

Unofficial translation

FINANCIAL REGULATORY COMMISSION OF MONGOLIA

CORPORATE GOVERNANCE CODE OF MONGOLIA

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Table of Contents

PREFACE.....	3
I. CORPORATE GOVERNANCE PRINCIPLES.....	5
II. MEETINGS OF SHAREHOLDERS.....	11
III. BOARD OF DIRECTORS	15
IV. EXECUTIVE MANAGEMENT	20
V. DISCLOSURE OF INFORMATION AND TRANSPARENCY	22
VI. STAKEHOLDERS.....	25
VII. FINANCIAL AND ACCOUNTING AUDITING SYSTEM	28
VIII. DIVIDENDS	32
IX. REGULATION OF CONFLICTS OF INTERESTS	33

PREFACE

In ensuring sustainability and development of market economy, sustainable operations of business legal entities play an important role. Although there are many forms of for-profit activities, the one most widely used is a corporate entity.

In case of our country, not so long time has passed since legal framework has been established to allow the population to run business operation in the form of companies, and not so much experience is accumulated in this regard, which results in numerous defaults and inability to use fully the corporate form of activities.

On the other side, global practice shows that currently corporate organization and structure is not limited to legal framework only, but also common principles and standards are developed and fine-tuned on a regular basis. Those principles and standards in addition to legal norms contain also traditional and ethical norms, efficiency of which is proved by practice, and these in aggregate are called Corporate Governance Code or corporate governance principles.

At present, countries around the world as well as international organizations unanimously recognize “Corporate Governance Principles” developed by OECD first in 1999, and amended in 2004.

The issue of a corporate governance started to receive attention in Mongolia since the year 2000, and it is viewed that development of corporate governance in our country is important for creation of appropriate conditions for sustainable and proper management and organization of companies, in particularly of publicly listed companies, so that trust bonds between shareholders and companies is maintained and ability of companies to attract investment is improved. These will facilitate social and macroeconomic sustainability and economic growth of a country.

Furthermore, corporate governance code settles proper ratio of common interests among corporate management on one hand and other stakeholders such as investors, fund providers, business partners, employees on the other; ensures favorable external and internal conditions for running business operations; establishes proper procedures for activities of corporate management, comprising executive management and board of directors.

As mentioned previously, development and efficiency of corporate governance is conditioned apart from legal framework by a number of factors, including corporate governance practices in a given society, common norms accepted, knowledge, experience and ethical behavior of key participants.

Therefore, the Corporate Governance Code of Mongolia has been developed by taking into account internationally recognized OECD principles of corporate governance, recommendations proposed by ADB, EBRD and other international organizations, international best practices and experiences, and local specific conditions and realities.

This code has been developed specifically for publicly traded listed companies, but with some modifications can be applied for private companies and other legal entities as well.

The code is structured into 10 chapters, and content wise comprises guidance, recommendations and explanations in addition to main principles to be pursued.

It is hoped that Mongolian companies shall follow corporate governance principles in their activities, and increase economic development speed and volume substantially in near future by creating thereby favorable conditions for sustainable corporate development and investment.

Financial Regulatory Commission

I. CORPORATE GOVERNANCE PRINCIPLES

The principles of corporate governance included in this chapter serve as the grounds for identifying the fundamental principles for management of business operations of the company, and should be based on principles of respecting rights and lawful interests of stakeholders. In particular, they should comply with lawful interests of stakeholders such as increasing capital of companies, creating jobs, securing the financial stability and improving profitability. These conditions are formed by appropriate corporate governance principles.

The profound basis for profitability and investment attractiveness of companies lies with trust relations among stakeholders. Therefore, principles covered in this chapter are concerned with creation of trust among stakeholders that participate in corporate management.

Corporate governance principles shall form basis for establishment, operation and management structures of companies.

In addition, principles stated in this chapter shall form grounds for recommendations covered in the following chapters, and the principles were developed on the basis of OECD Principles of Corporate Governance revised in 2004, international best practices, especially of transition economies, and recommendations proposed by ADB and EBRD.

1.1. Corporate governance should provide genuine possibilities to shareholders to exercise their rights

1.1.1. Shareholders should have full possibility to exercise the rights certified by shares and retain conditions to freely trade or transfer their owned shares within legal framework to other parties.

1.1.2. Shareholders must participate in the management of a company through taking part in shareholder meetings and casting votes on issues under discussion. In order to exercise this right the following conditions should be met:

a) Procedure for general shareholders meeting call should give sufficient time for shareholders to get prepared;

b) shareholders should have an opportunity to see the list of people, legal entities and officials authorized to participate in the shareholders meetings;

c) Date, time and place for a meeting should be convenient for shareholders to participate in the meeting;

d) There should be no hindrance for shareholders with exercising their rights to request call for meeting or place an issue on agenda.

1.1.3. Shareholders shall have a right to be involved in dividend distribution process and receive dividends. In this regard, the following conditions should be ensured:

a) Mechanism of adopting and distributing the amount of dividends shall be clear and transparent to shareholders.

b) unless otherwise stated in law, company by-laws and shareholders meeting decision, company net profits shall be determined accurately and proceeds should be distributed in the form of dividends.

c) Shareholders should be given sufficient information on conditions of dividends distribution and payout procedures.

d) The financial and other related information forming the basis of a decision on dividends payout should be transparent and clear for shareholders into confusion.

e) There should no hindrance for shareholders in obtaining their dividends.

f) Appropriate conditions should be set for distribution of dividends within the timeframe set

g) In case dividends are not fully distributed within the appropriate timeframe, then shareholders should be given opportunity to receive dividends at their preferred period.

1.1.4. Shareholders shall have the right to obtain information regarding the company regularly and timely. The right shall be implemented as follows:

a) Shareholders should be given for the purposes of meeting organization the material information required for making a decision on issues on agenda

b) An annual statement of company activities should fully include the information where shareholders are required to provide opinion regarding corporate activities for the reported period.

c) A designated person (hereinafter BOD secretary) should be employed for the purposes of supplying the shareholders with information regarding the company.

1.1.5. Shareholders shall be prohibited to misuse their rights. Shareholders shall not commit acts or non-acts which may harm other shareholders and companies.

1.2. Corporate governance should guarantee the principle of equal treatment for shareholders of a same class. In case of violation of rights, shareholders shall have the opportunity for redress.

