

APPROVED
by resolution of General shareholders meeting
of JSC UZEX on March 18, 2023



DEVELOPMENT STRATEGY OF UZBEK COMMODITY EXCHANGE FOR 2023-2025



1. THE NEED TO DESIGN A DEVELOPMENT STRATEGY

The legal basis for the designing of the Development Strategy of the Uzbek Commodity Exchange is the Decree of the President of the Republic of Uzbekistan "On the expansion of the use of exchange mechanisms in the sectors of the economy and the improvement of the exchange trade regulation system" No. PP-430 dated November 24, 2022.

In particular, the Decree stipulates that when developing a strategy, it is necessary to focus on the following areas:

- implementation in practice of trading mechanisms and commodity derivatives conducted on major exchanges of the world, as well as the expansion of the application of information technologies in this area;
- development of a system for a comprehensive assessment of offers and prices for commodities in demand at the level of the national and regional economy, as well as possible risks for them and available opportunities;
- implementation of teaching aids and advanced simulation

software aimed at developing skills in applying electronic systems for exchange trading and public procurement among representatives of business entities;

- implementation of accounting and obtaining an international credit rating following the results of 2022 based on International Financial Reporting Standards (IFRS);

- conducting an independent audit of the financial statements of the exchange following the results of 2022 based on international auditing standards with the involvement of one of the audit organizations of the "big four".

Experienced specialists of the Commodity, as well as foreign experts in the field of exchange trading, were involved in the development of the strategy.

The development strategy is designed for 2023-2025 and defines promising directions for the development of the Commodity.

*In particular, such **foreign experts** as:*



**Rybnikov Alexey
Ernestovich**

President
of JSC St. Petersburg
International Mercantile
Exchange;



**Kuprin Alexey
Igorevich**

Executive Director
of the International
Association of the CIS
Exchanges;



Kevin Piccoli

Deputy Director
of the US Commodity Futures
Trading Commission (CFTC);



David Grayson

Chairman
of Auerbach Grayson &
Company LLC;



**Danov Sergey
Vladimirovich**

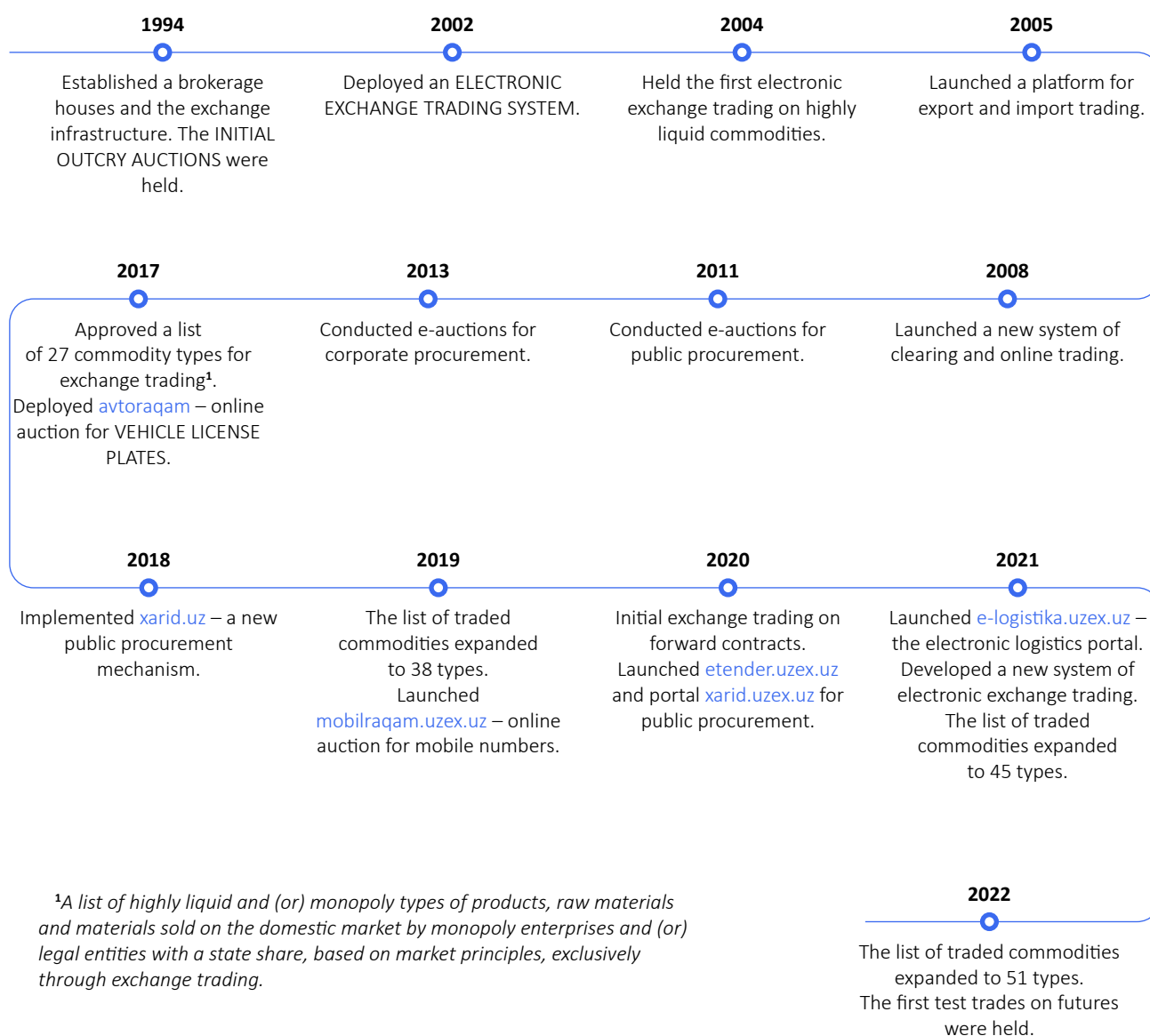
Department Director
of Moscow Exchange

2. About UZEX JSC

2.1. The history of the UZEX JSC development

The Uzbek Commodity Exchange was established as an open joint stock company, registered with the Ministry of Justice of the Republic of Uzbekistan in **April 1994** and today is the largest trading platform in Central Asia and a dynamically developing commodity exchange in the CIS countries.

Over the past **25 years**, much has been done in development of a modern exchange market.



As a result, UZEX has evolved into one of the most rapidly developing commodity exchanges, not only in Central Asia, but also among the CIS countries.

The purpose of the Exchange is to create the necessary conditions for exchange trading in commodities by organizing and conducting public and open exchange trading based on established rules in a predetermined place and at a certain time. Development of the exchange market in commodities by organizing exchange trading and pricing for commodities based on true supply and demand.

The mission of Uzbek Exchange is to create favorable


conditions in commodity markets and e-commerce area through innovation. All trades at the UzEx carried out based on transparency, publicity, and equal conditions for all customers.

The exchange plays a significant role in ensuring equal access of national and foreign companies to highly liquid commodity assets produced in the republic, such as fuel and energy products (*diesel fuel, gasoline, petroleum oils, etc.*), ferrous and non-ferrous metals (*cathode copper, aluminum, etc.*), foodstuff (*sugar, flour, grain, etc.*), agricultural products (*technical seeds, cotton fiber, cotton processing products, etc.*), fertilizers (*urea, ammonium sulfate, ammonium nitrate*) and other commodities.

UZEX activities corresponds to the requirements of the international standard ISO 9001:2015 and 37001:2017.



Today, **UZEX** has well trained staff and professional brokers, the exchange also equipped with a developed IT infrastructure and information systems, an extensive regional and international trading network.

 <p>The exchange is located in the capital of the Republic of Uzbekistan, the city of Tashkent. Its structure includes 14 branches in all regional centers of the country.</p>	403 trading pits
	1469 brokerage houses
	3563 traders

Exchange management structure:

The supreme body <i>is the general meeting of shareholders</i>	Management body <i>Supervisory Board</i>	The executive body <i>is the Board</i>
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2.2. The place and role of UZEX in the domestic economy and the world community.

The exchange plays an extremely important role in the functioning of a market economy, performing the following functions:

Providing market participants with technical access to the electronic exchange trading system, as well as automating all other processes occurring on the exchange, thereby increasing the speed and security of transactions;

Ensuring openness and publicity of exchange trading by publishing in free access information about the place and time of exchange trading, about listed commodities and quotations, about the trading results;

Regulation of the activity of participants in exchange trading through the development and approval of legal provisions, rules for exchange trading, monitoring their observance, applying measures of responsibility in relation to their violators, which ensures equality and protection of the rights of participants in trading (including by resolving disputes in the Arbitration and Disciplinary Commissions of the exchange);

Pricing, which consists in determination of the current price, supply and demand for an exchange commodity, as well as preventing illegal price manipulations.

Considering the important role of the exchange in the economy, the President and the Government of the Republic of Uzbekistan pay great attention to the development of exchange activities, as well as expanding the list of highly liquid and (or) monopoly types of commodities and raw materials sold on the domestic market based on market principles, exclusively through exchange trading.

To this end, the following legal acts have been adopted in recent years. In particular, the Decree of the President of the Republic of Uzbekistan dated November 14, 2017 #PP-3386 approved a list of 27 types of highly liquid and monopoly commodities and raw materials sold on the domestic market on the basis of market principles exclusively through exchange trading.

In addition, by the Decree of the President of the Republic of

Uzbekistan dated October 8, 2019 #PP-4484, the above list was expanded to 38 types of highly liquid and monopoly commodities and raw materials.

Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated March 18, 2020 No. 170, the action plan was approved to improve the mechanisms of exchange trading and exchange activities and the regulation on the sale of highly liquid and monopoly commodities at exchange auctions, as well as a mechanism for the sale of commodities on a forward contracts (with a delay in delivery for more than 1 month).

In addition, by the Decree of the President of the Republic of Uzbekistan dated March 17 #PP-5031, polyvinyl chloride (PVC), formalin, ethyl alcohol, silver, oil, gas condensate and cottonseed oil are included in the list of highly liquid and monopoly commodities and raw materials sold on the domestic market in based on market principles exclusively through exchange trading.

In addition, this resolution approved the "Road Map" on the wide implementation of advanced information technologies in the activities of commodity exchanges and the consistent development of their electronic commercial activities.

By Decree of the President of the Republic of Uzbekistan dated November 24, 2022 # PP-430, steel balls, sheet metal, liquid carbon oxide, technical oxygen, caustic soda, petroleum coke, synthetic naphtha and stillage are also included in the list of highly liquid and monopoly goods, raw materials and materials sold in the domestic market on the basis of market principles exclusively through exchange trading.

Today, the list of highly liquid and monopoly types of commodities has been increased to 51 types of commodities.

