 2nd gate, then follow their routes. The badge card receiver inside the administrative building for clock in/out registers only the personnel with car access into the yard area. Hereby, the employees coming to work by carpools should enter into the Yard only through passing the turnstile at 2nd gate.
- 6.3.6. Employees who have lost a badge must report the lost badge to HRAD. The employee will be issued a new badge with the same ID number and lost badge will be deactivated.
- 6.3.7. Employee will be fined as follow for the lost or damaging of the badge card and this will be decuted from the employee's salary:
- 1st Occurence – 20 AZN
 - 2nd Occurence – 50 AZN
 - 3rd Occurence – 20% of salary
- 6.3.8. HRAD to ensure deactivation of terminated employees badge so that their access to the shipyard is cancelled.

6.4. Vehicle Access to the Yard Premises and Use of Vehicles within Yard Premises

- 6.4.1. Only executive and above staff has car access to the internal parking area. To get car access to use yard's internal parking area, driver should acknowledge the yard inhouse HSE rules and regulations about driving inside the yard by signing the "Car Registration Form, (Ref. No. F-234)". The form is valid after HRAM's and Security HOD's approval.
- 6.4.2. Any vehicle access of visitors, guests to the yard premises is subject to Management approval.
- 6.4.3. Only vehicles authorized by Management can be used within the Yard Premise. A sign "Authorized Vehicle" shall be prominently displayed in the front of the car when it is being used.
- 6.4.4. BSY reserves the right to close the internal parking area, or to terminate employees' right to park their vehicle in the internal parking area for any reason at any time.
- 6.4.5. BSY, its employees, servants and agents will not accept liability in respect of any loss, theft of or from, or damage to the vehicle unless it is proved to be caused by the negligence, wilful act or default or breach of statutory duty of BSY, its employees, servants or agents, or the dishonesty of its employees, servants or agents.
- 6.4.6. Should your vehicle suffer damage whilst in the internal parking area, or should you lose the vehicle or any of your possessions from the vehicle whilst it is in the internal

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parking area or in case of theft, you are requested to immediately inform a member of Security staff of the occurrence.

6.4.7. Unless requested by BSY or one of its Security staff not to do so, employees must ensure that before they leave the internal parking area:

- Their vehicle is securely locked and the windows are securely closed;
- Any fitted alarm or similar device is engaged;
- Wherever possible their possessions are taken with them when they leave their vehicle;
- If they have to leave possessions in their vehicle do not leave them on the seats where they are visible. Put them out of sight in the boot ensuring it is locked.

6.4.8. Employees must drive carefully in the yard and obey all directional signs and speed limits. Wandering around the internal parking area is prohibited. Should you damage another employee's vehicle, you are requested to report the matter immediately to a member of Security staff and give him the registration numbers of both vehicles.

6.4.9. Petrol and engine oil leakages are hazardous. Vehicles must not be left in the territory of the yard if they are leaking any fuel or lubricant. Appropriate safety action will be taken by BSY if a vehicle is discovered showing signs of leakage. Charges incurred will be passed onto the owner of such vehicle.

6.4.10. BSY additionally reserves the right where the internal parking area has to be closed either permanently or temporarily, in whole or in part, or has to be evacuated in cases of emergency, to remove any vehicle at any time to any other reasonably convenient place.

6.4.11. Security and HRAD staff shall be entitled to enforce these terms and conditions set out in this clause 6.4 and exercise the rights reserved to BSY on its behalf.


Annex - Car Registration Form, F-234

6.5. Level of Authority and Respect

6.5.1. BSY is committed to a workplace that provides dignity and respect. Employees daily interaction with others reflects on BSY's reputation. Therefore, all employees are expected to be approachable, courteous and prompt in dealing with other people, including other employees (irrespective of their position or seniority).

6.5.2. All employees are to ensure that staffs are holding various positions by virtue of the election of the Management and they are expected to abide and respect the authority

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and responsibilities of the person holding the position and appointment at all times. Any disrespect shown to such personnel may result in disciplinary actions being taken in accordance applicable laws.

6.5.3. In dealing with other people, employees should be able to accommodate and tolerate different opinions and perspectives, and sort out their disagreements by rational discussion.

6.6. Dispute and Disagreement

6.6.1. Any dispute or disagreement between employees must be settled amicably and referred to the relevant HODs or HRAD in case such dispute cannot be resolved between themselves amicably.

6.6.2. Disciplinary action will be taken against the parties involved should any disagreement end in disrepute and harm to any person or damage to BSY properties in any manner.

7. RECRUITMENT POLICY AND EMPLOYMENT PROCEDURES

7.1. Manpower Budgets and Requisition

7.1.1. The success of BSY relies on its ability to attract, in its best judgment, the best staff available. Recruitment methods must be fair, efficient and effective. All recruitment and selection procedures and decisions will reflect BSY's commitment to providing equal opportunity by assessing all potential candidates according to their skills, knowledge, qualifications and capabilities. No regard will be given to factors such as gender, marital status, race, religion or political opinions.


7.1.2. All departments must establish their manpower budget on a yearly basis, which is to be approved by Management.

7.1.3. Such approved budget will be submitted to and compiled by HRAD for approval by end of August each year and for which record will be maintained to ensure that any recruitment will be in accordance to the budgeted manpower established.

