

EXHIBIT 16

**LAW OF UKRAINE
ON REMUNERATION OF LABOR**

#108/95-Verkhovna Rada, 24 March 1995, #17 for 1995, p. 121

Put into effect by Resolutions of Verkhovna Rada ##144/95-VR dated 20 April 1995, as of May 1, 1995, except for the second part of Article 9, Articles 10, 33 and 34, which will be put into effect as determined by Verkhovna Rada of Ukraine
(as per Resolution # 144/95-VR dated April 20, 1995)

With changes and amendments introduced by Laws of Ukraine #20/97-VR of January 23, 1997, Resolution of Verkhovna Rada #50/97-VR dated February 6, 1997

This Law sets out the economic, legal and organizational foundations of remuneration of labor arising from relations under a work contract with companies, establishments and institutions of all forms of ownership and control (hereinafter, companies), and private individuals, and determines the spheres of government and contractual regulation of wages, for the purpose of ensuring the compensatory and incentive functions of remuneration of labor.

**Part I.
GENERAL**

Article 1. Pay

Pay is defined as compensation, normally in the form of money, which the employer or an authority empowered by him pays to the worker for work performed.

The size of pay depends on the job grade and the conditions under which the job is performed, as well as on the professional and business qualities of the worker, the results of his or her work and those of the company's economic activity.

Article 2. Wage-and-Salary Structure

Basic pay. This is compensation for work done pursuant to established standards (time, performance or service standards, functions). It shall be established as a base wage rate and piece rates for production workers and salaries for office workers.

Additional pay. This is compensation for work over and above established standards as well as for labor achievements, resourcefulness and special labor conditions. It shall include extra, premium, guarantee and compensation payments stipulated by applicable law, and bonuses for the performance of production tasks and functions.

Other incentive and compensation payments. These shall include end-of-year bonuses, payments under special plans and regulations, compensation and other payments in cash and in kind that are either not stipulated by effective law or made in excess of standards established by effective law.

Article 3. Minimum Wages

Minimum wage is the law-established floor of payment for simple, unskilled labor, below which payment for a monthly or hourly norm (amount) of work performed by a worker may not be effected.

Minimum wage shall not include any extra, premium, incentive or compensation payments.

As a social guarantee extended by the State, the minimum wage shall be obligatory for companies of all forms of ownership and control throughout the entire territory of Ukraine.

Article 4. Sources of Funds for Remuneration of Labor

Sources of funds for remuneration of labor in cost-accounting companies shall be a part of its income and other funds received as a result of its economic activity.

In establishments and organizations financed from the budget, such sources shall include funds allocated from relative budgets as well as a part of income received as a result of economic activity, and other sources.

Public associations shall pay hired labor from funds raised in accordance with their charters.

Article 5. Organization of Remuneration of Labor

Remuneration of labor shall be organized on the basis of:
effective law and normative acts;
a general agreement on government level;
industry and/or regional agreements;
collective agreements; and
work contracts.

Parties to the process of organization of remuneration of labor include: government and local self-government bodies; owners, associations of owners or their representative organs; trade unions, trade union associations or their representative organs; and workers.

Article 6. Tariff Rate System of Remuneration of Labor

Organization of remuneration of labor shall be based on the tariff rate system, which includes tariff rate tables, tariff rates, salary schedules and job evaluation catalogs.

The tariff rate system of remuneration of labor is used to grade jobs according to their complexity and workers according to their qualifications and the tariff table. The tariff rate system is the basis for the formation and quantitative differentiation of pay.

The tariff rate table (salary schedule) shall be formed on the basis of:

the tariff rate of a first grade worker, established in an amount which shall exceed the law-fixed minimum wage; and
occupational wage (salary) differentials.

Job evaluation catalogs shall be developed by the Ministry of Labor of Ukraine.

Article 7. Laws on Remuneration of Labor

Laws on remuneration of labor shall be based on the Constitution of Ukraine (888-09) and comprise the Code of Labor Laws of Ukraine (322-08), this Law, the Law of Ukraine *On Collective Agreements and Contracts* (3356-12), the Law of Ukraine *On Enterprises in Ukraine* (887-12) and other acts of Ukrainian legislation.

