

Implemented by the General  
Meeting of Shareholders  
Of JSC "Bekabadtsement"  
of 30.06.2016,  
Minutes No. 1-2016

**THE CODE  
OF  
CORPORATE  
GOVERNANCE**

## **I. GENERAL PROVISIONS**

1. The present Corporate Management Code (Hereinafter referred to as the Code) contains recommendations which joint-stock companies shall voluntarily follow demonstrating their commitment to conduct fair and transparent business practices.

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

3. For the purposes of this Code the term “corporate governance” shall be understood as the system of mutual relations between the executive body of a joint-stock company (hereinafter - JSC), its supervisory board, shareholders, employees, the representatives of work collective, and other interested parties, including creditors, for the purpose of achieving a balance of interests of the above persons for ensuring efficient organization of activities of JSCs, modernization, technical and technological re-equipment of production facilities, production of competitive products and their export to foreign markets.

4. The Code represents a set of recommendations on key directions for efficient organization of work of the management bodies of JSCs.

5. The Code has been developed based on the fundamental principles of proper governance, including accountability, transparency, reliability, adherence to high moral and ethical principles and orientation towards sustainable development of JSCs in the long-term periods.

6. The decision to adopt an obligation to follow the recommendations of the Code shall be adopted by the general meeting of shareholders by a simple majority of voices.

7. JSCs may carry out internal corporate actions on implementation of the recommendations of the Code with regard to their sartorial features and specifics of their activities.

8. Publication of information about adoption of obligation to follow the recommendations of the Code and its observance shall be carried out in the media, including the corporate website of JSCs on the Internet (hereinafter - the website of JSCs) and on the stock exchange website, as well as in other sources, which are provided for by legislation for information distribution.

9. The recommended sequence of actions for preparing, implementing and monitoring the implementation of the Code's recommendations is contained in Appendix No. 1.

10. JSCs shall disclose information on adoption by them of an obligation to follow the recommendations of the Code by means of publishing posts in compliance with Appendix No. 2.

11. In case of failure to comply with certain recommendations of the Code a JSC shall be obliged to reveal in detail the cause of failure in accordance with the international principle of «comply or explain».

## **II. ENSURING TRANSPARENCY OF ACTIVITIES**

12. To ensure transparency of activities, JSCs shall:

- identify clear criteria for referring information to the categories of confidential information, trade secrets and information that might affect a change in shares price;
- provide publication of information subject to mandatory disclosure on the JSC website and in other sources provided for by legislation with translation into English, Russian and other languages convenient for shareholders and other interested parties, including foreign investors;
- open at a general meeting of shareholders amounts of remunerations and compensations of their executive body;
- publish on the JSC website information of their executive body and their point of view of the effectiveness of its activities, of the structure of share capital of the JSC (shareholders with a share of more than 20%);
- publish justification for the proposed allocation of net income, amount of dividends, assessment of their compliance with dividend distribution policy adopted in the JSC, as well as, if necessary, explanation and economic justification of amounts of certain parts of net profit to detect towards needs of the JSC;

- represent within reasonable time at the request of shareholders other information about the JSC (except for confidential information, trade secrets), which is necessary for shareholders and investors.

13. For ensuring the transparency of its activity, the JSC's supervisory board shall approve the "Regulation on Information Policy", which includes:

- purposes and principles of disclosing by the JSC of open information;  
- the list of data liable to mandatory disclosure on the website, terms and procedure of their disclosure, including the information channels through which disclosure shall take place and the forms of disclosure;

- obligations of the Executive body in respect of information to be disclosed about the JSC;

- the procedure of exchanging information between the members of management bodies, official persons, the employees of JSC with shareholders and investors, other interested persons, as well as the representatives of mass-media;

- measures on providing control over JSC's information policy observance.

14. The Regulation on information policy shall be mandatory for JSC's management bodies, supervisory bodies and its employees to follow.

### **III. EFFICIENT INTERNAL CONTROL MECHANISMS IMPLEMENTATION**

15. In order to implement mechanisms for efficient internal control, JSCs shall:

- stipulate in the Provision on the Supervisory Board requirements for inclusion of independent members into the membership of the Supervisory Board;

- delegate to the Supervisory Board rights for determining the order, conditions of the rendering of (obtaining), and taking decisions on charity (sponsoring) or free assistance only within the limits taken by the general meeting of shareholders and the law with the disclosure of information about this decision to all shareholders;

- carry out in accordance with the decision of a general meeting of shareholders an annual analysis of compliance of business processes and

projects to the purposes of the development of a JSC with invitation of independent professional consulting organizations;

