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European Bank
for Reconstruction and Development

Corporate Governance in Transition Economies

Kyrgyz Republic Country Report (2022 Update)

December 2022

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The report is based on information available at the end of January 2022.

If you believe that the information has changed or is incorrect, please contact Pavle Djuric at djuricp@ebrd.com

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The team is grateful for the assistance provided by all parties involved in this exercise.

In particular, the team would like to acknowledge the precious assistance offered by GRATA International.

This Report – along with all other country reports prepared within this initiative – is available at: http://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/sector-assessment.html

Foreword

As part of its Legal Transition Programme, the European Bank for Reconstruction and Development ("EBRD") has been assessing the state of legal transition in its countries of operations. These assessments provide an analysis of the progress of reform and identify gaps and future reform needs, as well as strengths and opportunities.

In 2012, the Legal Transition team within the EBRD Office of the General Counsel (LTT) developed with the assistance of Nestor Advisors a methodology for assessing corporate governance frameworks and the governance practices in the EBRD countries of operations. This assessment was first implemented in 2014-2015 (the "Assessment") and is being updated since then.

The Assessment aims at measuring the state of play (status, gaps between local laws/regulations and international standards, effectiveness of implementation) in the area of corporate governance

The Assessment is meant to provide for (i) a comparative analysis of both the quality and effectiveness of national corporate governance legislation (including voluntary codes); (ii) a basis to assess key corporate governance practices of companies against the national legislation; (iii) an understanding whether the legal framework is coupled with proper enforcement mechanisms (e.g., sanctions) and/or with authorities able to ensure proper implementation; (iv) a support to highlight which are the major weaknesses that should be tackled by companies and legislators for improving the national corporate governance framework; and (v) a tool which will enable the EBRD to establish "reference points" enabling comparison across countries. This country report is part of a series of 37 country reports.

Methodology

This Assessment is based on a methodology designed to measure the quality of legislation in relation to best practices requirements and the effectiveness of its implementation as evidenced by companies' disclosure, also taking into consideration the capacity of the institutional framework (e.g., courts, regulators) to sustain quality governance. The analytical grid developed for assessing the governance framework is based on international recognised best-practice benchmarks (e.g., OECD Corporate Governance Principles, Development Financial Institutions, EBRD, IFC and World Bank ROSC governance methodologies). The methodology is applied identically across all the countries reviewed. The process for gathering, analysing and reporting information is applied identically for each of the countries assessed, which allows comparing countries to each other across a long a set of benchmarking points.

For the purpose of the Assessment, the corporate governance framework and the practices were divided in five key areas: (i) Structure and Functioning of the Board; (ii) Transparency and Disclosure of company information; (iii) Internal Control; (iv) Rights of Shareholders; and (v) Stakeholders and Institutions. Each of these key areas is further divided in sections (for instance, the area "Structure and Functioning of the Board" is divided in five sections: Board composition; Gender diversity at the board; Independent directors; Board effectiveness; and Responsibilities of the board). Each section is further divided in subsections (for instance, the section "Independent Directors" is divided in three subsections: "Requirement to have independent directors"; "Definition of Independence"; and "Disclosed practices").

The findings included in the Report derive from in depth analysis by the EBRD corporate governance specialists and consultants under two dimensions: (i) by looking at the applicable framework and at (ii) the disclosure offered by the ten largest (listed) companies in each country. In this respect, the working hypothesis was that the ten largest listed companies are those offering the best disclosure in each country. As such, we presumed that when certain practices were not disclosed by them, they were unlikely to be disclosed by smaller or unlisted companies. The ten largest companies were identified according to their market capitalisation. When a country did not have a stock exchange, there were less than ten listed issuers or there were no data on capitalisation of issuers, the ten largest companies were identified according to their revenues and size of the labour force. In case the largest companies were mostly of one sector (e.g., financial institutions), then the sample of ten companies was corrected to reflect other sectors of the economy.

In the Kyrgyz Republic the sample consists of the largest ten listed companies representing the banking (three companies), manufacturing (two companies), mining (one company), logistics (one company), telecommunications (one company), energy (one company) and food (one company) sectors.

The validation of all findings was undertaken by the corporate governance specialists within the Legal Transition Team through additional desktop research. This research was conducted both on legislation and on the practices disclosed by the largest (listed) companies (e.g., companies' websites, annual reports, stock exchanges database etc.). In addition, the relevant reports by international financial institutions (e.g., IMF, World Bank, IFC, Transparency International, etc.) were analysed and taken into consideration. Answers received by respondents that were not grounded by specific references to legislation or consistent with the disclosed practices were not taken into consideration.

Following the validation process, each subsection was compiled by adding specific references to legislation and practices. Conclusions were then formulated for each subsection, each rated as per their adherence to international governance standards. The score ranges from 1 (very weak) to 5 (very strong). The rating for each section was then calculated by averaging the ratings of the subsections.

Because understanding corporate governance requires a "holistic perspective", where each component needs to have a place in the overall picture – pretty much like a puzzle - in case one of the subsection was rated "weak" or "very weak", the resulting average was decreased by 0.2; in case more than one subsection was rated "weak" or "very weak", the resulting average was decreased by 0.5. This is because if just one component is not fitting well with the others, then all others are weakened. Similarly, the overall strength diminishes if there are more weak components.

Conversely, in order for the framework to be strong, all components need to be well fitting with each other. Hence, in case all subsections were scored "moderately strong" or "strong", then the resulting average was increased by 0.5. However, this "positive" adjustment was used with some care as the assessment looked at the top ten largest companies in the country, hence findings tended to be often overly optimistic.

Key areas were then rated according to the same criteria.

The ratings are presented through the colours detailed in the box below and they demonstrate the adequacy or need of reform in respect to each governance area and section.

Rating:

"Strong to very strong" (DARK GREEN) - The corporate governance framework / related practices of companies are fit-for-purpose and consistent with best practice.

"Moderately strong" (LIGHT GREEN) - Most of the corporate governance framework / related practices of companies are fit-for-purpose but further reform is needed on some aspects.

"Fair" (YELLOW) - The corporate governance framework / related practices of companies present some elements of good practice, but there are a few critical issues suggesting that overall the system should be assessed with a view of reform.

"Weak" (ORANGE) - The corporate governance framework / related practices of companies may present few elements of good practice, but overall the system is in need of reform.

"Very weak" (RED) - The corporate governance framework / related practices of companies present significant risks and the system is in need of significant reform.

We believe corporate governance cannot be captured and measured simply by numerical values. Hence, alongside the "quantitative" assessment obtained according to the methodology described above, a "qualitative" assessment was also undertaken, by classifying our findings for each section as "strengths" and "weaknesses". Because understanding corporate governance requires a "holistic perspective", when the "quantitative" assessment was finalised, the assessment team compared it with the "qualitative" assessment, and when any inconsistency (i.e. material weaknesses or strengths) was noticed, the average scores of the sections were adjusted by up to ±0.5.

A preliminary version of the Assessment is made public for consultation. The comments and corrections received during the process will be analysed by the corporate governance specialists. When confirmed, the corrections will be reflected in the final ratings and in this Assessment.

Overview

Legislative Framework

The primary sources of corporate governance legislation in the Kyrgyz Republic are the Law on Joint Stock companies; the Law on Banks and Banking Activity (as amended in 2016 and replaced by a new law in 2022 which introduces no new provisions in the area of corporate governance); the Law on Securities Market, the Law on Business Partnerships and Companies, the Violations Code (that was in force between 2019 and 2021) and the Resolution N32/7 of the National Bank of the Kyrgyz Republic on Principal Requirements for the Audit Committee.

The Law on Joint Stock ("**JSC Law**") companies applies for banks established as joint-stock companies to the extent it does not contradict the Law on the National Banks and Banking Activity.

