

REPORT

on the work done by the Compliance Service at the end of 2023y.

According to the staff schedule of “Uzmetkombinat” Joint Stock Company (here in after referred to as the Company), the Compliance - Service under the Supervisory Board has **5 staff** units, **4 of which** are filled by employees. Currently, the recruitment process for **1 vacant** position is ongoing.

The Compliance Service Work Plan for 2023 consisting of **15 items** was approved by the Supervisory Board of the Company on December 14, 2022. Full implementation of all **15 items** of the work plan was ensured.

On April 11, 2023, a **9-point** Action Program was approved aimed at improving the Company's activities to ensure transparency. Full implementation of all **9 items** of the program was ensured.

On May 24, 2023, the Company approved a **7-point** program of measures to mitigate the risks of violation of antitrust law requirements in the Company. Full implementation of all **7 items** of the program was ensured.

At the same time, the Company's General Director - Chairman of the Board developed and communicated to the employees an appeal of the Company's General Director - Chairman of the Board to employees - employees and the public on anti-corruption issues.

On the official website of the Company www.uzbeksteel.uz the sections “Anti-Corruption” and “Open Information” have been introduced. These sections contain internal documents, information planned for publication, appropriate (hotline and e-mail) communication channels for sending appeals, social videos and information about the responsible employees of Compliance Service, as well as constant monitoring of the updating of this information.

In 2023, the Compliance - Service received **217 service letters**, and all documents were executed.

For the year 2023 Compliance - the service assessed **142 functions** of **25 structural-organizational** units and departments of the executive apparatus of the Combine 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 under No. 3383 (identification and assessment of corruption risks).

On July 17, 2023 the Program (Roadmap) of **136 points** on prevention of corruption risks was approved.

The Compliance Service developed and implemented 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 (compliance risks).

In addition, **613 candidates** hired on a competitive basis were checked for 2023.

In accordance with the recommendations developed by the Compliance Service, the HR Department supervised the completion of annual declarations (including in case of transfer to another position) on conflict of interest by employees of all structural and territorial subdivisions of the Works. At the initiative and recommendation of the Compliance Service, the HR Department introduced anti-corruption clauses into labor contracts.

Procurement process

For the purpose of efficiency of organization and safety of implementation of procurement process by the Combine, Compliance - service has checked for reliability and compliance with international, western and European sanctions of **1465 current** and potential counterparties of "Uzmetkombinat" JSC, **176 conclusions** were given on them. Within the framework of counterparties' security check, in accordance with the established requirements, the presence of

counterparties debts to the state budget (taxes, deductions to the Enforcement Bureau), 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), Compliance Service was delegated the function of checking the validity of the price policy of the procurement process. By the present time **143 applications** have been considered within the framework of examination of prices for procurement of goods (works and services) conducted by Compliance Service, according to the results of which excess of prices by **7 926 328 026,64 soums** has been revealed, in this connection corresponding recommendations on optimization of price parameters of procurement procedures have been given.

Training seminars

In the reporting period Compliance Service organized and conducted **7 general** and special training seminars on risk management and anti-corruption issues with participation of foreign expert with involvement of managers and leading specialists of structural and regional divisions of “Uzmetkombinat” JSC.

On the initiative of Compliance Service **36 employees** were appointed risk-coordinators from each structural subdivision and production shop. 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.

Compliance - service has developed **2** "Handbook on anti-corruption compliance system of “Uzmetkombinat” JSC and “Information handbook on corruption”, special educational programs of advanced training “Obligations of structural and territorial subdivisions in prevention of Corruption and conflict of interests and other offences” and “Organization of anti-corruption system and prevention of corruption”.

Compliance audits

In the reporting period, the Compliance Service conducted two comprehensive compliance audits:

- Compliance audit of the activities of the subsidiary organization PFC Metallurg LLC (100% share of Uzmetkombinat JSC), following 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.

Currently, practical measures to implement the above recommendations are being taken on the basis of the developed Roadmap of PFC Metallurg LLC;

- Compliance-check 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 the canteens of the Combine, keeping records in accordance with the requirements of Sanitary rules and regulations of the Republic of Uzbekistan, including the availability of braking logs, documents of record 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.

Awareness-raising and advocacy activities

In order to carry out a wide explanatory work among the employees of “Uzmetkombinat” JSC in the part of anti-corruption policy and measures on settlement of conflict of interests carried out at the Combine by Compliance-service **9 audio** and **6 video** clips on the relevant topics were

prepared and placed on the website and official Telegram-channel of the Combine. Within the framework of the mentioned thematic directions **9 propaganda** materials were developed, which were brought to the attention of employees, partners and contractors on the official website of the Company and the official telegram channel. In order to study the level of knowledge of employees on the issues of counteraction to corruption, **2 times** a social survey was conducted on the official telegram-channel of the Combine, **10 articles** of the management and top management of the Combine on the topic of counteraction to corruption were published in the monthly publications of the newspaper “Metallurg Minbari” and “Pravda Vostoka”.

Employees’ appeals and organization of "trust communication channels" work

UMK_Anticorbot was launched in the social network Telegram in order to facilitate communication of the Company's employees about possible corruption and conflict of interest in subdivisions, and a video on how to use this application was prepared and demonstrated. UMK_Anticorbot has **6 sections**, among which are:

- Bribery and corruption;
- Accounting violations;
- Unequal employment and labor conditions;
- Threats to health, safety and the environment;
- Information leakage/destruction;
- Other.

In 2023, **14 appeals** were received via communication channels and Telegram UMK_Anticorbot for reporting on corruption, all appeals were considered at the appropriate level with the involvement of the relevant structural units, and the applicants were given written and oral answers.

Information in the form of a constantly updated and supplemented report on the organizational work carried out in the reporting and early periods of 2023 on combating corruption and resolving conflicts of interest is systematically entered into the electronic platform “E-anticor.uz” through the OneID system launched by the Agency for Combating Corruption of the Republic of Uzbekistan.

On the basis of the Action Plan for Anti-Corruption Month, approved by the minutes of the meeting of the National Anti-Corruption Council on August 23, 2023 № 10, and the service letter of the Anti-Corruption Agency on October 24, 2023 № 02-07/5125, in accordance with the proposed regulations on the part of JSC “Uzmetkombinat” on November 30 this year was organized an event “Open Day” on the theme “**December 9 - International Anti-Corruption Day**”.

In accordance with the approved program plan at the event was presented the necessary information on the theme of openness of the Company's activities, its accountability to the public and citizens.

The event was widely covered by UzReport TV, Pravda Vostoka newspaper, official pages of the Combine in social networks, as well as Metallurg Minbari newspapers.

Head of Compliance - Service
under the Supervisory Board

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