



OJSC SOLIKAMSK MAGNESIUM WORKS

ANTI-CORRUPTION POLICY

I. General Provisions

This Anti-Corruption Policy (hereinafter - *Policy*) defines the key principles and measures aimed at preventing corruption and compliance with the applicable anti-corruption legislation by the management of OJSC Solikamsk Magnesium Works (hereinafter - *SMW, the Company*), its employees and other persons who may act on behalf or by request of *SMW*.

This *Policy* is an internal regulatory document of *SMW*, developed and adopted in accordance with the legislation of the Russian Federation, the Charter of OJSC Solikamsk Magnesium Works and other internal documents of *the Company*.

This *Policy* is obligatory to all employees of *SMW*, as well as for other persons in all cases where the corresponding duties are involved in the contracts with them.

SMW, its management and employees should respect the norms of anti-corruption legislation established in the Federal Law № 273-FZ of 25 December 2008 '*Combating the Corruption*', in the '*Criminal Code of the Russian Federation*', in the Federal Law № 195-FZ of 30 December 2001 '*Code of Administrative Offenses of the Russian Federation*' and in the other regulatory acts, the main requirements of whose are:

- *Prohibition of giving bribes* - prohibition of giving or promising to provide any financial or other benefit/advantage with the intent to induce any official to fulfill official duties in an inappropriate manner
- *Prohibition of accepting bribes* - prohibition of obtaining or consent to receive any financial or other benefit/advantage for the performance his/her own official duties in an inappropriate manner
- *Prohibition of commercial bribery* - prohibition of giving or promising to provide (directly or through third parties) to a person performing managerial functions of any financial or other benefits/advantages in order to influence the performance of his/her official duties for the purposes to gain/retain business or provide competitive or other benefits to *SMW*.

Terms and definitions:

- 1) *Corruption* - malpractice, giving a bribe, receiving a bribe, abuse of authority, commercial bribery or other unlawful use by an individual of his/her official position contrary to the legitimate interests of society, State and *SMW*, in order to obtain benefits in the form of money, and/or valuables, and/or other property or property services, and/or other property rights for oneself and/or for third parties, and/or unlawful provision of such benefits to a specified person by other individuals
- 2) *Conflict of interests* - the contradiction between the personal interests of the person and the interests of the entity, the presence of which may affect the objectivity or impartiality of decision-making, as well as the performance or non-fulfillment of actions when performing the powers granted to him/her
- 3) *Prevention of corruption* - the entity's activities aimed at implementing elements of corporate culture, rules and procedures that ensure the avoidance of corruption offenses
- 4) *Counterparty* - any Russian and/or foreign legal entity or individual with whom the Company enters into contractual relations, except labor relations
- 5) *Corruption offense* - an intentional act containing signs of corruption, for which the law establishes criminal, administrative, civil, disciplinary liability.

II. Objectives of this Policy

This *Policy* reflects the commitment of *SMW* and its management to ethical standards and principles of transparent business, as well as striving to improve corporate culture and maintaining business reputation. *SMW's* goals are as follows:

- Minimizing the risk of involvement of *the Company*, its management and employees in corruption activities, regardless of their position
- Formation of a uniform understanding of the *SMW's* policy on the rejection of corruption in any forms and appearances with counterparties, employees and other persons
- Summarizing and explaining to employees the basic requirements of anti-corruption legislation that may apply to management and employees
- Imposition of duties on *SMW's* employees to know and respect the principles and requirements of this *Policy*, the key rules of applicable anti-corruption legislation, as well as support measures to prevent corruption.



III. The Main Principles of Combating the Corruption

The SMW's system of measures of combating the corruption is based on the following principles:

- The principle of compliance of this *Policy* with legislation and generally accepted standards:
 - Compliance of implemented measures with the Constitution of the Russian Federation, international treaties concluded by the Russian Federation, the legislation of the Russian Federation and other regulatory legal acts applicable to *the Company*
- The principle of personal example of the management:
 - Key role of the *Company's* management in building a culture of intolerance to corruption and in creating a system of preventing and combating the corruption
- The principle of employees' involvement:
 - Notification of the *Company's* employees on the provisions of the anti-corruption legislation and their active participation in the development and implementation of measures and procedures on combating the corruption
- The principle of proportionality of anti-corruption procedures to the risk of corruption:
 - Implementation of a set of measures to mitigate the likelihood of involving *the Company*, management and employees in corruption activities
- The principle of liability and inevitability of punishment:
 - Inevitability of punishment for employees of the *Company*, regardless of their position, work experience and other conditions in the case of committing corruption offenses in connection with the performance of their labor duties
- The principle of transparency of economic activity:
 - Information of counterparties and partners of *SMW* concerning anti-corruption measures taken by *the Company*
- The principle of continuous monitoring and regular control:
 - Regular monitoring of the effectiveness of anti-corruption measures, as well as control of their implementation.

