

**«APPROVED»**  
**by the decision of annual**  
**general shareholders' meeting of**  
**«KOKAND BIOCHEMICAL»**  
**June 20, 2020 year**

**H.A.Omonov** \_\_\_\_\_

Chairman of the meeting    signature

***JOINT-STOCK COMPANY***

***«KOKAND BIOCHEMICAL»***

**REGULATION**  
**ON THE AUDIT COMMITTEE**

*2020 year*

## **1. GENERAL PROVISIONS**

1.1 The Audit Committee (hereinafter-the Committee) of «KOKAND BIOCHEMICAL» JSC is the advisory body under the Supervisory Board according to the Charter of the Company was created for the preliminary consideration of matters within the competence of the Supervisory Board.

In its activities, the committee reports to the Supervisory Board. The Committee is not allowed to act on behalf of the Supervisory Board. The Committee is not the governing body of the Company.

1.2 The Committee in its activities is governed by the legislation of the Republic of Uzbekistan, the charter of the Company, the decisions of the Supervisory Board, this Regulation and other internal documents of the Company.

## **2. THE PURPOSE OF CREATING THE COMMITTEE AND ITS FUNCTIONS**

2. The main purpose of creating the Committee is to improve the efficiency and quality of the work of the Supervisory Board. Ensuring open communication between the Company's Audit Committee and the Company's Auditor, Auditing Committee, its affiliates, representative offices, structural subdivisions and public services by means of preliminary review and development of recommendations in the following areas:

- Risks related to complete disclosure of information;
- Financial statements;
- Independent external audit, internal audit;
- External control procedures.

2.1 The functions of the Committee are the followings:

2.2.1. Preliminary review and development of recommendations on matters within the competence of the Supervisory Board to the Supervisory Board on and decision making, including:

- preliminary approval of the annual reports of the Company;
- preparation of recommendations to the General Meeting of Shareholders on the results of the financial year of the Company, as well as the procedure for payment of dividends on shares and their payment;
- Determining the price of property (value in money) provided for by the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights", placement of issuable securities and determining the price of repurchasing;

- determining the starting (maximum) price for the auditor services of the Company;
- risk management, analysis of efficiency of such procedures, analysis of their compliance, approval of internal procedures of the company;
- approval of internal control procedures for financial and economic activities of the Company, including the approval of the Regulations on internal control procedures;
- approval of large transactions in cases provided by the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights";
- approval of transactions in cases provided by the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights";
- making decision on audit of financial and economic activities of the Company by the Auditing Committee;
- approval of internal documents of the Company related to the functions of the committee.

2.2.2. To provide the Supervisory Board with direct participation in the control over financial and economic activities.

2.2.3. Evaluation of candidates for the company's audit.

2.2.4. Evaluation of the conclusion of external auditor of the Company.

2.2.5. Reviewing of procedures of internal control in the company, including:

- consideration of proposals with the Internal Audit Service and development of recommendations for risk management in the financial and economic activities of the Company;

- consideration of proposals in cooperation with the executive body of the company and developing recommendations for crisis management;

- development of recommendations with the Internal Audit Service for approval of transactions that go beyond the limits set by the annual budget of the Company;

- evaluating the effectiveness of the Company's risk management procedures, internal control procedures, and developing proposals for their improvement;

- development of internal control procedures in conjunction with the Company's Executive body, the Company's Internal Control and Internal Audit Service.

2.2.6. Reviewing of financial and accounting reports of the Company, including:

- reviewing the Company's annual accounting reports before reviewing by the Supervisory Board, as well as reviewing materials prepared in accordance

with International Financial Reporting Standards (IFRSs), as well as information on the Company's financial and economic performance prepared for providing investors;

— discussing the annual financial report and audit results with the auditor of the company and the executive body of the company before submitting it to the Supervisory Board;

— consideration of accounting and audit issues, adjustments and changes in accounting policies, which can have a sufficient effect on the financial results of the Company.

2.2 The Supervisory Board or Chairman of the Supervisory Board may instruct the Committee to consider other issues within the competence of the Supervisory Board and prepare draft decisions.

2.3 The Committee ensures that the Supervisory Board continuously interacts with:

— External Auditor of the Company;  
— Independent appraiser;  
— The company's Auditing Committee;  
— The executive body of the company and its Chairman;  
— Financial and accounting services, as well as the company's internal audit service.

2.4 In order to perform its functions, the Committee has the following rights:

— requesting and receiving information from the executive body of the company in the prescribed manner from the heads of service and structural units to carry out its activity;

— to invite, if necessary, the employees of the Company and other persons to the meetings of the Committee;

— development and submission to the Supervisory Board of proposals on amendments and / or additions to the present Regulation.

