

Approved by the protocol  
meetings of the  
improve efficiency  
activities of joint-stock companies  
and improving the  
of corporate governance  
of December 31, 2015 №9

**CORPORATE  
GOVERNANCE  
CODE<sup>1</sup>**

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<sup>1</sup> This Corporate Governance Code was approved in the Russian and Uzbek languages. Translation of the text into English is informative. If there are any ambiguities, should be referred to the text of the Code in Russian or Uzbek.

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## I. GENERAL PROVISIONS

1. This Corporate Governance Code (hereinafter - the Code) contains recommendations to which joint-stock companies follow voluntarily, demonstrating their commitment to honest and transparent conduct of business.

2. The Code is based on the legislation of the Republic of Uzbekistan and international principles of corporate governance.

3. For the purposes of this Code, corporate governance is understood as a system of relationships between the executive body of a joint-stock company (hereinafter referred to as JSC), its supervisory board, shareholders, representatives of the work collective and other interested parties, including creditors, in order to achieve a balance of interests of the said persons for ensuring the effective organization of JSC activities, modernization, technical and technological re-equipment of production facilities, production of competitive products and its export to foreign markets.

4. The Code is a set of recommendations on key areas for effective organization of work of the management bodies of joint-stock companies.

5. The Code is developed on the basic principles of good governance, including accountability, transparency, reliability, observance of high moral and ethical principles and orientation towards ensuring sustainable development of the JSC in the long term.

6. The decision to accept the obligation to follow the recommendations of the Code is adopted by the general meeting of shareholders by a simple majority of votes.

7. The joint-stock company can carry out intercorporate actions on introduction of recommendations of the Code taking into account its industry specific features and activities.

8. Publication of information on the obligation to follow the recommendations of the Code and its compliance is carried out in the mass media, including on the corporate website of the JSC in the Internet (hereinafter referred to as the JSC website) and the stock exchange website, as well as in other sources legislation to disclose information.

9. The recommended sequence of actions for the preparation, implementation and monitoring of the implementation of the Codex recommendations is given in Appendix No. 1.

10. The JSC shall disclose information on the acceptance of the obligation to follow the recommendations of the Code by publishing a message in the form according to Appendix No. 2.

11. If it is not possible to comply with certain recommendations of the Code, the JSC shall in detail disclose its reasons, following the international principle of "comply or explain".

## **II. ENSURING TRANSPARENCY ACTIVITIES**

12. To ensure transparency of the JSC's activities:

define clear criteria for classifying information to categories of confidential information, trade secrets, as well as information that may affect the change in the share price;

ensure the publication of information subject to mandatory disclosure on the website of the JSC and other sources stipulated by law, with translation into English, Russian and other languages convenient for shareholders and other interested parties, including foreign investors;

discloses at the general meeting of shareholders the amount of remuneration and compensation of the executive body;

publish information on the executive body and evaluate its performance, on the structure of the joint-stock capital of the JSC (shareholders with a share of over 20%) on the website of the JSC;

publish the rationale for the proposed distribution of net profit, the amount of dividends, the assessment of their compliance with the dividend policy adopted in the JSC, and, if necessary, clarification and economic justification for the amount of directing a certain part of the net profit for the needs of the JSC development;

provide, within a reasonable time, at the request of shareholders, other information about JSCs (except for confidential information, commercial secrets), which is necessary for shareholders and investors.

13. To ensure transparency of its activities, the Supervisory Board of the JSC approves the "Regulations on Information Policy", which contains:

goals and principles of disclosure of open information;

a list of information subject to mandatory disclosure on the site, the terms and procedure for their disclosure, including information channels through which disclosure is to be carried out, and disclosure forms;

obligations of the executive body to disclose the information about the company to be disclosed;

the procedure for the exchange of information between members of management bodies, officials, employees of joint stock companies with shareholders and investors, other interested parties, as well as representatives of the media;

measures to ensure compliance with the information policy of the JSC.

14. The Regulation on the information policy is mandatory for compliance by the management and control bodies of the JSC and its employees.

