

APPROVED
by the Decision of the Shareholders' General
Meeting of «UZBEK COMMODITY
EXCHANGE» JSC

REGULATION ON
INTERNAL CONTROL OF
«UZBEK COMMODITY EXCHANGE» JSC

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I. GENERAL PROVISIONS

1. This Regulation on Internal Control of «QURILISH BIRLASHMASI» JSC (hereinafter "Regulation") is developed in accordance with the current legislation of the Republic of Uzbekistan, the Article of Association of «QURILISH BIRLASHMASI» JSC (hereinafter "Company"), the Code of Corporate Management, approved by the Minutes of the Committee for Improvement of the Efficiency of Joint-Stock Companies Activity and Enhancement of Corporate Management System №9 dd. December 31, 2015 and other internal documents of the Company.

2. This Regulation defines objectives and tasks of internal control system, working principles, as well as Company`s authorities and persons responsible for internal control.

II. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL SYSTEM

3. Internal control is continuously operating process integrated in Company's activity and aimed at improvement of risk management effectiveness, control and corporate governance in order to obtain reasonable and sufficient, with respect to the Company`s objectives, confirmation of compliance of Company`s activity with the following principles:

- Effectiveness and productivity of activity, including performance level, profit receipt and asset protection;
- Reliability and accuracy of financial reporting;
- Compliance with applicable law and rules governing Company`s activity.

4. Internal control system is a set of organizational structure, regulatory measures, procedures and methods of internal control, regulated by internal documents, organized and carried out by the Company's Audit Committee, Internal Audit Service, Supervisory Board, Executive Body and other personnel at all levels and all functions (hereinafter - internal control subjects). Qualification of members of Company's Internal Control Bodies can be established in Regulations on their activities.

5. Internal control procedures is a set of measures undertaken by Company`s Audit Commission, Committee of Audit Supervisory Board, Supervisory Board, Executive

Body, as well as Company`s divisions, authorized to carry out internal control (hereinafter Company's divisions), and aimed at disclosure of law violations and requirements of Company`s internal documents, while implementing financial and economic activity, at assessment of Company`s goals achieving effectiveness, as well as engagement of internal control subjects with each other during implementation of internal control procedures.

6. The main purpose of internal control is to ensure all shareholders` rights and legitimate interests, including minority shareholders.

7. Internal control shall provide on ongoing basis the following:

- Soundness of assets, economical and efficient use of Company`s resources;
- Compliance with the requirements of current legislation and Company`s internal documents;
- Company`s development strategy of business plans on medium and long terms;
- Completeness and accuracy of accounting records, financial statements and management information of the Company;
- Detection, identification and analysis of risks as they occur during Company`s activity;
- Planning and risk management in the Company's activity, including timely and adequate solutions for risk management;
- Establishing and maintaining of the Company's positive reputation in business and among consumers;
- Adequacy, transparency and objectivity of remuneration and compensation payments, including its amount, to the members of the Executive Body, the Supervisory Board and the Audit Commission.

III. WORKING PRINCIPLES OF INTERNAL CONTROL SYSTEM

8. Company`s internal control system is based on the following principles:

- Smooth functioning is constant and proper functioning of internal control system that enables the Company to promptly identify any deviations from the norm and to prevent them from occurring in the future;

- Accountability of all participants of internal control system. Another party of internal control system shall control the quality of control functions executing by each person;
- Segregation of duties. The Company seeks to avoid duplication of control functions, and these functions should be distributed among employees in such way that the same person has not united the functions related to approval of transactions with certain assets, including operations on assets security and its inventory;
- Proper approval and acceptance of operations. The Company aims to establish a procedure for approval of all business operations by authorized persons within their proper authorization;
- Organizational insulation of Company`s division, carrying out daily internal control, and its functional accountability directly to the Company`s Head, the Supervisory Board through the Audit Committee;
- Responsibility for proper performance of control functions of all internal control subjects working in the Company;
- Implementation of internal control on the basis of clear interaction of all Company`s divisions;
- Constant development and improvement. The company aims to provide conditions for flexible adjustment of internal control system, so that it can be adapted to the need to complete tasks, expand and improve the system itself;
- Timely message delivery. In the Company there established short term delivery of relevant information to the persons authorized to make decisions on reducing of variances;
- Identification of priority of Company`s business area, which is getting better control. Strategic area covered by internal control system is highlighted.

IV. INTERNAL CONTROL SYSTEM COMPONENTS

9. Internal control system shall include the following interconnected components:

- Control environment, which includes ethical values and competence of Company's employees, management policy, management`s method of distribution of powers and

responsibilities, organization structure and employees` advanced training, as well as supervision and management by the Supervisory Board;

- Risk assessment which is the identification and analysis of the relevant risks when achieving certain tasks associated with each other and internally consistent at different levels;
- Control activities, summarizing the policy and procedures to ensure the proper execution of decisions of the Company's management, and include a wide range of actions, such as issuing of approvals, sanctions, endorsements, audits, monitoring of current activities, security of assets and powers separation;
- Activity on data provision and exchange of information aimed at timely and effective identification of data, their recording and exchange, including, establishment of effective channels on information exchange in order to develop an understanding of Company's policy and internal control procedures from internal control subjects and to ensure their fulfillment. The Company shall take take measures to protect against unauthorized access to information;
- Monitoring is a process that includes control and supervision functions, during which the system performance quality is evaluated as time goes on. Evaluation of internal control system shall be used to determine the probability of errors occurrence affecting financial reporting accuracy, clarifying the significance of these errors and determining the ability of internal control system to ensure tasks fulfillment. By the decision of Shareholders` General Meeting on the basis of the Supervisory Board an independent professional consulting organization may be involved in the process of assessment the effectiveness of Company`s internal control system.

