



Armament, Ammunition *AQAP-2110*

Machine Tools ISO 9001



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COMPANY POLICY FOR PREVENTION AND DISCLOSURE OF CONFLICT OF INTEREST AND CORRUPTION

Ethical conduct is a prerequisite for success.

The activity of **ARSENAL JSCo.** is accomplished observing the principles of:

- initiative;
- good management;
- observance of all relevant national and international legislation;
- correctness;
- social engagement;
- observance of all universally accepted trade, professional and ethical codes;
- prevention and disclosure of conflict of interest and corruption.

Observance of the above principles of conduct is an irreversible part of the vision for development of **ARSENAL JSCo.** and a key factor for the reputation and good name of the Company among its customers, business partners, civil and national institutions.

In pursuance of these principles **ARSENAL JSCo.** states in public and adopts a general company policy for prevention and disclosure of conflict of interest and corruption.

Risk of acts of corruption and conflict of interest

The Board of Directors of **ARSENAL JSCo.** takes the view that the conflict of interest and corruption reduce the effectiveness of the economy and degrade the quality of the manufactured products. Moreover, the acts of systematic corruption destroy the public confidence in the Government and the companies, undermine the functioning of the free market, and affect adversely the capabilities of the state and the society.

Basis of the policy for prevention and disclosure of conflict of interest and corruption

Corruption can take the form of offering, promising and granting of financial benefits (active corruption), as well as be concealed by camouflage as intercession, pressure and extortion (passive corruption). In all its forms and manifestations, corruption violates the market competition, it is a crime and as such it has to be unequivocally condemned. Corruption is an obstacle to the free business initiative, the normal functioning of the market economy and the effective management.

In our view the acts of corruption in the relations with the national authorities, as well as in the relations with private organizations, with the purpose of obtaining and retaining certain illegal advantages, has to be eradicated from the economic life.

The managing bodies, officials in leadership and administrative positions in **ARSENAL JSCo.**, or those acting on their behalf, undertake the obligation to refrain, under any circumstances, from any forms of direct or indirect corruption in the activity of

ARSENAL JSCo., as well as in the companies controlled by **ARSENAL JSCo.**, its joint ventures, agents and subcontractors.

The officials of **ARSENAL JSCo.** take all necessary measures to avoid conflict of interest, refuse financial or other benefits, offered unlawfully, directly or indirectly, by or to, individuals or entities outside the company.

The company policy for prevention and disclosure of conflict of interest and corruption is based on the strict observance of the generally accepted ethical code of conduct by all employees of **ARSENAL JSCo.**, enhancement of the transparency of decisions, actions and results, as well as improvement of the control and accountability on all levels.

The basic principles in the practical implementation of the Policy are:

- applying uniform rules and regulations for all workers, employees and external partners;
- undertaking to ensure high transparency in taking managing decisions on all levels;
- determined and effective opposition against any act of corruption and conflict of interest;
- regular analysis of the risk of corruption and conflict of interest;
- uninterrupted monitoring for identification and termination of detected corruption practices or behavior carrying high risk of corruption and conflict of interest;
- regular account of the accomplishments and upgrading of the policy by the Board of Directors of **ARSENAL JSCo.**, as well as taking into account and adopting good world practices.

Main measures

The policy is implemented via a set of normative, organizational and individually oriented measures, including providing information to the partners and the employees of **ARSENAL JSCo.** The normative measures include the introduction of this policy, the risk analysis and the adoption of internal deeds and instructions.

Among the main organizational measures is the establishment of an Ethics Committee and creating the opportunity to file warnings and complaints relating to corruption, conflict of interest and unethical conduct; also creating an adequate system for the protection of individuals warning in good faith about any acts of corruption and conflict of interest; improvement of the additional incentive bonus system, and providing information to the traditional partners and the public.

This deed has been approved by the Board of Directors of **ARSENAL JSCo.** with Record No10, 7th October, 2014.

Board of Directors of ARSENAL JSCo.:

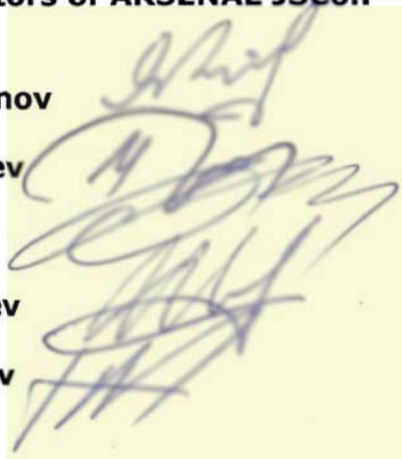
Yanko Kostadinov

Nikolay Ibushev

Stanil Stanilov

Hristo Ibouchev

Dobrin Dragnev

A yellow rectangular area containing five handwritten signatures in blue ink, corresponding to the names listed to the left. The signatures are stylized and difficult to read.