

“KNOW YOUR CLIENT” (KYC) DUE DILIGENCE POLICY

APPLICATION

This “Know Your Client” (KYC) policy (the “Policy”) applies to Borets International Limited, its subsidiaries, affiliates and branches worldwide (together, the “Borets Group” and each a “Borets Company”).

This Policy is in addition to any credit checks or other creditworthiness analyses that Borets Group policies may require to be performed in connection with an agreement or transaction.

EXCEPTIONS

This Policy does not apply to state-owned or public companies and organizations. This Policy does extend to participants with whom a Borets Company enters into a joint venture or a consortium.

This Policy does not apply to any non-binding preliminary agreements, such as term sheets, memoranda of understanding, letters of intent or similar type of agreements, as well as to confidentiality and non-disclosure agreements (each, a “Preliminary Agreement”), except as provided below under (i) “Required Documents” and (ii) “US and EU Sanctions; Export Control Laws”, in connection with entities connected with certain sanctioned countries.

PURPOSE

The purpose of this Policy is to ensure that all parties who are involved in the Borets Group’s international business are required, in appropriate circumstances, to undergo due diligence. These due diligence procedures, known as “Know Your Client” (KYC) procedures, include:

- Obtaining background information on potential customers, suppliers, agents, representatives, joint venture participants and other contract counterparties (each, a “Counterparty”);
- Performing appropriate screening; and
- Detecting, identifying and protecting against violations of applicable laws pertaining to anti-corruption, money-laundering, applicable sanctions regimes, export controls and other similar measures and restrictions (the “Laws”).

IMPLEMENTATION OF POLICY

In considering whether to enter into an agency, representation, consultancy or other agreement, or upon the receipt of an order from a new customer, or the placing of an order with a new supplier, the identity of the counterparty/customer/supplier (the “Counterparty”) should be verified based on the procedures described in this Policy. In addition to the information to be gathered regarding the Counterparty, the transaction should also be screened for compliance with Laws.

All Borets Companies are responsible for driving the KYC process to completion and, during the process, for spotting and addressing appropriately any potential compliance issues under the Laws. Because information obtained as part of KYC due diligence may become out-of-date quickly, it is important that the KYC procedure is performed immediately prior to executing an agreement or entering into a transaction with a third party and that such due diligence is updated in case of a later renewal or revival of the agreement or transaction. The General Director/General Manager at each Borets Company is responsible for ensuring that the KYC process is followed and complied with.

Failure to perform the KYC process with respect to a subject agreement or transaction is strictly prohibited and may result in disciplinary action, dismissal, or other serious measures being taken.

REQUIRED DOCUMENTS

Preliminary Agreements

Each General Director/General Manager who is responsible for implementing this Policy at the Borets Company level shall use reasonable efforts to obtain a minimum level of information from Counterparties who enter into Preliminary Agreements.

The minimum level information should include:

- The name of the relevant Counterparty;
- Its address;
- Its jurisdiction of incorporation;
- If the Counterparty is a corporation, the Counterparty should provide a certificate of incorporation or equivalent local document.

All Other Agreements or Transactions Subject to this Policy

The following information should be requested from each Counterparty with whom a Borets Company is entering into an agreement or transaction for the first time, the value of which is the equivalent of U.S. \$50,000 or greater:

If the Counterparty is a:

1. Corporation

- Copy of its balance sheet for its most recent reporting date;
- Information concerning the ownership of the company and its shareholders;
- Memorandum and Articles and certificate of incorporation duly certified by the Secretary or General Director/General Manager of the company;
- Copy of extract from applicable commercial registry attesting to the fact that the corporation is duly existing;
- Full address of the corporation and contact details of the Borets Company's primary contract at the corporation.

2. Partnership

- Copy of its balance sheet for its most recent reporting date;
- Information concerning the partners of the partnership and their beneficial owners/shareholders;
- Copy of the partnership agreement duly certified by the general partner of the partnership;
- Copy of extract from applicable commercial registry (if the partnership is registered) attesting to the fact that the partnership is duly existing;
- Full address of the partnership and contact details of the Borets Company's primary contract at the partnership

3. Joint Venture or Consortium

- Copy of its balance sheet for its most recent reporting date, if one is separately prepared for the joint venture or consortium;
- If not, copies of the balance sheets for the most recent reporting date for each joint venture or consortium participant;
- Information concerning the ownership of the joint venture or consortium participants and their beneficial owners/shareholders;
- Copy of Joint Venture or Consortium Agreement;
- Full address of the joint venture or consortium and contact details of Borets Company's primary contract at the joint venture or consortium.