### **III. IMPLEMENTATION OF MECHANISMS EFFECTIVE INLAND CONTROL**

15. In order to introduce effective internal control mechanisms, the JSC:

reflect in the provision on the supervisory board the requirements for the inclusion of independent members in its composition;

delegate to the supervisory board of the law on

determination of the procedure, conditions for rendering (receiving) and making decisions on charitable (sponsor) or gratuitous assistance only within the limits established by the general meeting of shareholders and legislation, with disclosure of information for all shareholders;

conduct an annual analysis of the compliance of business processes and projects with the objectives of the development of an JSC with the involvement of independent professional consultancy organizations, as decided by the General Meeting of Shareholders;

establish the main purpose of the organization of the internal control system of the JSC to ensure the protection of the rights and legitimate interests of all shareholders, including minority shareholders;

ensure the consideration by the general meeting of shareholders of the issue on the determination of transactions related to the current economic activity of the joint-stock company, for the independent fulfillment by the executive body of transactions with affiliated parties and large transactions;

give the Internal Audit Service of the JSC the powers to exercise internal control, including for transactions conducted with legal entities, more than 50% of the authorized capital of which belongs to the joint-stock company;

determine the procedure for voting on behalf of the JSC its representatives in the management bodies of enterprises that are part of the JSC;

provide the person who participated in the general meeting of shareholders of the JSC, the opportunity to work at the expense of such person copies of the ballot filled with him;

require the executive body of the JSC regular reports on the work done and achievement of performance indicators of enterprises that are part of the JSC approved by their business plans;

develop and approve the procedure for interaction between the internal control bodies of the JSC (audit commission and internal audit service) with the supervisory board, the general meeting of shareholders, the committee of minority shareholders (if any) and shareholders;

16. To implement effective internal control mechanisms in the JSC, the General Meeting of Shareholders approves the "Regulations on Internal Control", which contains:

requirements to the composition and qualifications of members of the internal control bodies of the JSC;

composition and procedure for the formation of reports on the internal control system;

the procedure for attracting independent professional organizations - consultants to assess the effectiveness of the internal control system in the JSC;

the description of mechanisms for monitoring the work of internal control bodies, the procedure for calculating compensation and remuneration paid to their members.

17. "Regulations on internal control" is mandatory for compliance with the employees of the JSC, members of its management and control bodies.

18. JSCs include at least one independent member (but no less than 15% of the number of members of the supervisory board provided by its charter) to the supervisory board in accordance with the requirements of the provision on the supervisory board.

19. Independent members of the supervisory board of JSC may be persons who:

(I) did not work in JSC, at its subsidiaries or affiliated companies during the last 5 years;

(II) are not a shareholder of the joint-stock company, its subsidiaries or affiliates;

(III) are not connected with a large customer or supplier who has an appropriate contract for more than 5,000 times the minimum wage established by law, with the JSC, its subsidiaries or affiliated companies;

(IV) do not have service contracts with JSC, its subsidiaries or affiliated companies;

(V) are not a member of the family of the person who is or has been, during the last 5 years, the managing employee of the JSC, its subsidiaries or affiliated enterprises;

(VI) are not the controlling person of the JSC (or a member of a group of persons and / or organizations that collectively exercise control over the JSC);

(VII) are not related to JSC by civil-law contracts and are not an employee of a large shareholder of an JSC or a higher-level industry agency (company).

#### **IV. ENSURING IMPLEMENTATION OF RIGHTS AND LEGAL INTERESTS OF SHAREHOLDERS**

20. To ensure the implementation of the rights and legitimate interests of shareholders, the management and control bodies of the JSC:

simplify for shareholders' communication with the JSC, indicating on the website of the address of the address to which written or electronic requests can be sent, including information on changes in contact details of shareholders and bank details;

create for shareholders who cannot personally participate in the general meeting of shareholders, the opportunity and conditions for voting by e-mail (with confirmation by an electronic digital signature), and by delegating their authority to a representative or holding a general meeting in video-conferencing mode;

develop a provision on the dividend policy of the JSC, disclosing a transparent mechanism for calculating dividends;

stipulate in the Regulations on the General Meeting of Shareholders the provision to shareholders before the general meeting of shareholders of the necessary information on the agenda, including the position of the supervisory board on the agenda of the general meeting;

may involve independent experts to provide practical assistance to the counting commission or perform its functions (for example, an investment adviser and other professional participants of the securities market);

determine (designate) the employee or division responsible for the relationship with shareholders and investors;

provide in the charter the right to owners of at least 1% of ordinary shares of the JSC to require the convening of a meeting of the supervisory board and make proposals on the agenda, the distribution of profits, candidatures for members of the management and control bodies, with the possibility of replacing them before the general meeting of shareholders;

provide for in a separate internal document of the joint-stock company the opportunity for shareholders, including minority shareholders, to conclude shareholder agreements to form their joint position in the voting;

cover the expenses for the maintenance of the committee of minority shareholders at the expense of the JSC's funds (when creating a committee of minority shareholders);

