



POLITICAL EXPOSURE AND PUBLIC INVESTMENT IN UZBEKISTAN

A large, metallic key is held horizontally across the top right of the image. The background is a dark, textured surface, possibly concrete or stone, with some light reflecting off the key's head and edge.

STEEL PROPERTY CONSTRUCTION

MAKRO

GOLDEN
HOUSE

ORIENT
FINANS
BANK

TOWER MALL
MANAGEMENT
GROUP

HIGHWAY
LOGISTICS

AN INVESTIGATION INTO THE ORIENT
GROUP, UZBEK OMAN INVESTMENT
COMPANY AND UZBEKISTAN RAILWAYS

PROFESSOR
KRISTIAN LASLETT
& UZBEK FORUM
FOR HUMAN RIGHTS

ABOUT THE SERIES

Drawing on the systematic methodologies behind investigative journalism, open source intelligence gathering, big-data, criminology, and political science, this series maps the transnational corporate, legal and governmental structures employed by organisations and figures in Central Asia to accumulate wealth, influence and political power. The findings will be analysed from a good governance, human rights, and democratic perspective, to draw out the big picture lessons.

Each instalment will feature a digestible, analytical snapshot centring on a particular thematic, individual, or organisation, delivered in a format that is designed to be accessible to the public, useful to policy makers, and valuable to civil society.

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Uzbek Forum for Human Rights (formerly Uzbek-German Forum for Human Rights / UGF) is a Berlin-based NGO dedicated to protecting human rights and strengthening civil society in Uzbekistan. Uzbek Forum works with a network of independent human rights defenders inside Uzbekistan who conduct monitoring of human rights abuses including forced labour in the cotton and silk sectors. Uzbek Forum's evidence-based reports are used to conduct advocacy and shape policy with the Government of Uzbekistan, the EU and the UN as well as raise awareness in the regional and international media. Uzbek Forum has been twice nominated for the Human Rights and Business Award for 'important work deserving international recognition'.



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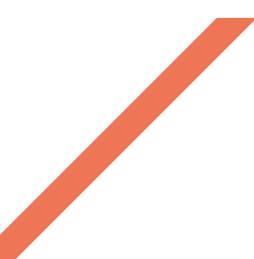
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EXECUTIVE SUMMARY

This report presents the findings from an in-depth investigation conducted from March 2020 to March 2021 into the Orient Group, a major Uzbekistani conglomerate. It is one of the most successful enterprises to emerge out of the business-oriented reforms ushered in by President Shavkat Mirziyoyev since he assumed the Presidency in September 2016. The Orient Group has secured a commanding position in a wide range of sectors including banking, construction, freight, agriculture, retail, fashion, real estate, heavy industry, manufacturing, supermarkets, hypermarkets, shopping malls, logistics, warehousing, franchising, and food and beverage.

This investigation blends a range of methods drawn from big-data science, open-source intelligence and investigative journalism. It provides the first systematic study on the corporate structure and finances of a major conglomerate to emerge primarily during the Mirziyoyev era.

Key research findings include:

- The investigation identified 58 companies incorporated in Uzbekistan that are directly tied to the Orient Group, with a total charter capital of US\$728,376,631 (charter capital is the equity contributed by participants in return for a certain proportionate percentage of shares in the company).
- Employing the definition of politically exposed persons enumerated in the *UN Convention Against Corruption*, it was determined that the Orient Group is impacted by a significant degree of political exposure. A major Orient Group shareholder, Oybek Umarov, is the brother of Otabek Umarov who currently serves as

Deputy Head, Presidential Security Services and is the son-in-law of President Mirziyoyev. Babur Parpiev, who has served as a senior executive in the Orient Group, is the son of Batyr Parpiev a Deputy Minister in the Mirziyoyev government (who previously served as a Chairman of the State Tax Committee). Political exposure does not imply or denote wrongdoing. It is, however, a widely accepted factor in the anti-corruption and anti-money laundering community, justifying the enhanced scrutiny of impacted entities.

- It is impossible to comprehensively determine the full scope of the Orient Group's political exposure, owing to opaque offshore holding structures in the UK and Switzerland, and the absence of a public register of beneficial owners in Uzbekistan.
- Using the fiscal measure of charter capital (equity), the Orient Group almost tripled in size during the Mirziyoyev era to command approximately US\$728,376,631 in equity alone.¹ In total US\$128,476,298

in charter capital has been contributed to the Orient Group by Scottish Limited Partnerships, based on Uzbekistani company registry data.

- One key factor in the rapid growth of the Orient Group since 2016 is the near exclusive relationship it has with the Uzbek Oman Investment Company.
- The Uzbek Oman Investment Company is an equity fund that manages US\$200 million in public money provided to it by the Republic of Uzbekistan and the Sultanate of Oman.
- This investigation successfully traced US\$187,324,334 of investments made by the Uzbek Oman Investment Company. Financial and corporate data extracted from Uzbekistan's Unified Register of Legal Entities indicates that 86% of these investments have gone into Orient Group projects. The Uzbek Oman Investment Company also shares a common corporate headquarter with the Orient Group in the UzOman Tower.

¹ The figures presented in this report are based off a year-long study into the structure of the Orient Group which concluded in March 2021. Because corporate registry information in Uzbekistan is not open-data, the Orient Group's structure had to be discovered and verified manually. Requests for full and transparent disclosure from the Orient Group of its group holdings was not ultimately responded to. Therefore, the data-set presented here is an estimation based off extensive tracing efforts but which is not complete in scope. The financial figures presented in this report are also affected by currency exchange fluctuations.

- The Uzbek Oman Investment Company was unwilling to comment on a series of detailed questions relating to its relationship with the Orient Group, despite being the fund manager for public moneys.
- The investigation identified a further US\$29,175,759.60 of public investment in the Orient Group contributed by the state owned Uzbekistan Railways and its subsidiaries. Because historical investment data is not retained on the Unified Register of Legal Entities in Uzbekistan, it was impossible to calculate in full the current and previous investments made by Uzbekistan Railways into a series of Orient Group companies, which in total have a current charter capital of US\$127,485,091.
- In addition to its investment relationship with the Orient Group, Uzbekistan Railways is a major customer of Orient Group companies and has also allocated Orient's freight arm key strategic locations for logistics operations. Requests for tender documents and comment were not responded to by Uzbekistan Railways.

This study has not considered and does not take a position on whether these relationships or transactions were in any way unlawful. Nor does it intend to infer explicitly or implicitly that they were unlawful. This study does, however, conclude that these arrangements are not in the public interest for a range of reasons, including the lack of transparency and openness regarding both the

investments made in the Orient Group and the associated shareholding structures, the lack of transparency relating to certain commercial/procurement transactions, the potential anti-competitive implications of these different practices, and the lack of public accountability regarding how political exposure and conflicts of interest have been managed between these organisations. As a result of this finding, a number of recommendations are made. They include:

- An investigation by the Anti-Corruption Agency of the Republic of Uzbekistan ought to be conducted into the Uzbek Oman Investment Company and Uzbekistan Railways to determine whether there have been any breaches of the law with regard to their commercial relationship with the Orient Group.
- An investigation by the Anti-Monopoly Committee of the Republic of Uzbekistan ought to be conducted into the Uzbek Oman Investment Company and Uzbekistan Railways to determine whether there have been any breaches of the law with regard to their commercial relationship with the Orient Group.
- Inquiries ought to be made by UK regulatory authorities into Downtown Distribution LP, Castle Import Export LP, Just Equities LP, Good Supplies LP, Yardrock Development LP, Empire Industrial Services LP, Maxim Global Investments LP, and Major Wholesale Supplies LP, to determine whether these legal entities have complied with UK partnership and financial laws/regulations.

• Uzbekistan's company law requires reform in order to substantially improve corporate governance and transparency requirements, including through a public register of current and historical company filings, and a verified public register of beneficial owners.

• While the government of Uzbekistan has initiated legal reforms that ostensibly aim to improve public procurement, there is a need for similar levels of transparency and open competition with regard to other commercial transactions involving the state, including investment of public funds, state-backed loans, granting of land, and the solicitation of benefits such as tax holidays, with regular public screenings of these arrangements by the Anti-Monopoly Committee and Anti-Corruption Agency to ensure compliance with national laws and regulations.

To be clear, these recommendations are not intended to imply unlawful activity has taken place. They are premised on the serious risk factors identified in this study, which it is argued warrant further substantive inquiry from the relevant mandated authorities.

PART I

SAFE HANDS AND BIG POSSIBILITIES: REBRANDING UZBEKISTAN'S EMERGING MARKET



Perched on London's Thames river, with spectacular views of the city, Glaziers Hall was pitch perfect for the 2019 UzInvest Forum, described as Uzbekistan's 'Davos'. An investor conference, made up of high-powered executives, policymakers, and advisers steering trade and investment in Uzbekistan, UzInvest cast the Central Asian republic as an appetising emerging economy ideal for smart-money in the world of finance, investment, and tech.

UzInvest's line-up of keynote speakers were the who's who of the Uzbekistan government's ambitious effort to rebrand itself as a safe steward for one of the globe's most exciting economies, a government led by young, savvy business people, commercially literate policy makers, a reform minded President, with wise counsel from organisations such as the International Finance Corporation, the European Bank for Reconstruction and Development, and the International Labour Organization.