1.2.1. In order to increase the confidence of shareholders in the company, shareholders should be treated equally. This principle shall be implemented as follows:

- a) When organizing a shareholder meeting, possibilities for participants of the meeting to voice their opinions and raise interested questions should be provided equally.
- b) Shareholders, both domestic and foreign, should be given the right to cast a vote through a nominee or a voting form.
- c) Undisclosed or confidential information which would influence the value of securities or give advantage in securities trading should be prohibited.
- d) Organization of elections of members of the Board of Directors and of the executive director should be transparent based on distribution of complete information to shareholders.
- e) Company management, executive director and other persons who may become interested parties in certain deals should disclose themselves.
- f) Where a conflict of interests between the company and a shareholder or between shareholders infringes upon the interests of the company, all necessary measures should be taken.

1.3. Corporate governance should provide the company activities with strategic management and confer to the Board of Directors the possibilities of effectively supervising the activities of executive management and reporting to the shareholders.

1.3.1. The Board of Directors should define the strategic development of the company and impose supervision on financial and operational activities of the company. The following issues shall be included into the authority of Board of Directors:

- a) Identify leading area of corporate activity.
- b) Adopt business plan (financial and operational activity plan).
- c) Approve internal supervision procedure and its implementation mechanisms.

1.3.2. The Board of Directors should have a membership capable of effectively implementing its assigned duties. The following actions should be taken for this:

- a) Elections of members of the Board of Directors should be transparent, with consideration of shareholders' opinion and comply with requirements specified in the law.
- b) Members of the Board of Directors should have sufficient education, qualification and experience to fulfill their roles, and be able to meet requirement as set out in the law.
- c) The composition of the Board of Directors should have a sufficient number of independent members.

d) The attendance quota for legitimizing the meeting of the Board of Directors should be adopted with the sufficient inclusion of independent members of the Board of Directors.

e) The Board of Directors shall establish committees, such as Policy committee to handle strategic plans of the company, Audit committee to exercise control over financial matters, Human resources committee to deal with corporate staff and incentive policies, and Dispute resolution committee to take care of any conflicts that might arise within the company.

1.3.3. Members of the Board of Directors should actively participate in meetings of the Board of Directors and of committees established by the Board of Directors. Meetings of the Board of Directors should be organized in compliance with the following requirements:

a) Regular meetings according to a specially issued plan.

b) Participation in person, preliminary voting or through other means if participation in person not feasible.

c) Appropriate procedures should be set in place to prevent members of the Board of Directors who fail to attend the meetings without reason from being re-elected or to end their nomination before the end of the term.

1.3.4. The Board of Directors should secure the efficient and appropriate activity of the executive management and impose supervision on its activity. The Board of Directors should do the following for this objective:

a) Taking measures to limit or annul the powers of the executive director (management) of the company.

b) Defining the requirements for the executive director and members of the executive team and introducing mechanisms to verify adherence to requirements.

c) Ratifying provisions of the contract (powers, duties, salary, rewards, bonuses) to be entered into with the executive director and members of the executive team.

1.4. Corporate governance should guarantee opportunity for the executive management to conduct its activities properly and honestly in accordance with interests of the company and the executive management should report its tasks to the Board of Directors and shareholders of the company.

1.4.1. The executive management of the company should be capable of exercising its duties. Enforcement of this principle should require the following:

- a) Shareholders should have complete information regarding the executive director and members of the executive team during their election which should proceed on a transparent basis.
- b) During the issue of a decision on transferring the powers to the implementing organization of the executive management shareholders should have access to all information on the executive team or organization such as possible risks related to the transfer of powers to the team implementing executive management, grounds for necessary transfer of powers, financial capacity of such executive team to compensate the damages incurred to the company due to erroneous activities of the executive team and the sample of a contract to be made with the executive organization or team.
- c) The executive director and members of the executive team should have a sufficient time for normal operation and implementation of their duties.
- d) The executive management should be guided for its activities by the business plan of the company.
- e) Rewarding of the executive director and the team of executive management should consider their professional expertise and their contribution to the corporate activities.

1.5. Corporate governance should ensure an environment where shareholders and investors may obtain correct and complete information required for producing a reasonable decision on a timely basis regarding the company's financial situation, economic indicators and ownership and management structure.

1.5.1. Shareholders should be guaranteed simultaneous procurement of same information.

1.5.2. Public disclosure of the corporate information should ensure that all interested parties would be capable of obtaining such information swiftly and without hindrance.

1.5.3. Shareholders should have the right to obtain correct and complete information regarding the financial situation of the company, activity results, corporate management, information on large shareholders as well as other material information which may influence the financial situation of the company or its activity.

1.5.4. A company should impose supervision on its internal or confidential information.

1.6. Corporate governance should consider the rights specified in the law of stakeholders such as employees of or creditors to the company from the viewpoint of increasing the value of corporate capital, shares and other securities and creating more job vacancies.

1.6.1. In order to guarantee the profitability of corporate activity, the executive management should consider the interests of such third parties as creditors,

Government and of regional administration on which territory the company or its branch is located.

1.6.2. In order to improve the efficiency of corporate activity, the executive management should conduct its activities according to interests of its employees.

1.7. Corporate governance should establish a system to impose supervision on corporate activities for the purposes of protecting interests and lawful rights of shareholders and stakeholders.

1.7.1. An effective internal supervision system should be created to impose supervision with the view of verifying that daily activities of the company are run in compliance with the business plan.

1.7.2. A company should have a supervision system to monitor members of executive team and employees independent from executive management, which reports directly to the Board of Directors, and their operational procedures should be approved by the Board of Directors.

1.7.3. A company should have efficient internal supervision system. The following actions are needed:

- a) The auditing committee should evaluate the party who is to implement an independent auditing on the company taking into account their professional skills and experience.
- b) Board of Directors auditing committee should exercise control of the implementation of independent audit recommendations.
- c) Independent audit organizations or auditors should be disclosed to shareholders.

II. MEETINGS OF SHAREHOLDERS

A person owning shares of the company assumes risks by his/her invested capital, therefore, should receive specific and complete information from the Board of Directors and the executive management regarding their policies. Meetings of shareholders provide an opportunity for them to participate in company activities, reduce investment risks, increase the level of dividends as a reward of investment.

Therefore, organizing meetings of shareholders in a proper manner and present a possibility for shareholders to influence policies and strategies by casting vote on major decisions regarding company activities and to receive accurate and full information. and to raise questions on issues related to the management of the company. By taking part in shareholder meetings the shareholder exercises his/her right to participate in the management of the company.

So, procedures for a call of shareholders meetings should reflect principles covered in this chapter, and apply the principle of equal treatment to all shareholders. Meetings of shareholders present an only possibility for minority shareholders to obtain information regarding company activities and to raise questions on issues related to the management of the company.

