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CORPORATE GOVERNANCE OF JOINT-STOCK COMPANIES WITH STATE PARTICIPATION: CIVIL-LAW ASPECTS AND REFORM IN UZBEKISTAN

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Abstract

The article examines the corporate governance of joint-stock companies with state participation as a civil-law mechanism for managing state property, on the basis of the Law of Uzbekistan "On Joint-Stock Companies and Protection of Shareholders' Rights" (No. ZRU-370) and the corporate-governance reform of 2024. It analyses the governing bodies of the company — the general meeting of shareholders as the supreme body (Art. 58), the supervisory board (Arts. 74–78) and the executive body (Art. 57) — together with the committee of minority shareholders, the audit commission and the newly introduced corporate secretariat. Particular attention is paid to the specifics of state participation, where the state acts as a shareholder through the State Assets Management Agency. The study identifies civil-law problems — the state-as-shareholder, minority protection, the liability of directors, the separation of ownership and regulation, and board independence — and proposes directions for their resolution in line with international standards.

Keywords: Corporate governance, joint-stock company, state participation, general meeting of shareholders, supervisory board, minority shareholders, corporate secretariat, state property.

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Annotatsiya

Maqolada davlat ishtirokidagi aksiyadorlik jamiyatlarini korporativ boshqarish davlat mulkini boshqarishning fuqarolik-huquqiy mexanizmi sifatida — “Aksiyadorlik jamiyatlari va aksiyadorlar huquqlarini himoya qilish to’g’risida”gi qonun (ZRU-370) hamda 2024-yilgi korporativ boshqaruv islohoti asosida tahlil qilinadi. Jamiyatning boshqaruv organlari — oliy organ sifatidagi umumiy yig’ilish (58-modda), kuzatuv kengashi (74–78-moddalar) va ijroiya organi (57-modda), shuningdek minoritar aksiyadorlar qo’mitasi, taftish komissiyasi va yangi joriy etilgan korporativ kotibiyat ko’rib chiqiladi. Davlat ishtirokining o’ziga xosligiga — davlat Davlat aktivlarini boshqarish agentligi orqali aksiyador sifatida ishtirok etishiga alohida e’tibor qaratiladi. Tadqiqotda davlat-aksiyador, minoritar himoyasi, direktorlar javobgarligi, mulkdorlik va tartibga solishning ajratilishi hamda kengash mustaqilligi bilan bog’liq muammolar aniqlanadi.

Kalit so’zlar: korporativ boshqaruv, aksiyadorlik jamiyati, davlat ishtiroki, umumiy yig’ilish, kuzatuv kengashi, minoritar aksiyadorlar, korporativ kotibiyat, davlat mulki.

Аннотация

В статье рассматривается корпоративное управление акционерными обществами с государственным участием как гражданско-правовой механизм управления государственным имуществом на основе Закона “Об акционерных обществах и защите прав акционеров” (№ ZRU-370) и реформы корпоративного управления 2024 года. Анализируются органы управления, особенности государственного участия и проблемы защиты миноритарных акционеров.

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Ключевые слова: корпоративное управление, акционерное общество, государственное участие, общее собрание акционеров, наблюдательный совет, миноритарные акционеры.

1. Introduction

Where state property is corporatized into joint-stock companies, the state ceases to manage it by direct administration and begins to manage it through corporate governance. The state becomes a shareholder, and it exercises its ownership not by issuing administrative commands but through the company's governing bodies — the general meeting of shareholders, the supervisory board and the executive body. For this reason the corporate governance of enterprises with state participation is a central civil-law mechanism of state property management.

This shift transforms the legal problem. The question is no longer how an administrative body manages an enterprise, but how the state, as one shareholder among others, exercises its rights within a corporate structure designed for private owners; how the rights of other, especially minority, shareholders are protected; and how the members of the company's bodies are held to account. These are questions of civil and corporate law rather than of administrative law.

In Uzbekistan, these questions have acquired great practical importance. The state has corporatized many of its assets and holds shares in numerous key enterprises, which are managed on its behalf by the State Assets Management Agency, while the initial and secondary public offering of state shares has begun on the local stock market. In parallel, a corporate-governance reform launched in 2024 has introduced modern instruments — a corporate secretariat, codes of ethics, electronic voting and the competitive appointment of executives — to improve the efficiency and openness of these companies.

