



Approved  
by the decision of  
general meeting of shareholders  
of SC "Xazorasp paxta tozalash"  
June 24<sup>th</sup> 2016

**REGULATION  
ON ACTION POLICIES IN CONFLICT OF INTERESTS  
AT STOCK COMPANY "XAZORASP PAXTA TOZALASH"**

2016 year

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## **I. GENERAL REGULATIONS**

1. This regulation is developed according to current laws of the Republic of Uzbekistan, Charter of the Stock company “Xazorasp paxta tozalash”(further-Company), Corporate governance code and defines the course of detecting and regulating conflict of interests, occurring at the Company.

2. During the company activities, there may occur conflict of interest contradicting between property or other interests of the company (its management body and control, executives, staffs) and property or other interests of creditors, counteragents and other clients (further- counteragents), as a result of action (inaction) of executive body and supervisory board and (or) its staffs there may happen cases of violation of rights and legal interests of shareholders.

Besides, there are may occur conflict of interest (corporate conflicts) between the interests of shareholders, between interests of management body and control body and shareholder (shareholders).

3. This regulation considers following cases of conflict of interests:

Between majority shareholders (shareholders having large stakes equity stakes) and minority shareholders (shareholders having small stakes equity stakes)

Between management body and its shareholder (shareholders)

Between management body and control body, officials, staffs and counteragents

Between the Company and executives, between company staff in fulfilling job responsibilities.

## **II. PERSONS, WHO ARE SUBJECT TO THE REGULATION**

4. This regulation is applied to the members of management body and control, shareholders and all company staff regardless of the level of job position

5. Compliance requirements to this regulation is applied to physical persons, who are cooperating with the company on the basis of civil and law contract, when respective responsibilities are written in the contract or in their internal documents, or directly arises from the law.

## **III. MAIN PRINCIPLES OF CONFLICT MANAGEMENT AT THE COMPANY**

6. Conflict management at the company is based on the following principles:  
Disclosing information on real and potential conflict is compulsory

Individual approach and assessment of reputational risks for the company on every detections of conflicts of interests and its regulations;

Strict confidentiality at the process of disclosing information in conflict of interests and in its resolving;

Finding a balance between interests of management body and control body and its personnel

Further protection of person from persecution owing to reporting conflict of interests, on-time disclosed by a worker and regulated (prevented) by the company

#### **IV. REASONS (CONDITIONS) OF OCCURRING CONFLICTS OF INTERESTS**

7. Conflicts of interests, which might occur between majority shareholders and minority shareholders of the company, between management body and shareholder, and caused by:

Violation of legislation requirements, regulatory acts and internal documents of company

Not having enough influence by minority shareholders, for instance, to decisions of General meeting of shareholders and to decisions of supervisory board, on the whole, to the activity of the company.

making big transactions and deals with affiliates, without any prior consent of representatives of management body

making decision by management body, leading to worsening a financial position of the company.

undisclosed information according to the current legislation or giving incomplete information by the members of management body regarding their positions, occupied as executives of other company, or owning stocks from other company

8. Conflicts of interests, which might occur between management body and control body, between officials and staff, counteragents, and caused by:

Violation of legislation, constituent and internal documents of the company

violation of priority principles of shareholders' interests at the company

Violation of business communication norm and principles of professional ethic

Failure on fulfilling contractual obligations either by the side of company or the side of counteragents

Failure on fulfilling obligations set by legislation and internal documents of the company

9. Conflicts of interests, which might occur between company and authorities, staffs and caused by:

Violation of requirements of legislation and internal documents of the company

Violation of business communication norm and principles of professional ethic

Having commercial activity, either own or by family members

Presence of financial interest at other companies that is having business relations with the company

Part-time working at other company as an executive, on holding an authoritative position or participating in its management body

Giving business opportunities to another company to the detriment of the company by aiming personal interest

## V. CONFLICT PREVENTION

10. The Charter of the Company and its internal documents provide general mechanisms of prevention of conflicts of interest.

These Regulations establish measures to prevent conflicts of interest that are mandatory for the management body and control, officials and employees of the Company.

11. In order to prevent any kind of conflicts of interest, the management body, control body, officers and employees of the Company shall:

- comply with the requirements of legislation, regulations, the charter and internal documents of the Company;

- provide a sustainable achievement on profitability at the medium and long term period;

- refrain from actions and decisions that could lead to the emergence of conflict situations;

  - provide effective management of the Company;

  - to exclude the possibility of involving the Company in illegal activities, including legalization (laundering) of proceeds from crime and financing of terrorism;

  - to ensure the maximum possible effectiveness at the production (works and services);

  - Report to the management bodies on order and on time established by the legislation and the Company's Charter;

  - to make internal and external control in accordance with the Charter and internal documents of the Company;

