



Annex [ ]  
to the Sole Shareholder's Resolution for  
EuroChem Trading USA Corp.

**COMPLIANCE POLICY**  
**EUROCHEM TRADING USA CORP.**

**Zug, 2018**

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## I. INTRODUCTION

EuroChem Trading USA Corp. (the “**Company**”), the parent company EuroChem Group AG, and each of its subsidiaries (each its subsidiaries and each joint venture in which the parent company has, directly or indirectly, an interest of 50% or greater, shall be jointly referred to as the “**Group**” and individually as a “**Member of the Group**”) conduct their business operations in a manner that ensures adherence to all applicable statutory requirements, which it obliges to comply by law or otherwise, and to the standards, policies and rules, which it agrees to comply with by its own decision.

This Compliance Policy (the “**Policy**”) is introduced in accordance with the Company’s Sole Shareholder’s Resolution and is aligned with the Company’s and the Group’s strategic objectives. The Policy ensures that appropriate internal compliance procedures are in place that the Company and its employees comply with all applicable laws, proven principles and standards prescribed in the best international practices and the Company’s internal rules whereby helps the continued implementation of the Company’s Code of Conduct.

It specifies the Company’s and the Group’s core compliance objectives and principles and defines the prioritized areas of the entire corporate compliance system. It elaborates the Company’s and the Group’s compliance function structure and governance, defines the scope of its rights and responsibilities and prescribes its reporting commitments.

The nature of this Policy is not meant to cover all possible situations on its subject matter that may occur. The Policy terms are not exhaustive and may be amended from time to time. This Policy shall be introduced and implemented by the Company.

## II. GENERAL PROVISIONS

### 1. DEFINITIONS AND CONSTRUCTION

1.1 In this Policy:

“**Business Process Owner**” or “**BPO**” shall mean a manager of the Company responsible for managing any business-related process. “**Business Unit**” or “**BPU**” shall mean any business unit of the Company or any member of the Group.

“**Chief Executive Officer**” or “**CEO**” shall mean the Chief Executive Officer of the Group.

“**Chief Financial Officer**” or “**CFO**” shall mean the Chief Financial Officer of the Group.

“**Chief Compliance Officer**” or “**CCO**” shall mean the Compliance Officer of the Group committed to ensuring that the compliance policies (including the Policy) are consistently complied with throughout the Group.

“**General Counsel**” shall mean the General Counsel of the Group.

“**General Manager**” shall mean the employee of the Company under labour or other contract, who (i) effectuates the control and management of the Company, (ii) performs the functions of the sole executive body, (iii) runs all day-to-day business activity of the Company, or the permitted successor or assignee of such employee.

“**Local Compliance Officer**” or “**LCO**” shall mean the Compliance Officer of the Company, if appointed, committed to ensuring that the compliance policies (including the Policy) are consistently complied with throughout the Company.

“**Compliance Obligations Chart**” shall include compliance obligations applicable to the Group as described in Section 1.3.

“**Compliance Matrix**” shall mean the matrix covering all functional departments and Business Process Owners responsible for the compliance matters in the Company and the Group.

“**Compliance Plan**” shall mean a plan to introduce or implement certain compliance matters and initiatives as approved by the Audit Committee of the Group.

“**Compliance risk**” shall mean any risk of any governmental or regulatory penalties, economical loss or loss of reputation which the Group or the Company may suffer as a result of failure to comply with or breach of its compliance obligations.

“**Compliance risk area**” shall mean each area described in Section 4.

“**Employee**” shall include all employees, officers (including the Compliance Officers) and directors of the Company, permanently or temporarily employed, engaged or contracted by the Company.

“**Group’s management**” shall mean Senior executives of the Group, including the Chief Executive Officer, any member of the Management Board, General Counsel, Head of Corporate Security, and the Chief Compliance Officer.

1.2 Except to the extent that the context otherwise requires, any reference in this Policy to:

“**Material breach**” shall be construed to include any breach, regardless of value, the outcome of which has or may have, if adversely determined, a material adverse effect on the business of the Group or the Company.

“**Systematic breach**” shall be construed to include any breach which is made by any employee repeatedly, on two or more occasions or in sequence.

“**Related regulations**” includes any regulation, standard, policy manual or rule issued by a BU in support of this Policy.

1.3 Section or Annex heading are for the ease of reference only, and references to Section or Annexes are to sections or annexes to this Policy.

