

**“A P P R O V E D”**

**by Resolution of the single shareholder  
holding ordinary shares in  
Almalyk MMC JSC  
No. \_\_\_\_ dated \_\_\_\_\_ 2016**

**Public Attorney  
at Almalyk MMC JSC**

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**REGULATIONS  
ON BOARD OF INTERNAL AUDITORS**

**of**

**ALMALYK MINING AND METALLURGY COMPLEX**

**Joint Stock Company**

**(Almalyk MMC JSC)**

**ALMALYK – 2016**

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## **1. GENERAL PART**

1.1. These Regulations determine the status and regulate the proceedings of the Board of Internal Auditors of the ALMALYK MINING AND METALLURGY COMPLEX Joint Stock Company (hereinafter referred to as the Company), the procedure for election thereto, its proceedings and its decisions, the rights and obligations of its members.

1.2. The Regulations have been developed in accordance with the Law of the Republic of Uzbekistan “On Joint-Stock Companies and Protection of Shareholders' Rights”, other regulatory and legal acts and the Company's Charter.

1.3. The Board of Internal Auditors is a body of the Company that performs the functions of internal financial, economic and legal control over the activities of the company, its divisions and services, branches and representative offices.

1.4. In its activities the Board of Internal Auditors shall be guided by the applicable legislation, the Company's Charter, decisions of the general meeting of shareholders, these Regulations, other internal documents of the Company approved by the general meeting of shareholders and related to activities of the Board of Internal Auditors.

1.5. The phrase “general meeting of shareholders” used in these Regulations refers to the general meeting of shareholders of the Company or one shareholder being the owner of all ordinary shares of the Company, who, in accordance with the law, acquires the right to solely decide on the matters falling within the competence of the general meeting of shareholders.

## **2. ELECTION AND EARLY TERMINATION OF POWERS OF MEMBERS OF BOARD OF INTERNAL AUDITORS**

2.1. The Board of Internal Auditors shall be elected by the general meeting of shareholders in the amount of 7 (seven) people for a period of one year. The same person may not be elected to the Board of Internal Auditors more than three times in a row.

2.2. Proposals for candidates to the Board of Internal Audits shall be made in the manner and time provided for making proposals for candidates to the Supervisory Board of the Company in accordance with the legislation and the Charter of the Company.

2.3. In the event that the number of candidates nominated for the Board of Internal Auditors exceeds its number determined by the Company's Charter and these Regulations, members of the Company's Board of Internal Auditors shall be elected by cumulative voting, while the number of votes belonging to each shareholder shall be multiplied by the number of persons who shall be elected to the Board of Internal Auditors of the Company, and the shareholder shall have the right to cast the votes thus obtained in full for one candidate or distribute them between two or more candidates.

The candidates who receive the largest number of votes shall be considered to be elected to the Company's Board of Internal Auditors.

2.4. Members of the Company's Board of Internal Auditors may not be persons working under an employment contract (agreement) in the Company.

Members of the Company's Board of Internal Auditors may not simultaneously be members of the Supervisory Board, the executive body, and also be elected to the committee of minority shareholders.

2.5. Qualification requirements for members of the Board of Internal Auditors shall be set by the general meeting of shareholders.

2.6. A member of the Board of Internal Auditors shall have the right to withdraw from its membership at any time on his own initiative, having notified the Board of Internal Auditors and the Supervisory Board of this in writing one month prior to the termination of his work in the Board of Internal Auditors. In this case, the general meeting of shareholders shall replace the member of the Board of Internal Auditors at the next meeting.

2.7. The powers of individual members or the entire Board of Internal Auditors may be terminated early by decision of the general meeting of shareholders adopted by a majority of votes of shareholders holding voting shares in the company participating in the meeting, for the following reasons:

- non-participation in the work of the Board of Internal Auditors more than 3 times for disrespectful reasons;
- during inspections, the member (member) of the Board of Internal Auditors improperly studied all the documents and materials relating to the subject of the audit, which resulted in incorrect conclusions of the Board of Internal Auditors of the Company;
- performance of other actions (omission) by members of the Board of Internal Auditors, entailing adverse consequences for the Company.

2.8. In the event that the number of members of the Board of Internal Auditors becomes less than half of the number stipulated by the Company's Charter and these Regulations, the Supervisory Board shall convene an extraordinary general meeting of shareholders to elect a new Board of Internal Auditors.

In the event of early termination of powers of the Board of Internal Auditors, the powers of the newly elected members of the Board of Internal Auditors shall remain in effect until the next annual general meeting of shareholders elects the Board of Internal Auditors.