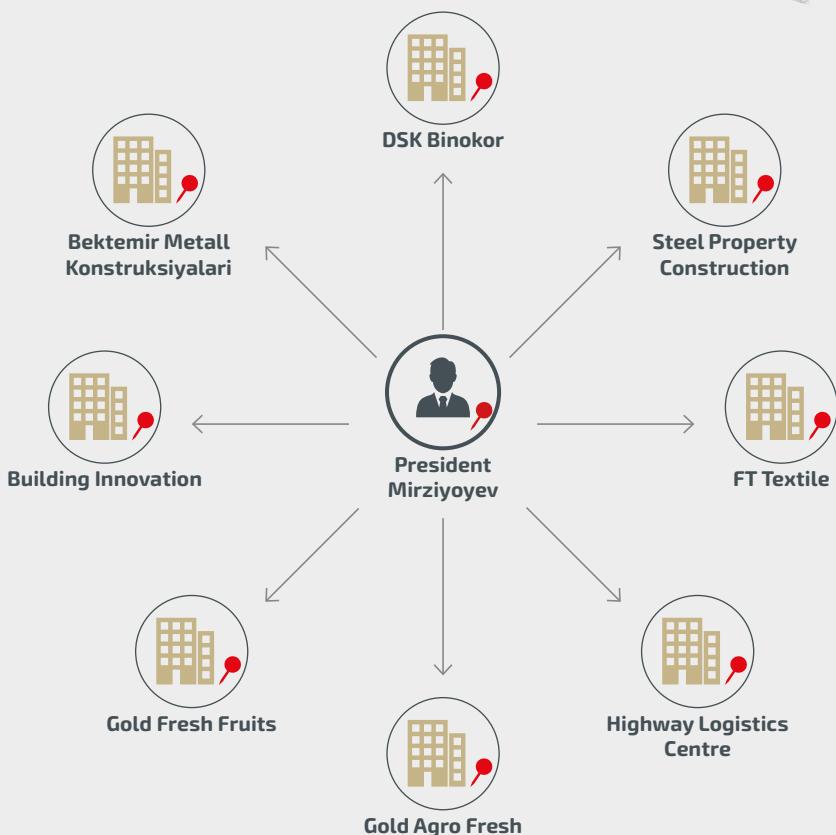
The event was steeped in the iconography of its principal corporate sponsor, the Orient Group, an emerging Uzbekistani conglomerate. Its executives and board featured heavily on the keynote speakers list for UzInvest. Its elegant gold logo adorned the branded conference furnishings.

From modest beginnings during Shavkat Mirziyoyev's Presidency, the Orient Group has seized commanding positions in a wide range of sectors, from heavy industries through to mega shopping malls. Many Orient Group brands have in a small duration of time become household names (Orient Finans Bank, Golden House, The Tower Mall Management Group, Eurasia Group, Makro, Erkatoj, to name a few examples). Although, this has not always been for entirely laudable reasons, with allegations being made that tie Orient Group companies to forced evictions, destruction of heritage, forced labour, health and safety violations, and building violations.²

Nevertheless, as one of the country's most visible success stories of late, Orient Group companies have been honoured with high profile public visits from President Mirziyoyev.

² See, for example, Sadreddin, A. (2018) 'The agribusiness, praised by Mirziyoyev, does not pay thousands of seasonal workers', *Radio Ozodlik*, available online: <https://www.ozodlik.org/a/29392334.html>; 'BakanTex workers say the presidential portal has also failed to free them from "slave" labor', *Radio Ozodlik*, 29 March 2019, available online: <https://www.ozodlik.org/a/bakan-tex-yashnobod-mehnat-vazirligi-majburiy-mehnat/29850087.html>; 'The construction of the Riviera shopping and entertainment center is suspended until the reasons for the emergency are established', *Gazeta*, 29 August 2019, available online: <https://www.gazeta.uz/ru/2019/08/29/incident-riviera/>; Liphshiz, C. (2020) 'Uzbekistan Jews fight to save 124-year-old synagogue from demolition', *The Jerusalem Post*, 1 August, available online: <https://www.jpost.com/diaspora/uzbekistan-jews-fight-to-save-124-year-old-synagogue-from-demolition-637084>

Diagram 1: Presidential visits to Orient Group companies



And at UzInvest 2019 the Orient Group formed a central part of a wider tapestry designed to visibly announce the government of Shavkat Mirziyoyev's ambition to make Uzbekistan an open centre for international investment and commercial innovation, after his predecessor President Islam Karimov oversaw a period marked by increasing economic and political isolation.

Under Karimov, the levers of authoritarian government were employed to choreograph a state dominated economy marked by nepotism and clientelism. As vivid examples of graft and state violence attracted international headlines and sanctions, trust in the integrity of Uzbekistan's governmental and market institution experienced a significant dip, which has to an extent impeded free access to international financial, corporate, and commercial infrastructure and resources.

In a bid to restore trust, with the associated economic benefits, President Mirziyoyev has eagerly pushed a new image for Uzbekistan. It is an image marked by deregulation, privatisation, monetary/tax/commercial reform, professionalisation of the public sector, anti-corruption reform, and perhaps above all stability and predictability.³ Political reform to date has arguably been of a more tokenistic nature in an authoritarian republic where opposition political groups are outlawed and civic dissent faces ongoing repression.

Harnessing these powerful winds of commercial change, the Orient Group has secured a commanding position in a wide range of sectors including banking, construction, freight, agriculture, retail, fashion, real estate, heavy industry, manufacturing, supermarkets, hypermarkets, shopping malls, logistics, warehousing, franchising, and food and beverage. Charter capital⁴ data

suggests that the Orient Group has nearly tripled in size since 2016 with equity funds growing to US\$728,376,631 (this excludes businesses sold before 2020, which could potentially bring the total to US\$785,130,718).

As the flattering corporate face used internationally to promote the reform process initiated by President Mirziyoyev, the Orient Group's rapid success is a powerful barometer for examining in substance just how much things have changed since President Karimov's death and succession in September 2016. While the group's rapid corporate expansion provides a supportive nod for the reform process, there are a number of characteristics of this corporate success story that deserve closer scrutiny, which are the focus of this Power Brief.

Firstly, standing behind the group at the time this study was conducted between March 2020 to March 2021, are five principal shareholders.

³ See, Lemon, E. (2019) *Mirziyoyev's Uzbekistan: Democratization or Authoritarian Upgrading*, Foreign Policy Research Institute, available online: <https://www.fpri.org/wp-content/uploads/2019/06/lemonrpe4.pdf>; The Foreign Policy Centre (2020) *Spotlight on Uzbekistan*, available online: <https://fpc.org.uk/wp-content/uploads/2020/07/Spotlight-on-Uzbekistan.pdf>

⁴ Charter capital is constituted from the funds contributed to a company by shareholders, in return for a proportionate percentage of shares.

There is Oybek Umarov, the brother of Otabek Umarov, son-in-law of President Mirziyoyev.⁵ The second major shareholder is Saken Polatov, Deputy Director of the National Olympic Committee, Vice President of the Uzbekistan Boxing Federation and Chairman of the Asian Boxing Confederation Fund and Development Commission.⁶ The third and fourth shareholders are lesser known identities, Dilmurod Pulatov and Payzullajon Mirzayev. The fifth 'shareholder' is a placemark for a series of opaque offshore entities incorporated primarily in the United Kingdom, which mask the identities of others standing behind this group.

While not a shareholder, another closely connected figure not to be overlooked is Babur Parpiev, Chairman of the Supervisory Board at Orient Finans Bank⁷, reportedly one of Uzbekistan's largest private banks and a foundation stone of the Orient Group.⁸ Parpiev is the son of political powerbroker Batyr Parpiev, former head of the State Tax Committee and a current Deputy Minister in the Mirziyoyev government.⁹

Drawing on definitions enumerated in international law, both Umarov and Parpiev would be considered politically exposed persons, a matter addressed in Part II of this report. Their close affiliation with the Orient Group is not, as a result, improper or illegal, nor is it grounds for implying something improper or illegal is taking place. However, once set against the well-established and well known governance risks in Uzbekistan,¹⁰ these affiliations do provide public interest grounds for placing the group under close scrutiny, especially when the conglomerate is engaged in commercial transactions with the state.

This scrutiny is further justified by the significant amount of public investment in the Orient Group. Investigations conducted for this report indicate that over 80% of the state funds managed by the Uzbek Oman Investment Company – a US\$200 million fund manager employing state capital contributed by the governments of Uzbekistan and Oman – have been invested into Orient Group projects, primarily through joint-venture vehicles. The skewing of investment

so heavily in favour of one particular corporate group, with high levels of political exposure, is analysed in section III of this Power Brief.

It is not the only example of significant public investment in the Orient Group though. It has also benefited from sizable investment and contracts from Uzbekistan Railways and its subsidiaries, which have been awarded in opaque circumstances. This relationship is analysed in section IV.

The implications of these relationships and transactions are considered in section V, with a series of associated recommendations.

⁵ See, for example, Tolibov, S. (2018) 'AFU and PFL have begun investigation of the events at the stadium "Kokand - 1912"', *Radio Ozodlik*, 30 May, available online: <https://rus.ozodlik.org/a/29259304.html>

⁶ Olympic Council of Asia (2020), 'Uzbek NOC Vice President Polatov to spearhead new development commission of Asian Boxing Confederation', available online: <https://ocasia.org/news/1441-uzbek-noc-vice-president-polatov-to-spearhead-new-development-commission-of-asian-boxing-confederation.html>

⁷ See: <https://ofb.uz/uz/about/nablyudatelnyy-sovet-banka/> (accessed 15 February 2021)

⁸ 'Largest private bank in Uzbekistan cuts dividends for second year in a row', 6 March 2020, *Dividends*, available online: <https://dividends.nuz.uz/2020/06/03/krupnejshij-chastnyj-bank-uzbekistana-vtoroj-god-podrjad-snizhaet-dividendy/>

⁹ 'Former head of the State Tax Committee Botir Parpiev became deputy minister', *Kun.Uz*, 19 February 2020, available online: <https://kun.uz/ru/news/2020/02/19/byvshiy-glava-gosudarstvennogo-nalogovogo-komiteta-botir-parpiyev-stal-zamestitelem-ministra>

¹⁰ See, for example, The World Bank (2019) *Project Appraisal Document on a Proposed Credit in the Amount of US\$33 million to the Republic of Uzbekistan for a Institutional Capacity Building Project*, available online: documents1.worldbank.org/curated/ar/708081559008894254/pdf/Uzbekistan-Institutional-Capacity-Building-Project.pdf

PART II

THE ORIENT GROUP'S RISE



Prior to its website being taken offline in late 2019, the Orient Group described itself as ‘one of the largest private conglomerates in Uzbekistan’ with over 25,000 workers.¹¹

No comprehensive list is provided on the website of all the entities which form part of the Orient stable. Nevertheless, a process of manual verification was employed in order to trace companies which form part of the group.

This report has identified at least 58 locally incorporated companies in Uzbekistan that are a direct part of the Orient group,¹² or which are closely affiliated (owned by an Orient group founder).

The now offline website for the Orient Group lists three group founders. They include Payzullajon Mirzayev, Saken Polatov, and Dilmurod Pulatov. Each of these individuals is a significant legal shareholder in a wide range of Orient Group companies.