1.4 Use of the singular shall include the plural and vice versa.

## 2. SCOPE AND APPLICATION

- 2.1 The Company shall conduct its business activities lawfully and in a manner that is fully consistent with its and the Group's compliance obligations.
- 2.2 This Policy sets out the general principles and standards for the Company's compliance system. The Policy consists of measures to promote, implement, control and improve the Company's and the Group's compliance measures and to report on compliance performance. It seeks to reduce compliance risks applicable to the Company or the Groups' business taking into account its international nature, scale, locations and complexity.
- 2.3 This Policy addresses compliance obligations as maintained by **Compliance Function**, comprising of Compliance Officers, in accordance with the Group's Compliance Obligation Chart, including the following:
- **mandatory legal requirements** in compliance risk areas defined in Section 3.1., which are based on high level statutory requirements of applicable laws and other compulsory legislative or regulatory legal requirements as well as permits, licenses or other forms of administrative authorization
  - **important contractual obligations** that arising out of the material provisions which are relevant to compliance risk areas and may materially affect any member of the Group, covenants and commitments stipulated in the agreements of any form as entered into by a member of the Group, all subject to the terms thereof;
  - **external policy provisions**, which is based on material requirements of the generally accepted or certain domestic standards or principles that a member of the Group has been admitting to apply consistently; and
  - **internal policy rules** established by the Group's corporate policies, standards, regulations or manuals, which may go beyond what is required by the law, as approved by a responsible management body.
- 2.4 The Group's and the Company's compliance system covers compliance risks and compliance risk areas as described in this Policy.
- 2.5 Incompliant behavior may lead to serious consequences for the Company, the Group or its employees in case of crystallization of those risks, such consequences including the following:
- criminal punishment and penalties;
  - administrative or contractual fines;
  - civil and punitive damages;
  - economical loss through seizure of profits or exclusion from contracts;
  - reputational damage and harm to personal records or images.
- 2.6 The Company realizes that compliance risks exist as an inherent part of doing business, provided that the Company and the Group subscribes to a zero tolerance policy in respect of non-compliance with its compliance obligations. Neither responsible manager nor BPO of the Company shall issue any instruction to the contrary.
- 2.7 Employees shall use its best efforts to avoid any incidents, failure or breaches of the compliance obligations, regardless of its materiality thresholds or value. All employees are responsible for maintaining compliance environment and shall accept that compliance is responsibility not only of the appropriate BPO or management or Compliance Function but rather by every employee in the Group.
- 2.8 Any material breaches or systematic breaches of the compliance obligations shall be reported to the Company's management, the Group's management, CCO or the Compliance Committee in a manner prescribed in this Policy.
- 2.9 This Policy and any obligations arising out of or in connection with this Policy applies to all functional departments, BPOs and employees, without any limitation to the terms, forms or order of relations between them and the Company.

- 2.10 This Policy is valid for all employees at all levels, in all parts of the Group and in all countries where the Group's operates. It is intended to protect the Company, the Group and its employees.
- 2.11 The requirements included in this Policy are minimum requirements. Compliance with these requirements is mandatory at all times. In jurisdictions where local laws or regulations set stricter rules for managing compliance risks than those set out in this Policy the stricter rules shall prevail.
- 2.12 This Policy and related regulations provide direction and guidance to be utilized for related compliance policies, standards, procedures and guidelines at local levels. Compliance work and priorities – but not responsibilities – may differ at a local level, depending on local laws, regulations and/or business activities.
- 2.13 The Policy shall be brought to the attention of all employees. All new employees at a BU level shall be informed on the Policy at the time of entering into the employment, labour or similar agreement with the Company. By signing the employment, labour or similar agreement (or specific amendments thereof) the employee confirms that he or she has read, understood and undertakes to comply with the Policy.
- 2.14 In case an employee knowingly or intentionally takes any action in breach of this Policy, the Company's management or management of appropriate BU, after having consulted with the General Counsel and CCO, shall promptly sanction such employee's behavior. Whereby a number of consequences may flow from an individual actions including, in serious matters, termination of employment or contract or further pursuing the legal rights by appropriate BU, such termination to be perfected in accordance with applicable labor or corporate laws or regulations.

### 3. COMPLIANCE PRINCIPLES AND OBJECTIVES

This Policy is based on the following principles:

- 3.1 **Effective compliance begins from understanding and continues with strict adherence:** The Company's management requires from all of the BUs, BPOs and employees, *first*, a good understanding of and strict compliance with all applicable Group's and Company's compliance obligations in each of the markets and jurisdictions in which the Group and Company operates and, *second*, the on-going implementation of and adherence to this Policy.
- 3.2 **Effective compliance function is required to exist at all levels:** the Company's management is responsible for appointing a LCO and maintaining an effective compliance function covering all BUs with the aim to assist management, each BPO, the General Counsel and CCO, to proper manage the compliance risks.
- 3.3 **Effective monitoring of compliance risks is required at all levels:** Compliance Officers at all levels shall ensure the effectiveness of the compliance process of appropriate BU or the Group with adequate and attentive monitoring of the adherence to the Policy and its minimum standards.
- 3.4 **Effective compliance starts from the Management:** the Company's management shall set a good example to ensure that all BUs, each BPO and employee shall continuously conduct their business activities in an ethical manner, consistent with applicable employment terms and fiduciary duties, the Group's and the Company's compliance obligations and terms of this Policy and its related regulations, and the Company's Code of Conduct.
- 3.5 **Compliance is a collaborative and aggregated effort:** Compliance is a responsibility that each BPO or employee shares, regardless of their position within the Company. The Company's management as well as all BPOs and employees need to be conversant with the Policy and compliance obligations described herein.
- 3.6 **Compliance is mandatory for all BUs and functional departments:** The content of this Policy is mandatory and apply throughout the Company and the Group, to be recognized by each BU, business under the Group member's management control and functional departments.
- 3.7 **Compliance reporting shall be provided regularly:** A regular reporting shall be provided in which key risks, major developments and issues as well as compliance incidents, failures or breaches are brought to attention of the relevant management, including recommendations for follow-up.
- 3.8 This Policy focuses on the process to be implemented by the Company to achieve the following objectives:

