

«APPROVED»
by the decision of annual
general shareholders' meeting of
«KOKAND BIOCHEMICAL»
June 20, 2020 year

H.A.Omonov _____

Chairman of the meeting signature

JOINT-STOCK COMPANY

«KOKAND BIOCHEMICAL»

REGULATION

ON THE SUPERVISORY BOARD

2020 year

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1. GENERAL PROVISIONS

1.1. The present Regulation on the Supervisory Board (hereinafter, the Regulation) of Joint-Stock Company «KOKAND BIOCHEMICAL» (hereinafter - the Company) is developed in accordance with the Law of the Republic of Uzbekistan “On the joint-stock companies and protection of the shareholders’ rights” (hereinafter – the Law), the Charter of the Company (hereinafter – the Charter), recommendations of the Corporate Governance Code approved by the Commission on increase of effectiveness of joint-stock companies activity and improvement of corporate governance system (the Minutes dated 31.12.2015 № 9).

1.2. The Supervisory Board of the Company performs the general management of the Company’s activity, except for solution of the issues attributed by the Law and the Charter of the Company to the competence of the General Shareholders’ Meeting.

1.3. The distribution of functions among members of the Supervisory Board is carried out by the Chairman of the Supervisory Board specifically for each member of the Supervisory Board.

2. COMPETENCE OF THE SUPERVISORY BOARD

2.1. The Supervisory Board of the Company performs the general management of the Company’s activity, except for solution of the issues attributed to the competence of the General Shareholders’ Meeting.

2.2. Competences of the Supervisory Board of the Company:

- hearing regular reports of the Executive Body on the implementation of parameters of the company’s business-plan as well as definition of priority directions of the Company’s activity with of the Company on the measures taken to achieve the development strategy of the Company;
- convocation of annual and extraordinary General Shareholders’ Meetings, except for cases stipulated by the Law;

- preparation of the agenda, definition of a date, time and place of conduct of the General Shareholders' Meeting;
- definition of a date of formation of a register of the shareholders of the Company for notification on conduct and participation in the General Shareholders' Meeting;
- entering the issues subject to resolution by the General Shareholders' Meeting as stipulated by the Paragraph 2 of the Part I of the Article 59 of the Law of Republic of Uzbekistan «On Joint Stock Companies and protection of rights of shareholders»;
- arrangement of definition of a market value of the property;
- creating, election (appointment) of members of the executive body of the Company (except for its chairman), pre-term termination of their powers;
- holding a competition for the appointment for the position of the chairman and members of the executive body of the company, approval of the procedure for participation in the competition, for the position of the Executive Body, as a result of the objective principles selection high-qualified leaders who meet modern requirements as well as participation of foreign managers on a competitive basis;
- setting the amount of remuneration and (or) compensation to be paid to the executive body of the company;
- appointment of the corporate adviser and approval of the Regulation defining the order of his/her activity;
- endorsement of the annual business plan of the Company not later than December 1 of fiscal year;
- creating of the Internal Audit Service and appointment of its staff-members, as well as quarterly hearing their reports;
- access to any documents concerning activity of the Executive Body of a Company and their reception from the Executive Body for execution of duties assigned to the Supervisory Board of a Company. The received documents may be used by the Supervisory Board of a Company and its members only for the official purposes;
- adoption of the decision on auditing, including auditing of financial reports prepared in international standards in accordance with international standards;
- making a decision on conducting an audit (except for a mandatory audit), on determining an audit organization, the maximum amount of payment for its services and concluding (terminating) an agreement with audit company;

