

Effective Date: August 29, 2019

INTERNAL CONTROL FRAMEWORK

The Internal Control Framework (the ICF) serves as a fundamental and mandatory concept for designing, implementing, and conducting internal control and assessing the effectiveness of its processes in Milkiland N.V. (the Company). The ICF has to help the Company to develop and maintain systems of internal control in an effective and efficient way that can increase the likelihood of achieving the Company's objectives and support the implementation of the changes in the business area. The selected internal control approaches have to mitigate risks to acceptable levels.

The Company takes as a basis the approaches to the organization of internal control system proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(Source: <https://www.coso.org>)

1. INTRODUCTION

1.1. Internal control is a process, affected by the Company's Board of Director and managers, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Internal control maintains the Company to reach objectives by improvement the made efforts and well-coordinated work of involved managers.

1.2. The Company accepts fundamental features that any internal control is:

1.2.1. Engaged in the achievement of objectives in one or more categories – operations, reporting, and compliance.

1.2.2. A process consisting of ongoing tasks and activities – a means to an end, not an end in itself.

1.2.3. Realized by employees – not merely about policy and procedure manuals, systems, and forms, but about the actions, which responsible employees take at every level of the Company to affect internal control.

1.2.4. Able to provide reasonable assurance – but not an absolute guarantee to senior management and the Board of Directors.

1.2.5. Adaptable to the Company structure – flexible in an application for all Company in common and/or for the segments, subsidiaries, business process.

2. OBJECTIVES

2.1. The Company distinguishes three categories of objectives, which clarify the focus on different aspects of internal control:

2.1.1. Operations Objectives – these concern to effectiveness and efficiency of the Company's operations, including operational and financial performance activities, and safeguarding assets.

2.1.2. Reporting Objectives – these concern to internal and external financial and non-financial reporting and may encompass reliability, timelessness, transparency, or other terms as set by laws, regulations, policies, procedures and other manuals.

2.1.3. Compliance Objectives – these concern to set policies and regulations regarding next spheres as corporate culture, anti-corruption actions, conflict of interest prevention, environmental attitude, employee gift procedure, data protection issue and other relative manuals.

3. COMPONENTS OF INTERNAL CONTROL AND ITS PRINCIPLES

3.1. Internal control distinguishes of five integrated components, which are control environment, risk assessment, control activities, information and communication, and monitoring activities.

3.2. The ICF sets out eighteen principles representing the fundamental concepts of each component. All principles have an attitude to operations, reporting, and compliance objectives.

3.3. The principles of the control environment are:

3.3.1. The Company surely demonstrates and supports a commitment to integrity and ethical values.

3.3.2. The Board of Directors demonstrates complete independence from management and exercises oversight of the development and performance of internal control.

3.3.3. Management establishes, with the Board of Directors oversight, structures, reporting lines, and proper authorities and responsibilities in the pursuit of objectives.

3.3.4. The Company demonstrates a commitment to hire, develop, motivate, and retain competent individuals in alignment with objectives. It recognizes that the able and experienced human resources who achieve set objectives are the basis for stable success.

3.3.5. The Company engages employees accountable for their internal control responsibilities in the pursuit of objectives.

3.4. The principles of the risk assessment are:

3.4.1. The Company specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

3.4.2. The Company identifies risks to the achievement of its objectives across the Company and analyzed risks for determining how the risks should be managed.

3.4.3. The Company considers the possibilities for fraud in assessing risks to the achievement of objectives.

3.4.4. The Company identifies and assesses changes that could significantly impact the system of internal control.

3.5. The principles of the control activities are:

3.5.1. The Company selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

3.5.2. The Company selects and develops general control activities over technologies and know-how to support the achievement of objectives.

3.5.3. The Company deploys control activities through policies that establish what is expected and procedures that put policies into action.

3.5.4. If certain internal control is no longer consistent with the objectives, it should be changed or abolished.

3.6. The principles of information and communication are:

3.6.1. The Company generates and uses relevant, quality and timely information to support the functioning of the internal control system.

3.6.2. The Company internally communicates information, including the ways and processes of objectives achievement and responsibilities for internal control, necessary to support the functioning of internal control. All responsible functional employees are a part of these communications.

3.6.3. The Company communicates with respective external parties regarding matters affecting the functioning of internal control if the effectiveness and assessment of internal control function depend on these parties.