- ensuring that the Company operates its business meeting all applicable compliance obligations;
  - ensuring that all relevant compliance risks are identified, owned, managed, and properly mitigated;
  - BPOs and employees at all levels build and sustain a culture of compliance whereby encouraging, protecting and valuing the reporting of concerns or suspected wrongdoings;
  - each employee at all levels obeys all applicable compliance obligations in his or her work for the Company;
  - avoiding reputational or economic losses due to non-compliance as a result of the Company being damaged or fined by relevant state authorities or counterparties.
- 3.9 In achieving the compliance objectives, each employee or the BPO shall be always guided by the following rules:
- act legally and properly to uphold the Company's and the Group's good reputation;
  - fully implement and support the Policy's principles and rules in their own field of work;
  - avoid any situation that could damage the Company, the Group as a whole or its reputation;
  - put the Company's and the Group's interests ahead of personal or other interests;
  - in case of doubt, pro-actively consult with the relevant Compliance Officer to avoid any wrongdoing or breach.

### III. COMPLIANCE RISK AREAS

#### 4. COMPLIANCE RISK AREAS OVERVIEW

The Group's compliance system covers the following 12 compliance risk areas:

- 4.1 **Tax reporting** in relation to (i) income tax, (ii) VAT, (iii) transfer pricing requirements, and (iv) other taxes.
- 4.2 **Financial and reporting requirements** in connection with the Group-related (i) key contractual covenants, (ii) IFRS/local GAAP procedures and (iii) applicable exchange rules requirements and corporate security reporting.
- 4.3 **Counterparties' related activity** in connection with (i) Know-Your-Client procedures, (ii) contract management and contract performance control, (iii) contractual claims' handling and settlement, and (iv) specific transactions requirements (corporate and M&A transactions, financial arrangements, acquisition of technology and IP).
- 4.4 **Organizational conduct related activity** related to (i) intra-Group management and supervisory process, oversight of intermediaries, (ii) in-coming and out-going documentation flow, (iii) PoAs control, (iv) archive.
- 4.5 **Business assets registration** in the areas of (i) real estate, and (ii) IP rights.
- 4.6 **Licensing obligations** in connection with (i) subsoil use licenses, and (ii) other licensing activities material to the Group's business.
- 4.7 **Health, Safety and Environment (HSE) requirements** in connection with controlling and monitoring measures under (i) industrial safety, (ii) employees health and safety, and (iii) environmental protection.
- 4.8 **Anti-trust requirements** in connection with (i) anticompetitive arrangements (sales and procurement), (ii) abuse of dominant market position and (iii) applicable merger control requirements.
- 4.9 **Sanction and trade restrictions**, including (i) the U.S. sanctions, (ii) the E.U. sanctions, (iii) sanctions imposed by Switzerland and (iv) other sanctions and trade restrictions applicable to the Group's business.
- 4.10 **Personal conduct related activity** in connection with (i) insider trading, and (ii) conflict of interests.

- 4.11 **Anti-corruption, anti-bribery and anti-money laundering measures** (15) including those required under (i) FCPA, (ii) UK Bribery Act, (iii) other applicable laws.
- 4.12 **Other compliance obligations requirements** in connection with (i) prescribed Human Resources activity, and (ii) general data protection or privacy requirements (i.e. Global Personal Data Protection Act).
- 4.13 The Compliance Function shall ensure the existence and maintenance of detailed compliance measures and procedures with respect to all matters described in Sections 3.1-3.12 (inclusive) of this Policy.
- 4.14 For the avoidance of doubts, neither Compliance Officer nor the entire Compliance Function shall be responsible for the following:
- business, managerial or operational activities, works or services in the areas of production, mining, logistic and sales of the Group's products and third parties' products;
  - business support activity other than the compliance activity, including any Finance and Controlling, Tax, Accounting, Insurance, IT, Procurement, Corporate Security, Legal, HSE, Employment, Governmental Relations, Public Relations, or
  - risk management, other than in relation to the compliance risks,
- which shall be in the areas of responsibility of the relevant BU, its management or appropriate BPO.