V. AUTHORITIES AND PERSONS RESPONSIBLE FOR THE INTERNAL CONTROL

10. The Company`s Audit Committee, the Audit Committee under the Supervisory Board, the Supervisory Board, the Head and Executive Body members, the internal audit service, as well as other employees of the Company at all levels, within their powers due to the current legislation and internal local acts of the Company shall carry out the internal control.

11. Functions, rights and obligations, liability, procedure for calculating

compensations and remunerations paid to divisions operating in the Company, shall be provided in the Company's internal documents. These documents, as well as other documents, directly or indirectly affecting internal control issues can not come into conflict with this Regulation.

12. In order to ensure systematic nature of control of Company`s financial and economic activity the Audit Commission, Internal Audit Service, the Sole Manager, Executive Body members, law and accounting services, the Head of department and all employees of the Company having functional responsibilities and keeping Company's internal control shall conduct the internal control procedures.

13. The Supervisory Board functions include:

- Determination of development direction and approval of certain operations and strategies of internal control system;
- Annual report at the Annual Shareholders General Meeting of the Company on the results of analysis and reliability and efficiency evaluation of internal control system, based on the data of regular reports of Company`s Executive Body Head, 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
- Determination of structure and composition of Company's divisions, responsible for internal control;
- Continuous improvement of internal control procedures.

14. The Audit Committee of the Supervisory Board shall be responsible for organization of control over accuracy and completeness of financial statements, reliability and efficiency of Company's internal control system. Its role, objectives, tasks and powers are reflected in Regulation on Company`s Audit Committee of the Supervisory Board.

15. The Executive Body`s Head shall be responsible for its functioning, in accordance with the Company`s internal control policy approved by the Supervisory Board. The Executive Body`s Head shall implement internal control system

procedures and ensure its effective functioning, timely informing the Supervisory Board about all the Company's risks, material weaknesses in internal control systems, as well as the plans and results of measures on eliminating them.

16. The employees (including the Heads) of divisions at any level within their competence, shall be directly involved in the detailed development of strategies and procedures concerning control implementation.

The staff report to the Company`s higher management on major issues or any specific transaction risks.

17. Permanent body of internal control, the Audit Commission shall be responsible for control over financial and economic activities of the Company and its separate divisions. Roles, goals, objectives, powers of the Audit Commission are reflected in Regulation on the Audit Commission.

18. Internal Audit Service shall be responsible for regular control over internal control procedures, namely for compliance of financial and economic operations of the Company and its separate divisions with the law of the Republic of Uzbekistan and the Articles of Association as a whole, as well as over completeness and accuracy of accounting and financial reporting. Its role, goals, objectives, powers are reflected in the Regulations on Internal Audit Service.

Company`s Supervisory Board shall approve Regulations on Internal Audit Service.

19. The Company's Internal Audit Service reports on the results of internal audit and internal control system to the Supervisory Board Committee. Company's Internal Audit Service shall be affected by the Audit Supervisory Board.

20. The following persons is not entitled to hold positions in the Company`s Internal Audit Service:

- Persons who have outstanding conviction for economic crimes or crimes against the order;
- Person who is Director or Member of Company`s Executive Body;
- The Audit Supervisory Board Committee may establish other requirements to persons who are members of the Internal Audit Service.

21. The proper functioning of the Internal Control System shall also depend on

employees` professionalism. The Company makes efforts to ensure that the system of selection, recruitment, staff training and promotion provides their professional qualification and compliance with the highest ethical standards.

VI. PROCEDURES AND METHODS OF INTERNAL CONTROL

22. The Company's internal control procedures include:

- determination of related and consistent goals and objectives at different levels of Company management;
- identification and analysis of potential and existing operational, financial, strategic and other risks that may impede the achievement of Company's activity purposes;
- assessment of internal control essential components;
- assessment of effectiveness of business processes` internal control system;
- determination of criteria and assessment of effectiveness of structural divisions functioning, s well as officials and other employees of the Company;
- review of financial and other information in comparison with the comparable information for prior periods and expected results of activities;
- use of appropriate methods of events, operations and transactions report;
- check of assets soundness;
- proper documentation of internal control procedures; regular assessment of internal control system quality;
- determining of responsibilities of all Company's employees in internal control;
- distribution of key responsibilities among Company`s employees (including responsibilities for approval and acceptance of operations, operations record, resources` issuance, storage and receiving, operation` analysis and verification);
- approval and implementation of operations only by those persons who are endowed with appropriate authority;
- other procedures necessary to achieve internal control objectives.

23. The methods of inspection, observation, confirmation, recalculation, as well as

other methods necessary to implement internal control procedures shall be used when conducting internal control procedures.

VII.FINAL PROVISIONS

24. These Regulations, as well as amendments to it shall be approved by Resolution of Shareholders General Meeting.

25. Amendments to these Regulations shall be made on the proposal of the Company`s Supervisory Board members, the External Auditor, the Audit Committee, the Internal Audit Service, the Executive Body Head.

26. If certain articles of these Regulations come into conflict with amendments made in legislation and regulations of the Republic of Uzbekistan, these articles become invalid and before making amendments into Company`s Regulation they shall be guided by the legislation and regulations of the Republic of Uzbekistan. In this case the invalidity of any part of this Regulation shall not imply invalidity of all Regulation as a whole.