Separately, it is notable that on May 17, 2022, under the chairmanship of the President of the Republic of Uzbekistan, an conference was held with the participation of relevant ministries and government bodies, heads of industries and regions, regarding the improvement of the activities of the exchange, the expansion of the exchange trading, as well as the wide

involvement of the private sector in the exchange.

Thanks to the hard work of the exchange team and the support of the government, the annual growth of the exchange's turnover is provided. Thus, according to the results of 2020, the turnover of the exchange exceeded **5 billion USD**, in 2021, it amounted to **8 billion USD** and in 2022, and it is already **12 billion USD**, which is **2.3** times higher than in 2020. The volume of trade turnover of the Exchange corresponds to 12 percent of Uzbekistan's GDP.

In turn, the expansion of the international trading network of the exchange serves the dynamic growth of trade between

Uzbekistan and other countries of the world. In particular, foreign trading pits provide mutual access for entrepreneurs and commodity producers to the commodity markets of Uzbekistan and foreign countries using the wide possibilities of exchange trading and e-commerce.

Today, there are more than 30 foreign trading pits of the exchange in Asia and Europe. The exchange actively cooperates and is a member of the International Association of CIS Exchanges (MAB CIS), the Association of Futures Markets (AFM), as well as the Federation of Euro-Asian Stock Exchanges (FEAS).

*Active work is also underway to carry out export-import operations, establish bilateral cooperation and establish direct contacts with foreign partners from more than **30 countries**.*

Namely:

The Russian Federation	<p>7 foreign trading pits were opened in Moscow, Krasnogorsk, St. Petersburg and other cities.</p> <p>Work and negotiations are underway on issues of cooperation, including on attracting Russian companies to exchange trading with the Trade Representation of the Russian Federation in the Republic of Uzbekistan, the Altai Fund for the Development of Small and Medium Enterprises, the ANO Export Support Center of the Republic of Bashkortostan.</p> <p>On an ongoing basis, within the framework of the signed agreements, work is underway on inter-exchange cooperation with Moscow Exchange and St. Petersburg International Mercantile Exchange.</p> <p>The leading specialists of the Moscow Exchange held a practical seminar in Tashkent on advanced exchange trading tools.</p>
USA	<p>Established cooperation with the Commodity Futures Trading Commission (CFTC) and the US Department of Commerce.</p> <p>A visit to Uzbekistan was organized by Advisor to the US Department of The Commerce Law Development Program (CLDP) Michael Cofield and Deputy Director of the Commodity Futures Trading Commission (CFTC) Kevin Piccoli.</p> <p>During the negotiations, the legal framework of exchange markets, the practice of state and exchange regulation of organizing and conducting exchange trading in the US commodity segment were studied. Discussed the application of modern IT technologies and new trends in exchanges, risk management, as well as the activities of exchange warehouses in the United States. Following the meeting, an agreement was reached to continue consultations on the introduction of advanced exchange tools, strengthen further cooperation, and provide comprehensive assistance from US representatives in the development and implementation of new strategic plans for the Exchange.</p> <p>Work is underway to establish direct contacts to discuss the prospects for mutually beneficial cooperation, including the possibility of signing a Memorandum of Understanding between the Exchange and the Commodity Futures Trading Commission (CFTC).</p>

United Arab Emirates	<p>Meetings and negotiations were held with the heads and specialists of the Dubai Multi Commodities Center (DMCC) and the Dubai Gold and Commodities Exchange (DGEX). During the meeting, the current trends in exchange trading and the development of implementing new trading mechanisms were discussed. UZEX made a presentation on e-trading systems implemented in the commodity markets, its infrastructure and long-term plans. The Dubai Gold and Commodities Exchange provided detailed information on commodity derivatives organized on the exchange, including the specifics, benefits, legal framework and tax administration of the gold market.</p> <p>Work is underway and discussions are underway on prospects for mutually beneficial cooperation.</p>
People's Republic of China	<p>3 foreign trading pits were launched in the cities of Urumqi, Qingdao and Kuitun.</p> <p>Together with the Asian-European International Center for Material Resources (AEEX), with the support of the Commercial Bureau of Qingdao (China), the Ministry of Commerce of the PRC, the SCO Secretariat, practical seminars are held in the format of the videoconferencing in such areas as cross-border e-commerce, the exchange market for companies engaged in foreign trade activity.</p> <p>Direct contact and cooperation with The Dalian Commodity Exchange (DCE) has been established and preparations are underway for the signing of a Memorandum of Understanding.</p> <p>A meeting was held between UZEX JSC and the delegation of China (Qingdao) headed by the mayor of Jiaozhou Mr. Yu Dongquan. At this meeting, the Chinese side was demonstrated a video presentation on the activities of the UZEX, including information on existing stock exchanges, infrastructures, commodity nomenclature, trading and settlement mechanisms, etc. During the negotiations, the technical aspects of relations with Chinese manufacturers were discussed, as well as the need to strengthen activities.</p>

2.2. Message from the Chairman of the Board of UZEX

For many centuries, The Great Silk Road served not only as a bridge between East and West but also as a channel of trade development between nations, countries, and cultures. This largest transcontinental trade route in the history of mankind went through the ancient cities of Uzbekistan. Uzbekistan is located at the crossroads of Great Silk Road and ancient traditions of trade relations are remembered and honored here.

Today, the market economy is rapidly developing in Uzbekistan, industrial manufacturing and agriculture are being modernized. The energy sector, logistics and tourism are evolving. New industrial facilities are being built growing economic activity as well as the welfare of the people.

President of Uzbekistan and the Government pays particular attention to development of entrepreneurship and implementation of new technologies in various segments of the national economy.

Accordingly, stock and commodity exchange institutions play an important role in market reforms conducted in the country. Modern exchanges reflect level of economic development by clearly defining market concepts of supply, demand, competition, quotes.

The Uzbek Commodity Exchange as an operator of electronic trades in commodity segment is considered a high-tech company. Daily, over 6000 transactions are concluded on exchange and more than 5000 counterparts take part on trades.

Recent years have certainly been quite difficult for many sectors of the economy, but the pandemic has opened up new opportunities and prospects for the exchange industry of

Uzbekistan.

The pandemic caused a surge of interest in various models of e-commerce, which stimulated the growth in the pace of online trading at UZEX.

At the same time, the pandemic has radically changed our attitude to work, prompted us to adjust our management and speeded up the implementation of some IT projects, which ultimately had a positive impact in improving the efficiency of our activities.

In this regard, we have developed a powerful IT infrastructure and a data center capable of ensuring the trouble-free continuous operation of 15 electronic trading platforms. Advanced IT technologies applied by the Exchange allow for high levels of business continuity and fault tolerance of the trade and settlement infrastructure.

In order to provide high-quality services, the exchange has formed a team of qualified specialists, each of whom clearly understands the significance and values of the exchange, the tasks set, as well as their role in the implementation of the development plans given in this Strategy.

The new strategy is aimed at both improving existing exchange services and developing new electronic trading technologies. In accordance with the new strategy, the Exchange intends to significantly increase the turnover, the list of traded commodities, expand its role in the country's economy, and also offer its customers services at the level of the most advanced foreign exchanges.

I express my gratitude to our employees, shareholders,

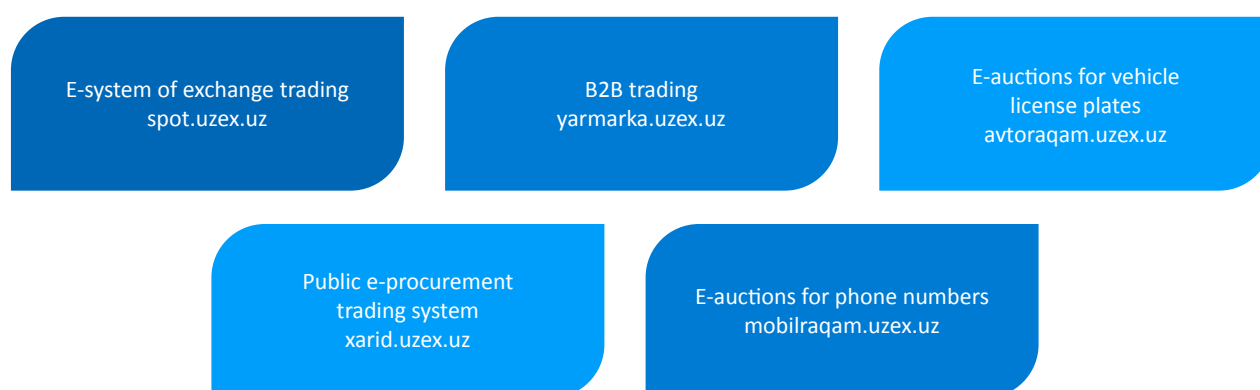
Supervisory Board, clients and partners for their participation in the development and support of the Exchange. I am sure that together we will be able to achieve all our goals and even exceed

our expected results in the future.

Ziyoviddin Badriddinov
Chairman of the Board
Uzbek Commodity Exchange JSC

2.3. Exchange trading platforms and its features

There are **5 trading platforms** on the exchange that meet modern requirements:



Professional IT specialists of the Exchange Team develop these platforms, which are constantly being upgraded based on user suggestions and legal requirements.

2.3.1. Exchange trading

It operates on the basis of an electronic system of exchange trading.

Commodities with uniform standard properties are systematically put up for auction, interchangeable with the same commodities from another manufacturer or another lot.

The main advantages of the exchange trading are:

- the possibility of using the services of highly qualified personnel;
- the possibility of choosing intermediaries- brokers;
- increasing the volume of trade without high costs;
- obtaining guarantees for the execution of transactions;
- the possibility of paying for services for the trading operations through a brokerage office in the amount of a certain percentage of their volume;
- speedy of trading operations;
- equality for all bidders, regardless of the size of enterprises, their industry and affiliation, location;
- high level of liquidity in the market;
- low operating costs when making transactions;
- a high level of competition at the auctions, which makes it possible to setting best market prices due to the participation of a large number of potential buyers/sellers.

The right to participate in exchange trading is granted to Exchange members- entities that have a brokerage place on the exchange in accordance with the established procedure and have permissions for remote participation.

Only exchange commodities are put up for trading on the exchange platform. According to the Law "On Exchanges and Exchange Activities", an exchange commodity is a product that, in terms of its qualities, structure, has uniform standard properties, is interchangeable in its main and defining parameters with the same product of another manufacturer or other lot, and must be systematically put up for auction.

Exchange trades are held daily from 9:30 to 17:00 Tashkent time, except Saturday and Sunday.

In order to create favorable conditions for domestic and foreign participants in foreign economic activity, since March 4, 2005, foreign trading platforms have been operating on the Exchange, where any volume of highly liquid

commodities can you can purchased.

