

It is confirmed by the report of session of the Commission on
increase of efficiency of activity of joint-stock companies and to
perfection of system of corporate governance

From 12/31/2015 № 9

**THE CORPORATE GOVERNANCE
CODE**

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I. GENERAL PROVISIONS

1. The present code corporate (further - the Code) contains the recommendation to which joint-stock companies follow voluntarily, showing their adherence to fair and transparent business procedures.

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

3. With a view of the present Code corporate governance is understood as system of mutual relations between a joint-stock company executive office (further - joint-stock company), its supervisory board, shareholders, representatives of labor collective and other interested parties, including creditors, with a view of achievement of balance of interests of the specified persons for maintenance of the effective organization of activity of joint-stock company, modernization, technical and technological reequipment of capacities, release of competitive production and its export on foreign markets.

4. The code represents the arch of recommendations about key directions for the effective organization of work of controls of joint-stock company.

5. The code is developed on the basic principles of appropriate management including the accountability, a transparency, reliability, observance high morally-ethical principles and orientation to maintenance of a sustainable development of joint-stock company in long-term prospect.

6. The Decision on obligation acceptance to follow the Code recommendations is accepted by General meeting Shareholders by simple majority of votes.

7. Joint-stock companies can carry out intra-corporate actions on introduction of recommendations of the Code taking into account the branch specificity and features of activity.

8. Publication of information on acceptance of the obligation to follow the recommendations of the Code and its observance is carried out in the media, including on the corporate website of JSC on the Internet (hereinafter referred to as the joint-stock company site) and the website of the stock exchange, as well as in other sources stipulated by law for disclosure of information.

9. Recommended sequence of actions on preparation, introduction of recommendations and monitoring are provided at the appendix №1.

10. The recommended sequence of actions for the preparation, implementation and monitoring of the implementation of Codex recommendations is given in Appendix No. 2.

11. In case of failure to comply with individual recommendations of the Code, the JSC discloses its reasons in detail, following the international principle of “comply or explain”.

II. PROVIDING THE TRANSPARENCY OF ACTIVITY

12. For maintenance of a transparency of activity, joint-stock company:

Define clear criteria of reference of the information to categories of the confidential information, a trade secret, and also data which can affect change of the price of shares;

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

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

publish on the JSC website information about the executive body and the assessment of the effectiveness of its activities, the structure of the share capital of the JSC (shareholders with a share of more than 20%);

publish the rationale for the proposed distribution of net profit, dividend size, assessment of their compliance with the dividend policy adopted by JSC, as well as, if necessary, explanations and economic justification of the direction of a certain part of the net profit for the development of JSC

submit, within a reasonable time frame, at the request of shareholders, other information about the joint-stock company (with the exception of confidential information, trade secrets) that shareholders and investors need.

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

the objectives and principles of disclosing publicly available information by JSC;

the list of information subject to mandatory disclosure on the site, the timing and procedure for their disclosure, including information channels through which disclosure should take place, and the form of disclosure;

obligations of the executive body to disclose information to be subject to disclosure about JSC;

the procedure for the exchange of information between members of management bodies, officials, employees of JSCs 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 provision on information policy is mandatory for compliance with the management and control bodies of the JSC and its employees.

III. INTRODUCTION OF MECHANISMS OF EFFECTIVE INTERNAL CONTROL

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

- reflect in the position of the supervisory board requirements on the inclusion of independent members;
- delegate to the supervisory board the right to determine the order, conditions for providing (receiving) and making decisions about charitable (sponsorship) or gratuitous assistance only within the limits established by the general meeting of shareholders and the law, with disclosing information about this to all shareholders;
- conduct, according to the decision of the general meeting of shareholders, an annual analysis of the compliance of business processes and projects with the development goals of an JSC with the assistance of independent professional organizations - consultants;
- establish the main goal of the organization of the JSC internal control system to ensure the protection of the rights and legitimate interests of all shareholders, including minority ones;
- ensure consideration by the general meeting of shareholders of the issue of identifying transactions related to the current economic activity of the joint-stock company for the independent execution by the executive body of transactions with affiliates and major transactions;
- empower the internal audit service of JSC on the implementation of internal control, including operations conducted with legal entities, more than 50% of the authorized capital of which belongs to the JSC;
- determine the order of voting on behalf of JSC of 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 JSC with the opportunity to produce, at the expense of such person, a copy of the bulletin completed by him;
- require regular reports from the executive body on the work done and the achievement of the performance indicators of enterprises that are part of JSCs, approved by their business plans;
- develop and approve the procedure for interaction of the internal control bodies of the joint-stock company (the audit commission and the internal audit service) with the supervisory board, the general meeting of shareholders, the committee of minority shareholders (if any) and shareholders;