- giving recommendations on sizes of remuneration and compensation to be paid to the members to the Auditing Committee (an auditor) of the Company;
- giving recommendations on a size of dividends, form and order of their payment;
- using of the Reserve Fund and other funds of the Company;
- creation of branches and opening the representative offices of the Company;
- creating of affiliated and associated companies (they are formed in the form of joint-stock companies or limited liability companies);
- approval of the decision on conclusion of a large transaction in accordance with the Chapter 8 of the Law of Republic of Uzbekistan «On Joint Stock Companies and protection of rights of shareholders»;
- making a decision on a transaction with an affiliated entity (person) in accordance with the Chapter 9 of the Law of Republic of Uzbekistan «On Joint Stock Companies and protection of rights of shareholders»;
- making a decision on transactions connected with participation of the Company in commercial and noncommercial organizations, in the order established by the Legislation;
- definition of the placement (offer) price of shares (put on a stock exchange and organized off-exchange securities market);
- approval of the decision to issue securities and an issue prospectus;
- entering changes and (or) additions to the decision on the issue of securities (shares, bonds) and the issue prospectus;
- approval of the decision on charitable (sponsorship) or gratuitous assistance in the procedure and conditions established by general shareholders' meeting as well as by informing about it shareholders in accordance with the legislation;
- creating committees (working groups) under the Supervisory Board including members of the Supervisory Board, the Executive Body, Company's employees and attracted experts (from relevant industry professionals, teachers of higher education institutions etc.), including committees on issues related to the identification and resolution of conflicts and other issues. groups) to solve related issues including identifying and solving conflict situations;
- the right for pre-term termination the contract concluded with head of the Executive body and its members in case of violation of the terms of the agreement;
- adoption of amendments and addenda to increase the Charter fund of the Company, as well as to introduce changes and additions to the Charter of

the Company on increasing the Charter fund of the Company and reducing the number of issued shares of the Company;

- definition of the placement (offer) price of shares (on a stock exchange and organized off-exchange securities market) in accordance with the Article 34 of the Law of Republic of Uzbekistan «On Joint Stock Companies and protection of rights of shareholders»;
- adoption of a decision on issue by the Company of the corporate bonds, including those convertible into shares;
- adoption of a decision on issue of the derivative securities;
- adoption of decisions on the buyback of the corporate bonds of the Company;
- formation of the Executive Body of the Company, election (appointment) of its head, pre-term termination of his/her powers;
- establishment of the sizes of remuneration and compensation to be paid to the Executive Body of the Company;
- approval of the annual business plan of the Company.
- resolving other issues in accordance with the legislation.

2.3. To implement the recommendations of the Corporate Governance Code the Company's Supervisory Board has the following to do:

- coordinating the executive body, internal management body and when it needed involvement of experts to monitor the progress and coordination of the achievement company's goals;
- coordinating the development measures to adopt the organizational structure of the company in accordance with legislation including implementation and regular evaluation, as well as the publication of annual financial reports in accordance with the International Financial Reporting Standards;
- control over the implementation of corporate governance recommendations.

2.4. To the competence of the Supervisory Board may also be attributed solution of other issues in accordance with the legislation and the Charter of the Company.

2.5. The issues attributed to the competence of the Supervisory Board of the Company shall not be transferred to resolution by the Executive Body of the Company.

3. ELECTION OF THE SUPERVISORY BOARD'S MEMBERS

3.1. Members of the Supervisory Board are elected by the General Shareholders' Meeting in the order stipulated by the Law and the Charter of the

Company, for a period of one year. Quantitative membership of the Supervisory Board of the Company is 9 (nine) people.

3.2. At least one of the members of the Supervisory Board (but not less than 15 per cent of the members of the Supervisory Board indicated in the Charter) that meets the criteria of independent members reflected in the Corporate Governance Code is recommended and elected by the majority shareholders. In the absence of an independent member, the company announces the reason for non-compliance with the corporate governance code.

3.3. Persons elected to membership in the Supervisory Board of the Company may be re-elected without limitations.

3.4. Head of Executive Body of the Company and its members shall not be elected into membership of the Supervisory Board. Persons working in the Company under the labour agreement (contract) shall not be members of the Supervisory Board of that same Company.

3.5. Pre-term termination of the powers of an elected member of the Supervisory Board is carried out by decision of the general shareholders' meeting when a shareholder changes, a member of the Supervisory Board violates his/her duties, a corresponding statement of the Supervisory Board and other cases prescribed by legislation.

3.6. Requirements to persons to be elected into membership of the Supervisory Board may be established by the Charter of the Company or a decision approved by the General Shareholders' Meeting.