In pursuance of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated March 18, 2020 No. 170 "On additional measures to introduce advanced information technologies in the activities of commodity exchanges and the consistent development of e-commerce", exchange trading was organized under "forward" contracts, providing for the sale of commodities with the condition of delivery with a delay of more than one month on transactions.

In accordance with the Decree of the President of the Republic of Uzbekistan dated March 17, 2021 No. PP-5031 "On measures to further introduce market mechanisms in the processes of selling highly liquid and monopoly goods", a new system of electronic exchange trading has been developed.

The new system of electronic exchange trading provides:

- full automation of trading processes, online accreditation of participants, as well as the possibility of their participation in exchange trading via the WEB-interface from any location;
- electronic execution of contracts using an digital signature and a QR code;
- implementation of a mechanism that excludes the possibility of external interference, an increase in the level of cybersecurity, as well as the admission of requests to the system 5 times more compared to the current electronic system;
- minimization of the human factor, as well as exclusion of the possibility of interference in ongoing exchange trading and distortion of their results.

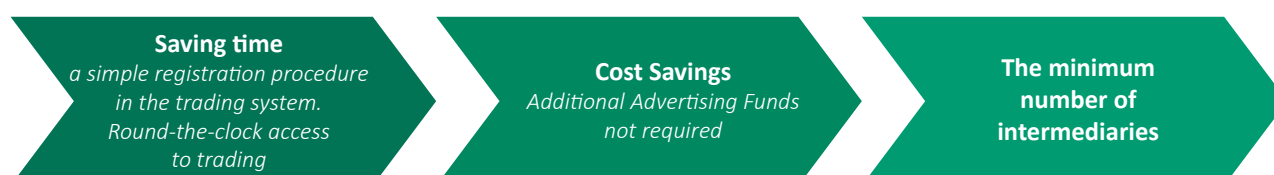
E-COMMERCE.

2.3.2. B2B online trading

B2B online auctions covers all types of commodities admitted to civil circulation, regardless of their qualitative characteristics and quantitative parameters, including goods that have individual properties, as well as those that are not systematically or rarely put up for auction.

Trades are carried out via the Internet in real time, settlements for trades are also made online.

System advantages:



2.3.3. AVTORAQAM

AVTORAQAM is a B2B and B2C trading platform for the sale of vehicles plates numbers.

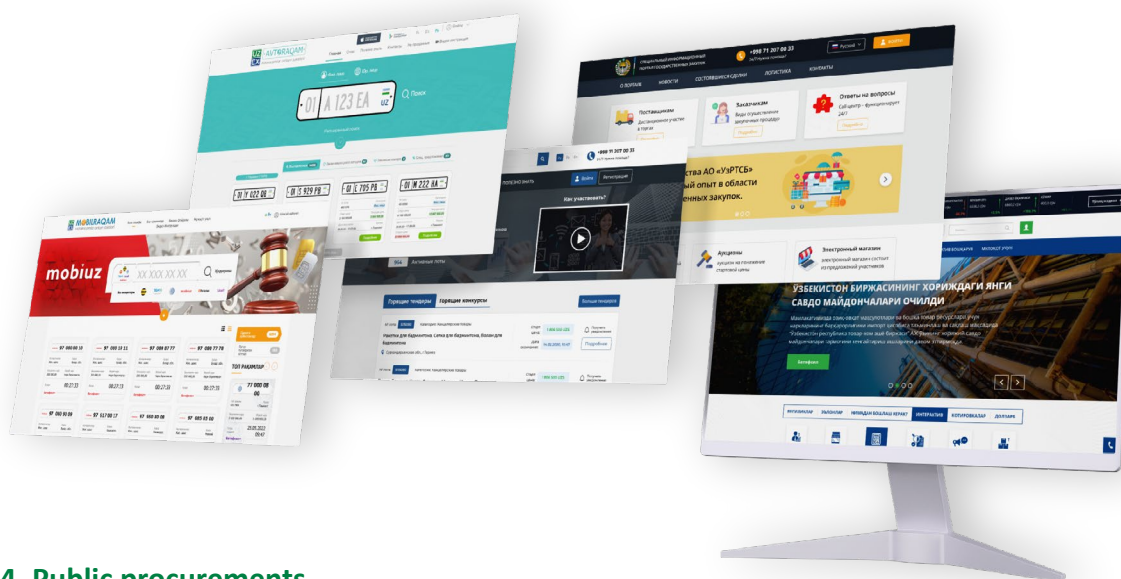
The legal basis for the sale of vehicles plates numbers is the Regulation on the procedure for holding an auction in the information system of Uzbek Commodity Exchange JSC when issuing vehicles plates to individuals and legal entities, approved by the Decree of the Cabinet of Ministers of the Republic of Uzbekistan #683 dated 31 August 2017.

The mechanism of e-auction, like other trading platforms of the Exchange, is based on the principles of openness,

transparency, competitiveness and equal access for all trading participants.

Autonomous vehicles plates are put up for auction by responsible officers of the departments of the State Traffic Safety Inspectorate of the Ministry of Internal Affairs of the Republic of Uzbekistan.

Payment method for individuals through plastic cards, which must be attached after authorization in the personal account. Legal entities pay by transferring funds, the details are indicated in the public offer.



2.3.4. Public procurements

Since 2018, the Exchange has been the operator of a special information portal for public procurement- xarid.uz.

The legal basis for conducting electronic public procurement is the Law of the Republic of Uzbekistan “On Public Procurement”, Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On Approval of the Regulations on the Procedure for Organizing and Conducting Procedures Related to Public Procurement” #276 dated May 20 2022 and other by-laws.

The public procurement portal ensures openness and

efficiency of public procurement. It gives open access to all public procurement announcements, carries out electronic procurement in the form of an electronic shop and auction.

Customers and suppliers bid exclusively using an electronic digital signature. Bidding is carried out in the form of a reverse auction.

This system uses the mechanism of guaranteed transaction security through the clearing house.



2.3.5. MOBILRAQAM

MOBILRAQAM is an electronic trading system of the Exchange for the sale of paid subscriber numbers with a demanded combination of numbers through an online auction.

Both legal entities (B2B) and individuals (B2C) can participate

in the online auction as buyers. The trading mechanism, like other UZEX trading platforms, is based on the principles of openness, transparency, competitiveness and equal access for all trading participants.

CLIENTS		PLATFORMS	INFORMATION PRODUCTS
			Trading volumes for 2022 (billion soums)
	Total:		137 881,9
	Exchange trading		100 315,4
	including;		
35 307 legal entities	▶ Highly liquid products		89 786,9
3 565 legal entities	▶ Other products		5 026,5
97 legal entities	▶ Export		631,2
284 legal entities	▶ Import		4 870,8
719 legal entities	B2B online trading		501,7
28 550 legal entities	Public procurements		16 578,3
17 922 legal entities	Corporate procurements		20 170,1
111 670 individuals	AVTORAQAM		277,4
5 178 legal entities			26,8
2 808 individuals	MOBILRAQAM		9,2
77 legal entities			2,9

3. MISSION PRIORITIES OF THE DEVELOPMENT STRATEGY

3.1. Mission, vision and development directions

In order to maintain in the future the growth rate of the commodity exchange's turnover, expand the services provided to customers, as well as given the need to reduce dependence on the sale or real goods on the exchange (SPOT) market, the following key areas of the development, areas of responsibility, **mission and vision of the exchange**:

Development directions	Areas of responsibility	Mission
<ol style="list-style-type: none"> 1 Development of the central counterparty as a key infrastructure element* 2 Cooperation with leading foreign exchanges and communities 3 Modernization IT infrastructure and provision information security 4 Introduction of new mechanism trading-futures and two-way auction 5 State procurements and e-commerce 6 Development of "UzEx Innovation" LCC 7 Implementation of national indices "UzEx" 8 Quantity expansion services rendered 	<p>Expanding role in economics</p> <p>The Commodity Exchange will continue introduce new trading mechanisms, Improvement of their software products and quality services, Maintain service best offer world exchanges</p> <p>A culture of trust and responsibility</p> <p>The Exchange team will continue promote a culture of compliance regulatory requirement, business standards and rules behavior. The exchange will provide reliable functioning and cyber resilience key exchange information systems infrastructure</p>	<p>Build trust, efficiency and innovation, creation mutually beneficial conditions for commodity markets and in the field e-commerce at help with innovative solutions. Be at the level of the best international exchanges, providing reliable access to all traded goods and execution of a wide range customer needs.</p>

**as implementation progresses, only for new commodity derivatives, including future*

Creation on the basis of the Settlement and Clearing chambers of the commodity exchange of the Central counterparty, as a key infrastructure element on the futures market (on the market derivative financial instruments)

A particularly important role in the structure of the exchange is occupied by a clearing department that serves more than **60** thousand clients, all trading platforms of the exchange and makes more than **10** thousand transactions per for day over **700** billion sums.

Development of the Central Counterparty (CC) in the market derivative financial instruments is the next step in launching commodities trading derivatives. In particular, the introduction of this mechanism allows market participants to manage risk, and minimize transaction costs.

The Central Committee is an infrastructural organization of the financial market, which bears the risk of default financial market participant for the delivery of money or a financial asset through that becomes the sole counterparty for all transactions with

derivatives market participants.

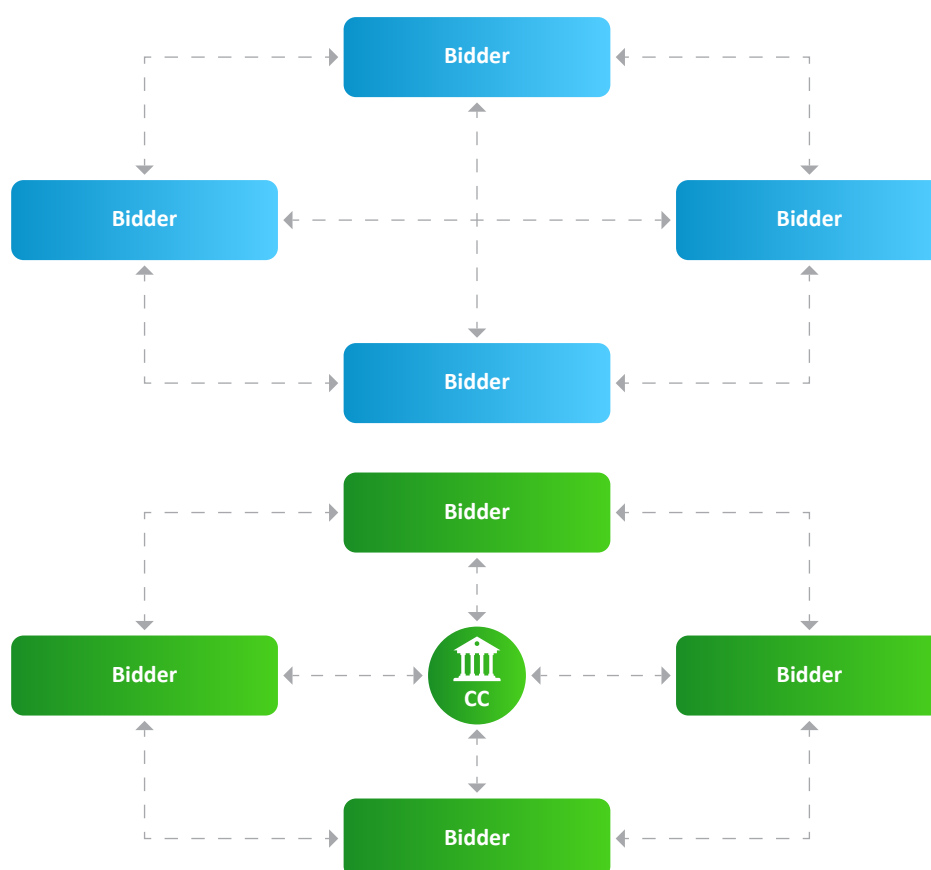
The CC becomes a seller for each buyer and buyer for each seller of a commodity derivative:

- With the Central Committee, the transaction is divided in half in such a way that the first transaction- obligations arise between counterparty (seller) and the Central Committee, on the second- between the counterparty (buyer) and the Central Committee;
- CC becomes legal party to two transactions and the original transaction between counterparties A and B ceases to exist;
- The Central Committee guarantees the fulfillment of obligations under concluded transactions before each bona fide by the clearing participant, regardless of the execution other clearing participants of their obligations.