16. In order to implement effective internal control mechanisms in the JSC, the general meeting of shareholders approves the “Regulations on Internal Control”, which contains:

- requirements for the composition and qualification of members of the internal control bodies of the JSC;
- composition and regulations of 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;

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

17. The “Internal Control Regulation” is obligatory for the employees of the JSC, members of its management and control bodies to comply with.

18. JSC include in the supervisory board at least one independent member (but not less than 15% of the number of members of the supervisory board stipulated by its charter) in accordance with the provisions of the supervisory board.

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

(i) did not work in the JSC, its subsidiaries or affiliates in the past 5 years;

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

(iii) are not associated with a large customer or supplier that has a corresponding contract for more than 5,000 times the minimum wage established by law with the JSC, its subsidiaries or affiliates;

(iv) do not have service contracts with the JSC, its subsidiaries or affiliates;

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

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

(vii) not related to AO with civil law contracts

and are not employed by a major shareholder of an JSC or a higher branch department (company).

IV. ENSURING THE REALIZATION OF THE RIGHTS AND LEGITIMATE INTERESTS OF SHAREHOLDERS

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

make it easier for shareholders to communicate with the joint-stock company, indicating the address on the site to which written or electronic inquiries can be sent, including information on changing contact details of shareholders and bank details;

create for shareholders who cannot personally take part in the general meeting of shareholders, the possibility and conditions for voting by e-mail (with confirmation by electronic digital signature), as well as by delegating its powers to a representative or holding a general meeting in the form of video-conferencing;

develop a regulation on the dividend policy of a joint-stock company that discloses a transparent mechanism for calculating dividends;

stipulate in the Regulation on the General Meeting of Shareholders to provide shareholders with the necessary information on the agenda before the General Meeting of Shareholders, including the position of the supervisory board regarding the agenda of the general meeting;

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

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

give the charter the right to owners of at least 1% of ordinary shares of the JSC to call for the meeting of the supervisory board and make proposals for the agenda, the distribution of profits, candidates for members of management and control bodies, (with the possibility of replacing them before the general meeting of shareholders);

provide for in a separate internal document of JSC an opportunity for shareholders, including minorities, to conclude shareholder agreements for the formation of their joint position in voting;

cover the costs of maintaining the committee of minority shareholders at the expense of the JSC funds (when creating the committee of minority shareholders);

stipulate in the charter that a minority shareholder should not interfere with the activities of the management bodies of the joint-stock company by unreasonable retrieval of documents and the use of confidential information, trade secrets;

stipulate in the charter that when issuing additional shares to shareholders, the right of preferential purchase of shares is proportional to their share in the authorized capital;

provide equal treatment to all shareholders regardless from their shares, income levels, gender, race, religion, nationality, language, religion, social origin, personal and social status;

stipulate in the charter a later date for submitting proposals 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 committee, as well as a representative of the audit 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 may be released from the performance of duties, the order of activities and functions of the Chairman of the Supervisory Board of JSC, associated with the organization and holding its meetings;

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

21. To ensure the realization of the rights and legitimate interests of the shareholders, the JSC accepts the necessary internal documents, reflecting

in them the above recommendations.

V. DEFINITION OF STRATEGY OF DEVELOPMENT AND TASKS FOR LONG-TERM PRESPECTIVE

22. To determine the development strategy and objectives

For the long-term perspective, the management bodies of the joint-stock company:

identify as the strategic objectives of the company the maintenance of financial stability, increase in labor productivity, product competitiveness, growth in production, export and energy efficiency, the implementation of modernization, technical and technological renewal of production, leading to increase the value of shares;

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

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

develop and submit for approval of the general meeting of shareholders or the supervisory board short-term (annual) and medium-term (for a period of up to 5 years) business plans based on 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 by the JSC.

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

24. A joint-stock company must necessarily include among its shareholders (with the exception of cases established by law) strategic foreign investors who participate in the management of a joint-stock company, release competitive products and ensure its export to foreign markets.