  - to submit to the supervisory board major transactions, individual transactions or a number of interrelated transactions, the amounts of which exceed the amounts established by the legislation and the charter of the Company (individual transactions is deals, that conditions and procedure cause doubts in conformance with priorities and interests of the Company);

  - to study by the control bodies the conditions of making major transactions and transactions with affiliated persons;

  - if necessary, involve an independent valuator to determine the market value of the property, but the consent of supervisory board is required to decision of making transactions in accordance with the requirements of legislation;

    - ensure accounting of information on affiliated persons;

    - ensure the development and compliance with the order of making transactions:

      - a) with affiliated persons;

      - b) with the shareholders and their affiliates;

      - not making major transactions and transactions with affiliates without prior approval by authorized bodies of the Company;

      - not holding positions in the management and control bodies of other legal entities, without any permission of higher authorities;

to disclose information on the activities of the Company in accordance with the requirements of the current legislation and additional information in accordance with the Regulations on Information Policy of the Company;

ensure the reliability of financial statements and other published information (including for advertising purposes) provided to shareholders and counteragents, regulatory and supervisory bodies and other interested parties;

develop and improve measures to prevent the information from using it in personal purposes by persons who have access to it;

timely review reliability and objectivity of negative information about the Company in the media and other sources. To timely respond to each occurrence of negative or inaccurate information;

participate in identification of inefficiency at the internal control system by informing the internal control bodies about the facts of the identified shortcomings;

ensure the adequacy of the bonuses paid to members of the management and control bodies and also to what extent the achieved results of the Company's activities correspond to the planned indicators;

respect principles of professional and corporate ethics.

12. In order to prevent conflicts of interest between shareholders of the Company, as well as between management bodies and control bodies, officials, employees of the Company and its shareholder (shareholders), they are also obliged:

to respect the rights of majority and minority shareholders, set out in the Law "About Joint Stock Companies and Protection of the rights of shareholders", And regulatory acts, the Charter and internal documents of the Company;

ensure timely bringing information to the attention of shareholders, which is subject to disclosure, in accordance with the law;

timely pay out accrued dividends;

provide shareholders with exhaustive information on issues that may become a subject of conflict;

to identify transactions in which there is an interest of members of the Company's management bodies when acquiring shares (stakes) of a competing company, as well as participating such persons in the management bodies;

strive to ensure that the members of supervisory board are nominated independent members to achieve the objectivity, balance and independence in management decisions.

13. In order to prevent conflicts of interest between management and control bodies, officials, employees of the Company and counteragents they are also obliged:

ensure the provision of information about the Company in accordance with established procedure;

ensure strict observance of the procedure at using confidential and other important information;

to sell goods (services) and to charge a contractual fee from the Counteragent at the amount established on a mutually agreed basis in the contract or at tariffs, which the information about is fully disclosed;

do not allow transactions with Counterparties, who are negatively affecting to the reputation of the company;

to sell goods (services) for its Counterparties professionally and in faithfulness;

to exclude the conscious use of the situation by employees for personal purposes when counteragents did some obvious mistake (including some mistakes on application form, at the contract and other document signed by the Counteragent). In case of there are such error, the member of Company shall make reasonable efforts to prevent the use of such document and inform the Counteragent;

ensure that the recommendations issued to the Counterparty are based on a faithful analysis of the available information on this issue;

improve a system of storage of data that is created, acquired and accumulated during the activities of the company so that, information classified as business or commercial secret and located in the Company on paper, magnetic and other types of its media should not become the subject of sale, transfer, copying, imitation, exchange and other types of distribution without the consent of the Company's management bodies or authorized officials.

14. In order to prevent conflicts of interests between the Company and officials, employees in the performance of their official duties, officials and employees are also required:

respect business communication norms and principles of professional ethics;

conclude contracts in accordance with the established procedure;

to inform the superior official or the management and control bodies about an intention to purchase a share (shares) of the company by other organization competing with it;

timely inform higher-ranking official on the circumstances that contribute to the emergence of conflict situation;

to submit a written notice the higher official about the organizations in which the official or members of his family have significant financial interest, and with which the Company conducts or intends to conduct commercial activities;

refrain from any activity that directly affects relations between the Company and organizations, in which an official or members of his family have significant financial interest or are affiliated persons;

preliminary receive permission from the Company's higher bodies to participate in the management bodies of another organization whose interests might be in conflict with interests of the Company;

inform the higher official of his intention to work in combination with another organization and that proposed work does not contradict interests of the Company.

## **VI. SETTLEMENT OF CONFLICTS OF INTERESTS.**

15. Management and control bodies, officers and employees of the Company carry out pretrial procedures to find a solution that is lawful and justified and

meets the interests of the Company in order to resolve conflicts of interest arising in the Company.

16. Officials are required to make registration and study letters, statements and claims (including oral) of shareholders and the Counterparties, which are directed to the management and control bodies, to the corporate relations department with shareholders, who are entrusted the functions of the Corporate Secretary of the Company, to structural divisions.