The legal framework is set by the Law "On Joint-Stock Companies and Protection of Shareholders' Rights" (No. ZRU-370 of 6 May 2014, as amended), which defines the governing bodies of the company (Art. 57), establishes the general

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meeting of shareholders as the supreme body (Art. 58) and regulates the supervisory board (Arts. 74–78) [3]. This framework is supplemented by a corporate governance code and by special corporate-governance rules for enterprises with state participation, while a corporate (shareholders') agreement has recently been introduced into the Civil Code [2].

The aim of the article is to analyse the corporate governance of joint-stock companies with state participation as a civil-law mechanism, to examine the specifics of state participation and the 2024 reform, and to identify the principal problems and directions for their resolution. The novelty of the study lies in treating corporate governance as an instrument of state property management and in linking it to the wider system of such instruments.

2. Methodology

The study employs the formal-legal (doctrinal) method to analyse the Law on Joint-Stock Companies, the Civil Code and the acts of the 2024 reform, and the systemic method to situate corporate governance within the system of state property management. The comparative method is used selectively to assess national solutions against the international standards of the OECD and the World Bank for the governance of state-owned enterprises.

The source base comprises the Constitution and the Civil Code of Uzbekistan [1; 2], the Law on Joint-Stock Companies and the acts of the 2024 reform [3; 4; 5], the corporate governance code and rules [6; 7], the standards of the OECD and the World Bank [8; 9], and Uzbek and Russian legal scholarship [10; 11; 12].

3. Results

3.1. The governing bodies of a joint-stock company

Under the Law on Joint-Stock Companies, the governing bodies of a company are the general meeting of shareholders, the supervisory board and the executive

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body (Art. 57) [3, Art. 57]. The general meeting of shareholders is the supreme body (Art. 58): it amends the charter, elects the supervisory board and the audit commission, approves major transactions and, following the 2024 reform, the company's development strategy. The supervisory board (Arts. 74–78) exercises strategic oversight, convenes the general meeting and appoints and contracts the executive body, while the executive body — a director or a management board — carries out the day-to-day management of the company [3, Arts. 74–78]. The structure is shown in Fig. 1.