stipulate in the charter that a minority shareholder should not obstruct the activities of the management bodies of joint-stock companies by unreasonably demanding documents and using confidential information and trade secrets;

stipulate in the charter that when issuing additional shares, the shareholders have the right of preferential acquisition of shares in proportion to their share in the authorized capital;

ensure equal treatment of all shareholders regardless of their shares, income, sex, race, religion, nationality, language, religion, social origin, personal and social status;

stipulate in the Articles of Association a later date for the submission of a proposal to the agenda of the annual general meeting of shareholders;

ensure the participation of members of the executive body, the supervisory board and the audit commission, as well as the representative of the auditing organization at the annual general meeting of shareholders;

stipulate in the Regulations on the Supervisory Board the conditions under which a member of the supervisory board can be released from the discharge of duties, the procedure for the activities and functions of the chairman of the supervisory board of the JSC, related to the organization and conduct of its meetings;

carry out other necessary measures aimed at ensuring the implementation of the rights and legitimate interests of the shareholders of the JSC.

21. To ensure the implementation of the rights and legitimate interests of shareholders, the JSC takes the necessary internal documents, reflecting the above recommendations in them.

## **V. DETERMINATION OF THE DEVELOPMENT STRATEGY AND THE PROBLEM FOR A LONG-TERM PERSPECTIVE**

22. To determine the development strategy and objectives for the long term, the management bodies of the JSCs:

the strategic goals of the JSC are to maintain financial stability, increase labor productivity, competitiveness of products, increase production, export and energy efficiency, carry out modernization, technical and technological upgrades of production, leading to an increase in the value of shares;

develop and approve at the general meeting of shareholders a long-term strategy for the development of the JSC for a period of more than 5 years, based on industry specifics, analysis of the competitive environment, ensuring export orientation and implementation of approved government programs for the development of relevant industries, spheres and regions;

widely apply successfully tested in foreign practice management methods, including SWOT, GAP analysis and other approaches, special software products, etc.;

develop and submit for approval (approval) of the general meeting of shareholders or the supervisory board short-term (annual) and medium-term (for up to 5 years) business plans on the basis of a long-term strategy approved by the general meeting of shareholders;

implement the necessary quantitative and qualitative criteria to monitor the achievement of the goals outlined in each of the development plans adopted in the JSC.

23. The Supervisory Board coordinates the activities of the executive body, internal control bodies of the joint-stock company, collegial bodies established in the JSC, and, if necessary, involves experts to organize development plans for the JSC and monitor the achievement of the goals outlined in them.

24. The JSCs mandatory to attract strategic foreign investors to the shareholders (except for cases stipulated by the legislation), who participate in the management of the joint-stock company, the production of competitive products and ensuring its export to foreign markets.

## **VI. IMPLEMENTATION OF EFFICIENT MECHANISMS INTERACTIONS OF THE EXECUTIVE BODY WITH SHAREHOLDERS AND INVESTORS**

25. To implement mechanisms for effective interaction of the executive body with shareholders and investors, the management bodies of the JSC:

ensure interaction between shareholders, members of the management and control bodies of the JSC on the basis of the principles of mutual trust, respect, accountability and control;

implement the requirement for the officers of the JSC to carry out their duties on a professional basis, reasonable fulfillment of all obligations arising from the legislation, the articles of association and decisions of the management bodies of the JSC;

establish qualification requirements for candidates to the members of the supervisory board, including the availability of a qualification certificate of a corporate manager in an JSC with a state share in the authorized capital issued by the Scientific and Educational Center for Corporate Governance (except in cases established by law);

create committees (working groups) under the Supervisory Council of the JSC on relevant issues, including for the identification and resolution of conflict situations, from the members of the supervisory board, the executive body, the personnel of the JSC and the attracted experts (specialists of the relevant profile, teaching staff of profile higher education institutions and others);

regulate the cases and the procedure for holding meetings of the supervisory board through a poll, as well as in video-conferencing;

refer to the powers of the chairman of the general meeting of shareholders the issues of authorizing audio and video recording and broadcasting of the general meeting of shareholders in the Internet;

Introduce the requirement for an independent decision by the executive bodies of issues within their competence for the unconditional fulfillment of the tasks set by the supervisory board, the general meeting of shareholders, the charter and development plans of the JSC;

improve the qualification of JSC officials by participating in training courses, seminars and other events;

Introduce in the JSC the position of a corporate consultant accountable to the supervisory board and responsible for monitoring compliance with the requirements of corporate legislation in the activities of the JSC;

insure the business risks of the JSC and the responsibility of the executive body;

link the amount of remuneration of members of the supervisory board to the results of an independent evaluation of the corporate governance system and financial performance of the JSC;

establish the requirements for the form and content of the report (report) of the management and control bodies of the JSC reporting to the general meeting of shareholders, determine the duration of the general meeting;

may limit the right of members of the executive body acting as a representative of shareholders to vote on the issue of electing members of the executive body;

stipulate in the charter the date when the joint-stock company usually holds the next general meeting of shareholders.

