

Approved

with the protocol of the meeting of
Commission to Increase
Effectiveness of Activity of Joint-
Stock Companies and to Improve
Corporate Management System

December 31, 2015 No.9

CODE OF CORPORATE MANAGEMENT

I. GENERAL PROVISIONS

1. This Code of Corporate Management (hereinafter referred to as the Code) contains recommendations to which joint-stock companies shall voluntarily comply with, demonstrating its commitment to honest and transparent conduct of business.
2. The Code is based on the legislation of the Republic of Uzbekistan and of international principles of corporate management.
3. For the purposes of this Code, corporate management shall mean a system of relations between the executive organ of a joint-stock company (hereinafter referred to as JSC), its supervisory council, shareholders, representatives of labor personnel and other concerned parties including creditors, for the purposes of achieving the balance of interests of specified entities to ensure effective organization of activity of JSC, modernization, technical and technological re-equipment of production capacities, production of competitive products and export thereof to external markets.
4. The Code represents a set of recommendations on key directions for effective organization of work of management organs of JSC.
5. The Code was developed under fundamental principles of proper management including accountability, transparency, validity, observance of high moral and ethical principles and orientation to ensure of sustainable development of JSC in long-term period.
6. A resolution to accept obligations to adhere recommendations of the Code shall be taken by the general meeting of shareholders by simple majority of votes.
7. JSC may carry out intracorporate actions on implementation of recommendations of the Code taking into account own industry specifics and peculiarities of activity.
8. Publication of information on acceptance of obligations to follow recommendations of the Code and observance thereof shall be made in mass media also in the corporate web-site of JSC in the Internet (hereinafter referred to as the site of JSC) and the site of the stock exchange as well as in other sources which are provided for by the legislation for disclosure of information.
9. The recommended sequence of actions on preparation, implementation and monitoring of implementation of recommendations of the Code shall be given in Appendix No. 1.
10. JSC shall disclose information on acceptance of obligations to follow recommendations of the Code by publication of an announcement in the form according to Appendix No. 2.
11. If it is impossible to observe certain recommendations of the Code, JSC shall disclose causes thereof in detail, following the international principle "comply or explain".

II. ENSURING TRANSPARENCY OF ACTIVITY

12. To ensure transparency of activity of JSC:

clear criteria shall be determined for inclusion of information to the categories of confidential information, commercial secrets as well as information which may influence changes of share prices;

publication of information subject to mandatory disclosure shall be ensured in the site of JSC and in other sources provided for by the legislation, with translation to English, Russian and other languages convenient to shareholders and other concerned parties including foreign investors;

the size of remuneration and compensations of the executive organ shall be disclosed at the General Meeting of shareholders;

information about the executive organ and assessment of effectiveness of its activity, structure of joint-stock capital of JSC (shareholders with shares above 20%) shall be published in the site of JSC;

substantiations of proposed distribution of net profit, size of dividends, and assessment of conformance thereof to dividend policy adopted in JSC as well as, if necessary, explanations and economic substantiations of volumes of certain part of net profit directed to needs of JSC development shall be published;

other information about JSC (with exception of confidential information and commercial secrets) which is necessary to shareholders and investors shall be provided within reasonable periods on demand of shareholders.

13. To ensure transparency of own activity, the supervisory council of JSC shall approve "Regulation on Information Policy" which contains:

purposes and principles of disclosure of open information of JSC;

list of information subject to mandatory disclosure in the site, periods and procedures of disclosure thereof including information channels via which disclosure must be made as well as forms of disclosure;

obligations of the executive organ on disclosure of information on JSC which is subject to disclosure;

procedures of information exchange between members of management organs, officials, employees of JSC with shareholders and investors, other concerned parties as well as representatives of mass media;

measures to ensure control over observance of information policy of JSC.

14. Regulation on Information Policy shall be mandatory for observance by management and control organs of JSC and by employees thereof.

