

”NOVOKRAMATORSKY MASHINOSTROITELNY ZAVOD“  
PUBLIC JOINT STOCK COMPANY

Approved by  
Order of the Chairman of the Board,  
General Director –”NKMZ“ PJSC  
No. 223 dd 24.10. 2014

**Regulations  
of  
Anticorruption Policy  
at ”NKMZ“ PJSC**

Kramatorsk, 2014

## 1. Purpose of the Document

### Definitions of the Key Terms

1.1 The present Regulations "On Anticorruption Policy at "NKMZ" PJSC", hereinafter referred to as "the Policy", were worked out to execute the order No.188, dd 08.09.2014 of the Chairman of the Board, General Director – "NKMZ" PJSC entitled "On Elaboration and Execution of Measures for Prevention of Corruption in the Activities at "NKMZ" PJSC", entitled "On Elaboration and Execution of Measures for Prevention of Corruption in the Activities at "NKMZ" PJSC", being the basic document at "NKMZ" PJSC", hereinafter referred to as "the Company", in which the key principles of and requirements for prevention of corruption and observance of the anti-corruption legislation in force both by the Company and any other persons, who may act on behalf of the Company, are defined.

#### 1.2 Definitions of the Key Terms Specified for the Purpose of this Policy

– **Corruption** means enjoyment of the official powers and associated opportunities by the person indicated in Part 1 of Clause 4 of the Law of Ukraine "On Principles of Corruption Prevention and Counteraction" with the aim of deriving any illegal benefit or accepting any promise/offer of such benefit for himself or other persons, or, respectively, and promise/offer and provision of any illegal benefit for the above person, or, on his demand, for any judicial and physical persons with an object of inclining said person to illegally enjoy his official powers and associated opportunities.

– **Corrupt delinquency** means any intentional deed or act containing the signs of corrupt practice that is performed by the person indicated in Part 1 of Clause 4 of the Law of Ukraine "On Principles of Corruption Prevention and Counteraction" and for which the respective criminal, administrative, civil, legal or disciplinary responsibility may be established according to the law.

– **Subjects responsible for corrupt delinquencies** mean any persons indicated in Part 1 of Clause 4 of the Law of Ukraine "On Principles of Corruption Prevention and Counteraction."

– **Illegal benefit** means any financial resources or any property, advantages, privileges, services and fictitious assets which may be promised, offered, afforded or obtained without respective legal grounds.

– **Present** mean any valuable things, benefits or advantages transferred to or obtained from the third parties on a gratuitous basis.

### 2. Objectives of the Policy

2.1 The present Policy represents adherence of the Company and the Company management to high moral standards of doing transparent and fair business with the aim of perfecting the corporate culture, following the best corporate practices and maintaining the Company business reputation at a proper level.

2.2 The objectives of the Company consist in:

– Minimizing the risk of involving the Company, the Chairman and the Members of the Auditing Committee, the Chairman and the Members of the Supervising Council, the chairman and the Members of the Board as well as any other employees of the Company. hereinafter referred to as "the Employees, in corrupt practices irrespective of the posts held by them."

– Providing a uniform understanding of the Company policy of non-acceptance of corruption practices in any form and manifestation for the Company shareholders, contractors, Employees or any other persons.

– Summarizing and explaining basic requirements of anti-corruption legislation of Ukraine which may be applied both to the Company and Employees.

– Defining responsibilities of the Employees with regard to the knowledge and observance of the principles and requirements of the present Policy, basic provision of anti-corruption legislation in force and adequate procedures of preventing corrupt practices.

### **3. Scope**

3.1 All the company Employees shall be guided by the present Policy and shall strictly follow its principles and requirements.

3.2 The principles and requirements of the present Policy apply to the Company contractors and representatives as well as to any other persons whose responsibilities are fixed in the relevant agreements and the in-house documents or directly arise from legislation in force.

### **4. Applied Anti-Corruption Legislation**

4.1 The present Policy is worked out in compliance with anti-corruption legislation of Ukraine, which includes, but is not limited by, the Constitution of Ukraine, UN Convention against Corruption; EC Civil Convention of Struggle with Corruption; EC Criminal Convention of Struggle with Corruption; Supplementary protocol to EC Criminal Convention of Struggle with Corruption; Criminal Code of Ukraine; the Law of Ukraine "On Principles of Corruption Prevention and Counteraction"; the Law of Ukraine "On the Rules of Moral Conduct" and also any other laws and subordinate regulatory acts containing provisions directed against corruption with all amendments and/or additions thereto.