VI. Anti-Corruption Measures

SMW carries out the following measures to prevent corruption:

1. Implementation of standards of business conduct in relationships with counterparties

The basic principles of business relationships with counterparties are defined in the following documents of *the Company*:

- *SMW's* Tender Regulations
- *SMW's* Contract Regulations and *SMW's* Claims/Penalties Regulations.

The Company strives to have business relations with counterparties supporting compliance with the requirements of anti-corruption legislation and/or counterparties declaring corruption non-acceptance.

SMW declares that it refuses to stimulate, by either of the ways, employees of counterparties including providing money, gifts, donating works (services) addressed to them, as well as by any other way not specified herein, putting the counterparty's employee in a certain relationship and aimed at ensuring that this employee performs any actions in favor of *the Company*.

The Company makes reasonable efforts to mitigate risks arising from business relationships with counterparties those may be involved in corrupt activities, for which *SMW* can take the following measures to prevent corruption:

- refusal to conclude contracts with counterparties whose executive bodies and/or beneficiaries are known as involved in corrupt activities
- inclusion of anti-corruption conditions (clause) into contracts
- prohibition of the offering or providing, as well as the prohibition to give consent to the offer or provide of any bribes (cash, securities, valuable gifts, other property or property rights, etc.) to any employees of the Parties
- prohibition to seek, accept or agree to accept from any employee of the Parties any bribes (cash, valuable gifts, other property or property rights, etc.).



In the event if the Party suspects that a violation of any provisions of this article has occurred or may occur, the Party concerned shall immediately notify the other Party in writing. In a written notice, the Party is obliged to refer to the facts or provide arguments those definitely confirm or give the reason to believe that a violation of any of the provisions of this article has occurred or could occur, expressed in actions qualified by applicable law as giving or receiving a bribe, commercial bribery, and actions that violate the requirements of applicable law and international rules on criminal money laundering.

The *Company's* employees are personally liable for corruption offenses committed when interacting with counterparties and third parties in accordance with applicable law.

2. Actions of employees in the cases of signs of corruption

- employee should notify the employer concerning cases of incitement to commit corruption actions and the grievance and complaints procedure should be developed to investigate such notifications
- employee should notify the employer concerning cases of the occurrence of a *conflict of interest* and the procedure for resolving the identified *conflict of interest* should be developed.

Any employee or other person, in case of doubts about legality or in accordance with the goals, principles and measures in this *Policy*, as well as actions, omissions or suggestions of other employees, counterparties or other persons, who communicate with *SMW*, should inform the senior manager who, if necessary, should provide recommendations and clarifications regarding the situation.

3. Notification and training of employees

- posting of this *Policy* on the corporate website
- arrangement of individual counseling to employees in the cases of their requests concerning application (compliance) of anti-corruption measures
- promoting a higher level of anti-corruption culture through notification and training.

4. Internal audit and control in *the Company* on compliance with requirements of this *Policy*

- control of compliance with internal procedures
- control of accounting data, availability and reliability of primary accounting documents
- prohibition of informal reporting (including accounting) and the use of false documents
- control of the economic feasibility of expenses in areas of high risk of corruption:
 - business gifts
 - representative expenses
 - charitable donations
 - remuneration to external consultants.

5. Cooperation with control, law enforcement agencies in the area of combating the corruption

- notification of the control and law enforcement agencies concerning all cases of corruption offenses of which *the Company* became aware
- assistance to authorized controlling and supervising representatives and law enforcement authorities in matters of preventing and combating the corruption during their carrying out control and supervisory measures in relation to *the Company*
- assistance to authorized representatives of law enforcement agencies in carrying out activities to suppress or investigate corruption offenses, including search activities
- management and employees of *the Company* support law enforcement authorities in identifying and investigating corruption, take the necessary measures to preserve and transfer to law enforcement agencies documents and papers containing information on corruption offenses and crimes
- prevention of interference in the activities of controlling, supervising and law enforcement officials.

6. Relationships with Government Officials

Any payment of any expenses to government or other public officials, as well as to their close relatives (or for their benefit), in order to obtain commercial benefits, including expenses for transport, accommodation, food, entertainment, PR campaigns, etc., or providing them any other benefits for the account of *the Company*, is prohibited.

7. Mandatory requirements for the gifts and the representative expenses

- Gifts, representative expenses, business hospitality, if happens, should meet the following criteria:
- should be directly or indirectly related to the legitimate goals of *the Company's* activities (for example: presentation, completion of business projects, successful performance of contracts, memorials, etc.)