III. IMPLEMENTATION OF MECHANISMS OF EFFECTIVE INTERNAL CONTROL

15. For the purposes of implementation of mechanisms of effective internal control of JSC:

Regulation on Supervisory Council shall contain requirements to include independent members in the composition thereof;

the supervisory council shall be delegated with rights to determine the procedures, conditions to give (receive) and adopt decisions on charitable (sponsoring) or gratuitous assistance only within limits established by the general meeting of shareholders and the legislation, with disclosure of information thereon to all shareholders;

annual analysis of conformance of business processes and of projects to purposes of development of JSC with attraction of independent professional organizations – consultants shall be carried out by decision of the general meeting of shareholders;

the main purpose of organization of internal control system of JSC shall be to ensure protection of rights and lawful interests of all shareholders including minority shareholders;

the general meeting of shareholders shall be ensured to examine the matter on determination of deals related to current economic activity of JSC for independent accomplishment of deals by the executive organ with affiliated persons and big deals;

internal audit service of JSC shall be vested with powers to implement internal control also over operations carried out by legal entities more than 50% of the statutory capital of which belongs to JSC;

procedures of voting of its representatives on behalf of JSC in management organs of enterprises included to JSC shall be established;

a person who took part in the General Meeting of Shareholders of JSC shall be enabled to making a copy a bulleting filled in thereby at the expense of such person;

the executive organ of JSC shall be demanded regular reports on performed work and achievement of performance indicators of enterprises included to JSC approved by business plans thereof;

procedures of interaction of internal control organs of JSC (auditing commission and internal audit service) with the supervisory council, the general meeting of shareholders, committee of minority shareholders (if any) and shareholders shall be developed and approved;

16. For implementation of mechanisms of effective internal control in JSC, the general meeting of shareholders shall approve “Regulation on Internal Control” which contains:

requirements for composition and qualification of members of internal control organs of JSC;

composition and regulations on formation of reports on internal control system;

procedures for attraction of independent professional organizations – consultants for assessment of effectiveness of internal control system in JSC;

description of mechanisms for monitoring the work of internal control organs, the procedures for calculation of compensations and remunerations paid thereof to members.

17. "Regulation on Internal Control" shall be mandatory for observance by employees of JSC, members of management and control organs thereof.

18. JSC shall include no less than one independent member (however, no less than 15% of quantity of members of the supervisory council provided for with its charter) to the composition of the supervisory council in accordance with requirements of Regulation on Supervisory Council.

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

(i) have not worked in JSC, its subsidiary or affiliated enterprises during last 5 years;

(ii) were not a shareholder of JSC, its subsidiary or affiliated enterprises;

(iii) not connected with a big client or supplier who has a respective contract for the amount above 5 thousand times of minimum wage rate established by the legislation, JSC, its subsidiary or affiliated enterprises;

(iv) have no service contracts with JSC, its subsidiary or affiliated enterprises;

(v) are not a member of a family of a person who is or was a managing employee of JSC, its subsidiary or affiliated enterprises during last 5 years;

(vi) are not a controlling person of JSC (or a member of a group of entities and/or organizations which collective exercise control over JSC);

(vii) are not connected with JSC with civil legal agreements and are not an employee of a big shareholder of JSC or a superior sectoral agency (company).

IV. ENSURING IMPLEMENTATION OF RIGHTS AND LAWFUL INTERESTS OF SHAREHOLDERS

20. To ensure implementation of rights and lawful interests of shareholders, management and control organs of JSC:

shall simplify communication with JSC for shareholders, by specifying addresses in the site of JSC to which written or electronic requests including information on changes in contact details of shareholders and banking details may be sent;

shall enable shareholders, who may not take participation in person in the General Meeting of shareholders, with an opportunity and conditions for voting by electronic mail (with confirmation of electronic digital signature) as well as by delegating of own powers to a representative or holding the general meeting in video conference regime;

shall develop regulation on dividend policy of JSC which provides for transparent mechanism for calculation of dividends;

shall provide, in Regulation on the General Meeting of shareholders, provision, to shareholders prior to holding of the general meeting of shareholders, of necessary information on agenda including the position of the supervisory council regarding the agenda of the general meeting;

may attract independent experts for provision of practical assistance to a counting commission or implementation of its functions (for example, an investment consultant and other professional participants of securities market);

shall determine (appoint) an employee or subdivision who shall be responsible for communication with shareholders and investors;

shall provide a right in the charter to owners of no less than 1% of ordinary shares of JSC to demand convocation of the meeting of the supervisory council and to submit proposals on agenda, distribution of profit, candidates to members of management and control organs, with possibility of their replacement prior to holding of the general meeting of shareholders;

shall provide, in a separate internal document of JSC, a possibility for shareholders including minority shareholders to enter into joint-stock agreements for formation of their joint position during voting;

shall cover expenses on maintenance of the committee of minority shareholders at the expense of funds of JSC (when the committee of minority shareholders is created);

