

“APPROVED”

With decision of general meeting of
stockholders of Joint – Stock company
“Uzmetkombine” Minutes No. 33 dated
June 25, 2016

REGULATIONS
ABOUT INTERNAL CONTROL
OF JOINT –STOCK COMPANY
“UZMETCOMBINE”

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I. GENERAL RULES

1. Present Regulations about internal control (hereinafter referred to as – Regulations) of Joint – Stock company “Uzmetcombine” (hereinafter referred to as – Company), are worked out in accordance with acting legislation of the Republic of Uzbekistan, charter of the Company, Code of corporative management, approved with minutes No. 9 of meeting of committee on increasing effectiveness of joint stock companies’ activity and improving corporative management system, dated 31.12.2015 and internal documents of the company.
2. Present Regulations determine aims and objects of internal control system, principles of its functioning, and bodies of the Company and persons, responsible for internal control.

II. DEFINITION AND AIMS OF INTERNAL CONTROL SYSTEM

3. Internal control is – continuously acting process , built in Company’s activity and directed to increase effectiveness of processes on risk management, control and corporative management, for taking grounded and enough confirmation, concerning Company’s aims in the following areas:
 - Effectiveness and productivity of the activity, including effectiveness level of functioning, receiving profits and protect of assets;
 - Reliability and authenticity of financial reports;
 - Correspondence to legislation and law norms, regulating Company’s activity.
4. Internal control system is – complex of organization structure, controlling measures, procedures and methods of internal control, regulated with internal documents, organized and fulfilled in the Company by inspection commission, internal audit service, supervisory board, executive body and other employees in all levels (hereinafter referred to as – subjects of internal control) and on all functions. Qualification of internal control body’s members of JSC may be determined in the Regulations about their activity.
5. Procedures of internal control are – complex of measures, fulfilled by inspection commission of the Company, audit committee of supervisory board of the Company, supervisory board of the Company, executive body of the Company, and subdivisions of the Company, authorized to fulfill internal control (hereinafter referred to as – subdivisions of the Company), and directed for reveal violations of legislation and internal documents of the Company during fulfilling financial – economic activity, for estimation effectiveness of aims, reached by Company and mutual cooperation of internal control subjects during the process of realization internal control procedures.
6. Main aim of internal control is providing protection of rights and legal interests of all stockholders, including minority stockholders.
7. Internal control is intended to provide in the operative order:

Safety of assets, economical and effective use of Company’s resources;

Observance requirements of acting legislation and internal documents of the Company;

Fulfillment development strategy of the Company to medium and long term period, business plans of the Company;

Completeness and authenticity of accounting documents, financial reports and management information of the Company;

Reveal, identification and analysis of risks to the moment of their appearing during Company’s activity;

Planning and management of risks in the Company’s activity, including taking prompt and adequate decisions on risk management;

Establishment and supporting good reputation of the Company in business circles and among customers;

Adequacy, clarity and objectivity of paid rewards and compensations, also its amounts to members of executive body, supervisory board and inspection commission.

III. PRINCIPLES OF INTERNAL CONTROL SYSTEM FUNCTIONING

8. Internal control system in the company is built on following principles:

Undisturbed functioning – constant and proper functioning of internal control system allows Company to reveal any deviations from norm in time and prevent their occurrence in future;

Accountability of all members of internal control system – quality of fulfillment control functions by each person is controlled by other member of internal control system;

Division of obligations – Company aspires not to allow doubling control functions, and these functions must be distributed between workers, in that way as same person doesn't unify functions, related with approving operations with certain assets, taking into account operations, providing safety of assets and take their inventory;

Proper approbation and approval operations – Company aspires to determine order of approving all financial – economic operations by persons, within their corresponding powers;

Providing organization isolation of Company subdivision, fulfilling daily internal control, and its functional accountability directly to Supervisory board through Audit committee;

Responsibility for proper fulfillment of control functions of all internal control subjects, working at the Company;

Fulfillment internal control on the basis of exact cooperation of all subdivisions of the Company;

Constant development and perfection - Company strives for provide conditions for flexible setting of internal control system, for that it may be adapted, taking into accounting necessity of solving new matters, enlarge and improve that system;

Timeliness of submitting information about deviations – maximal short terms of submitting information to persons, authorized to receive decisions about removal deviations were fixed in the Company;

Determining priority of company activity spheres, where control was improved – strategic directions, covered by internal control system were chosen, even if effectiveness of their functioning (ration of “expenses – economic effect”) is hard to measure.

IV. COMPONENTS OF INTERNAL CONTROL SYSTEM

9. Internal control system includes following interconnected components:

Control environment, including ethic value and competence of company employees, policy of management, method of allocation powers and responsibility by management, structure of organization and increasing employees' qualification, also management and direction by supervisory board;

Risk estimation – represented identification and analysis of corresponding risks on achievement mutually connected in the different levels and internally successive certain tasks;

Control activity, generalized policy and procedures, assisted to guarantee fulfillment management's decisions and including several different actions, such as: issuance approvals, sanctions, confirmations, conducting examinations, control over current activity, guarantee of assets safety and division powers;

Activity on providing and change information, directed to timely and effective revealing of data, its registration and exchange, also including creation of effective canals of information exchange, for

forming comprehension policy and procedures of internal control, taken in the company and providing their fulfillment in all subjects of internal control. Company takes measures for protection from unauthorized access to information;

Monitoring – process, including functions of management and control, during which quality of system work is estimated with time. Estimation of internal control system is made for determining possibility of arising mistakes, influencing to authenticity of financial reports, identification importance of these mistakes and determining ability of internal control system to provide fulfillment of tasks. For estimation effectiveness of internal control system, by the decision of general meeting of stockholders and on the basis of Supervisory board's offer, an independent professional organization – consultant may be involved to JSC.

