

REPORT
on the work done by Compliance - service
under Supervisory Board of “Uzmetkombinat” JSC
(according to the results of 2023)

Activities of the Compliance - Service under the Supervisory Board “Uzmetkombinat” JSC (here in after – Compliance - Service) in its current format and composition is organized in accordance with the protocol decision of the Supervisory Board dated December 14, 2022. In the reporting 2023 year the activity of the Compliance - Service was focused on the implementation of the annual Work Plan of the Compliance - Service, as well as instructions of the ministries and departments of the Republic of Uzbekistan regarding the functional areas of the Service.

According to the staff schedule approved by the Supervisory Board of “Uzmetkombinat” JSC (here in after - the Company), the Compliance - Service has **5 (five)** staff units, of which **4 (four)** are filled by employees. Currently, the process of selection of potential candidates for **1 (one)** vacant unit is ongoing.

I. In the reporting period, the Compliance - Service ensured the implementation of the items of the Compliance - Service Work Plan for 2023, approved by the relevant protocol decision of the Supervisory Board dated December 14, 2022, in the following areas:

1) *Development of regulatory documents (provisions, policies, regulations, procedures, etc.)* - during the reporting period Compliance - Service has developed and approved in the prescribed manner at the meetings of the Supervisory Board such documents as Regulations on Compliance - Service (in the new edition), Anti-corruption Policy, Sanctions Compliance Policy, Antimonopoly Policy, Risk Management Policy, Policy on Conflict of Interest Management in “Uzmetkombinat” JSC, Methodology of monitoring and control of efficiency of anti-corruption procedures in “Uzmetkombinat” JSC, its territorial and structural subdivisions, Methodology of assessment of corruption risks in “Uzmetkombinat” JSC.

2) *In the field of risk management (risk management)* - in the reporting period Compliance - Service on the basis of collection and processing of information received from production, financial and economic, administrative, personnel and other departments carried out work related to the identification of risks in the activities of “Uzmetkombinat” JSC. Based on the analysis of the above information, cards (profiles) for the “short” and “extended” list of key risks associated with production and economic activities of “Uzmetkombinat” JSC were prepared.

This, in turn, was the fundamental basis for the development and implementation of a risk map of production, financial, economic and other activities

of “Uzmetkombinat” JSC, which included a description of **229 risks** in such groups as strategic, operational, financial and compliance risks.

In the field of anti-corruption risk management Compliance - service has assessed **142 functions** of **25 structural-organizational** units and departments of the executive apparatus of the Company on the basis of the Methodology for assessing corruption risks, registered by the Ministry of Justice of the Republic of Uzbekistan on August 31, 2022 for № 3383 (identification and assessment of corruption risks).

On July 17, 2023, a **136-point Program** (Roadmap) to prevent corruption risks was approved.

On the initiative of Compliance - Service from each structural and territorial division risk-coordinators from among **36 employees** were appointed. During the special training seminars the main emphasis was made on training of the appointed risk-coordinators in terms of identification and specific risks in production, financial and economic and other activities of “Uzmetkombinat” JSC and development of appropriate recommendations for their reduction and elimination.

3) In the sphere of compliance of procurement processes - during the reporting period for the purpose of efficiency of organization and safety of implementation by the Company of procurement process Compliance - service has carried out the check on reliability and susceptibility to international, western and European sanctions of **1465 current** and potential counterparties of JSC “Uzmetkombinat”, **176 conclusions** were presented on them. In the course of counterparties security check in accordance with the established requirements, the presence of counterparties' debts to the state budget (*taxes, deductions to the IIB*), its status (*operating company or not in the relevant register*), affiliation, presence of conflict of interest, its functioning in offshore zones, bankruptcy risks, etc. is checked.