Part II

State Regulation of Remuneration of Labor

Article 8. The Sphere of State Regulation of Remuneration of Labor

The State shall regulate remuneration of labor in companies of all forms of ownership and control by means of establishing the minimum wage, other state norms and guarantees, conditions and rates of remuneration of workers of establishments and organizations financed from the budget as well as executive officers of state-owned enterprises, and by taxing workers' incomes.

Article 9. Basis for Determining the Minimum Wage

The minimum wage shall be determined taking into account:
the cost of the minimum consumer budget, the levels of these two indices gradually converging as the national economy develops and stabilizes;
the general level of average pay; and
labor productivity, employment level and other economic conditions.

The minimum wage shall be established in an amount not lower than the value of the low-income floor per one able-bodied person.

Article 10. The Procedure of Establishing and Revising the Size of the Minimum Wage (to take effect as of March 1, 1996 pursuant to Resolution # 49/96-VR of Verkhovna Rada dated February 20, 1996)

The size of the minimum wage shall be established by Verkhovna Rada of Ukraine based on the figures submitted by the Cabinet of Ministers of Ukraine, normally once a year during the approval

of the State Budget of Ukraine, taking into account the proposals worked out in the course of collective bargaining on a general agreement between trade union representatives and owners or organs empowered by them.

The size of the minimum wage shall be revised depending on the growth of prices for consumer goods and service rates as agreed by parties to collective bargaining.

Article 11. The Minimum Rates of Wages and Salaries and the Procedure of Their Establishment

As minimum guarantees of remuneration of labor, the minimum rates of wages and salaries shall be determined by a general agreement.

Article 12. Other Standards and Guarantees in Remuneration of Labor

The Code of Labor Laws of Ukraine (322-08) and other acts of Ukrainian legislation set standard rates of remuneration (for overtime work; work on holidays, nonworking days and days off; night work; for downtime other than through the worker's fault; for the manufacture of products which have turned out defective other than through the worker's fault; and remuneration of workers under 18 working shorter hours, etc.) and guarantees (paid annual vacation; payment for the performance of public duties; pay for workers sent to upgrading courses or medical checkup; pay for those transferred to lighter, lower-paid jobs owing to health problems; those temporarily transferred to other jobs out of production necessity; pay for pregnant women and mothers of children under three years of age that have been transferred to lighter jobs; pay for workers in the process of industrial training, retraining or training in a new job; payment to blood donors; etc.), as well as guarantees and compensations in the event of transfer to a job in a new locality, temporary duty, work under hardship conditions, etc.

The standards and guarantees in remuneration of labor stipulated by the first paragraph of this article and the Code of Labor Laws of Ukraine (322-08) are minimum state guarantees.

Article 13. Remuneration of Labor of Workers of Establishments and Organizations Financed from the Budget

The labor of workers of establishments and organizations financed from the budget shall be remunerated on the basis of legislative and other normative acts of Ukraine, general, industry and regional agreements and collective bargaining, within the limits of budget allocations and off-budget revenues.

Wage costs in establishments and organizations financed from the budget shall be approved at the same time as the budget proper.

Part III
Contractual Regulation of Remuneration of Labor

Article 14. System of Contractual Regulation of Remuneration of Labor

Contractual regulation of remuneration of labor of production workers shall be exercised on the basis of a system of agreements concluded on the state (general agreement), industry (industry agreement), regional (regional agreement) and company (collective agreement) levels pursuant to the law of Ukraine *On Collective Bargaining and Agreements* (3356-12).

The provisions of a collective agreement allowing remuneration of labor below the standard rates set by the general, industry or regional agreement but not below state standard rates and guarantees ~~may be applied only temporarily during the period of the given company overcoming its financial~~

Article 15. Organization of Remuneration of Labor in Companies

The forms and patterns of remuneration of labor, labor standards, rates, tariff rate tables, salary schedules, the terms of application and the size of extra, premium, bonus and other incentive, compensation and guarantee payments shall be laid down by companies in collective agreements in compliance with the standards and guarantees stipulated by applicable law and general and industry (or regional) agreements. Should a company have no collective agreement, its owner or an organ empowered by him shall agree these matters with the trade union authority representing the interests of a majority of the workers, and in its absence, with any other duly empowered representative organ.

