AVESTA
INVESTMENT GROUP

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Supervisory Board Report

Our recent review of supervisory boards in Uzbekistan has captured the interest of various stakeholders, prompting us to further our research. This time we attempted to analyze private companies as well, unfortunately, due to a lack of available information for them, we focused on updating data for the companies previously studied in our research. The majority of changes within these companies occurred during June and July, coinciding with the Annual General Meetings (AGMs) commonly held by most firms during these months.

To understand decision-making dynamics within Supervisory Boards, we scrutinized the composition of 65 companies, with 28 (43.1%) of them being banks. As in the previous report, the banking sphere is dominating due to a longer period of participation in the transformation process. Local banks are continuing the direct and public international borrowings, so the corporate governance practices are improving year after year, but still require significant improvement. The data was collected over a period of three years, from 2022 to 2024.

Total revenue for the companies in 2023 reached 261.5trln UZS (24% of the GDP), marking a doubling from the previous year, with equity concurrently growing by 35.6% to reach 189.1trln UZS (18% of the GDP). These figures affirm the representative nature of the companies studied within the economy.

The minimum number of board members in 2023 was 5, compared to 4 in 2022, while the maximum was 11 in both years, and the average level remained at 7.3-7.4 members over the last four years.

Our analysis of board composition changes from 2023 to 2024 showed progress. Out of 469 board positions in 2024, 17.3% (compared to 11.6% in 2023) were held by independent members, 9.8% (9.7%) by females, and 23.5% (19.1%) by foreigners. Notably, at least 40 companies (61.5%) out of the 65 analyzed made adjustments to their supervisory boards in 2024, indicating a proactive trend in restructuring boards. One of the reasons might be the end of the 3-year appointment period for some of these companies.

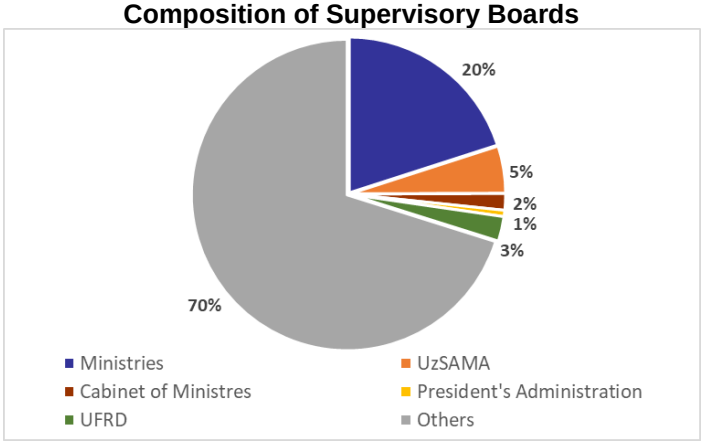
Unfortunately, we were unable to collect and analyze data on the average age of board members or the overall term of their work in the companies. Additionally, we do not have information about the Board committees and the positions of the board members within them.

Despite limitations in our data collection, we observed a decrease in government-affiliated organizations such as UzSAMA, Uzbekistan Fund for Reconstruction and Development (UFRD), Cabinet of Ministers, President's Administration, and Ministries on boards, from 34.9% in 2023 to 29.9% in 2024. Noteworthy entities like UzSAMA and the Ministry of Economy and Finance have historically held ownership roles in SOEs, but efforts to reduce government representation in board structures are evident.

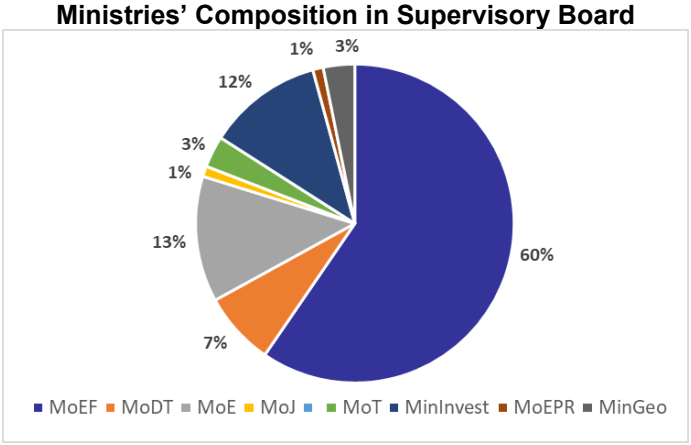
One of the most important changes is the announcement of the appointment of independent board members to the largest SOEs – almost all strategic companies owned by the MoEF appointed 2 out of 7 foreign independent board members in June-July 2024. We expect that these changes will result in better transparency, efficiency and an increase in overall remuneration size paid to a board member by SOEs.

