
Bakcell Anti-Bribery and Anti-Corruption Policy

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1. GLOSSARY

1.1. ABMS - anti-bribery management system

2. PURPOSE

The purpose of this Anti-Bribery and Corruption Policy ("Policy") is to:

- 2.1. Set our responsibilities and of those working for us, in observing and upholding our position on bribery, corruption, conflicts of interest, anti-tax evasion, anti-money laundering and fight against the financing of terrorism. All mentioned illegal activities and related unethical behaviors will be combined under a common "bribery and corruption" concept throughout this Policy and other related Company policies;
- 2.2. Provide information and guidance on how to recognize and deal with bribery and corruption; to describe the scope of applicable legal instruments, and explain the required actions and expected reactions;
- 2.3. Ensure Bakcell's zero tolerance policy towards bribery and corruption and other illegal activities in business considering its operations in strictly regulated area and regular interaction with government bodies;
- 2.4. Satisfy the requirements of Bakcell's anti-bribery management system (further – the "ABMS");
- 2.5. Ensure continual improvement of Bakcell's ABMS.

This Policy is issued to operate as an instrument for honest, ethical and compliant business conduct. In that respect, this is a part of Bakcell's *continuous improvement* and state-of-the-art solutions pioneer philosophy.

3. OUR COMPANY AND COMMITMENTS

As a first company operating in information-communication technologies sector in Azerbaijan, we serve numerous local and international corporate customers, i.e. commercial and other entities, government bodies and individuals across different industries in the country, connecting people securely and reliably.

As a telecommunication company we are operating in a strictly regulated industry that requires statutory approvals and necessitates large capital outlays (by TI, 2015), therefore we are committed to acting strictly based on the law and other regulations and norms, professionally, fairly and with integrity in all our business dealings and relationships, ensuring necessary measures for prevention of bribery and corruption and demonstrating a zero tolerance to bribery and corruption in our day-to-day activity and initiatives.

As part of our business we are committed to implement and enforce effective systems to counter bribery and corruption, and therefore, we must demonstrate the highest level of compliance by ourselves and transparency in our business.

We will develop effective internal controls, ethics and compliance programmes and measures to prevent, detect and mitigate bribery and risks of its occurrence in the Company's operations.

We will apply risk based approach and assessment to ensure that Company's ABMS is effective, sustainable and adequate.

In all our business transactions, we will abide by the requirements of the Law of the Republic of Azerbaijan on Combatting Corruption as well as other relevant legislation. While geography of our operation is primarily limited to Azerbaijan, we always strive to adopt international best practices. For that purpose, our goal is to act in line with the recommended international standards such as ISO 37001: Anti-Bribery Management Systems.

Also, due to prevailing number of international clients in our portfolio, we will comply with our clients' expectations and requirements. Therefore, in addition to national laws of Azerbaijan as well as best practice international standards, we are committed to adhere to the requirements of the UK Bribery Act 2010 and US Foreign Corrupt Practices Act 1977 both documents aiming to strengthen ethics and combat bribery and corruption.

Further, we are also committed to the fight against money laundering and financing of terrorism and abide by all national and international legal acts such as the Criminal Code, the Law of the Republic of Azerbaijan on Fight Against Legalization of Criminally Obtained Money and Other Property and Financing of Terrorism, United Nations and Council of Europe Conventions, EU Directives on the topic and other standards and tools such as Financial Action Task Force (FATF) recommendations, standards, and methods.

4. SCOPE OF POLICY

This Policy is binding for all Bakcell employees regardless of the length of their employment, position in the company or work schedule (full/part time), affiliates and their respective officers, and all other Company associates, as well as seconded employees, volunteers, interns, agents, business partners, contractors, suppliers and external consultants irrespective of their location.

5. ILLEGAL ACTIVITY AND UNETHICAL BEHAVIOUR

In our Company we strictly prohibit any illegal activities and/or unethical behavior such as bribery and corruption, tax evasion, money laundering, conflicts of interest and others as prescribed by law, international standards and norms, and our internal policies and procedures.

6. RECOGNIZING BRIBERY AND UNETHICAL BEHAVIOUR

We define bribery broadly based on ISO37001:2016 standard as offering, promising, giving, accepting or soliciting *directly or indirectly* any financial or other undue advantage of any financial or non-financial value, and irrespective of location, in violation of applicable laws, to induce the recipient or any other person to act improperly in the performance of their functions, or to reward them for acting improperly, or where the recipient would act improperly by accepting the advantage.