Examination of the group’s shareholder structure tabulated using company extracts downloaded¹³ from Uzbekistan’s Unified Register of Legal Entities reveals a fourth major shareholder, omitted from the Orient Group’s website – Oybek Umarov. He is the brother of Otabek Umarov, a senior Uzbekistani state official (Deputy Head, Presidential Security Services) who is the son-in-law of President Shavkat Mirziyoyev.¹⁴

A fifth key shareholder, or potentially shareholders, was identified in Orient’s shareholding structure. This major shareholding is primarily held through a series of offshore Scottish Limited Partnerships, a controversial and opaque legal entity type, which can conceal from public viewing the ultimate owners of shares held by a Limited Partnership.¹⁵

¹¹ The offline website was accessed employing web archiving tool Waybackmachine.

¹² These companies were identified using a number of techniques. Some were explicitly listed on the offline Orient Group website, while in a number of cases the Orient Group company had its own live Orient branded website or was cited as a group member in Orient Group promotion materials. Additionally, there were a sample of companies owned by an Orient Group founder, which are resident in the Orient Group’s headquarters at Uz-Oman Business Centre on Amir Temur Avenue, that were also included.

¹³ These extracts were current when downloaded from the Unified Register of Legal Entities between the period 11/20-2/21, but cannot be assumed to be accurate at the date of publication of this Power Brief due to potential changes in some shareholding arrangements within these companies.

¹⁴ See, for example, Tolibov, S. (2018) AFU and PFL have begun investigation of the events at the stadium "Kokand - 1912", *Radio Ozodlik*, 30 May, available online: <https://rus.ozodlik.org/a/29259304.html>

¹⁵ UK Department for Business, Energy & Industrial Strategy (2018) *Limited Partnerships: Reform of Limited Partnership Law*, available online: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/703603/limited-partnerships-review-of-limited-partnership-law.pdf

Diagram 2: Orient Group shareholders and political exposure

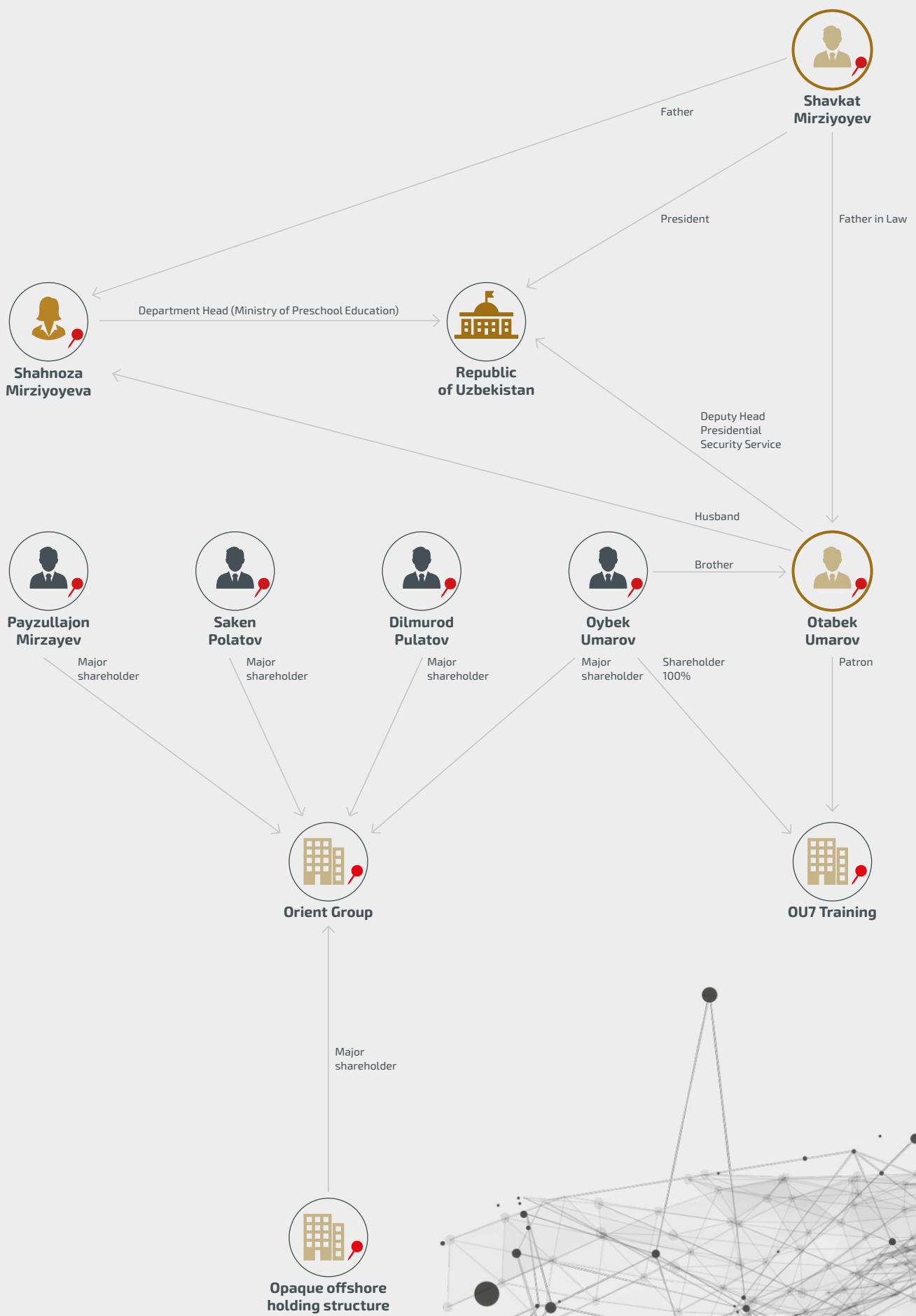


Table 1: Key Orient Group shareholders and traceable Uzbekistan shareholdings
 (Source: Unified Register of Legal Entities)

Shareholder	Shareholdings (direct and indirect) ¹⁶	
Payzullajon Mirzayev	Absolute Business Trade Bakan Tex Binket Sales Binokor Temir Beton Servis Darvoza Savdo DSK Binokor Euroasia Fashion Retail Euroasia International Marketing FT Textile Group Gold Agro Fresh	Golden House Development Hyper Retail Kristall Klearing Servis Mall Estate Midas Investment Solutions OFB Lizing Orient Finans Bank Qurilish Universal Kompakt Servis Unique Trade Business Yangi Zamon Bino
Saken Polatov	Binokor Temir Beton Servis Chukursay Logistics Center Dacros Gold Agro Fresh Gold Dried Fruits Gold Dried Fruits Export Gold Fresh Fruits Kristall Klearing Servis	Mall Estate Metal Invent OFB Lizing Orient Finans Bank Steel Special Décor Trans Universalis Cella Steel Property Construction Universal Logistics Services
Dilmurod Pulatov	Kristall Klearing Servis Mega Planet Metal West Premium Polygraph OFB Lizing Orient Finans Bank	
Oybek Umarov	Bektemir Metall Konstruksiy Alari Binket Group Binokor Temir Beton Servis FT Textile Group Gold Dried Fruits Export OFB Lizing Orient Finans Bank Qo'Qon 2-Ischilar Ta'minoti Bo'limi	
Scottish Limited Partnerships	Arrow Green Logistics Azia Binket Group Binokor Temir Beton Servis Bektemir Metall Konstruksiy Alari Dorkomplektsnab Servis Dacros Gold Agro Fresh Gold Dried Fruit Gold Dried Fruits Export	Gold Fresh Fruits Gold Fresh Herbs Granite Stone Highway Logistics Center Metal Invent Orient Logistics Centre Orient Mebel Silk Route Marionettes Waggon Wash Servis Woodman Group

¹⁶ Indirect interests includes subsidiaries of companies in which the direct shareholding is held. This search was conducted between November 2020 and February 2021. Therefore some of these shareholdings may not be current at the date of publication.

The conglomerate features a wide range of executives in different roles, some of whom also have minor shareholdings. In the introduction it was noted that Babur Parpiev has been a key group executive, and up until April 2020 served as Chairman of Orient Finans Bank's management board (he now serves as Chairman of the Supervisory Board).¹⁷ Parpiev is the son of Batyr Parpiev a Deputy Minister in the Mirziyoyev government, who previously served in the powerful post, Chairman of the State Tax Committee.¹⁸

Both Oybek Umarov and Babur Parpiev appear to fit within the international definition of politically exposed persons (PEP) enumerated in the *UN Convention Against Corruption*. This is a term used by due diligence and anti-corruption professionals to designate individuals 'who are, or have been, entrusted with prominent public functions and their family members and close associates'.¹⁹ Designating an individual a PEP does not denote or imply wrongdoing. It is, however, a designation which would ordinarily cause organisations that are legally required to prevent corruption and money laundering to pay especially close attention to major business transactions the individual and their company are involved in, especially when the PEP is from a region or sector marked by elevated levels of corruption.

In the case of the Orient Group, its structures include a significant PEP executive and shareholder (we do not know the beneficial owners of the offshore vehicles noted above, and consequently cannot exclude the possibility that a further PEP or PEPs have an interest in the group). Therefore, it is reasonable to expect that the group ought to be the subject of enhanced scrutiny, especially when involved in higher risk transactions such as government contracts, loans or investments.

When preparing this report an attempt was also made to scope the financial size of the Orient Group using the sample of 58 traced companies. In Uzbekistan limited liability companies are not required to submit financial returns to the public register for legal entities. Therefore, it is impossible to estimate the total assets of the Orient Group. However, publicly available company extracts do list the total charter capital (equity) contributed by shareholders. The charter capital of the Orient Group has, therefore, been used as a figure for approximating the size of the Group and the rate of its expansion. This is an estimation based on the sample of 58 traced companies, given that there is no other comprehensive list accessible to the public of all the legal entities tied to the Orient Group structure.

Based on the sample of 58 companies identified for this study the total current charter capital (equity) of the Orient Group is approximately US\$728,376,631. The total asset base of the conglomerate is likely many times larger than this. Orient certainly appears to be one of the biggest conglomerates operating in Uzbekistan today.