A National Corporate Governance Code ("**CG Code**") was enacted in December 2012 and approved by the Order of the Executive Council of the State Service for Regulation and Supervision of the Financial Market in the Kyrgyz Republic. The Code is voluntary and does not seem to be widely taken as a reference.

Structure and functioning of the board

Joint stock companies ("**JSCs**") are organised under a two-tier board system, with the supervisory body (called "board of directors") comprising only non-executive board members, and a separate executive board (called a "management board") consisting of executives only. Members of the executive body cannot be supervisory board members. Companies with less than 50 shareholders can decide not to establish a board of directors. The boards of the ten largest listed companies are small, with an average of 4.6 members. Evidence shows that smaller boards tend to perform better, provided there is sufficient support and diversity of skills, but this does not seem to be the case in the Kyrgyz Republic. Gender diversity on the boards of ten largest companies is very limited (8.1%).

Qualification requirements exist for board members of banks, while for board members of companies there are no such requirements. Listed companies (companies that have conducted or are conducting a public offering of securities) and banks are required to have at least a third of independent board members on their boards of directors. However, only one company from our sample discloses having independent directors on its board, which points to a major shortcoming in implementation of this requirement given all companies in the sample are listed.

Banks' boards of directors are required to establish risk management committees (with two out of three members independent), audit committees (two out of three members of which must be independent), and nomination and remuneration committees (where one out of three members must be independent). Out of four banks in the sample, only one discloses having committees, which points to issues in implementation of the mentioned requirement. Listed companies are not required to have board committees. Other board committees are only recommended and they seem to be rare.

The law requires companies to have a corporate secretary function and three companies in our sample seem to comply, but the actual role played by corporate secretary seems to be merely administrative. There is no developed practice of board evaluation.

The JSC Law does not refer to all key functions that should be performed by the board. The law explicitly mentions the approval of strategy and oversight of management; however, the board is not clearly assigned with the authority to approve the budget, the company's risk profile and key governing policies.

The legal framework on directors' duties is not well developed. Liability of board members and conflict of interest are regulated by law; nevertheless, legislation does not seem to be comprehensive. Also, the judicial practice and case law in this area are limited.

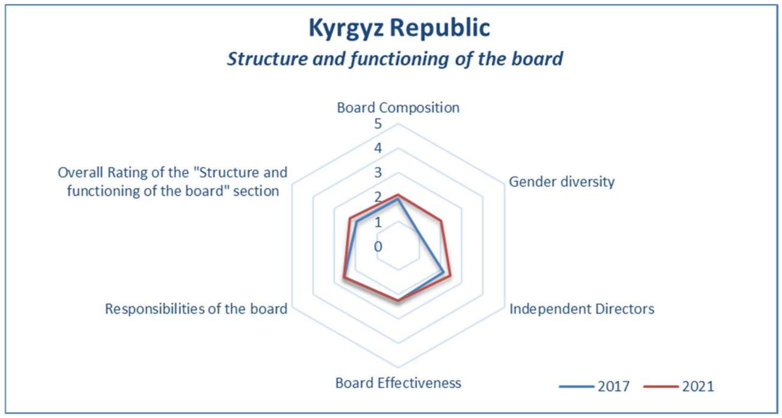
Progress since previous report:

Since 2017, there have been some positive developments in the area of independence of boards. With the adoption of the new banking law in 2016, qualification requirements for banks' boards were revised and elaborated. While the requirement for the number of independent board members was decreased from 50% to one third (which is more realistic given the size of the market, but still does not seem to be well implemented), the definition of independence for banks' board members became more detailed and comprehensive.

The JSC Law was revised, which resulted in the requirement for companies conducting a public offering of securities to have at least 30% of "independent members" in their boards. The CG Code's criteria of independence were largely replicated in the JSC Law.

The size of the board increased slightly to 5.25 members up from 4.8 members. Gender diversity on boards went up from 7.3% to 8.1%, but still remains very limited.

The chart aside highlights the ratings assigned to the subsections related to the "Structure and functioning of the board" in 2017 and 2021. The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the 'web', the closer the corporate governance legislation and practices of the country approximates best practices. Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5. Source: EBRD, Corporate Governance Assessment 2021.



Transparency and Disclosure

The law requires listed companies, including banks, to prepare and disclose quarterly and annual reports, which should include both financial and non-financial information. Quarterly reports must be disclosed in print/electronic media and the stock exchange's website whereas for annual reports online disclosures are voluntary.

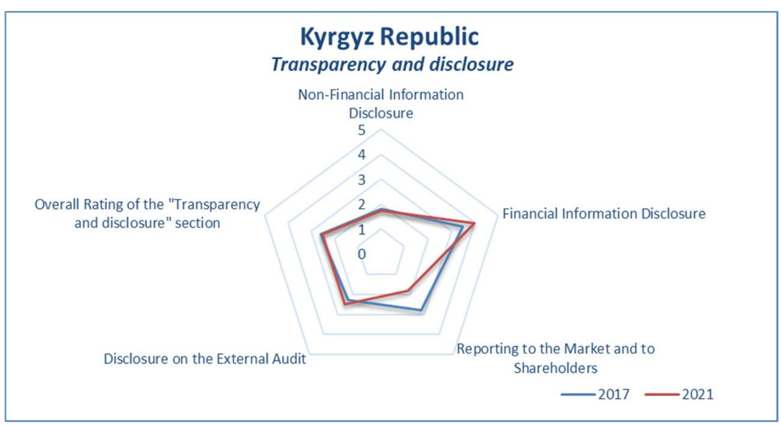
Disclosure on boards' and committees' (when present) qualifications, meetings and activities is very limited. Companies do not disclose transactions in company's shares undertaken by executives or board members. All companies in the sample companies have financial information in line with IFRS.

Companies and banks are required to have an external audit and to disclose the auditors' report, however only four out of the ten largest listed companies seem to comply with this requirement. Auditors can provide non-auditing services. This is a shortcoming and should be carefully monitored as it might undermine the auditor's independence. Unfortunately, no company seems to disclose any information on that.

Progress since previous report:

The Code of the Kyrgyz Republic "On Violations" No. 58 (and its successor, No. 128), introduced higher fines for non-disclosure of information required by law. We have recorded minor improvements in disclosures of annual reports, strategic statements, major shareholders, number of shares, total capital and compliance with IFRS, that was offset by limited disclosures of GSM minutes and some financial information. More companies reported being audited by "independent" auditors.

The chart aside highlights the ratings assigned to the subsections related to the "Transparency and Disclosure" in 2017 and 2021. The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the 'web', the closer the corporate governance legislation and practices of the country approximates best practices. Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5. Source: EBRD, Corporate Governance Assessment 2021.



Internal Control

Internal audit and compliance functions are mandatory and well regulated in banks; however, it was impossible to understand the extent to which banks in our sample adhered to these requirements due to very limited disclosures on the matter. The law sets clear requirements for the composition of the audit committee in banks, which is to be composed of at least three board members (two out which must be independent), but on this the disclosure is also very limited as there seems to be only one bank in the sample disclosing having an audit committee. There is no requirement for an audit committee for listed companies. Instead, companies are required to establish a “revision commission”, appointed by the GSM and reporting to it. The effectiveness of this body is questionable.

There is a legal requirement for listed companies to undergo external audits and four out of the ten largest listed companies disclose their financial statements audited by an external auditor. The JSC Law provides for definition of related parties. Related parties (including board members) shall inform the board, the revision commission and the auditor about their holding and prospective transactions. Listed companies are required to disclose information on RPTs to the securities market regulator, mass media in the quarterly and annual reports, drawn up by the company. However, it is not clear how the law is implemented and enforced in practice, especially if there is no requirement to establish an independent audit committee.