7.1.4. During the budgeted period, department managers and HODs should raise requisition for needed manpower and the approval of the General Manager have to be sought prior to such requisition for manpower. All these kind of manpower requisitions must be submitted by "Manpower Requisition Form" (Ref. No. F-202).

Annex - Manpower Requisition Form (Ref. No. F-202)

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7.2. Specifications & Qualification of Manpower Requested

- 7.2.1. All requisitions must indicate the position to fill, the nature of the requirements, number of manpower needed, type of skills or qualifications and any other characteristics and requirements expected of the candidate and the date required on such Manpower Requisition Form.
- 7.2.2. HRAD will review such request and ensure that requisition does not exceed the established manpower budget in the case of permanent recruitment. Any exceptions will be informed to the concerned department to obtain the necessary approval for such increase in the manpower budget prior to HRAD taking action to recruit the required manpower.
- 7.2.3. All new applicants received by mail/fax must be submitted to the HRAD and in cases where there are no vacancies such applicants will be put on the applicant database for future consideration.
- 7.2.4. The HRAD shall keep such database of all candidates and keep in view their applications should the opportunity arises.

7.3. Advertising, Short-listing and Interviewing of Candidates

- 7.3.1. Upon receiving of properly authorized Manpower Requisition Form, the HRAD would consolidate the various vacancies or position to fill and put on internal and external advertisement.
- 7.3.2. For internal advertisement, if the vacancy is relevant for internal recruitment it will be announced internally by electronic notification boards in the yard and shared with everyone by corporate email. In parallel with internal advertisement, the vacancy can be shared via job sites if there is no candidate either internal or in existing applicant database. The priority for HRAD in any job opening is internal resources depending on position requirements.
- 7.3.3. The request may be forwarded to recruitment agencies for their submission of prospective candidates depending on the urgency of such request.
- 7.3.4. For shortlist of internal candidates, HRAD will take into account employee's performance appraisals, work attitude, disciplinary records during employment period with BSY and other requirements of the position, respectively. In addition to this, for internal selections employee's involvements in nationalization/succession plan have to be taken into consideration, so that new appointment of such employees should not affect to nationalization or succession plan of BSY.
- 7.3.5. During internal recruitment, shortlisted internal candidates also have to go through the whole process of interview and skill tests where applicable.

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7.3.6. An interview for potential candidate will be organized by HRAD and all candidates must fill the BSY's "Job Application Form" (Ref. No. F-201).

7.3.7. Upon receiving of the applications form of the various candidates, HRAD will screen and sort out applications that are more relevant and such copies of applications form will be forwarded to the HOD requesting for the recruitment to shortlist their desired candidates. Once shortlisted, HRAD will arrange for an interview to be conducted by the HRAD representative and HOD.

7.3.8. The interview conducted by HRAD is to review the candidates based upon the following criteria:

- Verifying the accuracy of the data submitted in the application form;
- Screening for any pre-existing relations that might be considered as a conflict between employee's own interest and the interest of BSY;
- Verifying answers given to questions related with criminal background by referring to questionnaire specified in BSY Job Application Form which will be followed with "reference letter about conviction" from the relevant state authority for successful candidates;
- Evaluating the characteristics, integrity, desire, attitude and personality of the applicants;
- Conduct trade test or other work nature tests, IQ and EQ tests where needed;
- Obtaining of additional information not indicated in the Job Application Form.

7.3.9. Upon the successful clearance of the HR interview, interview will continue for the requestor to conduct his/her technical interview.

7.3.10. If the position is executive and above, HRAD will arrange final interview with Management for the suitable candidates.


7.3.11. The interviewers are to indicate their evaluation of the candidates on the interview form. At the end of interviews, HRAD must give a job offer to the candidate. If there are more than one suitable candidate for one position, HRAD will give job offer to candidates by priority list of requestor. Such offer must specify the remuneration offered based upon pay scale, other benefits and the effective date of employment.

7.3.12. Any candidates sourced and recommended by BSY's staff and management shall go through the above recruitment process where applicable without exception.

7.3.13. CV of any recommended candidates shall be submitted to HRAM directly by person who wants to recommend and HRAM to arrange registration of such applications as per normal procedure. HRAM has the right not to accept such CVs if the source is not clear enough.

Annex - Job Application Form (Ref. No. F-201)

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7.4. Confirmation of Appointment

7.4.1. A letter of appointment will be prepared by HRAD who will then arrange for the signing of the letter of appointment and clarification on any queries that the offered candidate may have.

7.4.2. Candidate must provide below mentioned required documents to HRAD prior to employment date:

- Passport / ID card;
- 2 passport photographs;
- Education certificates & diplomas;
- Labor book;
- SSN card;
- Military service record book;
- Tax exemption documents (if applicable);
- Letter about earnings from recent previous job for last 12 months for sickness calculation;
- Driving license;
- Marriage certificate;
- Reference letter about Conviction.

7.4.3. All documents have to be submitted in original and HRAD will return the originals of document to the candidate at the same day after copy of required pages.

7.4.4. For overseas applicants, interview will be arranged by the HRAD on a group basis whereupon the interview will be conducted by the Management. An initial letter of appointment with blanks to fill will be prepared for the Management who will arrange for the signing by the prospective employee during the overseas interview.


7.4.5. For overseas candidates, HRAD to make the following arrangements:

- The letter of appointment of the candidate;
- Single or Overseas posting;
- Air ticket;
- Relocation arrangements;
- Accommodation arrangements;
- Passport photographs;
- LOI/visa arrangements.