17. Corporate conflicts registration is managed by the department of corporate relations with shareholders of the Company. This department provides preliminary assessment of corporate conflict, prepares necessary documents on this issue, and in agreement with the Supervisory Board, transfers them to that division of the Company whose competence includes the consideration of this corporate conflict.

18. The department of corporate relations with shareholders analyzes frequently arising conflicts, takes decisions on importance of providing additional information to all parties of the conflict and/or makes a suggestion to the head of the authorized body of the Company for changing internal regulations and instructions, conducting other measures for eliminating sources that causing the conflicts.

19. An employee is obliged to immediately inform the higher official about received information on the conflict situation from the Counteragent or from other sources. If it is not possible to resolve the conflict at the level of the structural unit, the head of the unit is obliged within one working day to let the head of the executive body or his deputy know about the conflict, the reasons of its occurrence, and the measures that can be taken. The head of the executive body or his deputy determines the order of the conflict settlement, appoints the authorized person. If necessary, a commission is created to resolve the conflict of interests.

20. The authorized person (the commission) shall take all measures to resolve the conflict of interests. If it is not possible to resolve a conflict of interests, the head of the executive body issues the matter before the members of executive body for consideration, sends the conflict information to the chairman of supervisory board.

21. This information is reviewed by the committee (working group) under the supervisory board which is established to identify and resolve conflict situations.

22. Conflict information that in any stage of its development affects or may affect the interests of the head of the executive body of the Company or his deputies is forwarded within three working days to the supervisory board for further consideration by the committee (working group) and giving opinion on this issue to the supervisory board to decide on the procedure for resolving the conflict.

23. If it becomes necessary to develop a new document or change the existing internal documents of the Company owing to the result of conflict solution, the supervisory board or executive body shall accept a decision on developing the document or make appropriate changes.

24. The management bodies of the Company in order to settle any kind of conflict of interests arising in the Company are obliged:



to identify as soon as possible emerging conflicts of interest, determine their causes;

clearly delineate the competence and responsibility of Company's management bodies;

determine the authorized person of the Company or, if necessary, create a commission for settling the conflict;

to determine the position of the Company as soon as possible on the merits of the conflict, take an appropriate decision and bring it to the attention of the other party to the conflict;

to send to the other side of the conflict a full and thorough answer which is justifying clearly the position of the Company at the conflict, and message for refusal to satisfy the request or demand of the party should be on the basis of legislation, regulations, charter and internal regulatory documents approved by the general meeting of shareholders of the Company;

Ensure that the authorized person participating in the resolution of the conflict immediately reported that the conflict affects or may affect his interests or the interests of his family members;

Ensure that persons, whose interests affect or may affect the conflict, did not participate in the resolution and decision-making on this conflict.

25. In order to solve conflicts between shareholders, between the management bodies and shareholders:

independent member of the supervisory board may act as a mediator in settlement of a conflict that arose between shareholders of the Company;

an authorized person or an authorized body of the Company may participate in negotiations with shareholders, provide shareholders with information and documents related to the conflict, explain the norms of the legislation, the charter and internal documents of the Company;

authorized bodies or authorized persons of the Company give advice and recommendations to shareholders, prepare draft documents on settling the conflict and for signing by shareholders. On behalf of the Company, within their competence, take obligations to shareholders to the extent that this can contribute to the settlement of the conflict;

the management bodies of the Company in accordance with their competence should organize the implementation of a decision on regulating a corporate conflict and cooperate in the fulfillment of agreements signed on behalf of the Company with a participant of the conflict. In cases where there is no dispute regarding their obligations between the party to the conflict and the Company, but there are disagreements on the procedure, method, timing and other conditions for their implementation, the Company should suggest the participant of conflict to settle the aroused dispute and offer conditions under which the Company is ready to satisfy the shareholder's demand;

if consent of the Company to satisfy the shareholder's requirement is associated with the need for this party to carry out any actions provided for by law, the Charter or other internal documents of the Company, the Company's response shall specify such conditions in a conclusive manner, and the information

necessary for their fulfillment is said (for example, the fee for making copies of the documents requested by the shareholder or bank details of the Company, etc.).

26. This list of measures is not conclusive. In each specific case, there may be other forms of conflict settlement depending on the sector of conflict of interest.

#### **VII. FINAL PROVISIONS**

27. This Regulation, as well as amendments and supplements shall be approved by the general meeting of shareholders by a simple majority of votes.

28. If certain norms of these Regulations contradict with the current legislation of the Republic of Uzbekistan and/or the Charter of the Company, these articles become legally invalid and issues regulated by these articles should be guided by the norms of the current legislation of the Republic of Uzbekistan and or the Charter of the Company until appropriate changes are made to this Regulation.