An external auditor is selected by the board and appointed by the GSM. The law requires the external auditor to be independent, but it is not clear who should run the “independence test”. External auditors of banks must be rotated every five years, while no similar requirement exists for companies. Provision of non-auditing services by the external auditor is restricted for banks but allowed for companies, which can negatively affect auditors’ independence.

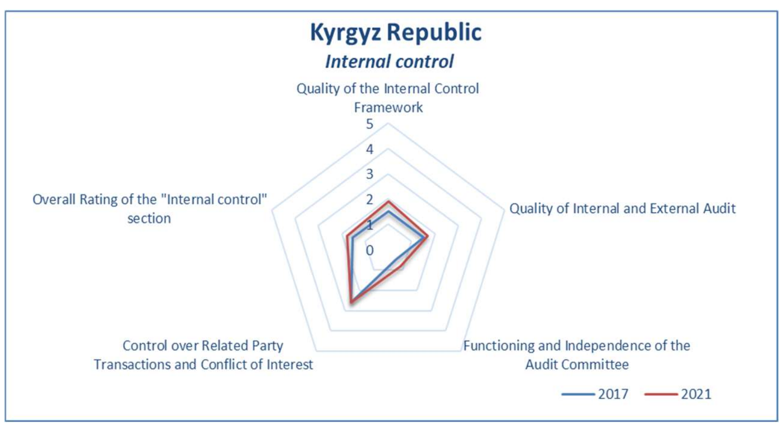
There is no requirement for the adoption of a code of ethics and none of the largest companies discloses having one. There is no comprehensive whistleblowing legislation in place. The JSC law, the Banking Law and the CG Code do not provide specific definitions for conflict of interest and/or affiliated party transactions in the context of board decisions. There are no national rules regulating prevention of corruption in the corporate sector.

Progress since previous report:

The legislative framework governing banks has been strengthened with the adoption of the new Banking Law in 2016. Banks are now required to establish a separate compliance unit, absence of which was highlighted as a major shortcoming during the previous assessment. Since 2016, external auditors of all companies are appointed by the GSM, which is in line with our assessment’s recommendation. Also, the requirement for the independence of external auditors was raised with the introduction of the rotation requirement on a five-year cycle and the ban to act as an external auditor for two years after providing non-auditing services to the bank.

In terms of practices, only three companies disclosed having a revision commission, which is a decrease since the previous assessment (but only four companies made disclosure in this regard). However, despite positive developments in the banking regulatory framework, the overall rating for this key area remains unchanged as there do not seem to have been any major improvements in the general corporate legislation or companies’ practices.

The chart aside highlights the ratings assigned to the subsections related to the “Internal Control” in 2017 and 2021. The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the ‘web’, the closer the corporate governance legislation and practices of the country approximates best practices. Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5. Source: EBRD, Corporate Governance Assessment 2021.



Rights of Shareholders

Shareholders representing at least 1% of the shares may nominate candidates to the board and include additional items on the agenda of the GSM. Shares carry voting rights in proportion to their value.

Shareholders have cumulative voting rights and the right to access corporate documentation. Supermajority is required for major corporate decisions. Shareholders owning at least 10% of the company's shares can call a GSM.

RPTs are regulated by law and in all cases of related party transactions, the auditor must be informed and a comparison with the market value of the transaction must be provided. Information on RPTs should be included in the annual reports. However, disclosures on this matter are limited. Insider trading is regulated by law. There is no evidence, however, that insider trading regulation is well enforced in practice. Significant ownership variations must be disclosed. Registration of shareholding by an independent registry is required by law. Free transferability of shares of listed JSCs cannot be restricted with certain exceptions provided by the law.

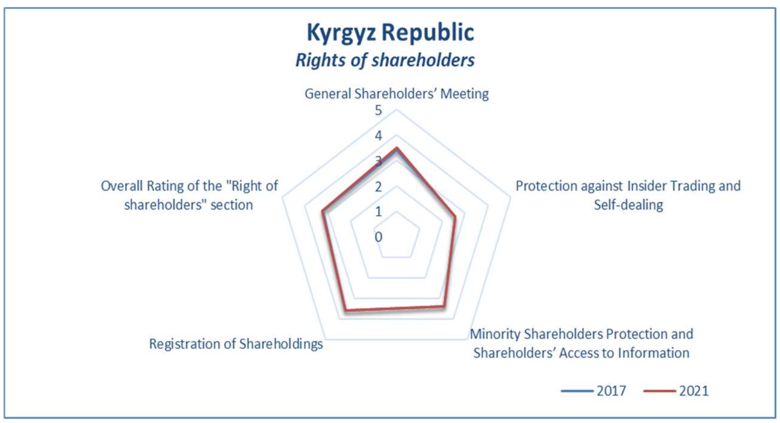
Asking questions at GSMs and cumulative voting procedures remain to be the weaknesses in the current legal framework. Supermajority provisions are clearly defined and application of one-share-one-vote principle by default is a major strength.

Minority shareholders' rights are generally protected by the law, but pre-emptive rights of shareholders can be waived if so provided by the articles of association. No explicit regulation on shareholders' agreements with lack of consolidated case law on their enforcement. There is not enough evidence on effective enforcement of disclosure of variations of significant

Progress since previous report:

The threshold for calling the GSM was lowered from 20% to the current 10% in 2017 allowing more shareholders to exercise their right to call GSM, in line with the recommendation provided in the 2017 assessment. The JSC Law has allowed the GSM to adopt a resolution to remunerate board members which suggests that shareholders have a right to vote for remuneration policy unless otherwise is provided by the company's charter/internal documents. However, these changes did not trigger a change in the overall rating for this key area.

The chart aside highlights the ratings assigned to the subsections related to the "Rights of Shareholders" in 2017 and 2021. The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the 'web', the closer the corporate governance legislation and practices of the country approximates best practices. Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5. Source: EBRD, Corporate Governance Assessment 2021.



Stakeholders and Institutions

The institutional framework supporting good corporate governance needs improvement.

A CG Code exists since 2012. The existing CG Code contains recommendations on good corporate governance practices, but it does not have mandatory legal force (not even in terms of reporting requirements), does not seem to be taken as a reference by the market and does not seem to have a body that would monitor its application by listed companies.

International law firms, largest audit firms and international rating agencies are present in the country.

The stock exchange has limited capitalisation and liquidity. The number of listed companies on the stock exchange is limited. Stock exchange's website appears to be timely updated with information. While the website of the KSE provides information on the number of transactions, no details are publicly available.

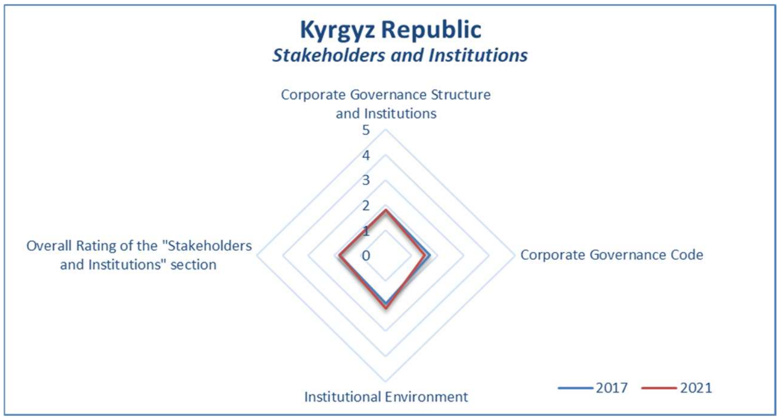
Indicators by international organisations show a framework under an urgent need for reform, where corruption is still perceived as a critical problem.

Progress since previous report:

Information on court decisions is publicly available via a specialised website, which has been improved over the years. There have been major improvements on the availability of information on court decisions and independent courses promoting good corporate governance standards in the country. At the same time, the rulings of regulatory agencies are often undisclosed. Court practice does not seem to refer to the CG Code.

