

Translated from Russian into English

APPROVED
By Annual general meeting of shareholders
Of JSC “KARBONAT”
Minutes No.2 on June 22, 2016

**REGULATION
ABOUT
INTERNAL AUDIT SERVICE
OF JOINT STOCK COMPANY
“KARBONAT”
(new edition)**

Djizakh region - 2016

TABLE OF CONTENTS

1. General provisions	3
2. Main tasks and functions of the Internal Audit Service of the Company	3
3. Rights and obligations of the Internal Audit Service of the Company	3
4. Requirements for the Internal Audit Service of the Company	
Attestation of employees of the Internal Audit Service of the Company	4
5. Independence of the Internal Audit Service of the Company	5
6. Requirements for conducting internal audit and drawing up a consolidated report according to the results of its implementation	5
7. Responsibility of the Internal Audit Service of the Company	7

1. General Provisions

1.1. These Regulations of the Joint Stock Company "KARBONAT" (hereinafter referred to as the Company) establish uniform requirements for organization of internal audit of the Company, as well as determine the methodological basis for organizing its work.

1.2. These Regulations have been developed in accordance with the Law of the Republic of Uzbekistan dated May 6, 2014 No. LRUz-370 "On Joint Stock Companies and Protection of Shareholders' Rights" (hereinafter referred to as the Law) and the Company.

1.3. The Internal Audit Service is a structural unit of the Company that carries out internal audit, created by the decision of the Supervisory Board of the Company.

2. Main tasks and functions of the Internal Audit Service of the Company

2.1. Main tasks of the Internal Audit Service are:

control and assessment of the work of the Management Board, branches and representative offices of the Company by checking and monitoring their compliance with the legislation, Articles of the Company and other documents, ensuring the completeness and reliability of the reflection of data in accounting and financial statements, established rules and procedures for carrying out business transactions, safeguarding assets, as well as compliance with the requirements for the management of the Company established by the legislation;

providing the Supervisory Board with reliable information and preparing proposals for improving the Company's activities based on the results of the internal audit;

promptly submitting recommendations to the management bodies of the Company to eliminate deficiencies identified in the process of internal audit, exercising control over their elimination.

2.2. Main functions of the Internal Audit Service are:

internal audit (quarterly and based on the results of the reporting year)

by conducting appropriate checks in the areas specified in clause 6.1. of these Regulations, in accordance with the plan annually approved by the Supervisory Board of the Company;

examination of the concluded business contracts for their compliance with the requirements of the legislation;

providing the structural divisions of the Company with methodological assistance in maintaining accounting records and drawing up financial statements, advising them on issues of financial, tax, banking and other legislation;

rendering assistance to the Supervisory Board of the Company in the development of terms of reference, assessment of proposals from external audit organizations, as well as preparation of recommendations for the selection of an external audit organization to conduct an audit;

internal control, including over transactions carried out with legal entities, more than 50% of the authorized capital of which belongs to the Company.

3. Rights and obligations of the Internal Audit Service of the Company

3.1. Internal Audit Service has a right to:

Regulation about Internal Audit Service of JSC "KARBONAT" (new edition) - 2016

receive documents of the Company (orders, orders of the head, decisions of management bodies, certificates, calculations, certified copies of necessary documents and other documentation), oral and written explanations from officials and responsible persons of the Company on issues arising in the course of internal audit;

involve the relevant specialists of the Company to assist in the conduct of internal audit.

3.2. Internal audit service is obliged to:

comply with the requirements of this Regulation and other legislative acts when carrying out internal audit;

draw up reports in accordance with the requirements established by clauses 6.2.-6.7 of these Regulations;

check the reliability of financial and statistical reporting indicators;

maintain the confidentiality of information obtained in the course of internal audit;

in the event that facts are discovered that testify to the infliction of losses to the Company by its officials and other employees, immediately inform the Supervisory Board of the Company about this and make a corresponding entry in the audit report;

participate in the inventory of assets and control over the timeliness of its implementation in the manner prescribed by law.