### **3. THE PROCEDURE OF FORMATION AND STRUCTURE OF THE COMMITTEE**

3. The staff of the Committee and the decision to elect the chairman of the committee is adopted by the Supervisory Board after the election of new members of the Supervisory Board.

3.1. The personal composition of the Committee is elected by the decision the Supervisory Board upon the proposal of the Chairman of the Supervisory Board.

3.2. The personal composition of the Committee is elected for the term of office of the relevant members of the Supervisory Board.

3.3. The Chairman of the Committee is elected by the Supervisory Board to direct the work of the Committee.

3.4. The main task of the Chairman of the Committee is to manage the work of the Committee.

The Chairman of the Committee:

- convenes and chair the meetings of the Committee;
- develops the plan of regular meetings of the committee for the current year based on the approved work plan of the Supervisory Board and submits it for approval to the first meeting of the new convocation committee;
- forms the agenda of the Committee meeting;
- ensures keeping the minutes of the Committee meeting;
- signs and submits to the Supervisory Board documents (recommendations, programs, memorandums, etc.) on behalf of the Committee;
- maintains regular contacts with the Chairman of the Board, Executive body of the Company, persons holding the executive positions, heads of branches, representative offices, structural subdivisions of the Company;
- take responsibility for organizing the work of the Committee.

3.5. The secretary of the committee is performed by the secretary of the company's supervisory board.

3.6. Expert persons, who are not members of the Committee, but who have the necessary professional knowledge, may be attracted as experts. If necessary, the committee may initiate the involvement of external experts in the work of the committee in accordance with the internal documents of the company.

3.7. Changes in the composition of the Committee may be made at any time by the Supervisory Board at the request of any member of the Supervisory Board.

3.8. By the decision of the Company's Supervisory Board, the powers of committee members may be terminated in full or in part.

#### **4. RIGHTS AND OBLIGATIONS OF THE COMMITTEE MEMBERS**

4. Obligations of the committee members:

- to participate fully in the work of the Committee;
- study of the documents submitted to the Committee meeting and document at the meeting;
- promptly inform the Committee of the existence of a personal interest in the adoption of a decision;
- discrediting the committee or its members' professionalism.

4.1. The members of the Committee have the following rights:

— Requesting the officials and employees of the Company the information (documents and materials) required for the functions assigned to the Committee;

— To get acquainted with the minutes of the meetings of the Committee, Supervisory Board and the Board of the Company, as well as to receive their copies, internal documents of the Company (in the absence of such order, upon the request of the Chairman of the Committee to the Chairman of the Company);

— To initiate the inclusion of additional issues related to the competence of the Committee to the Committee's agenda;

— To require the Committee to include its separate opinion on the agenda and the decisions it makes;

— Participation in the meetings of the Company's Board.

## **5. THE PROCEDURE FOR HOLDING OF THE COMMITTEE MEETING**

5. The first meeting of the newly elected committee is held no later than 30 (thirty) working days from the date of the decision of the Supervisory Board to elect the new members.

5.1. The Committee holds meetings in accordance with its work schedule, as well as on the instructions of the Supervisory Board and as necessary.

The committee's action plan is based on the approved work plan of the Supervisory Board of the Company.

5.2. The agenda of the committee (by absentee voting) is defined by the chairman of the committee. Any member of the Committee may initiate the inclusion of additional matters within the competence of the Committee.

The agenda can be adopted and completed on the basis of the unanimous decision of the committee members.

5.3. Members of the Supervisory Board, Chairman of the Board, members of the Supervisory board, members of the Auditing Committee, representatives of the Audit, heads of financial and accounting services, as well as other members of the Company's internal control and internal audit and other members may be invited to the meetings of the Committee.

5.4. Members of the Supervisory Board, who are not members of the Committee, the chairman of the Board, members of the Executive body, may apply to the Chairman of the Committee with proposals for the preparation and preliminary review of matters within the competence of the Supervisory Board.

5.5. The chairman of the committee makes a decision on the convening, date, time, place and agenda of the Committee meeting, as well as the list of persons to be invited to the meeting of the Committee. The Chairman of the Committee

convenes a meeting of the Committee upon the request of two or more members of the Committee.

