CONTENT

1. GENERAL PROVISIONS  [4](#bookmark0)

[II. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL SYSTEM 4](#bookmark1)

1. THE PRINCIPLES OF FUNCTIONING OF THE INTERNAL CONTROL SYSTEM…………………………………………………………………………...5
2. [COMPONENTS OF THE INTERNAL CONTROL SYSTEM 5](#bookmark4)
3. THE BODIES AND PERSONS RESPONSIBLE FOR INTERNAL CONTROL………………………………………………………………………... 6
4. [PROCEDURES AND METHODS OF INTERNAL CONTROL 7](#bookmark7)
5. FINAL CLAUSES  [7](#bookmark8)
6. GENERAL PROVISIONS
7. This Regulation on internal control (hereinafter - the Regulation) of «ВМКВ-AGROMASH» JSC (hereinafter-the Company) is developed in accordance with current legislation of the Republic of Uzbekistan, Charter of the Company, Corporate Governance Code, approved by minutes of the Commission’s meeting to improve the efficiency of joint-stock companies and improve the Corporate Governance System from 31.12.2015 № 9 and internal documents of the Company.
8. This Regulation defines the goals and objectives of internal control system, the principles of its functioning, as well as the bodies of Company and persons responsible for internal control
9. DEFINITION AND OBJECTIVES OF INTERNAL CONTROL SYSTEM
10. Internal control is an ongoing process built into the Company's activities and aimed at improving the efficiency of risk management, control and corporate governance processes in order to obtain reasonable and sufficient confirmation regarding the achievement of the Company's objectives in the following areas:
* productivity and efficiency of activities including operational efficiency, profit and asset protection;
* reliabilityandaccuracy of financial statements;
* compliance with the legislation and legal norms that regulate the Company's activities.
1. The internal control system is a complex of organizational structure, control measures, procedures and methods of internal control, regulated by internal documents, organized and implemented in the Company by the audit Commission, internal audit service, Supervisory Board, Executive body and other employees at all levels (hereinafter-the subjects of internal control) and in all functions.
2. The main purpose of internal control is to ensure the protection of the rights and legitimate interests of all shareholders, including minority shareholders.
3. Internal control is designed to ensure the operational mode:

safety of assets, economical and efficient use of the Company's resources;

compliance with the requirements of the current legislation and internal documents of the Company;

implementation of the company's medium-and long-term development strategy and Business plans;

completeness and accuracy of accounting documents, financial statements and management information of the Company;

detection, identification and analysis of risks at the time of their occurrence in the Company's activities;

establishing and maintaining a good reputation of the Company in the business community and consumers;

adequacy, transparency and objectivity of payment of remuneration and compensation, including its amount, to members of Executive Body, Supervisory Board and Audit Commission.

1. THE PRINCIPLES OF FUNCTIONING OF THE INTERNAL CONTROL SYSTEM
2. The Company's internal control system is based on the following principles:

uninterrupted functioning-constant and proper functioning of the internal control system allows the Company to timely identify any deviations from the norm and prevent their occurrence in the future;

proper approval and approval of operations-the Company is committed to establish the procedure for approval of all financial and economic operations by authorized persons within their respective powers;

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

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

continuous development and improvement-the Company strives to provide conditions for flexible adjustment of the internal control system, so that it can be adapted to meet the need to solve new problems, expand and improve the system;

prioritization of the Company's areas of activity in which control is being established-strategic directions covered by the internal control system are singled out, even if the effectiveness of their functioning (the ratio of "cost-economic effect") is difficult to measure.

1. COMPONENTS OF THE INTERNAL CONTROL SYSTEM
2. The internal control system includes the following interrelated components:

risk assessment - is the identification and analysis of relevant risks in achieving certain tasks related to each other at different levels and internally consistent;

control activities that summarize the policies and procedures that help ensure that management decisions are implemented, and that include a variety of actions, such as: issuing approvals, sanctions, confirmations, conducting audits, monitoring ongoing activities, guaranteeing asset security and separation of powers;

monitoring is a process that includes management and oversight functions, during which the quality of the system is evaluated over time. The internal control system is evaluated to determine the probability of errors that affect the reliability of the financial statements, to determine the materiality of these errors, and to determine the ability of the internal control system to ensure that the objectives are met. To assess the effectiveness of the internal control system in JSC by decision of the General meeting of shareholders on the basis of proposal of Supervisory Board, an independent professional consulting organization may be involved.