3.3. Internal Audit Service may have other responsibilities in accordance with the legislation and Articles of the Company.

4. Requirements for the Internal Audit Service of the Company. Attestation of employees of the Internal Audit Service of the Company

4.1. Employees of the Internal Audit Service must have experience of practical work (including part-time work) in the field of accounting, audit, financial or tax control for at least two years out of the last ten, and meet one of the following requirements:

have a certificate of an internal auditor;

have a higher economic education obtained in higher educational institutions of the Republic of Uzbekistan or in educational institutions of a foreign state and, in accordance with the legislation of the Republic of Uzbekistan, recognized as equivalent to education in the Republic of Uzbekistan.

A procedure for certification of employees of the internal audit service is determined by the republican professional public associations of auditors in agreement with the Ministry of Finance of the Republic of Uzbekistan.

4.2. Number of employees of the Internal Audit Service must be sufficient to effectively achieve the goals and objectives of the internal audit, and is determined by the Supervisory Board of the Company in the number of at least two certified internal auditors.

4.3. Internal Audit Service is managed by its head, who is certified as an internal auditor.

Head of the Internal Audit Service annually prepares an annual cost estimate for the Internal Audit Service and submits it to the Supervisory Board of the Company for approval.

4.4. Professional level of the employees of the Internal Audit Service should be maintained by means of raising their qualifications on a systematic basis in educational institutions that have an appropriate license.

4.5. Employees of the Internal Audit Service are subject to annual attestation by the Supervisory Board of the Company.

4.6. Attestation of employees of the Internal Audit Service is a means of testing the knowledge of persons performing the functions of internal auditors.

4.7. Supervisory Board approves the list of attestation questions for attestation (testing and written-oral survey) at least once a year.

4.8. Not later than fifteen days before the date of the attestation, the Supervisory Board notifies the employees of the Internal Audit Service of the date and place of the attestation.

4.9. Attestation must be attended by at least seventy-five percent of the elected members of the Supervisory Board.

4.10. Attestation of employees of the Internal Audit Service is carried out in the form of testing.

4.11. Testing is carried out in the form of answers to test questions in writing or using a computer program and includes sixty questions, with the provision of sixty minutes for those passing the certification. In this case, the maximum number of points for testing is sixty points.

4.12. Persons who have correctly and completely answered eighty percent of the questions are considered to have passed the test successfully. When determining the results of certification, the following concepts are used: "certified"; "Not certified".

4.13. Results of the attestation within two days after its completion are approved by the decision of the Supervisory Board.

4.14. Results of the attestation are announced within two days after their approval.

4.15. If an employee of the Internal Audit Service does not pass certification, the Supervisory Board has the right to make a decision to terminate the employment contract with him.

5. Independence of the Internal Audit Service

5.1. Main conditions for the independence of the Internal Audit Service are: appointment and dismissal of the head of the Internal Audit Service and its employees from their positions, the establishment of wages and other payments for them by decisions of the Supervisory Board of the Company; direct subordination to the Supervisory Board of the Company.

6. Requirements for conducting internal audit and drawing up a consolidated report according to the results of its implementation

6.1. Internal audit is carried out only by employees of the Internal Audit Service through inspections and monitoring:

progress in the implementation of the approved business plan; compliance with the principles of corporate governance; the state of accounting and financial reporting; the correctness of the calculation and payment of taxes and other mandatory payments; compliance with legislation in the implementation of financial and economic activities;

condition of assets;

the state of internal control.

The Supervisory Board may determine other areas of inspections in accordance with the legislation, based on the profile of the enterprise.

6.2. Based on the results of the checks carried out, appropriate reports are drawn up, signed by the employee (employees) who directly carried out them.