2.9. If the extraordinary general meeting early terminated the powers of the entire Board of Internal Auditors in general or its individual members, as a result of which their number became less than a half of the elected membership, then within not more than three working days from the date of the decision, the Supervisory Board shall make a decision on convening the extraordinary general meeting with an agenda item on electing the new Board of Internal Auditors.

The shareholders who have the right to nominate candidates to the management and control bodies of the Company in accordance with the legislation and the Charter may make proposals on candidates to the Board of Internal Auditors.

### **3. QUALIFICATION REQUIREMENTS FOR MEMBERS OF BOARD OF INTERNAL AUDITORS**

3.1. 3.1. A member of the Company's Board of Internal Auditors shall:

3.1.1. Have a higher education.

3.1.2. Have knowledge and skills in the following areas:

- enterprise management, financial management, risk management, internal control;
- implementation of audit activities or accounting;
- corporate governance.
- Have knowledge of relevant standards, laws, technical regulations, rules, principles, ways and methods of accounting.

3.1.4. Have practical experience in the managerial or professional field, which includes making general management decisions, as well as decisions in the field of finance, keeping and preparation of financial (accounting) statements.

Practical work experience is determined by work experience as:

- a General Director, Deputy General Director, member of the collegial executive body responsible for economics and finance, financial director, manager or employee of the internal control division of a non-audit organization;
- a head of an auditing organization, an auditor or a specialist of an auditing organization;
- a member of the Company's Board of Internal Auditors;
- an accountant;
- an economist;
- an auditor;
- an appraiser or a specialist of an appraising organization;

- a researcher or a teacher in economics.
- 3.2. A member of the Company's Board of Internal Auditors shall be able to:
- apply the principles, procedures and methods of accounting, auditing and the basis for the analysis of financial and economic activities;
  - effectively plan and organize its operations;
  - carry out inspections within the agreed time frame;
  - prioritize and focus on important issues;
  - collect information by using various tools and methods (surveys, observation and analysis of documents, records, data and others);
  - understand the applicability and implications of using the sampling method for inspection results;
  - check the accuracy of the information collected;
  - confirm the sufficiency and consistency of the obtained evidence to substantiate the observations and conclusions on the results of the inspection;
  - assess the factors that may affect the reliability of observations and conclusions on the confirmation of the company's annual report;
  - ensure the confidentiality and security of information.
- 3.3. The Chairman of the Board of Internal Auditors shall have experience of being a member of the Company's Board of Internal Auditors for at least one year.

#### **4. PROCEEDINGS OF BOARD OF INTERNAL AUDITORS**

4.1. The inspection (audit) of the Company's financial and economic activities shall be carried out following the results of activities for a year or another period at the initiative of the Board of Internal Auditors, the general meeting of shareholders, the Supervisory Board or at the request of shareholders holding at least 5% of the Company's voting shares by preliminary notification to the Supervisory Board of the Company.

4.2. The competence of the Company's Board of Internal Auditors shall include:

- inspection (audit) of financial, accounting, payment and settlement, and other documentation of the Company related to the Company's financial and economic activities for its compliance with the current legislation, the Charter and internal documents of the Company;
- verification of the correctness and timeliness of the accrual and payment of dividends on the Company's shares, interest on bonds, income on other securities;
- verification of the reasonableness of the Company's accounts payable;
- analysis of the Company's financial position, its solvency, liquidity and efficiency of use of assets, the ratio of equity capital and borrowed funds;
- identification of reserves for improving the financial condition of the Company and developing recommendations for the Company's management bodies;
- control over the formation and use of the reserve and other special funds of the Company;
- checking for identification of transactions with affiliated persons or major transactions in the Company, as well as compliance with the requirements of the legislation and internal documents of the Company for making such transactions;
- verification of the fulfillment of previously issued prescriptions for the elimination of violations and deficiencies identified by previous inspections (audits);
- implementation of other actions stipulated by the peculiarities of the Company's financial and economic activities.

4.3. At the written request of the Company's Board of Internal Auditors, the persons occupying positions in the executive body of the Company shall be required to submit documents on the Company's financial and business activities thereto.

4.4. At the request of the Company's Board of Internal Auditors, members of the Supervisory Board of the Company, members of the Management Board of the Company, as well as employees of the Company shall give the necessary explanations verbally or in writing.

4.5. Following to the results of the audit of financial and economic activities of the Company, the Company's Board of Internal Auditors shall draw up a conclusion, including on the basis of recommendations of the Corporate Governance Code, which shall contain:

- assessment of the reliability of the data contained in the reports and other financial documents of the Company;
- information on the facts of violation of the order of accounting and financial reporting, as well as legislation in the implementation of financial and economic activities.