VI. INTRODUCTION OF MECHANISMS OF EFFECTIVE INTERACTION OF THE EXECUTIVE OFFICE WITH SHAREHOLDERS AND INVESTORS

25. In order to introduce mechanisms for effective interaction of the executive body with shareholders and investors, the management bodies of JSC:

provide interaction between shareholders, members of management and control bodies of the joint-stock company on the basis of the principles of mutual trust, respect, accountability and control;

implement the requirement for the officers of the JSC to fulfill their duties on a professional basis, and to reasonably fulfill all obligations arising from the legislation, the statute and decisions of the management bodies of the JSC;

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

create at the supervisory board of JSC committees (working groups) on relevant issues, including to identify and resolve conflicts, from among the members of the supervisory board, the executive body, personnel of the JSC and involved experts (specialists of the relevant profile, teaching staff of specialized higher educational institutions and others);

regulate the cases and the procedure for holding meetings of the supervisory board by polling, as well as video conferencing;

authorize the chairman of the general meeting of shareholders to authorize audio and video recording and broadcasting of the general meeting of shareholders on the Internet;

introduce the requirement of independent decision by the executive bodies of the issues referred to their competence for the unconditional fulfillment of the tasks set by the supervisory board, the general meeting of shareholders, the charter and the development plans of the joint-stock company;

improve the skills of JSC officials through participation in training courses, seminars and other events;

Introduce the position of a corporate consultant to the joint-stock company accountable to the supervisory board and responsible for exercising control over compliance with the requirements of corporate law in the joint-stock company;

insure business risks of the joint-stock company and the responsibility of the executive body;

link remuneration to members of the supervisory board with the results of an independent assessment of the corporate governance system and financial performance of the company;

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

may restrict the right of members of the executive body acting as a representative of shareholders to vote on the election of members of the executive body;

stipulate in the charter a date in which the JSC 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 adopts the necessary internal documents, reflecting the above recommendations.

VII. THE CONFLICT OF INTERESTS

27. In order to prevent the occurrence and settlement of disputes related to a conflict of interest, the JSC develops a provision on the procedure for dealing with a conflict of interest, including:

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

identification of situations that may entail a conflict of interest in actions and transactions performed by JSC officials, as well as their disclosure of information;

obligations of JSC officials to inform the supervisory board about 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 JSC supervisory board;

suppression of a possible conflict of interest in actions and transactions performed by AO officials, as well as disclosure of information by them;

detailed regulations for resolving disputes related to a conflict of interest, including by appointing an uninterested third party to resolve them, or imposing a duty to

resolve a conflict of interest on an independent member (independent members) of the supervisory board.

28. The provision on the procedure for actions in the event of a conflict of interest is approved by the general meeting of shareholders.

VIII. IMPLEMENTATION OF TYPICAL ORGANIZATIONAL STRUCTURE

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

-compliance with the typical structure approved by Decree of the President of the Republic of Uzbekistan dated April 24, 2015 No. ПФ-4720 “On measures to introduce modern corporate governance methods in joint-stock companies” is ensured;

-scales, branch specificity and directions of activity of the joint-stock company are taken into account when developing and implementing the organizational structure;

-organizes regular assessments of the compliance of the current organizational structure of the company with the standard structure approved by law;

-annual competitive selections are held for senior positions in the joint-stock company, with the possibility of participation of candidates from among foreign managers;

-the regulations for competitive selection for executive positions are approved with a description of the procedures for announcing a competition, objective selection criteria, hiring new, modern-minded, highly qualified managers who meet modern requirements, and foreign managers.

30. Supervisory Board coordinates work coordination, the development, implementation and regular assessment of the compliance of the organizational structure of JSC with the requirements of the legislation.

IX. THE PUBLICATION OF THE INFORMATION ON THE BASIS OF THE INTERNATIONAL STANDARDS OF AUDIT AND FINANCIAL REPORTING

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

-coordinating by the supervisory board of the JSC to ensure the transition to the publication of annual financial statements in accordance with International Financial Reporting Standards (hereinafter - IFRS);

-a working group to be created from among the members of the audit commission, the internal audit service, the supervisory board, responsible officers of the joint-stock company and experts (if necessary) on the issues of the joint-stock company for publishing financial statements in accordance with IFRS;

-engaging auditing or consulting organizations to provide professional services for the transition of a joint-stock company to publishing information on the basis of IFRS and international auditing standards;

Developed jointly with an audit organization a step-by-step algorithm (a plan of measures) for a joint-stock company to publish information based on IFRS and international auditing standards and at the meeting of the supervisory board is approved;

JSC staff involved in conducting audits and financial statements are trained in training courses on IFRS and international auditing standards;

-measures are taken under the relevant action plan for the JSC to publish information on the basis of IFRS and international auditing standards;

- Annual IFRS-based financial statements and international auditing standards are published within the deadlines set by law.