7.4.6. Employment contract with new employee will be signed after the above procedures are completed.

7.4.7. HRAD reserves the right to reject candidate's application if the reference check is not positive or characteristic problems of the person or suspected information with

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candidate's recommendation source and any other reason that can be obstacle to employment of the person. The reason of HRAD rejection shall be confidential information and can be disclosed to BSY management only.

7.5. Personal File and Documentation

7.5.1. Procedure for Labor Book is as follows:

- Employee's ID number should be stucked onto labor book;
- Total work experience of employee up to employment date should be calculated and noted on first page of labor book;
- Employment records should be filled into labor book referring to employment order;
- Labor book details should be noted on labor books registration journal;
- If employee is first time employed, s/he signes labor book's entry page;
- Labor book copy should be printed and added into personal file;
- Labor book should be placed in the labor books case following the ID numeration;
- If labor book is empty, but employee has registered Social Security Number (SSN) in e-gov.az portal, the case need to be investigated to reveal any misleading information.


7.5.2. Employee should write employment letter with request of his/her employment at BSY. Employment letters must be exclusively written by employee. If it is the first employment of the person, s/he has to request to create a new labor book in his/her employment letter.

7.5.3. Employee's personal ID card should be printed in A4 format on the same page, first page in the top side, and the second page on the bottom side of a paper, respectively. Additionally, employee's personal ID card should be scanned, renamed to employee's company ID number and mobile phone number, then placed into relevant network folder for respective Accounting and IT operations.

7.5.4. If employee is an expatriate, the same abovementioned actions shall be followed for his/her work permit and residence permit documents. If employee is an expatriate and is in a marriage with an Azerbaijani citizen, then his marriage certificate shall also be copied and added into the employee's personal file.

7.5.5. If employee has official work experience and has SSN card, then SSN card shall be additionally copied onto personal ID copy page. If employee worked before but doesn't have SSN card, s/he should be guided to previous workplace to bring SSN card, or a new SSN card should be ordered for employee with the status of lost SSN card. If employee first time employed, a new SSN card should be ordered from


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authorized organization and copy to be placed in personal file and original card to be given back to employee.

- 7.5.6. Employee's educational diplomas and certificates shall be copied and placed into personal file. If employee successfully established educational institution but haven't received document yet, the alternate document shall be obtained before the issuance of such diploma or certificate.
- 7.5.7. Original of employee's military service record book should be obtained and relevant pages should be copied for personal file. Any ineligibility note written in employee's military service record book should be investigated before employment.
- 7.5.8. If employee has any tax exemption document, it should be collected after consulting with HRAD representative. Required documents for tax exemptions and income tax free sums are as below, however below mentioned amounts are subject to change:
- Refugee status document authorized on annual basis – 100 AZN (one hundred manats);
 - Disability status document – 200 AZN (two hundred manats);
 - Disability status document gained during Garabagh war – 400 AZN (four hundred manats);
 - Garabagh war veteran status document– 400 AZN (four hundred manats);
 - Disability status document gained during Chernobyl accident – 400 AZN (four hundred manats);
 - Document confirming employee has more than three dependants – 50 AZN (fifty manats).
- 7.5.9. On his/her first employment date employee has to fill relevant fields of T-2 form (which is officially required document) and put on it signature.
- 7.5.10. Employee has to provide 2 photos in 3x4 size. Photo shall be scanned by HRAD representative and provided to IT Department for badge card preparation before employee's commence date.
- 7.5.11. Employee has to bring authorized document of last 12 months salary from recent workplaces (if any) for feasible sickness bulletin calculations.
- 7.5.12. Employee's personal CV (if any) should be printed out and added to his/her personal file together with BSY's Job Application Form.
- 7.5.13. Employee must be acquainted with all BSY policies and procedures and employee must acknowledge in writing that s/he has read and been informed about the content,

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requirements, and expectations of BSY policies during HR Induction which will take place before or during the first date of the employment.

7.5.14. Copy of Employee's job offer issued by BSY should be stored in personal file.

7.5.15. All aforementioned documents should be completed, noted in a content check-list, collected in one folder, numerated with employee's company ID, and respectively stored in personal files.


7.5.16. Personal files are strictly confidential document and can only be accessed by Management and direct HRAD personnel. All documents and electronic records related to employee must be handled and stored in a manner consistent with their confidentiality and applicable laws and regulations. Personal files contents can't be disclosed to any party. Information can be released to appropriate third parties upon written consent of such employee or to the duly authorized audits as well as relevant state authorities who are entitled to access such information under applicable laws.

7.6. HR Induction

7.6.1. HR induction should be held by HRAD representative and cover below mentioned points:

- Introduction of BSY organizational chart and employee's departmental structure with briefing about direct and indirect superiors;
- Contract period information, its prolongation and expiration matters;
- Terms of probation period, performance evaluation and performance management;
- Position and salary change terms within BSY;
- Terms and conditions for termination of employment contract;
- Familiarization with HR policies & procedures and acquaintance with HRAD staff;
- Vacation rights, sick leave and other absence terms;
- Internal regulations, other employee related policies & procedures of BSY including but not limited to Code of Conduct, Anti-Bribery & Corruption, Whistle Blower Protection, and Gifts & Hospitality policies and procedures;
- Basic components of employee benefits and compensations;
- Transport and parking information;
- Canteen location, entrance rules, lunch time, tea break and etc.;

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- Working time and schedules, punch-in punch-out rules and its integration to payroll system.