shall provide in the charter that a minority shareholder must not impede activity of management organs of JSC by groundless demand of documents and usage of confidential information, and commercial secrets;

shall provide in the charter that, in case of issuance of additional shares, shareholders shall have a right of preferential acquisition of shares proportionately to their shares in the statutory capital;

shall ensure equal treatment of all shareholders irrespective of their shares, the level of incomes, sex, race, religion, nationality, language, religion, social origin, personal and public position;

shall provide in the charter for the later period for provision of a proposal to the agenda of the annual general meeting of shareholders;

shall ensure participation of members of the executive organ, the supervisory council and auditing commission as well as a representative of the audit organization at the annual General Meeting of shareholders;

shall provide in Regulation on Supervisory Council for conditions under which a member of the supervisory council may be dismissed from duties, procedures for activity and functions of the chairman of the supervisory council of JSC related to organization and holding of meetings thereof;

shall carry out other necessary measures directed at ensuring implementation of rights and lawful interests of shareholders of JSC.

21. To ensure implementation of rights and lawful interests of shareholders, JSC shall adopt necessary internal documents by specifying the above mentioned recommendations therein.

V. DETERMINATION OF THE STRATEGY FOR DEVELOPMENT AND TASKS FOR LONG-TERM PERSPECTIVE

22. For determination of the strategy of development and tasks for long-term perspective, management organs of JSC:

shall determine maintenance of financial stability, raising labor productivity, competitiveness of products, growth of production indicators, export and energy effectiveness, implementation of modernization, technical and technological renewal of production leading to increase in cost of shares as strategic purposes of JSC;

shall develop and approve at the General Meeting of shareholders long-term strategy of development of JSC for the period above 5 years based on sectoral specifics, analysis of competitive environment, ensuring export orientation and implementation of approved state programs on development of respective sectors, spheres and regions;

shall widely apply successful management methods tested in foreign practice including SWOT, GAP analysis and other approaches, special software and so on;

shall develop and submit, for approval (endorsement) of the general meeting of shareholders or the supervisory council, short-term (annual) and medium-term (for the period to 5 years) business plans based on long-term strategy approved by the general meeting of shareholders;

shall implement necessary quantitative and qualitative criteria which enable to carry out monitoring of achievement of the purposes specified in each plan of development adopted in JSC.

23. The supervisory council shall coordinate activity of the executive organ, internal control organs of JSC, collegial organs created in JSC, and, if necessary, shall attract experts to elaborate development plans of JSC and monitoring of achievement of the purposes specified therein.

24. On mandatory basis, JSC shall attract strategic foreign investors to shareholders (with exception of cases established by the legislation) which participate in management of JSC, issuance of competitive products and ensuring export thereof to external markets.

VI. IMPLEMENTATION OF MECHANISMS OF EFFECTIVE INTERACTION OF THE EXECUTIVE ORGAN WITH SHAREHOLDERS AND INVESTORS

25. For implementation of mechanisms of effective interaction of the executive organ with shareholders and investors, management organs of JSC:

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

shall implement requirement on performance of own duties by officials of JSC on professional basis, reasonable implementation of all obligations thereby which arise from the legislation, the charter and resolutions of management organs of JSC;

shall establish qualification requirements to candidates to members of the supervisory council including existence of a qualification certificate of a corporate manager in JSC with a state share in the statutory capital issued by Scientific Educational Center of Corporate Management (except cases established by the legislation);

shall create committees (working groups) at the supervisory council of JSC on respective matters for identification and settlement of conflict situations, out of members of the supervisory council, the executive organ, personnel of JSC and attracted experts

(specialists of the respective direction, teaching personnel of specialized higher educational institutions and others);

shall regulate cases and procedures for holding meetings of the supervisory council by questionnaire of as well as in video conference regime;

shall include to powers of the chairman of the general meeting of shareholders the matters of authorization of audio and video recording and broadcasting the general meeting of shareholders in the Internet;

shall implement requirement on independent resolution by executive organs of matters included to their competences, for unconditional implementation of tasks established by the supervisory council, the general meeting of shareholders, the charter and plans of development of JSC;

shall raise qualification of officials of JSC by of participation in training courses, seminars and other events;

shall introduce a position of a corporate consultant in JSC who is accountable to the supervisory council and who is responsible for implementation of control over observance of requirements of the corporate legislation in activity of JSC;

shall insure business risks of JSC and responsibility of the executive organ;

shall tie up the size of remuneration of members of the supervisory council to results of independent assessment of corporate management system and financial results of activity of JSC;

shall establish requirements for the form and content of a report of management and control organs of JSC which are accountable to the General Meeting of shareholders, shall determine duration of the general meeting;

may restrict a right of members of the executive organ acting as a representative of shareholders, to vote on the matter regarding election of members of the executive organ;

shall provide in the charter the date on which JSC ordinary holds the regular general meeting of shareholders.