From the sample of 58 entities, the charter capital of the 29 companies founded prior to September 2016, during the Karimov era (primarily 2010-2016), totals US\$276,306,352 (note, some of this charter capital may have been contributed after September 2016).²⁰ The charter capital of the 29 group companies founded after September 2016, in the President Mirziyoyev era, is US\$452,070,279. Twenty six out of twenty nine of these companies, with charter capital of \$432,895,226 were founded between 14/11/2016 and 12/12/2018.

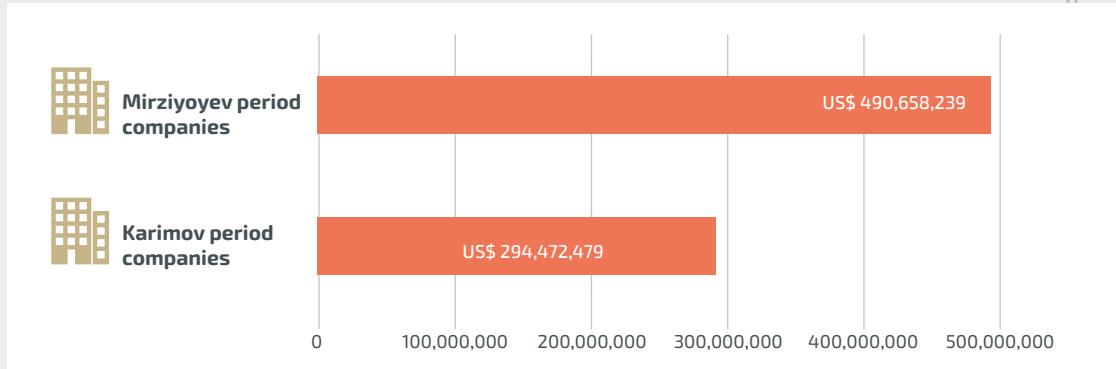
¹⁷ See, Orient Finans Bank website (accessed 1 March 2021): <https://ofb.uz/uz/about/nablyudatelnyy-sovet-banka/>

¹⁸ 'Former head of the State Tax Committee Botir Parpiev became deputy minister', Kun.Uz, 19 February 2020, available online: <https://kun.uz/ru/news/2020/02/19/byvshiy-glava-gosudarstvennogo-nalogovogo-komiteta-botir-parpiyev-stal-zamestitelem-ministra>

¹⁹ United Nations Convention Against Corruption, Article 52

²⁰ Uzbekistan's Unified Register of Legal Entities does not retain historical data which would allow the date of new charter capital contributions to be noted.

Diagram 3: Charter capital, Orient Group projects



However, we also know from Anti-Monopoly Committee reporting that the Orient Group, through the brand Tower Mall Management Group, sold off two major malls, held through the companies Magic Fruit (est. 23/07/12) and SD Mall (est. 12/11/19), with charter capital of US\$56,754,087, which is an indicator of their scale.²¹ If added, this would bring the total charter capital of Orient Group projects to US\$785,130,718 of which US\$490,658,239 is attributable to companies incorporated in the Mirziyoyev period. This provides one signal of the rapid pace of expansion experienced by the Orient Group under the Mirziyoyev administration. Its charter capital has almost tripled in the space of several years to now become what is almost certainly a multi-billion dollar enterprise.

Another notable feature of the Orient Group's financial structure is the

significant role of state investors. From the sample of 58 companies identified during this study, 16 were identified that had benefited from investment via state enterprises or state investment funds, of which 11 were founded during the Mirziyoyev era. The total charter capital of these 16 ventures is US\$489,306,866 or 62% of the Orient Group total. In other words the Orient Group companies that have benefited from state investments are by far among the largest in the Group measured by charter capital. Given that these state investments have primarily been in companies founded during the Mirziyoyev era, this gives rise to a hypothesis that the accelerated growth of the Orient Group observed during the Mirziyoyev government era, is in part the result of significant state investment in the conglomerate. This is not however to say or imply that

impropriety or misconduct has affected the decisions to invest state funds into the Orient Group.

Another significant investor class in the Orient Group are offshore companies. During this study it was found that twelve companies in the Orient Group, with charter capitals totalling US\$286,355,740, are part owned by offshore entities. Eight of the entities are Scottish Limited Partnerships, while one each is incorporated in Cyprus, Latvia, Moldova, and Switzerland. Because of transparency reforms in the United Kingdom, some basic corporate disclosure information is available on the eight Scottish Limited Partnerships.²² These Scottish Limited Partnerships have in total made a charter capital contribution to the Orient Group of US\$128,476,298, according to Unified Register of Legal Entities records.

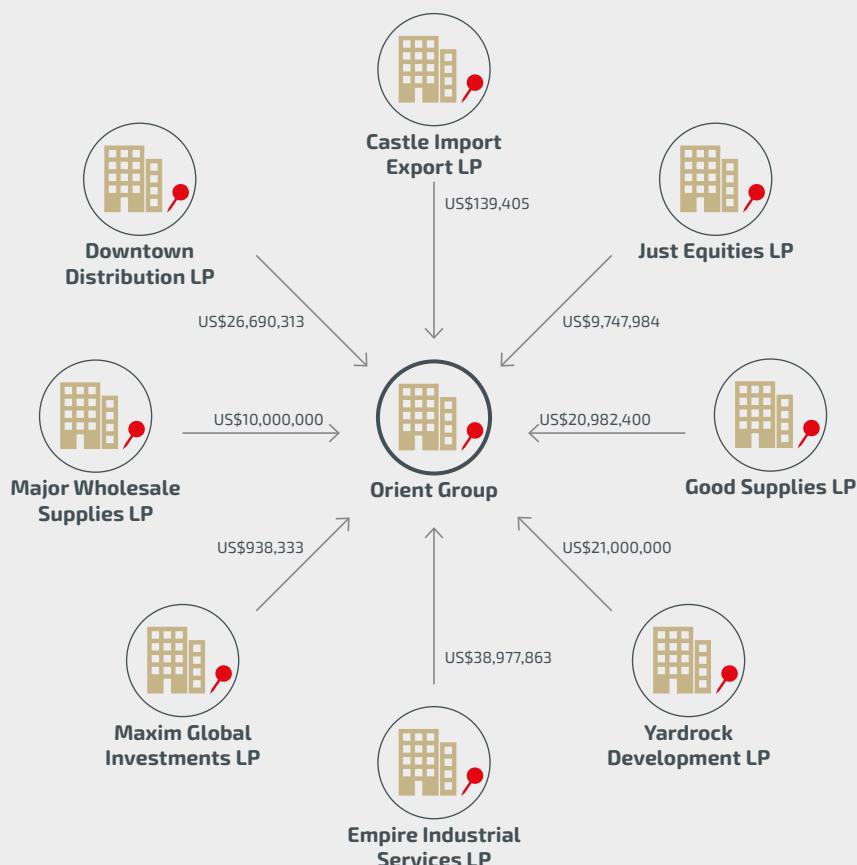
²¹ Anti-Monopoly Committee of the Republic of Uzbekistan (2020), 'Top 5 deals by economic concentration in Uzbekistan in 2019', available online: <https://antimon.gov.uz/ru/top-5-sdelok-po-jeconomicheskoy-koncentracii-v-uzbekistane-za-2019-god/>

²² Data obtained from UK Companies House, <https://find-and-update.company-information.service.gov.uk/>

Table 2: Scottish offshore holding companies (Source: UK Companies House)

Name	Entity	Est.	People with Significant Control	Shareholder or Partner
Downtown Distribution LP	Scottish Limited Partnership	16/5/2012	Bbberg Holding Ltd Downtown Distribution Holding Lp (2018-2019)	General Partner: Luther Antoine Yahnick Denise Limited Partner: Juliette Michel Clarisse
Castle Import Export LP	Scottish Limited Partnership	16/5/2012	Bbberg Holding Ltd Castle Import-Export Holding LP (2018-2019)	General Partner: Luther Antoine Yahnick Denise Limited Partner: Juliette Michel Clarisse
Just Equities LP	Scottish Limited Partnership	16/05/2012	Bbberg Holding Ltd Just Equities Holding LP (2018-2019)	General Partner: Luther Antoine Yahnick Denise Limited Partner: Juliette Michel Clarisse
Yardrock Development LP	Scottish Limited Partnership	10/9/2014	Wallbridge Logistics SLP (no ultimate PSC declared)	General Partner: Voxpoint Inc, Wallbridge Logistics LP Limited Partner: Goldstein AG
Empire Industrial Services LP	Scottish Limited Partnership	28/11/2014	Empire Industrial Services Holding LP	General Partner: Sturari Impex Limited Limited Partner: Ferton Impex Limited
Good Supplies LP	Scottish Limited Partnership	16/05/2012	Bbberg Holding Ltd Good Supplies Holding LP (2018-2019)	General Partner: Luther Antoine Yahnick Denise Limited Partner: Juliette Michel Clarisse
Maxim Global Investments LP	Scottish Limited Partnership	22/07/2014	Maxim Global Investments Holding LP	General Partner: Sturari Impex Limited Limited Partner: Ferton Impex Limited
Major Wholesale Supplies LP	Scottish Limited Partnership	10/10/2014	Major Wholesale Supplies Holding LP	General Partner: Sturari Impex Limited Limited Partner: Ferton Impex Limited

Diagram 4: Scottish Limited Partnership charter capital contributions to the Orient Group
 (Source: Uzbekistan Unified Register of Legal Entities).



There are a number of notable features of this UK holding structure. First, three of these entities have declared as a person with significant control or PSC, an English Limited Partnership (a further four previously declared an English Limited Partnerships PSC). Under UK transparency reforms these declarations are potentially unlawful, because English Limited Partnerships are not transparent legal entities.²³ As a result of these potentially improper declarations it is impossible to obtain any further information on their control or ownership structure.

Four of these entities with a combined capital contribution to the Orient Group of US\$58,151,119 have declared a common PSC, Bbberg Holding Ltd. It is an English Limited Liability company incorporated on 11 April 2019. Bbberg Holding has filed company accounts

for the financial year ending on 30 April 2020. The company declares total assets of negative £453.²⁴

It has declared one PSC, Boris Yakovlev, on the basis of 'ownership of shares – 75% or more', 'ownership of voting rights - 75% or more' and 'right to appoint and remove directors'. Yakovlev is a manager in the Orient Group. According to company data in Uzbekistan he is the head of Euroasia International Marketing (which owns The Tower Group brand), Unique Trade Business (in which he also holds a 1% shareholding) and North Foam.