4. Individual

- Financial documentation, as appropriate given the nature of the contract and the Counterparty's obligations pursuant to the contract;
- Copy of current passport title page;
- Full address and contact details of the individual.

To the extent that any Counterparty requires a license or other governmental consent or approval, or if on account of the Counterparty's existing obligations it requires a waiver or consent from a third party in order to enter into an agreement or transaction with the Borets Company, a copy of such license, consent or approval should be requested and kept on file.

Due care should be exercised in obtaining the information listed above in order to comply with all applicable personal data protection laws as enacted in each relevant jurisdiction.

In addition to the foregoing, for every Counterparty, including those Counterparties who are proposing to enter into a Preliminary Agreement or an agreement or transaction with a Borets Company having a value of less than the equivalent of U.S. \$50,000, the Country Manager (as defined below) should also run an internet search on the Counterparty to obtain whatever relevant information about it may be present in the public domain.

In the event that a Counterparty fails to provide an item of documentation called for under this Policy, and assuming that no negative information has been identified based on an internet search relating to the Counterparty, and, further, taking into account the guidance under "Issues to Look Out for During KYC Review," the final decision on whether to recommend that the Borets Company enter into an agreement or transaction with the Counterparty shall rest within the discretion of the General Director/General Manager of the Borets Company as the person with the best knowledge and understanding of the regional market and its participants and local language skills (the "Country Manager").

ISSUES TO LOOK OUT FOR DURING KYC REVIEW

The following guidance should be applied in identifying potentially problematic Counterparties or transactions.

A Country Manager should be on guard if:

A customer or agent

- Is reluctant to provide end-use/user information
- Is willing to pay cash for high-value shipments
- Has little background or history in the relevant business
- Appears unfamiliar with the product or its use

- Declines normal warranty/service/installation
- Orders products/quantities incompatible with the relevant business
- Provides vague delivery dates or locations

A shipment involves

- Freight forwarder designated as consignee/end-user
- Intermediate consignee's business or location incompatible with end-user's
- Shipments directed to trading companies, freight forwarders, or companies with no connection to buyer
- Requests for packing inconsistent with normal mode of shipping
- Choice of circuitous or economically illogical routing, or through multiple countries

The end-user requests:

- Equipment inconsistent with inventory
- Spare parts in excess of projected needs
- Performance/design specs incompatible with resources or environment
- Technical capability/end-use incompatible with consignee's line of business
- End-use at variance with standard practices
- Middleman from third country to place order
- Refuses to state whether goods are for domestic use, export, or re-export

Issues Arising During KYC Review

Should the Country Manager have any questions regarding the KYC process, encounter any difficulties in obtaining the documents specified above, or if any of the gathered or generally publicly available information regarding a Counterparty raises any well-founded questions or issues, for example, in the area of the Borets Company's need to comply with applicable sanctions regimes or internal policies, the Corporate Legal Office of Borets should be contacted to address these concerns and discuss what additional steps may need to be taken or additional information obtained in order to resolve them. This must be done before a contractual relationship (including a Preliminary Agreement) is entered into by a Borets Company.

The following Legal Officers of the Borets Group can be contacted:

Sergey Pustovalov

Tel: +7 495 660 21 90, ext. 5006

Email: pustovalov@corp.borets.ru

Irina Skidan

Tel: +7 495 660 21 90, ext. 5097

Email: skidan@corp.borets.ru

Upon receipt of the KYC information described above, each Borets Company shall create and maintain a file for each Counterparty and shall advise the Legal Department as to whether the KYC process was completed successfully. Please note that information received initially from a prospective Counterparty can become outdated fairly quickly. Therefore, it is recommended that the Borets Company update the information contained in its files regarding the Counterparty on a periodic basis as reasonably necessary, and particularly for Counterparties with whom the Borets Company does not have a continuous on-going relationship.

Any Counterparty who has violated the law, or who has a past reputation for unethical or corrupt conduct, is disqualified from entering into agreements with a Borets Company. If any Counterparty is reputed to be "well-connected," it should be carefully reviewed in the KYC process to gain reasonable assurance that it will not engage in improper or questionable practices when performing under an agreement with a Borets Company. This is particularly relevant with respect to potential Joint Venture partners, who should be subjected to the highest level of scrutiny to ensure appropriate business reputation and standing and lack of exposure to political or other liability.

