

"APPROVED"
GENERAL MEETING OF
SHAREHOLDERS
JOINT STOCK COMPANY
« Tashkentyo'lovchi vagonlarini qurish va
ta'mirlash zavodi »

PROTOCOL

from 09.08.2016

CORPORATE GOVERNANCE CODE

I. GENERAL PROVISIONS

1. This corporate governance code (hereinafter referred to as the Code) contains recommendations that the Joint Stock Company follows voluntarily, demonstrating its commitment to honest and transparent business conduct.

2. The Code is based on the legislation of the Republic of Uzbekistan and international principles of corporate governance.

3. For the purposes of this Code, corporate governance is understood as a system of relationships between the executive body of a Joint Stock Company (hereinafter referred to as the JSC), its Supervisory Board, shareholders, representatives of the workforce and other interested parties, including creditors, in order to achieve a balance of interests of these persons for ensuring the effective organization of JSC activities, modernization, technical and technological re-equipment of production facilities, production of competitive products and their export to foreign markets.

4. The Code is a set of recommendations on key areas for the effective organization of the work of JSC management bodies.

5. The Code was developed on the fundamental principles of good governance, including accountability, transparency, reliability, adherence to high moral and ethical principles and a focus on ensuring the sustainable development of the JSC in the long term.

6. The decision to accept the obligation to follow the recommendations of the Code is made by the General Meeting of Shareholders by a simple majority of votes.

7. A JSC can carry out internal corporate actions to implement the recommendations of the Code, taking into account its industry specifics and characteristics of its activities.

8. Publication of information about the acceptance of the obligation to follow the recommendations of the Code and its compliance is carried out in the media, including on the corporate website of the JSC on the Internet (hereinafter referred to as the JSC website) and the website of the stock exchange, as well as in other sources that are provided legislation for disclosure of information.

9. The recommended sequence of actions for the preparation, implementation and monitoring of the implementation of the Code's recommendations is given in Appendix No. 1.

10. The JSC discloses information about its acceptance of the obligation to follow the recommendations of the Code by publishing a message in the form according to Appendix No. 2.

11. If it is impossible to comply with certain recommendations of the Code, the JSC discloses its reasons in detail, following the international principle of “*comply or explain*” (“*comply or explain*”).

II. ENSURING OPERATIONAL TRANSPARENCY

12. To ensure transparency of the JSC’s activities:

defines clear criteria for classifying information as confidential information, trade secrets, as well as information that may affect changes in the price of shares;

ensures the publication of information subject to mandatory disclosure on the JSC website and in other sources provided for by law, with translation into English, Russian and other languages convenient for shareholders and other interested parties, including foreign investors;

discloses at a meeting of the supervisory board the amount of remuneration and compensation of the executive body;

publishes on the JSC website information about the executive body and assessment of the effectiveness of its activities, about the structure of the joint stock capital of the JSC (shareholders with shares over 20%);

publishes justifications for the proposed distribution of net profit, the amount of dividends, an assessment of their compliance with the dividend policy adopted by the joint-stock company, as well as, if necessary, explanations and economic justification for the volume of allocation of a certain part of the net profit for the development needs of the joint-stock company;

provides, within a reasonable time, at the request of shareholders, other information about the JSC (with the exception of confidential information, trade secrets) that is necessary for shareholders and investors.

13. To ensure the transparency of its activities, the Supervisory Board of the JSC approves the “Regulations on Information Policy”, which contains:

goals and principles of JSC disclosure of open information;

a list of information subject to mandatory disclosure on the website, the timing and procedure for their disclosure, including information channels through which disclosure must be made, and forms of disclosure;

obligations of the executive body to disclose information about the JSC subject to disclosure;

the procedure for the exchange of information between members of management bodies, officials, employees of the joint-stock company with shareholders and investors, other interested parties, as well as representatives of the media;

measures to ensure control over compliance with the information policy of the joint-stock company.

14. The regulation on the information policy is mandatory for compliance by the management and control bodies of the JSC and its employees.