X. MONITORING OF INTRODUCTION OF RECOMMENDATIONS OF THE CODE

32. In order to monitor the implementation of the recommendations of the Code, JSCs are assessing the corporate governance system in the JSC, for the implementation of which it is recommended to involve an independent organization.

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

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

35. As an independent organization for assessing the corporate governance system in an JSC, you can act as follows:

stock Exchange;

professional participants of the securities market;

auditing organizations that have a specialist staff with the appropriate certificate of corporate manager or a securities market specialist;

accredited rating agencies;

Scientific and educational center for corporate governance;

Center for Research on Privatization, Competition and corporate governance.

36. The choice of an independent organization to assess the corporate governance system is carried out on the basis of a competition according to the decision of the supervisory board of the JSC.

37. Independent assessment of corporate governance in JSC is based on a questionnaire approved by the State Committee on Competition of the Republic of Uzbekistan and the Scientific and Educational Center for Corporate Governance.

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

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

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

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

XI. FINAL PROVISIONS

40. Non-compliance 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 measures of liability to officials of the JSC for non-compliance with the recommendations of the Code or undisclosed information provided for by the Code.

42. Monitoring the implementation of Code recommendations in the JSC carries out a supervisory board.

RECOMMENDED ACTIONS
to joint-stock companies on preparation and introduction
of Code of Corporate governance

STAGES	SUBEJCTS	ACTIONS	PEFORMANCE
1 st Stage Preparation	JSC executive body	1. Establishment of a working group to prepare for the implementation of the Corporate Governance Code.	Within a month after approval of the Corporate Governance Code
	JSC executive body	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
2 nd Stage Introduction	JSC executive body	1. Submission to the general meeting of shareholders of the issue of compliance with the recommendations of the Corporate Governance Code and approval of the form of communication.	Within a month after approval by the supervisory board
	JSC executive body	2. Approval by the general meeting of shareholders of the 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

	Supervisory Board of JSC	3. Publication of a report on compliance with the recommendations of the Corporate Governance Code in the activities of JSCs, approved by the general meeting of shareholders.	Within 10 days after approval by the general meeting of shareholders
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3rd Stage Monitoring	Supervisory Board of JSC	1. Conduct a competitive selection of an independent organization to assess the corporate governance system in the JSC.	One month before the assessment of the corporate governance system
	Independent Organization	2. Conduct an independent assessment of the corporate governance system in the JSC and submit its results to the supervisory board.	At least once a year
	Supervisory Board of JSC	3. Consideration of the results of the evaluation of the corporate governance system in the JSC at the meeting of the Supervisory Board of the JSC.	At the meeting of the supervisory board for the year
	Executive Board of JSC	4. Taking measures to eliminate the deficiencies identified by the results of the evaluation of the corporate management in JSC.	In the terms established by the supervisory board
	Supervisory Board of JSC	5. Consideration of the results of the evaluation of the corporate governance system in the JSC at the annual general meeting of shareholders of the JSC.	In terms established by law

FORM of the NOTIFICATION / MESSAGE
on acceptance by joint-stock company of recommendations of the Code of
Corporate Governance in its activity

(The joint-stock company name)

JSC _____ informs that by the decision of the general meeting of shareholders from _____ 20__ . № ____ Company made a commitment, starting with " ____ " _____ 20__ .to comply with the Corporate Governance Code, approved by the minutes of the meeting of the Commission on improving the efficiency of joint stock companies and improving the corporate governance system of _____ 201__ . № _____ .

(Additional information according to the decision of the general meeting of shareholders)

INFORMATION

Monitoring over compliance with the provisions and principles of the Corporate Governance Code in all joint-stock companies will be carried out during the year by the Commission on improving the efficiency of joint-stock companies and improving the corporate governance system established by Resolution of the President of the Republic of Uzbekistan dated March 31, 2015 number PP-2327 for each fiscal year, a comprehensive analysis and specific proposals for evaluating the performance of joint stock companies will be submitted for discussion of the meeting of the Cabinet of Ministers of the Republic of Uzbekistan.