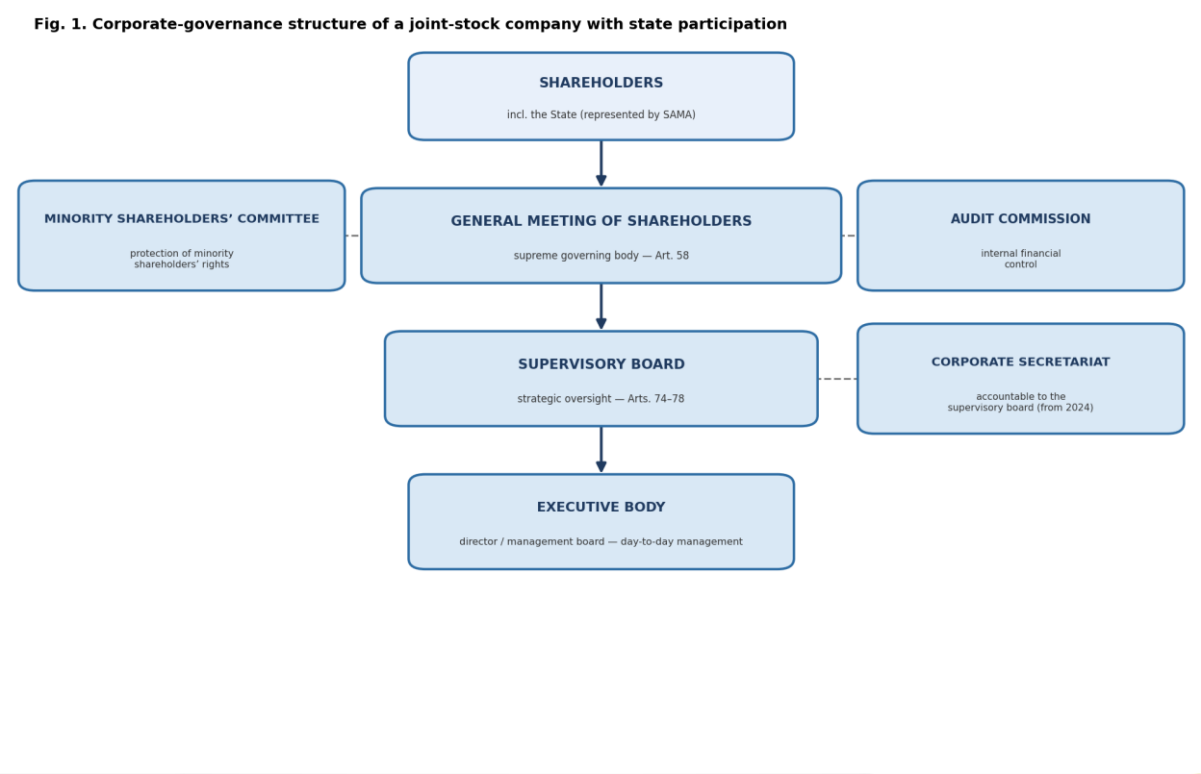

Fig. 1. Corporate-governance structure of a joint-stock company with state participation (Law No. ZRU-370, Arts. 57–78).

The structure also includes bodies that protect shareholders and control the company. A committee of minority shareholders, introduced in 2014, may be established to protect the rights of minority shareholders and to participate in

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preparing proposals on major and affiliated-party transactions, although it may not interfere in the company's business. An audit commission exercises internal financial control. The competence of these bodies is summarised in Table 1.

Table 1. Governing bodies of a joint-stock company and their competence

Governing body	Legal basis	Main competence
General Meeting of Shareholders	Art. 58	Supreme body: amends the charter, elects the boards, approves major transactions and the development strategy
Supervisory Board	Arts. 74–78	Strategic oversight; convenes the general meeting; appoints and contracts the executive body
Executive Body (director / management board)	Art. 57	Day-to-day management; execution of the decisions of the general meeting and the supervisory board
Committee of Minority Shareholders	JSC Law (2014)	Protection of minority shareholders; proposals on major and affiliated-party transactions
Audit Commission	JSC Law	Internal financial control of the company's activities
Corporate Secretariat	2024 reform	Supports governance; prepares meetings; arranges disclosure; accountable to the supervisory board

3.2. The specifics of state participation

In a company with state participation, the state is a shareholder and exercises its rights through this corporate structure. The shares held by the state are managed by the State Assets Management Agency, which exercises the state's voting rights at the general meeting through authorised representatives and nominates

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members of the supervisory board. The governance of such companies is additionally subject to special corporate-governance rules for enterprises with state participation, alongside the general Law on Joint-Stock Companies.

The defining feature of state participation is the dual role of the state: it is at once the owner of the shares and the body that sets economic policy and regulates the markets in which the company operates. This dual role distinguishes the state shareholder from an ordinary private shareholder and gives rise to the central problems of state corporate governance — the balance between commercial and public objectives, and the risk that ownership and regulatory functions become blurred.

In practice, the state's influence is exercised primarily through its voting power at the general meeting and through the members of the supervisory board that it nominates. Where the state holds a controlling block of shares, it effectively determines the composition of the boards and the company's strategy, which makes the protection of minority shareholders and the professionalism of the nominated board members decisive for the quality of governance. In commercial banks the structure is similar, although the day-to-day management is entrusted exclusively to a management board under special banking legislation.

3.3. The 2024 corporate-governance reform

The 2024 reform introduced a set of modern corporate-governance instruments, particularly for large enterprises with state participation. A corporate secretariat, accountable to the supervisory board, was established to support the work of the company's bodies, to prepare the general meeting and board meetings and to arrange disclosure. Updated corporate-governance rules and a code of ethics were adopted, and electronic voting for the supervisory board was made possible [5]. The reform also requires the development of managerial staff, allows the appointment of qualified foreign managers and provides that the head of the executive body should, as a rule, be appointed on a competitive basis, while the

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general meeting approves the company's medium- and long-term development strategy.

A further significant development is the introduction of the corporate (shareholders') agreement into the Civil Code. Such an agreement allows shareholders — including the state and the private investors brought in through the offering of shares — to regulate by contract the exercise of their rights, the composition of the bodies and the resolution of deadlocks. For companies with state participation, this instrument offers a flexible civil-law means of structuring the relationship between the state and incoming private shareholders, complementing the mandatory rules of the Law on Joint-Stock Companies [2].

