Approved by Protocol of an Assembly
of the Commission on Efficiency
of Joint Stock Companies Performance
and Improvement of Corporate
Governance System
dated December 31, 2015, №9

CORPORATE GOVERNANCE CODE

I. GENERAL PROVISIONS

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

2. The Code shall base on the legislation of the Republic of Uzbekistan and international principles of corporate governance.

3. For the purposes of this Code, corporate governance shall understand as a system of relations between the Executive board of the joint-stock company (hereinafter referred to as JSC), its Supervisory Board, shareholders, representatives of the labor collective and other interested parties, including creditors, in order to achieve a balance of interests of the above persons in order to ensure effective organization of JSC activities, modernization, technical and technological re-equipment of production facilities, production of competitive products and their export.

4. The Code shall include a set of recommendations on key issues for effective organization of JSC governance board.

5. The Code shall base on the fundamental principles of corporate governance, which include accountability, transparency, credibility, adherence to high moral and ethical principles and ensuring sustainable development of JSC in the long term.

6. The decision to undertake the obligation to follow the recommendations of the Code shall be taken by the Shareholders' General Assemblies by a simple majority vote.

7. JSC may take internal corporate actions to implement the recommendations of the Code taking into account its industry specifics and peculiarities of its activity.

8. Publication of information on assumption of the obligation to follow the recommendations of the Code and its observance shall carry out in mass media, including on the JSC corporate website on the Internet (hereinafter referred to as the JSC website) and a stock exchange website, as well as in other sources provided by the legislation for information disclosure.

9. The recommended sequence of actions to prepare, implement and monitor the application of the Code's recommendations is given in Appendix 1.

10. The JSC shall disclose information on undertaking the obligation to follow the recommendations of the Code by publishing a notice in the form according to Appendix 2.

11. In case of impossibility to comply with individual recommendations of the Code, the JSC shall disclose its reasons in detail following the international principle «comply or explain».

II. ENSURING BUSINESS TRANSPARENCY

12. To ensure JSC business transparency shall the following:

define clear criteria for classifying information into categories of confidential information, commercial secrets, as well as information that may affect the share price;

ensure that information subject to mandatory disclosure is published on the JSC website and in other sources provided for by law, with translations in English, Russian and other languages, in a manner that is convenient for shareholders and other interested parties, including foreign investors;

disclose at the Shareholders' General Assemblies the remuneration and compensation of the Executive Board;

publish on the JSC website information on the Executive Board and its performance evaluation, and on the JSC's equity structure (shareholders with a share of more than 20%);

publish reasons for the proposed distribution of net profits, amount of dividends, assessments of their consistency with the JSC dividend policy, and if necessary; explanation and economic justification an amount of a certain part of the net profit for JSC development;

submit, within a reasonable period of time at the shareholders' request, other information about the JSC (except for confidential information, commercial secrets) that is necessary for the shareholders and investors.

13. To ensure transparency of its activities, the JSC Supervisory Board shall be approved the «Regulation on Information Policy», which contains the following:

objectives and principles of JSC public information disclosure;

the list of information subject to mandatory disclosure on the website, the terms and procedure for their disclosure, including information channels through which disclosure is to be made and forms of disclosure;

obligations of the Executive Board on disclosure of information about JSC subject to disclosure;

procedure for exchange of information between members of management authorities, officials, employees of JSC with shareholders and investors, other interested persons as well as mass media representatives;

measures to ensure control over compliance with the JSC information policy.

14. The Information policy regulation is mandatory for the JSC management, control authorities and its employees.

III. IMPLEMENTATION OF MECHANISMS FOR EFFECTIVE INTERNAL CONTROL

15. In order to implement mechanisms of effective internal control of JSC shall:

reflect in provisions on the Supervisory Board the requirements to include independent members;

delegate to the Supervisory Board the rights to determine the procedure, terms and conditions of providing (receiving) and making decisions on charitable (sponsor) or gratuitous aid only within the limits established by the Shareholders' General Assemblies and the law, with disclosure of information about it to all shareholders;

undertake annual analysis of the compliance of business processes and projects to the JSC development goals by decision of the Shareholders' General Assemblies, with involvement of independent professional organizations - consultants;

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

ensure consideration by the Shareholders' General Assemblies on relevant matters of transactions determination related to current JSC business activities for independent execution by the Executive Transactions Board with affiliated persons and major transactions;

entrust the JSC's internal audit service with the authority to exercise internal control, including over transactions conducted with legal entities where more than 50% of the company's share capital is owned;

specify the procedure of voting on behalf of the JSC by its representatives in the management authorities of enterprises that are members of the JSC;

provide a person who took part in the Shareholders' General Assemblies with an opportunity to make copies of the bulletin filled in by him/her at expense of such person;

require performance evaluation from the JSC Executive Board has been conducted regular reports of the company included in the JSC and approved their business plans;

develop and approve procedures for interaction of JSC internal control authorities (Audit Commission and Internal Audit Service) with the Supervisory Board, Shareholders' General Assemblies, Minority Shareholders Committee (if any) and shareholders.