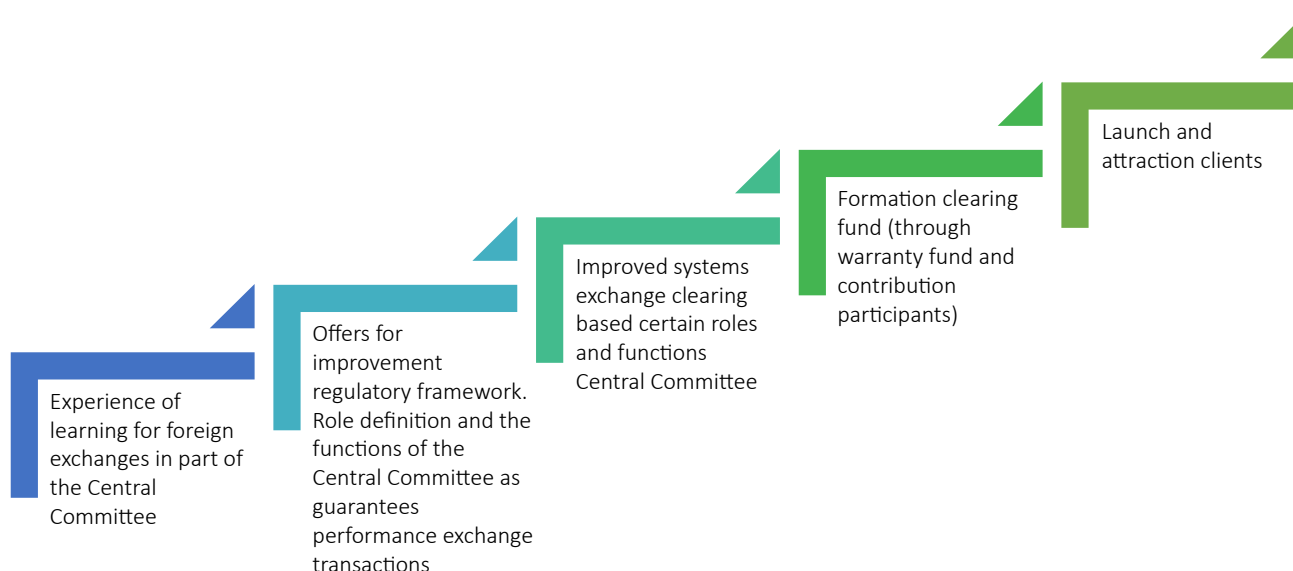
The Central Committee, being an intermediary between the parties to the transaction, directly interacts with each of the trading counterparties, therefore, bears counterparty risk on transact with each of them. The main goal of the development of the Central Committee is to build effective risk management systems for counterparties on transactions with derivatives and reduce the cost of exchange transactions for trading participants (brokers and their clients) at the expense of effective

management of collateral for transactions, netting mechanism.

Priority aims to provide participants exchange market with affordable risk management methods when concluding exchange transactions. In turn, the Central Committee will contribute to the development of the derivatives market, as well as introduction of new tools that provide a guarantee fulfillment of obligations.



Establishment of the Central Commodity Exchange basis of the Settlement and Clearing Department will be carried out in **5 stages**:



Strengthening the importance of the Exchange on international arena through cooperation with leading foreign exchanges and communities

The exchange pays special attention to strengthening and expansion of ties with the world's leading stock exchanges and foreign partners, expansion of activities foreign trading platforms, as well as an increase in the volume and nomenclature of prisoners on the exchange export-import transactions. In order to strengthen the relevance and recognition on international arena The Exchange is actively cooperating with international associations, federations and associations.

In the International Association of Exchanges of the CIS countries (IAE CIS) regained participation as a full member Associations, in order to expand cooperation, development international, exchange and financial relations, improving the organizational structure, determination of priority directions in development. In order to exchange experience and create exchange commodity futures markets, expanding the range of provided exchange trading tools, system implementation conclusion of futures and forward transactions on the stock exchange, Commodity Exchange joined the Association of Futures Markets (AFM), as a full member. To the Federation of Euro-Asian Stock Exchanges (FEAS) the exchange joined FEAS as an observer.

The Commodity Exchange joined FEAS as an observer. During the first meeting of the Joint Commission on the level of heads of government of the Republic of Uzbekistan and the Russian Federation signed a Memorandum on cooperation between the Exchange and the Russian-Uzbek business council providing:

- promoting the development of trade and economic cooperation between business entities Parties;
- support for the development of entrepreneurship, improvement investment climate in the Russian Federation and the Republic of Uzbekistan based on the use possibilities of modern information and communication technologies, exchange and electronic trading instruments.

Memorandums were also signed with international financial institutions of the Russian Federation:

- a Memorandum was signed with Transcapitalbank PJSC on

cooperation providing for the introduction maintenance and improvement mechanism infrastructure for settlement operations of the Exchange's clients through correspondent accounts of the PAB "Trustbank" in PJSC "Transcapitalbank", with optimization settlements of exchange trading on foreign trade transactions, simplification of procedures for the execution of transactions and improvement settlement operations

- Memorandum signed with Asia Invest Bank JSC on cooperation between providing for the introduction maintenance and improvement mechanism infrastructure for settlement operations clients of the Commodity Exchange, with the optimization of settlements of the exchange trade on foreign trade transactions, simplification procedures for the execution of transactions, as well as on mutual promotion and exchange of experience in the field of countering legalization of proceeds from crime activities, and the financing of terrorism.

- with Roseximbank JSC, Russian Export center" an agreement was reached on opening to Roseximbank of a separate LORO account, according to which go calculations only for exchange transactions with the opening ruble accounts and settlements on them.

Work in this area will continue and in the coming years will develop according to the following directions:

- Expansion of networks of foreign trading platforms exchanges, including countries in Europe, America and Asia;
- Bilateral cooperation and exchange experience with the world's leading stock exchanges;
- Attracting large foreign manufacturers and sellers for socially significant and high domestic demand for goods;
- Cooperation with the Association of Futures Markets (AFM), Federation of Euro-Asian Stock Exchanges (FEAS), Commodity Futures Trading Commission (CFTC) and other specialized organizations.

Modernization of IT infrastructure and providing information security

Key areas of development and main the function of the exchange is to conduct electronic trading, modernization of IT infrastructure and electronic trading systems.

Also, one of the most important tasks of the exchange is ensuring information and cyber security electronic systems and conducted auctions.

The exchange as an operator and organizer of electronic trading, is a high-tech company. Daily on more than 6 thousand transactions and more than 5 thousand transactions are concluded on the stock exchange counterparties participate in the auction

High growth rates and turnover of the exchange require uninterrupted operation of electronic systems. In this connection a powerful IT infrastructure has been created and a data center capable of ensure the smooth operation of 15 electronic trading platforms. Development and modernization of automated information systems, introduction of new modules e-commerce are carried out by their own by the Commodity Exchange, which excludes technological dependence from foreign developers.

Implemented measures to restrict access to information systems by the level of authority users, anti-virus protection,

control network connections and their protection from external threats.

In part, modernization of IT infrastructure the following events are planned:

- Creation of an electronic hypermarket for retail trading in a simplified way to enter the market e-commerce in the form of "B2C";
- Development of mobile applications for electronic exchange trading systems
- Modernization of the electronic clearing system in order to act as a Central Counterparty;
- Further automation of work in order to speed up business processes, including using blockchain technologies;
- Improving existing information and communication technology exchange, by increasing network bandwidth;
- Modernization of engineering infrastructure of the center data processing (DPC) and server equipment;
- Commissioning of a backup data center.

In part, providing information and cybersecurity are planned:

- Implementation of the Information Security Policy and confidential information protection regime;

- conducting an audit of the state of ensuring cybersecurity;
- passing certification according to the international information security standard ISO/IEC 27001:2013.
- Ensuring full logging of events and actions users in electronic systems;
- Software improvement detection and notification of external interventions into electronic systems;
- Ensuring centralized control and interception the maximum possible number of channels communications to prevent leaks corporate and malicious information activity by expanding the functionality and coverage of the DLP (Data leak prevention)
- Backup (archiving) of information information systems;
- Acquisition of licenses for operating systems and data management systems;
- Hardware (virtual) redundancy of servers, routers, switches, storage systems data;
- Creation of fault-tolerant and scalable network infrastructure with the ability to implement protection networks from hacking, intrusions and various attack

Public Procurement and Electronic Commerce

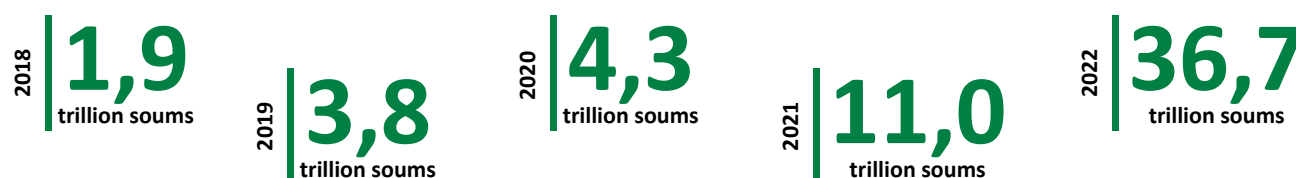
Public procurement is one of the main and fast-growing directions of the Exchange. Yes, common volume of concluded transactions in public procurement in 2022 amounted to **33.5** trillion sums, which is 3 times higher than volume of the previous year.