2.1. Call for the shareholder meeting

2.1.1. It is necessary during the announcement of the meeting to shareholders to allow them to prepare for the participation in the meeting. This principle shall be achieved by:

a) A meeting will be effective when shareholders may upon request fully obtain announcement of the meeting, drafts of decisions and other information as well as prepare themselves to the meeting. It is necessary to grant time to shareholders to draft their opinions on the agenda of the meeting, provide information to shareholders on persons eligible for participation in the meeting and afford conditions to share opinions with each other about the agenda of the meeting.

In accordance with the regulation approved by the FRC in line with the law, the announcement of the meeting should take place at least 30 days before the meeting day.

b) The announcement should contain information that should help the shareholder to decide on the way of participation (in person, through voting proxy, or through nominee).

c) Information about the meeting should include documents and all other information required by the law to be presented to share contributors during the decision making process of shareholders in the meeting and the procedure of voting. Besides the above information, it should also contain the period to register the shareholders participating in the meeting, place of registration, contact telephone and address of persons who will receive complaints of

shareholders regarding the violations of the registration procedure of shareholders. Locations where voting forms will be collected in case of voting in absentia and the deadline for such procedure should be clearly stated.

d) Delivery of the announcement and relevant information about the shareholder meeting shall be done to all entitled parties. It is advisable to consider media with wide coverage, and announcement can be done through several means at the same time.

Announcement and information of the meeting can be supported through personal letters, emails, personal dispatch and public media.

2.1.2. A company should allow its shareholders to access the list of persons eligible to participate in the shareholder meeting.

a) By accessing the list of persons eligible to participate in the shareholder meeting, shareholders can exchange views and discuss their opinions with each other on the agenda of the meeting.

The company should provide open access to the list of persons eligible to participate in the meeting from the day of delivering the announcement of the meeting until the beginning of the meeting or in case of voting in absentia until the last day of accepting voting forms.

A person in the list is entitled to access the list of shareholders or where such person is not on the list, a confirmation must be issued regarding this fact. Thus, such shareholder will be able to know that he/she can participate in the meeting without hindrance and verify that information related to him/her is correct. On the other hand, such shareholders are able to clarify reasons of failure to be registered in the list or incorrect information related to them and may demand to be registered in the list and correct the mistakes.

c) The process of disclosing the list of persons eligible for participation in the meeting should not be cumbersome, time consuming and overspending.

2.1.3. Information on the meeting of shareholders should contain full account of corporate activities and ensure possibility of issuing reasoned decisions on the agenda of the meeting.

a) Apart from the information specified in the law to be disclosed to shareholders and prepared for the meeting of shareholders, the Charter of the company should stipulate additional documents and materials for disclosure to shareholders participating in regular and extraordinary meetings. Information with relevance to the authority of the general shareholder meeting should be identified by the Charter and appropriate regulations. For example, justification for reorganization, proposal, annual report, exercise of shareholder rights after reorganization, financial statements for last 3 years of entities involved in reorganization should be covered when an issue of changing the status of the company is discussed.

Thus, the intention is to increase the confidence of investors and to keep the activities transparent and open.

b) The Charter of the company should provide for presentation on the shareholder meeting of the report of the Board of Directors besides the presentation of the annual report of the corporate activities.

c) Proposals produced by the Board of Directors are crucial for processing these multiple opinions and adopting a decision. For this reason, opinion and conclusion of the Board of Directors should include an objective to assist the shareholders to address the agenda with diligence and issue a reasonable decision.

d) Documents related to agenda should be optimal in terms of content, usage, and structure. For those who cannot attend in person, announcement of the shareholders meeting should be delivered to the securities companies at the same time with public disclosure, and voting forms at least 20 days before the meeting date.

e) Company office should be used as a place to introduce documents related to shareholders meeting, and timing and place should be easy for shareholders to access.

f) if nomination of key officials is on agenda, their written consent to the position should be taken, and if there is not such a consent, the nominee should be able to take part in the shareholders meeting in person.

g) draft of resolutions on each issue on agenda should be prepared in compliance with documentation requirements, contents should be clear without room for different interpretation, covering all possibilities required for systematic resolution of the issue, and the person who initiated the issue should be mentioned.

2.1.4. Shareholders should have an adequate support in exercising their rights to place issues on general meeting agenda, the procedures should not be cumbersome.

Placing issues on agenda, nomination of Board of Directors members, requiring announcement of the general meetings are the main means for them to participate in management of the company.

Therefore, the company should verify the list of shareholders from the depositary, and should not require the shareholders to verify legal proof for their status.

2.1.5. When selecting venue and time for shareholders meeting, convenience for shareholders participation should be considered.

Regardless of the location of headquarters of the company, area with most residence of shareholders should be selected.

Weekends are appropriate for the meeting day, the meeting hall should accommodate all interested shareholders, appropriate time frame should be from 09.00-20.00.

2.2. Holding the meeting of shareholders

2.2.1. Shareholders should have possibility to voice their opinion and receive answers to their questions at the meeting of all shareholders.

a) Appropriate time should be given to make speeches on the discussed issues and deliberate on them.

b) Board members, executives, supervisory unit members, and other officials should take part in the meeting and conditions should be set for them to give answers on questions related with the activities of the company. Key officials that cannot attend the meeting should give explanation through the Chairman of the meeting. Officials should try to give full and comprehensive answer to questions, and if it is not possible concurrently, written reply should be sent as soon as possible.

c) The chairman of the meeting should govern the meeting properly without restricting the rights of shareholders by using his/her powers. The chairman should not interrupt a speech of a person expressing his/her opinion on the matter if the latter does not contravene the procedure of the meeting and should not make comments on opinions of other participants.

d) The procedure of the meeting should create appropriate conditions for nominees to key positions to take part in the meeting, and answer questions of the shareholders.

2.2.2. Registration process of shareholders who possess the right to participate in general meetings should not limit their rights.

Authorized shareholders should be given an opportunity to be registered without any pressure or hindrance in the registrar and validate his right to attend the meeting before the start of the meeting.

Cases when shareholder are banned from attending the meeting should be established beforehand in the charter of the company, and these conditions should be officially disclosed.

If the number of shareholders are excessive, the registration process can start the previous day, or numerous registration clerks could be involved.

2.2.3. Shareholders meeting should be announce and held within timelimits set in the law, and voting rights of shareholders should be ensured.

a) shareholders meeting should last for 1 day whenever possible

b) vote counts procedures should be set in place in the oversight system, and oversight/control procedures should be covered in company charter or in other relevant documents.

c) The results of poll should be announced before the end of the meeting.

III. BOARD OF DIRECTORS

The Board of Directors is primarily in charge of defining strategic policy and imposing oversight on activities of the executive management and managers of the company.