For no reason shall any Compliance Officer or the entire Compliance Function be responsible for any wrongdoing, incident, failure or breach by any employee in violation of this Policy or the related regulations.

- 4.15 Where the functions described in Section 3.1 -3.12 above are involved in authorization or approval of matters, transactions or activities with material or reputational risk, the process of authorization or approval shall include the Compliance Officer to analyze or investigate the matter before any action taken whereby an advice from the appropriate Compliance Officer shall be requested.

#### **IV. COMPLIANCE SYSTEM GOVERNANCE**

##### **5. COMPLIANCE FUNCTION**

- 5.1 To effectively manage compliance risks, the Group's management has put in place a Compliance Function which is headed by the CCO, as a structural part of the Group's legal function, with delegated responsibility for day-to-day management of the Compliance Function.
- 5.2 The Compliance Function comprises of the CCO and the LCO(s), acting solely or through compliance department(s) or team(s) responsible for advising on and for managing the compliance matters at appropriate BU(s). At the top of Compliance Function is the Group's Compliance Committee, which is vested with specific responsibilities. The Compliance Function includes the Compliance Officer responsible to monitor the applicable US sanctions and regulations. Unless the Compliance Committee agreed otherwise, the LCO of the BU registered in the US takes the responsibility to control this specific topic.
- 5.3 Within the Group's broader risk framework, the role of the Compliance Function is to:
- understand and advocate the Group's compliance obligations to effectively manage compliance risks applicable to the group's business;
  - proactively work with and advise the Group's management and each Group BPO (or local management, if and where appropriate) to manage compliance risks throughout the Group's (or such BU) business activities to meet stakeholder expectations;
  - develop and enhance tools to strengthen all possible lines of defense to detect, communicate, manage and to report on compliance risks;

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15 Data protection/privacy and anti-trust are risk areas which require specific definition of division of tasks between the Legal, Compliance and IT functions given the specific local circumstances, requirements and capabilities within the relevant BU.

- establish clear roles and responsibilities to help embed good compliance practices by using a risk-based approach to align business outcomes with the Group's risk appetite; and
  - deepen the culture of compliance within the Group by partnering with the Group's management, local management and BPOs to increase the culture of trust, accountability, transparency and integrity in evaluating, managing and in reporting on compliance risks.
- 5.4 Personnel engaged in compliance activity shall have the necessary qualifications, experience and professional and personal skills to enable them to carry out their duties effectively.
- 5.5 Accordingly, every Compliance Officer shall have an overall understanding of the Group's business and own BU's commercial and business operations, which he or she advises. To be effective, Compliance Officers shall therefore have/be:
- the adequate status, authority and personality to challenge anyone about any action in an appropriate and balanced manner, and to be able to follow-up on any concern;
  - direct access to all operations within their jurisdiction, which includes access to all documents, information and activity if the Compliance Officer believes such is relevant for an effective execution of his or her compliance responsibilities;
  - the authority to visit any BU under his/her responsibility to perform review when it is considered necessary;
  - enabled to attend any meeting (incl. external negotiations etc.) if the Compliance Officer believes such is relevant for an effective execution of his or her compliance responsibilities;
  - direct and unfettered access to all levels of the relevant management in the BUs for which they carry responsibility;
  - provided with adequate financial and human resources to meet the compliance requirements;
  - the capability and procedural authority to escalate material compliance matters or concerns to the appropriate management level.
- 5.6 If a Compliance Officer reasonably believes that he or she does not have sufficient expertise, time or resources to carry out compliance duties properly, whether on a specific matter, or generally, the matter shall be raised with his direct supervisor and with the CCO, or if such inadequacies persist, with the General Counsel or the CFO.
- 5.7 The Compliance Function shall ensure that specific and detailed rules and procedures shall be created at the BU's level to meet those differing local requirements, to the extent that they impose additional obligations. In case of differences the more stringent requirement precedes.
- 5.8 Each Compliance Officer shall duly support the activities and duties of other Compliance Officers and of other employees engaged in promoting legal, regulatory and ethical compliance in line roles.
- 5.9 Where activities of more than one BU affect compliance risks of the BU concerned, the responsible Compliance Officer shall promptly consult with the appropriate management or appropriate Compliance Officers (having engaged with the CCO, if so required) to address the compliance issues raised.
- 5.10 All Compliance Officers shall generally cooperate and consult with their counterparts (both in their own, and, where appropriate, other regions, divisions, business lines or BUs) to share expertise and achieve a practical level of consistency of approach, and with other corporate officers handling risk management issues (e.g. operational risk managers, legal officers, Internal Audit or Corporate Security officers) at all levels, as required, so as to ensure consistency of risk management and compliance risks prevention throughout the Group.