The KSE has changed a listing system. Instead of the "International Listing" segment that required listed companies to have significantly higher corporate governance standards, a four-category listing system was introduced.

The chart aside highlights the ratings assigned to the subsections related to the "Stakeholders and institutions" in 2017 and 2021. The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the 'web', the closer the corporate governance legislation and practices of the country approximates best practices. Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5. Source: EBRD, Corporate Governance Assessment 2021.



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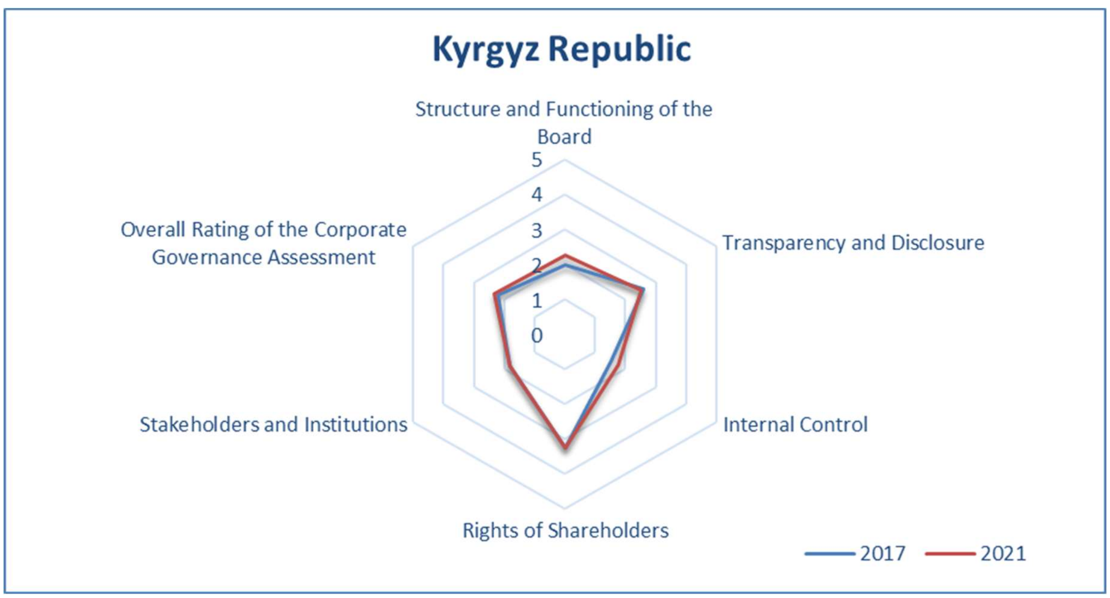
Corporate Governance Legislation and Practices in the Kyrgyz Republic (overall results)



Source: EBRD, Corporate Governance Assessment [Red Line – 2021, Blue Line – 2017]

Note: The extremity of each axis represents an ideal score, i.e., corresponding to the standards set forth in best practices and international standards (e.g., OECD Corporate Governance Principles). The fuller the 'web', the closer the corporate governance legislation and practices of the country approximates best practices.

Key: Very weak: 1 / Weak: 2 / Fair: 3 / Moderately Strong: 4 / Strong to very strong: 5

Key Areas and Rating	Strengths and Weaknesses
1. Structure and Functioning of the Board *Weak/Fair* *(overall rating improved from the 2017 assessment)*	*Joint stock companies ("**JSCs**") are organised under a two-tier board system, with the supervisory body (called "board of directors") comprising only non-executive board members, and a separate executive board (called a "management board") consisting of executives only. Members of the executive body cannot be supervisory board members. Companies with less than 50 shareholders can decide not to establish a board of directors. The boards of the ten largest listed companies are small, with an average of 4.6 members. Evidence shows that smaller boards tend to perform better, provided there is sufficient support and diversity of skills, but this does not seem to be the case in the Kyrgyz Republic. Gender diversity on the boards of ten largest companies is very limited (8.1%).* *Qualification requirements exist for board members of banks, while for board members of companies there are no such requirements. Listed companies (companies that have conducted or are conducting a public offering of securities) conducting a public offering of securities and banks are required to have at least a third of independent board members on their boards of directors. However, only one company from our sample discloses having independent directors on its board, which points to a major shortcoming in implementation of this requirement given all companies in the sample are listed.* *Banks' boards of directors are required to establish risk management committees (with two out of three members independent), audit committees (two out of three members of which must be independent), and nomination and remuneration committees (where one out of three members must be independent). Out of four banks in the sample, only one discloses having committees, which points to issues in implementation of the mentioned requirement. Listed companies are not required to have board committees. Other board committees are only recommended and they seem to be rare.* *The law requires companies to have a corporate secretary function and three companies from our sample seem to comply, but the actual role played by corporate secretary seems to be merely administrative. There is no developed practice of board evaluation.* *The JSC Law does not refer to all key functions that should be performed by the board. The law explicitly mentions the approval of strategy and oversight of management; however, the board is not clearly assigned with the authority to approve the budget, the company's risk profile and key governing policies.* *The legal framework on directors' duties is not well developed. Liability of board members and conflict of interest are regulated by law; nevertheless, legislation does not seem to be comprehensive. Also, the judicial practice and case law in this area are limited.* ***Progress since previous report:*** *Since 2017, there have been some positive developments in the area of independence of boards. With the adoption of the new banking law in 2016, qualification requirements for banks' boards were revised and elaborated. While the requirement for the number of independent board members was decreased from 50% to one third, the definition of independence for banks' board members became more detailed and comprehensive.* *The JSC Law was revised, which resulted in the requirement for companies conducting a public offering of securities to have at least 30% of "independent members" in their boards. The CG Code's criteria of independence were largely replicated in the JSC Law.* *The size of the board increased slightly to 5.25 members up from 4.8 members. Gender diversity on boards went up from 7.3% to 8.1% but still remains very limited. Due to the above positive developments, the overall rating for this key area has been improved from "Weak" to "Weak/Fair".*
1.1. Board Composition *Fair* *(rating improved from the 2017 assessment)*	***Strengths:*** • *Large JSCs, including banks, are organised under a two-tier board system. All ten companies from the sample are organised under a two-tier system.* • *In JSCs, including banks, executive directors cannot be members of the board of directors.* • *Eight out of the largest ten listed companies disclose names of their board members. Although this is positive, it is weaker than for the previous report, when all ten sample companies were found to disclose this.*