- should be reasonable, proportionate and should not be luxuries;
- not constitute a hidden reward for a service, action, inaction, connivance, patronage, granting rights, making a certain decision about a transaction, agreement, license, permit, etc. or attempt to influence the recipient with a any illegal or unethical purpose
- should not create reputational risk for *the Company*, employees and other persons in case of disclosure of information on gifts or representative expenses.

8. Prohibition of illegal remuneration

The management and employees of *the Company* recognize a ban on illegal transfer, offer or promise on behalf of or in favor of the other legal entity of the money, securities, other property, the provision of property services, the granting of property rights to any official of *the Company* for action (inaction) in favor of this legal entity associated with his/her official position at *the Company*.

Employees of *the Company* are strictly prohibited, directly or indirectly, personally or through third parties to engage in corrupt activities, offer, give, promise, request and receive illegal remuneration or make payments to simplify administrative, bureaucratic and other formalities in any form, including in the form of cash, valuables, works, services or other benefits, to any persons and from any persons or entity, including commercial entities, authorities and government bodies, government officials, private companies and their representatives.

9. Conflict of Interest prevention and its settlement

The general provisions on resolving *Conflicts of Interest* in the Company is based on the following principles:

- individual consideration and assessment of reputational risks for the Company in identifying each *Conflict of Interest* and in its settlement
- confidentiality in the *Conflicts of Interest* disclosure and in the process of its settlement
- keep the balance between interests of the Company and the employee in resolving *Conflicts of Interest*
- protection of the employee from prosecution in connection with the information concerning *Conflict of Interest*, which was promptly disclosed by the employee and resolved (prevented) by *the Company*.

In connection with the disclosure and solution of *Conflicts of Interest*, employees should keep in mind the following principles:

- when making decisions on business matters and performance of their job duties, follow interests of the Company without taking into account their personal interests, the interests of their relatives and friends
- avoid (if possible) situations and circumstances that may generate a *Conflict of Interest*
- disclose any (real) or potential *Conflict of Interest*
- support to settlement of *Conflict of Interest*.

The Company undertakes confidentially review the information submitted and settle *Conflicts of Interest*.

The information collected should be carefully reviewed by *the Company* in order to assess the seriousness of the risks and to select the most appropriate form of *Conflict of Interest* settlement. As the result of the verification of the information collected, it should be decided whether or not the situation that has arisen (or which may arise) is a *Conflict of Interest*.

If there is a conflict of interest, the following ways of solution could be used:

- restriction of employee's access to specific information that may affect the personal interests of the employee
- *the Company's* employee voluntary refusal of or removal (permanent or temporary) from participation in the discussion and decision-making process on issues that are or may be affected by a *Conflict of Interest*
- temporary dismissal of an employee if his/her personal interests conflict with his/her functional duties
- transfer of an employee to a position with functional duties not related to *Conflict of Interest*
- employee's refusal from the benefit which was a reason of *Conflict of Interest*
- employee dismissal at the personal initiative of the employee
- employee dismissal at the initiative of the employer.

V. Waiver of Sanctions

SMW declares that neither employee will be subjected to sanctions (including dismissal, demotion, bonus deprivation) if he/she reported on the alleged corruption or if he/she refused to give or receive a bribe, to make a commercial bribe or to mediate bribery, including if, as a result of such a refusal, the Company has a lost profit or has not gained commercial and competitive advantages.



VI. Responsibility for Failure to Comply with this Policy

All employees of SMW, regardless of their position, are personally liable to follow the principles and measures of this Policy, including actions (inactions) of persons subordinated to them, who violate principles and measures of this Policy.

Liability for non-compliance with this *Anti-Corruption Policy* is established in accordance with legislation of the Russian Federation.

The *Company* is obliged to carry out official verifications and investigations for every reasonable suspicion or proven fact of corruption.

VII. Final Provisions

This Policy is adopted by the Order of the General Director of the *Company*.

In case of changes in legislation and other regulatory legal acts of the Russian Federation, this Policy shall be applied in the part that does not contradict to the newly adopted legislative and other regulatory legal acts of the Russian Federation.

The manager responsible, appointed by the order of the General Director of the Company, organizes the development and implementation of actions to revise and amend this Policy and/or anti-corruption measures herein.

The *Company* has the right to make additions and changes to certain provisions of this Policy in accordance with applicable laws and other regulatory legal acts of the Russian Federation. Additions and changes made to this Policy should be communicated to employees in writing, as well as by posting on the *Company's* corporate website under terms of free access.

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Date: 11 April 2019

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