## **6. COMPLIANCE FUNCTION RESPONSIBILITIES**

### **Management**

- 6.1 The Company's management is the main BPO of compliance risk in the Company and is ultimately responsible for any business, corporate or strategic activities and decisions that entail such risk. At all levels, the Company's management shall create an environment of awareness and accountability in which the importance of meeting the Company's and the Group's compliance obligations is well understood and accepted. It shall identify and communicate minimum compliance requirements that

each employee must fulfil in day-to-day business activities and to reward or sanction employees' performance against the requirements.

6.2 To implement the required elements of the Policy requirements in an efficient manner, the Company's management shall:

- promote an appropriate compliance policies, regulations, manuals and tools which identifies, manages, reviews, reports, monitors and measure, and improve compliance obligations and compliance performance;
- ensure clear accountability under the Policy within the Company;
- request regular reports on compliance matters or concerns from the LCO ;
- regularly report to the CCO and/or the General Counsel on the compliance matters, if and when required;
- regularly review the corporate procedures to ensure the Company's and the Group's compliance obligations are integrated in day-to-day operations;
- allocate necessary resources to enable employees to understand their own personal accountability in respect of compliance and to be able to effectively carry out their responsibilities;
- take seriously any incident, failure or breach by an employee to comply with the Company's and the Group's compliance obligations. A number of consequences may flow from an individual actions including, in serious matters, termination of employment or contract or pursuing the Company's or BUs legal rights;
- ensure education and training as part of the implementation of the compliance program;
- ensure detailing individual responsibilities, reporting and communication methods;
- ensure cross-organizational communications and mutual support between functional departments, BPOs and BUs; and
- regularly review and implement improvements to the Policy.

The Company's management is responsible to provide sufficient resources (budget, staffing, internal communications, education and training, etc.) to the Compliance Function to ensure effective compliance system existence at all levels. Issues concerning the adequacy of resources should be escalated to the CCO.

6.3 The Company's management remains fully responsible for all compliance risks and all its consequences, and shall ensure that periodic inspection of adherence to the Policy and related regulations (or its minimum standards) takes place. Such inspection may be undertaken by a high-level member of the management, by an appointed senior corporate officer, by Internal Audit function or by an independent inspection.

### **Employees**

6.4 Managing compliance risks and complying with the Company's and the Group's compliance obligations in both personal and business conduct is the responsibility of every employee. Employees shall be aware of which Company's and Group's compliance obligations may impact their day-to-day business activities and shall make sure they understand and meet them. In case of doubts, employees shall pro-actively consult with the relevant compliance officer to avoid any wrongdoing, incident, failure or breach.

### **General Counsel**

6.5 To meet the Group's compliance obligations, the CEO appoints the General Counsel to establish and maintain, in addition to purely legal functions, the Compliance Function led by the CCO. While the General Counsel bears overall responsibility for the Group Compliance Function, the day-to-day responsibility for managing the Compliance Function is delegated to the Chief Compliance Officer. General Counsel reports to the CFO who has specific responsibility for the Group's compliance obligations and compliance matters.

### **Chief Compliance Officer (CCO)**

- 6.6 The CCO is appointed and removed from the position by CEO, upon having consulted with the General Counsel and the CFO. CCO shall report hierarchically to the General Counsel and, on certain matters as prescribed in this Policy, to the CFO. The CCO is required to ensure regular, accurate and timely reporting to the General Counsel and CFO on compliance risks and concerns.
- 6.7 The CCO shall be independent from the operational and commercial activities to be able to perform its duties objectively, as appropriate, and shall have a right to report on material and systematic breaches directly to the CEO, Management or Audit Committee of the Board (all such reporting communications shall be copied to the General Counsel and CFO). In consultations with the General Counsel, the CCO may delegate execution of his or her tasks and responsibilities as appropriate.
- 6.8 The CCO shall have an affirmative vote on any proposed appointment, appraisal or remuneration of the subordinate Compliance Officer. A Compliance Officer can neither be hired nor fired without prior approval by the CCO and/or the General Counsel.
- 6.9 The CCO shall:
- advise management on the Policy's matters and support them with major compliance risks, concerns and issues as they arise;
  - establish and ensure a high quality Compliance Function within the Group;
  - establish a compliance framework and ensure that this Policy and related regulations are understood and implemented by the Group employees;
  - ensure adequate monitoring and control measures as prescribed in this Policy;
  - develop, maintain, advise on, endorse and communicate new or updated policies and regulations in the area of compliance;
  - ensure timely and appropriate reviews of compliance risk issues;
  - liaise with the Group's Legal, IT, Corporate Security, Risk Management and Internal Audit functions to ensure an integrated approach to risk management within the Group;
  - represent the Compliance Function in the Group's projects, transactions and procedures;
  - ensure regular compliance reports to, and regular meetings with, General Counsel and CFO on compliance matters and concerns;
  - ensure accurate and timely reporting on compliance issues or concerns to the CEO or the management;
  - ensure informing the higher-level management about requests and enquiry from, or findings by, any regulatory authorities;
  - periodically meet with the CEO and CFO to discuss relevant compliance topics and concerns and, where appropriate, compliance reports, incidents, failures and breaches, and follow up recommendations;
  - manage the day-to-day operations of the Compliance Function;
  - ensure, in conjunction with the Group's management, that all levels are adequately staffed with Compliance Officers;
  - approve appointment, appraisal, dismissal and remuneration of the subordinate Compliance Officers;
  - provide functional management to the LCOs and local compliance teams;
  - provide input into the Company's compliance departments' and BUs' budget setting;
  - having consulted with the General Counsel and CFO, develop and execute a compliance framework tools, including the Compliance Matrix, the Compliance Obligations Chart and the Compliance Plan;
  - manage compliance communications, educational or training strategies and initiatives and ensure support to the Company's and the Group's BUs in the areas of compliance as required;
  - keep abreast of the regulatory and industry trends and narratives, applicable compliance obligations in relation to all compliance risk areas as prescribed in this Policy and advise the relevant stakeholders accordingly.