- establish as the main purpose of adopting the system of internal control of JSC the protection of rights and legitimate interests of all shareholders, including minority shareholders;

- provide a consideration by a general meeting of shareholders of the issue for determining transactions related to the current economic activity of the JSC, for independent execution by the executive body of transactions with affiliated persons and major transactions;

- invest the Internal Audit Service of a JSC with the powers of implementing internal supervision, including that on operations conducted with legal entities where more than 50% of share capital belongs to the JSC;

- determine the order of voting on behalf of JSC by its representatives in the management bodies of enterprises being members of the JSC;

- represent to the person, taking part in the general meeting of shareholders, a possibility of producing, at its own expense a copy of the ballot it has filled-in;

- require for the executive body of JSC to present regular reports on progress and achievement of enterprises, being members of the JSC, which have been approved by their business plans;

- develop and approve the procedure for interaction between JSC's internal control bodies (the audit commission and internal audit service) with the Supervisory Board, shareholders' general meeting, minority shareholders' committee (if any) and shareholders;

16. To order to implement mechanisms of efficient internal control within a JSC, a general shareholders' meeting shall approve the "Regulation on Internal Control", which shall include as follows:

- Requirements for the composition and qualification of the members of the internal supervision bodies of the JSC;

- reports formation and composition procedure on the internal control system;

- the procedure of attracting independent professional consulting organizations to assess the effectiveness of the internal control system at a JSC;

- description of the mechanisms for monitoring internal control bodies' activities, the procedure of calculation of compensations and remunerations due to their members.

17. The "Regulation on Internal Supervision" shall be mandatory for JSC's staff, members of its management and control bodies to follow.

18. JSCs shall include in the membership of the supervisory board at least one independent member (but not less than 15% of the amount of members stipulated in JSC charter in respect of the Supervisory Board) in accordance with the provision on the Supervisory Board.

19. Independent members of a JSC's supervisory board may be persons who:

(i) haven't worked at the JSC and its subsidiaries or affiliated companies for the last 5 years;

(ii) are not shareholders of the JSC, its subsidiaries or affiliates;

(iii) are not associated with a major customer or supplier having a relevant contract worth more than 5,000 times of minimum wages established by the legislation, with given JSC, its daughters or affiliates enterprises;

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

(v) are not family members of a person who is or has been over the last 5 years a senior executive at the JSC, its subsidiaries or affiliated enterprises;

(vi) are not persons obliged to control the JSC (or the member of a group of persons and / or entities that are collectively exercising control over the JSC);

(vii) are not associated with the JSC by civil law contracts and are not employees of a major shareholder of the JSC or its higher sectorial agency (company).

#### **IV. ENSURANCE OF REALIZATION OF RIGHTS**

## **AND LEGITIMATE INTERESTS OF SHAREHOLDERS**

20. To ensure realization of the rights and legitimate interests of their shareholders, the JSC management and supervising bodies shall:

- make it easier for shareholders to communicate with the JSC, having indicated addresses on the JSC site, on which written or electronic requests may be sent, including information on changes in shareholders contact data and bank details;

- create for shareholders, who are not able to personally participate in a shareholders general meeting, a possibility and conditions for voting by e-mail (with electronic signature confirmation) and by delegating their authority to their representative, or by conducting a General Meeting in a video conference mode;

- develop a regulation on the JSC dividend policy that reveals a transparent mechanism for calculating dividends;

- provide for in the Regulation on general meetings of shareholders the possibility to present to the shareholders, prior to the General Meeting of Shareholders, necessary information on the agenda, including the Supervisory Board's position in respect of the general meeting's agenda;

- may invite independent experts for rendering practical assistance to the Counting Commission or for exercising its functions (for example, such as investment consultants or other professional participants of the securities market);

- designate (appoint) an employee or a group of employees to be responsible for relationship with shareholders and investors;

- stipulate a right in the Charter for those, holding not less than 1% of common shares, to require the convening of a meeting of the Supervisory Board and to submit proposals in respect of agenda, distribution of profits, nominees for the management and supervising bodies, with a possibility of their replacement prior to the General Meeting of Shareholders to be held;

- stipulate in a separate internal document of the JSC an opportunity for shareholders, including minority shareholders, to conclude shareholders' agreements for the formation of their joint position in voting;

- cover costs for maintaining a Committee of minority shareholders at the expense of a JSC (when creating the committee of minority shareholders);

- provide in the Charter a provision that a minority shareholder should not interfere with the activities of the JSC management bodies by unreasonable requesting documents and using confidential information, trade secrets;

- stipulate in the JSC's Charter a provision that when additional shares are issued, the shareholders have pre-emptive right to acquire such shares in proportion to their share in the authorized capital;