A person acts improperly where he/she acts illegally, unethically, or contrary to an expectation of good faith or fair, or where he/she abuse a position of trust. The improper acts may be in relation to any business or professional activities, public functions, acts in the course of employment, or other activities by or on behalf of any organisation of any kind.

An advantage includes money, gifts, loans, fees, hospitality, services, discounts, award of a contract or anything else of value.

Indirect bribery. A typical example of *indirect bribery* would be a case where a company employs a commercial agent to help the company to win a contract. We do not engage in or tolerate such practices in any form.

Corruption has the same attributes as Bribery but implies more systematic or organized action or expectation. It includes bribery, facilitation payments or other forms of improper business practice. It can be summarized as the misuse of entrusted power or office, whether in public or private sector, for private gain.

Conflict(s) of Interest is an element of corruption *and* means a situation in which different parties have interests that conflict with each other, e.g. this is a situation where business, financial, family, political or personal interests could interfere with the judgment of persons in carrying out their duties for our *Company*. Such conflicts may arise between Bakcell and its shareholders, management bodies, board members, employees, business customers, suppliers and business partners and associates, affiliates, between different functions, units and/or companies within Bakcell (including managers, employees and tied agents, or any person directly or indirectly linked to them by control).

The people affected by the Conflict of Interest required to make timely written disclosure of all new and existing Conflicts of Interest, whether actual or perceived.

Types of Conflicts of Interest and measures for its management are regulated separately in the relevant Company Policy.

Kickbacks arise when suppliers or service providers pay part of their fees to the individuals who give them the contract or some other business advantage.

We do not make, allow and/or will not accept any "kickbacks" of any kind even if it is customary or expected.

All employees must avoid any activity that might lead to a kickback being made or accepted by us or on our behalf, or that might suggest that such a payment will be made or accepted.

If you are asked to make a payment on our behalf, you should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services provided.

You should always ask for an invoice or receipt which details the reasons for the payment.

If you have any suspicions, concerns or queries regarding a payment, you should raise these with the Ethics and Compliance Committee.

Direct cash payments as bribes:

Facilitation payments (also called a 'facilitating', 'speed' or 'grease' payment) are small bribes to officials with a view to speeding up the routine governmental transactions to which the payer is already entitled. Examples include payments to speed up the customs clearances and extra fees to officials to avoid the long queues, secure quick decision-making. When there are officially published and approved official fees for obtaining faster services, then this will not be considered a facilitation payment as long as the fees legitimate (approved by statutory instruments).

Commission fees

Paying commissions to an agent or intermediary as reward for bringing in new business is widespread in commercial transactions, and is usually perfectly legitimate. However, when entering business dealings that contain commission related fees, we shall ensure these agreements set a maximum commission fee, and include a description of services as well as prohibition against payments to public officials.

Request for excessive commission payments to intermediaries, 'advisors' or agents shall be refused.

Donations

Political Donations. We abstain from promoting any political party or public official, or candidate for an elective office, as well as from making political donations.

Public Official means any minister, civil servant, director, officer or employee or other official of any government or any department, agency or body, and/or of any government-owned or controlled company, any company or enterprise in which government owns an interest of more than thirty percent, and/or of any public international organization; (ii) any person acting in any official, legislative, administrative or judicial capacity for or on behalf of any government department, agency, body, or public international organization, including without limitation any judges, or other court officials, military personnel and customs, police, national security or other law enforcement personnel and (iii) any close family member of any of the foregoing.)

Charitable donations are permitted provided that they are legal and ethical under the laws and practices; they must never be made in an attempt to influence any decision or gain a business advantage and shall always be publically disclosed.

7. GIFTS, HOSPITALITY, ENTERTAINMENT AND OTHER EXPENSES

In our Company we allow reasonable and ordinary hospitality or entertainment given to or received from third parties, provided that the gift, hospitality, entertainment or other similar expenses are proportionate in the given circumstances and must not, in any event, be excessive, for the purposes of:

7.1. Establishing or maintaining good business relationships;

7.2. Improving or maintaining our image or reputation; or

7.3. Marketing or presenting our services effectively.

Note: The limit for gifts, hospitality, entertainment or other expenses is 200 AZN per event per person.

Giving and/ or accepting gifts is allowed only if the following requirements are met:

7.4. It is appropriate in the circumstances taking account the reason for the gift, its timing and value;

7.5. It is given openly and transparently;

7.6. It complies with any and all applicable local laws; and

7.7. It is not frequent.

We prohibit any gifts to any public official irrespective of its value.

Company promotional items such as post cards, brochures, calendars to public officials are allowed only if the value of such promotional items does not exceed the established statutory limits.