3.7. Applicants nominated for the Company's Supervisory Board should have certificate of Corporate manager (in joint-stock companies with a state shares) or certificate of corporate governance academic center.

3.8. Election of members of the Supervisory Board shall be performed by the cumulative voting.

3.9. At the cumulative voting the number of votes belonging to each shareholder shall be multiplied by number of persons, who shall be elected to the Supervisory Board of the Company, and a shareholder is entitled to give the votes, received in this way, entirely for one candidate or distribute them among the two or more candidates.

3.10. Candidates who collected the largest number of votes shall be considered elected to the Supervisory Board of the Company.

4. ELECTION OF THE CHAIRMAN OF THE SUPERVISORY BOARD

4.1 The Chairman of the Supervisory Board is elected by members of the Supervisory Board from among its members by a majority of votes.

4.2 The Supervisory Board is entitled to re-elect its Chairman by the majority of votes of the total number of members of the Supervisory Board.

4.3 The Chairman of the Supervisory Board shall organize its work, convene meetings of the Supervisory Board and preside at them, organize record-keeping at meetings, preside at the General Shareholders' Meeting.

4.4 In case of absence of the Chairman of the Supervisory Board, one of members of the Supervisory Board performs his/her functions.

5. ORDER OF CONDUCTING MEETINGS OF THE SUPERVISORY BOARD.

5.1. A meeting of the Supervisory Board of the Company is convened by the Chairman of the Supervisory Board on his/her own initiative, at a requests of a member of the Supervisory Board, the Auditing Committee (an auditor), Executive Body of the Company as well as by a shareholder (shareholders) being owners of not less than one percent of the voting shares of the Company or by other parties prescribed in the Charter of the Company.

5.2. The quorum for conduct of a meeting of the Supervisory Board must not be less than seventy five percent of the number of elected members of the Supervisory Board.

5.3. In a case when the quantity of members of the Supervisory Board becomes less than seventy five percent, the Company convenes an extraordinary General Shareholders' Meeting for election of the new membership of the Supervisory Board. The remained members of the Supervisory Board shall be entitled to adopt a decision on convocation of such an extraordinary General Shareholders' Meeting, and also in case of pre-term termination of powers of Director may appoint a person temporarily acting as a head.

5.4. The meeting of the Supervisory Board of the Company is convened by the chairman of the Supervisory Board at least once a quarter. At the meeting, it is mandatory to consider:

- report of the executive body on the implementation of the annual business plan of the Company, on the measures taken to achieve the development strategy of the Company, on the work done and the achievement of performance indicators of enterprises that are part of the Company, approved by their business plans, as well as other internal documents of the Company;
- report of the Internal audit service;
- conclusion of the Auditing Committee on existence of transactions with affiliated entities (persons) or the large transactions at the Company, as well as observance of the legal requirements and internal documents of the Company for conclusion of such transactions.

5.5. Owners of ordinary shares of no less than 1% of the company have the right to demand a meeting of the Supervisory Board and make a proposal on the agenda.

5.6. Decisions at a meeting of the Supervisory Board shall be adopted by the majority of votes of the present members. At resolving the issues at a meeting of the Supervisory Board each member of the Supervisory Board possesses one vote. Except the cases stipulated by the Law of Republic of Uzbekistan «On Joint Stock Companies and protection of rights of shareholders», the Charter of the Company.

The Chairman of the Supervisory Board has the right of casting vote for at adoption by the Supervisory Board of a decision in case of equal quantity votes of members of the Supervisory Board.

The decision on increase in the Charter Fund of the Company, as well as issues on entry of amendments and addenda into the Charter of the Company shall be adopted by the Supervisory Board unanimously.

The decision on conclusion of a large transaction, the subject of which is being the property, the book value or value of acquisition of which constitutes from fifteen to fifty percent of a size of a Company's net assets taken by a date of adoption of a decision on conclusion of such a transaction, shall be adopted by members of the Supervisory Board of a Company unanimously, at that the votes of retired members of the Supervisory Board shall not be taken in the account.

5.7. The Supervisory Board studies the information on a transaction with an affiliated entity (person) and, not later than fifteen days since a date of receipt by the Company of the affiliated entity (person)'s written notification, adopts a decision on the transaction.