Key Areas and Rating	Strengths and Weaknesses
	• *Banks are required to have audit committees and risk management committees, with each of them made up of at least three board members (where two board members, including the chair of the committee, must be independent), and nomination and remuneration committees, made up of at least three board members including an independent one. All mandatory committees in banks shall be composed of qualified board members.* • *The CG Code recommends companies to set up strategic, audit, appointment, and other committees.* • *In line with the JSCs Law, the board shall have an odd number of directors and as a rule comprise of between three and eleven persons for JSCs and between three and seven persons for LLCs. Eight out of the ten largest listed companies disclose their board sizes, seven of them have odd-sized boards.* • *The JSC Law and the Banking Law clearly define negative criteria of independence of a board member.* • *With the adoption of the new Law on Banks and Banking Activity in 2016, qualification requirements for bank boards were revised and elaborated.* • *The LLC Law and the Banking Law provide that only individuals can serve as board members.* ***Weaknesses:*** • *Boards are generally small and although evidence has shown that smaller boards tend to perform better, the average size of the board of the largest ten listed companies (4.6 members per board, down from 4.8 members in 2017) seems to be too low to accommodate the mix of skills required for boards of large companies to duly perform their role.* • *The law does not provide for qualification requirements of board members of listed JSCs. The CG Code recommends that board members should have appropriate qualifications, but the code does not seem to be taken as reference.* • *Companies are not required to have a nomination policy. None of the companies from our sample discloses having a nomination policy for the board.* • *Out of the eight companies from our sample that have disclosed the names of their board members, only three also disclosed their biographies and qualifications.* • *Except for banks, there is no requirement to have board committees. Only one company discloses having committees in place, but not their composition.* • *The JSC Law is silent on whether legal entities are allowed to serve as board members (though we are not aware of any cases in practice where a legal entity served as a board member in JSCs, same as in 2017).* • *The JSC Law requires companies to have a revision committee appointed by the GSM among shareholders, unless provided otherwise by the charter. The effectiveness of this body is questionable (see "Audit Committee" below).*
1.2. Gender Diversity at the Board (8.1%) *Very weak* *(rating unchanged from the 2017 assessment)*	***Weaknesses:*** • *Neither the law nor CG Code require or have any recommendations on gender diversity on boards.* • *There are no national policies or programmes that promote gender diversity on the board.* • *Eight companies from the sample disclose the board composition (down from ten in 2017). Three companies have women on boards (up from two in 2017).* • *In total, there are only three women among 37 board members in companies that disclosed board composition, with an average representation of 8.1% (up from 7.3% in 2017).*
1.3. Independent Directors *Weak* *(rating improved from the 2017 assessment)*	***Strengths:*** • *Listed companies (and those in the process of listing) and banks are required to have at least 30% and one third of independent members in their boards, respectively.* • *The law sets requirements on independent directors in banks' committees. Independent board members must form the majority on the bank's audit committee and risk committee and independent members must chair those committees.* • *The banking law improved the definition of independence of board members compared to the legislation at the time of the previous report. Although still expressed in negative non-affiliation terms, it expands the scope of persons who cannot be considered independent to persons who were board members of the bank in question in past four years, partners or employees of external auditors, relatives of a wide circle of persons affiliated with the bank etc..* ***Weaknesses:*** • *The Code's definition of independence is comprehensive, as independence is not only defined in negative "non-affiliation" terms, but it is also recommended that directors should be able to maintain their independent analysis and express independent judgement at all times. The CG Code, however, is voluntary and there is no evidence of its implementation and monitoring. The Code's criteria of*

Key Areas and Rating	Strengths and Weaknesses
	independence have been largely replicated in the JSC Law, with the exception of the "positive" criteria that were not transposed. • *Disclosure of such information is not required by the law and only one of the ten largest listed companies discloses having independent directors (an increase from no disclosures in 2017). The company does not disclose the grounds upon which it considers its directors independent.*
1.4. Board Effectiveness *Weak* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *The JSC Law requires JSCs with more than 50 shareholders and banks to have a corporate secretary (only three companies comply, of which one bank). The corporate secretary seems to be limited to formalistic and administrative aspects such as producing meeting minutes.* • *Banks are required to have audit committees and risk management committees, with each of them made up of at least three board members (where two board members, including the chair of the committee, must be independent), and nomination and remuneration committees, made up of at least three board members including an independent one. All mandatory committees in banks should be composed of qualified board members.* • *Board meetings are to be held at least quarterly, as per changes introduced since the previous report.* ***Weaknesses:*** • *Board committees are not required for listed companies. The CG Code recommends companies to set up strategic, audit, appointment and other committees. One bank in the sample discloses having committees, same as in 2017.* • *There have not been any improvements with regards to the law or practice of board evaluations that is not being conducted by any of the companies in the sample.* • *Despite minimum requirements for the number of board meetings, no company discloses the number of board meetings, board committees' or revision commission's meetings per year, hence it is not possible to assess if they are playing a strategic role in the company.*
1.5. Responsibilities of the Board *Weak* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *The JSC Law clearly mentions the approval of the strategy, oversight and appointment of the management among the board's key functions. The banking law also has a clear reference to setting up a system of internal controls.* • *Competence of the bank's board include organisation of an adequate system of internal control of the bank services, determination of their remuneration, establishing effective assessment, monitoring and controlling systems in the bank in order to maintain an adequate level of capital in accordance with the risks in the bank's activities.* • *Banks must maintain a database of conflicts of interest.* • *Related parties (including board members) shall inform the board, the revision commission and the auditor about their holding and prospective transactions. Listed companies are required to disclose information on RPTs to the securities market regulator, mass media and in the quarterly, annual report, drawn up by the company.* ***Weaknesses:*** • *The concepts of directors' duty of care and duty of loyalty are not regulated (apart from the banking legislation) and there is no court practice in place. The CG Code recommends directors to act reasonably and in good faith in the best interests of company.* • *The board, including bank's board, is not clearly assigned with the authority to approve the budget and define the company's risk profile.* • *Only four companies in the sample provide their charters on their websites. In all those cases, boards have explicit authority only over natters mentioned in "strengths" above.* • *Liability of board members and conflict of interest are regulated by law, however the legislation does not seem to be comprehensive. The law and the CG Code do not differentiate between real and perceived conflicts of interests. In addition, we were not able to identify any judicial practice in this area.*

Key Areas and Rating	Strengths and Weaknesses
2. Transparency and Disclosure *Weak* *(overall rating unchanged from the 2017 assessment)*	*The law requires listed companies, including banks, to prepare and disclose quarterly and annual reports, which shall include both financial and non-financial information. Quarterly reports must be disclosed in print/electronic media and the stock exchange's website whereas for annual reports online disclosures are voluntary.* *Disclosure on boards' and committees' (when present) qualifications, meetings and activities is very limited. Companies do not disclose transactions in company's shares undertaken by executives or board members. All companies in the sample companies have financial information in line with IFRS.* *Companies and banks are required to have an external audit and to disclose the auditors' report, however only four out of the ten largest listed companies seem to comply with this requirement. Auditors can provide non-auditing services. This is a shortcoming and should be carefully monitored as it might undermine the auditor's independence. Unfortunately, no company seems to disclose any information on that.* ***Progress since previous report:*** *The Code of the Kyrgyz Republic "On Violations" No. 58 (and its successor, No. 128), introduced higher fines for non-disclosure of information required by law. We have recorded minor improvements in disclosures of annual reports, strategic statements, major shareholders, number of shares, total capital and compliance with IFRS, that was offset by limited disclosures of GSM minutes and some financial information. More companies reported being audited by "independent" auditors. These changed did not trigger a change in the overall rating for this key area.*
2.1. Non-Financial Information Disclosure *Weak* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *General disclosure requirements for issuers are elaborate. Disclosure of annual and quarterly reports with non-financial information (i.e. total number of shareholders, a list of all major shareholders, description of corporate governance practices) is mandatory for listed companies and with a summary of activities is mandatory for banks.* • *Eight out of the ten largest listed companies disclose annual reports on their own websites and/or the website of the stock exchange (down from 10 in 2017),* • *Eight companies disclose names of board members.* • *Five companies (as opposed to nine in 2017) disclose information on their major shareholders, eight companies disclose information on the number of shares (as opposed to one in 2017) and nine companies disclose information on the total capital (as opposed to two in 2017).* • *Though there is no legal requirement, five companies from the sample describe general strategic statements on the website or in the annual report.* • *A notification about holding a GSM shall be published in the written press and sending shareholders a written notice not later than 20 days before the date of its holding. Companies rarely publish notifications on GSM.* ***Weaknesses:*** • *Quarterly reports must be disclosed in print/electronic media and the stock exchange's website, whereas for annual reports online disclosures are voluntary. In the eight companies from our sample that published their annual reports, we founds the disclosed information was not comprehensive.* • *There is no legal requirement and/or recommendation for the company to disclose their articles of association. Four out of the ten largest listed companies disclose their articles of association (same as in 2017).* • *There are no requirements for disclosure of information on environmental protection, social responsibility, treatment of employees, respect of human right, anti-corruption and anti-bribery, and diversity of the boards.* • *No company reported having information/disclosure policy in place.* • *Neither law nor CG Code contain requirements or recommendations as to corporate websites. One company in the sample does not have a corporate website, whereas for one more the website did not work at the time of preparation of this report.* • *No procedure is envisaged for reporting compliance with the National CG Code. None of the companies discloses that they implemented the National CG Code, same as in 2017.* • *Requirements to disclose board compositions (not names or qualifications), beneficial owners and share capital structure exists only for listed companies. There is no requirement to disclose board committees' composition, information about board activities and meetings.*