Giving or receiving cash gifts or payments is strictly prohibited under any circumstances.

The test to be applied is whether in all the circumstances the gift, hospitality or other similar payment (expense) is reasonable, proportional and bona fide. The intention behind it should always be considered.

8. PAYMENTS TO FACILITATE TAX EVASION

We disallow any payments by any means, including transfers to off-shore bank accounts, that will facilitate the evasion of tax by Company itself, a customer, supplier or other third party, including government officials and contractors, which have no commercial basis or clearly could be construed by tax authorities to be a facilitation of tax evasion by the recipient of such payment.

In addition to the above, we explicitly prohibit tax deductibility of all bribes or expenditures incurred in furtherance of corrupt conduct in contravention of the criminal law or any other laws of the Republic of Azerbaijan.

9. PROHIBITED ACTIONS

It is prohibited to:

- 9.1. Give, promise or offer a payment, gift or hospitality with the expectation or hope that a business advantage may be received, or to reward for an already gained business advantage;
- 9.2. Give or accept a gift or hospitality during any commercial negotiations or tender process, if this could be perceived as intended or likely to influence the outcome;
- 9.3. Accept a payment, gift or hospitality from a third party that you know or suspect is offered with the expectation that it will provide a business advantage for them or anyone else in return;
- 9.4. Accept hospitality from a third party that is unduly lavish or extravagant under the circumstances;
- 9.5. Offer or accept a gift to or from government officials, or representatives, or politicians or political parties;
- 9.6. Threaten or retaliate against another worker who has refused to commit a bribery or who has raised concerns under this Policy; or
- 9.7. Possess, conceal, use, convert or transfer criminal property or its proceeds;
- 9.8. Become involved in an arrangement facilitating any of the above, or
- 9.9. Possess or in any way deal with funds related to terrorist activities or funds likely to be used for terrorist activities;
- 9.10. Engage in any other activity that might lead to a breach of this Policy.

10. ANTI-MONEY LAUNDERING (AML) AND FIGHT AGAINST FINANCING OF TERRORISM

Money laundering is about trying to legitimize illegal funds; it is the process by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activity and integrate (reintroduce) the proceeds into the economy for legitimate purposes. Typically, money laundering follows a three-stage process:

- 10.1. Placement – Physical disposition of monetary proceeds derived from illegal activity.
- 10.2. Layering – Separating the proceeds of criminal activity from their illegal source through layers of financial transactions.
- 10.3. Integration – acquiring wealth generated from the transactions of the illicit funds, through additional transactions until the “dirty money” appears “clean”.

For the purposes of this Policy *money laundering* shall include (but not limited to) the following:

- 10.4. the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an activity to evade the legal consequences of that person's action;
- 10.5. the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property, knowing that such property is derived from criminal activity or from an act of participation in such an activity;
- 10.6. the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such an activity;
- 10.7. participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counseling the commission of any of the actions referred to in points (a), (b) and (c).

Reverse money laundering is a process that disguises a legitimate source of funds that are to be used for illegal purposes. It is usually perpetrated for the purpose of financing terrorism but can be also used by criminal organizations that have invested in legal businesses and would like to withdraw legitimate funds from official circulation. Unaccounted cash received via disguising financial transactions is not included in official financial reporting and could be used to evade taxes, hand in bribes and pay "under-the-table" salaries.

Financing of terrorism means the provision or collection of funds, by any means, directly or indirectly, with the intention that they are used or in the knowledge that they are to be used, in full or in part, in order to carry out any terrorist act.

11. MODERN SLAVERY

Bakcell is committed to utmost respect for human rights and freedoms and expects the same from every official and employee of our Company, third parties acting on behalf of our Company and any party having business relationship with our Company.

We shall not tolerate any behavior infringing with human dignity, including but not limited to modern day slavery, human trafficking or inhumane working conditions and shall immediately cease business relationship with any party causing or failing to prevent such behavior and report any such infringement to relevant authority.

We take a proactive approach in preventing modern slavery by:

- Conducting due diligence and risk assessment in supply chains to prevent inadvertent use of forced labor or products at risk of being produced by forced labor;
- Ensuring the ethical recruitment of migrant workers, including through prohibiting charging workers with fees to secure work and withholding identification documents.

12. RECORD KEEPING

We will keep records and will have and maintain appropriate internal controls in place to document all business reasoning for payments to third parties. All books and records, financial statement disclosures, accounts, invoices, memoranda, accounting and auditing standards, and other documents and records relating to dealings with, including but not restricted to third parties, such as clients, suppliers and business associates, must be prepared and maintained with strict accuracy and completeness and be completely transparent.