16. For introduction of effective internal control mechanisms in the JSC, the Shareholders' General Assemblies shall approve «Internal Regulation», which contains:

requirements regarding the composition and qualifications of the members of the internal control authority of the Company;

composition and rules for internal control reporting;

procedures for engaging independent professional consulting organizations to assess an effectiveness of the internal control system in the JSC;

description of the mechanisms for performance monitoring of the internal control authority, calculation of compensation and remuneration of their members.

17. "Internal Control Regulation" is mandatory for the JSC employees, members of its management and control authorities.

18. The JSC shall include at least one independent member in composition of the Supervisory Board (but not less than 15% of members' number of the Supervisory Board stipulated in the company's Memorandum of Association) in accordance with the requirements of the Supervisory Board Regulation.

19. The independent members of the JSC Supervisory Board may be persons who:

(i) have not worked in the JSC, its subsidiaries or affiliated companies during last 5 years;

(ii) are not a shareholder of JSC, its subsidiaries or affiliates;

(iii) have not associated with a major customer or supplier with a relevant contract exceeding 5,000 times the statutory minimum wage with the JSC, its subsidiaries or affiliates;

(iv) have no service contracts with the JSC, its subsidiaries or affiliates;

(v) are not family members of a person who is or has been a senior employee of the JSC, its subsidiaries or affiliates during last 5 years;

(vi) is not a 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 the JSC by civil law contracts and are not employees of a major shareholder of the JSC or a higher industry department (company).

IV. SECURING THE RIGHTS AND LEGITIMATE INTERESTS OF SHAREHOLDERS

20. In order to ensure the realization of the rights and legitimate interests of shareholders, the JSC management and control authorities shall:

make it easier for shareholders to communicate with the JSC by indicating on the JSC

website the addresses to which written or electronic requests may be addressed, including information on changes in shareholder contact details and bank details;

create the possibility and conditions for shareholders who cannot personally participate in the Shareholders' General Assemblies to vote by e-mail (with an electronic digital signature) and through the delegation of authority to representative or holding of a general assembly by videoconference;

develop the JSC Dividend Policy Statement that provides a transparent mechanism for calculating dividends;

stipulate in provisions on the Shareholders' General Assemblies that shareholders shall provide before the Shareholders' General Assemblies necessary information on an agenda, including position of the Supervisory Board regarding the agenda of the General Assemblies;

may hire independent experts to provide practical assistance to the counting board or to perform its functions (e.g., investment adviser and other professional securities market participants);

designate (appoint) an employee or department responsible for relations with shareholders and investors;

according to the company's Memorandum of Association authorize the owners of not less than 1% of simple JSC shares to request a meeting of the Supervisory Board and to make proposals on agenda, distribution of profits, candidacies for membership of the administration and control authorities; with possibility of their replacement before Shareholders' General Assemblies;

provide in a separate JSC internal document for shareholders, including minority shareholders, to enter into joint-stock agreements to form their joint voting position;

cover the expenses of the minority shareholders' committee with funds from the JSC (when the minority shareholders' committee is established);

provide in the company's Memorandum of Association that a minority shareholder shall not obstruct the JSC's administration activities by unreasonably requiring documents and using confidential information, commercial secrets;

require in the company's Memorandum of Association that shareholders shall have the right to take precedence over shares in proportion to their share in the equity when issuing additional shares;

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

provide for a later date in the company's Memorandum of Association to submit a proposal to the agenda of the Annual Shareholders' General Assemblies;

ensure participation of members of the Executive Board, Supervisory Board and audit commission, as well as a representative of the audit company at the Annual Shareholders' General Assemblies;

provide in the provisions about the Supervisory Board conditions under which a member of the Supervisory Board may be relieved of his/her duties, procedure for activities and functions of the Chairman of the Supervisory Board of the JSC related to organization and holding of its meetings;

perform other necessary measures aimed at ensuring realization of rights and legal interests of the JSC shareholders.

21. To ensure realization of rights and legal interests of shareholders, the JSC shall adopt necessary internal documents reflecting above recommendations.