7.6.2. After the completion of HR induction employee must sign respective induction confirmation form.

7.7. Provision of Inventory

7.7.1. IT Department should prepare employee badge cards and integrate with electronic registration systems based on information provided by HRAD and pass cards to Security Section. In turn, security team should provide employee with badge card at the gate on the start of first working day and introduce BSY entrance and exit gates and rules.

7.7.2. Employee should be provided with medical insurance card by BSY's medical coordinator followed with his further briefing about medical benefits covered by insurance. BSY reserves the right to change or to discontinue any or all of the medical benefits at any time.

7.7.3. Employee who are entitled should be provided with PC or laptop, internal phone, corporate e-mail address followed by brief IT policy induction. All inventory items used by employees who are leaving BSY must be verified on or before the day of such employee's leave.

7.7.4. Employee should be provided with Personal Protective Equipments (PPE) and locker (also bicycle depending on position) by Warehouse Section.

7.7.5. Employee should be provided with salary card by Finance Department through HRAD.

7.8. HR Operations


7.8.1. HRAD should prepare and authorize with General Manager's and or Deputy General Manager's (where applicable) signature employment order followed by electronic notification form from e-gov.az portal and employment contract with signatures of both parties, employee and employer.

7.8.2. HRAD should register employment or any changes during employment period of employee in e-gov.az portal with the e-signature of authorized person of the Company.

7.8.3. Employee should be acquainted with and sign his/her job duties.

7.8.4. HRAD should make input all employee related details into HRIS for payroll and HR reportings and keep these reports up to date.

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7.8.5. HRAD should provide employee details to Insurance companies of BSY for their addition to insurance policy.

7.9. Child and Force Labour

BSY is against the hiring of child/forced or compulsory labor and disciplinary action will be taken against any individual found to have engaged child/forced or compulsory labor at all its units of BSY.

7.10. Medical Checkup

Pre-employment medical checkup strives to assess and screen individuals for risk factors that may limit their ability to work efficiently and without any risk to him/her or others. The benefit of conducting pre-employment medical assessments is a safe working environment with a reduced workplace injuries. Therefore, all employees must undergo a medical check-up at external clinic recommended by BSY prior to employment and records of these medicals are maintained by HRAD. If required, BSY may ask or arrange additional medical tests. In addition to this, employees might be sent to BSY's Medical Center for drug test. Employment process may be terminated if person is not physically fit to work as results of medical check-up, and or if drug test is positive.


7.11. HSE Induction

All employees before commencement of work must attend a compulsory Basic HSE Induction. It is the responsibility of HRAD and HSE Department to ensure that all new employees have been provided with Basic HSE induction. An Induction Form will be used to record that a new employee has received induction into BSY's safety systems and procedures.

8. STAFF WELFARE & BENEFITS

BSY recognises that healthy organisational environment is necessary for employees to perform productively towards achieving organisational goals and maintain harmonious working relationship between the Management and employees at all levels. Therefore, employees of BSY are entitled to various welfare and benefits, which BSY provides subject to the ranking and the level of the employee concern.

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8.1. Incentive Bonus

Incentive Bonus at the end of the calendar year is not mandatory and is solely determined at the discretion of the management to motivate employees to focus on safety, productivity and quality. Incentive bonus is determined considering amongst others, the company's profitability and the employee's performance.

BSY takes into consideration employees' observation the safety rules and discipline at work in the award of any incentive bonus. The following deduction criteria shall be considered during any bonus calculations for employees which will cover the period from 1st January to 31st December of the year:-

- for each Warning – 5% of bonus
- for each Reprimand – 10% of bonus
- for each Severe reprimand – 20% of bonus

8.2. Leave Entitlement

8.2.1. All employees are entitled to take the leave provided by the Labor Code of Azerbaijan Republic regardless of their position, terms of employment or the effective period of their employment contract and it is compulsory for all employees to use their annual leave based on mutual agreement with their direct managers and employer. Vacation is to be taken by an employee, for a period not less than provided in Labor Code, for proper work life balance which include proper rest, restoration of working capacity, preservation and improvement of own health and maintaining family bonds.


8.2.2. Employee shall not have any carry-over leave of more than one year of leave entitlement to the next calendar year. There shall not be any monetization of carry-over leave in excess of that permitted.

8.2.3. In addition to the leave entitlement indicated in Labor Code, all BSY employees are entitled to use below types of paid leave where applicable:

- Wedding leave: 2 days marriage leave
- Maternity leave: 126 calendar days or 156 calendar days in the event of abnormal birth
- Paternity leave: 1 day for the birth of his legitimate child
- Compassionate leave: 3 days for parents or spouse or children, 1 day for grandparents and siblings

8.2.4. BSY's leave utilization mechanism is regulated with "Vacation & Leave procedure" (Ref. No. P-213).

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8.3. Hospitalization and Medical Benefits

8.3.1. BSY shall, within its capabilities and to the extent reasonably possible, provide all employees free medical consultation/treatment as prescribed by doctor(s) at BSY Medical Centre.