We disallow the establishment of off-the-books accounts, the making of off-the-books or inadequately identified transactions, the recording of non-existent expenditures, the entry of liabilities with incorrect identification of their object, as well as the use of false documents for any purposes and under any circumstances.

13. PROTECTED DISCLOSURE/RAISING CONCERNS

Employees who refuse to accept or offer a bribe, or those who raise concerns or report another's wrong doing, are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this Policy, even if they turn out to be mistaken.

If you are ever concerned that our Policy is not being followed, or simply feel unsure about any situation, or you are a witness of suspicious behavior, it is vital that you speak up and ask a question or share your concern straightaway.

Please talk, call, or email Bakcell's Ethics and Compliance Committee, either directly or anonymously through the Speak Up Hotline compliance@bakcell.com / +994 55 931 21 71 who acts in an independent manner and is duly authorized to investigate your queries.

You may communicate your concerns directly or anonymously via any suggested tool, as well as may seek assistance from your immediate supervisor if you feel demur how to complete your report.

Top Management and Ethics and Compliance Committee are responsible for ensuring those reporting to them are aware of and understand this Policy and are given adequate and regular training on it.

14. SUPPLIER AND THIRD-PARTY DUE-DILIGENCE

Company will conduct due diligence of all its suppliers prior to concluding any commercial agreement. For this reason, Company will develop 3rd party screening procedure which shall be completed before engaging in any agreement.

In addition, we will conduct risk-based due diligence procedure in relation to potential employees, business associates and other parties on case-by-case need.

15. EMPLOYEE AND OTHER PARTIES RESPONSIBILITIES

You must ensure that you read, understand and comply with this Policy.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for us or under our supervision, or those who works with us.

Everyone is required to avoid any activity that might lead to, or suggest, a breach of this Policy. We reserve our right to terminate our relationship with any employee or third party who is found to be in breach of this Policy.

You must notify the Ethics and Compliance Committee as soon as possible if you believe or suspect that a conflict with this Policy has occurred, or may occur in the future. For possible 'Red Flags' indicating bribery or corruption, please see the attached Appendix.

16. RAISING AWARENESS

We will implement measures to ensure periodic communication and ABC training sessions to raise awareness on compliance, ethics and company's principles towards prohibition of bribery and corruption for our staff, suppliers, corporate clients, business associates, partners and etc.

17. OVERSIGHT

As part of its commitment to continual improvement of the anti-bribery management system, Bakcell may amend this Policy and respective procedures unilaterally at any time and at its sole discretion to ensure the continued effectiveness and sustainability. Employees will be notified of all such changes. We keep our Policy under annual review and will notify all parties should there be any changes.

APPENDIX 1. POTENTIAL RISK SCENARIOS

The following is a list of possible 'red flags' that may arise in business transactions and which may raise concerns under various anti-bribery, anti-corruption, AML and FATF laws. The list is not intended to be exhaustive and is for illustrative purposes only.

If you encounter any of these red flags, you must report them promptly to the nominated Ethics and Compliance Committee within this Policy.

- (a) You become aware that a third party involved by Bakcell engages in, or has been accused of engaging in, improper business policy;
- (b) You learn that a third party has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a "special relationship" with public officials;
- (c) A third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for payment made;
- (d) A third party requests an unexpected additional fee or commission to "facilitate" a service;
- (e) A third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;
- (f) A third party requests that a payment is made to "overlook" potential legal violations;
- (g) A third party requests that you provide employment or some other advantage to a friend or relative';
- (h) You receive an invoice from a third party that appears to be non-standard or customized or is made to a country or geographical location different from where the third party resides or conducts business;
- (i) A person refuses to put terms agreed in writing;
- (j) You notice that we have been invoiced for a commission or fee payment that appears to be excessive than the service stated to have been provided (incommensurate fees);
- (k) A third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us.

Certain situations require extra watchfulness from Bakcell personnel. Situations that should be considered as at a risk of money laundering are:

- entering into arrangements with partners that may be fronts for criminal activities;
- use of an alternative banking system to move funds;
- use of various intermediate channels for funding;

- use of couriers to transport cash or valuables; or
- payment of facilitation charges where it amounts to a private benefit rather than a lawful tax or duty.

There are certain indicators – patterns which might point to a potential money laundering scenario:

- Large cash transactions;
- Large amount of transactions, which could indicate layering of transactions (splitting up of deposits to fall below reporting thresholds);
- Transactions connected with jurisdictions that have a history of money laundering;
- Transactions connected with individuals or businesses that are potential money launderers.

EMPLOYEE STATEMENT:

[illegible]