- ensure an equal attitude to all shareholders, regardless of their shares in the capital, the level of income, gender, race, religion, ethnic group, nationality, language, social origin, personal and social status;

- provide for in the Charter a later deadline for introducing proposals on the agenda of the Annual General Meeting of Shareholders;

- ensure the participation of the members of the executive body, supervisory board and audit committee, as well as the representative of the auditing company at the Annual General Meeting of Shareholders;

- provide for in the Regulations on the Supervisory Board conditions under which a member of the Supervisory Board may be released from his/her duties, the procedures and functions of Chairman of the Supervisory Board of a JSC related to the organization and conduct of its meetings;

- carry out other necessary measures to ensure the execution of the JSC's shareholders rights and legitimate interests.

21. A JSC shall adopt necessary internal documents to ensure the realization of the rights and legitimate interests of the shareholders, reflecting therein the above recommendations.



## **V. DEFINITION OF DEVELOPMENT STRATEGY AND OBJECTIVES FOR LONG-TERM PERIODS**

22. In order to determine the development strategy and objectives for long-term periods, the JSCs management bodies shall:

- define as strategic goals of the JSC the maintaining of financial stability, an increase in labor productivity, the competitiveness of products, the growth of production rates, export and energy efficiency, the implementation of modernization, technical and technological renovation of production leading to an increase in the value of shares;

- develop and approve at the general shareholders' meeting long-term development strategy for a period of more than 5 years on the basis of industrial specific features, the analysis of the competitive environment, the provision of export orientation and the implementation of approved state programs for the development of relevant industrial sectors, areas and regions;

- widely use the methods of management, that have been successfully tested in international world practice, including SWOT, GAP analysis and other methods, special software, etc .;

- develop and submit for the approval (endorsement) by the General Meeting of Shareholders or the Supervisory Board of short-term (annual) and medium-term (for the period of up to 5 years) business plans on the basis of long-term strategy, approved by the General Meeting of Shareholders;

- implement necessary quantitative and qualitative criteria allowing monitoring the achievement of goals set out in each of the development plans adopted by the JSC.

23. The Supervisory Board shall coordinate the activities of the executive body, the internal control bodies of the joint-stock company, collegial bodies created in the JSC, and, if necessary, shall involve experts for assisting in the creation of JSC's development plans and for monitoring the achievements of goals designated in those development plans.

24. Joint stock companies without fail shall include foreign strategic investors in the number of shareholders (except cases established by law) who

are supposed to participate in joint-stock company management, competitive products production and exporting to foreign markets.

## **VI. IMPLEMENTATION OF MECHANISMS FOR EFFICIENT COOPERATION OF EXECUTIVE BODY WITH SHAREHOLDERS AND INVESTORS**

25. For implementing mechanisms for efficient interaction of the executive body with the shareholders and investors, joint stock companies shall:

- ensure an interaction between shareholders, management bodies and supervisory body's members on the basis of mutual trust, respect, accountability and control;

- introduce a requirement to perform by JSCs officials of their duties on a professional basis, reasonable performance by them of all their obligations deriving from the legislation, Charter and the decisions taken by management bodies of JSCs;

- establish qualification requirements with respect of candidates for membership in the Supervisory Board, including the availability by them qualification certificates of a corporate manager in a JSC with the state share in the authorized capital issued by the Scientific and Educational Center of Corporate Governance (except for cases established by law);

- set up at the Supervisory Board of the JSC committees (working groups) on relevant issues, including those for identification and settlement of conflict situations, from among the members of the supervisory board, executive body, JSC's staff and experts (specialists in corresponding profiles, teaching staff from specialized higher education institutions, etc.) who had been invited;

- regulate situations and procedures for conducting meetings of the Supervisory Board by questionnaire and by video-conferencing, as well;

- refer to the authority of Chairman of the General Meeting of Shareholders issues connected with audio and video recording and the broadcasting of the general meeting of shareholders on the Internet;

- introduce a requirement for an independent decision by executive bodies of the issues referred to their competence, for unconditional implementation of

the tasks set by the supervisory board, the general meeting of shareholders, the charter and the plans of developing the JSC;

- improve the JSC official's qualifications by means of their participation in training courses, seminars and other educational events;

- introduce the position of corporate consultant in the JSC, who shall be accountable to the Supervisory Board and be responsible for supervising the adherence to the requirements of corporate legislation in the activities of the JSC;

- hedge against business risks and responsibilities of the executive body of the JSC;

- coordinate the amount of remuneration for the members of the Supervisory Board with the results of an independent evaluation of the corporate management system and financial results of JSC activities;

- establish requirements for the form and content of the report (account) of managing and supervising bodies of a joint-stock company when they are reporting at the General Meeting of Shareholders, shall determine the duration of the General Meeting;

- may restrict the rights of executive body members, representing shareholders, to vote for the issue of election of members of the executive body;

- stipulate in the Charter a date on which the joint-stock company normally holds a general meeting of shareholders.