Key Areas and Rating	***Strengths and Weaknesses***
	• *According to the JSC Law, listed companies must have a CG Code. One bank from the sample discloses having a CG Code.* • *Only three companies disclose their board's qualifications and one company discloses having committees and names of its members, an insignificant improvement since 2017.* • *GSM minutes are not disclosed (only GSM decisions).* • *Disclosure of RPTs to the securities market regulator and mass media in the quarterly and annual reports is mandatory but not regulated comprehensively. One company in the sample discloses RPTs.*
2.2. Financial Information Disclosure *Moderately Strong* *(rating improved from the 2017 assessment)*	***Strengths:*** • *Disclosure of audited annual and (unaudited) quarterly reports with financial information is mandatory for listed companies and banks.* • *Quarterly reports shall be published on the website of the KSE, annual reports are required to be published only in the print media. Despite this, eight out of the ten largest listed companies publish their annual reports on the website of the exchange and six companies publish annual reports on their websites.* • *There is a legal requirement for all companies to comply with IFRS standards and all companies do, compared to seven countries recorded during the 2017 assessment.* ***Weakness:*** • *There is no direct requirement to make annual reports available for investors by publishing them online.*
2.3. Reporting to the Market and to Shareholders *Weak/Fair* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *Issuers are required to disclose "material events" (changes to the board of directors, shareholding (more than 5%), transactions with values that exceed 10% of the company's assets, mergers, acquisitions) to the securities market regulator, stock exchange, and the public via the mass media.* • *Listed companies shall disclose reorganisation as a material event. Banks can start reorganisation only two months after the publication in the mass media of the respective notification.* ***Weaknesses:*** • *There is no legal requirement to disclose remuneration policy or director's compensation. None of the companies from our sample discloses information on remuneration policy or director's compensation.* • *Only one company out of the ten largest listed discloses price sensitive events on the website of the KSE.* • *Sanctions for non-disclosure are insignificant and are not likely to deter companies from wrong-doing, despite a slight increase of fines in 2019 introduced by the Code "On Violations".* • *There is no standard for publication of information. Some disclosed information is published in the form of scanned copies.*
2.4. Disclosure on the External Audit *Fair* *(rating improved from the 2017 assessment)*	***Strengths:*** • *Disclosure external audit and the name of the auditor is a part of mandatory reporting requirements for issuers and banks.* • *Banks shall publish the annual financial statements of the bank (including consolidated statements) together with the auditor's report in the media.* • *Auditor providing non-audit services to a bank cannot later perform external audit of this bank.* • *The law requires the external auditor to be independent.* ***Weaknesses:*** • *There are no requirements to disclose information on the independence of external audit. Further, it is not clear who should run the "independence test", which may raise the question of how this independence requirement is ensured in practice, especially given the absence of independent audit committees.* • *Despite a legal requirement, only four companies disclose undergoing an external audit and names of their auditors.* • *Non-banks are allowed to receive non-audit services from the auditor. This should be carefully monitored as it might undermine the auditor's independence. Unfortunately, no company seems to disclose any information on that.*

Key Areas and Rating	Strengths and Weaknesses
3. Internal Control *Weak* *(overall rating unchanged from the 2017 assessment)*	*Internal audit and compliance functions are mandatory and well regulated in banks; however, it was impossible to understand the extent to which banks in our sample adhered to these requirements due to very limited disclosure on the matter. The law sets clear requirements for the composition of the audit committee in banks, which is to be composed of at least three board members (two out which must be independent), but on this the disclosure is also very limited as there seems to be only one bank in the sample disclosing having an audit committee. There is no requirement for an audit committee for listed companies. Instead, companies are required to establish a "revision commission", appointed by the GSM and reporting to it. The effectiveness of this body is questionable.* *There is a legal requirement for listed companies to undergo external audits and four out of the ten largest listed companies disclose their financial statements audited by an external auditor. The JSC Law provides for definition of related parties. Related parties (including board members) shall inform the board, the revision commission and the auditor about their holding and prospective transactions. Listed companies are required to disclose information on RPTs to the securities market regulator, mass media in the quarterly and annual reports, drawn up by the company. However, it is not clear how the law is implemented and enforced in practice, especially if there is no requirement to establish an independent audit committee.* *An external auditor is selected by the board and appointed by the GSM. The law requires the external auditor to be independent, but it is not clear who should run the "independence test". External auditors of banks must be rotated every five years, while no similar requirement exists for companies. Provision of non-auditing services by the external auditor is restricted for banks but allowed for companies, which can negatively affect auditors' independence.* *There is no requirement for the adoption of a code of ethics and none of the largest companies discloses having one. There is no comprehensive whistleblowing legislation in place.* *The JSC law, the Banking Law and the CG Code do not provide specific definitions for conflict of interest and/or affiliated party transactions in the context of board decisions. There are no national rules regulating prevention of corruption in the corporate sector.* ***Progress since previous report:*** *The legislative framework governing banks has been strengthened with the adoption of the new Banking Law in 2016. Banks are now required to establish a separate compliance unit, absence of which was highlighted as a major shortcoming during the previous assessment. Since 2016, external auditors of all companies are appointed by the GSM, which is in line with our assessment's recommendation. Also, the requirement for the independence of external auditors was raised with the introduction of the rotation requirement on a five-year cycle and the ban to act as an external auditor for two years after providing non-auditing services to the bank.* *In terms of practices, only three companies disclosed having a revision commission, which is a decrease since the previous assessment (but only four companies made disclosure in this regard). However, despite positive developments in the banking regulatory framework, the overall rating for this key area remains unchanged as there do not seem to have been any major improvements in the general corporate legislation or companies' practices.*
3.1. Quality of the Internal Control Framework *Weak* *(rating improved from the 2017 assessment)*	***Strengths:*** • *Since 2016, banks are required to establish a separate compliance unit, which is a major improvement.* • *Banks are also required to establish an audit committee and a risk management committee, both of which are to be established as board committees and need to include a majority of independent board members.* • *The bank's board, based on the recommendations of the appointment and remuneration committees, appoints the head and employees of the internal audit service, determines the amount of remuneration, and also determines the quantitative and personal composition of this service.* ***Weaknesses:*** • *Only banks are required to have internal audit functions. One bank discloses having set up internal audit and compliance functions (up from zero in 2017).*