III. IMPLEMENTING EFFECTIVE INTERNAL CONTROL MECHANISMS

15. In order to implement mechanisms for effective internal control of the JSC:

reflects in the regulations on the Supervisory Board the requirements for the inclusion of independent members in its composition;

delegates to the Supervisory Board the rights to determine the procedure, conditions for providing (receiving) and making decisions on charitable (sponsorship) or gratuitous assistance only within the limits established by the General Meeting of Shareholders and legislation, with the disclosure of information about this to all shareholders;

carries out, by decision of the General Meeting of Shareholders, an annual analysis of the compliance of business processes and projects with the development goals of the joint-stock company

with the involvement of independent professional organizations - consultants;

establishes the main goal of organizing the internal control system of the JSC to ensure the protection of the rights and legitimate interests of all shareholders, including minority ones;

ensures that the General Meeting of Shareholders considers the issue of determining transactions related to the current economic activities of the JSC, for the executive body to independently carry out transactions with affiliates and major transactions;

gives the internal audit service of the JSC the authority to exercise internal control, including over transactions carried out with legal entities, more than 50% of the authorized capital of which belongs to the JSC;

determines the voting procedure on behalf of the JSC for its representatives in the management bodies of the enterprises that are part of the JSC;

provides the person who took part in the General Meeting of Shareholders of the JSC with the opportunity to make, at the expense of such person, a copy of the ballot completed by him;

requires the executive body of the JSC to provide regular reports on the work done and the achievement of performance indicators of the enterprises included in the JSC, approved by their business plans;

develops and approves the procedure for interaction of the internal control bodies of the JSC (audit commission and internal audit service) with the Supervisory Board, the General Meeting of Shareholders, the committee of minority shareholders (if any) and shareholders;

16. To introduce effective internal control mechanisms in the JSC, the General Meeting of Shareholders approves the “Regulations on Internal Control”, which contains:

requirements for the composition and qualifications of members of the internal control bodies of the JSC;

composition and regulations for the generation of reports on the internal control system;

the procedure for attracting independent professional organizations - consultants to assess the effectiveness of the internal control system in the JSC;

description of mechanisms for monitoring the work of internal control bodies, the procedure for calculating compensation and remuneration paid to their members.

17. The “Regulations on Internal Control” are mandatory for compliance by JSC employees and members of its management and control bodies.

18. JSCs include in the Supervisory Board at least one independent member (but not less than 15% of the number of Supervisory Board members provided for in its Charter) in accordance

with the requirements of the regulations on the Supervisory Board.

19. Independent members of the Supervisory Board of a JSC may be persons who:

(i) have not worked for the JSC, its subsidiaries or affiliates during the last 5 years;

(ii) are not a shareholder of the JSC, its subsidiaries or affiliates;

(iii) are not associated with a large client or supplier who has a corresponding agreement for an amount exceeding 5 thousand minimum wages established by law, with the JSC, its subsidiaries or affiliated enterprises;

(iv) do not have service contracts with the JSC, its subsidiaries or affiliates;

(v) are not a family member of a person who is or has been, within the last 5 years, a managerial employee of the JSC, its subsidiaries or affiliated enterprises;

(vi) are not a controlling person of the JSC (or a member of a group of persons and/or organizations that collectively exercise control over the JSC);

(vii) are not related to the JSC by civil law contracts and are not an employee of a major shareholder of the JSC or a higher industry department (company).

IV. ENSURING THE IMPLEMENTATION OF THE RIGHTS AND LEGAL INTERESTS OF SHAREHOLDERS

20. To ensure the implementation of the rights and legitimate interests of shareholders, the management and control bodies of the JSC:

makes it easier for shareholders to communicate with the JSC by indicating on the JSC website the addresses to which written or electronic requests can be sent, including information about changes in shareholder contact information and bank details;

creates for shareholders who cannot personally participate in the General Meeting of Shareholders the opportunity and conditions for voting by email (with confirmation by an electronic digital signature), as well as by delegating their powers to a representative or holding the General Meeting via video conferencing;

develops a regulation on the dividend policy of the joint-stock company, revealing a transparent mechanism for calculating dividends;

provides in the Regulations on the General Meeting of Shareholders to provide shareholders with the necessary information on the agenda before the General Meeting of Shareholders, including the position of the Supervisory Board regarding the agenda of the General Meeting;

may involve independent experts to provide practical assistance to the counting commission or perform its functions (for example, an investment consultant and other professional participants in the securities market);

determines (appoints) an employee or department responsible for relations with shareholders and investors;