V. DEFINITION OF DEVELOPMENT STRATEGY AND FURTHER LONG-TERM OBJECTIVES

22. In order to define a development strategy and tasks for further long-term objectives, the JSC governance authorities shall:

define as the JSC strategic objectives the maintenance of financial stability, improvement of productivity, competitiveness of production, increase of production, export and energy efficiency, implementation of modernization, technical and technological renewal of production leading to increase of share value;

develop and approve at the Shareholders' General Assemblies a JSC long-term strategy of development for the period of more than 5 years, based on industry specifics, analysis of competitive environment, ensuring export orientation and implementation of approved government programs on 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 (resolution) by the Shareholders' General Assemblies or Supervisory Board short-term (annual) and medium-term (up to 5 years) business plans based on the long-term strategy;

implement the necessary quantitative and qualitative criteria to monitor achievements of the objectives outlined in each of the JSC development plans.

23. The Supervisory Board shall coordinate activities of the Executive Board, the JSC internal control authorities, Collegiate Board established in the JSC and, if necessary, Employs experts to organize elaboration of the JSC development plans and to monitor achievement of their objectives.

24. JSC is obliged to attract strategic foreign investors to its shareholders (except for cases stipulated by legislation), who participate in the JSC management, production of competitive products and ensuring their export to foreign markets.

VI. INTRODUCTION OF MECHANISMS FOR EFFECTIVE INTERACTION BETWEEN THE EXECUTIVE BOARD, SHAREHOLDERS AND INVESTORS

25. To implement mechanisms for effective interaction of the Executive Board with shareholders and investors, the JSC governance authorities shall:

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

implement requirement for the JSC officials to perform their duties on a professional basis, reasonable performance of all obligations arising from legislation, the JSC's Memorandum of Association and decisions of the JSC's governance authorities;

impose qualification requirements to candidates to members of the Supervisory Board, including the availability of a qualification certificate of a corporate manager in a JSC with the government share in the company's share capital issued by the Research and Education Center for Corporate Governance (except for cases established by law);

establish committees (working groups) at the JSC Supervisory Board on relevant issues, including identification and resolution of conflict situations, from among members of the Supervisory Board, Executive Board, the JSC personnel and involved experts (specialists of relevant profile, teaching staff of specialized higher education institutions and others);

regulate the cases and procedure for holding meetings of the Supervisory Board by polling as well as by videoconferencing;

relate to the powers of the Chairman of the Shareholders' General Assemblies the issues of authorization of audio and video recording and broadcasting in the Internet;

implement the requirement for the Executive Board to independently resolve the issues

within their competence in order to unconditionally perform tasks set by the Supervisory Board, Shareholders' General Assemblies, Memorandum of Association and the JSC development plans;

improve the JSC officials' qualification through participation in training courses, seminars and other events;

establish in the JSC a Corporate Advisor position, who shall be responsible to the Supervisory Board and for overseeing compliance with corporate law requirements in the JSC activities;

insure the JSC business risks and executive responsibility;

link the members' remuneration of the Supervisory Board to independent evaluation results of corporate governance and financial performance of the JSC;

establish requirements to applying form and content of the report (statement) of the JSC governance and control authorities reporting at the Shareholders' General Assemblies, determine duration of the general assembly;

limit the right of members of the Executive Board representing shareholders to vote on election of members to it;

provide in the Memorandum of Association for the date on which the JSC usually holds its next Shareholders' General Assemblies.

26. In order to implement mechanisms for effective interaction of the Executive Board with shareholders and investors, the JSC shall adopt necessary internal documents reflecting above-mentioned recommendations.

VII. CONFLICT OF INTEREST

27. In order to prevent emergence and settlement of disputes related to the conflict of interest, the JSC shall develop a regulation on the procedure of actions in case of the conflict of interest, including:

obligations of the JSC officials to act in the JSC's interests;

determination of situations that may lead to a conflict of interest when the JSC officials perform actions and transactions and disclose information;

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

prohibition on participation of the JSC officials in governance and control authorities

of other legal entities without permission of the JSC Supervisory Board;

suppression of possible conflict of interests when JSC officials perform actions and transactions and disclose information;

detailed regulations for resolving disputes related to a conflict of interest, including by appointing an uninterested third party to resolve them, or placing the obligation to resolve the conflict of interest on an independent member (independent members) of the Supervisory Board.

