

“A P P R O V E D”

**by Resolution of the single shareholder
holding ordinary shares in
Almalyk MMC JSC
No. 3/2016**

dated June 30, 2017

**Public Attorney
at Almalyk MMC JSC**

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**REGULATIONS
ON INTERNAL CONTROL
OF ALMALKYK MMC JSC**

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1. GENERAL PROVISIONS

1.1. These Regulations on Internal Control (hereinafter the “Regulations”) of Almalyk MMC JCS (hereinafter as the “Company”) have been developed in accordance with the current legislation of the Republic of Uzbekistan, the Company's Charter, the Corporate Governance Code approved by Minutes of the Meeting of the Commission for improving the efficiency of activities of joint stock companies and improving the corporate governance system No. 9 dated December 31, 2015, and internal documents of the Company.

1.2. These Regulations determine purposes and objectives of the internal control system, principles of its operation, as well as the Company’s bodies and persons responsible for internal control.

1.3. In order to ensure a unified approach to the organization and effective functioning of the Company's internal control system, the internal control procedures provided for by the Regulations shall be introduced and applied through the existing corporate governance mechanisms.

2. BASIC CONCEPTS AND PURPOSES OF INTERNAL CONTROL

2.1. The main purpose of internal control is to ensure the protection of rights and legitimate interests of all shareholders, including minority ones.

2.2. **Internal Control** is an activity performed by management bodies, control bodies, structural units, officials and other employees of the Company in the implementation of procedures aimed at achieving the following goals by the Company:

- ensuring the achievement of strategic medium and long term development goals and the implementation of the financial and economic plans (business-plans) of the Company;
- ensuring investor confidence in the Company and its management bodies;
- establishment and maintenance of the Company's good reputation in business circles and consumers;
- ensuring the safety of assets, cost-effective and efficient use of the Company's resources;
- ensuring effective prevention, timely identification and analysis of risks in the Company's activities;
- planning and risk management in the Company's activities, including making timely and adequate risk management decisions;
- ensuring the completeness, reliability, usefulness and authenticity of the financial, accounting and management information and reporting of the Company;
- ensuring compliance with the requirements of the current legislation in the fields and types of the Company's activities subject to regulation, as well as internal documents of the Company;
- ensuring the observance of financial discipline, effective prevention, identification and elimination of irregularities when performing financial and business operations;
- controlling information flow management and ensuring information security;
- ensuring the adequacy, transparency and objectivity in payment of remunerations and compensations, including its amount, to members of the executive body, the supervisory board and the audit commission.

2.3. **Internal Control System** is an integral part of the Company's governance system, representing a combination of the organizational structure, a set of instructions of the Company's management body regarding control (control policy), internal control procedures and methods regulated by the internal documents, organized and implemented in the Company by the audit committee, the internal audit service, the Supervisory Board, the Board of Internal Auditors under the Supervisory Board (in the case of a decision on its creation), the executive body, as well as other departments and employees of the Company, authorized to carry out internal control (hereinafter Internal Control Subjects) at all levels and in terms of all functions.

3. INTERNAL CONTROL PROCEDURES AND METHODS

3.1. **Internal Control Procedures** is a documented system of actions to ensure effective internal control over the implementation of the Company's financial and economic activities, to identify violations of laws and internal documents of the Company, to prevent, limit and avert financial and operational risks and possible abuses by Company officials, and interaction of Internal Control Subjects internally.

3.2. When carrying out internal control procedures, the methods of inspection, observation, examination, confirmation, recalculation, verification of data from various sources shall be applied, including coordination and approval of operations, analysis and verification of reports, access restriction, and other methods necessary for the implementation of internal control procedures.