Company should develop, get approved by the Board of Directors and enforce “Operational Rules for Board of Directors” covering nomination criteria for members of the Board, selection process, re-election conditions, criteria for independence, operational rules for Board and its committees, announcement of the general shareholders meeting, procedures for participating in meetings, information dissemination to members, sanctions imposed for members who failed to fulfill their functions, compensation policy.

3.1. Functions of the Board of Directors

3.1.1. The Board of Directors shall implement the following functions for the proper strategic management of the company and enforce oversight on activities of the executive governance of the company:

- a) Defining the business objectives and strategy, and in doing so to take into account many factors such as market conditions, financial capacity, sales volume, HR capabilities etc.
- b) Ratifying the business plan and annual budget, whereas action plan by each business line, costs, funding sources should be identified
- c) In addition to general plan, production, marketing, investment and other specialized plans can be adopted.

3.1.2. Board of directors should monitor financial and business operations of the company.

- a) Through internal supervisory system, which operates under the Board of Directors, accuracy of business plan accomplishment, adherence to accounting rules, financial performance should be controlled.
- b) Overseeing the risk management activities. In particular, interest rate, insurance, market, liquidity, legal, financial instrument and other relevant risks should be always assessed.

3.1.3. The Board of Directors should exercise oversight of executive management to ensure its efficient operation.

- a) in addition to monitoring activities of the executive team against business plan, the Board of Director should have a power to veto executive management’s decisions.
- b) Board of Directors should propose contract conditions, and procedures related with requirements to be imposed on executive management’s knowledge and expertise, contract terms, compensation arrangements should

be included in the company charter, so that sustainability of executive team is ensured and opportunity to make assessment of their work could be done.

c) If member of the board of directors serves as executive at the same time, conflict of interest should be prevented by introducing bans for the involved person to cast a vote on issues related with contract terms of executive team.

3.1.4. The Board of Directors should protect legitimate interests of shareholders. This shall be achieved by the following:

- a) The Board of Directors should employ an officer in charge delivery of information about company activities and other material information, a procedure should be set in place for information disclosure, and monitoring of enforcement should be exercised.
- b) Board of Directors shall establish regulations to prevent and deal with conflict of interest between shareholders and corporate units, or among shareholders.
- c) Board of Directors shall exercise control over disclosure of information by the executive management to the shareholders.

3.1.5. Board of Directors can have specialized committees which should advise the Board on certain operational lines, assist it in creating necessary conditions to meet the objectives efficiently.

3.2. Composition of the Board of Directors

3.2.1. The composition of the Board of Directors should enable it to exercise its roles effectively.

- a) The number of Board members should be sufficient as prescribed in the legal texts, should enable it to make the meeting discussions efficient and the decision making process prompt;
- b) Members of the Board which violated legislation, involved in crime, in particularly made an offence related with business, finance, taxation, and securities, should be released of their duty.
- c) If a member of a board should operate in compliance with interests of the company, and if he/she has got conflict of interest, their authority should be suspended.

3.2.2. In order to enable the Board of Directors to fulfill its functions efficiently and to contribute to the management of the company, its members should possess skills, knowledge and experience that is necessary to manage the company.

3.2.3. The composition of the Board of Directors should comprise of sufficient number of independent members.

- a) At least 1/3 of members of the Board of Directors of financial organizations and stock companies should consist of independent members.
- b) A main objective of independent members is to keep effective the supervision of the Board of Directors on activity of the executive team and managers of

the company, deal with conflict of interest appropriately that might appear among majority and minority shareholders. Outside members should maintain independence from the executive management of the company and shareholders owning a control packet and provide them with practical counseling and recommendations.

- c) One of the principles to ensure objectivity of the independent members is to restrict the number of the members to be nominated from the executive management and prohibition of appointing the same person as an executive director and Chairman of the Board at the same time.

3.2.4. Independent members of the Board should fulfill the following criteria:

- a) Was not employed in executive management of the bank during last 3 years, and not employed currently
- b) Not affiliated/relative to members of executive team or controlling shareholders.
- c) Not a big customer of the company, or its key official /if total transactions made with the particular customer is exceeding 10 percent of total assets of the company, it should be considered to be a big customer/.

3.2.5. A special electoral committee should be established within the Board of Directors for the election of members of the Board of Directors. Nomination for the committee should be organized to ensure its objectivity and independence.

3.2.6. Because there is probability that members of the Board of Directors nominated by the company's executive management and shareholders owning a control packet may become influenced by parties which nominated them and distort the principle of upholding the interests of the company and all shareholders, it is essential to consider the opinion of as much shareholders as possible during the election of members of the Board of Directors to maintain their impartiality to any influence. Therefore, the election of independent members of the Board of Directors should proceed with guaranteeing the fairness of the process by nominations only from minority shareholders (for example, holders of less than ten percent). Each shareholder should regardless of the quantity of shares be entitled only to one vote.

3.3. Responsibilities of the Board members

3.3.1. Members of the Board should exercise their authority through actively participating in Board meetings and its committee meetings.

3.3.2. Organization of Board meetings should be organized in compliance with the following requirements:

- a) To meet in accordance with schedule
- b) Members should be able to participate in person, through voting in advance, or through usage of telecommunications means

3.3.2. A member who has failed to attend more than 1/3 of Board meetings without justifiable reason shall not be re-elected. Even if there is a justifiable reason to miss

the meeting, members should be encouraged to vote in advance or through other acceptable means.

3.3.3. Members of the Board should allocate enough time to exercise its powers, and make their decisions on the informed basis.

- a) Board members should receive sufficient information to make a decision. They should receive the same level of information with executive management and executive members of the Board, if necessary they should be able to require independent expert opinion at company's expense.
- b) Members should dedicate sufficient time to execute their functions assigned by the law and company charter. Workload should be assessed accurately, and it should be noted that serving as a member on Boards of many companies may have adverse effect on fulfillment of one's functions in an appropriate way, therefore these should be considered when nomination as a Board member is discussed. Notice about election as a member of the Board of another company should be given.

3.3.4. A procedure should be set in place for loss adjustment and for recovery of damages to the company incurred as a result of wrongdoings of the Board of Directors. If necessary board members should be covered by liability insurance.

3.4. Board Committees

3.4.1. Nomination committee of the board should receive information on nominees to the Board from authorized shareholders, verify the nominee data against the law, this code, company charter, requirements set by operational rules of the Board, and if the requirements are not met, the notice should be given to the nominee. In a nomination is for an independent member, notification of independence and accuracy of this notification should be verified. Based on these information, proposal for inclusion of a nominee onto a list of candidates should be submitted to the Board.