28. The Regulation on the Procedure for Conflicts of Interest shall be approved by the Shareholders' General Assemblies.

VIII. IMPLEMENTATION OF THE STANDARD ORGANIZATIONAL STRUCTURE

29. In order to implement the standard organizational structure of the company in the JSC it shall:

to ensure compliance with the standard structure approved by the Decree of the President of the Republic of Uzbekistan dated April 24, 2015 № UP-4720 "On measures to promote modern methods of corporate governance in the joint stock companies";

take into account scope, applied specification and areas of the JSC activity while developing and implementing an organizational structure;

provide regular compliance assessments of the current JSC organizational structure with the standard structure approved by the legislation;

annual competitive examinations for leadership positions in JSC shall hold, with possibility of participation of foreign managers' candidates;

regulations for competitive examinations for leadership positions with description of procedures for announcement of the competition, objective criteria for selection, recruitment of new, up-to-date, highly qualified managers in accordance with its results, as well as foreign managers shall be approved.

30. The Supervisory Board ensures coordination of works on development, implementation and regular assessment of JSC organizational structure compliance with legislative requirements.

IX. PUBLISH INFORMATION BASED ON INTERNATIONAL AUDITING AND FINANCIAL REPORTING STANDARDS

31. To publish information based on International Standards on Auditing and Financial reporting in the JSC:

the JSC Supervisory Board coordinates the work to ensure transition to publication of annual financial statements in accordance with the International Financial Reporting Standards (hereinafter - IFRS);

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

audit or consulting organizations are engaged to provide professional services on transition of the JSC to publish information based on IFRS and International Audit Standards;

the step-by-step algorithm (action plan) of transition of the JSC to publish information based on IFRS and International Audit Standards is developed together with an audit organization and approved at the meeting of the Supervisory Board;

training of the JSC personnel involved in audit and preparation of financial statements is carried out at the training courses on IFRS and International Audit Standards;

measures provided for by the relevant action plan on transition of JSC to publication of information on the basis of IFRS and International audit standards are implemented;

annual financial statements are published on the basis of IFRS and international audit standards within the terms established by the legislation.

X. CODE IMPLEMENTATION MONITORING

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

33. An independent assessment of corporate governance in the JSC is conducted at least once a year.

34. The independent assessment of corporate governance in the JSC is based on an appropriate contract with a non-equity organization with the JSC.

35. The following may serve as an independent organization to assess corporate governance in the JSC:

stock exchange;

professional participants in the securities market;

audit organizations with a professional certified by a corporate manager or securities market specialist;

accredited rating agencies;

Corporate Governance Science and Education Centre;

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

36. The selection of an independent organization for evaluation of corporate governance is based on a decision of the JSC Supervisory Board.

37. The independent evaluation of corporate governance system in the JSC is carried out on the basis of a questionnaire approved by the State Competition Committee of the Republic of Uzbekistan and the Corporate Governance Science and Education Centre.

38. The results of the independent evaluation of corporate governance are published on the JSC website together with organization opinion that conducted evaluation.

39. State and economic administration authorities, local government authorities and other State organizations acting as shareholders on behalf of the State:

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

apply the results of the Independent Corporate Governance Assessment to determine remuneration of persons acting on their behalf before the JSC's governing authority.

XI. FINAL PROVISIONS

40. Non-compliance with the recommendations of the Code shall not result in application of liability measures by Government authorities.

41. The Shareholders' General Assemblies has the right to determine the liability of the officials of the JSC for failure to comply with the recommendations of the Code or the undisclosed information provided for in the Code.

42. The Supervisory Board shall control implementation of the JSC Code's recommendations.

Appendix 1
of the Corporate Governance Code

RECOMMENDED ACTIVITIES
for joint-stock companies to prepare and implement a code of corporate governance

Stages	Subjects	Activities	Time frames
1st stage **Preparation**	JSC Executive Board	1. Create a working group to prepare for implementation of the Corporate Governance Code.	Within one month after approval of the Corporate Governance Code.
	JSC Executive Board	2. Development and submission to the Supervisory Board of proposals for adoption of internal documents.	Within two months after creation of the working group.
	JSC Supervisory Board	3. Approval by the supervisory board of the developed internal documents.	Within one month from the date of submission of the material to the Supervisory Board.
2nd stage **Implementation**	JSC Supervisory Board	1. Application of the issue of compliance with the recommendations of the Corporate Governance Code to the Shareholders' General Assemblies and approval of the form of the notice.	Within a month of approval by the Supervisory Board.
	JSC Supervisory Board	2. Approval by the Shareholders' General Assemblies of the decision to comply with the recommendations of the Corporate Governance Code and approval of the communication form.	At an appropriate Shareholders' General Assemblies convened by the supervisory board.
	JSC Executive Board	3. Publication of a report on compliance with the recommendations of the Corporate Governance Code in the activities of the JSC approved by the Shareholders' General Assemblies.	Within 10 days after approval by the Shareholders' General Assemblies.