It should be noted that as an operator of electronic public procurement systems, three other operators represent the

market:

- JV LLC "HT Kharid Tehnologiya";
- State Unitary Enterprise "Center for Digital Transformation";
- Information system "Shaffof Qurilish". At the same time, thanks to many years of experience and a huge customer base, the main share of public procurement belongs to the Exchange.

The trend of turnover in the electronic public procurement system for the last 5 years looks like this:



In order to maintain a leading position in the field organization of electronic public procurement, as well as creating amenities for government customers and suppliers, the following tasks are defined:

- Further automation of the evaluation procedure proposals of participants in the selection of the best proposal and tender, by integrating databases with relevant ministries and departments (State Statistics Committee, State Tax Committee, Central Bank, Ministry of justice, etc.);
- Implementation of a supplier rating system based on advertising campaigns and integration with the "Avtoraqam" system;

- Modernization of the electronic fair system –yarmarka.uzex.uz in terms of creating opportunities for participation individuals with payment cards;
- A significant increase in turnover in the electronic commerce through the creation of separate specialized portals for government organizations based on the electronic system yarmarka.uzex.uz;
- Development of mobile applications for electronic system xarid.uzex.uz, with the possibility of subscribing to specific lot/item, status notification operations, as well as participation in auctions using an electronic digital signature;

- Development and implementation of a module for the conclusion and execution of direct contracts.

In terms of e-commerce:

- Expansion of the circle of users of electronic payment system "UzEx money" by activating
- Introduction of a mechanism for the implementation of

Implementation of new trading mechanisms – futures and two-way auction

Currently, more than **83** percent of trade Commodity Exchanges account for the spot market. Highly liquid and monopoly products secure basic Volumes sales.

Since the sellers in the spot market are large manufacturers, and transactions are made with real goods, exchange turnover is directly related to volumes production of commodity producers. This factor is also makes it difficult to predict future prices

In this regard, the development of the derivatives market and the launch bilateral counter auction is the most important task of the exchange. The implementation of this project will allow:

- create a mechanism for hedging risks from raising or lowering prices for consumers and manufacturers;
- forecasting prices for goods sold;
- provide access to exchange instruments sales for enterprises that are engaged in wholesale resale of goods.

It should be noted that in order to implement this project the regulatory framework has already been prepared and first test auctions.

Establishing a regulatory framework for derivatives trading, including futures contracts allowed emergence of new directions in the exchange market. IN in particular, the Decree of the President of the Republic Uzbekistan No. 5031-dated March 17, 2021, implementation in exchange trading of modern commodity derivatives, including futures contracts, defined as new direction of development of the national exchange.

Decree of the Cabinet of Ministers of the Republic Uzbekistan dated December 27, 2021 No. 777, Antimonopoly Committee of the Republic of Uzbekistan determined by the authorized body in the field regulation of commodity derivatives, including trading futures

This decision of the Government also approved Regulations on the procedure for trading in futures on Commodity Exchanges.

urban telephone numbers in auctions in the system mobil-raqam.uzex.uz;

- Development of a portal in the field of C2C, providing bulletin board, sales through competitive and non-competitive bidding.

In the national legislation given for the first time, the order is determined by the regulation:

- trading in futures, providing formation of the market price of the goods and the implementation settlements between the parties;
- establishing requirements for exchange members and their traders to participate in futures trading;
- regulation of relations between the client and the member exchanges, as well as clearing futures contracts and providing execution of contracts;
- settlement of disputes related to the conclusion and execution of fixed-term contracts.

The next stage in the development of the national legislation in the field of the derivatives market has become approval of the Regulations on the accreditation of brokerage offices that carry out activities on commodity derivatives, including futures, commodity exchanges and the establishment of qualification requirements for members of the exchange.

The regulation provides for the procedure for accreditation brokerage houses that trade in futures, requirements for participants in urgent trading, the procedure for admission them to participate in the auction, the establishment of qualification requirements for brokerage houses and their traders for trading in futures.

To achieve these goals, the following tasks:

- training and accreditation of brokers engaged in its activities in the derivatives market;
- introduction of new software products for derivatives trading organizations, including futures contracts;
- introduction of a risk assessment system for trading derivatives;
- provision of exchange trading participants modern tools for hedging risks.

DEVELOPMENT OF ACTIVITIES “UZEX INNOVATION” LLC

The creation of the UzEx Innovation enterprise is due to the need to introduce new software products in the field of exchange trading, as well as the creation of its own exchange ecosystems.

In particular, the resolution of the Cabinet of Ministers Republic of Uzbekistan dated March 18, 2020 No. 170 provided for:

- development of electronic software for storage and logistics marketed on the exchange products;
- further improvement of the system of electronic procurement;
- introduction of the use of an electronic account in the system mutual settlements on all trading floors of the exchange;
- development of a new software package, uniting the

electronic system of exchange trading into a single clearing system.

Building a Commodity Logistics Platform is the last step in building the exchange ecosystem, in particular from the accreditation of participants in exchange trading before the delivery of the purchased goods to the destination carried out online and controlled by the participant stock trading.

By the decision of the Government of the Republic of Uzbekistan dated December 28, 2021 No. 777, in particular, approved

Regulations on the procedure for the operation of the trading portal e-logistics for motor transport services cargo transportation, including:

- registration of clients and forwarders on the portal e-logistics;
- execution of contracts for the carriage of goods through electronic signature on transparent and competitive principles of trade;
- Establishment of information exchange with relevant government agencies for control over the process of selling and manipulating prices, and control and analysis of cargo transportation by road transport;
- settlement of concluded contracts through settlement and clearing house, by preliminary depositing collateral and providing guarantees of performance of contractual obligations;
- determination of the obligations of the parties under the terms of the contract

Introduction of commodity insurance mechanisms, as well as expanding the range of services provided by subsidiary "Uzex Innovation" are priority areas of development.

The main task of the enterprise is improvement of the service

delivery system, introduction new tools in the field of logistics and e-commerce.

To achieve these goals, the following tasks:

development and launch of a new rental portal individuals and legal entities of special vehicles (crane, tractor, excavator, concrete pump, etc.) **providing for:**

- conclusion of a contract for the lease of special vehicles on the portal;
- placement of announcements by individuals and legal persons on the portal about the need to rent special Vehicle;
- guarantee of execution of transactions by booking cash on the Exchange's clearing system;
- based on the trade portal of electronic logistics goods sold at exchange auctions, launch electronic delivery system for goods exhibition and fair trading and state procurement, including:
- consolidation of goods by creating on the portal destination route systems;
- determination of the winning carrier based on the results auction sales;
- closing a deal in public procurement for based on data in the logistics portal;
- creating an opportunity to purchase electronic insurance policies for goods carried by carriers under contracts concluded on the logistics portal;
- introduction of a mechanism for payment of electronic policies funds of the clearing participants located on the face accounts in the clearing department;
- increase in the client base of the electronic system invoices, by improving, creating additional convenience to users and integration with Commodity Exchange trading systems.

IMPLEMENTATION OF NATIONAL INDICES "UZEX"

The stock index is a composite indicator of the change prices of a certain group of assets (securities, goods, derivative financial instruments) that allow you to follow the general direction of the market in dynamics.

It should be noted that indices have a deep history. The first stock index was developed on July 3, 1884 in the United States as a journalist for the Wall Street Journal, financier, and founder of Dow Jones & Company Charles Doe. Dow Jones Transportation Average calculated for 11 largest transport companies USA. Subsequently, this indicator transferred various stages of its development and was recognized as one of the most popular indicators of the financial market and the state of the American economy. At present, the world is experiencing a severe competition between commodity indices for leadership. By most experts, including and experts of the newspaper "Wall Street Journal Europe" commodity indices in the near future may become as popular as the famous stock market indices- New York Dow Jones, London FTSE-100 or Parisian SAS-40.

Parisian SAS-40. A study of the experience of foreign exchanges shows that the introduction of commodity indices has a positive effect on trend in forecasting and analysis of

commodity markets. The key role of stock indices is formation of fair price indicators market price for a particular commodity asset, which can be used for tax, pricing, customs and commodity administration authorities government and will serve as the basis for business decision making by commercial enterprises.

To this end, the following tasks have been defined introduction of national UZEX indices, in particular:

- determination of the main commodity segments of the exchange and types of goods included in the index calculation base;
- development and approval of the calculation methodology national indices "UZEX" by product segments;
- coverage of information about national indices "UZEX" in the media;
- widespread use of national indices "UZEX" when developing investment strategies, as well as assessing economic development of the region.
- participation in the development and improvement regulatory legal acts in terms of tax administration and pricing policy when choosing optimal price level.

EXPANDING THE NUMBER OF PROVIDED SERVICES

Increasing the number of services provided by the exchange remains a priority for development. The introduction of new types of services allows the clients of the exchange reduce the time to search for the necessary information, receive timely notification of the fulfillment of obligations under deals.

In particular, the creation of paid services in all trading platforms to receive notifications (about payment, on delivery) for completed transactions, as well as the creation catalog of services, subscription to which allows you to receive services on a paid basis are the next stages expanding the number of services provided.

To achieve these goals, the following tasks:

- implementation of the practice of sending SMS notifications exchange clients about the status of completed transactions, including in online mode;
- compiling a review and analysis of the market (digest);
- introduction of top ads on trading platforms;
- provision of services on the average (including the minimum and maximum) selling price of goods in exhibition and fair trade and in the system government purchases.

4. INTEGRATION OF ESG PRINCIPLES

In recent years, global business integration principles of ESG in the activities of large companies is not just a trend but also a new reality. It is predicted that in the near future world funds will not invest in companies that do not take into account ESG principles and the sustainable development agenda in general.

These principles of the company's activities are based primarily on environmental protection, creating favorable social conditions, conscientious relationship with employees and customers and proper corporate governance.

4.1. ESG Principles

United Nations (UN) for decades advocated for corporate sustainability and sustainable investments. UN unveils ten principles of the Global Compact UN, to help companies fulfill their basic responsibilities to people and the planet, while maintaining long term-success.

In particular, the principles are grouped as follows way:

Principle № 1: Businesses must support and respect the protection of internationally proclaimed person rights.

Principle № 2: Make sure they are not involved to human rights violations.

Principle № 3: Business should support freedom of association and effective recognition of the right to conducting collective bargaining.

Principle № 4: Eliminate all forms of coercive and compulsory labor.

Principle № 5: Effective elimination of child labor.

Principle № 6: Elimination of discrimination in the world of work and occupations.

Principle № 7: Businesses should support a cautious approach to solving environmental problems.