For all cases where a prospective Counterparty is not a Joint Venture partner, should it prove not to be possible to obtain ownership information in respect of a prospective Counterparty, the Country Manager may use his discretion to obtain a certificate in the form of Annex A attached hereto, certifying that the stakeholders/beneficial owners have no criminal record and are not included on any list of specially designated nationals.

The certificate shall be executed by a duly authorized representative of the Counterparty who shall provide the Borets Company with evidence of his authority to make representations on behalf of the Counterparty.

For the avoidance of doubt, the Country Manager should make every reasonable effort to obtain ownership information in respect of a prospective Counterparty and to keep to a minimum the situations in which a certificate in the form of Annex A is obtained.

Joint Venture partners

The use of Annex A should be extremely circumspect in the context of potential Joint Venture partners and should receive the prior permission of a senior Borets Group Manager who directly reports to the CEO or the COO of Borets International Limited (“Senior Group Manager”).

US and EU Sanctions; Export Control Laws

Prior to entering into a contractual relationship with a Counterparty, the identity of the Counterparty, its beneficial owners (if applicable), and the nature of the transaction itself should be screened against any applicable U.S. and E.U. sanctions, as well as any applicable export control regulations. Orders from new Counterparties will not be shipped until the Counterparty and the transaction have been screened against U.S. and E.U. sanctions and applicable export control laws.

The main U.S. sanctions list is available at:

http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi_list.aspx

The main E.U. sanctions list is available at:

<http://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>

The U.S. Commerce Control List is available at:

<https://www.bis.doc.gov/index.php/regulations/commerce-control-list-ccl>

Please note that sanctions lists are updated periodically. The most recent version of each sanctions or export control list should be consulted in connection with evaluating a potential contractual relationship or transaction with a Counterparty.

Counterparties organized in countries that are subject to high levels of trade and commercial sanctions, such as but not limited to, Iran, Sudan and North Korea, are subject to particularly high levels of scrutiny and decisions on whether to engage with a Counterparty located in (or whose beneficial owners are citizens or residents of) such a jurisdiction should be taken on a case-by-case basis, with consultation and approval of Senior Group Manager. The Country Manager should take all due care to protect the reputation of the Borets Group in connection with any such transaction and shall obtain beneficial ownership information for such Counterparties in order to perform a sanctions check, even before entering into Preliminary Agreements.

Please also note that sanctions may not apply to all Borets Companies in the same way. If there are any questions as to whether particular sanctions or export control regulations are applicable to a particular Borets Company or Counterparty, please contact one of the Legal Officers.

END USER FORMS

In screening the Counterparty or transaction for purposes of its compliance with Laws, the General Director/General Manager of a Borets Company may use his discretion to collect information by having the Counterparty certify as to the end-use of the ESP equipment being acquired from a Borets Company.

The End User Form shall contain the information specified in Annex B hereto.

The End User Form shall be executed by a duly authorized representative of the Counterparty.

Annex A

CERTIFICATION RELATING TO BENEFICIAL OWNERSHIP

[Insert name of Borets Company]

[Address]

[Address]

“ ____ ” date

Dear Sirs,

Re: Confirmation of legal compliance of stakeholders/beneficial owners with US and EU export control sanctions

I, _____ hereby confirm the following as true and currently valid:

1. _____ is a company registered on _____ (date), under number _____ and currently existing under the laws of _____ whose main business address is at: _____ (hereinafter “ _____”).
2. The stakeholders/beneficial owners of _____ (hereinafter the “Stakeholders”) have no criminal record in _____ and are not on the US list of specially designated nationals or denied persons list or on any other blacklist or other list of international organizations and/or national state agencies that limit their legal capacity.

3. The Stakeholders are not in violation of any US and EU economic sanctions.

This letter is being given at the request of Borets _____ and for its sole use in strict confidence.

Signature: _____

Print Name: _____

Annex B

END-USER FORM

Date: _____

Customer Name: _____

Address: _____

The material on this order is being shipped to what country? _____

Will you, the customer, re-export the material? (If Yes, please provide name of country)

YES___ COUNTRY_____ NO___

Material Is Being Used On/In: _____

The material for the above referenced purchase order will be used for:

____ CIVIL-USE _____ MILITARY-USE

Please provide name and address of the end-user (If different from Customer) _____

The information contained herein will be used solely for the purpose of determining compliance with U.S. and EU Export Regulations.

Signature: _____ Date: _____

Print Name: _____