The Charter provides the right to owners of at least 1% of the common shares of a JSC to demand the convening of a meeting of the Supervisory Board and to make proposals on the agenda, distribution of profits, candidates for members of management and control bodies, with the possibility of replacing them before the General Meeting of Shareholders;

provides in a separate internal document of the JSC the opportunity for shareholders, including minority ones, to conclude shareholder agreements to form their joint voting position;

covers the costs of maintaining the committee of minority shareholders from the funds of the JSC (when creating a committee of minority shareholders);

stipulates in the Charter that a minority shareholder must not interfere with the activities of the management bodies of the joint-stock company by unreasonably demanding documents and using confidential information or trade secrets;

stipulates in the Charter that when issuing additional shares, shareholders have the right of pre-emption to purchase shares in proportion to their share in the authorized capital;

ensures equal treatment of all shareholders regardless of their shares, income level, gender, race, religion, nationality, language, social origin, personal and social status;

provides in the Charter a later date for submitting a proposal to the agenda of the annual General Meeting of Shareholders;

ensures the participation of members of the executive body, the Supervisory Board and the Audit Commission, as well as a representative of the audit organization at the annual General Meeting of Shareholders;

provides in the Regulations on the Supervisory Board the conditions under which a member of the Supervisory Board may be relieved of his duties, the procedure for the activities and functions of the chairman of the Supervisory Board of the JSC related to the organization and conduct of its meetings;

carries out other necessary measures aimed at ensuring the implementation of the rights and legitimate interests of the JSC shareholders.

21. To ensure the implementation of the rights and legitimate interests of shareholders, the JSC adopts the necessary internal documents, reflecting the above recommendations.

V. DETERMINING THE DEVELOPMENT STRATEGY AND LONG-TERM TASKS

22. To determine the development strategy and long-term objectives, the management bodies of the JSC:

defines as the strategic goals of the JSC the maintenance of financial stability, increasing labor productivity, competitiveness of products, increasing production indicators, exports and energy efficiency, modernization, technical and technological renewal of production, leading to an increase in the value of shares;

develops and approves at the General Meeting of Shareholders a long-term development strategy for the joint-stock company for a period of more than 5 years, based on industry specifics, analysis of the competitive environment, ensuring export orientation and implementation of approved government programs for the development of relevant industries, areas and regions;

widely applies management methods successfully tested in foreign practice, including SWOT, GAP analysis and other approaches, special software products, etc.;

develops and submits for approval (approval) of the General Meeting of Shareholders or the Supervisory Board short-term (annual) and medium-term (for a period of up to 5 years) business plans based on the long-term strategy approved by the General Meeting of Shareholders;

implements the necessary quantitative and qualitative criteria to monitor the achievement of the goals outlined in each of the development plans adopted by the JSC.

23. The Supervisory Board coordinates the activities of the executive body, internal control bodies of the JSC, collegial bodies created in the JSC, and, if necessary, attracts experts to organize the development of development plans for the JSC and monitor the achievement of the goals outlined in them.

24. JSCs are required to attract strategic foreign investors as shareholders (except for cases established by law), who participate in the management of the JSC, the production of competitive products and ensuring their export to foreign markets.

VI. IMPLEMENTATION OF MECHANISMS FOR EFFECTIVE INTERACTION OF THE EXECUTIVE BODY WITH SHAREHOLDERS AND INVESTORS

25. To introduce mechanisms for effective interaction of the executive body with shareholders and investors, the management bodies of the JSC:

ensure interaction between shareholders, members of the management and control bodies of the joint-stock company based on the principles of mutual trust, respect, accountability and control;

introduce a requirement that officials of the JSC perform their duties on a professional basis, and that they reasonably fulfill all obligations arising from legislation, the Charter and decisions of the management bodies of the JSC;

establish qualification requirements for candidates for members of the Supervisory Board, including the presence of a qualification certificate of a corporate manager in a JSC with a state share in the authorized capital, issued by the Scientific and Educational Center for Corporate Governance (except for cases established by law);

create committees (working groups) under the Supervisory Board of the JSC on relevant issues, including to identify and resolve conflict situations, from among the members of the Supervisory Board, the executive body, the personnel of the JSC and attracted experts (specialists of the relevant profile, teaching staff of specialized higher educational institutions and others);

regulate the cases and procedure for holding meetings of the Supervisory Board by poll, as well as via video-conferencing;

include the authority of the Chairman of the General Meeting of Shareholders to authorize audio and video recordings and broadcasting of the General Meeting of Shareholders on the Internet;

introduce a requirement for executive bodies to independently resolve issues within their competence in order to unconditionally fulfill the tasks set by the Supervisory Board, the General Meeting of Shareholders, the Charter and development plans of the joint-stock company;

improve the qualifications of JSC officials through participation in training courses, seminars and other events;

introduce into the JSC the position of a corporate consultant, accountable to the Supervisory Board and responsible for monitoring compliance with the requirements of corporate legislation in the activities of the JSC;

insure the business risks of the JSC and the liability of the executive body;

link the amount of remuneration for members of the Supervisory Board to the results of an independent assessment of the corporate governance system and financial results of the JSC;

establish requirements for the form and content of the report (report) of the management and control bodies of the joint-stock company reporting at the General Meeting of Shareholders, determine the duration of the general meeting;

may limit the right of members of the executive body, acting as representatives of shareholders, to vote on the issue of electing members of the executive body;

provide in the Charter the date on which the JSC usually holds the next general meeting of shareholders.