The actual size of tariff rates (wages) and piece rates for production workers, salaries of office workers, and extra, premium, bonus and other incentive payments shall be set with due consideration for the requirements stipulated by the first paragraph of this article.

Workers of a company shall be paid for their labor on a priority basis after compulsory payments have been made.

Article 16. Organization of Remuneration of Labor in Companies and Organizations Subsidized from the Budget

In companies and organizations operating on a cost-accounting basis and which receive subsidies from the budget, remuneration of labor shall be organized in compliance with Article 15 of this Law, but within the limits of the sums of subsidies and own revenues set for them under established procedure.

Article 17. Remuneration of Labor of Workers Performing Works (Rendering Services) Outside of Primary Activity of the Given Industry (Its Sector)

The terms of remuneration of labor of workers of companies, production facilities, workshops, bays and other units, who perform works (render services) outside of the primary activity of the given industry (or its sector), shall be laid down in a collective agreement in compliance with the guarantees set out in agreements of the industries (their sectors) to which such company belongs by

Article 18. Remuneration of Labor of Workers in Wide-Ranging Jobs

The size of tariff rates (salaries) of workers in wide-ranging jobs shall be set on terms determined by a collective agreement in compliance with the guarantees provided by applicable law and the relevant general, industry and regional agreements.

Article 19. Remuneration of Labor of Workers Holding a Second Regular Job In Addition to Their Main Jobs

Workers holding a second regular job in addition to their main ones shall be paid for work actually done.

The terms of such work for employees of state enterprises shall be determined by the Cabinet of Ministers of Ukraine.

Article 20. Remuneration of Work on Contract

Remuneration of work on contract shall be determined as agreed by parties thereto on the basis of applicable law and the provisions of a relevant collective agreement, and shall pertain to the fulfilling the contract.

Part IV

A Worker's Right to Receive Remuneration for His Work and Its Protection

Article 21. A Worker's Right to Receive Remuneration for His Work

A worker shall have the right to receive remuneration for his or her work in accordance with applicable law and a relevant collective agreement, based on a labor contract.

The size of his or her wages may be lower than that set by the labor contract and the minimum wage in the event of nonfulfilment of performance standards, the manufacture of products which have turned out defective, and for other reasons stipulated by applicable law and which have occurred through the worker's fault.

Any reduction of pay owing to origin, social or property status, race or nationality, sex, language, political views, religion, membership in a trade union or other public association, occupation or

place of residence shall be prohibited.

Article 22. Guarantees of Honoring the Right of Remuneration of Labor

Parties to organization of the process of remuneration of labor shall not have the right unilaterally to make such decisions pertaining to remuneration of labor as would deteriorate the conditions established by law, relevant contracts and collective agreements.

Article 23. Forms of Wage Payment

Employees of companies in Ukraine shall be paid their wages and salaries in legal tenders lawfully in circulation in Ukraine. It shall be prohibited to pay wages and salaries in the form of promissory notes, IOUs, or any other form

of Ukraine with the agreement of the National Bank of Ukraine.

As an exception, a collective agreement may envisage part-pay in kind (at prices not lower than cost price) in those industries or occupations where such payment, while being equivalent to compensation due to the worker, will be normal or desirable for them, barring the goods and products listed specifically by the Cabinet of Ministers of Ukraine.

Article 24. The Term, Regularity and Place of Wage Payment

Wages and salaries shall be paid to workers on workdays at regular intervals set forth in the relevant collective agreement, but at least two times a month and not later than sixteen calendar days since the last payment.

Should wage payment coincide with a day off, holiday or nonworking day, it shall take place on the eve thereof.

Wage payment shall take place at the place of employment. It shall be prohibited to pay wages in retail trade outlets, drinking establishments and places of entertainment, except to employees thereof.

Given a worker's personal agreement in writing, his or her wages may be paid by bank transfer or mail order to a bank account or address advised by them, such services to be paid for by the owner at his own expense, or by an authority duly empowered by him.

Article 25. Prohibition of Any Restrictions on a Worker's Right to Dispose Freely of His or Her Pay

It shall be prohibited in any way to restrict a worker's right freely to dispose of their pay, except in cases stipulated by law.

