

"Approved"
by the decision of the Supervisory Board of
the Joint-stock company "Mortgage
Refinancing Company of Uzbekistan"
dated August 3, 2020.

REGULATION
ON INTERNAL CONTROL
Joint-stock company
"Mortgage Refinancing Company of Uzbekistan"

Tashkent 2020.

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I. GENERAL PROVISIONS

1. This Regulation on Internal Control (hereinafter referred to as the Regulation) of the Joint-stock company "Mortgage Refinancing Company of Uzbekistan" (hereinafter referred to as the Company) has been developed in accordance with the Law of the Republic of Uzbekistan "On Joint-Stock Companies and Protection of Shareholders' Rights", other regulatory legal acts, the Charter of the Company, the Corporate Governance Code approved by the minutes of the Commission meeting on improving the efficiency of joint-stock companies and improving the corporate governance system No. 9 dated 31.12.2015 and internal documents of the Company.

2. This Regulation defines the goals and objectives of the internal control system, the principles of its functioning, as well as the Company's bodies and persons responsible for internal control.

II. DEFINITION AND OBJECTIVES OF the INTERNAL CONTROL SYSTEM

3. Internal control is a continuous process built into the Company's activities and aimed at improving the effectiveness of risk management, control and corporate governance processes in order to obtain reasonable and sufficient confirmation regarding the achievement of the Company's goals in the following areas:

- efficiency and productivity of activities, including the degree of efficiency of functioning, profit generation and asset protection;
- reliability and reliability of financial statements;
- compliance with the legislation and legal norms that regulate the Company's activities.

4. The internal control system is a set 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 management and other employees at all levels (hereinafter referred to as internal control subjects) and in all functions. The qualifications of the members of the internal control bodies of a joint-stock company may be established in the Regulations on Their Activities.

5. Internal control procedures are a set of measures implemented by the audit commission of the Company, the audit and risk management committees of the Supervisory Board of the Company, the Supervisory Board of the Company, the executive management of the Company, as well as the divisions of the Company authorized to exercise internal control (hereinafter referred to as the divisions of the Company), and aimed at identifying violations of legislation and internal documents of the Company in the implementation of financially - to assess the effectiveness of the Company's achievement of its goals, as well as the interaction of internal control entities with each other in the process of implementing internal control procedures.

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

7. Internal control is designed to ensure operational:

- preservation 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 development strategy for the medium and long term, the Company's business plans;
- completeness and reliability of accounting documents, financial statements and management information of the Company;
- identification and analysis of risks at the time of their occurrence in the Company's activities;
- planning and risk management in the Company's activities, including making timely and adequate decisions on risk management;
- establishing and maintaining a good reputation of the Company in business circles and among consumers;
- adequacy, transparency and objectivity of remuneration and compensation payments, including its size, to members of the Executive management, the Supervisory Board and the Audit commission.

III. PRINCIPLES OF FUNCTIONING OF THE INTERNAL CONTROL SYSTEM

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

- smooth functioning – the continuous and proper functioning of the internal control system allows the Company to identify any deviations from the norm in a timely manner and prevent their occurrence in the future;
- accountability of all participants in the internal control system – the quality of performance of control functions by each person is controlled by another participant in the internal control system;
- separation of responsibilities – The Company strives to avoid duplication of control functions, and these functions should be distributed among employees in such a way that the same person does not combine functions related to approving transactions with certain assets, taking into account transactions, ensuring the safety of assets and carrying out their inventory;
- proper approval and approval of transactions – The Company strives to establish the procedure for approval of all financial and economic transactions by authorized persons within their respective powers;
- ensuring the organizational isolation of the Company's daily internal control unit and its functional accountability directly to the Supervisory Board through the Audit and Risk Management Committees;

- 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 tasks, expand and improve the system itself;
- timely transmission of messages about deviations – the Company has established the shortest possible time for the transmission of relevant information to persons authorized to make decisions on the elimination of deviations;
- prioritization of the Company's areas of activity in which control is being established – strategic areas covered by the internal control system are highlighted, even if the effectiveness of their functioning (the "cost – economic effect" ratio) is difficult to measure.

IV. COMPONENTS OF THE INTERNAL CONTROL SYSTEM

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

- the control environment, which includes the ethical values and competence of the Company's employees, the management policy, the way the management allocates powers and responsibilities, the structure of the organization and the professional development of employees, as well as management and management by the Supervisory Board;
- risk assessment – the identification and analysis of relevant risks in achieving certain tasks that are interconnected at various levels and internally consistent;
- control activities that summarize policies 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 current activities, guaranteeing asset security 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 for information exchange in order to form an understanding of internal control policies and procedures adopted in the Company and ensure their implementation among all subjects of internal control. The Company takes measures to protect against unauthorized access to information;
- monitoring is a process that includes management and supervision functions, during which the quality of the system's operation is assessed over time. The assessment of the internal control system is carried out to determine the probability of errors affecting the reliability of financial statements, to determine the materiality of these errors and to determine the ability of the internal control system to ensure the fulfillment of the tasks. To assess the effectiveness of the internal control system in a joint-stock company, an independent professional consulting organization may be engaged by a decision of the General Meeting of Shareholders on the basis of a proposal from the Supervisory Board.