Key Areas and Rating	Strengths and Weaknesses
	• *Board committees are required only in banks. The CG Code recommends companies to set up an audit committee, but it seems generally disregarded. One bank from our sample discloses having an audit committee (same as in 2017). Hence, it is not possible to conclude that this provision is well implemented.* • *There is no comprehensive whistleblowing legislation in place. One company from our sample discloses having an anti-corruption policy.* • *There are no legal requirements for the company to adopt a code of ethics and none of the companies in the sample has.*
3.2. Quality of Internal and External Audit *Weak* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *There is a legal requirement for listed companies to have external audit. The external auditor is appointed by the GSM at the suggestion of the board.* • *The law requires the external auditor to be independent.* • *Banking law changes in 2016 introduced strengthened rules around mandatory rotation of auditors (every five years) as well as restrictions on auditing banks to whom the external auditor has provided non-auditing services in the past two years.* • *Four companies disclose their financial statements were audited by an external auditor.* ***Weaknesses:*** • *Listed companies other than banks are not required to establish an internal audit function.* • *Qualification requirements exist only for the bank's head of the internal audit service.* • *Independence requirement for external auditors is clearly stated only for banks, requiring auditors to be independent, which means the ability to act independently, regardless of anyone's influence on the results of the auditor's report, conclusions, and in conditions that exclude any outside influence on the external auditor's opinion. In contrast, the Law on Auditing Activities requires companies' external auditor to be independent, but it is not clear what this entails and who should run the "independence test".* • *only one of ten largest listed companies discloses having independent directors (an increase from no disclosures in 2017). The company does not disclose the grounds upon which it considers its directors independent.* • *There is no rotation requirement for external auditors (with the exception of banks) and none of the companies in our sample discloses this information.* • *There are no requirements to disclose receiving non-audit services from the auditor and none of the companies in our sample discloses receiving those services.*
3.3. Functioning and Independence of the Audit Committee *Weak* *(rating improved from the 2017 assessment)*	***Strengths:*** • *The law sets clear requirements for the composition of the audit committee in banks, which is to be composed of at least three board members, two out of which must be independent.* • *The CG Code recommends companies to set up an audit committee.* • *The meetings of the Audit Committee shall be held regularly, at least once a quarter. No company discloses how its committee works.* ***Weaknesses:*** • *Audit committees are required only in banks. One bank among the ten largest listed companies – which include four banks – disclosed having an audit committee at board level, without disclosing its composition. Hence, it is not possible to conclude that this requirement from the banking law is well implemented.* • *Revision commissions still exist in JSCs instead of the audit committee to exercise control over the financial and economic activities of the company. We have doubts about this body's ability to support the board with its activities. We believe it is important that the audit committees include only board members if the functions delegated to the committee are typical board functions. Secondly, it is essential that those members sitting in the committee and recommending specific actions to the board follow up on such recommendations and vote on the committee's recommendations at the board meeting, therefore reinforcing their positions and the board "objective judgement". Further, we believe that audit committee's members should have a full vision of the business of the company in order to express their determinations – while outsiders might only have a partial understanding. Finally, committees that include "outsiders" (i.e., non-board members) might create problems with confidentiality and accountability issues, since such "outsiders" might not be bound by duties of loyalty and care required to board members. While it is legitimate that the audit committee might need external advice or expertise on specific issues, it should be able to request such advice, but it should not allow the advisor(s) to replace the committee in its determinations and recommendations. By law, each company must have a revision commission, however, three companies disclose having one (a decrease from seven in 2017).*

Key Areas and Rating	***Strengths and Weaknesses***
3.4. Control over Related Party Transactions and Conflict of Interest *Fair* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *The JSC Law regulates conflicts of interest and RPTs. The law requires related parties (including board members, shareholders owning more than 20% of shares and company officials) to inform the board, the revision commission and the auditor about their holding and prospective transactions. The JSC Law requires decisions about RPTs to be adopted either by a majority vote of non-conflicted board members or, in certain cases, by a two-thirds majority of non-conflicted shareholders at the GSM. To note that conditions for effectiveness of the transaction are the confirmation of its adherence with market price and validation by the auditor.* • *The banking legislation prescribes requirements and procedures for conflict of interest prevention and management in banks. Banks must maintain a database of conflicts of interest.* • *An RPT concluded in violation of the requirements provided for in the JSC Law may be invalidated.* • *Shareholders and the company itself are entitled to the compensation for the damage caused to the company and shareholders as a result of the RPT. The company is also entitled to all income received from such a transaction.* ***Weaknesses:*** • *The JSC Law, the Banking Law and the CG Code do not provide for a definition for conflict of interest and/or affiliated party transactions in the context of the board decisions.* • *One company out of the ten largest listed companies discloses having a conflict of interest policy.* • *One company out of the ten largest listed companies discloses RPTs via the stock exchange website.* • *There is no legal requirement to use the "arm's length" principle when entering into RPTs.* • *The JSC Law provides for definition of related parties but it is narrow compared to international standards.* • *There is no court practice on conflict of interest.* • *Listed companies are required to disclose information on RPTs to the securities market regulator, mass media in the quarterly and annual reports, drawn up by the company. When investigated, we found that information on this matter is very limited.* • *The lack of independent directors at the board raises doubt about the objectivity of the approval process of RPTs and conflict of interests.*

Key Areas and Rating	***Strengths and Weaknesses***
4. Rights of Shareholders *Fair* *(overall rating unchanged from the 2017 assessment)*	*Shareholders representing at least 1% of the shares may nominate candidates to the board and include additional items on the agenda of the GSM. Shares carry voting rights in proportion to their value.* *Shareholders have cumulative voting rights and the right to access corporate documentation. Supermajority is required for major corporate decisions. Shareholders owning at least 10% of the company's shares can call a GSM.* *RPTs are regulated by law and in all cases of related party transaction, the auditor must be informed and a comparison with the market value of the transaction must be provided. Information on RPTs should be included in the annual report. However, disclosures on this matter are limited.* *Insider trading is regulated by law. There is no evidence, however, that insider trading regulation is well enforced in practice.* *Significant ownership variations must be disclosed. Registration of shareholding by an independent registry is required by law. Free transferability of shares of listed JSCs cannot be restricted with certain exceptions provided by the law.* *Asking questions at GSMs and cumulative voting procedures remain to be the weaknesses in the current legal framework. Supermajority provisions are clearly defined and application of one-share-one-vote principle by default is a major strength.* *Minority shareholders' rights are generally protected by the law, but pre-emptive rights of shareholders can be waived if so provided by the articles of association. No explicit regulation on shareholders' agreements with lack of consolidated case law on their enforcement. There is not enough evidence on effective enforcement of disclosure of variations of significant shareholdings.* ***Progress since previous report:*** *The threshold for calling the GSM was lowered from 20% to the current 10% in 2017, allowing more shareholders to exercise their right to call GSM, in line with the recommendation provided in the 2017 assessment. The JSC Law has allowed the GSM to adopt a resolution to remunerate board members which suggests that shareholders have a right to vote for remuneration policy, unless otherwise is provided by the company's charter/internal documents. However, these changes did not trigger a change in the overall rating for this key area.*
4.1. General Shareholders' Meeting (GSM) *Moderately strong* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *Basic shareholders rights (such as right to call a GSM, participate in GSMs, receive agenda and information before GSM) are provided by the law.* • *Shareholders owning 10% of the voting shares may call a GSM. This threshold has been changed from an unduly high threshold of 20% in 2017, which is a positive development.* • *Notification with the GSM agenda should be sent at least 20 days before the meeting in listed JSCs and 10 days in private companies.* • *Shareholder(s) owning at least 1% of the shares may propose changes to the GSM agenda and nominate candidates to the board. Notification on upcoming GSMs shall contain information on the agenda and the procedure for gaining access to the materials of GSM.* • *Remote voting (by post, proxy) or using a representative is possible.* • *Supermajority requirements are clearly covered by the law (for changes to the articles of association and the capital of the company, matters regarding merger, take-over, reorganisation, and winding up or voluntary liquidation of the company, at least two thirds of all voting shares is required). Major transactions with the value of 20-50% of companies' assets must be approved by a majority vote of the board of directors. Major transaction of more than 50% of companies' assets must be approval by 2/3 of all voting shares at the GSM.).* • *Cumulative voting is possible for appointing members on the board of directors.* • *The "one-share-one-vote" principle applies to all voting procedures by default.* ***Weaknesses:*** • *There is no clear shareholders' right to ask question at the GSM.* • *None of the companies in the sample have GSM documents accessible on their website and/or stock exchange website.*