3.4.2. In case of death or inability of a member to attend meetings for long period of time, this committee shall be responsible for nomination of a replacement until the next general shareholders meeting.

3.4.3. Nomination committee shall make evaluation of each member upon end of their authority and present it to the shareholders meeting. This presentation should include information on attendance of meetings.

3.4.4. this committee shall also be responsible for nomination, gathering of information of candidates for executive positions, presenting it to the board, and making performance appraisal.

3.4.5. Remuneration committee shall be responsible for development of policies on remuneration of Board members, key executives, setting maximum limits on compensation, making proposal on compensation levels within the limits to the Board.

3.4.6. Auditing committee of the Board with main responsibility to manage internal supervisory system shall consist of at least 3 board members, and 2/3 of membership should consist of independent directors including the chairman, and 1 member shall have financial and accounting professional with due experience.

IV. EXECUTIVE MANAGEMENT

The role of executive management is to provide management in running daily activities of the company in compliance with the business plan, ensure implementation of decision issued by the Board of Directors, its committees and supervisory council, respect legitimate rights of shareholders, increase profitability of corporations, and thus return on investment for shareholders.

Principles and recommendations included in this chapter are significant for exercising above roles and for building understanding and trust among investors, shareholders, and corporation.

4.1. Powers of executive management

4.1.1. Powers of corporate executive management should be defined by issues related with daily activities of the company, and a team should consist of people capable to resolve problems faced in daily corporate operation.

Corporate daily activities can include conclusion of contracts, deals and it is recommended to fix the maximum limit of deals executive management can decide on its own not to exceed 5% of capital, and the deals should be reflected in the business plans. In all other cases the decision should be made by the Board of Directors.

Executive management should be run by a team, which makes its decisions more appropriate.

4.1.2. Corporate executive management shall work in accordance with the financial and economic plan of the company.

Executive team should operate following financial and economic plan approved by the Board of directors.

In every case when deal is not envisaged in the plan, executive management shall present it to the board and get approval to act. The procedure should be covered in Internal procedures of the company.

4.2. Composition of the executive management

4.2.1. Members of the executive team should have sufficient skills and possibilities to exercise their roles effectively, and should be provided necessary conditions to perform their duties.

Members of the executive team should have appropriate knowledge and experience in the field of corporate activities.

Members of the executive team should not be previously involved in crime, have conflict of interest, related to competitors; they should have genuine commitment to serve for interests of the company and work sustainably.

Members of the executive team should have timely access to information required for execution of its roles.

Nominees for executive positions should get information on conditions and factors that might influence his/her performance through the board of directors, and inform of availability accordingly.

In the contracts with management team and team members, objectives for executive management, expected outcomes, compensation packages, liabilities, terms for termination of authority, grounds for termination, procedures, reporting rules, disclosure schedules and officials should be covered in detail.

4.2.2. nomination procedure for executive management shall be transparent and clear.

4.3. Duties, responsibilities and incentives of executive management.

4.3.1. Executive management has a duty to perform in the interests of the corporation. In order to do this, it should act with due diligence, and take all measures to prevent from potential problems.

4.3.2. Executive management should prevent from any obstacles that poise a threat to operation in compliance with corporate interests.

4.3.3. Corporate activities should be run in strict compliance to legal provisions, standards, and any conflicts should be resolved immediately. Any violation of the law should be stopped, and it should be prohibited for making independent decision on issues related with large deals and deals with conflict of interest.

4.3.4. Executive management should not use the information about the company and its powers for the interests of the self and of third parties.

4.3.5. In its performance, in addition to shareholder interests, interests of other stakeholders such as creditors, business partners, employees, and state should be considered.

4.3.6. Executive management has a duty to take all measures in a timely manner to ensure normal operation of a corporation. Especially, due attention should be paid to capacity building of staff, and their retention.

4.3.7. Provisions stating that damages incurred to company, employees and shareholders as a result of wrongdoings of the executive management should be recovered from private property of the executives should be included in the contracts, and judicial recourse should be practiced to identify whether performance was adequate, and whether damages were incurred. On the other hand, liability insurance coverage equal to private assets of the executive team.

4.3.8. Individuals who acted improperly and incurred damages to the company should not be employed again for the management positions.

4.3.9. Compensation to executive management should reflect his capabilities and real contribution to the company.

V. DISCLOSURE OF INFORMATION AND TRANSPARENCY

The timely disclosures of relevant information by the company will increase the confidence of shareholders and stakeholders and prevent unfair use of insider or classified information.

Companies should develop procedures to regulate disclosure of information as specified by the law, regulatory bodies, and other material information, and the Board of Directors is responsible for approval and enforcement.

5.1. Principles of disclosure

- a) Regular
- b) Timely
- c) Equal accessibility to shareholders and other interested parties
- d) Accurate
- e) Complete
- f) Balanced between company's business interests and transparency
- g) Not intended to hide or disguise mistakes and deficiencies of own operation

5.2. Disclosure procedures should contain list of information to be publicly disclosed, means of disclosure /broadcast, publication media, frequency/, and person in charge. Publicly disclosed information should be published on the website as well.

5.3. Disclosure of information should protect from unlawful usage of confidential and insider information against the interests of the company.

5.4. Disclosure of information should be the responsibility of the executive management, and monitoring of disclosure should be responsibility of the Board of Directors and of the supervisory council.

5.5. In addition to information required by law, regulatory norms, the company should disclose any information that might influence to the decision of shareholders and stakeholders.

5.6. Following information should be disclosed.

- 5.6.1. Information about Board members, key executives, changes made
- 5.6.2. Information on independent directors of the Board
- 5.6.3. Owners of more than 5% of total shares issued, people and legal entities representing common interests /if those own company shares/
- 5.6.4. Information if owners of more than 5% have changed
- 5.6.5. Large borrowers, customers /to be defined as stated in 4.2.3 of this code/
- 5.6.6. Information on subsidiary and daughter companies
- 5.6.7. Information on pocket shares

- 5.6.8. Information if company name, residential address of the headquarters have changed
- 5.6.9. Information about company branches and representative offices
- 5.6.10. Information on changes made in main business line of the company
- 5.6.11. Contracts established with auditors, changes made
- 5.6.12. Changes made to company charter
- 5.6.13. Resolutions of the Board to approve increase or decrease of company charter fund
- 5.6.14. Establishment of deals with conflict of interest
- 5.6.15. Resolution of the Board or of the shareholders meeting to approve large transactions
- 5.6.16. Information on sales, pledge, or transfer to others in some other ways of more than 10% of the company's immovable property
- 5.6.17. Information if controlling shareholders, members of the Board, key executives are under investigation or charged by legal authorities
- 5.6.18. Controlling package of state owned or local municipal companies transferred to private sector
- 5.6.19. Board of Directors approved reorganization of the status of the company as provided in the law
- 5.6.20. Information on approval of new and additional issues of securities by the Board and shareholders meeting
- 5.6.21. Financial reports of the company along with additional information as required by the regulatory body
- 5.6.22. Evaluation of immovable property and business valuation reports
- 5.6.23. Sale, pledge, or transfer to others of license for operations which account to more than 10% of company's sales income.
- 5.6.24. Material changes occurred in company's product and services market, and associated risks.