1. THE BODIES AND PERSONS RESPONSIBLE FOR INTERNAL CONTROL
2. Internal control is carried out by Audit Commission, Audit Committee of the Supervisory Board, Supervisory Board of the Company, Head of the Executive Body, Internal Audit Service, as well as other employees of the Company at all levels, and everyone is responsible for internal control in accordance with the established procedure.
3. Functions, rights and obligations, responsibility, procedure of calculation of compensations and remunerations, functioning in the company units are provided by the internal documents of the Company. These documents, as well as other documents directly or indirectly affecting internal control issues may not contradict this Provision.
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 on the results of analysis and evaluation of reliability and effectiveness of internal control system based on the data of regular reports of head of the Executive Body of the Company, internal and external audits, 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 the structure and composition of the company's division responsible for internal control;

continuous improvement of internal control procedures.

1. Responsibility for organization of control over reliability and completeness of financial statements, reliability and efficiency of internal control system of the Company rests with audit Committee of Supervisory Board, whose role, objectives, tasks and powers are reflected in Regulations on the audit Committee of the Supervisory Board of the Company.
2. Responsibility for control over the financial and economic activities of the Company and its separate divisions rests with the permanent internal control body-the audit Commission, the role, goals, objectives, powers of which are reflected in Regulations on the audit Commission.
3. Responsibility for implementing regular control over the implementation of internal control procedures, namely compliance of financial and economic operations to legislation of the Republic of Uzbekistan and Charter of the company as a whole, its separate divisions, as well as on the completeness and accuracy of accounting and financial reporting rests with the internal audit role, objectives, tasks, powers which are reflected in regulation on the internal audit service.

Regulation on internal audit service is approved by Company’s Supervisory Board.

1. Company's internal audit service reports to Supervisory Board's audit Committee on the results of internal audit and internal control system. Internal audit service of Company reports to audit Supervisory Board Committee.
2. The following persons may not occupy any positionsin the internal audit service of the Company:
* persons having outstanding conviction for crimes in economy or for crimes against public order;
* persons who are the head or members of the Company’s Executive Body;
* persons who are the founders (shareholders, participants), head or members of Executive body or employees of another legal entity that is a competitor of the Company;

Other requirements for persons who are part of the internal audit service may be established by the audit Supervisory Board Committee.

1. PROCEDURES AND METHODS OF INTERNAL CONTROL
2. The Company's internal control procedures include:

definition of interrelated and consistent goals and objectives at different levels of management of the Company;

identification and analysis of potential and existing operational, financial, strategic and other risks that may hinder the achievement of the Company's objectives;

assessment of significant components of internal control;

assessment of internal control system’s effectiveness of business processes;

determination of criteria and performance evaluation of structural units, officials and other employees of the Company;

consideration of financial and other information in relation to comparable information for prior periods or expected results of operations;

application of appropriate means of recording for events, operations and transactions;

check the safety of the assets;

proper documentation of internal control procedures;

regular quality assessments of the internal control system;

distribution of key responsibilities among the Company's employees (including responsibilities for approval and approval of operations, accounting of operations, issuance, storage and receipt of resources, analysis and verification of operations;

approval and execution of transactions only by those persons who have the appropriate authority;

1. At conducting internal control procedures, the methods of inspection, monitoring, confirmation, recalculation, as well as other methods necessary for the implementation of internal control procedures are used.
2. FINAL CLAUSES
3. This Regulation, as well as amendments and additions to it shall be approved by the decision of the General meeting of shareholders.
4. Additions and changes to this Regulation are made at suggestion of members of Company’s Supervisory Board, external auditor of Company, audit Commission of Company, internal audit service of Company, head of Company’s Executive Body.
5. If as a result of changes in legislation and regulations of the Republic of Uzbekistan separate articles of this Regulation come into conflict with them, these articles become invalid, and until the moment of changes in Regulations the Company is guided by the legislation and regulations of the Republic of Uzbekistan.