This conclusion shall be heard at the annual general meeting of shareholders.

4.6. The Company's Board of Internal Auditors shall be entitled to request in writing the convocation of an extraordinary general meeting of shareholders in accordance with applicable law.

The convocation and holding of the extraordinary general meeting of shareholders at the written request of the Company's Board of Internal Auditors shall be carried out in accordance with the law. At the same time, the Board of Internal Auditors of the Company shall have all the powers stipulated by law, necessary for convening and holding the meeting.

4.7. The Board of Internal Auditors shall submit a quarterly conclusion at the meeting of the Supervisory Board of the Company about the existence of transactions with affiliated persons or major transactions in the Company, as well as compliance with the requirements of the legislation and internal documents of the company for such transactions.

4.8. The Board of Internal Auditors shall have the right to request the following information from members of the Supervisory Board of the Company, from persons holding positions in other management bodies of the Company, from a shareholder (shareholders) holding together with his dependent (affiliated) person 20% or more voting shares of the Company:

- about legal entities in which they own, independently or jointly with their affiliate(s), 20% or more of voting shares (interests, units);
- about legal entities in which management bodies they occupy positions;
- about known to them committed or proposed transactions in which they can be recognized as interested parties.

## **5. CHAIRMAN OF BOARD OF INTERNAL AUDITORS**

5.1. The Board of Internal Auditors shall elect a chairman and a secretary from among its members. The chairman and the secretary of the Board of Internal Auditors shall be elected at the meeting of the Board of Internal Auditors by a majority of votes of the total number of elected members of the Board.

The Board of Internal Auditors shall be entitled to re-elect its chairman and secretary at any time by a majority of votes of the total number of elected members of the Board, with the exception of the votes of the retired members of the Board of Internal Auditors.

5.2. The Chairman of the Board of Internal Auditors of the Company shall organize its work, convene meetings of the Board of Internal Auditors, chair them and organize keeping of the minutes.

5.3. In the absence of the Chairman of the Company's Board of Internal Auditors, one of the members of the Board of Internal Auditors shall exercise his functions.

## **6. MEETINGS OF BOARD OF INTERNAL AUDITORS**

6.1. Decisions on the matters to be considered by the Board of Internal Auditors shall be made at its meetings.

6.2. The meetings of the Board of Internal Auditors shall be held according to the approved plan, as well as before the start of the inspection or audit and following the results thereof.

6.3. The meeting of the Board of Internal Auditors shall be convened by its Chairman at its own initiative or at the request of a member of the Company's Board of Internal Auditors.

6.4. To convene and hold the meeting of the Board of Internal Auditors, its Chairman shall agree an acceptable date and agenda for the meeting with all members of the Board.

6.5. The Chairman shall notify all members of the Board of Internal Auditors in writing or orally about the date of the meeting, not later than 5 days before the date of the meeting.

6.6. If 50% or more of the members of the Board of Internal Auditors inform the Chairman that it is impossible to attend the meeting on the specified day, the meeting shall be postponed to another day.

6.7. The meeting of the Board of Internal Auditors shall be considered valid if it is attended by at least two thirds of its members. All meetings of the Board of Internal Auditors shall be held in person.

6.8. When resolving issues at the meeting of the Board of Internal Auditors, each of its members shall have one vote. Transfer of a vote by one member of the Company's Board of Internal Auditors to another member of the Board of Internal Auditors shall not be allowed.

6.9. Decisions at the meeting of the Company's Board of Internal Auditors shall be made by a simple majority of votes of those present. In case of equality of votes of the members of the Board of Internal Auditors, the decision of the Chairman of the Board of Internal Auditors shall be decisive.

6.10. The decision on the requirement to convene an extraordinary general meeting of shareholders shall be taken unanimously by the Board of Internal Auditors, and the votes of the retired members of the Board of Internal Auditors shall not be taken into account.

6.11. The minutes shall be kept at the meeting of the Company's Board of Internal Auditors. The minutes of the meeting of the Board of Internal Auditors shall be made not later than 5 days after the meeting. The minutes of the meeting shall indicate:

- place and time of the meeting;
- persons attended the meeting;
- meeting agenda;
- issues put to vote, voting results on them;
- decisions made.

The minutes of the meeting of the Board of Internal Auditors of the Company shall be signed by the Chairman and the secretary of the Board of Internal Auditors.