26. To implement mechanisms for an efficient interaction of the executive body with shareholders and investors, the JSC shall accept necessary internal documents having reflected therein the above recommendations

## **VII. CONFLICT OF INTERESTS**

27. In order to prevent and resolve the disputes relating to the conflicts of interests, JSCs shall develop a provision on how to act in situations when a conflict of interest is taking place, including:

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

- Identification of situations that may give rise to a conflict of interests when the JSC officials are making deeds and transactions and disclosing information;

- obligations of JSC's officials on informing the Supervisory Board of any conflict of interest taking place;

- prohibition on participation of JSC officials in the management and supervising bodies of other legal entities without the permission of the JSC Supervisory Board;

- prevention of possible conflict of interest while JSC officials are commissioning actions and transactions, as well as disclosing information;

- detailed regulation of settlement of disputable situations connected with a conflict of interests, including by way of appointing a disinterested third party to resolve the matter or by imposing responsibility to solve the conflict of interest on an independent member (independent members) of the Supervisory Board.

28. The provision on the procedure of actions to be undertaken, when a conflict of interest occurs, shall be approved by the general meeting of shareholders.

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

29. In order to implement a typical organizational structure in a joint-stock company, the following actions shall be undertaken:

- there shall be provided correspondence with the typical structure, approved by the Decree of the President of the Republic of Uzbekistan dated April 24, 2015, No. UP-4720 "On measures for the introduction of modern methods of corporate governance in joint stock companies";

- there is taken into account the scale, industrial specificity and the direction of activities of the JSC when developing and implementing the organizational structure;

- there are organized regular assessments of compliance of the current organizational structure of a JSC with the typical structure adopted by legislation;

- there are carried out annual competitive selections to the position of leading figures in a JSC with the participation of candidates from among foreign managers;

- there is approved a competitive selection procedure for leadership positions with the description of procedures of announcement of criteria for selection, objective selection criteria, recruitment of new executives who are able to think in modern way, who are highly qualified executives, corresponding to modern requirements, as well as foreign managers.

30. The Supervisory Board shall ensure coordination of works for development, implementation and regular assessment of compliance of JSC organizational structure with legislation requirements.

## **IX. PUBLICATION OF INFORMATION ON THE BASIS OF INTERNATIONAL STANDARDS FOR CARRYING OUT AUDITS AND FINANCIAL STATEMENTS**

31. For publication of information on the basis of international standards on auditing and financial reporting at JSCs:

- the Supervisory Board of the JSC shall carry out coordination work on ensuring a transition to the publication of annual financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS);

- a working group is formed from among the members of the audit committee, internal audit service, Supervisory Board, JSC's responsible officials and invited experts (if necessary) on the issues of transition of the JSC from the current state of affairs to the publication of financial reports in accordance with the standards of IFRS;

- auditing or consulting organizations shall be involved for rendering professional assistance in the transition of a JSC to the publication of information on the basis of IFRS norms and international auditing standards;

- an incremental algorithm (action plan) of transition of JSC to the publication of information on the basis of IFRS and international auditing standards shall be developed in conjunction with an audit organization and approved at the meeting of the Supervisory Board;

- training of JSC staff, engaged in carrying out audits and financial reports, is carried out at special course on IFRS and International Standards on Auditing;

- Measures are being performed provided for by a corresponding action plan for the transition of JSCs to the publication of information on the basis of IFRS and international auditing standards;

- annual financial statement is published on the basis of IFRS and international standard on auditing in the terms established by law.

## **X. MONITORING OF IMPLEMENTATION OF CODE'S RECOMMENDATIONS**

32. In order to monitor implementation of recommendations of the Code, in JSCs are making assessments of the system of corporate management in JSCs for which an independent organization is recommended to be involved.

33. An independent evaluation of the system of the corporate Management of JSC is held not less than once a year.

34. An independent evaluation of the corporate governance system in SA is based on the contract with an organization not bound by property relations with given joint-stock company.

35. As an independent organization to conduct corporate governance assessments in JSC may be:

- stock exchange;
- professional participants of a securities market;
- an audit organization having in its staff an expert attested to be a corporate manager or a specialist in the market of securities;

- accredited rating agencies;

Scientific and Educational Center for Corporate Governance;

- Center for Research in the problems of privatization, competition and corporate governance.