8.3.2. Unless otherwise decided by BSY, all employees shall be insured at BSY expense with a reputable medical insurance company. Subject to BSY's subsequent decision, the coverage shall be 24-hour and include the following:-

- Emergency Aid / Ambulance services;
- Out-patient treatment;
- Hospital / In-patient treatment.

8.4. Insurance Coverage & Workmen Compensation

Unless otherwise decided by BSY, all employees shall be insured for personal accident. The coverage shall be valid 24 hours and cover non-working hours as well.

8.5. Provision of Uniform

BSY shall provide PPE to all its employees in accordance with requirements of BSY "Dress Code procedure" (Ref. No. P-200).

8.6. Housing Allowance & Accommodation


8.6.1. All expatriates staff shall be entitled to various level of accommodation depending on their letter of appointments and arrangements. Managers and above, can be provided with housing accommodation for their family and themselves with all utilities provided up to an agreed level as stated in their letter of appointment.

8.6.2. Employees below manager's grade will be provided with shared accommodation with utilities paid up to an agreed level depending on their letter of appointments and arrangements.

8.6.3. All accommodations will be furnished to a level acceptable for living and any extra required would be on the staff's own account.

8.6.4. Unless otherwise agreed and described in appointment letter, employee is responsible for housekeeping of his/her apartment and to maintain good condition of accommodation and any damage or repair expenses will be on the staff's own account.

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8.7. Provision of Meals

- 8.7.1. Unless otherwise stated, employees will be entitled to get meals and benefit from catering services to be provided by BSY's caterer during the meal break(s) at the designated canteen. Supper shall only be provided for those who work until 9:00pm onwards.
- 8.7.2. Such meals provision is not meant to be exchanged for money in kind. The provision of meals for staff who worked till 9:00pm onwards is in lieu of the distance of the yard to their accommodation and the inconvenience of the staff having to cook their meals.

8.8. Hand phones and Call Allowances

- 8.8.1. BSY will, at its discretion and in accordance with this policy, provide managers and above as well as other key operational personnel in the position of group lead and above with mobile phones/corporate SIM cards.
- 8.8.2. All phone calls should be restricted to official business purposes and any calls for personal basis shall be charged.
- 8.8.3. Employees must use a corporate mobile number that is assigned to them for calls to mobile operators, and use internal telephone lines for other intercity conversations.
- 8.8.4. Requisition for hand phones shall be raised by superior of the employee with signature and to be submitted to the HRAM for his/her approval/control of employee's eligibility and will be given only where it is deemed essential and necessary for the personnel to have. HRAM has to assign limit based on table approved by Management. Any exceptional phone allowance that is out of the ranges in the approved list is subject to General Manager's approval. Usage beyond the assigned limits without justification shall be charged to the employee.
- 8.8.5. Employees using company provided hand phones must take note of below procedure:
- When travelling to out of country need to turn off data roaming in phone setting in order to avoid extra charges when web browsing, using email and other data services that may cause use up monthly phone allowance before end of month.
 - If employee wants to change hand phones provided by BSY to smartphones any cost related to the mobile internet shall be solely borne by such employee.
 - Should staff not take the proper steps to safeguard the cost of the company, any charges incurred by the employee will be on their personal account.
- 8.8.6. Any damage to corporate cell phones or loss of phones shall be charged back to the person accordingly based on market prices of present-day.

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8.8.7. Any request for change assigned call limit of employee is subject to Management approval.

Annex – Call Allowances per Staff category.

8.9. Shuttle Bus Service

8.9.1. BSY provides shuttle bus service to employees that is an alternative to the personal car and public bus services, and can comprise all or part of an individual's journey to and from yard depends on home location. All persons using the shuttle bus facilities are subject to the rules detailed herein, in addition to any other documents which govern the shuttle bus services. The shuttle service offers below advantages to employees and employer, such as:

- Reducing time spent in traffic and finding a parking space;
- Reducing the stress resulting from driving in peak hour traffic;
- Reducing the cost of daily travel including fuel and car maintenance;
- Ensuring they arrive to work on time;
- Relaxing within the shuttle duration;
- Improving safety and reducing stress;
- Faster and more direct services than equivalent public bus service serving the same locations as there are typically fewer alighting stops;
- Improving employee benefits and travel options;
- Employees are more productive after a comfortable and hassle free ride to work.


8.9.2. At the last stage of recruitment process employee will be informed/guided by transport section which shuttle route is nearer to his home location and what is the bus timing and which bus s/he can use.

8.9.3. It is not allowed employee to change bus route for his/her own will. Transportation routes shall be updated only by transport section depends on changes in roads or in force majeure situations, or just to improve/optimize the route related with new joined or terminated employees on the same route(s).

8.9.4. Transport to/from the airport will be provided by the company for staff who is going to business trips or taking up their appointment and for their home leave or repatriation back to their home.

8.9.5. Prior to departing from a shuttle bus or leaving a bus stop, employees are requested to survey their area to make sure they have taken all of their belongings with them. BSY is not responsible for any personal items which are lost or stolen on any operated shuttle bus or bus stop.

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8.9.6. Employees must respect the rights of others. Smoking, eating as well as drinking alcoholic beverages are not permitted on BSY operated shuttle buses.

8.9.7. Shuttle buses can only stop at designated locations.

8.9.8. Questions regarding shuttle bus service, routes or schedules should be directed to the relevant staff (traffic superintendent) of HRAD.