5.8. In case if two and more members of the Supervisory Board are being affiliated entities (persons), a decision on the transaction shall be adopted on the General Shareholders' Meeting in the order and terms established by the present Law.

5.9. An affiliated entity (person) of the Company is not entitled to participate in discussion and does not have a right to vote at adoption by the Supervisory Board or the General Shareholders' Meeting of a decision on this transaction.

5.10. The decision on approval of a transaction with an affiliated parties is adopted by members of the Supervisory Board participating in the meeting unanimously.

5.11. Transfer of a vote from one member of the Supervisory Board to another is not allowed.

5.12. At a meeting of the Supervisory Board the minutes shall be recorded. Minutes of a meeting of the Supervisory Board is composed not later than ten days after its conduct. Minutes of meeting specifies the followings:

- date, time and place of its conduct;
- persons being present at the meeting;
- the meeting's agenda;

- issues put to a vote, voting results on them;
- the adopted decisions.

5.13. Minutes of a meeting of the Supervisory Board shall be signed by members of the Supervisory Board participating in the meeting, who bear responsibility for correctness of the minutes' formation.

5.14. To keep minutes of the meeting of the Supervisory Board of the Company, by resolution of the Supervisory Board may be appointed the Secretary of the Supervisory Board, who is not a member of the Supervisory Board, and it can be paid remuneration to Secretary.

5.15. Meeting of the Supervisory Board may be conducted in way of making the survey, except the cases when at the meeting reports of Auditing Committee, Internal audit service's and Executive body's are being presented.

5.16. The decisions of the Supervisory Board of the Company may be taken by absentee voting (by survey) by all members of the Supervisory Board unanimously.

5.17. If technical means are available, members of the Supervisory Board may participate in a meeting of the Supervisory Board in conference mode using audio and video equipment, while their votes for decision-making are not considered absentee voting. Also, a meeting of the Supervisory Board may be held by video conferencing.

5.18. Minutes of a meeting of the Supervisory Board shall be transferred for execution to the Director of the Company on the day of its signing. In case of adoption by the Supervisory Board of a decision on convocation of the General Shareholders' Meeting, information on this decision is transferred to the Director of the Company on the day of conduct of that meeting of the Supervisory Board.

5.19. Members of the Supervisory Board and its Chairman in the exercise of their rights and the performance of their duties should act in the interest of the Company. They are responsible to the Company and its shareholders in accordance with, the legislation, current Regulation and the Charter.

6. RIGHTS AND OBLIGATIONS OF THE SUPERVISORY BOARD

6.1 A member of the Supervisory Board has the right to:

- to personally participate in the meeting of the Supervisory Board, to speak on the issue discussed at the meeting within the time allowed by the order;
- receive complete and reliable production, as well as financial information about the current status of work, the main results for a certain period of time and plans for the development of production, business and commercial activities of the Company;
- to the members of the Supervisory Board of the Company for the period of fulfillment of their duties may be paid remuneration and (or) reimbursement of expenses related to the performance of the functions of

members of the Supervisory Board (if the general meeting of shareholders made such a decision);

- in accordance with the financial results of the Company and with the received positive conclusions of an independent evaluation of the corporate governance system, held at least once a year, remuneration may be paid to members of the Supervisory Board by decision of the general meeting of shareholders;
- other rights stipulated by the legislation and the Company's charter.

6.2 Obligations of members of the Supervisory Board are:

- if a member of the Supervisory Board, either alone or with his/her affiliates, has an interest in the transaction by the Company, they should inform the Company about his/her affiliation in the Company's transaction by sending a written notification detailing the information on the proposed transaction and the essential conditions of the relevant agreement;
- The members of the Supervisory Board do not have the right to use the capacity of the Company (property or non-property rights, opportunities in the sphere of business activity, information on the activities and plans of the Company) for personal enrichment;
- members of the Supervisory Board are obliged to carry out their duties in good faith, as well as in the manner that they consider best in the interests of the Company;
- if a member of the Supervisory Board is absent at meetings of the Supervisory Board for not valid reasons twice, he may not be paid material remuneration (bonuses) for the year or part of material remuneration (compensation).