There are a number of core conclusions that can be drawn from the group structure:

- The Orient Group carries with it significant political exposure due to a sizable shareholding held by the

brother of a senior state-official who is also an immediate family member of President Mirziyoyev. The senior executive role played by Parpiev is another footing for characterising the group as politically exposed.

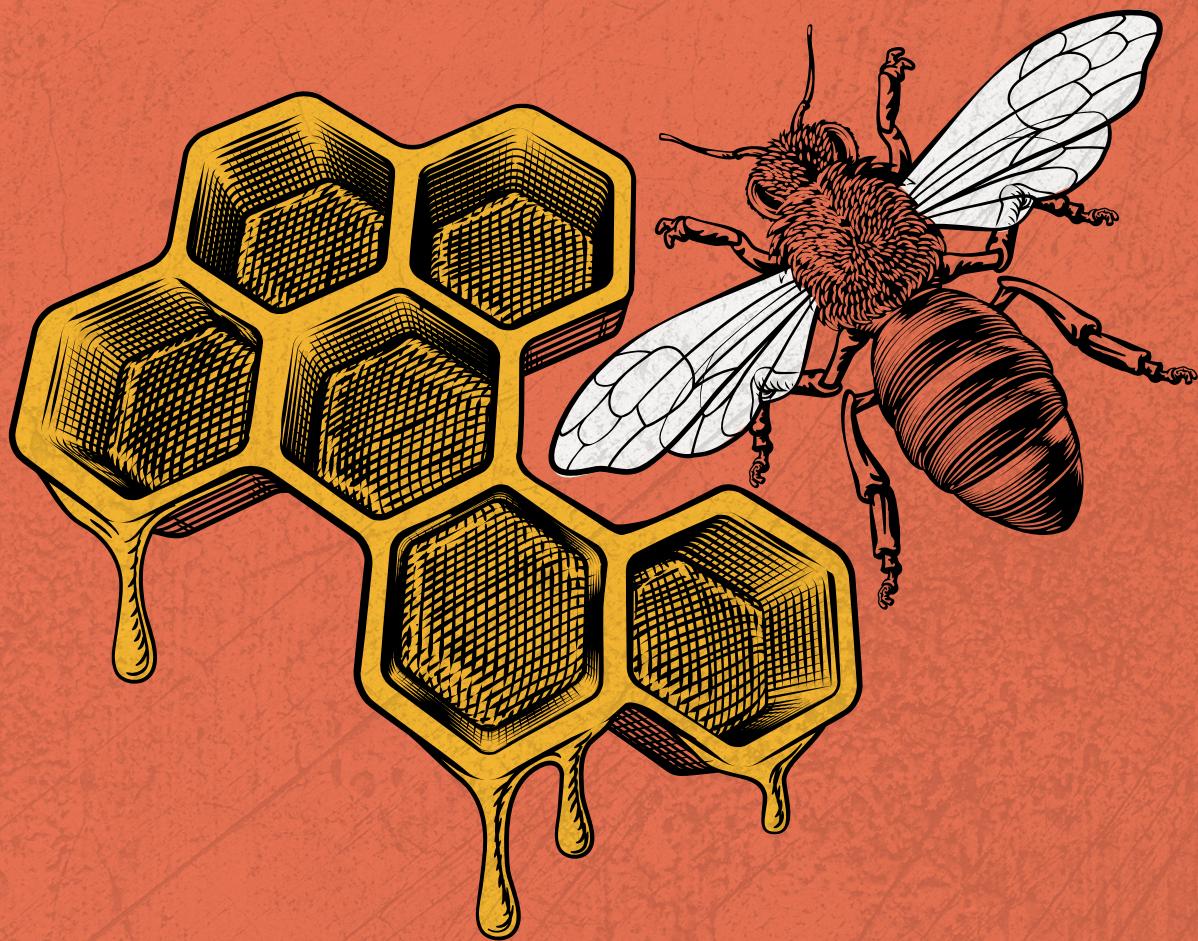
- A considerable stake in the Orient Group is held through opaque, offshore vehicles. As a result it is impossible to further detail its shareholding structure.
- The Orient Group has expanded rapidly in size during the administration of Shavkat Mirziyoyev.
- A critical accelerant during this period of enhanced growth appears to be contributions of charter capital from governmental sources of investment, alongside investments made by a number of Scottish Limited Partnerships.

²³ Department for Business, Energy & Industrial Strategy (2017) *Register of People with Significant Control: Guidance for People with Significant Control over Companies, Societates Europaeae, Limited Liability Partnerships and Eligible Scottish Partnerships*, available online: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/753028/170623_NON-STAT_Guidance_for_PSCs_4MLD.pdf

²⁴ Bbberg Holding Ltd, Filleted Accounts, 30 April 2020, Companies House, available online: <https://find-and-update.company-information.service.gov.uk/company/11939758/filing-history>

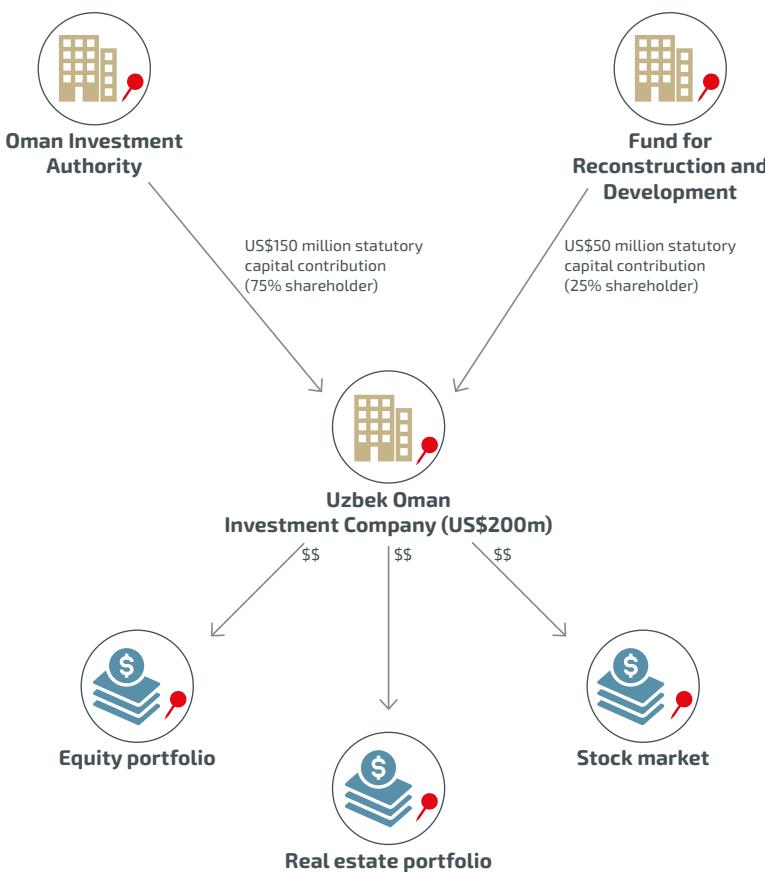
PART III

THE UZBEK OMAN INVESTMENT COMPANY AND THE ORIENT GROUP



One of the principal investors in Orient Group projects is a bespoke equity fund known as the Uzbek Oman Investment Company Limited. Set up initially by an Uzbekistan Presidential decree in 2009, it only initiated its US\$200 million investment programme in 2016/17.²⁵

Diagram 5: Structure of the Uzbek Oman Investment Company²⁷



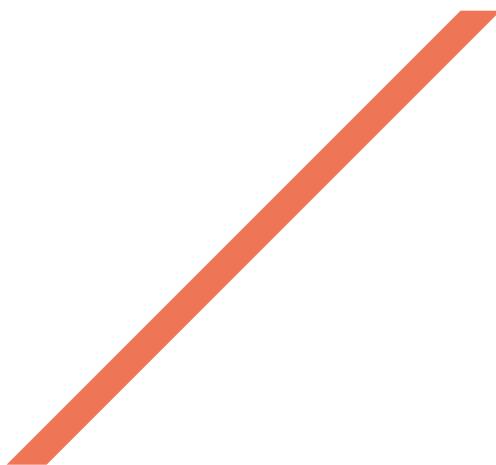
The fund is set up as a private limited liability company incorporated in Uzbekistan. Its charter capital (equity) is provided exclusively by the Sultanate of Oman (75%) and the government of Uzbekistan (25%).²⁶ Its aim is to invest these public funds in a diverse range of businesses, for the mutual benefit of both countries.

The Uzbek Oman Investment Company shares a corporate headquarter with the Orient Group, at 95a Amir Temur Avenue.

²⁵ See <https://uoic.uz/about/company>

²⁶ The Omani contribution is held by the Oman Investment Authority which was set up by his Majesty Sultan Haitham Bin Tarik Al Said, Sultan of Oman, through Royal Decree No. 61/2020 (the authority took over State General Reserve Fund of Sultanate of Oman investments, which was the original contributor of capital to the Uzbek Oman Investment Limited). The Republic of Uzbekistan capital contribution is drawn from the Fund for Reconstruction and Development of the Republic of Uzbekistan which was established by Presidential Decree 3751 in 2006.

²⁷ O'zbek O'mon Investitsiya Kompaniyasi, Company Extract, Unified Register of Legal Entities, Reg No. 19450, accessed 22 December 2020.



The fund's philosophy is: 'We don't care to invest. We invest to care'.²⁸ Its investment methodology centres on the application of the public funds entrusted to it in a prudent and low-risk manner that maximises returns and contributes 'to the economical and financial prosperity of the Republic of Uzbekistan and Sultanate of Oman'.²⁹

The fund itself is managed by a combination of Omani and Uzbekistani financial analysts. They subscribe to the values set out in the Code of Ethics and Standards of Professional Conduct published by the Certified Financial Analyst Institute. The code of conduct demands that analysts act 'with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets'.³⁰

The Uzbek Oman Investment Company's equity and real-estate investment portfolios are listed on its website. The portfolio of investments appear at first glance to be diverse. Equity investments include printing, panels for apartment blocks, reinforced concrete, ceramics, galvanized metal, fresh, dried and frozen fruit/vegetables, freight and logistics, crushed stone, leasing, manufacturing (doors and cabinets), insurance, and malls.