36. The choice of an independent organization to carry out assessment of the system of corporate governance shall be based on the competition by decision of the JSC Supervisory Council.

37. An independent evaluation of the corporate governance system in a JSC is performed on the basis of a questionnaire approved by the State Committee of the Republic of Uzbekistan for Privatization, Demonopolization and Development of Competition and the Scientific and Educational Center for Corporate Governance.

38. The results of the independent evaluation of corporate governance are published on the website of JSCs together with the conclusion made by the organization that has carried out such an assessment.

39. The bodies of state and economic management, the bodies of public authorities, local authorities and other government organizations, acting as shareholders on behalf of the state shall:

- have the right at their own expense involving an independent organization to carry out an independent assessment of the corporate governance system of the JSC;

- apply the results of an independent evaluation of JSCs' corporate governance system for determination of amounts of remunerations for persons acting on their behalf in the management bodies of JSCs.

## **XI. FINAL PROVISIONS**

40. Failure to comply with the Code's recommendations shall not entail application of any sanctions by public authorities.

41. The General Meeting of Shareholders shall be entitled to apply measures of responsibility in respect of JSC officials for non-compliance of the Code recommendations or not-disclosing information stipulated by the Code.

42. The Supervisory Board of a JSC shall carry out control over implementation of the Code recommendations.

Appendix No. 1  
to Corporate Governance  
Code

**ACTIONS**  
**Recommended to joint-stock companies on preparation  
and implementation of the Corporate Governance Code**

Stages	Entities	Actions	Due date
1 <sup>st</sup> stage	JSC Executive board	1. Creation of a working group to prepare the Corporate Governance Code for implementation.	Within a month after the 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 the working group has been set up.
	JSC supervisory board	3. Approval by the Supervisory Board of developed internal documents	Within one month from the date of submission of materials to the Supervisory Board
2 <sup>nd</sup> stage	JSC supervisory board	1. Introduction of the issue of compliance with the recommendations of Corporate Governance Code to the general meeting of shareholders, and approval of forms of notification	Within one month after approval by the Supervisory Board
	JSC supervisory board	2. Adoption by the general meeting of shareholders the issue of compliance with the recommendations of the Corporate Governance Code and approval of forms of notification.	At a relevant general meeting of shareholders convened by the Supervisory Board
	JSC Executive board	3. Publication of information on adherence to the recommendations of the Corporate Governance Code in the activities of JSC approved by the General Meeting of Shareholders.	Within 10 days after approval by the general meeting of shareholders



3 <sup>rd</sup> stage Мониторинг	JSC supervisory board	1. Conducting a competitive selection of an independent organization for assessment of the system of corporate governance in JSCs.	A month before the assessment of the system of corporate governance
	Independent organization	2. Independent assessment of corporate governance in JSC and presentation of its results to the supervisory board.	At least once per year
	JSC supervisory board	3. Consideration of the results of assessment of corporate governance in the JSC at a meeting of the Supervisory Council of the JSC	At the meeting of the Supervisory Board at the end of the year
	JSC Executive board	4. The adoption of measures for removal of disadvantages identified during assessing the system of corporate evaluation at the JSC.	Within the terms fixed by the decision of the Supervisory Board
	JSC supervisory board	5. Consideration of the results of an assessment of JSCs' corporate governance system at the annual general meeting of shareholders.	In the terms established by the legislation

**FORM OF MESSAGE**  
**Of information about adoption by a Joint-stock**  
**company of recommendations of the Corporate**  
**Governance Code in its activities**

(Name of JSC)

JSC "\_\_\_\_\_" reports that by Decision of the general meeting of shareholders of "\_\_\_\_\_" \_\_\_\_\_ 20\_\_ No. \_\_\_\_ the company has accepted a commitment from "\_\_\_\_\_" \_\_\_\_\_ 20\_\_ to start complying with the Corporate Governance Code that has been 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 "\_\_\_\_\_" \_\_\_\_\_ 20\_\_. No. \_\_\_\_\_.

*(Additional information in accordance with the decision of the general meeting of shareholders)*

**INFORMATION**

Monitoring of compliance with the provisions and principles of the Corporate Governance Code in all joint-stock companies shall be carried out throughout the year by the "Commission on improving the efficiency of joint-stock companies and improving the corporate governance system" formed by Decree of the President of the Republic of Uzbekistan of March 31, 2015, No. PP-2327, and concrete proposals on evaluation of the effectiveness of joint stock companies by the results of each financial year, shall be submitted to the meeting of the Cabinet of Ministers of Uzbekistan for consideration.