3rd stage **Monitoring**		JSC Supervisory Board		1. Conducting of competitive selection of independent organization for evaluation of corporate governance system in JSC.		One month before the evaluation of the corporate governance system.
		Independent organization		2. Conducting an independent evaluation of the corporate governance system in the JSC and presenting its results to the Supervisory Board.		At least once a year.
		JSC Executive Board		3. Review of the results of the corporate governance evaluation in the JSC at a meeting of the JSC Supervisory Board.		A year-end review results at the meeting of the Supervisory Board.
		JSC Executive Board		4. Taking measures to eliminate the shortcomings identified by assessment results of the JSC corporate governance system.		Within the time limits established by the decision of the Supervisory Board.
		JSC Supervisory Board		5. Consideration of the assessment results of the JSC corporate governance system at the annual JSC Shareholders' General Assemblies.		Within the time frame established by law.

Appendix 2
of the Corporate Governance Code

REPORTING FORM
on acceptance by the Joint Stock Company of recommendations of the Corporate Governance Code in its activities

(joint stock company's name)

The JSC «_____» informs that by the resolution of the Shareholders' General Assemblies dated «____» _____ 20___ year. №_____ he Company undertakes to comply with the Corporate Governance Code as of «____» _____ 20_____ year. approved by the protocol of the meeting of the Commission for improving the efficiency of joint stock companies' activities and improvement of corporate governance system dated «_____» 20___year. №_____.

(Additional information as per resolution of the Shareholders' General Assemblies)

INFORMATION

Monitoring of compliance with provisions and principles of the Corporate Governance Code in all joint-stock companies will be carried out during a year by the Commission for improving the efficiency of Joint-Stock Companies and Improving Corporate Governance, of the President of the Republic of Uzbekistan of March 31, 2015 №PP-2327 and, based on results of each financial year, comprehensive analysis and specific proposals to assess the effectiveness of the joint-stock companies activities will be submitted for discussion to a Assembly of the Cabinet of Ministers of the Republic of Uzbekistan.

Draft amendments to the JSC's Memorandum of Association *

№	Chapter of the Memorandum	Supplement text
1	Shareholders' General Assemblies	The Shareholders' General Assemblies shall competent to: define transactions related to the current business activities of the company;
		Shareholders (a shareholder), who collectively own not less than one per cent of the company's voting shares, shall be entitled to make proposals on the agenda, profits distribution, and candidacies for membership in the administration and management authorities, with possibility of their replacement before the Shareholders' General Assemblies.
		Shareholders (a shareholder) who collectively own not less than 1 per cent of the voting shares of the company, within ninety days of the end of the company's financial year, may put matters on the agenda of the annual Shareholders' General Assemblies and nominate candidates to the Supervisory Board and auditing commission (auditors) of the company, number of which may not exceed number of members of that authority.
		The Shareholders' General Assemblies shall hold, as a rule, _____ every year.
2	Supervisory Board of the Company	The Supervisory Board shall responsible for: determination of the procedure, conditions for granting (receiving) and taking decisions on charitable (sponsorship) or donation assistance only within the limits set by the Shareholders' General Assemblies and legislation, and subsequent placement of this procedure on the corporate Joint-stock company website; establishment of committees (working groups) shall be attached to the observatory on relevant issues; Shareholders (a shareholder) who collectively own not less than one per cent of the company's voting shares shall be entitled to request a meeting of the company's supervisory board.
3	Executive Board	Members of the Executive Board representing shareholders shall not be entitled to vote on election of members of the Executive Board.

4	Control over the company activities	The company’s internal audit service shall perform internal control, including over transactions carried out with legal entities, more than 50 per cent of whose share capital belongs to the company;
		A Corporate Advisor shall be appointed to the company, who shall accountable to the Company’s Supervisory Board and shall responsible for monitoring compliance with corporate legislation.
5	Rights and obligations of shareholders	Shareholders, including minority shareholders, shall have the right to enter into joint-stock agreements to form their joint voting position.
		Minority shareholders should not interfere with activities of the company's management authorities by unreasonable demand for documents and use of confidential information and commercial secrets.
6	Minority Shareholders Committee.	Maintenance expenses of the Minority Shareholders Committee shall cover by the funds of the JSC (when the Minority Shareholders Committee shall establish).
7	Increase in the company's share capital	When a company shall offer shares and issuing securities convertible into shares paid with money, the shareholders of the voting shares shall have the right to acquire them in a quantity proportional to the number of shares of that type belonging to them.

* - The Draft amendments reflect the main recommendations of the Corporate Governance Code. At the same time, on the basis of industry specifics and peculiarities of activity, the joint-stock companies may make changes and additions to it.