8.10. Voluntary Insurance

All BSY employees are entitled to join to the Endowment Insurance on their own will under terms of local legislation. This insurance program makes it possible to employee to make some profit through tax remissions and a certain deposit interest.

9. PERFORMANCE MANAGEMENT

9.1. Types of Performance Appraisal and Review

9.1.1. There are two types of performance review and appraisal and they are listed as follow:


- a. Probation Appraisal;
- b. Annual Performance Appraisal.

9.1.2. BSY implements 5-point performance rating system for employees performance appraisal. Descriptions of rating scale are as follow:

5-POINT PERFORMANCE RATING SCALE

Score	Rating	Descriptions	Grade
0 - 29	Unsatisfactory	Below minimum performance standards. Lack of improvement may result in contract termination.	D
30 - 49	Below expectations	Performance is generally below or barely meets minimum performance standards.	C
50 - 80	Meets expectations	Satisfactorily meets performance standards.	B2
81 - 94	Above expectations	Clearly exceeds performance standards.	B1

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95 - 100	Outstanding	Substantially exceeds performance standards.	A
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- 9.1.3. Probation appraisal is carried out upon the completion of the probation period by new employees or where the section heads are satisfied (no later than probation period) with their new hiring.
- 9.1.4. All employees of the company will be interviewed by their superior upon their completion of their probation period. Such interview will be initiated by the HRAD to the respective superior through an appraisal form.
- 9.1.5. The superior is to discuss with the employee concern with regards to his/her performance during the period under probation and how they have fair. The superior must also advise them on areas which s/he believes needed performance to be carried out.
- 9.1.6. At the end of the discussion, the superior is to submit filled appraisal form to either confirm the employee concern, to continue his/her contract or to terminate the service of the employee in accordance to the terms of local legislation.
- 9.1.7. The superior does not have to wait end of probation if s/he did not satisfy with their new hiring and have to inform HRAD in advance for their timely action regarding failure of probation.
- 9.1.8. HRAD prepares appraisal forms for probationers and shares with respective superiors for them to fill and return to HRAD before last 2 weeks of probation period. HRAD will compile all appraisals of the month in one table to submit to management for review and confirmation of probationers.
- 9.1.9. At the end of probation period based on appraisal result there may be following salary adjustments in order to motivate, engage new employees and these increment shall be effective from the 1st of the following month after probation period. The adjustment range indicated are guides which is determined solely at the discretion of BSY management:

	Appraisal Rating	Guide adjustment range
INDUSTRIAL STAFF (below supervisor)	Outstanding & Above expectations	50 AZN
	Meets expectations	30 AZN
	Below expectations	No increment
	Unsatisfactory	Termination
NON-EXECUTIVE and ABOVE STAFF (supervisor & above, and	Outstanding & Above expectations	100-150 AZN
	Meets expectations	50-100 AZN
	Below expectations	No increment

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office staff)	Unsatisfactory	Termination
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9.1.10. Annual performance appraisals are carried out to determine the performance of the personnel concern and to also promote/upgrade and review the salary scale of the staff concern and adjustment of their salary as the case may be.

9.1.11. Annual performance appraisal procedure starts from month of May every year with departments' heads and concludes until end of June with Performance Review meeting of Management.

9.1.12. At the end of performance appraisal session training recommendations from individual appraisals shall be extracted for the summary list of training needs to send to training officers for them to analyze training needs to consider in Annual Training Plan preparation.

9.1.13. Performance evaluation and remuneration adjustment of the Management Team shall be administered as follow:

- a. Personnel nominated by External Manager / External Consultant shall be as per Management Agreements as set forth in the JV agreement and approved by the Board of Directors.
- b. Personnel nominated by SOCAR shall be determined and proposed by the General Manager and approved by the Board of Directors.

Annex - Performance Appraisal Form, (Ref. No. F-239)

9.2. Localisation Planning

BSY adopts a localisation plan at its current Operation Phase based on the principles outlined in the Management Service Agreement (MSA) which are generally summarized as follow:


9.2.1. For the first 5 years of the Operations Phase:

- i. at least 70% of professional staff of the Company shall be the Local Personnel;
- ii. 100% of non-professional staff of the Company shall be the Local Personnel.

9.2.2. For the second 5 years of the Operations Phase:

- i. at least 70% of professional staff of the Company shall be the Local Personnel;
- ii. 100% of non-professional staff of the Company shall be the Local Personnel.

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- 9.2.3. Thereafter the External Manager shall ensure that, by the end of the MSA Term (Year 2036), all expatriate staff is replaced with the Local Personnel to the extent that there is suitable local labour force available in the Republic of Azerbaijan.
- 9.2.4. The External Manager shall give preference, as far as is consistent with the efficient operations of the Company and terms of this Agreement, to employing Local Personnel and SOCAR nominated candidate for available job positions in the Company to the extent reasonably practicable, provided that such Local Personnel and SOCAR nominated candidates are suitable for training by virtue of their background.
- 9.2.5. Appropriate training will be provided to enable suitable local candidates to take on any role within BSY as decided by the External Manager based on the virtue of the candidate background.
- 9.2.6. Localisation plan shall be updated/submitted to SOCAR every year.

10. STAFF TRAINING AND DEVELOPMENT


10.1. Training Policy

All employees before commencement to work must go under Basic HSE Induction. All trainings are registered in Training records which shall be updated after every training.