5.7. The annual report of corporate activities should include the following items:

- 5.7.1. Objectives and action strategy of the company.
- 5.7.2. Financial situation and activity results.
- 5.7.3. Status of shareholders and statistical data on exercise by shareholders of their rights.
- 5.7.4. Status on the increase of capital and capitalization expenditures for the fiscal year.
- 5.7.5. Business environment and risk factors.
- 5.7.6. Information possessed by the management on employees.
- 5.7.7. Rewards and bonus for the chairman and members of the Board of Directors, auditors and the executive management.
- 5.7.8. Evaluation reports of independent auditors, rating organizations and other relevant agencies.
- 5.7.9. Report on whether the requirements specified by the legislation regarding disclosure of information have been fulfilled, if not, the subjected liabilities.
- 5.7.10. Deviation of corporate governance practices from the ones recommended in this code, and reasons of failure to comply.
- 5.7.11. Action plan for implementation of corporate governance principles for next year.

5.8. The following information should be disclosed to shareholders before general shareholders meeting.

- 5.8.1. Annual report
- 5.8.2. Financial statements, audited
- 5.8.3. Decision on dividend distribution, justification to decision not to allocate dividends
- 5.8.4. Supervisory Council report
- 5.8.5. Information about nominees for the Board and Supervisory Council
- 5.8.6. In case amendments to the charter of the company is on agenda, proposal for amendments, rationale, explanatory notes; in case reorganization of the company form is on agenda, proposal covering method of reorganization, rationale, procedures for reorganization and other relevant materials
- 5.8.7. Procedure on “Information activities” should cover documents that need to be disclosed to shareholders when other issues under authority of shareholders meeting are discussed.

5.9. Apart from information disclosure required by law, regulatory bodies, this code and company charter, any information should be available without hindrance at shareholder’s request.

5.10. Owners representing common interests of more than 5% of total issues shares should have access to company accounting and executive management meeting notes. Parties representing common interests should inform and get certificate from the FRC.

5.11. Provision of information upon requests of shareholders should be the responsibility of the secretary of the Board. Request for information should include in the application surname, name, address (postal and electronic), contact telephones, number and type of shares owned, type of information required, form of preferred reply (in person, in writing, via e-mail).

5.12. The secretary of the Board should give reply in an appropriate way within 10 working days after the submission of the request (or if the information might lose the significance, then in earliest possible timeframe). If the request for information from a shareholder is not included into the list of information for disclosure and is classified as pertaining to business secrets, the appropriate explanation should be given.

VI. STAKEHOLDERS

Business partners such as banks, financial institutions, other creditors, insurers, suppliers, contractors, clients, customers; employees, their representative bodies, regulatory bodies should be considered as company stakeholders.

Rights of the stakeholders specified in law and provisions of the contract should be protected. The company and stakeholders should cooperate on the basis of the mutual benefit.

6.1. Protection of rights of stakeholders

6.1.1. Rights of stakeholders should be protected in accordance with the legislation and provisions of the contract. In case of breach of rights, stakeholders shall bring claims to the court.

Decision on such matters as merger or division of the company, reduction of the charter fund which may affect the implementation of obligations with regard to creditors should arrange means to protect the rights of creditors. The company should as a first priority settle payments to creditors and should be obliged to inform the creditors within due time on events possibly concerning the capacity to repay the credit.

6.1.2. Where duties assumed in front of creditors are affected, e.g. in cases of mergers and acquisitions, decreasing equity capital, then the rights of creditors should be protected in the process of decision making. Company should pay the creditors in the first instance, and should inform the creditors of any events that might affect the repayment. Where holders of company bonds are to take on risks regarding the repayment of their invested capital, they should be protected in conformity with a relevant procedure or regulation.

6.1.3. Companies should take every possible action to strictly comply with requirements and provisions of the Law on Labor.

As stipulated in the labor legislation, employers should pay attention to labor conditions of employees forming the value of the company. Employers should ensure a labor environment consistent with legislation and strive to create a situation where employees may work on a stable basis. Likewise, employees should address this issue with diligence.

6.1.4. Companies should exercise their social responsibility with awareness regarding issues of consumer rights protection or environmental protection. As a company increases its influence on economy and society, its obligations to society also grows. As the involvement of consumers and the public in further activities intensifies, they become a significantly involved party.

6.1.5. Where a stakeholder is a shareholder of the company, each right in both capacities as a stakeholder and a shareholder should be protected and guaranteed its exercise. Where a stakeholder is a shareholder of the company or, in other words, a

contributor or where a shareholder or a company employee and a shareholder is one person, the issue of protection of their respective rights should be considered separately. Rights in the capacity of shareholders should not be restricted by the rights exercised by stakeholders. Where a stakeholder overlaps, shareholders should not pursue the right to acquire benefits of the company as a sole purpose.

6.1.6. Where a company infringes upon the rights of stakeholders, proper actions for recourse should be put into motion and the stakeholders should implement measures to protect their rights and interests according to the law. Where a company infringes upon the rights of stakeholders stipulated in the legislation and in contracts made with them, such company should rectify its mistakes and take urgent measures to improve the situation. In such events, stakeholders whose rights have been contravened should employ such mechanisms which are effective in compensation of damages.

6.2. Monitoring by stakeholders of company activities

6.2.1. Each company should depending on its specifics determine the form and level of monitoring by stakeholders of company activities. It is necessary to consider the specifics of stakeholders and their intention to conduct monitoring of company activities. Stakeholders should be able to get information needed for protection of their rights.

6.2.2. Creditors should take into account the specifics of the company when conducting monitoring of activities of company management. Because creditors bear risks related to company activities or associated with repayment by the company of its loans, they are greatly interested in conducting monitoring of company management activities.

6.2.3. The manner and level of participation of company employees in corporate governance should be determined by ensuring a stable development of the company.

Organization by the company of meetings involving the management and employees is beneficial and employers at such meeting should present on business plan of the company, means to fulfill it, report of implementation of the previous business plan, quarterly production plans, and human resource development strategy and on the financial situation of the company. The employers should also provide answers to questions raised by employees.