The internal control procedures (control procedures) of the Company include:

- organization of the system for collecting, processing and transmission of information, including generation of reports and messages containing operational, financial and other information about the Company's activities, as well as establishment of effective communication channels and means providing vertical and horizontal communication within the Company;
- identification and analysis of potential and existing operational, financial, strategic and other risks that impede the achievement of the Company's goals;
- determination of the criteria and assessment of the effectiveness of work of structural units, officials and other employees of the Company;
- identification of violations through inspections, monitoring and analysis of the results of inspections of activities of branches, representative offices and structural units;
- exercising control over the formation and execution of the Company's business plan;
- verification of the safety of assets;
- approval and implementation of operations only by the persons who have the appropriate authority;
- proper documentation of internal control procedures;
- bringing their responsibilities in terms of internal control to all employees of the Company;
- distribution and delegation of key powers and responsibilities in the Company (including responsibilities for confirmation and approval of operations, accounting of operations, issuance, storage and receipt of resources, analysis and verification of operations), ensuring effective interaction between structural units and employees of the Company;
- delimitation of the access of members of the Company's management and control bodies, as well as other employees of the Company to certain resources and information, establishment of responsibility for unauthorized access;
- preventive work to avert violations by bringing information on the identified significant violations and shortcomings to the structures of the Company;
- control over the elimination of violations;
- other procedures necessary to achieve the internal control objectives.

4. FUNCTIONING PRINCIPLES AND INTERNAL CONTROL SYSTEM COMPONENTS

4.1. The Internal Control System of the Company is built on the following principles:

- smooth operation - continuous and proper functioning of the internal control system allows the Company timely detecting any deviations from the norm and preventing their occurrence in the future;
- formalization of the control policy through appropriate documentation. Control procedures shall be applied by employees consciously and consistently in accordance with the procedure for their implementation, and the established the Company's internal documents;

- accountability of all participants in the internal control system - the quality of performance of control functions by each Internal Control Subject shall be controlled in terms of quality by another participant in the internal control system;

- differentiation of executive and control powers - the Company shall seek to eliminate or reduce the risk of errors or fraud. The functions shall be distributed among the Company's employees in such a way that the same person is not simultaneously responsible for the functions related to the approval of transactions with certain assets, registration of these operations, preservation of assets, and their inventory;

- confirmation and approval of operations - the Company shall seek to establish a procedure for proper coordination and approval of all financial and economic operations by authorized persons within their respective powers;

- ensuring organizational separation of the Company's unit, that exercises daily internal control, and its functional accountability directly to the Supervisory Board or through the audit committee;

- responsibility of all Internal Control Subjects of the Company for proper performance of the control functions. Each individual control function shall be assigned to only one responsibility center;

- internal control complexity - control shall be exercised on the basis of interaction of all structural units of the Company, cover all areas of the Company's activities and all business processes at all levels of management;

- continuous development and improvement - the Company shall strive to provide conditions for flexible adjustment of the internal control system, allowing it to adapt to the need to solve new tasks, expand and improve the system itself;

- timeliness of transmission of messages about deviations, distortions, errors. The information on deviations shall be provided to the persons authorized to make decisions on relevant deviations as soon as possible;

- rationality and economic efficiency - control shall be organized rationally, eliminating unnecessary steps and procedures. Control procedures shall be economically justified and may not exceed the valuation of the risk which they are directed to.

4.2. The internal control system includes the following interrelated components:

- control environment, which includes ethical values and competence of the Company's employees, management policy, the way the leadership distributes authority and responsibility, the organizational structure and advanced training of employees, as well as governance and management by the Supervisory Board;

- risk assessment - representing the identification and analysis of relevant risks in the achievement of certain tasks that are interconnected at various levels and internally consistent;

- control activities that summarize the control policy and procedures that help ensure that management decisions are implemented, and include a wide variety of actions, such as issuing approvals, sanctions, confirmations, conducting inspections, monitoring of current activities, ensuring safety of assets and separation of powers;

- information support and information exchange activities aimed at timely and effective identification of data, their registration and exchange, including the creation of effective channels of information exchange in order to form an understanding of the control policy and internal control procedures among all Internal Control Subjects adopted at the Company and ensure their execution. The Company shall take measures to protect against unauthorized access to information;

- - monitoring - the process that includes management and supervision functions, during which the quality of the system's performance over time is assessed. The assessment of the internal control system shall be carried out to determine the likelihood of errors that affect the reliability of the financial statements, to clarify the materiality of these errors and determine the ability of the internal control system to ensure the implementation of its objectives. The Company, by decision of the general meeting of shareholders on the basis of the proposal by the

Supervisory Board, may involve an independent professional consulting organization to assess the effectiveness of the internal control system.