10.2. Annual Training Plan (ATP)

- 10.2.1. At the end of every year (no later than 15 December), training department prepares annual training plan for the next year. This plan shall be prepared by training section and approved by Management. It is the responsibility of the HRAD to oversee implementation of the BSY's ATP.
- 10.2.2. ATP is conclusion of training needs analysis that is conducted by training officers. ATP mainly contains of mandatory and skill related trainings required within BSY. Mandatory training includes:
- a. **Compliance Training:** trainings that are required by statute, regulation, and/or contract management obligations;
 - b. **Directed Training:** trainings that are required for HSE requirements of BSY.
- 10.2.3. Any additional training that is not included in ATP of the year and aroused upon the project/production need will be subject to the approval of the Management.
- 10.2.4. The departments' commitment to the employees' trainings based on ATP will be monitored and reported quarterly to the Management by training officers.

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10.2.5. It is responsibility of HRAD to keep records of conducted trainings and provide monthly/quarterly/yearly reports to shareholders on a need-to basis.

10.3. Types of Training and Development Courses

10.3.1. BSY recognizes the importance of personnel seeking to upgrade and improve their knowledge and skill through attending of courses or development courses. It is part of the company's policies to encourage staff to take up courses that are available and useful in carrying out their work responsibilities.

10.3.2. Various types of training will be provided by BSY in terms of in-house on the job training as well as external courses should the need arise.

10.3.3. The following are the types of training provided by BSY:

a. On the Job Training

Such training will be the responsibility of the superior in charge of the employee concern and will be properly organized and supervised with feedback evaluation forms submitted by training officers.

b. Structured In-house Training

The training section will arrange for the identifications and needs of the various staff in their annual training plan and arranging for such course and training to be conducted by the respective knowledgeable staff that can provide the structured training or technical know-how.

c. Outside Seminars & Courses


The management may on occasion arrange for staffs to attend seminars or courses which are relevant to their work. Such courses will only be provided to employees at the management's discretion. For external trainings, training officer prepares training proposal form for GM or DGM approval.

d. Sponsorship or Subsidize for educational qualifications and courses

Management may at its discretion agree to sponsor or subsidize employees for their own pursuit of educational qualifications and courses. Such request must be directed to the HRAD who will submit it to the respective managers/HODs for their review and recommendation prior approval of the Management.

Annex - Training Proposal Form, (Ref. No. F-204)

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10.4. Procedures Governing Training Courses

- 10.4.1. In-house courses will be arranged by Training section of HRAD based on ATP of the year and after request received by superiors. The respective targeted personnel for the courses will be informed of the date and time of the courses with notification of training center booking confirmation from training section. Tutors selected will prepare the course materials in cooperation with training officers for which a copy of it will be kept by training section for future references.
- 10.4.2. All sponsor or subsidies for external examinations, courses and seminar will be subject to the approval of the Management. Staff interested in attending such courses is to let training section aware of their interest by indicating the type of the course, the quantum of the course fees, the date and time of the courses and indicate the relevance of the course to their work. Upon receipt of such email from their superior, the HRAD will direct this inquiry to the Management for approval.

11. TYPES OF MISCONDUCT AND DISCIPLINARY ACTIONS

- 11.1. Any disciplinary action against employee's misconduct will be in compliance with requirements of local legislation, internal policies and procedure of BSY.
- 11.2. Major disciplinary offences may lead to dismissal of the employee concerned and possible police action if warranted.
- 11.3. Minor disciplinary offences will lead to warning letters being given to the staff concern. Any staff who has accumulated more than three warning letters within the last six months may be terminated at the Management's discretion.

Annex – Disciplinary Code of Baku Shipyard

12. OVERSEAS TRAVEL AND ALLOWANCE


12.1. Types of Overseas Travel

12.1.1. The two types of overseas travel that will be provided to staff are as follow:

- a. Home Leave for expatriate staff;
- b. Business Trips for the company business

12.1.2. Expatriate employees will be entitled for trips for home leave in accordance to their letter of appointment. Expatriate employees who need to go back to their country for emergency or

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leave the country for personal reasons are required to bear their own tickets (to and from) to the country and other related expenses.

12.1.3. Business trips will be taken by staff in accordance to the requirements of the work.

12.1.4. All air ticket and hotel reservation/confirmation shall be arranged by BSY. Any changes on the air ticket arrangement must be approved by the Management which may be granted based on a case-by-case basis.

12.2. Entitlement of Class of Travel

Unless otherwise instructed by General Manager, all travel by personnel will be by economy fare.

12.3. Expenses incurred on Business Trips

12.3.1. When travelling on the Company business, travel business expenses will be paid by the Company if they are reasonable, appropriately documented, properly authorized.

12.3.2. A cash advance based on travel expense limits for each country as determined by local legislation of Azerbaijan Republic will be paid only to the company's staff.

12.3.3. All travel expenditures over and above the travel expense limit (overnorm travel expenditure) can be paid, provided if they are supported with receipts and are approved by Management.

12.3.4. The following expenses incurred in relation to overseas travel will be borne by BSY:


- a) Air ticket and travel insurance;
- b) Taxes involved in air travel;
- c) Transport to and from the airport;
- d) Visa expenses;
- e) Excess baggage subject to a limit of 10kg in excess of approved weight. Must seek approval from management before taking such excess;
- f) Meal and accommodation (subject to management's discretion);
- g) Reasonable cost of entertainment of client while on overseas business trip (subject to management's approval);
- h) Business phone calls.

