

**Approved by  
the Resolution of the General Meeting of  
Shareholders of  
MAXSUSELEKTRTARMOQQURILISH JSC  
dated 30.06.2016**



**REGULATIONS  
OF INTERNAL CONTROL  
OF MAXSUSELEKTRTARMOQQURILISH  
JOINT-STOCK COMPANY**

**TASHKENT - 2016**

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## **I. GENERAL PROVISIONS**

1. These Regulations of Internal Control (Regulations) of the Maxsuselektrtarmoqqurilish Joint-Stock Company (the Company) have been developed in accordance with the applicable legislation of the Republic of Uzbekistan, the Articles of Association of the Company, the Code of Corporate Management approved by the Minutes of Meeting of the Commission for increasing the efficiency of activity of joint-stock companies and improvement of corporate management system No. 9 dated 31.12.2015 and the internal documents of the Company.

2. These Regulations determined the purposes and objectives of the internal control system, principles of its functioning as well as the Company bodies and persons responsible for internal control.

## **II. DEFINITION AND OBJECTIVES OF THE INTERNAL CONTROL SYSTEM**

3. Internal control is a continuously operating process integrated in the business of the Company and aimed at raising the efficiency of processes of risk management, control and corporate management for the purposes of receiving reasonable and adequate confirmation in relation to achieving the goals of the Company in the following fields:

- efficiency and productivity of business, including the degree of efficiency of functioning. Gaining profit and assets protection;
- reliability and authenticity of financial statements;
- conformity to legislation and rules of laws regulating the business of the Company.

4. Internal control system is aggregation of organizational structure, controlling actions, procedures and methods of internal control regulated by internal documents, organized and implemented in the Company by the Auditing Commission, internal audit service, Supervisory Board, the executive body and other employees on all levels (hereinafter referred to as the internal control subjects) and for all functions. Qualification of members of internal control bodies of the Company can be established in the Regulations of their activity.

5. Internal control procedures is aggregation of activities implemented by the Auditing Commission of the Company, the Audit Committee of the Supervisory Board, the Supervisory Board of the Company, the executive body of the Company as well as the subdivisions of the Company authorized to realize internal control (hereinafter referred to as Company subdivisions) and aimed at revealing violations of the legislation and the internal documents of the Company during financial and business activities, for evaluation of efficiency of achieving the goals of the Company as well as interaction of the internal control subject between each other in the process of realization of the internal control procedures.

6. The key purpose of the internal control is ensuring protection of rights and legal interests of all the shareholders, including minority shareholders.

7. Internal control is intended to provide in real time:  
safety of assets, economic and effective usage of the Company resources;  
observance of the requirements of the applicable legislation and internal documents of the Company;

implementation of the Company development strategy for medium-term and long-term period, the business plans of the Company;

completeness and reliability of accounting documents, financial statements and managerial information of the Company;

finding, identification and analysis of risks at the time of arising in the Company business;

planning and risk management in the Company business, including timely and adequate decisions for risk management;

establishing and maintaining the good reputation of the Company in business community and for customers.

adequacy, transparency and objectiveness of payment of remuneration and compensations, including their amounts, to the members of the executive body, the Supervisory Board and the Auditing Commission.

### **III. PRINCIPLES OF FUNCTIONING OF INTERNAL CONTROL SYSTEM**

8. The internal control system at the Company is based on the following principles:

uninterruptible functioning – continuous and proper functioning of the internal control system allows the Company to timely identify any deviations from the norm and prevent them in future;

accountability of all the participants of the internal control system – quality of performance of control functions by each person is monitored by another participant of the internal control system;

division of duties – the Company take efforts to avoid duplication of control functions and those functions should be distributed among the employees so that one person shouldn't combine the functions related to approval of operations with certain assets with accounting and record of operations, safekeeping of assets and inventory taking;

proper approval and acceptance of operations – the Company tries to establish the process of approval of all financial and business operations by authorized persons within their relevant authorities;