V. BODIES AND PERSONS RESPONSIBLE FOR INTERNAL CONTROL

10. Internal control is carried out by the Audit Commission, the audit and risk management Committees under the Supervisory Board, the Supervisory Board of the Company, the head of the executive management, the 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.

11. The functions, rights and obligations, responsibilities, the procedure for calculating compensations and paid remuneration of the divisions operating in the Company are provided for by the internal documents of the Company. These documents, as well as other documents directly or indirectly affecting internal control issues, cannot contradict this Regulation.

12. To ensure the systematic nature of the control of the financial and economic activities of the Company, internal control procedures are carried out by the authorized division of the Company - the internal audit service, and in the absence of such a service, the audit commission of the Company responsible for internal control, in cooperation with other bodies and divisions of the Company.

13. 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 the reliability and effectiveness of the internal control system based on the data of regular reports of the head of the executive management of the Company, internal and external audits, the audit commission, information from other sources and own observations on all aspects of internal control, including:
 - o financial control;
 - o operational control;
 - o monitoring compliance with legislation;
 - o 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.

14. Responsibility for the organization of control over the reliability and completeness of financial statements, reliability and effectiveness of the Company's internal control system is assigned to the Audit Committee of the Supervisory Board, whose role, goals, tasks and powers are reflected in the Regulations on the Audit Committee of the Supervisory Board of the Company.

15. Responsibility for its functioning, in accordance with the internal control policy of the Company approved by the Supervisory Board, is assigned to the head of the executive management. The Head of the executive management of the Company implements the procedures of the internal control system and ensures its effective functioning, promptly informing the Supervisory Board about all the risks of the Company, significant shortcomings of the internal control system, as well as plans and results of measures to eliminate them.

16. Employees (including managers) of departments at any level, within their competence, are directly involved in the detailed development of control strategies and procedures.

Their responsibilities include managing with non-standard situations and problems as they arise. Employees report significant issues or risks arising from a particular transaction to the Company's higher management.

17. Responsibility for exercising control over the financial and economic activities of the Company and its separate divisions is assigned to the permanent internal control management - the Audit Commission, the role, goals, tasks, whose powers are reflected in the Regulations on the Audit Commission.

18. Responsibility for regular control over the implementation of internal control procedures, namely, compliance of the Company's financial and economic operations with the legislation of the Republic of Uzbekistan and the Charter of the Company as a whole, its separate divisions, as well as the completeness and reliability of accounting and financial statements lies with the internal audit service, whose role, goals, tasks, powers are reflected in the Regulations on the Internal Audit Service.

The Regulation on the Internal audit Service is approved by the Supervisory Board of the Company.

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

20. The following persons are not entitled to hold positions in the Internal Audit Service of the Company:

- persons who have an outstanding criminal record for crimes in the field of economics or for crimes against order;
- persons who are the head or members of the executive management of the Company;
- persons who are founders (shareholders, participants), the head or members of the executive management or employees of another legal entity that is a competitor to the Company;
- other requirements for persons who are members of the internal audit service may be established by the audit committee of the Supervisory Board.

21. The proper functioning of the internal control system also depends on the professionalism of staff. The Company makes efforts to ensure that the system of recruitment, hiring, training and promotion of employees ensures their high qualifications and compliance with high ethical standards.

VI. INTERNAL CONTROL PROCEDURES AND METHODS

22. The Company's internal control procedures include:

- identification of interrelated and consistent goals and objectives at various levels of management of the Company;
- identification and analysis of potential and existing operational, financial, strategic and other risks that may prevent achievement of the Company's objectives;
- assessment of the essential components of internal control;
- assessment of the effectiveness of the internal control system of business processes;
- determination of criteria and evaluation of the effectiveness of the work of structural divisions, officials and other employees of the Company;
- review of financial and other information in comparison with comparable information for previous periods or with expected results of operations;
- use of adequate ways of accounting for events, operations and transactions;
- checking the safety of assets;
- proper documentation of internal control procedures;
- regular quality assessments of the internal control system;
- informing all employees of the Company of their responsibilities in the field of internal control;
- distribution of key responsibilities among the Company's employees (including responsibilities for approving and approving transactions, accounting for transactions, issuing, storing and receiving resources, analyzing and verifying transactions);
- approval and execution of transactions only by those persons who have the appropriate authority;
- other procedures necessary to achieve the objectives of internal control.

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

VII. FINAL PROVISIONS

24. This Regulation, as well as amendments and additions to it, are approved by the decision of the Supervisory Board of the Company.

25. Additions and amendments to these Regulations are made at the suggestion of the members of the Supervisory Board, the external auditor, the audit commission, the internal audit service, the head of the executive management of the Company.

26. If, as a result of changes in the legislation and regulations of the Republic of Uzbekistan, certain articles of this Regulation come into conflict with them, these articles become invalid, and until changes are made to the Regulations, the Company is guided by the legislation and regulations of the Republic of Uzbekistan.