A significant part of other representatives provided from sectoral state-owned holding companies, such as UzDonMahsulot, UzAutoSanoat, and others.

Composition of Supervisory Boards



Ministries' Composition in Supervisory Board



Source: openinfo.uz, Calculations: Avesta Investment Group

Remuneration is one of the most interesting and important aspects of attracting professional board members. Although information on remuneration is often poorly disclosed, usually provided as an overall payment to the Board and management or as a percentage of profit, we managed to collect some scattered figures, as shown in the table below. Our analysis included the remuneration data of these companies for the years 2022 and 2023.

Average annual remuneration per member for 2022-2023FY

Company	2022	% from NI	2023	% from NI
Almalyk Mining JSC*	196,000,000	0.03%	210,000,000	0.04%
Alskom JSC	15,555,556	12.9%	26,111,111	8.0%
Bektemir-Spirt Eksperimental Zavodi JSC	87,687,697	3.6%	69,589,671	3.5%
Biokimyo JSC	42,334,657	1.5%	116,645,000	2.4%
Davr-Bank JSC	7,039,331	0.01%	-	-
Garant Bank JSC	-	-	50,996,000	36.7%
Ipoteka-Bank JSC	72,922,603	0.1%	-	-
Kafolat Insurance JSC	37,226,322	5.0%	59,383,619	0.3%
Kapitalbank JSC	1,272,550,000	0.5%	-	-
Navoiyazot JSC	24,082,258	0.01%	-	-
Octobank JSC	327,182,000	-	153,651,812	1.4%
Orient Finance Bank JSC	56,060,000	0.1%	62,085,714	0.1%
Qoqon Biokimyo JSC	31,650,000	2.1%	5,724,444	0.5%
TBC Bank JSC	404,902,238	-	-	-
Thermal Power Plants JSC	39,814,940	-	-	-
Toshkentdonmaxsuloti JSC	58,800,000	1.2%	-	-
Universal Bank JSC	125,884,286	0.7%	13,600,000	0.1%
UzAutoSanoat JSC*	19,714,286	0.02%	10,500,000	11.7%
UzbekCoal JSC	36,109,333	0.5%	-	-
UzbekHydroEnergy JSC	37,566,667	11.2%	-	-
Uzbekistan Heat Power Stations JSC	-	-	-	-
Uzkimyosanoatloyiha JSC	12,152,000	2.3%	-	-
Uzmetkombinat JSC	411,600,000	0.3%	441,000,000	0.8%
UzPost JSC	-	-	-	-
Ziraat Bank JSC	8,908,411	0.1%	25,000,000	0.2%

Source: openinfo.uz, Calculations: Avesta Investment Group

* Net income for 9M2023 were used due to the absence of 2023FY reporting.

Following our previous research, the number of companies disclosing remuneration data decreased from 21 to 13 in 2023. The highest annual remuneration per board member was 945 million UZS in Uzmetkombinat JSC. Average annual remuneration across all companies in the table was around 83mln UZS. Garant Bank JSC (36.7%) and UzAutoSanoat (11.7%) had the highest share of remuneration as a percentage of the company's net income in 2023. Total remuneration accounted for 0.2% of the companies' net income in the 2023 fiscal year.

CONTACTS

Avesta Investment Group

Postal address: Uzbekistan, 100015, Tashkent city, Shahrisabz str., 22
Tel: +998 (71) 207-9070
E-mail: info@avestagroup.com
Web: http://www.avestagroup.com

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