26. To implement mechanisms for effective interaction of the executive body with shareholders and investors, the JSC adopts the necessary internal documents, reflecting the above recommendations.

VII. CONFLICT OF INTEREST

27. In order to prevent the occurrence and resolution of controversial situations related to conflicts of interest, JSCs develop regulations on the procedure for dealing with conflicts of interest, including:

obligations of JSC officials to act in the interests of the JSC;

identification of situations that may give rise to a conflict of interest when officials of the JSC perform actions and transactions, as well as when they disclose information;

obligations of JSC officials to inform the Supervisory Board about the occurrence of a conflict of interest;

a ban on the participation of JSC officials in the management and control bodies of other legal entities, without the permission of the JSC Supervisory Board;

suppression of possible conflicts of interest when JSC officials perform actions and transactions, as well as when they disclose information;

detailed regulations for resolving controversial situations related to conflicts of interest, including by appointing a disinterested third party to resolve them, or assigning the responsibility

for resolving conflicts of interest to an independent member (independent members) of the Supervisory Board.

28. The regulations on the procedure for dealing with conflicts of interest are approved by the General Meeting of Shareholders.

VIII. IMPLEMENTATION OF A STANDARD ORGANIZATIONAL STRUCTURE

29. To implement a standard organizational structure of a company in a joint-stock company: compliance with the standard structure approved by the Decree of the President of the Republic of Uzbekistan dated April 24, 2015 No. UP-4720 “On measures to introduce modern methods of corporate governance in joint-stock companies” is ensured;

the scale, industry specifics and areas of activity of the JSC are taken into account when developing and implementing the organizational structure;

regular assessments of the compliance of the current organizational structure of the joint-stock company with the standard structure approved by law are organized;

annual competitive selections are held for management positions in the joint-stock company, with the possibility of participation of candidates from among foreign managers;

regulations for competitive selection for leadership positions are approved, describing the procedures for announcing the competition, objective selection criteria, and hiring new, modern-minded, highly qualified managers who meet modern requirements, as well as foreign managers.

30. The Supervisory Board ensures coordination of work on the development, implementation and regular assessment of compliance of the organizational structure of the JSC with legal requirements.

I X. PUBLICATION OF INFORMATION BASED ON INTERNATIONAL AUDITING AND FINANCIAL REPORTING STANDARDS

31. To publish information based on international auditing and financial reporting standards in a JSC:

the Supervisory Board of the JSC coordinates the work to ensure the transition to the publication of annual financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS);

a working group is created from among the members of the audit commission, the internal audit service, the supervisory board, responsible officials of the JSC and external experts (if necessary)

on the transition of the JSC to the publication of financial statements in accordance with IFRS;

an auditing or consulting organization is engaged to provide professional services for the JSC’s transition to publishing information based on IFRS and international auditing standards;

a step-by-step algorithm (action plan) for the JSC’s transition to publishing information based on IFRS and international auditing standards is developed jointly with the audit organization and approved at a meeting of the supervisory board;

JSC personnel involved in conducting audits and preparing financial statements are trained at training courses on IFRS and international auditing standards;

the measures provided for in the relevant action plan for the JSC’s transition to publishing information based on IFRS and international auditing standards are being implemented;

Annual financial statements based on IFRS and international auditing standards are published within the time limits established by law.

X. MONITORING THE IMPLEMENTATION OF CODE RECOMMENDATIONS

32. In order to monitor the implementation of the recommendations of the Code, JSCs conduct an assessment of the corporate governance system in the JSC, for the implementation of which it is recommended to involve an independent organization.

33. An independent assessment of the corporate governance system in a JSC is carried out at least once a year.

34. An independent assessment of the corporate governance system in a JSC is carried out on the basis of an appropriate agreement with an organization not connected by property relations with the JSC.

35. The following may act as an independent organization to assess the corporate governance system of a JSC:

stock Exchange;
professional participants in the securities market;
audit organizations that have on their staff a specialist with the appropriate certificate of a corporate manager or a securities market specialist;
accredited rating agencies;
Scientific and Educational Center for Corporate Governance;
Center for Research on Privatization, Competition Development and Corporate Governance.