Wherein:

a) a report on the results of checking the progress of the business plan should include: analysis of the quantitative and qualitative indicators of its implementation; a description of the reasons identified in case of failure to ensure its implementation, with a personal indication of the guilty officials;

b) the report on the results of the audit of compliance with the principles of corporate governance should include:

analysis of the effectiveness of decisions taken by the management bodies of the Company, compliance with the legal rights and interests of its participants (founders);

a description of the facts of violation of the legislation in the field of corporate governance (observance of constituent documents, holding general meetings and meetings of the Company's management bodies, correct calculation and timeliness of payment of dividends, etc.); etc.);

c) report on the results of the audit of the state of accounting and financial reporting of the enterprise must include:

assessment of compliance with the established procedure for accounting and financial reporting;

a description of the identified violations of the established procedure for accounting and preparation of financial statements;

d) a report on the results of checking the correctness of the calculation and payment of taxes and other mandatory payments must include:

assessment of the correctness of calculations of taxes and other obligatory payments made and submitted to the relevant authorities;

a description of the facts of violation of the established procedure for calculating and paying taxes and other mandatory payments, deviations in determining the taxable base;

e) report on the results of the audit of the Company's compliance with the legislation in the implementation of financial and business operations must include:

assessment of the compliance of the financial and economic operations carried out by the Company with the legislation;

a description of the inconsistencies with the legislation of the financial and economic operations carried out by the Company revealed during the internal audit;

f) the report on the results of checking the state of internal control should include: a description of the internal control system and existing in its operating disadvantages;
data on the state of performing discipline in the structural divisions of the Company, existing shortcomings in the work of its specific employees.

Results of checking the condition of assets should be based on an inventory of assets and include information about their movement, actual availability and safety.

Also, all reports on ongoing inspections must contain a final part, including an assessment of the activities of the executive body of the enterprise and its structural divisions, recommendations for eliminating the identified deviations and violations, a full package of supporting documents.

6.3. Based on the results of the internal audit, in accordance with clauses 6.1. and 6.2 of this Regulation, a consolidated report is drawn up, signed by the head of the Internal Audit Service.

6.4. The summary report should include: analytical part;
the final part;
a full package of supporting documents.

6.5. Analytical part of the consolidated report should include summarized information on the results of audits carried out by the internal audit staff in accordance with clauses 6.1. and 6.2. of this Regulation.

6.6. Final part of the report should contain:
general assessment of the activities of the executive body and structural divisions of the Company, as well as its liquidity;
recommendations of the Internal Audit Service to eliminate the identified deviations and violations, as well as generalized proposals to improve the efficiency of the Company's financial and economic activities, improve corporate governance.

6.7. A consolidated report should be prepared within ten days after the completion of the internal audit.

6.8. Consolidated reports must be submitted directly to the Supervisory Board of the Society for review and subsequent approval by it. Copies of the reports after their approval must be submitted to the Management Board of the Company.

6.9. Management Board of the Company is obliged to take measures to eliminate the deficiencies identified as a result of the internal audit.

6.10. Internal Audit Service should establish control over the timely and proper execution of measures to eliminate violations discovered during the audit, as well as to improve the efficiency of the financial and economic activities of the Company as a whole.

7. Responsibility of the Internal Audit Service of the Company

7.1. Internal Audit staff are responsible for:

distortion of the results of their inspections;

non-observance of the confidentiality of information constituting a commercial secret of the Company, which was provided to them or became known in connection with the performance of their official obligations;

ensuring the safety and return of received documents.

7.2. Internal Audit Service is responsible for assessing the measures taken to eliminate violations discovered during the audit and to improve the efficiency of the Company's financial and economic activities.

7.3. Supervisory Board of the Company quarterly hears the report of the Internal Audit Service on the results of inspections, with the adoption of measures to eliminate the identified deficiencies and increase the efficiency of the financial and economic activities of the Company.

8. Final provisions

8.1. In the event that the legislation and the Articles of Association of the Company establish provisions other than those provided for by these Regulations, then the provisions of the legislation and the Articles of Association of the Company shall apply.