Principle № 8: Take initiatives to increase environmental responsibility.

Principle № 9: Encourage development and dissemination environmentally safety technologies.

Principle № 10: Business must fight with corruption in all its

forms, including extortion and bribery.

The UN has also developed the principles for responsible investment (PRI) is an international organization; which contributes to the inclusion of ESG factors in the process making investment decisions. PRI offers six principles designed to guide action institutional investors seeking to include ESG factors in investment practice and results.

Principle № 1: ESG questions will be included in the processes of investment analysis and decision-making.

Principle № 2: ESG will be entered to our policies and practices procession.

Principle № 3: Seek proper disclosures on ESG matters by companies, in which we invest.

Principle № 4: Promote acceptance and implementation of the principles in the investment industry.

Principle № 5: Work together to improve our effectiveness in implementing the principles.

Principle № 6: Each of us will report on our activities and progress in implementing the principles.

PRI and the 10 principles of the UN Global treaty constitute the basic structure that can determine goals, metrics and results of ESG reporting.

Guided by these principles, companies can create a sustainable culture and a compelling value proposal based on corporate sustainability and good governance.

4.2. Implementation stages

To implement the above principles, the Commodity Exchange planned to implement following tasks:

- active use of renewable sources energy, by installing solar panels in the headquarters building and branches, as well as a complete transition stock exchange fleet for electric vehicles;
- develop a trade promotion of natural products program;
- develop new measures of social support workers;

- automat business processes to eliminate human factors;
- implement modern methods of corporate management;
- effective methods of interaction between authorities company management.

The application and integration of ESG principles into the activities of the Commodity Exchange is planned to be carried out in three stages:

2023	2024	2025
<ul style="list-style-type: none"> • ESG strategy and SDG adoption (Sustainable development goals): main impacts, tasks and roadmap. • Sustainability report: results data package activities, SDGs report. • Reporting on ESG ratings. Participation in national and international working groups ESG guidelines and regulation. 	<ul style="list-style-type: none"> • Release of a guide to the best ESG practice in reporting. • Comprehensive roadmap sustainable development of the Commodity Exchange. • Climate risk assessment based on TCFD guidelines. • Integration of ESG goals into the strategy and business processes of the Commodity Exchange. 	<ul style="list-style-type: none"> • Development of ESG competencies: trainings for employees, Supervisory advice. • Development of new products and ESG services. • Integration of ESG into the 2026+ strategy. • Updating policies and systems management in accordance with the requirements and the best practice.

6. HR AND ANTI-CORRUPTION POLICY

6.1. HR policy

The HR policy aimed at attracting highly qualified personnel will contribute to improving the quality of services provided and maximizing the profits of shareholders.

The updated organizational structure was approved by the decision of the extraordinary general meeting of shareholders dated 06/30/2022.

According to the approved structure, the staffing level is 222 units.

Further, phased work will be continued to improve the system of training and succession of personnel, as well as the system of labor incentives. To implement this task, it is planned to introduce elements of modern corporate governance by improving the mechanism for evaluating the performance of managers and employees based on KPI (Key Performance Indicator).

The principles of personnel policy are:

providing employees with opportunities for advanced training, continuous training, which increases their competitiveness, including a flexible system of employment and holidays, as well as ensuring decent wages;

implementation of a procedure for remote work of exchange employees.

For these purposes, it is planned to establish a separate "Exchange School", the functions of which are:

- advanced training of the Exchange employees in accordance with advanced international experience that meets the needs of the digital economy, with an emphasis, first of all, on skills in the analysis of exchange information, quotes, proposals for the implementation of new software products in the field of e-commerce;
- updating educational programs and standards for employees aimed at training specialists with knowledge in the field of design, administration and testing of information systems, taking into account the development of methods and means of information protection, as well as the development of

programming skills;

- improving the mechanisms for training employees in the skills and abilities of working with the Exchange's trading systems, including postproject management and the ITIL (IT Infrastructure Library) direction, taking into account their continuous improvement;

- organizing the exchange of experience, educational and practical skills, by attracting highly qualified specialists and experts (including international ones) in the system of exchange trading, for teaching at training courses, retraining and advanced training of personnel;

- training of specialists and traders in exchange trading and e-commerce.

A separate area of personnel development is the improvement of qualifications of members of the executive body and other employees in the field of standards (ISO 37001:2016 and ISO 9001:2015), corporate governance, including by obtaining qualification certificates of a corporate manager by members of the Management Board, as well as to improve the level of service.

On an ongoing basis, work is underway to improve the quality management systems for the services provided.

Work will continue to prepare for the audit of financial statements by Big Four audit companies (Deloitte Touche Tohmatsu, Pricewaterhouse Coopers, Ernst & Young, KPMG).

This will require additional training and certification of financial services employees under international programs such as CIMA, ACCA, CIPA and others.

The most important direction in the field of advanced training is IT technologies that provide the entire process of the Exchange.

During 2023-2025, work will continue with interested universities to search for talented graduates (mainly in the IT field), for them to have an internship at the Stock Exchange, as well as further cooperation.

6.2. Anti-corruption policy

Since the main task of the exchange is the organization of electronic trading based on the principles of openness and transparency, the Exchange is a significant tool to combat the shadow economy and corruption.

In this regard, the establishment of an effective anti-corruption policy at the Exchange is one of the priorities.

Given the above, as well as the increasing activity of the Exchange and the expansion of cooperation at the international level, in order to create an attractive image and attract foreign partners, the Exchange has implemented a system of compliance control and anti-corruption and is certified according to the international standard **ISO 37001:2016**.

In accordance with paragraph **5.3.2** of the **ISO 37001:2016** standard, it is necessary to ensure the access of the

anti-corruption service to the governing body, i.e. to the Supervisory Board in case there is a need to consider at the highest level any issue or problem related to corruption or the anti-corruption management system.

In the organizational structure, the dotted line shows the direct access of the Compliance Control, Anti-Corruption and Information Security Department to the Supervisory Board.

The Anti-Corruption Policy, the Regulation on Reporting and Processing Information on Corrupt Practices, the Regulations on the Procedure for Selecting Candidates and Employment, and the Procedure for Implementing Anti-Corruption Mechanisms in Interaction with Counterparties have been put into effect.

There is an ethics commission, an analysis of the risks of corruption manifestations and preventive and educational work

on anti-corruption policy with employees and members of the Exchange, including through regular meetings on the ground.

Administrative and legal measures are being improved, local acts have been revised, including the Methodology for identifying and preventing corruption risks in the activities of UzEX JSC and the Code of Ethics.

In order to improve the compliance control system and information security, the following measures are provided:

- further improvement of the procurement process aimed at minimizing corruption risks;
- regular training seminars for employees on anti-corruption policy;

- implementation of a system of measures to minimize the risks of involvement of the Exchange's employees in corruption;
- successful completion of the audit for compliance with the requirements of the International Standard ISO 37001:2016 "Anti-Corruption Management System";
- implementation of new mechanisms for responding to corruption and conflicts of interest;
- Regular holding of "Mystery Client" events in branches and a round table with bidders, as well as questionnaires among clients.

7. PUBLIC RELATIONS AND INTERACTION WITH MEDIA

Currently, active PR work is being carried out to widely publicize the activities of the Uzbek Commodity Exchange through interaction with the media and the use of its own media resources, as well as to attract entrepreneurs and other participants to exchange trading and e-commerce.

In particular, the UzReport TV channel regularly broadcasts the UZEX News corporate TV program in three (Uzbek, Russian, English) languages following the results of trading in various segments of the exchange commodity market and current exchange news.

On a weekly basis, in electronic form in two (Uzbek, Russian) languages, a weekly corporate newspaper "UZEX News" is published, which is distributed among brokers and clients of the exchange on a free basis through the corporate website and the official pages of the exchange in social networks.

Every month, press conferences, briefings, forums, as well as meetings with entrepreneurs and other public events with the participation of the media are held in the city of Tashkent and the regions of the republic.

Republican TV and radio channels regularly broadcast exclusive reports about the exchange and its trading platforms. Materials devoted to exchange activities are published in printed and electronic editions.

When negative messages about the activities of the exchange are published in the media and social networks, official statements, reactions and denials of the Uzbek Republican Commodity Exchange are prepared and published promptly, in one day.

Efficient cooperation has been established with such media and bloggers as the Yangi O'zbekiston newspaper, Internet publications Kun.uz, Daryo.uz, Spot.uz, Yuz.uz, Review.uz, UzReport.news, Podrobno.uz, telegram channels Davletov, Bakiro, Muhrim and others.

A PR campaign is being conducted through TV, radio, outdoor advertising, as well as through its own media channels and official pages on social networks. In particular, presentation, advertising and training videos about the exchange, exchange services and trading systems of the exchange are being developed.

The corporate website and official pages of the exchange in social networks are updated on a daily basis.

Quotation information is distributed on a weekly basis through the media, including O'zbekiston-24 and UzReport TV channels, as well as through the official website, corporate newspaper,

information boards and monitors.

On the government portal of open data data.gov.uz, a set of open data of the exchange is quarterly published. Mass media are regularly monitored and public opinion about the stock exchange is studied.

In order to increase the transparency of exchange and auction trading, expand the client base, as well as further develop the PR activities of the Uzbek Commodity Exchange, it is planned to implement the following PR strategies:

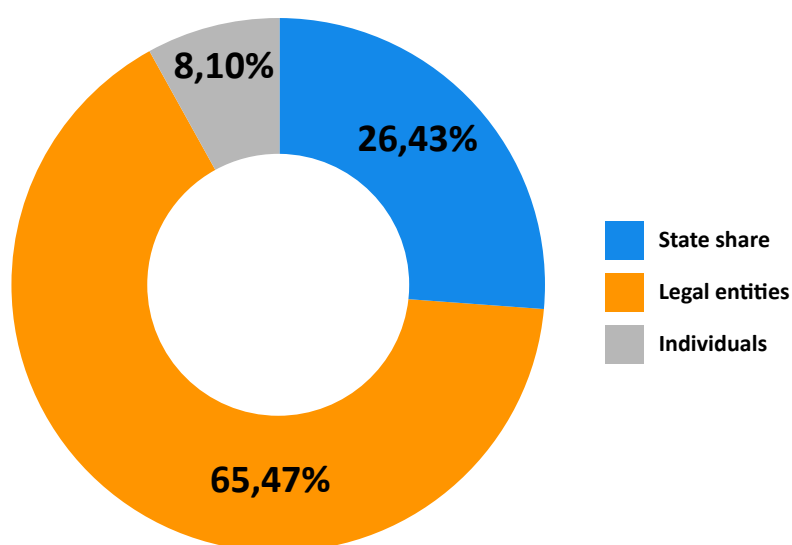
- holding press conferences and briefings to reveal the essence and the significance of the reforms carried out in the exchange sphere and other topical issues in the development of the exchange;
- organization of press tours for journalists and bloggers to the central office and territorial branches of the exchange for a closer acquaintance with exchange operations;
- increasing the stock exchange literacy of entrepreneurs, bidders, potential clients and the general public through training seminars using a trading simulator;
- conducting interviews with the leaders of the exchange for popular local and foreign media (television, radio, print and electronic publications);
- increase in the number of news materials, analytical press releases, audiovisual content and online broadcasts in social networks;
- changing the design and content of the corporate TV show and the electronic newspaper "UZEX News" taking into account modern mass media trends;
- development and dissemination of new methodological manuals, handouts, infographics and educational videos on exchange trading, electronic public procurement and other online auctions;
- promoting the UZEX brand and maintaining a positive corporate image using digital marketing tools. Targeting and using Google Analytics features in order to expand the target audience;
- verification of the official pages of the exchange in social networks to prevent fake messages. Conducting social surveys on the Google and Telegram platforms to improve the quality of exchange services, as well as to identify and eliminate problematic issues in the activities of the exchange;
- expanding cooperation with leading news agencies, popular media and bloggers.