7. RESPONSIBILITY OF MEMBERS OF THE SUPERVISORY BOARD

7.1. While exercising their rights and fulfilling their duties, members of the Supervisory Board of the Company act in the interests of the Company and bear responsibility in the established manner.

7.2. If the responsibility is being born by several persons, their responsibility before the Company presents being the joint responsibility.

7.3. Members of the Supervisory Board who did not participate in the voting or who voted against the decision that caused losses to the Company are not liable, with the exception of cases established by Article 90 of the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights".

7.4. A company or a shareholder (shareholders) being owners of not less than one percent of the placed shares of the Company may apply to a court with a claim

against a member of the Supervisory Board, for compensation of the losses caused to the Company.

7.5. Members of the Supervisory Board of the Company are responsible for the inadequate performance of their duties to the Company and its shareholders in accordance with the laws and the Charter the Company.

7.6. In case the Chairman or members of the Supervisory Board of the Company violates the Company's charter or cause losses to the Company by their actions (inaction), on the basis of a decision of the general meeting of shareholders, they may be exempted from their functions.

8. ORDER OF DETERMINING THE AMOUNT OF REMUNERATION TO MEMBERS OF THE SUPERVISORY BOARD

8.1. In accordance with the decision of the general meeting of shareholders, members of the Supervisory Board are paid remuneration based on the results of an independent assessment of the corporate governance system and the financial performance of the Company.

8.2. The Company annually, at least once a year, conducts an independent assessment of the corporate governance system and the financial performance of the Company.

8.3. The results of the independent evaluation is used as the basis for to determine the amount of remuneration (bonuses) paid to the Chairman and members of the Supervisory Board.

8.4. According to the results of an assessment carried out by an independent organization in accordance with the concluded agreement, the results of the activities of the Supervisory Board may be considered unsatisfactory, low, satisfactory and high.

8.5. In addition, the Chairman and members of the Supervisory Board may be paid remuneration (bonuses) for the effective management of the Company in the current year, including for the state of the corporate governance system, as well as for fulfilling the parameters of the business plan.

8.6. Remuneration (bonuses) to the Chairman and members of the Supervisory Board is paid based on the results of the fiscal year.

8.7. The total amount of additional annual remuneration (compensation) to the Supervisory Board may be up to 1 (one) percent of the total net profit gained by the Company and is carried out at the end of the fiscal year.

8.8. The total amount of additional annual remuneration to the Chairman and members of the Supervisory Board is established in accordance with the decision of the general meeting of shareholders.

8.9. The total amount of additional annual remuneration is distributed in the following order:

- Chairman of the Supervisory Board - 22%;
- members of the Supervisory Board - 78%.

8.10. The amount of additional annual remuneration to a member of the Supervisory Board may be reduced if he/she did not participate in more than half of the meetings of the Supervisory Board over the past year or improperly performed the tasks and tasks assigned to him/her by the Supervisory Board.

8.11. This Regulation and the decision of the general meeting of shareholders are the document of the basis for the payment of additional annual remuneration to the Supervisory Board.

8.12. Calculation and payment of additional annual remuneration is carried out by the Company's accounting department, on the basis of the order of the head of the executive body.

8.13. If during the year the powers of a member of the Supervisory Board pre-term terminated, the calculation and payment of additional annual remuneration to him/her is made on results of the actual performance of his/her duties as a member of the Supervisory Board of the Company.

9. FINAL PROVISIONS

9.1. Providing members of the Supervisory Board with the necessary materials, as well as for relations with shareholders and investors is responsibility of the Service of corporate relations with shareholders or specialist on securities or corporate secretary.

9.2. Those guilty of violating the requirements of the Regulation are responsible in the prescribed manner.

9.3. If certain articles of the Regulation conflict with the current legislation of the Republic of Uzbekistan and / or the Charter of the Company, those articles become invalid and in part of the issues regulated by those articles should be guided by the norms of the current legislation of the Republic of Uzbekistan and / or the Charter of the Company until such amendments are made to the Regulation.