Within the framework of the updated Regulations on Compliance - Service, approved by the Supervisory Board of “Uzmetkombinat” JSC on September 12, 2023 (Minutes No. 12), the Compliance - Service was transferred the function of **checking the validity of the pricing policy of the procurement process**. In the period from October 1 to December 31, 2023, **143 request** were considered within the framework of the expert examination of prices for the procurement of goods (works and services) conducted by the Compliance Service, which revealed an excess of prices by **7 926 328 026. 64 UZS**, in connection with which appropriate recommendations were given to optimize the price parameters of procurement procedures, which were approved and adopted by the Production Support Department.

4) In the area of compliance of HR management processes - in the reporting period, in accordance with the recommendations developed by the Compliance - Service, the HR Department exercised control over timely completion of annual

declarations (including in case of transfer to another position) on conflict of interest by employees of all structural and territorial divisions of the Company.

5) In the field of antimonopoly compliance - in the reporting period the Company's Compliance - Service developed and approved by the relevant protocol decision of the Supervisory Board the Antimonopoly Policy of “Uzmetkombinat” JSC. On the recommendation of the Committee for the development of competition and protection of consumer rights of the Republic of Uzbekistan, on May 24, 2023, the Program of measures to reduce the risks of violation of antimonopoly legislation requirements in the Company was approved.

6) Compliance audits - during the reporting period, the Compliance - Service conducted three comprehensive compliance audits:

- Compliance - inspection of activities of the subsidiary organization PFC Metallurg LLC (100% share of “Uzmetkombinat” JSC), based on the results of which recommendations were given to eliminate the identified shortcomings and omissions, including in terms of the procurement process, working time accounting, contractual activities, personnel management, catering, etc.

Based on the recommendations provided by the Compliance - Service, the Roadmap for the implementation of specific practical measures aimed at eliminating the shortcomings and omissions in the activities of PFC “Metallurg” LLC was developed.

- Compliance - inspection of the structural subdivision of UMK “Nutrition Complex” on the organization of input and expenditure accounting of food products, fruit and vegetable products and other inventory in warehouses, organization of catering in canteens of the Company, keeping records in accordance with the requirements of SanRandR of the Republic of Uzbekistan, including the availability of bracker logs, records of sanitary and hygienic norms and procedures. According to the results of the conducted compliance inspection, the materials were transferred to the Department of Corporate Security and Resource Protection for bringing the guilty employees to responsibility in accordance with the established procedure.

On behalf of the First Deputy Chairman of the Management Board - Executive Director, a compliance audit of the validity of canceling a lot of tender bargain for the purchase by import of ferrous secondary metals (scrap metal) was conducted. In the course of the mentioned inspection omissions and shortcomings in the work of Production Directorate (Engineering Center) and Production Support Department (Tender Department) of the Combine were revealed, appropriate recommendations on their elimination and prevention in the future were given.

7) Work with appeals of the Combine’s employees and citizens, organization of “trust communication channels” activity – Compliance - Service launched [*UMK_Anticor_bot*](#) in the reporting period in the social network Telegram in order to facilitate communication of the Company’s employees on information about possible corruption and conflict of interest in the subdivisions, as well as prepared

and demonstrated a video on how to use this application. [UMK_Anticorbot](#) has **6 sections**, among which are:

- Bribery and corruption;
- Accounting irregularities;
- Unequal employment and working conditions;
- Threats to health, safety and the environment;
- Leakage / destruction of information;
- Other.

In 2023, 14 appeals were received via communication channels and Telegram [UMK_Anticor_bot](#) for reporting corruption, all appeals were reviewed at the appropriate level with the involvement of the relevant structural units, and written and oral responses were given to the applicants.

8) Training seminars for the employees of the Company - in the reporting period Compliance - Service organized and conducted **7 general** and special training seminars on risk management and anti-corruption issues with the participation of a foreign expert with the involvement of managers and leading specialists of structural and regional departments of “Uzmetkombinat” JSC.

In the course of special training seminars the main emphasis was made on training of appointed risk-coordinators in terms of identification and specific risks in production, financial and economic and other activities of “Uzmetkombinat” JSC and development of appropriate recommendations for their reduction and elimination.