4.2 All the Company Employees shall adhere to the applied legislation, basic requirements of which are formulated as follows:

**- Prohibition of bribing the official of a judicial person practicing private law**, i.e., prohibition of an offer or promise to the official of a judicial person practicing private law to afford him or any third party an illegal benefit as well as provision of such a benefit or the request to provide the same for the deeds performed by the above official or for his inactivity by using powers conferred on him in the interests of the person who offers, promises or affords such a benefit or in the interests of any third party.

**- Prohibition of taking the bribe by the official of a judicial person practicing private law**, i.e., prohibition of accepting an offer or promise and obtaining the illegal benefit by the official of a judicial person practicing private law either in his own favour or

in favour of any third party for the deeds performed by the above official or for his inactivity in the in the interests of the person who offers, promises or affords such a benefit or in the interests of any third party.

– **Prohibition of bribing a person rendering public services**, i.e., prohibition of an offer or promise to the person rendering public services to afford him or any third party any illegal benefit as well as provision of such a benefit or the request to provide it for the deeds performed by the above person or for his inactivity by using powers conferred on him in the interests of the person who offers, promises or affords such a benefit or in the interests of any third party.

– **Prohibition of taking the bribe by a person rendering public services**, i.e., prohibition of accepting an offer or promise and obtaining the illegal benefit by the person rendering public services either in his own favour or in favour of any third party for the deeds performed by the above person or for his inactivity by using powers conferred on him in the interests of the person who offers, promises or affords such a benefit or in the interests of and third party.

– **Prohibition of an offer or promise to the official** to afford him or any third party an illegal benefit as well as prohibition of providing such a benefit for performance or non-performance any deeds by the official through the use of the powers conferred on him or through the use of his official position in the interests of the person who offers, promises or affords such a benefit or in the interests of any third party.

– **Prohibition of the abuse of influence**, i.e., prohibition of an offer or promise and provision of the illegal benefit in favour of the person who offers or promises (agrees) to influence decision-making on the part of the person empowered to execute official functions through obtaining such a benefit or provision such a benefit in the interests of any third party.

– **Prohibition of bribing foreign officials**, i.e., prohibition of providing or a promise to provide (either directly or through the third party) the foreign official with the illegal benefit/advantage in order to influence the performance of his official duties with the aim of obtaining/holding any business or ensuring the competitive or any other advantages in favour of any commercial organization.

## **5. Basic Principles**

5.1 The Company adheres to the principles of observing provisions of anti-corruption legislation and moral business conduct in all business relations irrespective of the country of the world in which the Company undertakes economic activities. The principles and requirements of the present Policy are mandatory for all Employees and representatives of the Company.

All the Company Employees as well as any third parties acting on behalf of and/or in the interests of the Company are **strictly forbidden** to:

– Offer, promise, approve or effect payments in the form of financial resources or any other values, which include but are not limited by, the official, cost indemnities, rebates, entertainments, etc. as well as any financial or other benefits or advantages (illegal benefits) in favour of any government officials, foreign officials, persons rendering public services, officials of judicial persons practicing private law or any representatives of commercial organization with the aim of influencing their actions (providing their inactivity) and inclining them to carry out their official duties (power) in improper way and/or obtaining improper commercial advantages.

– Demand, give consent to receive or receive any payments in the form of financial resources or any other values as well as any financial or any other benefits and advantages (illegal benefits) provided that obtaining of such payments, benefits or advantages in itself means improper performance of their official or any other duties stipulated by the law or features remuneration for improper performance of such duties.

– Execute mediation in bribing any persons or providing/obtaining any illegal benefits, i.e. to bribe any persons directly or provide/obtain illegal benefits, etc.

5.2 Basic principles include the following ones:

#### **5.2.1 Top Management Mission**

The Company management shall formulate a moral standard of an uncompromising attitude to any forms and manifestation of corrupt practices at all levels and set an example of moral business conduct. A principle of non-acceptance of corrupt in any forms and manifestations (a "zero tolerance" principle) is fixed in the Company. This principle is being realized in everyday activities of the Company, during implementation of the company strategic projects as well as in interactions with shareholders, investors, contractors, representatives of the government and self-government bodies, political parties, Employees and other persons.

#### **5.2.2 Periodical Risk Weighting**

The Company is periodically engaged in determining, studying and weighting corruption risks typical for the Company activities and potentially vulnerable business processes.

#### **5.2.3 Adequate Anti-Corruption Procedures**

The Company is constantly busy with working out and implementation of adequate procedures that reasonably correspond to the risks already detected and are necessary to prevent corrupt practices and monitoring observance of said procedures.

#### **5.2.4 Estimation of Contractors**

The Company steadily bends every effort to minimize the risk of establishing business relations with the contractors that may be involved in corrupt practices and thus, may expose the Company to danger of being involved in such kind of practices. To do this, the contractor's tolerance of bribery, their readiness to follow the requirements of the present Policy and include a standard anti-corruption reservation in their agreement as well

as the ability to mutually assist in doing business at proper moral level and preventing corrupt practices are regularly estimated.