V. BODIES AND PERSONS, RESPONSIBLE FOR INTERNAL CONTROL

10. Internal control is fulfilled by inspection commission, audit committee under supervisory board, supervisory board of the Company, director of executive body, internal audit service, and other employees of the Company in all levels, at that, each of them bear responsibility for internal control in the determined order.
11. Functions, rights and obligations, responsibility, order of calculation compensations and payment rewards to subdivisions, functioning in the Company, were foreseen in the internal documents of Company. These documents as other documents, directly or indirectly affecting matters of internal control shouldn't contradict to present Regulations.
12. For providing systematic character of control over financial economic activity of the Company, procedures of internal control were conducted by authorized subdivision of Company – internal audit service, and in case of absence of such service, it is conducted by inspection commission of the Company, responsible for internal control, interactively with other bodies and subdivisions of Company.
13. Followings are entered to functions of Supervisory board:

Determining development directions and approving certain operations and strategy of internal control system;

Each year inform general meeting of stockholders of the company about results of analysis and estimation reliability and effectiveness of internal control system, based on regular reports of Company's executive body director, internal and external audit, inspection commission, information from other resources and own supervision on all aspects of internal control, including: financial control, operation control, control over observing legislation, internal policy and procedures control;

Determining structure and content of Company's subdivision, responsible for internal control;

Continuous perfection of internal control procedures.

14. In accordance with policy in the sphere of internal control of the Company, approved by supervisory board, responsibility for its functioning is entrusted to head of executive body. Head of executive body of the Company inculcates procedures of internal control system and provides its functioning, timely informing supervisor board about all risks of the Company, considerable disadvantages of internal control system, and plan with results of measures on their removal.
15. Employees (including directors) of subdivisions of any level, within limits of their competence, participate in the detailed development of control strategy and procedures. Managing with nonstandard situations and problems, when it arises, was included to their obligations. Employees inform above stated management of the Company about important matters or risks, arose on concrete transaction.

16. Responsibility for fulfillment control over financial – economic activity of the Company and its separate subdivisions, is entrusted to permanently acting body of internal control - inspection commission, which role, aim, purposes, powers were reflected in the Regulations about inspection Committee.
17. Responsibility for fulfillment regular control over fulfillment procedures of internal control, exactly over conformity of fulfilled financial economic operations of the company to legislation of the Republic of Uzbekistan and Charter of the Company, its separate subdivisions, also responsibility of its completeness and authenticity accounting and financial reports is entrusted to internal audit service, which role, aim, purposes, powers were reflected in the Regulations about internal audit service.

Regulations about internal audit service are approved by supervisory board of the Company.

18. Internal audit service of the Company gives reports to audit commission of supervisory board about results of internal audit of internal control system. Internal audit service of the Company obeys to audit committee of supervisory board.
19. Following persons haven't right to take a post in the internal audit service of the Company:
 - If persons have non executed conviction for crime in the sphere of economics or for crimes against order;
 - Persons, who are directors or members of executive body of the Company;
 - Persons, who are founders (stockholders, participants), head or members of executive body or employees of other legal entity, which is a competitor to the company;
 - Other requirements to persons, entered to structure of internal audit service, may be fixed by audit committee of supervisory board.
20. Proper functioning of internal control system also depends on professionalism of employees. Company makes efforts that selection system, hire, education, preparing of personnel and advancement employees on service must provide their high qualification and observance high aesthetic standards.

VI. PROCEDURE AND METHODS OF INTERNAL CONTROL

21. Procedures of internal control of the Company include:

Determination of interconnected and consistent aims and objects in different levels of company management;

Revelation and analysis of potential and important operative, financial, strategic and other risks, which may disturb to reach aims of company activity;

Estimation of significant components of internal control;

Estimation effectiveness of business processes of internal control system;

Determining criteria and estimation works of structural subdivisions, officials and other employees of the Company;

Examination financial and other information in comparison with comparable information for prior periods or with prospective results of activity;

Using adequate methods of account events, operations and transactions;

Examination safety of assets;

Proper registration of internal control procedures;

Regular estimation of internal control system;

Inform all employees of the company about their obligations in the sphere of internal control;

Allocation main obligations between employees of the Company (including obligations on approving and approbation operations, accounting operations, issuance, storing and receive resources, analysis and examination operations);

Approving and fulfillment operations only by persons, who entrusted with corresponding powers;

Other procedures, necessary for reaching aims of internal control.

22. On fulfillment procedures of internal control, methods of inspection, observation, confirmation, recalculation, also other methods, necessary for fulfillment internal control procedures were used.

VII. FINAL RULES

23. Present Regulations, also changes and additions to it are approved by decision of general meeting of stockholders.
24. Additions and changes to present Regulations are entered by offers of members of Company's supervisory board, external audit of the Company, inspection commission of the Company, internal audit of the company, internal audit service of the Company, head of executive body of the Company.
25. If as a result of changes in the legislation and normative acts of the Republic of Uzbekistan, separate articles of present Regulations began to contradict with them, these articles will lose their force, and till entering changes to Regulations, Company will govern with legislation and normative acts of the Republic of Uzbekistan.