During the reporting period Compliance - service developed such documents as “*Handbook on the system of anti-corruption compliance of “Uzmetkombinat” JSC*” (**in two editions**) and “*Information guide on combating corruption*”, special educational programs of advanced training “*Obligations of structural and territorial units in the prevention of corruption and conflict of interest and other offenses*” and “*Organization of anti-corruption system*”.

9) Training and professional development of employees of the Compliance - Service - in the reporting period, employees of the Service took part in advanced training courses and scientific and practical seminars on such topics as effective implementation of compliance control system and prevention of corruption in state bodies and organizations, sanctions compliance, the role of forensics in the application of anti-corruption standard ISO 37001 and etc., organized by the Agency of the Republic of Uzbekistan on Combating Corruption, the Tashkent International Arbitration Center, by the American law firm Allen & Overy.

II. Along with the fulfillment of positions of the Work Plan of Compliance - Service for 2023, the activity of the Service in the reporting period was also aimed at the fulfillment of instructions of the Cabinet of Ministers, the Ministry of Mining and Geology, the Agency for Combating Corruption, the Agency for State Assets

Management and etc. In 2023 Compliance - Service received **217 service letters**, on which the fulfillment of relevant instructions was ensured.

On the instructions of the Agency of the Republic of Uzbekistan on Combating Corruption, on April 11, 2023, the Program of Measures consisting of **9 points** was approved, aimed at improving the Company's **activity in the field of ensuring transparency and openness of all types of information and data** in various spheres of its functioning, within the framework of which specific practical measures were implemented. On the official website of "Uzmetkombinat" JSC www.uzbeksteel.uz sections "Open Information" and "Anti-Corruption" have been introduced. These sections contain internal departmental documents, appropriate communication channels (hotline and e-mail) for sending appeals, social videos and information about responsible employees of Compliance - Service. Information in the form of a constantly updated and supplemented report on the work carried out on combating corruption and resolving conflicts of interest on a quarterly basis is entered into the electronic platform "E-anticor.uz" through the (OneID) system launched by the Agency for Combating Corruption of the Republic of Uzbekistan.

Within the framework of wide explanatory work among the employees of "Uzmetkombinat" JSC in terms of anti-corruption policy and measures on settlement of conflict of interests conducted at the Company, Compliance - Service prepared and placed on the website and official Telegram channel of the Company **9 audio clips** and **3 video clips** on relevant topics.

In order to monitor the level of employees knowledge on anti-corruption issues, social surveys were conducted **twice (2 times)** on the official telegram channel of the Company. In monthly publications of the newspaper "Metallurg Minbari" and "Pravda Vostoka" were published **11 articles** of the management and top management of the Combine on various aspects of anti-corruption and conflict of interest management. The address of the Chairman of the Management Board - General Director of the Company - to the employees, officers and the public on topical issues of anti-corruption can be referred to such important propaganda and denunciatory materials.

In accordance with the Plan of events within the framework of the month of counteraction to corruption, approved by the protocol of the meeting of the National Council on counteraction to corruption from August 23, 2023 № 10 and the service letter of the Agency on Counteraction to Corruption from October 24, 2023 № 02-07/5125, Compliance - Service of JSC "Uzmetkombinat" on November 30 of the reporting year organized the event "Open Day", timed to "International Anti-Corruption Day". The event was attended by responsible representatives of the prosecutor's office, internal affairs bodies, courts, territorial division of the Ministry of Justice, who together with representatives of the "Uzmetkombinat" JSC made presentations on anti-corruption topics.

The above-mentioned event received wide coverage in the mass media of Uzbekistan, in particular on "UzReport TV", "Nuravshon TV", "Pravda Vostoka"

newspaper and etc., as well as in the official publication “Metallurg Minbari” and social networks of the Company.

Head of Compliance - service
under the Supervisory Board
“Uzmetkombinat” JSC

Badalbaev A.A.