8. CORPORATE GOVERNANCE

8.1. Share capital structure

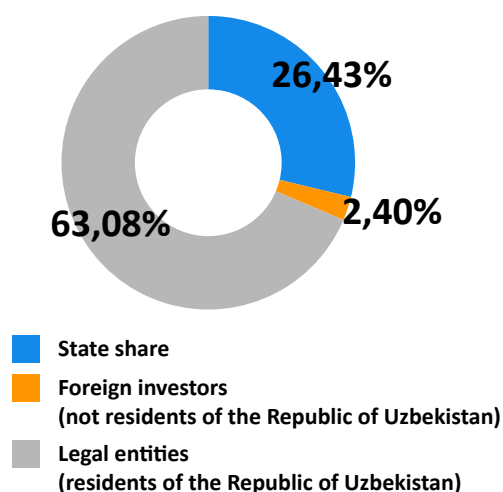
The authorized fund of the exchange was formed in the amount of **47,223,804.6** thousand UZS, the quantity of distributed shares- **74,958,420** ordinary shares, with a nominal value of **630** UZS.

EQUITY STRUCTURE
(November 09, 2022.)

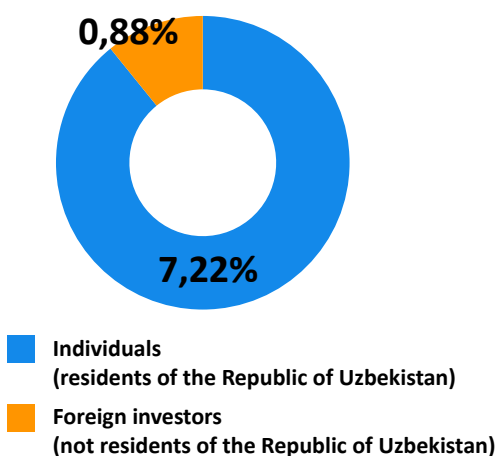


The shareholders include foreign investors with a total share of **3.28%** of the shares of JSC UZEX, in the structure of legal entities- **2.40%** (8 owners), in the structure of individuals- **0.88%** (68 owners).

Structure of legal entities
(91,90% of the authorized capital)



Structure of individuals
(8,10% of the authorized capital)



8.2. The position of JSC UZEX in the stock market of the Republic of Uzbekistan

Shares of “UZEX” JSC are included in the listing of the Republican Stock Exchange “Toshkent” and transactions with the shares of the company are regularly carried out.

In accordance with the “Methodology for assessing the liquidity of securities when they are included and found on the exchange quotation list of the RSE “Toshkent”, the shares of

“UZEX” JSC are highly liquid.

Shares of JSC UZEX are included in the class of the highest category- “Premium Class” and is the only Joint Stock Company included in this class of category among the companies included in the exchange quotation list.

Market value of shares of UzEX JSC as of:

beginning of 2022	28 500,00 UZS/1 share
end of the 1st quarter of 2022	24 000,00 UZS/1 share
the end of the 1st half of 2022	21 930,00 UZS/1 share
end of 9 months 2022	18 999,00 UZS/1 share
end of 2022	20 800,00 UZS/1 share

The Republican Stock Exchange “Toshkent” has developed a rating of listed companies. The rating is assigned by analyzing data from the site of the Unified Corporate Information Portal, statistics received from the Central Securities Depository and exchange trading data.

This Rating is calculated on a 100-point scale, the indicators used have a different weight in the final calculation. The rating data on the website of the stock exchange “Toshkent” is updated on a regular basis.

Issuer rating*

Name of the Joint Stock Company	Points for having independent members on the supervisory board	Points for the quantity of shareholders	Points for timely disclosure of the quarterly report	Points for trading days	Points for free float	Points for having a website	Final rating
“UZEX” JSC	2	5	2	5	5	1	100
“IPAK YULI” AIKB	2	3	2	5	5	1	94
“Torg Complex Chilanar” JSC	1	4	2	5	5	1	92
“Hamkorbank” JSC	2	5	2	5	3	1	90
“Uzmetkombinat” JSC	0	5	2	5	5	1	90
“Qizilqumsement” JSC	1	5	2	5	4	1	90
“Kuvaysaycement” JSC	1	5	2	4	5	1	89

*data obtained from the official website of the RSE “Toshkent” www.uzse.uz/abouts/bally_rates

8.3. Organizational structure of JSC UZEX

The updated organizational structure of JSC UZEX was approved by the decision of the extraordinary general meeting of shareholders dated 30.06.2022 and put into effect from 01.07.2022.



Note: The executive body of the Joint Stock Company "UZEX" has the right, if necessary, to change the number of employees of the exchange units within the total number.

According to the approved organizational structure, the staffing is 222 units:

No	Personnel category	According to organizational structure
	Total population limit	222
	<i>including</i>	
1	Central office	140
1.1.	<i>Administrative staff and specialists</i>	101
1.2.	<i>Technical and maintenance personnel</i>	39
2	Territorial branches	82
2.1.	<i>Administrative staff and specialists</i>	72
2.2.	<i>Technical and maintenance personnel</i>	10

For the period 2023- 2025, significant fluctuations in the staffing of JSC UZEX are not expected.

8.4. Governing bodies

The election of members of management and control bodies is carried out in accordance with the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights".

The governing bodies of the exchange are the general meeting of shareholders, the supervisory board, and the executive body.

The General Meeting of Shareholders is the supreme governing body of the exchange.

The Supervisory Board of the Exchange exercises general management of activities, except for resolving issues that fall within the competence of the general meeting of shareholders.

The composition of the Supervisory Board of "UZEX" JSC is as follows:

No	Full name of the member of the Supervisory Board	Position held	Reason (decision of the governing body)
1	Norqulov Ilhom Ibroximovich	First Deputy Minister of Economic Development and Poverty Reduction of the Republic of Uzbekistan	Decision of the Extraordinary General Meeting of Shareholders dated June 30, 2022
2	Normukhamedov Sardor Rifatovich	Chairman of the Board of the "Trustbank" PJSC	Decision of the annual general meeting of shareholders dated March 19, 2022
3	Ziyayev Aziz Abdukhakimovich	Head of the Securities division of the "Trustbank" PJSC	Decision of the annual general meeting of shareholders dated March 19, 2022
4	Karimova Makhira Shadibekovna	Advisor to the director of the «Presystem Universal» LLC	Decision of the annual general meeting of shareholders dated March 19, 2022
5	Sheraliev Utkirbek Ismanovich	Chief Specialist of the Cabinet of Ministers of the Republic of Uzbekistan	Decision of the annual general meeting of shareholders dated March 19, 2022
6	Abdukholikov Kakhramon Tokhtasinovich	Head of the Department of the Agency for State Assets Management of the Republic of Uzbekistan	Decision of the annual general meeting of shareholders dated March 19, 2022
7	Kurbanov Umidjon Abdurasulevich	Head of the Secretariat of the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan	Decision of the annual general meeting of shareholders dated March 19, 2022
8	Sharipov Toxir Miraximovich	Chief Marketing Specialist of the «ALUTEX» LLC	Decision of the annual general meeting of shareholders dated March 19, 2022
9	Xamidova Feruza Rustamovna	Deputy Chairman of the Board of the "Almalyk MMC" JSC	Decision of the annual general meeting of shareholders dated March 19, 2022

The management of the current activities of the exchange is carried out by the executive body - the Board

No	Full name of the member of the Board of "UZEX" JSC	Position held	Reason (decision of the governing body)
1	Badriddinov Ziyoviddin Bositovich	Chairman of the Board of the "UZEX" JSC	Decision of the annual general meeting of shareholders dated March 19, 2022
2	Kamolov Zulfiddin Mekhriddinovich	First Deputy Chairman of the Board for IT Technologies and Innovations	Decision of the annual general meeting of shareholders dated March 19, 2022
3	Samatov Nabikhon Subikhonovich	Deputy Chairman of the Board for Organization of Exchange Trading, Public Procurement and Development of Electronic Commerce	Decision of the annual general meeting of shareholders dated March 19, 2022
4	Prokudina Kristina Aleksandrovna	Deputy Chairman of the Management Board for Strategic Development, Finance and Corporate Governance	Decision of the annual general meeting of shareholders dated March 19, 2022
5	Khudayberdiev Kamoliddin Ustemirovich	Director of the Center for Analysis of Commodity Markets and Forecasting	Decision of the annual general meeting of shareholders dated March 19, 2022

8.5. PEST-analysis, SWOT-analysis of the activities of JSC UZEX

PEST-analysis is a marketing tool that consists in determining the political, economic, social and technological criteria that form the external environment and, accordingly, affect the company's activities and strategic planning.

The definition of political factors affecting the company's macro environment in the PEST analysis is due to the fact that public policy is the most powerful mechanism that regulates the circulation of funds and other aspects that affect the company's profit and resources.

Economic factors are the most important stimulus for the Company's business activity. They have a direct impact on the state of demand, prices, profitability and other indicators (high inflation and interest rates on loans in national currency).

Social factors are decisive in identifying the needs of potential customers of the company.

An analysis of technological factors is necessary in order to keep up with innovative and promising trends, to abandon outdated methods in time, etc.