Key Areas and Rating	Strengths and Weaknesses
	• *There is no requirement to have a dividend policy and no provisions on interim dividends established by the law.* • *It seems that there are no explicit requirements pertaining to disclose information on the voting rights.* • *There are no provisions allowing for a digital/online procedure for certifying remote voting ballots.*
4.2. Protection against Insider Trading and Self-dealing *Weak* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *There is a definition and an enforcement mechanism for self-dealing.* • *Law foresees criminal (penalty or imprisonment) and administrative (penalty) liability and a possibility of a civil action for insider trading in the securities market and self-dealing practices.* • *Law details rules for disclosure and approval of RPTs. In certain cases, transactions are to be approved by the GSM. In all cases, the auditor must be informed of the transaction and a comparison with the market value of the transaction must be provided.* ***Weaknesses:*** • *There is no mandatory requirement to record information on insiders with access to privileged information.* • *Information on RPTs must be included in the annual reports. When investigated, we found that only one out of the ten largest companies discloses transactions involving company's shares undertaken by executives or board members.* • *Because only one of the ten largest listed companies discloses having independent directors (an increase from no disclosures in 2017), the approval of RPTs might be driven by the controlling directors.* • *There is no evidence that insider trading regulation is well enforced in practice, as there is no evidence of insider trading cases investigated in the past five years.*
4.3. Minority Shareholders Protection and Shareholders' Access to Information *Fair* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *A supermajority is required for major corporate decisions, such as changes in the company's capital, merger, reorganisation, winding-up, voluntary liquidation and to amend the articles of association. Minority shareholders may block these changes with a 33%+1 vote.* • *Shareholders have a general right to inspect all corporate documents enforced with sanctions in case of a breach of these provisions.* • *Shareholders can sue officials of the company for damages caused (derivative suit). Statutory right of the shareholders in derivative claims cannot be waived by the articles of association. There is no threshold for shareholders in derivative claims.* • *Law provides for "one share one vote" principle and does not allow the issuance of shares with multiple voting rights. Law does not allow for voting caps limiting the number of votes that a shareholder can exercise.* • *Cumulative voting is foreseen by law and is claimed to be widely used. There is, however, no disclosure in this area.* ***Weaknesses:*** • *Annual reports for eight largest listed companies can be found on the stock exchange/companies' websites, but corporate governance information is extremely limited.* • *Pre-emptive rights in closed joint stock companies are granted by law. However, pre-emptive rights in public offerings can be granted only if foreseen by the company's articles of association.* • *Court practice on derivative suites is reportedly*
4.4. Registration of Shareholdings *Fair* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *Registration of shareholding in listed JSCs is required by law.* • *Free transferability of shares of listed JSCs cannot be restricted. However, the law does not allow SOEs to freely transfer property owned on the right of economic management or operational management.* • *Significant shareholding variations must be notified to the regulator.* ***Weaknesses:*** • *Shareholders' agreements are not legally defined and regulated. They are generally considered to be enforceable between the parties, however there is no consolidated case law on the matter.* • *There is no evidence of effective enforcement of disclosure of variation of significant shareholdings.*

Key Areas and Rating	***Strengths and Weaknesses***
5. Stakeholders and Institutions *Weak* *(overall rating unchanged from the 2017 assessment)*	*The institutional framework supporting good corporate governance needs improvement.* *A CG Code exists since 2012. The existing CG Code contains recommendations on good corporate governance practices, but it does not have mandatory legal force (not even in terms of reporting requirements), does not seem to be taken as a reference by the market and does not seem to have a body that would monitor its application by listed companies.* *International law firms, largest audit firms and international rating agencies are present in the country.* *The stock exchange has limited capitalisation and liquidity but does provide good legal framework, including securities listing rules and special requirements for certain listing categories. Stock exchange and regulators' websites appear to be timely updated with information. The number of listed companies on the stock exchange is limited. While the website of the KSE provides information on the number of transactions, no details are publicly available.* *Indicators by international organisations show a framework under an urgent need for reform, where corruption is still perceived as a critical problem.* ***Progress since previous report:*** *Information on court decisions is publicly available via a specialised website which has been improved over the years. There have been major improvements on the availability of information on court decisions and independent courses promoting good corporate governance standards in the country. At the same time, the rulings of regulatory agencies are often undisclosed. Court practice does not seem to refer to the CG Code.* *The KSE has changed a listing system. Instead of the "International Listing" segment that required listed companies to have significantly higher corporate governance standards, a four-category listing system was introduced. These changes did not trigger a change in the overall rating for this area.*
5.1. Corporate Governance Structure and Institutions *Weak* *(rating unchanged from the 2017 assessment)*	***Strengths:*** • *The Kyrgyz Stock Exchange is the main local stock exchange in Kyrgyz Republic.The KSE website (http://www.kse.kg) provides for disclosure of listed companies including short periodic reports some limited basic info on company's shares, its subsidiaries, shareholders, RPTs, financial figures, notifications for GSM, minutes of GSM etc.* • *The State Service for Regulating and Overseeing Financial Market (Gosfinnadzor) is a supervisory authority in charge of monitoring the capital market, including disclosures.* • *The website of the National Bank hosts all major legislation in English (http://www.nbkr.kg/index1.jsp?item=40&lang=ENG). This is an excellent example to follow.* • *The KSE has a four-category listing system - highest category "A"; category "B", follows the highest category; category "C", the starting category; and a special category "SPAC".* ***Weaknesses:*** • *KSE's market capitalization is around 4.7% of the country's GDP. The liquidity and daily trading volumes are very low.* • *International law firms and audit firms have a limited presence in the country.* • *There seems to be a lack of training courses and organisations actively promoting good corporate governance principles. The Training Centre of the Union of Banks of Kyrgyzstan is the only provider of corporate governance courses.* • *There are currently no analytical sources which can serve as an evidence of operational efficiency of the KSE.* • *Only one company from the banking sector has been rated by the international rating agencies. Aside from this company, we are not aware about other companies from the sample declaring their intention to obtain ratings.*
5.2. Corporate Governance Code *Weak* *(rating unchanged from the 2017 assessment)*	***Strength:*** • *The CG Code exists since 2012.* ***Weaknesses:*** • *The CG Code has never been revised since its adoption. It has not been translated in English, is quite difficult to locate and does not seem to be taken as a reference.*

Key Areas and Rating	***Strengths and Weaknesses***
	• *The CG Code recommends companies to adopt their own corporate governance code taking into consideration the CG Code's recommendations. Only one company from the sample discloses having adopted a CG Code.* • *Neither the CG Code nor legal requirements (e.g. law or listing rules) envisage a procedure for reporting on compliance with the CG Code. None of the ten largest listed companies discloses the extent to which they comply with the CG Code.* • *There seems to be a complete lack of monitoring of implementation of the CG Code. No state body appears to be authorised to monitor how provisions of the CG Code are interpreted and implemented by listed companies and no case law exists referring to the CG Code.*
5.3. Institutional Environment *Fair* *(rating improved from the 2017 assessment)*	***Strength:*** • *According to the 2015 EBRD Assessment on Accessibility of Court Decisions, it seems that case law is not very timely aggregated, but is fairly easily accessible to parties and the public.* ***Weaknesses:*** • *It appears that there no active stakeholder when it comes to the promotion of good corporate governance in the country.* • *Case law and judicial practice is not easily accessible and not updated in a timely manner.* • *It seems that after a few years of improvements in international rankings of Kyrgyzstan since 2016, the situation has worsened in 2021. Transparency International Corruption Perception Index in 2021 ranks the Kyrgyz Republic in 144th place out of 180 and the WJP Rule of Law Index ranking in 2021 is 99/139. Kyrgyz Republic score in WEF Global Competitiveness Report has improved from 121st place among 148 economies in 2013-2014 to 96th place among 141 countries in 2019. International rankings indicate the lack of reforms and corruption remains one of the most critical issues in the country.*