ensuring organizational apartness of Company subdivision providing every day internal control, and its functional accountability directly to the Supervisory Board via its Audit Committee;

responsibility of all the subjects of internal control working in the Company for proper performance of control functions;

implementation of internal control on the basis of clear interaction of all the Company subdivisions;

continuous development and improvement – the Company takes efforts to provide the conditions for flexible adjustment of the internal control system so that it is adapted to the necessity to solve new problems, expand and improve the system itself;

timeliness of deviation messages transmission – shortest possible time is set at the Company for transmission of relevant information to the persons authorized to make decisions for elimination of deviations;

determination of priority of Company business fields in which the control is being established – strategic directions covered by internal control system are allocated, even if the efficiency of their functioning (cost/performance ratio) is difficult to measure.

#### **IV. COMPONENTS OF INTERNAL CONTROL SYSTEM**

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

control environment including ethic values and competence of the Company staff, management policy, method of distribution of powers and responsibility by the management, organization structure and raising the skills of staff as well as direction and management from the hand of the Supervisory Board;

risk assessment which means identification and analysis of respective risks during achieving certain objectives related to each other on various levels and internally consistent;

control activity generalizing the policies and procedures which help to ensure that the management decisions are fulfilled, and including a number of multifarious actions, such as issue of approvals, sanctions, confirmations, inspections, control of current activity, assets safety guarantee and division of powers;

activity for informational support and information exchange aimed at timely and effective identification of data, their registration and exchange, including creation of effective information exchange channels for the purposes of formation of understanding of internal control policies and procedures adopted in the Company by all the internal control subjects and provision of their fulfillment. The Company takes actions for protection of information against unauthorized access;

monitoring is the process including the management and supervision functions, for evaluation of system performance in the course of time. Evaluation of the internal control system is conducted for determination of probability of errors affecting the reliability of financial statements, clarification of materiality of those errors and determination of the ability of the internal control system to provide fulfillment of tanks. For evaluation of efficiency of the internal control

system, the Company may engage an independent professional organization – consultant by resolution of the general meeting of shareholders on the basis of proposal of the Supervisory Board.

## **V. BODIES AND PERSONS RESPONSIBLE FOR INTERNAL CONTROL**

10. Internal control is provided by the Auditing Commission, the Audit Committee at the Supervisory Board, the Supervisory Board of the Company, the manager of the executive body, internal audit service as well as other employees of the Company at all levels, whereas everyone is responsible for internal control in the established manner.

11. The functions, rights and obligations, responsibility, procedure of estimation of compensations and paid remuneration of the subdivisions functioning in the Company are stipulated by the internal documents (bylaws) of the Company. These documents, as well as other documents directly or indirectly related to the internal control issues, may not contradict to these Provisions.

12. For the purposes of provision of systemic nature of control of financial and business operations of the Company, the internal control procedures are implemented by the internal audit service, or in case of absence of such service, by the Audit Committee at the Supervisory Board responsible for internal control, in cooperation with other bodies and subdivisions of the Company.

13. The functions of the Supervisory Board include:

determination of direction of development and approval of certain operations and strategies of internal control system;

annual announcement at the annual general meeting of shareholders of the Company about the results of conducted analysis and evaluation of reliability and effectiveness of the internal control system based on the data of regular reports of the manager of the executive board of the Company, internal and external audits, the Auditing Commission, the information from other sources and own observations in all the aspects of internal control, including: financial control, operational control, control of observance of legislation, control of internal policies and procedures;

determination of the structure and members of the Company subdivision responsible for internal control;

continuous improvement of internal control procedures.

14. The responsibility for organization of control of authenticity and completeness of financial statements, reliability and efficiency of the internal control system of the Company is vested in the Audit Committee at the Supervisory Board, which role, purpose, objectives and powers are reflected in the Regulations of the Audit Committee at the Supervisory Board.