### **Local Compliance Officer (LCO)**

- 6.10 The Company's management shall appoint, upon having consulted with the CCO and the General Counsel, at least one qualified individual to serve as a LCO in each BU. To the extent possible, a head of legal function or in-house legal specialist of the BU concerned shall be proposed to take such role. If no in-house legal specialist is available, then a chief financial officer of the Company shall take responsibility over compliance matters at local level.
- 6.11 The Company's management shall establish and maintain a compliance department or team led by the LCO, if and where appropriate, to manage the compliance matters and to advise and assist local management to manage the compliance risk attributable to it.
- 6.12 The LCO's shall hierarchically report to General Manager of the Company. On compliance matters, the LCO's shall have a functional reporting line to the CCO. Material compliance information shall be reported to both hierarchical and functional line.

To effectively support the business activity, LCO's shall, having consulted with the CCO and General Counsel, implement local level compliance policies and practices and shall develop a clear understanding of such local rules. LCO's shall act within the scope of this Policy and shall review and continually improve the effectiveness of the local policy rules. Each LCO shall at all times have a free access to the CCO. A Compliance Officer shall consult upwards whenever in doubts.

To the extent possible, the LCO shall be sufficiently independent from the commercial activities to be able to perform their compliance duties objectively, as appropriate, and shall have a right to report on compliance matters directly to the Company's or the Group's management as appropriate (all such reporting communications shall be copied to the CCO and/or to the General Counsel). In consultations with the CCO, the LCO may delegate execution of tasks and responsibilities as appropriate.

- 6.13 The LCO shall have the relevant powers, may give instructions to employees of the relevant BU and take any other reasonable measures in order to manage the compliance risks in accordance with applicable laws, this Policy or related regulations. Where local laws or regulations impose additional duties on the LCO, such requirements shall supersede provisions of this Policy.
- 6.14 The LCO shall, in addition to authorities similar to those of CCO to manage the day-to-day operations of the compliance function at the local level:
- ensure communication of this Policy and related regulations are disseminated to all employees and management at local level;
  - ensure regular compliance reports to the CCO; and
  - periodically meet with the CCO or the General Counsel to discuss relevant compliance topics and where appropriate available compliance reports or concerns.
- 6.15 In some instances, corporate officers other than the appointed Compliance Officer may also perform certain compliance duties, but the CCO remains integrally responsible for these duties as if they were performed by him- or herself. Where this is the case, procedures shall be in place to ensure that such officers and the CCO communicate and cooperate fully with each other on compliance issues, such that the requirements and responsibilities set forth in this Policy are complied with.

### **The Compliance Committee**

The Compliance Committee shall assist the CCO and other Compliance Officers in the oversight of this Policy and related regulations.

- 6.16 The Compliance Committee shall be responsible for the following matters:
- periodic assessment and prioritization of the compliance risk areas, the sharing of compliance program best practices, and the development of the Group-wide regulations or tools to increase the efficiency and effectiveness of its compliance system activity;
  - provide direction and assistance to design the Group's compliance program to help prevent and/or detect incidents, failures or breaches of the Group's compliance obligations;
  - oversight and assistance efforts to monitor adherence to the Group's compliance obligations, and the compliance program implementation;

- review reports and actions proposed or taken resulting from incidents, failures or breaches of Group's compliance obligations or internal and external audits or investigations;
- oversight and monitor the resources assigned to the Compliance Function to assess its adequacy;
- review reports as presented to the Group's management or to the Board;
- review the compliance education and training programs; and
- perform such other duties and responsibilities as may be proposed by the General Counsel, CCO or any member of the Compliance Committee.