6.2.4. In order to provide the employees with access to company management, mechanisms of granting benefits from the company may be used such as affording the employees with shares or rewarding with shares. By owning the shares of the company, the employees will change their attitude to their jobs and improve the partnership between the employer and employees. Moreover, they may actively take part in monitoring of company activities and improvement of labor conditions.

Employees shall have the right to obtain information for protection of their rights. The employer should provide to employees clarification on the business plan of the company, quarterly production plan, human resources development plan and general information on financial situation.

6.2.5. The company should supply information specified in relevant legislation required for stakeholders to exercise their rights.

The contract with the creditor should clearly state the provisions of supplying information by which creditors may evaluate risks and manage their credit and information should be provided regarding issues affecting the creditors such as complete fulfillment of obligations specified in the contract or contracts made with creditors having priority entitlements.

On the other hand, a certain restrictive system should be established regarding the information given to such stakeholders as creditors and employees. This will prevent negative actions using classified or insider information of the company. Thus, stakeholders shall receive information only specified in the legislation. Stakeholders should not use the information obtained from the company for personal profit.

VII. FINANCIAL AND ACCOUNTING AUDITING SYSTEM

Auditing system is intended to improve confidence of investor in the company and its management, and its purpose is to ensure invested funds and company assets.

Auditing system of corporate financial and economic activities is structurally classified into two parts based on affiliation, internal auditing system and independent auditing system. Company's internal auditing system should be divided into supervisory council which is appointed from and reports to the shareholders meeting, Auditing committee which is comprised of Board members, and internal supervision unit to operate under executive management. And the term independent auditing system means professional auditing firms, auditors which perform independently from the company.

In the company legislation it is provided to have to bodies to control corporate activities, supervisory council and independent audit. Those are supposed to exercise control and monitoring of financial and economic activities of the company once a year, verify accuracy of financial reports, therefore they have limited opportunity to monitor activities on a daily basis. Therefore, this function should be exercised by Auditing committee, and internal supervision unit, and their authorities and work schedule should be stated in the company charter.

In order to achieve the above goals:

1. Assess performance of the company against financial and economic plan of the company
2. Auditing system should comprise daily activities as well as annual financial reports and implementation of annual plans
3. Auditing system should be capable, efficient, professional, independent, able to contribute considerably to the proper operations of the company, and able to protect it from risks.
4. Auditing system should be coherent, transparent, and operational procedures should be clear.
5. Auditing system should ensure an effective system to provide transparency of the company management, to prevent abuse of power, misappropriation of funds for personal benefits
6. Detect, estimate and restrict potential financial and operational risks
7. Ensure accuracy of financial statements which is publicly disclosed and used as a rationale for management decisions.
8. Procedures for handling confidential and insider information revealed or presented during the inspection should be set in place to prevent from disclosing it to unauthorized people, and sanctions for breach should be clear.

7.1. Internal auditing system

7.1.1. Internal auditing system of the company shall consist of Supervisory Council, Auditing Committee of the Board of Directors, and internal supervision unit to work under the executive management.

7.1.2. Bodies related to auditing system shall support each other and in particular they should inform of inspection results. Especially, internal supervision unit should provide accurate and timely information to the Auditing committee and Supervisory council.

7.1.3. In addition to regulation on Supervisory council, operational rules of Auditing committee and internal supervision unit should be stated in the corporate charter in great detail. This will have a significance in guaranteeing their functions, assessing their performance, avoiding duplication in roles, and ensuring coordination in activities and establishing a common auditing system.

7.1.4. Auditing committee membership should be comprised of board members, and it should consist of at least 3 members, whereas the majority should be independent directors of the Board. It should be stated in the company charter that especially the chairman of the auditing committee should be independent member of the Board. The members of the auditing committee should be selected by the shareholders meeting.

7.1.5. The auditing committee is an independent body which constantly should carefully examine whether activities are run in accordance with business plan, whether financial management is done properly, whether preparation and process of quarterly financial statements of the company is in order, whether corporate management and performance of key officials is proper, whether there is a leak of confidential and insider information, whether they have been handled inappropriately, whether internal supervisory unit operates sufficiently .

7.1.6. Meetings of the auditing committee shall convene no less than once per quarter to discuss results of auditing, and the majority of membership should have financial, accounting, legal education and professional work experience no less than 2 years.

7.1.7. If deemed necessary by audit committee, it shall have a power to call for non plenary session of the Board of Directors, propose agenda, give assessment for activities of Internal supervision unit, monitor independence of the internal supervision unit, assess performance of the executive management and if necessary shall have a power to suspend the authority of the executives.

7.1.8. The auditing committee shall propose the nomination of an independent auditor at the meeting of shareholders, and also shall have a right suggest contract terms to be concluded with independent auditors.

7.1.9. Auditing committee should be able to receive sufficient information and data from executive management and its units, officials in order to ensure normal conditions to perform its duties, and sanctions when information is not disclosed should be reflected in the company charter.

7.1.10. Operational rules, procedures of the internal supervision unit should be reflected in the company charter or internal procedures of the company on the basis of proposals and requests developed by Supervisory Council and Auditing Committee. Internal supervisory unit shall make a decision on whether to make an inspection upon the filed complaint or request within 30 days, and inspection should be completed within 90 days.

7.1.11. The main objective Internal supervision unit is to exercise daily monitoring of financial and economic activities of the corporation, to verify whether performance is in compliance with legislation, standards and conditions, ensure that executives performed in an appropriate way, control whether any wrongdoings take place in daily financial and accounting operations, and also provides support to Auditing Committee providing necessary recommendations and advisory to executive management and to Auditing committee.

7.1.12. Internal supervision unit should report results of inspections regularly to Supervisory Council and Auditing committee and should brief them on implementation of resolutions.

7.1.13. Internal Supervision unit should operate under executive management, but this should not influence independence of its functions. For this end, contracts with internal supervision unit should be established with Board of directors or Audit committee.

7.1.14. Large deals, deals not envisaged in the plans, or deals with conflict of interest, or contracts, issues, decisions that lie outside of daily operations of the corporation should be monitored by internal supervisory unit, and if necessary by audit committee and supervisory council as well. These relations should be set out in company charter.

7.1.15. The auditing committee and Supervisory council shall keep minutes of its meetings and log correctly and clearly the agenda of meetings and issued decisions. The auditing committee and auditors should maintain reports which correctly and visibly reflect the results of inspections.

7.1.16. Shareholders shall have the right to access minutes of meetings of the auditing committee, supervisory council and internal supervision unit.

7.1.17. The auditing committee, supervisory council and internal supervision unit can get professional services of independent auditors, or independent analysts /such as accountants, lawyers/.