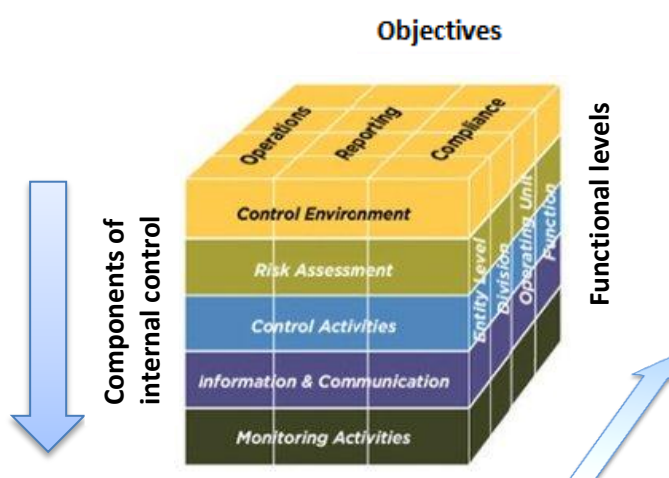
3.7. The principles of the monitoring activities are:

3.7.1. The Company selects, develops, and performs ongoing and/or separate evaluations to determine whether the components of internal control are present and functioning.

3.7.2. The Company evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective and preventive actions, including senior management and the Board of Directors, as appropriate.

4. INTERACTION OF OBJECTIVES AND COMPONENTS

4.1. The Company sets the conceptual integrated structure of internal control released by COSO.



4.2. The objectives with the five components and functional levels of the Company operate together as an integrated system. They have not to be implemented separately.

4.3. If a major deficiency exists with respect to the presence and functioning of a component or relevant principle above, or with respect to the components operating together in an integrated manner, the Company cannot conclude that it has met the requirements for an effective system of internal control.

5. ASSURANCE OF EFFECTIVE INTERNAL CONTROL

5.1. If a system of internal control is determined as an effective process, senior management and the Board of Directors have reasonable assurance that the Company:

5.1.1. Achieves effective and efficient operations when external events are considered unlikely to have a significant impact on the achievement of objectives or where the Company can reasonably predict the nature and timing of external events and mitigate the impact to an acceptable level.

5.1.2. Understands the extent to which operations are managed effectively and efficiently when external events may have a significant impact on the achievement of objectives or where and when the Company can reasonably predict the nature and timing of external events and mitigate the impact to an acceptable level.

- 5.1.3. Prepares reports in conformity with applicable rules, regulations, and standards or with the specified reporting objectives.
- 5.1.4. Complies with applicable laws, rules, regulations, and external standards.
- 5.1.5. Can make better decisions relying on reliability and integrity of financial and operational processes.

6. LIMITATIONS

- 6.1. Internal control may not prevent wrong and harmful decisions or judgment of management, or negative external events that can cause failure of the Company to achieve the objectives.
- 6.2. The cause of limitations may be the circumstances:
 - 6.2.1. The reality that human judgment in decision making can be faulty and subject to bias.
 - 6.2.2. Breakdowns that can occur because of human failures such as simple errors.
 - 6.2.3. The ability of management to override internal control.
 - 6.2.4. The ability of management, other personnel, and/or third parties to circumvent controls through collusion.
 - 6.2.5. Unpredictable external events beyond the Company's internal control.

7. FINAL PROVISIONS

- 7.1. The ICF is used depends on the roles of the interested parties. It helps to establish proper requirements, communications and interactions regarding the achievement of objectives and internal control function.
- 7.2. The Board of Directors should discuss with senior management the extent to which internal control system helps the Company to achieve the objectives and provides oversight as needed. With respect to the Terms of Reference for the Board of Directors and other internal policies, the Audit Committee should assist the Board of Directors to supervise the development level of the components of internal controls, and the internal control system regarding the objectives of operations, reporting and compliance.
- 7.3. The Board of Directors should be informed of the risks to the achievement of the Company's objectives, the assessments of internal control deficiencies, the management actions deployed to mitigate the risks and eliminate the deficiencies, and how management assesses the effectiveness of the internal control system.
- 7.4. The Board of Directors should use the support from internal and external auditors, other parties to clarify any issues of the objectives achievement of the Company.
- 7.5. Senior managers should assess the internal control system focusing on how the Company applies the principles of the internal control components to support the reliability of this system and how effectively the internal control helps the Company to achieve the objectives.
- 7.6. Middle management and other personnel should:
 - 7.6.1. Assess implications of the ICF requirements on the internal control system of the Company;
 - 7.6.2. Consider whether their responsibilities are being conformed to the relevant principles within the five components of internal control and discuss with senior managers the possibilities to improve internal control as required.
- 7.7. The Board of Directors and management should use proper judgment in oversight, monitor, designing, implementing, developing, and conducting internal control, and in assessing its effectiveness.

The Board of Directors of Milkiland N.V.

Signed on August 29, 2019.

Signature : _____
Name : Mr. Anatoliy Yurkevych

Signature : _____
Name : Mr. Willem van Walt Meijer

Signature : _____
Name : Mr. Vyacheslav Rekov

Signature : _____
Name : Mr. Pavlo Sheremeta