15. The responsibility for its functioning, in accordance with the internal control policy of the Company approved by the Supervisory Board is vested in the

manager of the executive body. The manager of the executive body of the Company introduces the procedures of the internal control system and ensures its effective functioning, timely informing the Supervisory Board about all the risks of the Company, significant deficiencies of the internal control system as well as the plan and results of activities for elimination thereof.

16. The employers (including managers) of subdivisions of any level within their competence shall directly participate in detailed development of strategies and procedures for implementation of control. Their duties include overcoming unusual situations and problems when they occur. The employees shall report about significant issues or risks arising for a particular deal to the superior management of the Company.

17. The responsibility for implementation of control of financial and business operations of the Company and its separate subdivisions is vested in the permanent internal control body – the Auditing Commission which role, purpose, objectives and powers are reflected in the Regulations of the Auditing Commission.

18. The responsibility for regular control of execution of the internal control procedures, namely the conformity of the realized financial and business operation of the Company to the legislation of the Republic of Uzbekistan and the Articles of Association in general, and its separate subdivisions, as well as the completeness and reliability of accounting and financial reports is vested in the internal audit service which role, purpose, objectives and powers are reflected in the Regulations of the Internal Audit Service.

The Regulations of the Internal Audit Service is approved by the Supervisory Board of the Company.

19. The Internal Audit Service of the Company is reporting to the Audit Committee of the Supervisory Board about the results of internal audit, internal control system. The Internal Audit Service of the Company is subordinated to the Audit Committee of the Supervisory Board

20. Following persons are not entitled to take positions in the Internal Audit Service of the Company:

- persons having outstanding conviction or crimes in the field of economy or crimes against public order;
- persons being managers or members of the executive body of the Company;
- persons being founders (shareholders, members), managers or members of the executive body or employees of another legal entity competing with the Company.

Other requirements to the persons within the Internal Audit Service can be established by the Audit Committee at the Supervisory Board.

21. Proper functioning of the internal control system also depends on the professionalism of staff. The Company takes efforts to have the system of

selection, recruitment, training and promotion of staff providing their high qualification and observance of high ethical standards by them.

## **VI. PROCEDURES AND METHODS OF INTERNAL CONTROL**

22. The internal control procedures of the Company include:

determination of interconnected and noncontradictory purposes and objectives at various levels of Company management;

identification and analysis of potential and existing operational, financial, strategic and other risks which can obstruct achievement of the objects of business of the Company;

evaluation of significant components of internal control;

evaluation of efficiency of internal control system of business processes;

determination of criteria and evaluation of performance of structural subdivisions, offices and other employees of the Company;

review of financial and other information in comparison with comparable information for the previous years or with anticipated results of activity;

use of adequate methods of record of events, operations and transactions;

checking safekeeping of assets;

proper documentation of internal control procedures;

regular evaluation of quality of internal control system;

advising the responsibilities of all the Company employees in the field of internal control;

distribution of key responsibilities among the Company employees (including responsibilities for approval and acceptance of operations, record of operations, release, storage and receipt of resources, analysis and checking of operations);

approval and implementations of operations by only those persons which are vested with relevant authorities;

other procedures necessary for achieving the objectives of internal control.

23. During implementation of internal control procedures, the methods of inspection, observation, confirmation, recalculation as well as other methods necessary for implementation of internal control procedures are used.

## **VII. FINAL PROVISIONS**

24. These Regulations as well as amendments and additions thereto shall be approved by resolution of the general meeting of shareholders.

25. Amendments and additions in these Regulations are made by proposal of the members of the Supervisory Board of the Company, the external auditor of the Company, Auditing Commission of the Company, the Audit Committee of the Supervisory Board, the manager of executive body of the Company.



26. If as a result of change in legislation and regulatory acts of the Republic of Uzbekistan certain provisions of these Regulations contradict to them, such provisions shall be null and void, and the Company shall follow the legislation and regulatory acts of the Republic of Uzbekistan till the time of making relevant amendments in these Regulations.