26. To implement mechanisms for effective interaction of the executive body with shareholders and investors, the JSC takes the necessary internal documents, reflecting the above recommendations in them.

## **VII. CONFLICT OF INTEREST**

27. In order to prevent the emergence and settlement of disputes related to the conflict of interests, JSCs develop a provision on the procedure for actions in the conflict of interests, including:

duties of JSC officials to act in the interests of the JSC;

determination of situations that may lead to the emergence of a conflict of interest in the performance by officials of the JSC of actions and transactions, as well as disclosure of information;

obligations of JSC officials to inform the Supervisory Board of the occurrence of a conflict of interest;

a ban on the participation of JSC officials in the management and control bodies of other legal entities, without the permission of the supervisory board of the JSC;

suppression of a possible conflict of interest in the performance by officials of the JSC of actions and transactions, as well as disclosure of information;

detailed rules for settling disputes related to conflicts of interest, including by appointing an uninterested third party to resolve them, or assigning an obligation to resolve a conflict of interest to an independent member (independent members) of the supervisory board.

28. The Regulation on the procedure for actions in the event of a conflict of interests is approved by the General Meeting of Shareholders.

## **VIII. IMPLEMENTATION OF THE TYPICAL ORGANIZATIONAL STRUCTURE**

29. To implement the standard organizational structure of the company in the JSC:

compliance with the standard structure approved by the Decree of the President of the Republic of Uzbekistan dated April 24, 2015 N UP-4720 "On measures to introduce modern methods of corporate governance in joint-stock companies";

Consideration is given to the scale, sector specific and activities of the JSC in the development and implementation of the organizational structure;

regular assessments of the compliance of the existing organizational structure of the JSC with the standard structure approved by the legislation are organized;

annual competitive selection for senior positions in the JSC, with the possibility of participation of candidates from among foreign managers;

the rules of competitive selection for management positions are approved with the description of the procedures for announcing the tender, objective criteria for selection, hiring new, modern-minded, highly qualified managers meeting modern requirements, as well as foreign managers.

30. The Supervisory Board ensures the coordination of works on the development, implementation and regular assessment of the conformity of the organizational structure of the JSC to the requirements of legislation.

## **IX. PUBLICATION OF INFORMATION BASED ON INTERNATIONAL AUDITING STANDARDS AND FINANCIAL REPORTING**

31. To publish information on the basis of international auditing and financial reporting standards in the JSC:

Coordination by the supervisory board of the joint-stock company of work to ensure the transition to the publication of annual financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS);

a working group is created from among the members of the Audit Commission, the Internal Audit Service, the Supervisory Board, the responsible officers of the JSC and the experts involved (if necessary) on the transition of the JSC to the publication of financial statements in accordance with IFRS;

auditing or consulting organizations are engaged to provide professional services for the transition of joint-stock companies to publication of information on the basis of IFRS and international audit standards;

is developed jointly with the audit organization and approved at the meeting of the supervisory board step-by-step algorithm (action plan) of the transition of the JSC to publication of information based on IFRS and international audit standards;

training of the personnel of the JSC involved in the audit and financial reporting in training courses in accordance with IFRS and international auditing standards;

the measures provided for by the corresponding action plan for the transition of JSCs to publication of information based on IFRS and international audit standards are being implemented;

publishes annual financial statements based on IFRS and international auditing standards within the time limits established by law.

## **X. INTRODUCTION MONITORING RECOMMENDATIONS OF THE CODE**

32. In order to monitor the implementation of the Code's recommendations, JSCs conduct an evaluation of the corporate governance system in the JSC, for which it is recommended that an independent organization be involved.

33. Independent evaluation of the corporate governance system in the JSC is carried out at least once a year.

34. An independent evaluation of the corporate governance system in the JSC is carried out on the basis of a relevant agreement with the organization not related to the property relations with the JSC.

35. As an independent organization for assessing the system of corporate governance in JSC can act:

stock Exchange;

professional participants of the securities market;

audit organizations that have in the staff of a specialist with a corresponding certificate of a corporate manager or specialist in the securities market;

accredited rating agencies;

Scientific and educational center for corporate governance;

Center for Research on Privatization, Competition Development and Corporate Governance.