This portfolio of investments listed on the Uzbek Oman Investment Company website was analysed using corporate filings available on the Unified Register of Legal Entities and the Tashkent Stock Exchange. Additional searches were also made to identify any other investment not enumerated on the fund's website.

In total 19 companies were identified that had benefited from Uzbek Oman Investment Company investment.³¹ These 19 companies had a total charter capital of US\$509,284,951. Of these 19 ventures, 14 in total are Orient Group projects. These 14 ventures have a combined charter capital of US\$453,216,819.

The total traceable equity investment made by the Uzbek Oman Investment Company in non-Orient Group ventures totals US\$26,554,705.26. Current traceable equity investment in ventures involving the Orient Group totals US\$116,473,881. Or put in percentage terms 81% of the traceable total current investment made by the Uzbek Oman Investment Company are in Orient Group projects.

The true figure though is likely to be higher. The Uzbek Oman Investment Company website lists investments in Binokor Temir Beton Servis and Gold Dried Fruits Export which have a current total charter

capital of US\$82,489,589. Based off data extracted from the Unified Register of Legal Entities in 2019 by UzInvestigations, the Uzbek Oman Investment Company's previous investments in this network of companies can be documented, even though it does not currently have a shareholding in these firms.

In total, the Uzbek Oman Investment Company invested US\$25 million in Gold Dried Fruits Export, and US\$19,295,747.50 in Binokor Temir Beton Servis.³² Once that data is factored in the total traceable investment made by the Uzbek Oman Investment Company is US\$187,324,334, of which 86% or US\$160,769,628 has been invested in Orient Group projects.

Even then it cannot be assumed this assessment is completely accurate. Three of the apparent non-Orient Group venture investments are in companies where the partner is an anonymous Swiss offshore vehicle. It is impossible to verify what group these companies may be affiliated with.

²⁸ Uzbek Oman Investment Company, 'Investment philosophy', no date, available online: <https://uoic.uz/about/philosophy>

²⁹ Ibid

³⁰ See CFA Institute, Code of Ethics and Standards of Professional Conduct, available online: <https://www.cfainstitute.org/-/media/documents/code/code-ethics-standards/code-of-ethics-standards-professional-conduct.ashx>

³¹ This figure includes four subsidiaries of companies with a substantive shareholding belonging to the Uzbek Oman Investment Company Limited.

³² Oybek Umarov is a shareholder in both companies. They therefore have a degree of political exposure which again warrants that an elevated level of scrutiny be applied to such transactions, without of course assuming there is necessarily something improper about these investments from this fact alone.

Diagram 6: Total traceable investment – Uzbek Oman Investment Company
(Source: Uzbekistan Unified Register of Legal Entities)

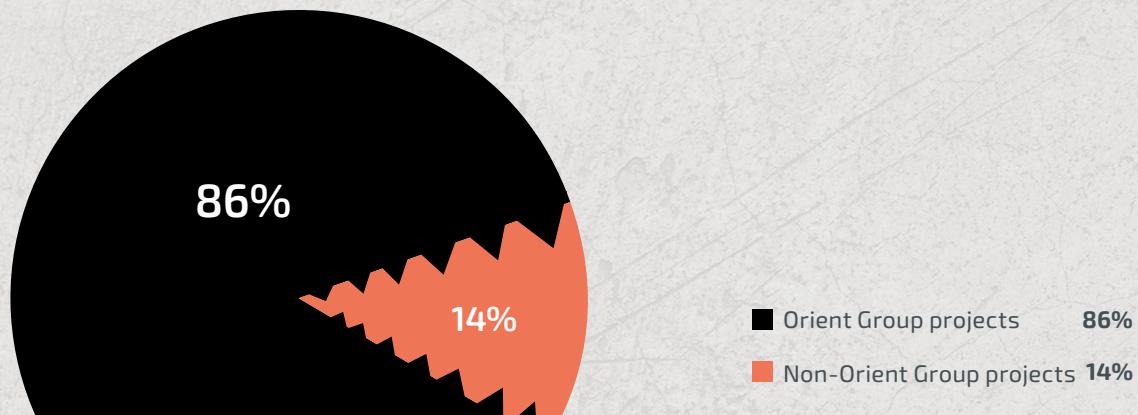


Table 3: Uzbek Oman Investment Company portfolio of equity and real estate investments

Company	charter capital USD	Orient Group	Opaque Offshore Shareholder	Current UzOman Share %	Previous UzOman Share %	Other Shareholdings %	
Polifleks	4,844,817	No	Graphic Solutions Corporation SA (Switzerland) 54%	46%			
Binokor Temir Beton Servis	59,101,668	Yes	Downtown Distribution LP (UK) 45.16%		25%	P. Mirzayev O. Umarov Gold Dried Fruit Woodman Group Metal Invent Dacros	16.31% 8.97% 9.07% 9.63% 1.23% 9.63%
Prime Ceramics	40,816,327	No	Ceram-Invest Asset Management SA (Switzerland) 51%	49%			
Bektemir Metall Konstruksiy Alari	48,000,000	Yes	Yardrock Development LP (UK) 43.75%	25%		O. Umarov Dorkomplektsnab Servis	14.58% 16.67%
Gold Dried Fruits Export	23,387,921	Yes			30%	O. Umarov Metal Progress Mind Asia Metal Invent	22.92% 50.81% 25.20% 1.07%
Universal Logistics Services	19,092,159	Yes		42%		S. Polatov R. Kamildjanov O'ztemiryo'lkonteyner	32.92% 25% 0.08%
Dorkomplektsnab Servis	32,000,000	Yes	Good Supplies LP (UK) 65.57%	25%		F. Abdullaev	9.43%
Uzbek Leasing International	879,187	No		38.74%		Malayan Banking Berhad O'zbekiston Respublikasi Tashqi Iqtisodiy Faoliyat Milliy Banki	19.70% 41.56%
Binket Group	56,835,612	Yes	Empire Industrial Services LP 68.58%	30.47%		O. Umarov	0.95%
Temiryol Sugurta	9,527,489	No		41.83%		Gemological Laboratory of Central Asia	18.78%
Poli Spektr	312	No	Future Printing & Design 54%	46%			
Real Estate Portfolio							
Mall Estate	84,000,000	Yes		25%		P. Mirzayev S. Polatov	51.19% 23.81%
SD Mall	38,587,960	Yes		82%		A. Abbosxo'jayev	18%
Magic Fruit	18,166,127	Yes		100%			
Real Estate Investments	387,187	Yes		85%		Orient Centre Group	15%

Comment should also be made on the Uzbek Oman Investment Company's real estate portfolio. It owns 82% of Samarkand Darvoza Shopping Centre and 100% of Compass Shopping Centre through the companies SD Mall and Magic Fruit. While during the investigation neither company's shareholding included Orient Group companies, both projects were developed by the Orient Group's shopping mall arm, the Tower Mall Management Group. According to Uzbekistan's Anti-Monopoly Committee the Uzbek Oman Investment Company purchased both malls from the Tower Mall Management Group in 2019.³³ Accordingly, they have been counted as Orient Group projects in this report.

The overall skew of investments overwhelmingly in favour of Orient Group projects, by an equity fund that draws its charter capital exclusively from the public purse prompts a number of issues.

First, the Orient Group is an entity that has both a politically exposed shareholder and a politically exposed senior executive. Any transaction between the Orient Group and state funded or related entities deserves close scrutiny, especially when the evidence indicates the scale of the transaction(s) is large and the skew is notably in favour of the Orient Group.

Second, the total charter capital of Orient Group companies traced for this report stands at US\$728,376,631. The total charter capital of Orient Group companies that have directly or indirectly benefited from Uzbek Oman Investment Company investment is US\$396,462,732, or 54% of Orient Group's total. So while only 12 out of the 58 companies traced have directly or indirectly benefited from Uzbek Oman Investment Company investment, this sample of companies represent over fifty percent of the Group's size

measured by charter capital. This prompts a hypothesis that one core driver of the Orient Group's rapid growth since 2016 has been its near exclusive investment relationship with the Uzbek Oman Investment Company.

Third, while it has already been noted that this relationship with the Orient Group involves political exposure, the potential scale of political exposure is impossible to fully verify. Seven projects from the Orient Group and non-Orient Group sample, with a total charter capital of US\$241,598,736, involve opaque offshore holding companies in the shareholding structure where the ultimate beneficial owners cannot be identified. These ventures with an opaque partner have attracted a US\$78,842,318 investment from the Uzbek Oman Investment Company.

Table 4: Opaque offshore companies involved in Uzbek Oman Investment Company ventures.

Name	Entity Type	Est.	People with Significant Control	Shareholder, Partner or Board
Downtown Distribution LP	Scottish Limited Partnership	16/5/2012	Bberg Holding Ltd Downtown Distribution Holding Lp (2018-2019)	General Partner: Luther Antoine Yahnick Denise Limited Partner: Juliette Michel Clarisse
Yardrock Development LP	Scottish Limited Partnership	10/9/2014	Wallbridge Logistics LP (no ultimate PSC declared)	General Partner: Voxpoint Inc, Wallbridge Logistics LP Limited Partner: Goldstein AG
Empire Industrial Services LP	Scottish Limited Partnership	28/11/2014	Empire Industrial Services Holding LP	General Partner: Sturari Impex Limited Partner: Ferton Impex Limited
Good Supplies LP	Scottish Limited Partnership	16/05/2012	Bberg Holding Ltd Good Supplies Holding LP (2018-2019)	General Partner: Luther Antoine Yahnick Denise Limited Partner: Juliette Michel Clarisse
Graphic Solutions Corporation SA	Swiss Société Anonyme	18/11/2009	N/A	President: Igor Nenashev Administrator: Jahrmann Bernard
Ceram-Invest Asset Management SA	Swiss Société Anonyme	5/12/2014	N/A	President: Igor Nenashev Administrator: Jahrmann Bernard
Futura Printing & Design	Swiss Société Anonyme	18/11/2009	N/A	Director: Igor Nenashev President: Jahrmann Bernard

³³ Anti-Monopoly Committee of the Republic of Uzbekistan (2020), 'Top 5 deals by economic concentration in Uzbekistan in 2019', available online: <https://antimon.gov.uz/ru/top-5-sdelok-po-jeconomicheskoy-koncentracii-v-uzbekistane-za-2019-god/>

Looking first at the UK holding entities, two declare a person with significant control, Bbberg Holding Ltd. Bbberg Holding Ltd has, in turn, declared one PSC, Boris Yakovlev, who is a manager in the Orient Group and owns a 1% stake in two Orient Group companies, Absolute Business Trade and Unique Trade Business.