26. For implementation of mechanisms of effective interaction of the executive organ with shareholders and investors, JSC shall take necessary internal documents by specifying the above mentioned recommendations therein.

VII. CONFLICT OF INTERESTS

27. In order to prevent occurrence and settlement of disputable situations related to conflict of interests, JSC shall develop a regulation on procedures for actions in case of a conflict of interests including:

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

determination of situations which may lead to occurrence of conflict of interests in due course of actions of officials of JSC of and deals as well as disclosure of information thereby;

obligations of officials of JSC to inform the supervisory council about emergence of a conflict of interests;

prohibition on participation of officials of JSC in management and control organs of other legal entities, without permission of the supervisory council of JSC;

preclusion of a possible conflict of interests in due course of actions of officials of JSC of and deals as well as disclosure of information thereby;

detailed regulation for settlement of disputable situations related to a conflict of interests also by appointment of unconcerned third party for settlement thereof or by vesting duties to settle a conflict of interests onto an independent member (independent members) of the supervisory council.

28. Regulation on procedures of actions during a conflict of interests shall be approved by the general meeting of shareholders.

VIII. IMPLEMENTATION OF TYPICAL ORGANIZATIONAL STRUCTURE

29. For implementation of a typical organizational structure of a company in JSC:

conformance of a typical structure approved by the Decree of the President of the Republic of Uzbekistan dated April 24, 2015 No.UP-4720 "On Measures for Implementation of Modern Methods of Corporate Management in Joint-Stock Companies" shall be ensured;

scales, sectoral specifics and directions of activity of JSC shall be taken into account in due course of development and implementation of organizational structure;

regular assessments of conformance of current organizational structure of JSC to a typical structure approved by the legislation shall be organized;

annual competitive selection for managerial positions in JSC with a possibility of participation for candidates out of foreign managers shall be carried out;

regulations shall be approved for competitive selection to managerial positions with description of procedures for announcement of a contest, objective criteria for selection, employment of new, progressively thinking, highly qualified managers corresponding to modern requirements as well as foreign managers.

30. The supervisory council shall ensure coordination of works related to development, implementation and regular assessment of conformance of organizational structure of JSC to requirements of the legislation.

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

31. For publication of information based on international standards of audit and financial reporting in JSC:

coordination of works to ensure transition to publication of annual financial reporting in accordance with International Standards of Financial Reporting (hereinafter referred to as ISFR) shall be carried out by the supervisory council of JSC;

a working group shall be created with inclusion of members of the auditing commission, internal audit service, the supervisory council who are responsible officials of JSC as well as attracted experts (if necessary) on matters of transition of JSC to publication of financial reporting in accordance with ISFR;

an audit or consulting organization shall be attracted for provision of professional services to transition of JSC to publication of information based on ISFR and international standards of audit;

step-by-step algorithm (action plan) for transition of JSC to publication of information based on ISFR and international standards of audit shall be developed jointly with an audit organization and shall be approved at the meeting of the supervisory council;

training of personnel of JSC engaged in performing audit and financial reporting shall be carried out in training courses on ISFR and international standards of audit;

measures provided for with a respective action plan on transition of JSC to publication of information based on ISFR and international standards of audit shall be carried out;

annual financial reporting based on ISFR and international standards of audit shall be published within the periods established by the legislation.

X. MONITORING OF IMPLEMENTATION OF RECOMMENDATIONS OF THE CODE

32. For the purposes of implementation of monitoring over implementation of recommendations of the Code, JSC shall carry out assessment of corporate management system in JSC, for implementation of which it is recommended to attract an independent organization.

33. Independent assessment of corporate management system in JSC shall be performed no less than once per year.

34. Independent assessment of corporate management system in JSC shall be carried out based on a respective agreement with an organization which is not connected with JSC with property relations.

35. The following may act as an independent organization for holding assessment of corporate management system in JSC:

stock exchange;

professional participants of securities market;

audit organizations which have a specialist with a respective certificate of a corporate manager or a specialist of securities market;

accredited rating agencies;

Scientific Educational Center of Corporate Management;

Center for Studies of Problems of Privatization, Development of Competition and Corporate Management.