36. The choice of an independent organization for the assessment of the corporate governance system is carried out on the basis of a tender for the decision of the supervisory board of the JSC.

37. An independent evaluation of the corporate governance system in the JSC is carried out on the basis of a questionnaire approved by the State Committee on Competition and the Scientific and Educational Center for Corporate Governance.

38. The results of the independent evaluation of the corporate governance system are published on the website of the JSC together with the conclusion of the organization that conducted such an assessment.

39. Bodies of state and economic management, local government bodies and other state organizations acting as a shareholder on behalf of the state:

at its own expense, engage an independent organization to conduct an independent evaluation of the corporate governance system in the JSC;

apply the results of an independent evaluation of the corporate governance system to determine the amount of remuneration to individuals acting on their behalf in the management bodies of the JSC.

## **XI. FINAL PROVISIONS**

40. Failure to comply with the recommendations of the Code does not entail the application of measures of responsibility by public authorities.

41. The General Meeting of Shareholders has the right to establish liability measures for the officials of the JSC for failure to comply with the recommendations of the Code or undisclosed information provided for by the Code.

42. Control over the implementation of the recommendations of the Code in the JSC is carried out by the supervisory board.

**RECOMMENDED ACTIVITIES**  
joint stock companies for the preparation and implementation of  
**Of the Corporate Governance Code**

| <b>Stages</b>                            | <b>Subjects</b>          | <b>Events</b>   | <b>Deadlines</b>  |
|--|--------------------------|---|---|
| <b>1-st stage</b><br><b>Preparation</b>  | Executive body of JSC    | 1. Creation of a working group on preparation for the implementation of the Corporate Governance Code.  | Within a month after the adoption of the Corporate Governance Code                |
|  | Executive body of JSC    | 2. Development and submission to the Supervisory Board of proposals for the adoption of internal documents.   | Within two months after the creation of the working group                         |
|  | Supervisory Board of JSC | 3. Approval by the supervisory board of the developed internal documents.   | Within a month from the date of submission of materials to the supervisory board  |
| <b>2-nd stage</b><br><b>Introduction</b> | Supervisory Board of JSC | 1. Introduction to the general meeting of shareholders of the issue of compliance with the recommendations of the Code of Corporate Governance and approval of the form of communication. | Within a month after the approval of the supervisory board                        |
|  | Supervisory Board of JSC | 2. Approval by the general meeting of shareholders of a decision on compliance with the recommendations of the Corporate Governance Code and approval of the form of communication.       | At the relevant general meeting of shareholders convened by the supervisory board |
|  | Executive body of JSC    | 3. Publication of the message on adherence to the recommendations of the Corporate Governance Code in the activities of the JSC approved by the General Meeting of Shareholders.          | Within 10 days after approval of the general meeting of shareholders              |
| <b>3-rd stage</b><br><b>Monitoring</b>   | Supervisory Board of JSC | 1. Conducting a competitive selection of an independent organization to conduct an evaluation of the corporate governance system in the JSC.  | A month before the assessment of the corporate governance system                  |
|  | Independent organization | 2. Conducting an independent evaluation of the corporate governance system in the JSC and present its results to the supervisory board.   | At least once a year  |

|  |                          |   |   |
|--|--------------------------|---|---|
|  | Supervisory Board of JSC | 3. Consideration of the results of the conducted evaluation of the corporate governance system in JSC at a meeting of the supervisory board of JSC.             | At the meeting of the Supervisory Board for the year              |
|  | Executive body of JSC    | 4. Taking measures to eliminate the shortcomings revealed by the results of the assessment of the corporate governance system in the JSC.                       | In the terms established by the decision of the supervisory board |
|  | Executive body of JSC    | 5. Consideration of the results of the conducted evaluation of the corporate governance system in the JSC at the annual general meeting of shareholders of JSC. | In terms established by law                                       |

**MESSAGE FORM**  
**on acceptance by the joint-stock company**  
**recommendations of the Corporate**  
**management in its activities**  
**(name of the joint-stock company)**

JSC "\_\_\_\_\_ " informs that by the decision of the general meeting of shareholders from "\_\_\_" \_\_\_\_\_ 20\_\_\_. N\_\_\_\_\_ society accepted the obligation, starting with "\_\_\_" \_\_\_\_\_ 20\_\_\_. comply with the Corporate Governance Code approved by the minutes of the meeting of the Commission on increasing the efficiency of joint-stock companies and improving the corporate governance system from "\_\_\_" \_\_\_\_\_ 20\_\_\_. N\_\_\_\_\_.