Yardrock Development LP has declared one PSC, Walbridge Logistics LP, a Scottish Limited Partnership, which in turn claims it has no PSC. Finally, Empire Industrial Services LP has declared a PSC, Empire Industrial Services Holding LP, an English Limited Partnership. Under the regulatory regime a PSC must themselves be a transparent legal entity. English Limited Partnerships are not transparent. This appears to be an improper declaration.

With regard to the Swiss holding companies, they are all incorporated as a Société Anonyme. A Société Anonyme under Swiss law does not have to publicly declare a PSC or its legal shareholders. Only the company's board is published on a public register. All three Swiss companies partnering with the Uzbek Oman Investment Company are represented by Uzbekistani citizen Igor Nenashev and Swiss citizen Bernard Jahrmann. Jahrmann is a Director of Swiss accountancy firm Drys Fiduciaire. Graphic Solutions Corporations, Ceram-Invest Asset Management and Futura Printing &

Design are registered to the street address, 12 Rue Mercerie, Lausanne. This is also the address for Drys Fiduciaire SA.

In an investor article, Jahrmann promotes the advantages of the Société Anonyme(SA) to foreign investors, noting 'the owners of an Sàrl [Société A Responsabilité Limitée] must be listed publicly (on the website of the corresponding trade register), but those of an SA can remain hidden to the outside world'.³⁴

Given that the Uzbek Oman Investment Company's charter capital is funded exclusively from the public purse, the opacity of its offshore partners is concerning. Compounding matters, there is minimal information on the fund's website or on the website of UzOman Capital, which manages the fund's day to day operations. For example, neither website contains auditing reports, financial statements, or details on ownership structures. While it is not suggested here that this is an unlawful omission, it is an omission that is not in the public interest given the significant public money controlled by the Uzbek Oman Investment Company.

In summary then the data reveals that the Uzbek Oman Investment Company, which draws its charter capital from the Republic of Uzbekistan and the Sultanate of Oman, has invested almost exclusively in Orient Group projects. The Orient Group, in turn,

is a conglomerate that is linked to the family of President Mirziyoyev, through the relationship between a major shareholder, Oybek Umarov, who is the brother of Otabek Umarov, an individual who is the son-in-law of President Mirziyoyev and Deputy Head, Presidential Security Services.

This does not denote wrongdoing or imply misconduct. However, when combined with the traced investment data on Uzbek Oman Investment Company, it does create a strong *prima facie* foundation for noting concerns over potential political favouritism and anti-competitive practices.

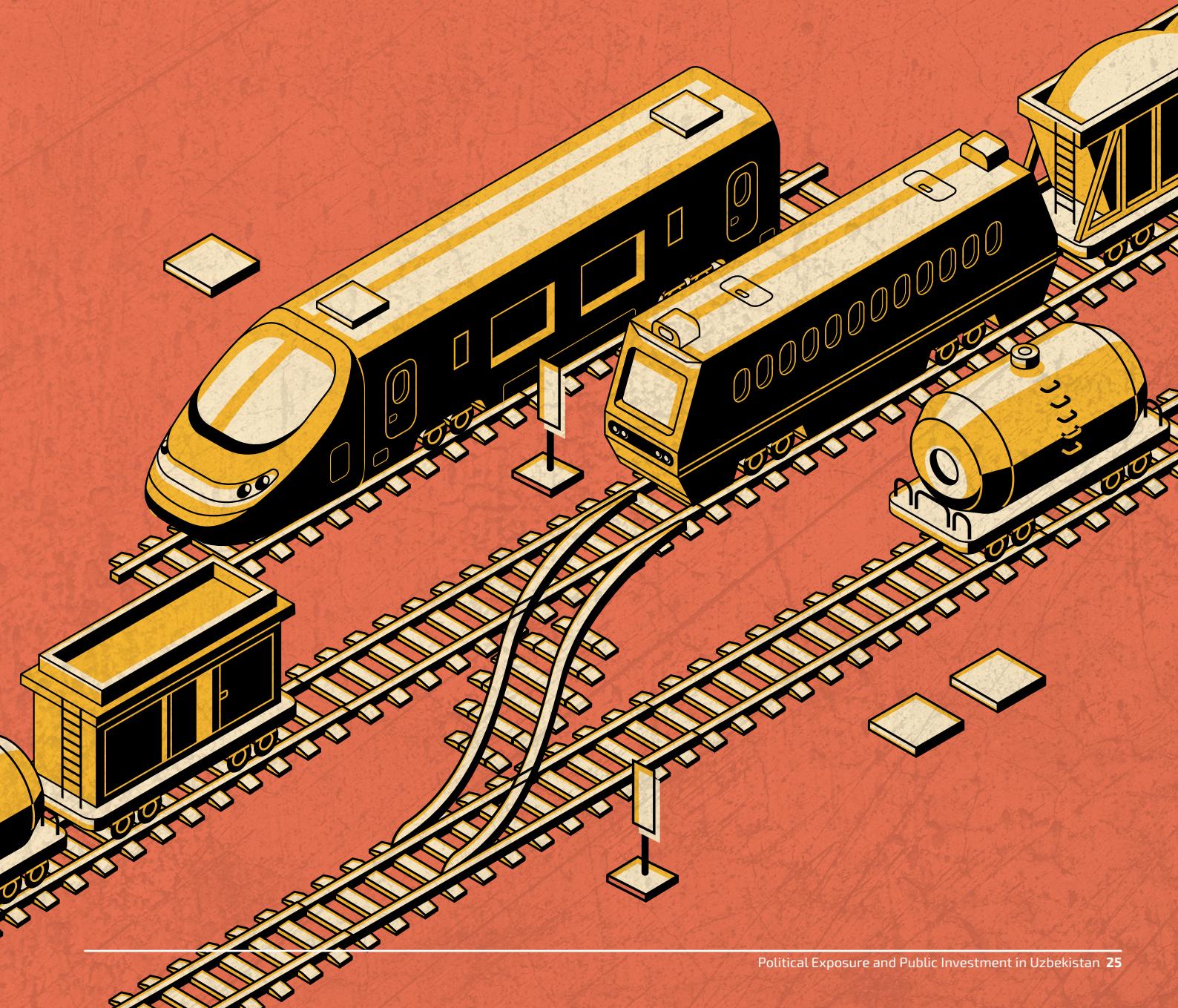
These concerns were related to the Uzbek Oman Investment Company in a letter dated 26 January 2021. A response was received on 11 February 2021 from Salim Al Ma'mari, Director of Investments. Al Ma'mari states: 'UOIC has been a long-term investor in Uzbekistan, and makes its investment on a commercial basis based on its internal investment policies and processes as agreed by its shareholders. The process typically involve rigorous analysis, due diligence by external consultants, and a thorough risk assessment. We believe our policies and processes are adequate for the firm of our type and size, and serves the best interest of all our stakeholders'.

Al Mamari continues: 'As a policy, we do not comment on our individual assets or other shareholders of these assets'.

³⁴ Jahrmann, B. (2019) 'Creating a company in Switzerland', available online: https://www.drys.ch/wp/wp-content/uploads/2019/12/Acrticle-FAVORIT-2020-création-d'une-société_FR-ANG.pdf

PART IV

UZBEKISTAN RAILWAYS AND THE ORIENT GROUP



A key pillar in the Orient Group's recent success has been the expansion of its heavy industry and logistics-freight portfolios. The companies in these portfolios are among the largest in the Orient conglomerate.

These large-scale ventures have benefited from significant state support, channelled primarily through the state Joint Stock Company, Uzbekistan Railways, and its cargo arm O'ztemiryo'lkonteyner. Uzbekistan Railways owns and operates the national railway system.

This support for the Orient Group has been provided through a portfolio of equity investment, the purchase of goods and services, and through granting Orient companies access to significant logistic resources.

On the basis of corporate data for the companies identified in this study, Uzbekistan Railways' equity investment in the Orient Group stands at US\$29,175,759.60. The actual figure could be higher, taking into account that Uzbekistan Railways has previously invested in a number of Orient Group companies, but no longer appears on the Unified Register of Legal Entities as a shareholder.

Table 5: Uzbekistan Railways investment in Orient Group companies

Company	Charter Capital USD	Uzbek Railways Interest	O'ztemiryo'l konteyner Interest	Other state interest
Chukursay Logistics Center	\$10,148,841	26%	8.68%	27.43% ³⁵
Orient Logistics Center	\$14,1627,97.47		35.50%	
Universal Logistics Services	\$19,092,159		.08%	42%
Steel Property Construction	\$70,44,7889	26.77%		13.34%
Lokomotiv Istirohat Bog'l	\$3,178,618	24.24%		
Park Retail	\$3,305,526	1.98% ³⁶	23.62%	
Granite Stone	\$1,706,730		Subsidiary of Orient Logistics Center	
Dacros	\$3,481,476	Initial investor, no longer has registered shareholding.		

³⁵ Indirect via Universal Logistics Services

³⁶ Via 100% owned subsidiary O'ztemiryo'lmashta'mir

Uzbekistan Railways did not respond to multiple requests for full and complete information on their investment in the Orient Group or for information on the process through which Uzbekistan Railways investment decisions are made.

However, investment alone does not cover the full scope of the Orient Group's relationship with Uzbekistan Railways. The Orient Group notes in its own promotional materials that Uzbekistan Railways has been a principal customer for a number of its most important industrial assets including Metal Polymer Technologies, Metal Invent, Railway Parking and Qurilish Universal Kompakt Servis.