7.1.18. The auditing committee, supervisory council and internal supervision unit should present at the meeting of shareholders the information related to biography of their members and information regarding their annual activities. Such information should also be included in the annual report of the company.

7.2. Independent audit system

7.2.1. Auditor which should give external opinion on company's financial reports, should be selected by considering firstly independence and professionalism. In order to qualify independence of auditors, it should not represent company management, controlling shareholders, affiliated persons, friends, former colleagues or business partners.

7.2.2. Auditors with above conflict of interest should be prevented from being independent auditors of the corporation. These issues should be covered in detail in contracts and enforced.

7.2.3. Independent auditors should abide the professional ethics rules and be prohibited to make contracts proposed by the company management and owners of control packets and reflecting their personal interests.

7.2.4. Independent auditors should participate in the shareholder meetings and provide answers of shareholders regarding the audit inspection report.

7.2.5. The independent auditor shall bear responsibility to compensate the damages where a user of an audit inspection report suffers losses because of intentional or unintentional mistake of the independent auditor.

7.2.6. The independent auditor shall be responsible to pay for the damages where the inspected company suffers losses because of careless attitude of the independent auditor to his/her duties or where a company or a third person sustains damages because of failure to include important information in the report. Therefore, independent auditors should be aware of their responsibilities and approach auditing inspections with diligence.

7.2.7. Independent auditors should reveal any breaches of the law by the company during their audit inspections. Independent auditors shall not disclose by themselves to the public the information on breaches of the law by the company under audit inspection, but should inform Board of Directors and shareholders meeting.

7.2.8. Independent auditors should produce an opinion on the solvency capacity of the targeted company. Independent auditors should produce an opinion on the solvency capacity of the targeted company. This issue has many serious consequences. Hence independent auditors should practice considerable attention and care. Independent auditor should not refuse to produce a solvency opinion on the company or write an overtly unclear opinion to escape responsibility.

7.2.9. The opinion on solvency capacity of the company inspected by independent auditors shall be a basis for a realistic appraisal of the company's activities and should improve the quality of audit inspections. The work payment and reward of auditors should not depend from the opinion on the solvency capacity.

VIII. DIVIDENDS

8.1. Dividend allocation, distribution mechanisms should be clear. To this end dividend policy should be approved and enforced by the Board of Directors.

8.1.1. Evaluation of companies by shareholders directly relates to dividend policy. It is expected to gain some earnings when investment decision is made and company shares are bought. Therefore, current and future shareholders should have a clear understanding about dividend policy, minimum level of dividend allocation, form of dividend payout. These issues should be covered in dividend policy paper developed by the Board of Directors.

8.1.2. Board of Directors should publicly disclose dividend policy. Secretary of the Board should ensure that this document is available to all interested people and publish it on the company website.

8.1.3. Decision of the Board on dividend allocation should be disclosed to public and this information should give sufficient understanding about rationale on level of dividends, procedures for payouts.

As the decision to allocate dividends is one of the important indicators to express company's financial status and results of operations, this decision should objectively reflect on company's real situation. In other words, level of dividends should not be too high or unreasonably low from realistic capacity of the company. It is recommended to deduct from net profits investments and social actions reflected in business plan, and the remaining should be allocated for dividends.

8.1.4. Allocation of dividends should be discussed at shareholders meeting. If the company decides not allocate dividends, the decision should be reported on shareholders meeting, and explanation given on reasons why it is impossible to allocate dividends, and actions to be taken in the future.

8.1.5. Form of dividend payout is recommended to be in monetary form. If officially submitted, dividend can be paid to bank account of the shareholder directly. If shareholder agrees to, dividend can be paid in the form of material assets.

8.1.6. Dividend payout forms, timeframe and procedures should be convenient for shareholders to the extent possible. Start date for dividend distribution should be stated in the decision, and schedule should be followed. Sanctions for officials, who fail to comply with the decision, cause hindrance for shareholders, should be reflected in the dividend policy.

8.1.7. In the resolution to pay dividends, timing for payout should be set clearly, and actual payout should be completed within the prescribed timeframe. Timeframe should not be longer than 60 days.

8.1.8. Actions for imposing liability to officials who fail to pay dividends to shareholders in a timely manner should be set out in a special procedure, executive contracts, and other internal regulations. Failure to distribute dividends may result in deduction from executive compensation, or other forms of penalties.

IX. REGULATION OF CONFLICTS OF INTERESTS

The capacity to prevent conflicts of interests or regulate the occurring conflict of interests if such conflict of interests between the company management and shareholders or between the shareholders is harmful to benefits of the company shall be a prerequisite of securing the normal operation of the company and the achievement of objectives set forth.

Possibility to prevent and regulate conflicts of interests shall protect rights of shareholders, property and reputation of the company.

Effective mechanisms to prevent conflicts of interests or regulate the occurring ones is crucial to resolve the before initiating and to assist the parties instigating the conflict of interests to settle the matter.

Company management shall take actions to resolve conflict of interest that might arise related to areas under their authority.

9.1. Any misunderstanding or a dispute between the shareholders and units of the company (for example, related to compliance with this code or internal company documents) or misunderstandings and disputes between the shareholders of the company shall be considered as connected with the company if they affect the interests of the company. Hence it is essential to discover such conflicts as early as possible and draw attention of the company and its governing employees.

9.2. Accepting and registering information regarding any conflicts or disputes related to the company shall be the task of the company secretary. He/she shall receive and register letters and demands from shareholders and convey them to the person authorized to settle such conflicts and disputes. As for branches and representative offices of the company, their management shall do this work and shall relay complete information regarding the occurrence of conflicts and disputes to the secretary of the company.

9.3. Prevention of conflicts of interests and a swift response to already occurred conflicts of interests will greatly influence on the results of company activities. Therefore, in case of a conflict of interests, the Board of Directors should express its position on the matter in a very short amount of time, issue a relevant decision and inform the shareholders.

9.4. In any case of a conflict of interests, the matter should be dealt according to the law.

9.5. In order to realistically evaluate the conflicts of interests, it is essential to establish an effective regulation to settle such conflict without involving the conflicted parties or parties with a potential to conflict.

9.6. In the event of a conflict of interests between the shareholders of the specific company which may possibly implicate the interests of the company and other

shareholders a person from the company authorized to review such conflicts should decide whether he/she can resolve the dispute on his/her level and whether the dispute involves the rights and interests of the company. Such person should every action required to regulate the conflict.

9.7. Deals with conflict of interest should be done in accordance with procedures set out in Company Code, and reporting should be done in compliance with regulations adopted by regulatory bodies.

FINANCIAL REGULATORY COMMISSION