The Compliance Committee shall permanently consist of the following officers:

- CFO(Chairman)
- CCO
- General Counsel
- Director, HR

6.17 Participation of the following officers is optional:

- Deputy Head of Corporate Security
- HSE Director
- IT Director or representative.
- Any other officers may be invited by the Chairman.

6.18 The Compliance Committee meets at least monthly, or more frequently as the Committee's members may jointly determine. The initial schedule for each year will be determined by the CCO on an annual basis. Members are expected to attend all meetings or designate a substitute. The Chairman of the Committee may invite any employee, LCO or a member of Group's management to attend the Committee meeting or participate in its activity.

## **7. AUTHORITIES OF THE COMPLIANCE OFFICERS**

### **Access**

- 7.1 The CCO shall at all times have access to all information and activity in relation to compliance risk areas as prescribed in this Policy. This includes access to all Company's or the Group's documentation, information, registrars, reports and systems (e.g. complaints register, whistleblower or other reports and files), incidents and employees, including local management, BPOs or other decision-makers, if and when appropriate.
- 7.2 Likewise, the LCO shall at all times have access to all documentation, information, activity, employees, management, BPOs or other decision-makers or BPOs in relation to the compliance risk areas as related to the relevant BU of the Company where he or she serves in the capacity of LCO.

### **Analyze, Investigate and Challenge**

- 7.3 In case the LCO perceives a compliance risk or concern, or when a BPO's or the Company's management's decision, transaction or action, may give or has given, on the reasonable opinion of the LCO, rise to a compliance risk for the Company, the Company or the relevant BU, the LCO shall promptly analyze the matter whereby investigating and challenging concerns, actions or outcomes without influence from the management or BPOs.
- 7.4 The LCO, after consultation with the CCO, shall promptly issue a formal opinion in writing, to be communicated to the Company's management or BPO, resolving the issue to proceed if no risks exist or advising management or BPO that the course of action would result in an unacceptable compliance risk, in which case management or BPO cannot proceed. If the matter is not resolved in a reasonable period of time or management or BPO decides to proceed otherwise, the CCO shall follow the escalation process.
- 7.5 In case of an incident, failure or breach the CCO has the authority to request, via the General Counsel or CFO:

- Group's Internal Audit function to perform specific audit; or
- Group's Legal and/or Corporate Security Functions to undertake a special internal investigation of a specific business activity or an employee.

### Escalation

- 7.6 If and when a matter or concern is escalated, they shall also inform the Company's management that the issue was escalated to the CCO or the higher level management for the decision making. The Company's management shall postpone execution of the initial decision until the issue has been finally resolved by the CCO or the higher level management. Any material compliance issue shall in any event be raised directly and without delay with the CCO who will promptly bring the issues to the General Counsel or to the higher level management.
- 7.7 The CCO has the right to escalate material compliance issues affecting the Group directly to the CEO and to the CFO, or to the Chairman of the Audit Committee of the Board (with copying such communication to General Counsel), if and where appropriate. This also applies to a situation where the CCO and General Counsel have a different opinion on a compliance issue or compliance risk or the compliance issue directly concerns the General Counsel.
- 7.8 The CEO is ultimately responsible for resolving all compliance risk-related matters, provided that in case of different opinions on the unresolved compliance matter between the Compliance Officer and General Counsel it shall be first considered and resolved by the CFO. The General Counsel and the CCO shall have the right to escalate unresolved compliance matter to the Compliance Committee's resolution or to the Chairman of the Audit Committee of the Board, if deemed appropriate.

### Reporting

- 7.9 A regular compliance reporting shall be provided to the Company's management by the LCO, during which key risks, major developments, concerns or issues in compliance and compliance incidents, failure or breaches are brought to attention, including recommendations for follow-up.
- 7.10 The LCO shall report at least monthly to the Company's management on the effectiveness of implementation of the Policy and related regulations in addition to compliance topics that may be required by local policies or related regulations. The LCO shall ensure that reports are accurate, up-to-date and on time. All reports as provided by LCO shall also be sent to the CCO for the file.
- 7.11 In addition, the LCO shall report on any incidents, failure or breaches in relation to compliance matters to the Company's management and the CCO as prescribed in this Policy.
- 7.12 The CCO, as part of his or her assurance activities, reviews the LCO's supporting evidence and inquires to ensure the local reports are accurate and current.
- 7.13 The LCO shall serve as a reporting officer for the Whistleblower Policy. The reporting officer is responsible for reporting on new and updated whistleblower cases at least monthly.
- 7.14 The following rules shall apply for reporting:
- **Periodic reporting:** it shall be conducted by the LCO in a manner permitting the CCO to meet his or her upward reporting obligations provided that any local report shall be delivered at least 2 business days before the end of the reporting month;
  - **Reporting on incidents:** report on incidents, failures or breaches shall be provided by the LCO as soon as reasonably practicable, but not later than 2 business days after occurrence. Where material compliance incidents are reported, these must be provided by the LCO through the CCO and General Counsel.
- 7.15 The LCO reports at least monthly to the Company's management on relevant compliance topics or concerns. The CCO shall challenge the content of the local reports to independently form an opinion on relevant compliance matters. Based on this challenge and opinion, the CCO shall consolidate local reports for reporting at the Group's level. The CCO shall have a right to request detailed local reports on any compliance matter if and when he or she deems appropriate.