Nosirov Bardosh, Director of Metal Polymer Technologies, notes for example:

In 2015, our company changed its specialization, we began to produce high-voltage polymer insulators ... The main customers are Uzbekiston Temir Yullari JSC [Uzbekistan Railways] and Uzbekenergo JSC. We produce polymer insulators for high-speed railway contact networks (15 types) and high voltage power lines from 10 to 500 kV (9 types) - these are the main products of JV Metal-Polymer Technologies LLC. We have no competitors in Uzbekistan, no one produces high-voltage insulators of the same capacity.³⁷

Metal Invent's Director, Zafar Muminov, recalls a similar relationship underpinning the rise of his company:

JV Metalinvent LLC is a modern plant that specializes in the manufacture of metal structures of any complexity: from individual projects to large corporate orders. The company was founded in 2015 and focused on fulfilling orders from O'zbekiston temir yo'llari [Uzbekistan Railways]. The main directions then were the manufacture of components for the electrification of the railway and the repair of spare parts for freight cars.³⁸

Orient Group company, Steel Property Construction, in addition to being a recipient of significant equity investment from Uzbekistan Railways, has also benefited from a close commercial relationship with the national railways operator. In an advertisement published last year, Steel Property Construction observed:

The company has accumulated vast experience in the production and application of high-tech products for the construction sector, including the railway infrastructure. In particular, at present, the production facilities of the company are planning the production of railway automation and telemechanics, for example, protective devices for automatic signalling, the production of polymer

insulators for contact networks, supports and consoles for high-speed traffic up to 250 km/h is organized ... In July of this year, an agreement was reached jointly with LocoTech-Signal LLC on the development of a modern control system for railway trains and metro according to the standards of Uzbekiston Temir Yulari [Uzbekistan Railways].³⁹

³⁷ Bardosh, N. (2018) 'Hand on the pulse of electrification', *The mag*, 7 September, available online: <https://themag.uz/post/ruka-na-pulse-elektrifikacii>

³⁸ Muminov, Z. (2019) 'Metalinvent: metal is tamed here', *The mag*, 11 May, available online: <https://themag.uz/post/metalinvent>

³⁹ 'Steel Property Construction - together with innovative development!', *Kun.Uz*, 18 September 2019, available online: <https://kun.uz/ru/news/2019/09/18/steel-property-construction-vmeste-s-innovatsionnyi-razvityiem>

Similarly, Orient Group rock crushing facility, Dorkomplektsnab Servis (DKSS), points to the critical role played by the national rail carrier in its success:

The granite quarry, owned by the state-owned enterprise Granit JSC, was known throughout the CIS for its load-resistant, durable and high-quality raw materials. Over time, the company received a license for the extraction and development of its own field. This made the company independent from external circumstances and helped to reduce the cost of finished products... It is not surprising that the main consumers of strong and durable concrete crushed stone are Uzbekiston Temir Yullari [Uzbekistan Railways] and Binokor reinforced concrete products. JV DKSS LLC has strong business relationships with Avtoyul State Joint Stock Company and other promising partners.⁴⁰

Moving to construction, another beneficiary of Uzbekistan Railways custom, identified from the Orient Group is, Qurilish Universal Kompakt Servis. According to the Uzbekistan Railways website, this Orient Group

company was selected to build the new Namangan railway station.⁴¹ It has also been reported that Qurilish Universal Kompakt Servis was selected to renovate Tashkent's South Station.⁴² No tender information could be located relating to these construction contracts.

Similarly, Orient Group company Railway Parking, according to an Uzbekistan Railways website announcement, was selected by tender to wash the bodies of passenger cars and electric trains of JSC Oztemiryo`lyo`lovchi for 2020.⁴³ The original tender documents were not published with the announcement.

The final spoke of support worth noting is the strategic resources Orient Group companies have secured from Uzbekistan Railways for its logistics and freight arm. In promotional material, the Orient Group notes, 'in 2018 ULS [Universal Logistics Services] signed an agreement with O'zbekiston temir yo'llari (Uzbekistan Railways) to use the old freight yard at the biggest railway station Chukursay. For now, the Chukursay Logistics Center project is a part of ULS logistic complex and includes an advanced container terminal and an A-class warehouse.

This center is primarily a receiver of all cargo traffic from Kazakhstan, Russia, China and South Asian countries'.⁴⁴

It continues: 'Cargo terminal of the Tashkent-Tovarnyi railways station that is located in the very center of the Uzbekistani capital became a site for the multifunctional Orient Logistics Center (OLC). The new center, opened in March of 2019, can receive and process containers, carriages filled with non-bulk or super long cargo, vehicles on wheels and tracked transport. Also, a new A-class warehouse is under construction at the territory of OLC'.

The lack of transparency around these investments, goods and service contracts, and other cognate benefits given to Orient Group entities by Uzbekistan Railways and its subsidiaries, including examples where Uzbekistan Railways appears to be the primary client of large Orient companies, makes it difficult to ascertain whether these benefits were awarded in an open, competitive manner. No response or documentation was provided by Uzbekistan Railways or the Orient Group regarding these matters.

⁴⁰ Shemshetdinov, R. (2018) 'Dorkom-Plektsnab Servis: Great prospects for small stones', *The mag*, 8 December, available online: <https://themag.uz/post/dorkom-plektsnab-servis-bolshie-perspektivy-malenkih-kameshkov>

⁴¹ Uzbekistan Railways, 'Namangan railway station will be commissioned soon', 15 February 2019, available online: http://www.railway.uz/uz/informatsionnaya_sluzhba/novosti/13712/?INVERT=Y

⁴² 'The South Station in Tashkent was overhauled and put into operation', 3 April 2018, Storyka.Uz, available online: https://stroyka.uz/arch/publish/doc/text140219_kapitalno_rekonstruirovani_i_sdan_v_ekspluataciyu_yujnyy_vokza_l_v_tashkente

⁴³ 'Announcement', 14 January 2020, Uzbekistan Railways, available online: http://railway.uz/ru/informatsionnaya_sluzhba/tendery/17604/?sphrase_id=2312030

⁴⁴ 'All roads lead to Uzbekistan', 19 October 2020, Kursiv, available online: <https://kursiv.kz/en/news/otraslevye-temy/2020-10/all-roads-lead-uzbekistan>

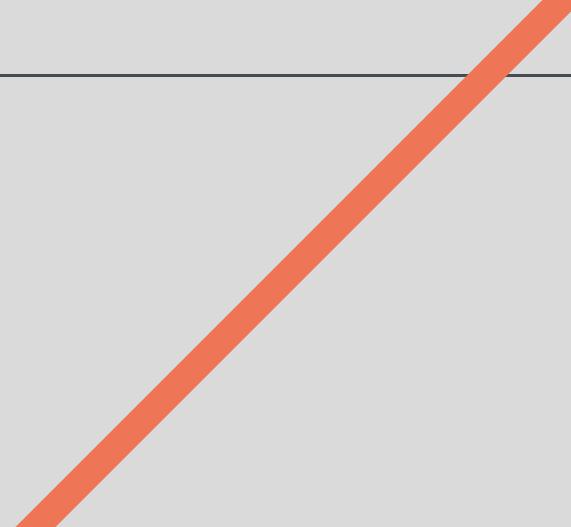
PART V

REPORT RECOMMENDATIONS

Over the past four years Uzbekistan's government has committed to a range of pro-business reforms designed to open up the economic arteries of the country. However, there is a growing body of evidence which suggests the accruing benefits are not being distributed in an open, transparent and fair manner.⁴⁵ Given the existing disparities of power and wealth in Uzbekistan, any further polarisation would potentially diminish the potential for democratic participation in both the country's political and economic life.



⁴⁵ Research and investigations have been published by UzInvestigations, Radio Ozodlik/Radio Free Europe, the Uzbek Forum for Human Rights, and The Foreign Policy Centre, which point to significant, ongoing financial and human rights abuse.



This case study presents arguably the most systematic publicly available dataset to date on a major corporate group that has rapidly expanded under the Mirziyoyev administration. The most concerning finding, set against the broader social backdrop noted above, is that a politically exposed conglomerate tied to the Mirziyoyev family, with an opaque offshore holding structure, benefited from a near exclusive relationship with the Uzbek Oman Investment Company, a vehicle that manages public funds belonging to the Republic of Uzbekistan and the Sultanate of Oman. So close is the relationship between the fund and the Orient Group, that they appear to share a corporate headquarters in the UzOman Tower.

A second matter of concern raised in this study is the close, multifactor relationship between Uzbekistan Railways and the Orient Group.

This study has not considered, and does not take a position on whether these relationships or transactions were in any way unlawful. Nor does it intend to infer explicitly or implicitly that they were unlawful. This study does, however, conclude that these arrangements are not in the public interest for a range of reasons, including the lack of transparency and openness regarding both the public investments made in the Orient Group and the associated shareholding structures, the lack of transparency relating to certain commercial/procurement transactions, the potential anti-competitive implications of these different practices, and the lack of public accountability regarding how political exposure and conflicts of interest have been managed between these organisations.

As a result of these findings a number of recommendations are made. They include:

- I.** An investigation by the Anti-Corruption Agency of the Republic of Uzbekistan ought to be conducted into the Uzbek Oman Investment Company and Uzbekistan Railways to determine whether there have been any breaches of the law with regard to their commercial relationship with the Orient Group.
- II.** An investigation by the Anti-Monopoly Committee of the Republic of Uzbekistan ought to be conducted into the Uzbek Oman Investment Company and Uzbekistan Railways to determine whether there have been any breaches of the law with regard to their commercial relationship with the Orient Group.
- III.** Inquiries ought to be made by UK regulatory authorities into Downtown Distribution LP, Castle Import Export LP, Just Equities LP, Good Supplies LP, Yardrock Development LP, Empire Industrial Services LP, Maxim Global Investments LP, and Major Wholesale Supplies LP, to determine whether these legal entities have complied with UK partnership and financial laws/regulations.
- IV.** Uzbekistan's company law requires reform in order to substantially improve corporate governance and transparency requirements, including through a public register of current and historical company filings, and a verified public register of beneficial owners.
- V.** While the government of Uzbekistan has initiated legal reforms that ostensibly aim to improve public procurement, there is a need for similar levels of transparency and open competition with regard to other commercial transactions involving the state, including investment of public funds, state-backed loans, granting of land, and the solicitation of benefits such as tax holidays, with regular public screenings of these arrangements by the Anti-Monopoly Committee and Anti-Corruption Agency to ensure compliance with national laws and regulations.

To be clear these recommendations are not intended to imply unlawful activity has taken place. They are premised on the serious risk factors identified in this study, which it is argued warrant further substantive inquiry from the relevant mandated authorities.