It shall be prohibited to make any deductions from pay for the purpose of direct or indirect payment by the worker to the owner or any authority empowered by the latter, or any intermediary between them, for the fact of obtaining or keeping a job.

Article 26. Restrictions on Deductions from Pay

Deductions from pay may not be made other than in cases provided for by law.

In every wage payment, the sum total of all deductions may not exceed twenty percent, and in cases stipulated by law, fifty percent of accrued payroll.

The restrictions imposed by the second paragraph of this Article shall not be extended to deductions from the pay of persons serving a term in a correctional labor institution or paying alimony for the upkeep of underage children.

It shall be prohibited to make any deductions from discharge pay and compensation and other payments which under law are not subject to claims.

Article 27. The Procedure of Determining Average Pay

The procedure of determining a worker's average pay in cases provided for by law shall be established by the Cabinet of Ministers of Ukraine. In determining the size of a pension, the average pay shall be calculated in compliance with the Law of Ukraine *On Pensions* (1788-12).

The State shall ensure quarterly preparation and publication of statistical data on the average pay and average length of workday by the industry and job classification, as well as yearly publication of data on labor costs.

Article 28. Protection of Workers' Rights in the Event of the Company's Bankruptcy

In the event of a company's bankruptcy or compulsory liquidation, all its obligations to workers regarding payroll payable to them for work done (services rendered) during any period of time prior to the bankruptcy or liquidation shall be met in compliance with the Law of Ukraine On Bankruptcy (2343-12).

Article 29. Advising the Worker on Terms of Remuneration

In concluding a labor agreement (work contract) with a worker, the owner or an authority empowered by him shall advise him or her on the terms of remuneration, the size and the procedure and terms of payment of wages (salary) and the grounds for possible deductions in cases provided

or change in the old ones for the worse not later than two months prior to the date on which they are introduced or changed.

Article 30. Advising the Worker on the Size of Remuneration

In every wage payment, the owner or an authority empowered by him shall advise the worker on the following data related to the period of time for which such wage payment is being made:

- (a) sum total of the accrued pay with breakdown into types of payment;
- (b) the size of and grounds for deductions from pay; and
- (c) the sum of pay payable to the worker.

The owner or an authority empowered by him shall ensure the keeping of accurate records of work done by the worker and of wage costs in accordance with established procedure.

Article 31. Data on a Worker's Remuneration

Data on a worker's remuneration shall not be provided to any authorities or persons other than in cases stipulated by law or given the worker's agreement or request to that effect.

Article 32. Solution of Labor Conflicts Pertaining to Remuneration

Labor conflicts pertaining to remuneration shall be considered and resolved in compliance with effective legislation on labor conflicts.

Article 33. Pay Indexing

(to take effect as of July 1, 1996 pursuant to Resolution of Verkhovna Rada #49/96-VR dated February 20, 1996)

In between revisions of the size of the minimum wage, individual pay shall be subject to indexing in compliance with effective law.

Article 34. Compensation to Workers for Loss of Part of Their Pay Owing to Delays in Its Payment

(to take effect as of January 1, 1997 pursuant to Resolution of Verkhovna Rada #49/96-VR dated February 20, 1996)

Loss of a part of pay owing to violation of the term of its payment shall be compensated to workers in accordance with the index of consumer prices and service rates and the procedure established by effective law.

Part V Closing Provisions

Article 35. Control over Compliance with Laws on Remuneration of Labor

Control over companies' compliance with laws on remuneration of labor shall be exercised by:
the Ministry of Finance of Ukraine and its authorities;
financial authorities;
authorities of the State Board of Revenue; and
trade unions and other agencies (organizations) representing the interests of hired labor.

The higher reviewing authority to control compliance with laws on remuneration of labor shall be vested in the Procurator General of Ukraine and procurators subordinate to him.

It shall be prohibited to withhold any information on remuneration of labor from the aforementioned authorities.

Article 36. Liability for Violation of Laws on Remuneration of Labor

Persons guilty of violating laws on remuneration of labor shall incur disciplinary, material, administrative and criminal liability in compliance with effective law.

President of Ukraine Leonid Kuchma

city of Kyiv, March 24, 1995
108/95-VR