36. The selection of an independent organization to conduct an assessment of the corporate governance system is carried out on the basis of a competition by decision of the Supervisory Board of the JSC.

37. An independent assessment of the corporate governance system in a joint-stock company is carried out on the basis of a questionnaire approved by the State Competition Committee of the Republic of Uzbekistan and the Scientific and Educational Center for Corporate Governance.

38. The results of an independent assessment of the corporate governance system are published on the JSC website along with the conclusion of the organization that conducted such assessment.

39. State and economic management bodies, local government bodies and other government organizations acting as shareholders on behalf of the state:

has the right, at its own expense, to engage an independent organization to conduct an independent assessment of the corporate governance system in the JSC;

apply the results of an independent assessment of the corporate governance system to determine the amount of remuneration to persons acting on their behalf in the management bodies of the joint-stock company.

XI. FINAL PROVISIONS

40. Failure to comply with the recommendations of the Code does not entail the application of penalties by government agencies.

41. The General Meeting of Shareholders has the right to establish liability measures for JSC officials for failure to comply with the recommendations of the Code or for undisclosed information provided for by the Code.

42. Control over the implementation of the Code recommendations in the JSC is carried out by the Supervisory Board.

RECOMMENDED ACTIVITIES
joint stock companies on the preparation and implementation of the Corporate
Governance Code

Stages	Subjects	Events	Deadlines
1st stage Preparation	JSC executive body	1. Creation of a working group to prepare for the implementation of the Corporate Governance Code.	Within a month after approval of the Corporate Governance Code
	JSC executive body	2. Development and submission to the supervisory board of proposals for the adoption of internal documents.	Within two months after the creation of the working group
	JSC Supervisory Board	3. Approval of the developed internal documents by the supervisory board.	Within a month from the date of submission of materials to the supervisory board
2nd stage Implementation	JSC Supervisory Board	1. Introducing the issue of compliance with the recommendations of the Corporate Governance Code to the general meeting of shareholders and approving the form of the message.	Within a month after approval by the supervisory board
	JSC Supervisory Board	2. Approval by the general meeting of shareholders of the decision on compliance with the recommendations of the Corporate Governance Code and approval of the form of the message.	At the relevant general meeting of shareholders convened by the supervisory board
	JSC executive body	3. Publication of a notice on compliance with the recommendations of the Corporate Governance Code in the activities of the JSC, approved by the general meeting of shareholders.	Within 10 days after approval by the general meeting of shareholders

3rd stage Monitoring	JSC Supervisory Board	1. Conducting a competitive selection of an independent organization to conduct an assessment of the corporate governance system in the joint-stock company.	One month before the assessment of the corporate governance system
	Independent organization	2. Conducting an independent assessment of the corporate governance system in the joint-stock company and presenting its results to the supervisory board.	At least once a year
	JSC Supervisory Board	3. Consideration of the results of the assessment of the corporate governance system in the JSC at a meeting of the Supervisory Board of the JSC.	At the meeting of the supervisory board at the end of the year
	JSC executive body	4. Taking measures to eliminate shortcomings identified as a result of the assessment of the corporate governance system in the JSC.	Within the time limits established by the decision of the supervisory board
	JSC Supervisory Board	5. Consideration of the results of the assessment of the corporate governance system in the JSC at the annual general meeting of shareholders of the JSC.	Within the time limits established by law

MESSAGE FORM
on the adoption by the joint stock company of the recommendations of the Corporate Governance Code in its activities

(name of joint stock company)

JSC " _____ " informs that by the decision of the general meeting of shareholders dated " ____ " _____ 20__ No. ____ the company has accepted an obligation starting from " ____ " _____ 20__ comply with the Corporate Governance Code, approved by the minutes of the meeting of the Commission on increasing the efficiency of joint-stock companies and improving the corporate governance system dated " ____ " _____ 201__ No. _____.

(Additional information according to the decision of the general meeting of shareholders)

INFORMATION

Monitoring of compliance with the provisions and principles of the Corporate Governance Code in all joint-stock companies will be carried out throughout the year by the Commission to improve the efficiency of joint-stock companies and improve the corporate governance system, established by Resolution of the President of the Republic of Uzbekistan dated March 31, 2015 No. PP-2327 and based on the results of each financial year, a comprehensive analysis and specific proposals for assessing the effectiveness of the activities of joint-stock companies will be submitted for discussion at the meeting of the Cabinet of Ministers of the Republic of Uzbekistan.