4. Discussion

The first and most fundamental problem is the position of the state as a shareholder. Because the state pursues public objectives in addition to commercial ones, there is a permanent tension between the efficiency of the company and the policy goals of its dominant owner, as well as a risk of political interference in management. International experience suggests that ownership should be exercised at arm's length, through a professional structure and under a clear, predominantly commercial mandate, so that the company can be run efficiently while remaining accountable to the state as owner [8].

The second problem is the protection of minority shareholders. In a company dominated by the state, minority shareholders are vulnerable to the dilution of their holdings and to decisions taken in the interest of the controlling shareholder; the committee of minority shareholders, while useful, has only limited, advisory powers. Strengthening minority rights — pre-emptive rights, approval requirements for major and affiliated-party transactions, and robust disclosure — is therefore essential to attract investment, including the private investors brought in through the public offering of shares.

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Closely linked to minority protection is the disclosure of information. The law requires the company to disclose, including on its website, information on its transactions, the decisions of its bodies and its financial indicators. For enterprises with state participation, full and timely disclosure is especially important, because it both protects investors and allows the public to monitor the use of assets that ultimately belong to the state. Strengthening disclosure and its enforcement is therefore an integral part of improving state corporate governance.

The third problem concerns the liability of the members of the company's bodies. The law provides that the supervisory board or the executive body may bear subsidiary liability where a transaction concluded by their decision causes damage that cannot be compensated from the company's property, and it requires members of the boards to act with care, diligence and loyalty. However, the criteria and procedures for enforcing this liability are not always clear, and clarifying the duties of care and loyalty and the scope of subsidiary liability would strengthen accountability.

The fourth problem is the separation of ownership and regulation. Where the state both owns a company and regulates its market, competitors may face an uneven playing field and the company may receive preferential treatment. The OECD standards recommend a clear separation of the state's ownership function from its regulatory functions, so that the company competes on equal terms with private enterprises [8; 9]. Closely related is the question of board independence: boards dominated by officials tend to be weakly professionalised, and the introduction of independent directors and competitive, professional appointment would improve the quality of governance.

These problems gain additional weight as the state offers shares of its enterprises to the public. The initial and secondary public offering of state shares converts wholly state-owned companies into companies with dispersed private ownership, in which the quality of corporate governance directly affects the price investors are willing to pay and the success of the offering itself. Good corporate

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governance is therefore not only a condition of efficient management but also a precondition for the success of privatization through the capital market.

Finally, these problems are connected to the broader system of state property management. The corporate-governance mechanism is the form in which the state exercises ownership over its corporatized assets, and its effectiveness depends on the same foundations — clear allocation of ownership functions, transparency and the rule of law — that underpin the other instruments of state property management. The principal problems and recommendations are summarised in Table 2.

Table 2. Civil-law problems of state corporate governance and recommendations

Problem	Essence	Recommendation
The state as shareholder	Tension between commercial efficiency and public objectives; risk of political interference	Exercise ownership at arm's length under a clear, commercial mandate
Minority-shareholder protection	Risk of dilution and squeeze-out; limited powers of the minority committee	Strengthen minority rights, pre-emption and disclosure
Liability of directors	Criteria for the liability of the board and executive are not always clear	Clarify duties of care and loyalty and the scope of subsidiary liability
Ownership vs regulation	The state is both owner and regulator of the same companies	Separate the ownership function from regulatory functions
Board independence	Boards may be dominated by officials; weak professionalisation	Introduce independent directors and competitive, professional appointment

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5. Conclusion

The corporate governance of joint-stock companies with state participation is the principal civil-law mechanism through which the state manages its corporatized assets. The state acts as a shareholder and exercises its ownership through the company's governing bodies — the general meeting of shareholders, the supervisory board and the executive body — supported by the committee of minority shareholders, the audit commission and the newly introduced corporate secretariat. The 2024 reform has modernised this framework by introducing instruments aimed at greater efficiency, professionalism and transparency.

At the same time, the mechanism raises civil-law problems — the dual role of the state as shareholder, the protection of minority shareholders, the liability of directors, the separation of ownership and regulation, and the independence of boards. Their resolution calls for exercising state ownership at arm's length under a commercial mandate, strengthening minority rights and disclosure, clarifying the liability of the company's bodies, separating ownership from regulation, and introducing independent and professional directors. Aligned with international standards and adapted to the national legal tradition, such measures would make corporate governance a reliable instrument for managing state property.

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