5.6. The work of the Committee performed in the form of meetings (joint participation) or by absentee voting, as well as in the form of field meetings. Meetings can be hold in the mode of using video conferencing or other means of communication (ie members of the Supervisory Board, who are present at various locations during the session, have the opportunity to listen to the speaker, ask questions to the speaker, make suggestions on the issues and decisions of the conference). The venue of the conference in video-conferencing mode or with the use of other means of communication is the place where the committee is chairing the meeting. A committee member is not allowed to cast his vote to another committee member or representative.

5.7. The committee is considered to have a quorum if half of the members elected are present at the meeting. In determining the quorum and the results of voting on agenda items, the votes of the members of the committee who did not attend the meeting if they have submitted their written comments on the agenda before the date of the committee meeting is taken into account.

5.8. All decisions of the Committee is made by a majority vote of the committee members present at the meeting (absentee voting). Each member of the Committee has one vote. In case of equality of votes, the vote of the chairman of the committee is decisive.

5.9. Committee meetings are chaired by the chairman of the committee, and in case of its absence - by one of its members. Any information that a Committee member has his personal interest during the reviewing issues by of the Committee needs to be disclosed. The Committee may authorize a committee member (s) to scrutinize a specific matter within the competence of the Committee and report the results obtained during the study to the Committee.

5.10. The decisions of the Committee are recorded in minutes and are finalized no later than 10 (ten) days after the meeting (absentee voting).

The minutes of the Committee includes:

- the date, time and place of the meeting of the Committee, or the date, time and place of the minutes of the committee voting in absentia;
- persons presenting at the meeting of the committee or persons who participated in absentee voting;
- individuals who provided written comments on the agenda;
- agenda of the Committee (absentee voting);
- issues put to the vote, results of voting;
- adopted decisions.

5.11. The minutes are maintained by the secretary of the committee. The minutes are signed by the chairman of the committee and in case of his/her absence one of the committee members signs it.

5.12. The minutes, written comments of the committee members and other materials on the agenda are kept by the Secretary of the Supervisory Board. The secretary should ensure that they are received by all members of the committee and members of the supervisory board.

## **6. DECISIONS OF THE COMMITTEE**

6. Based on the results of the review, the committee makes a decision.

6.1. The minutes of the Committee is submitted to the Supervisory Board (absentee voting), which considers the relevant issue. The decision reflects the general opinion of the committee. If necessary, a member of the Committee may, in writing, provide a separate opinion on the relevant issue of the agenda. The dissenting opinion of the Committee member is attached to the minutes of the Committee.

6.2. The Chairman of the Committee is responsible for the timely and complete providing of the Committee's decisions to the Supervisory Board members.

6.3. A decision on a relevant issue must be made by the committee before the Supervisory Board considers it.

6.4. The Committee has the right to develop proposals on the activities of the Company and its subsidiaries and affiliates.

6.5. The Committee submits to the Supervisory Board recommendations on any matter and information which, in its opinion, the Supervisory Board requires.

## **7. THE INTERACTION OF THE COMMITTEE WITH THE COMPANY'S AUDITOR, THE AUDITING COMMITTEE AND THE INTERNAL AUDIT SERVICE**

7. The Committee interacts with the Company's external auditor on:

- discussing with the auditor of the company the scope and timing of the audit,
- the interim and final results of the audit,
- other matters requiring the attention of the committee, and the procedures related to the audit procedures.

7.1. The Committee cooperates with the Auditing Committee of the Company on the following issues:

— development of recommendations for changes in the internal documents of the Company, regulating the activities of the Auditing Committee of the Company;

— development of recommendations to the Supervisory Board on the decision to audit the financial and economic activities of the Company.

7.2. The Committee interacts with the Company's Internal Audit Service (hereinafter referred to as the Service) on:

— reviewing the plan for annual audits by the Service;

— reviewing annual performance reports of the Service;

— development of recommendations for changes in the internal documents of the Company, regulating the activity of the Service.

## **8. RELATIONSHIP OF THE COMMITTEE WITH THE COMPANY'S EXECUTIVE BODY**

8. The Executive body of the Company (Chairman and members of the Board) provides the Committee with the necessary information, including on its own initiative, not limited to the Committee's inquiries, taking into account the legislation of the Republic of Uzbekistan and the company's charter and internal documents.

## **9. ENSURING THE ACTIVITY OF COMMITTEE**

9. The Company considers the financing for performing activity of the Committee.

9.1. The technical operation of the Committee is carried out by the Secretary of the Supervisory Board, who acts on the basis of the present Regulations and orders of the Chairman of the Committee.

9.2. Internal documents of the Company may provide for compensation of expenses related to the remuneration and / or performance of committee members. The amount of this remuneration, the procedure and terms of payment is established by the decision of the Supervisory Board of the Company or the relevant internal document.