5. BODIES AND PERSONS RESPONSIBLE FOR INTERNAL CONTROL

5.1. Internal control shall be exercised by the Board of Internal Auditors, the audit committee, the Supervisory Board of the Company, the head of the executive body, the internal audit service, as well as by other employees of the Company at all levels, and everyone shall be responsible for internal control in the established manner.

5.2. The functions, rights and obligations, responsibility, procedure for calculating compensations and paid remuneration to the departments operating in the Company are provided for by the Company's internal documents. These documents, as well as other documents directly or indirectly affecting the issues of internal control, cannot contradict these Regulations.

5.3. In order to ensure the systematic nature of control over the Company's financial and economic activities, the main internal control procedures shall be carried out by the authorized division of the Company, such as the internal audit service, in cooperation with other Internal Control Subjects and units of the Company.

5.4. The functions of the Supervisory Board include:

- determining the direction of development and approval of certain operations and strategies of the internal control system;
- annual report at the annual general meeting of shareholders of the Company on the results of the analysis and evaluation of reliability and efficiency of the internal control system, based on regular reports of the head of the Company's executive body, internal and external audits, the audit commission, information from other sources and own observations on all aspects of internal control, including: financial control, operational control, control over compliance with legislation, control of internal policies and procedures;
- determining the structure and composition of the Company's unit responsible for internal control;
- continuous improvement of internal control procedures.

5.5. Responsibility for organizing control over the accuracy and completeness of financial reporting, reliability and efficiency of the Company's internal control system shall rest with the Audit Committee of the Supervisory Board, which role, goals, objectives and powers are reflected in the Regulations on the Audit Committee of the Supervisory Board of the Company.

5.6. The head of the executive body of the Company shall implement the procedures of the internal control system and ensure its effective functioning, timely informing the Supervisory Board about all the Company's risks, significant shortcomings of the internal control system, as well as plans and results of measures to eliminate them.

5.7. Responsibility for exercising control over the financial and economic activities of the Company and its separate units shall be assigned to the Board of Internal Auditors, which role, goals, objectives, and powers are reflected in the Regulations on the Audit Committee.

5.8. Responsibility for exercising regular control over the implementation of internal control procedures, namely, the compliance of the Company's financial and business operations with the legislation of the Republic of Uzbekistan and the Charter of the Company in general, its separate units, as well as over the completeness and accuracy of accounting and financial reporting shall lie with the internal audit service, which role, goals, objectives, and powers are reflected in the Regulations on the Internal Audit Service.

The following persons may not hold positions in the internal audit service of the Company:

- the persons who have outstanding convictions for economic crimes or for crimes against order;
- the persons who are members of the executive body or heads of structural divisions of the Company;

- the persons who are founders (shareholders, members), a head or members of the executive body, or employees of another legal entity that is a competitor to the Company. Other requirements for members of the internal audit service may be established by the Supervisory Board.

5.9. The proper functioning of the Company's internal control system presupposes the availability of appropriate qualifications and professionalism of controlling employees. Employees of the Internal Control Subjects and officials of the Company who perform internal control procedures shall have sufficient knowledge and skills to exercise internal control actions, as well as continuously improve their skills. A temporary absence of individual employees of the Internal Control Subjects shall not interrupt the control procedures. To do this, each controlling employee shall be able to perform the control work of higher and lower employees of his level in order to avoid loss of adequate communication with the object of control during their absence.

6. FINAL PROVISIONS

6.1. These Regulations, as well as amendments and additions hereto, shall be approved by the decision of the general meeting of shareholders.

6.2. Additions and amendments to these Regulations shall be made at the suggestion of members of the Supervisory Board of the Company, the external auditor of the Company, the Board of Internal Auditors of the Company, the internal audit service of the Company, the head of the executive body of the Company.

6.3. If, as a result of changes in the legislation and regulatory acts of the Republic of Uzbekistan, certain articles of these Regulations conflict with them, these articles shall become null and void, and until amendments are made to the Regulations, the Company shall be guided by the legislation and regulations of the Republic of Uzbekistan.