### **5.2.5 Informing and Training**

The company provides free access to the present Policy placed of the Internet corporate site, openly declares non-acceptance of corrupt practices, welcomes and encourages observance of the principles and requirement of the present Policy by all the Company Employers, all contractors and other parties.

The Company promotes upgrading the standards of anti-corruption culture by systematically informing and training the Employees in order to keep them familiarized with the present Policy and assist them in mastering the ways and means of anti-corruption policy in practice.

### **5.2.6 Monitoring and Supervision**

Due to feasible variations of the corruption risks in time and any other factors that may affect business activity, the Company is involved in monitoring the efficiency of adequate corruption-preventing procedures already employed, supervising their observance and improving the same as the need may arise.

## **6. Presents and Representation Expenses**

6.1 The present that may be given by Employees to any persons and organizations on behalf of the Company or received by Employees from any other persons and organizations in connection with their work in the Company as well as representation expenses (including expenses associated with business hospitality and Company promotion) shall be:

- Directly associated with legal objectives of the Company activities, e.g., with presentations, completion of business projects, successful completion of contracts or celebration of generally accepted feasts like Christmas or holidays like New Year, International Women's Day, Machine Builder's day, etc. or some memorable days and anniversaries.

- Reasonably grounded, balanced and frugal.
- Approved by the higher manager and thoroughly documented.

The above present and representation expenses shall not be:

- A hidden remuneration for any service, activity, inactivity, connivance, patronage, concession of the rights, decision- making on a particular deal, contract-making, license-signing, permission, etc, or for any attempt to influence the recipient with any other illegal or immoral purpose.

- A reason for occurrence of the reputation risk with regard to the Company, the Company Employees or any other parties provided that information on the present or representation expenses has been disclosed.

- Morally binding for the recipient in any way.
- A prohibition stipulated in the legislation or any other legal procedures and policies which may be applied to the recipient.

– Contrary to the principles and requirements of the present Policy or any other Company documents and provisions of anti-corruption legislation.

6.2 Any presents to the third parties made on behalf of the Company, Employees and representatives and paid either in cash by written orders in any currency are not allowed.

### **7. Contract-Making Policy**

7.1 The Company forbids to come to any agreements without making contracts on behalf of the Company or in the interests of the Company with any contractors, namely, any verbal or written agreements not included in the basic agreements with the contractor or in annexes enclosed therewith and, accordingly, not accepted in conformity with standard approval procedures adopted by the Company.

7.2 In order to meet the requirements of anti-corruption legislation in force as well as to minimize the risk of involving the Company in corrupt practices, any Agreements (contracts) with the contractors shall contain a standard anti-corruption reservation irrespective of the kind of a contractor and the kind of mutual relations being established.

### **8. Charity and Sponsorship**

8.1 The Company is not involved in financing any charity or sponsorship projects with the aim of obtaining commercial advantages in particular projects initiated by the Company.

8.2 Charity donations made on behalf of the Company to the citizens, medical, educational, social protection and similar institutions as well as the charity, scientific and research institutions, funds, museums and cultural centers, public, religious and any other nonprofit organizations shall be in compliance with the legislation in force.

8.3 The Company is engaged in a proper control of the charity donations and sponsorship in order to ensure that these donations and sponsorship should not be a hidden form of bribery and should be afforded in a transparent form according to international standards and legal regulations in force.

### **9. Financing the Political Activities**

9.1 The Company is not involved in financing, supporting or promoting political parties or party members including political nominees, their election campaigns or political arrangements in any way as well as any political organizations or movements with the aim of obtaining commercial advantages in particular projects initiated by the Company.

### **10. Cooperation with Government Officials**

10.1 The Company forbears from paying any charges born by the government officials or their near relations (and in their interests) with the aim of obtaining commercial advantages in particular projects initiated by the Company including expenses associated with travelling, lodging, meals, entertainments, PR campaigns, etc. or any other benefits at the expense of the Company.

## **11. Interactions with the Company Employees**

11.1 The Company demands observance of the present Policy from the Employees and keeps them informed of the key principles and requirements of the present Policy as well as the penalties that may be applied to them in the event of violating the same.

11.2 In order to impart a proper level of anti-corruption culture to the Company Employees:

- Newly employed persons are familiarized with provisions of anti-corruption legislation of Ukraine, the present Policy and any other local regulatory documents of the Company which enable the corrupt practices to be prevented and counteracted at "NKMZ" PJSC.

- Already employed persons undergo periodical training on the ways and means of preventing and counteracting corrupt practices.