- 7.16 The CCO shall also report to the Audit Committee of the Board on a quarterly basis on the Compliance Plan implementation across the Group.
- 7.17 In addition to formal reporting, the CCO shall have periodic meetings with the General Counsel and CFO, or with the CEO, in which the compliance matters or concerns as well as ongoing business related issues shall be discussed. Where appropriate available compliance reports shall be pre-discussed before formal delivery.
- 7.18 In addition to formal reporting, the CCO and General Counsel shall have semi-annual meetings with the Chairman of the Audit Committee of the Board in which compliance matters or concerns as well as ongoing business related issues in relation to compliance shall be discussed.
- 7.19 The General Counsel shall appoint the CCO as the reporting officer for the Whistleblower Policy for the Group. The CCO may involve a representative of the Corporate Security function if required. The reporting officer is responsible to report on new and updated whistleblower cases at least quarterly. LCOs are responsible for processing of such cases (accepting, first-stage investigation, collecting necessary information, etc.) and for reporting to CCO on the cases, which require the further actions or investigations, but at least on a monthly basis.

## 8. COMPLIANCE FUNCTION ACTIVITY

The Compliance Function activities shall include the following:

- 8.1 **Compliance framework development** including establishment and maintenance of the Group's Compliance Matrix, Compliance Plan and Group's Compliance Obligations Chart which is within the generic scope of the Compliance Function. In cooperation with the General Counsel, the Compliance Function shall evaluate, update and monitor the current compliance risks areas regulations to ensure that all necessary requirements, which may materially affect the Group's and Company's business, are duly incorporated.
- 8.2 **Risk areas identification and assessment**, including identification and prioritization of potential areas of compliance risks leading to damage to the Group's and Company's reputation, legal or regulatory sanctions, or financial loss.
- 8.3 **Compliance risks monitoring**, including on-going monitoring of the adherence to this Policy and related regulations, and assisting in enforcement as needed.
- 8.4 **Compliance risks mitigation**, including promoting adequate compliance framework and tools, and advising and assisting the Group's and Company's management to prevent, mitigate or minimize compliance risks and to detect, report and respond to compliance incidents, failures or breaches.
- 8.5 **Incidents and concerns monitoring**, including reporting of and responding to compliance incidents, failure or breaches, i.e. to initiate or drive appropriate management's actions and to develop "Lessons-Learned" or "Case Handling" procedures.  
**Training and education**, including promoting and conducting of an on-going compliance training and education program appropriate to the applicable compliance risk areas, division or BU whereby ensuring awareness and understanding of the Policy's rules and related regulations procedures.
- 8.6 **Action-tracking** of the resolution of the incidents, audits or investigations and related management initiated actions.
- 8.7 **Advisory activity**, including proactive consultations and recommendations to the Group's and Company's management and employees with respect to any compliance risks, matters or concerns.  
**Liaison and interaction**, including leading the relationship with other functional departments (i.e. Legal, Corporate Security, HR, IT or Internal Audit, etc.) and responses to regulatory authorities, if and when appropriate, with respect to compliance matters.

## 9. HOTLINES AND WHISTLEBLOWING PROCESS

- 9.1 The Company supports a unified and proper whistleblowing process to be implemented in accordance with the Whistleblowing Policy.

Each employee has a freedom to address any question he or she may have in connection with any compliance risk, concern or matter directly with the LCO or CCO and/or General Counsel.

**V. POLICY GOVERNANCE**

**10. EDUCATION AND TRAINING**

- 10.1 The Company shall provide training and education sessions on the applicability of this Policy to all employees on a regular basis, but at least once in a twelve-month period in the form the CCO and the Compliance Committee find appropriate.
- 10.2 The CCO shall determine the content of the training and education sessions.
- 10.3 The Company's management shall ensure the relevant employees attend the training and education session when requested by the CCO.

**11. POLICY REVIEW**

- 11.1 This Policy shall be reviewed on a regular basis, but at least annually in order to ensure that the Policy is up-to-date, accurate and is in line with all internal rules and external factors impacting the Company's and the Group's operations in the markets and jurisdictions where the Group operates.

**12. IMPLEMENTATION OF THE POLICY**

- 12.1. The amendments to this Policy may be provided by the Company, having consulted with the CCO and/or the General Counsel. The proposed amendments are subject to review and approval by the Compliance Committee.
- 12.2. The Company's management shall be responsible for implementation and incorporating of this Policy into the employee training and education program and relevant HR policies and standards.

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