13. PAYROLL AND OVERTIME POLICIES AND CALCULATION

13.1. Hours of Work and Timekeeping

13.1.1. Standard working hours for the company is 40 hours, Monday through Friday of each week. The normal workday consists of 8 hours of work, beginning at 8:00 and ending at 17:00 with an unpaid hour for lunch.

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- 13.1.2. Periodically, overtime may be required depending on the nature of the work. Respective superiors are responsible for obtaining authorization for any overtime from their management and related persons and notifying employees as far in advance as possible.
- 13.1.3. In cases of necessity of production works employee may be involved into the night works following related rules of Labor Code and BSY's internal order. If employee has no objection to work on night shift then to make sure there is a mutual agreement with employee, prior to change the shift from day to night s/he has to sign amendment to the employment contract if this point is not clarified in employment contract of employee. There is night shift allowance, which is an extra amount to encourage employees to work on night shifts and to comply with Labor Code requirements. For BSY the night shift allowance is 33%, which is the average percent of 20% for evening and 40% for night hours based on night shift schedule of the company.
- 13.1.4. Timekeeping is required for all employees. The timekeeper must verify each employee's attendance and number of hours worked. Electronic clocking system is used for timekeeping. Production sections will also submit to the Timekeeper their electronic timesheets by use of especial timesheet software provided by company with project cost codes assigned to each employee on a daily basis. Timekeeper will synchronize cost codes into HRB Timekeeping Module and will reconcile any discrepancies between electronic clocking system and supervisors' timesheets.

13.2. Payroll Calculation

- 13.2.1. Salary shall be paid once a month during the first 05 (five) working days of the following month.
- 13.2.2. The timesheet cutoff date for payroll calculation is last calendar day of each month, but for exceptional situations at the discretion of the management to perform salary calculation and payment in a timely manner employee's timesheet can be closed before the last working day of the month and filled with predicted working hours according to the working schedule. The possible differences between employees' predicted and actual worked hours shall be offset during the next payroll calculation on following month.
- 13.2.3. With an internal order, employer may regulate the payroll calculation process applying monthly cumulative working hours in the monthly/ quarterly/half year/annual quota in accordance with the annual production quotas and production calendar approved by relevant government body for the year.
- 13.2.4. BSY will deduct from payroll, where applicable, absence or unpaid leave days, late hours within the month, loans and advances, overuse of hand phone allowance or other overused amount related to company provided benefits and BSY's inventory damage-related costs.
- 13.2.5. Sick leave for local employees will be paid upon the submission of the sickness bulletin from the relevant clinic. For expatriate employees (with reference to the legislative regulation described in statement 113 of Cabinet of Ministers and exemptions related to Garadakh Industrial Park), the sick days will be paid based on their daily rate for the month the sickness

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occurred, provided valid supporting documents are submitted and endorsed by the company doctor.

13.3. Final Payroll

Final payroll for employees leaving BSY will include, in addition to the time worked, payment for unused accrued vacation time or sick time, if any and may be deductions due to not proper handover of BSY's inventory, amount for overused vacation days, loans and advances, overused amount related with BSY provided benefits etc. The final payment must be realized at the last working day of the employee.

14. TERMINATION of EMPLOYMENT

14.1. Voluntary and Involuntary Termination

An employment contract can be terminated by either party, it could be a resignation or dismissal, redundancy or retirement. There are two types of employment terminations.

- **Voluntary** - termination can be a voluntary termination of employment by the employee.
- **Involuntary** - When employer initiates a termination, the termination is considered involuntary. Employees can be terminated for cause. In that case, an employee is fired or dismissed from job. Employees can also be laid-off when there is no work available for their specialty.

BSY's employment termination mechanism is regulated with procedure of "Termination of Employment" (Ref. No. P-214).


14.2. Exit Interview

When appropriate, HRAD will conduct an exit interview with the terminated employee. An exit interview helps the Company to obtain information that may be useful in improving employee relations as well as to provide additional information to the terminated employee regarding the legislation.

14.3. Employees' Reference Letter

To be provided with reference letters such as recommendation letters, proof of employment documents, salary extraction documents, Employee must submit relevant request application

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to HRAD at least 05 (five) working days prior to intended date (considering the preparation and verification process).

ANNEX – Exit Interview Form (Ref. No. F-225)

15. GOLDEN RULES

All employees of BSY must adhere to and comply with the following:

- a. Be punctual for work and meeting;
- b. Respect and abide by company rules and regulations;
- c. Obey all HSE rules;
- d. Respect authority and obey instructions given;
- e. Obey the laws of country;
- f. Maintain a positive attitude towards all things;
- g. Teamwork and unity;
- h. No abusing of authority;
- i. Strive your best towards your work;
- j. Be receptive to changes;
- k. Constantly uphold the image of the company.

16. FEEDBACK POLICIES AND PROCEDURES

Management is cognizance of the need to maintain constant communication with employees and their suggestion and feedback the core basis of how improvements can be initiated and implemented.

All suggestions, feedback and complaints received must be addressed and action taken to remedy, rectify, initiatives taken to improve, correct any wrongdoings and to address any concerns raised.

The referred procedure is BSY “Whistle Blower Protection policy” (Ref. No. P-207)

17. EFFECTIVE DATE

This revised Policy & Procedure will take effect from 18.07.2017.