Factor	Influence
<i>Political</i>	
Political system	Possibility of development in the conditions of market relations
Changing the legal framework	Support for business development
Tax law	Reducing the tax burden

Factor	Influence
Interstate agreement	Opportunity to enter other markets and develop international trade relations
<i>Economic</i>	
The growth of foreign exchange rates	Increasing the cost of imports
Change in supply and demand	Loss or expansion of the consumer market
Inflation	Weakening of the national currency
Foreign loans	Creation of new businesses, reduction of unemployment
Pandemic of coronavirus infection	Suspension of business activities. Sharp declines in production and consumption in major economies, disruption of global production chains and trade links, decline/increase in commodity prices and deteriorating global financial markets.
<i>Social</i>	
Population growth	Continuous production cycle
Education	Development of specialized specialties
Community culture	Development of relations in all sectors
State support	Opportunity to improve living standards
<i>Technological</i>	
Internet	Reduced time to establish connections, free and prompt access to information
Automation	Increases benefits and service delivery opportunities

SWOT analysis is one of the most common analytical methods that allows you to comprehensively assess the strengths and weaknesses of the company, as well as the opportunities and threats that affect it.

S (strengths) – Characteristics of a business that distinguish it from its competitors.

W (weaknesses) – Signs that make a company vulnerable in the market.

O (opportunities) – The company can use them to develop its business.

T (threats) – Difficulties, external factors that do not depend on the decisions made, can cause damage.

Strengths:	Weaknesses:
Reputation and brand recognition UzEx	Infrastructure maintenance costs
A wide range of products sold	
Good financial resources	
Qualified personnel	
Good working conditions and decent pay	

Strengths:	Weaknesses:
Modern infrastructure	
Wide range of bidders	
Availability of international certification	
Opportunities:	Threats:
Attracting other products to the auction	Rise in the number of competitors in the field of e-commerce
Flexible tariff policy	Changes in legislation and industry standards (may affect the business in a negative way)
Expansion of the range of exchange instruments through spot market instruments (including those based on the double counter auction technology) and derivatives for key commodity assets of the Republic of Uzbekistan	Rising risks in cybersecurity and trading continuity
	Force majeure (power outage, pandemic)

8.6. Obtaining an international credit rating

In accordance with the Decree of the President of the Republic of Uzbekistan "On expanding the use of exchange mechanisms in sectors of the economy and improving the system of regulation of exchange trading" dated November 24, 2022 No. PP-430, it was entrusted to introduce accounting and obtain an international credit rating based on the results of 2022 based on International Standards financial reporting (IFRS).

One of the factors taken into account when determining a company's ratings is country risk. As reported on June 04, 2022, the Ministry of Finance of the Republic of Uzbekistan, the International Rating Agency S&P Global Ratings, confirmed the assessment of the sovereign credit rating of Uzbekistan at the level of "BB-".

Maintaining a "stable" credit rating outlook for Uzbekistan reflects the country's ability to mitigate the effects of external shocks over the next 12 months thanks to relatively strong fiscal and external reserves.

The agency estimates that government liquid assets amounted to 22.5% of GDP, while international reserves in use amounted to 38.8% of GDP.

As factors that support the credit rating of Uzbekistan, the country's net position as an external creditor and the reduction in the burden of net public debt are named.

GDP per capita, monetary policy flexibility, accountability, and institutional maturity were listed as factors currently limiting the country's sovereign credit rating.

The report predicts that real GDP growth will slow to 3.5% by 2022 due to disruptions in foreign trade, remittances and reduced funding sources. At the same time, the agency believes that Uzbekistan will withstand external economic shocks and uncertainties and recover in the coming years (5% in 2023, an average of 5.5% in the coming years).

Economic growth will be supported by ongoing investment

programs and reforms of state-owned enterprises, including private sector development and improvement of the business environment.

Obtaining and assigning an international credit rating to JSC UZEX provides for cooperation with leading international rating organizations and work with an analytical team on:

- strategies for the development of society, in the main areas of activity, analysis of commodity markets and their forecasting;
- financial results and quality of company management;
- composition of capital, analysis of the capital structure, ownership structure, analysis of the structure of corporate governance and the composition of management bodies;
- liquidity and funding, analysis of the formation of resources (own, borrowed), analysis of assets and liabilities;
- calculation of profitability for each platform, analysis of current account balances, cash analysis;
- risk management, analysis of company management taking into account risk, the impact of uncertainty on the financial result, analysis of the system of procedures and practices in the risk management process;
- other questions arising during the interview or questionnaire.

As part of the interaction, it is planned in 2023 to obtain a private credit rating of JSC UZEX at a certain point in time. After studying the analytical information with the logic of the decision made by the international rating agency to assign a rating, the publication of a rating and dissemination of information about the assigned ratings by publishing a press release and conducting its further monitoring.

In order to apply different methodology for assigning ratings by International Rating Agencies, it is also planned to cooperate with alternative International Rating Agencies.

8.7. Strategy for the development of an integrated management system

Currently, "UZEX" JSC has an integrated management system (IMS). At the same time, the exchange is certified according to two international standards ISO 9001:2015 "Quality Management Systems" (Certificate No. QMS-0119/B issued on 03/13/2020, valid until 03/12/2023) and ISO 37001:2016 "Anti-Corruption Management Systems" (Certificate No. ABMS-0445/A issued on March 23, 2021, valid until March 23, 2024).

As part of the implementation and maintenance of the integrated management system in accordance with the requirements of the ISO 9001:2015 "Quality Management Systems" and ISO 37001:2016 "Anti-Corruption Management Systems" standards, the scope of the integrated management system (IMS) is defined activities related to organization and conduct of exchange trading, exhibition and fair trade, public procurement, as well as electronic commerce.

Within the boundaries of distribution of the IMS, the Central Office of "UZEX" JSC was determined, including all structural divisions in accordance with the current approved organizational structure of the exchange. The IMS distribution boundaries do not include trading floors (including foreign ones), as well as subsidiaries of "UZEX" JSC.

On a regular basis, "UZEX" JSC conducts work to maintain the effectiveness of the integrated management system up to date, and also takes appropriate measures to improve it. Successful

completion of certification and observational audits demonstrates the quality of the services provided by "UZEX" JSC.

Based on the results of the audits carried out by the certification body Cert International, it was noted:

- the management system is fully effective;
- the organization has fully created the conditions for maintaining the management system in working condition and its further development;
- the management system is capable of meeting current requirements and delivering expected results;- the process of conducting internal audits fully complies with the requirements of the standard;
- management review is carried out in accordance with the standard in full.

In addition, Cert International noted top management leadership as a positive aspect.

In order to ensure a high degree of confidentiality of customer information, as well as to increase the image and confidence in the exchange on the part of third-party organizations and foreign partners, it is planned for the period 2023- 2025. certification according to the International Standard ISO 27001:2013 "Information Security Management Systems". Certification in addition to ISO 27001:2013 will be an important component of the current integration system.

8.8. Strategy for further improvement of corporate governance of "UZEX" JSC

Further improvement of the corporate governance of JSC UZEX is aimed primarily at strict observance of the rights and legitimate interests of shareholders, as well as on the balance of interests of JSC UZEX and its shareholders in determining the amount of dividend payments, to increase the investment attractiveness of JSC UZEX.

In pursuance of Presidential Decree No. 6096 dated October 27, 2020 "On measures to accelerate the reform of enterprises with the participation of the state and the privatization of state assets", work will continue throughout 2023 to further introduce corporate governance and financial audit, as well as measures to improve operational efficiency.

As part of the implementation of the Strategy for the management and reform of enterprises with state participation for 2021-2025 (approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 166 dated March 29, 2021), an inventory of local documents of JSC UZEX and a revision of internal regulations of enterprises (charters, policies, provisions) taking into account the norms of the management strategy, as well as changes in the current legislation of the Republic of Uzbekistan.

Also, it is planned to maintain the practice of the liability insurance mechanism for members of the Supervisory Board and the Executive Body- the Management Board.

As part of the company's activities and in order to ensure the availability of information on the securities market to interested

parties, further work on the timely disclosure of information and ensuring the display of information on the corporate website of JSC UZEX, the Unified Corporate Information Portal and the website of the Republican Stock Exchange "Toshkent".

In terms of assessing the results of the effectiveness of management systems, work will continue:

- in compliance with the basic principles and recommendations of the Corporate Governance Code, the management of JSC UZEX is considered an effective tool for improving the efficiency of enterprise management, aimed at ensuring its long-term and sustainable development.
- on compliance with the recommendations of the Corporate Governance Rules for enterprises with state participation, approved by the minutes of the meeting of the Commission on improving the efficiency of joint-stock companies and improving the corporate governance system dated April 20, 2018 №15 will focus on improving the mechanism for disclosing information and ensuring the transparency of the activities of JSC UZEX.
- on the application of criteria for evaluating the effectiveness of the activities of joint-stock companies to determine the effectiveness of the activities of the executive body of the organization, in accordance with the Regulations.
- on criteria for evaluating the effectiveness of the activities of joint-stock companies and other business entities with a state share (approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated July 28, 2015 №207).

At the same time, material incentives for members of the Management Board depend directly on the performance indicators of JSC UZEX, developed in accordance with the Regulations on the criteria for evaluating the performance of joint stock companies and other business entities with a state share (Appendix to the Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated July 28, 2015. №207), and material incentives for members of the Supervisory Board- from the effectiveness of the corporate governance system.

By the decision of the Extraordinary General Meeting of Shareholders of JSC UZEX dated November 19, 2019, the Regulations "On the payment of remuneration to members of the Supervisory Board and the Audit Commission of JSC UZEX were approved, which meets the requirements of the Resolution of the Cabinet of Ministers №356 dated April 26, 2019 "On measures to further improvement of the state assets management system".

In order to implement the Decree of the President of the Republic of Uzbekistan dated November 24, 2022 № PP-430 "On expanding the use of exchange mechanisms in sectors of the economy and improving the system for regulating exchange trading, it is planned:

- organization of work on assigning an international credit rating to JSC UZEX, based on the assessment of the company's assets in accordance with international standards, using financial statements in accordance with International Financial Reporting Standards (IFRS), as well as an audit of a report prepared in accordance with IFRS in accordance with with International Standards on Auditing (ISA).
- involvement in an independent audit of the financial statements of the exchange based on the results of 2022, based on international auditing standards, one of the Big Four audit organizations.

In order to improve the efficiency of corporate governance for the period 2023-2025, it is planned to:

- Ensuring transparency of corporate management of the exchange;
- Improving the performance of management bodies through the application of successful corporate governance practices;
- Application of criteria for evaluating the effectiveness of joint-stock companies to determine the effectiveness of the executive body;
- Inventory of local documents of the exchange and revision of internal regulations (charters, policies, regulations) taking into account the norms of the strategy, as well as changes in the current legislation of the Republic of Uzbekistan;
- Conducting an independent assessment of the corporate governance system;
- Maintaining the practice of liability insurance mechanism for the members of the Supervisory Board and the Executive Body- the Management Board;
- Organization of work on assignment of an international credit rating and its monitoring;
- Involvement of "big four" audit firms in an independent audit of the financial statements of the stock exchange.
- Attracting a foreign professional to the Supervisory Board of the company as an independent member.