11.3 Adherence to and observance of the principles and requirements of the present Policy by the Company Employees is taken into consideration when forming the personnel reserve, promoting the Employees to higher posts or imposing disciplinary penalties.

## **12. Societies and Associations in which "NKMZ" PJSC Acts as the Founder or Contractor**

12.1 The Company makes reasonably feasible efforts within its competence to ensure observance of basic principles and requirements of the present Policy in the societies and associations where "NKMZ" PJSC acts as the founder (participant) or the contractor.

12.2 When participating in any society or association, the Company:

- Makes a careful study of information pertaining to reputations of the potential partners and participants with respect to their tolerance of corrupt practices.

- Informs them of the principles and requirements of the present Policy.

- Upholds adoption of the similar anti-corruption policies in any other societies and associations.

12.3 Payments for the Company contractors including their representatives, agents, suppliers or any other mediators shall be in proportion to the real (actual) services provided by them.

12.4 The Company and the Company Employees cannot involve or use the partners, agents, contractors or any other parties for performance of any deeds that are contrary to the principles and requirements of the present Policy or provisions of anti-corruption legislation in force.

## **13. Book-Keeping and Records**

13.1 All financial operations, bookings and records shall be correctly and truly represented in detail in Company accounts, properly documented and easily accessed for checking.



13.2 The Employees in charge of preparation and submission of the complete and trustworthy accounts within the term specified by legislation are appointed in the Company in established order.

13.3 Any misrepresentation or counterfeits in the Company accounts are strictly forbidden and regarded as a fraud.

#### **14. Reports on Breaching the Present Policy**

14.1 Every Employee, irrespective of his post (rank), or any representative of the Company, who came to know about the facts or the signs of any breach, or inclination for breaching provisions of the present Policy and/or applied anti-corruption legislation both by the Employees or representatives of the Company or any third parties, should necessarily communicate thereof to:

- The Employee manager or, in the event of such a breach on the part of this manager, to the manager of higher rank.

- The person appointed by the order of the Chairman of the Board, General Director – “NKMZ” PJSC and responsible for taking measures against corrupt practices and observance of anti-corruption legislation provisions at “NKMZ” PJSC.

Any communication or message may be made, in particular, by e-mail to: [fokin@nkmz.donetsk.ua](mailto:fokin@nkmz.donetsk.ua) or anonymously (from external e-mail addresses).

14.2 The Company undertakes (within the Company competence) to ensure protection of the Employees, who honestly informed of any breaches or suspicions to breach provisions of the present Policy and/or applied anti-corruption legislation, from prosecutions or any discriminations on the part of any person with regard to whom such communication were made.

14.3 The Company ensures that no one Employee will be subject to punishment, i.e., discharged, demoted, deprived of a bonus, etc. by the Company if such Employee honestly informed of a supposed corrupt deed or refused to give or take the bribe, suborn somebody or mediate in a bribery, especially when as a consequence of such refusal the Company faced a lost benefit or did not obtain any commercial and competitive advantages.

14.4 The Company guarantee against applying penalties or punishment does not cover guilty Employees or the cases when as a result of the internal audit it might be proved that the above communication (message) was a deliberate falsehood, false evidence or a slander.

#### **15. Auditing and Control**

15.1 Both the internal and external auditing of the financial and business activity of the Company, control of the complete and correct data representation in accounts and observance of legislation provisions and the Company regulatory documents in force along with the principles and requirements of the present Policy are all carried out on a regular base.

15.2 Control of the key business processes including spot checks of the current payments, their legibility and economic validity as well as expediency of the costs (including the checks with the aim of proving conformity with basic accounting documents and requirements of the present Policy) is performed within the framework of the internal audit procedures adopted by the Company.

#### **16. Making Amendments**

16.1 In the event of detecting any insufficiently effective provisions of the present Policy and related Company business processes or making amendments to the applied legislation, the Company undertakes to work out and implement the plan of actions on actualization of the present Policy and/or business processes.

#### **17. Responsibility for Non-Fulfillment (Improper Fulfillment) of the Present Policy**

17.1 The Company Employees bear full responsibility for observance of the provisions of the present Policy as well as for activity (inactivity) of their subordinates who infringe such provisions and requirements irrespective of the posts they hold.

17.2 In so far as the Company may be subject to any sanctions (penalties) due to participation of the Company Employees, contractors or other persons in corrupt deeds, internal auditing (within the framework allowed by legislation in force) as per each reasonably grounded suspicion or ascertained fact of corruption may be initiated.

17.3 The persons guilty in breaching requirements of the present Policy made be made answerable in an order and on the grounds specified by the legislation of Ukraine, local regulatory acts and labor agreements in force.