## **7. RIGHTS AND OBLIGATIONS OF MEMBERS OF THE BOARD OF INTERNAL AUDITORS**

7.1. A member of the Board of Internal Auditors shall have the right to:

- personally attend the meeting of the Board of Internal Auditors, speak on issues discussed at the meeting within the time limit provided by the regulations;
- express a special opinion, in case of his disagreement with the decision of the Board of Internal Auditors, which is attached to the minutes of the meeting;
- require the convocation of an emergency meeting of the Board in the event of detection of violations that require an urgent decision of the Board of Internal Auditors;
- raise the issue of responsibility of the Company's employees, including officials, in case of their violation of the regulations, rules and instructions adopted by the Company before the management bodies of the Company, its divisions and services;
- participate in the work of the working group on the organization of the Company's transition to the publication of financial statements in accordance with International Financial Reporting Standards;

- by decision of the Board of Internal Auditors – have access to the documents relating to the activities of the Company, and requesting the same from the Supervisory Board and the Management Board in order to fulfill the duties assigned to the Board of Internal Auditors. The received documents shall be used by the Board of Internal Auditors and its members exclusively for official purposes;

- in a timely manner consider complaints of shareholders on the actions of the management bodies and officers of the Company and take appropriate decisions on them;

- receive remuneration and (or) compensation of expenses for work in the Board of Internal Auditors in accordance with the procedure established by the legislation and internal documents of the Company.

7.2. The distribution of functions among the members of the Board of Internal Auditors shall be carried out by the Chairman of the Board of Internal Auditors.

7.3. The Board of Internal Auditors shall:

- timely inform the general meeting of shareholders, the Supervisory Board, the executive body on the results of audits and inspections carried out in the form of a conclusion, written reports, memoranda, messages at the meetings of the Company's management bodies;

- assess the reliability of the data included in the Company's annual report and contained in the Company's annual financial statements;

- assess the Company's vulnerability to risks or other circumstances that may affect its financial position;

- audit the financial and economic activities of the Company following the results of its activities for the year, as well as at any time on the initiative of persons in accordance with the legislation, the Charter of the Company and these Regulations;

- comply with commercial secrets, not disclose information that is confidential, to which members of the Board of Internal Auditors have access in the performance of their functions. If non-members of the Board of Internal Auditors are involved as experts in the work of the Board of Internal Auditors, they shall be warned about the observance of commercial secrets. Responsibility for their actions shall rest with the members of the Board of Internal Auditors, involving them to participate in the audit;

- timely consider complaints of shareholders on the actions of the management bodies and officials of the Company and take appropriate decisions on them;

- require the convocation of meetings of the Supervisory Board, the convocation of an extraordinary general meeting in cases where violations in production, economic, financial, legal activities or the occurrence of a real threat to the interests of the Company require their resolution by the Company's management bodies.

7.4. When conducting the audits, the members of the Board of Internal Auditors shall carefully examine all documents and materials related to the subject matter of the audit. For incorrect conclusions, the members of the Board of Internal Auditors shall bear responsibility, the measure of which shall be determined by the general meeting of shareholders and the current legislation of the Republic of Uzbekistan.

7.5. Members of the Board of Internal Auditors shall be required to attend the general meeting of shareholders and answer the questions of meeting attendees within the limits of their competence.

7.6. The members of the Board of Internal Auditors shall not have the right to use the Company's opportunities (property or non-property rights, business opportunities, information about the Company's activities and plans) for personal enrichment.

7.7. The members of the Board of Internal Auditors shall perform their duties in good faith, as well as in the manner that they consider the best in the interests of the Company.



## **8. PROCEDURE FOR DETERMINING THE AMOUNT OF REMUNERATION TO MEMBERS OF BOARD OF INTERNAL AUDITORS**

7.8. The members of the Board of Internal Auditors shall be paid remuneration for the work they do and for the provision of reports (conclusions), as established by law and these Regulations.

7.9. The results of the work of the Board of Internal Auditors and the provision of reports (conclusions) shall serve as the basis for determining the amounts of remuneration to be paid to the Chairman and members of the Board of Internal Auditors.

7.10. The amount of remuneration (calculated for 1 member of the Board of Internal Auditors for 1 calendar month) shall be determined in the amount of \_\_\_ minimum wages and be paid quarterly.

7.11. If the conclusions of the Board of Internal Auditors are not quarterly submitted to the Supervisory Board, the remuneration shall not be paid.

7.12. At the same time, a multiplying co-efficient shall be established for remuneration to be paid to the Chairman of the Board of Internal Auditors at a rate of not more than 1.2-fold amount to be paid to a member of the Board of Internal Auditors.