36. Selection of an independent organization for holding assessment of corporate management system shall be carried out based on contest by decision of the supervisory council of JSC.

37. Independent assessment of corporate management system in JSC shall be made based on a questionnaire to be approved by the State Committee on Competition of the Republic of Uzbekistan and Scientific Educational Center of Corporate Management.

38. Results of the performed independent assessment of corporate management system shall be published in the site of JSC together with a conclusion of an organization which performed such assessment.

39. Organs of state and economic management, local organs of state authority and other state organizations which act as a shareholder on behalf of the state:

shall be entitled to attract at own expense an independent organization to perform independent assessment of corporate management system in JSC;

shall apply results of independent assessment of corporate management system for determination of sizes of remunerations for persons who act in organs of management of JSC on behalf thereof.

XI. CONCLUDING PROVISIONS

40. No failure to observe recommendations of the Code shall lead to application of measures of responsibility by state organs.

41. The general meeting of shareholders shall be entitled to establish measures of responsibility to officials of JSC for failure to observe recommendations of the Code or undisclosed information provided for with the Code.

42. Control over implementation of recommendations of the Code in JSC shall be carried out by the supervisory council.

RECOMMENDED MEASURES**by joint-stock companies on preparation and implementation of Code of Corporate Management**

Stage 1 Preparation	Executive organ of JSC	1. Creation of a working group on preparation to implementation of Code of Corporate Management.	During a month after approval of Code of Corporate Management
	Executive organ of JSC	2. Development and submission of proposals on adoption of internal documents to the supervisory council for examination.	During two months after creation of a working group
	Supervisory council of JSC	3. Endorsement of developed internal documents by the supervisory council.	During a month from the date of submission of materials to the supervisory council

Stage 2 Implementation	Supervisory council of JSC	1. Submission to the general meeting of shareholders of a matter on observance of recommendations of Code of Corporate Management and approval of a form of statement.	During a month after endorsement by the supervisory council
	Supervisory council of JSC	2. Approval by the general meeting of shareholders of a decision on observance of recommendations of Code of Corporate Management and approval of a form of statement.	At the respective General Meeting of shareholders convened by the supervisory council
	Executive organ of JSC	3. Publication of statement on observance of recommendations of Code of Corporate Management in activity of JSC approved by the general meeting of shareholders.	During 10 days after approval by the general meeting of shareholders

Monitoring	Supervisory council of JSC	1. Holding of competitive selection of an independent organization for performing assessment of corporate management system in JSC.	On month prior to holding of assessment of corporate management system
	Independent organization	2. Holding of independent assessment of corporate management system in JSC and submission of results thereof to the supervisory council.	No less than once per year
	Supervisory council of JSC	3. Examination of results of the performed assessment of corporate management system in JSC at the meeting of the supervisory council of JSC.	At the meeting of the supervisory council according to results of a year
	Executive organ of JSC	4. Adoption of measures to eliminate deficiencies detected according to results of the performed assessment of corporate management system in JSC.	Within the periods established by a resolution of the supervisory council
	Supervisory council of JSC	5. Examination of results of the performed assessment of corporate management system in JSC at the annual General Meeting of shareholders of	Within the periods, established by the legislation

		JSC.	
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FORM OF STATEMENT

on adoption by a joint-stock company of recommendations of Code of Corporate Management in own activity

(name of a joint-stock company)

Hereby, JSC “_____” notifies that under the resolution of the general meeting of shareholders dated “___” _____ 20__ No.____, the Company has accepted an obligation, starting from “___” _____20__, to observe Code of Corporate Management approved with the protocol of the meeting of Commission to Raise Effectiveness of Activity of Joint-Stock Companies and Improvement of Corporate Management System dated “___” _____ 201__ No._____.

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

INFORMATION

Control over observance of regulations and of principles of Code of Corporate Management in all joint-stock companies will be carried out during a year by Commission to Raise Effectiveness of Activity of Joint-Stock Companies and Improvement of Corporate Management System created by the Resolution of the President of the Republic of Uzbekistan dated March 31, 2015 No. PP-2327; and according to results of each financial year, comprehensive analysis and specific proposals on assessment of effectiveness of activity of joint-stock companies will be submitted for discussion of the meeting of the Cabinet of Ministers of the Republic of Uzbekistan.