

## Corporate Governance Armenia Specifics

### Mechanisms of Protection of the Rights of Minority Shareholders

1. The Company shareholder(s), who owns (own) at least 2% voting shares, within 30 days or a longer timing defined by the Company Charter, is (are) entitled to submit not more than 2 proposals on the agenda of the Company shareholders' annual general meeting, as well as to propose candidates for the Board and Control Commission membership.
2. The Company or the Company shareholder (s), who individually or commonly owns (own) 1% or more common shares of the Company is (are) entitled to submit a claim to the Court against the Company Board members, the Executive Director, the Administration members, demanding the reimbursement of the loss caused to the Company.
3. The shareholder(s) owning at least 10% of the Company voting shares has (have) a right to require from the Control Commission to check the financial-economic activity of the Company. In case of facts of using the resources of the Company inefficiently, unethically or improperly the Control Commission is entitled to demand the holding of the Company shareholders' extraordinary General Meeting.
4. The Company shareholder(s), owning at least 5% voting shares of the Company can demand the checking of the Company's financial-economic activity of the Company by the outside auditors (organization or person). In that case the services of the auditor are paid by the shareholders having demanded the audit.
5. The owners of the voting shares are entitled to demand the Company buy back the shares owned by them, if:
  - a decision has been made on the reorganization of the Company, and the stated shareholders have either voted against the reorganization of the Company or not participated in the voting;
  - changes and amendments have been in the Company Charter, or new version of the Charter has been approved, due to which additional limitations have been imposed over the rights of the stated shareholders and they have either voted against or not participated in the voting;
  - Company should buy back the shares at their market price.
6. The shareholder is entitled to appeal to the Court the decision taken by the Company shareholders' general meeting with the violation of the requirements of the legislation or the Company Charter, if he has not participated in the meeting or has voted against it.
7. The shareholders owning at least 10% of the Company voting shares can demand holding of the extraordinary general meeting.

## Large Transactions

1. The following transactions are considered to be large:
  - One or few interrelated transactions, which are directly or indirectly related to the assets of the Company, and the value of which is 25% or more of the Company assets book value;
  - One or a few interrelated transactions, which are directly or indirectly related to the allocation of Company common shares or preference shares to be converted into common shares and the value of which is 25% or more of the Company assets book value.
2. The decision on carrying out the transactions, concerning the assets of the company the value of which is 25-50% of the company's assets book value as the date of the decision made on carrying out the transaction should be taken unanimously by the Company Board.
3. In case, when the value of assets is more than 50% of the Company assets book value, the decision on carrying out the transaction should be taken by Company's shareholders' general meeting by 75% vote of the shareholders participating in the meeting.

## Procedures and Limitations on Payment of the Dividends

1. The Company is entitled to announce about the payment of dividends quarterly, half-yearly, yearly.
2. The dividends are paid out of the company current net profit of the given year in Drams.
3. The dividends for the certain type of preference shares can be paid out of the Company fund specially set up for that purpose.
4. The Company Board takes the decision on the payment of intermediate dividends (quarterly and half-yearly).
5. The decision on payment of annual dividends is taken by the shareholders' general meeting.
6. The Company is not entitled to announce about the payment of dividends if:
  - The Company Charter capital has not been fully paid;
  - As of the date of the decision-making on the dividend payment the Company is in bankruptcy;
  - The Company has not completely bought back all the shares, which should be bought back;
  - The value of the Company net assets is smaller than the sum of the Company Charter capital and the Reserve Fund, or shall become smaller because of payment.

### The Company Shareholders' Registry

1. The Company should provide the keeping and the maintenance of the Registry of shareholders within 1 month after the state registration of the Company.
2. The Company register is kept and maintained either by company itself or by its assignment, by another licensed relevant organization.
3. In cases defined by the legislative acts of Republic of Armenia the Company should assign the keeping and maintenance of the Registry to the relevant specialized organization.
4. The Company having assigned the keeping and maintenance of the Registry to the specialized organization is not becoming free from the responsibility defined by the legislative acts of Armenia.
5. If the shareholder fail to submit the data about the changes referring to themselves, the Company and the specialized organization keeping the Registry are not responsible for the loss caused to the shareholder.
6. Upon the requirement of the shareholder the keeper of the Company Registry should verify the ownership of the shareholder by giving the relevant extract from the Registry.

### Conflict of Interest Considerations

1. An interested person in the Company transactions is considered to be the Board member or a person engaged in the Company management Bodies or the shareholder(s), who together with persons cooperating with him owns 20% or more voting shares of the Company, in the case when the stated persons, their parents, husbands, children, sisters, brothers as well as the persons cooperating with them are to be parties or agents or representatives in the transaction.
2. The persons considered to be interested in transaction should provide data to the Board, Control Commission and the person carrying out the Company audit about the conflict.
3. In the Company having less than 500 voting shares, the decision on carrying out the transaction where interest exists, is taken by the majority vote of the Company board members, lacking interest in the transaction.
4. In the Company having more then 500 voting shares, the decision on the transaction where interest exists, is taken by the majority of vote of Company Board independent members (who is not the Company Executive Director or member of Administration).
5. When the market of transaction, where the interest exists, exceeds 2% value of Company assets, the decision is taken by the general meeting of shareholders, by the majority vote of the shareholders lacking interest in the transaction.
6. The person recognized interested, is responsible to the Company in the size of loss caused to it.

## The Company Shareholders General Meeting Decisions and Voting Procedures

1. The majority of the voting shareowners participating in the meeting makes the decisions of the Company shareholders' general meeting.
2. The decisions at the Company shareholders meeting are made by the 75% of the voting shareowners participating in the meeting on following issues:
  - Reorganization of the Company;
  - Approving of the Company Charter, making amendments and changes in it;
  - Liquidation of the Company, appointment of the Liquidation Commission, approval of the Company liquidation balances;
  - Definition of the maximum size of the allocated share volume;
  - Conclusion of large transactions, in case, when the value of assets is more than 50% of the Company assets book value.
3. The Company shareholders' general meeting is not entitled to change the meeting agenda, as well as to take decisions on the issues not included in the agenda.
4. The decisions of the Company shareholders' general meeting can be made without holding the meeting, by voting through the correspondence course.
5. The Company shareholders' general meeting is valid if at the moment of the registration of the general meeting participants, the Company shareholders commonly owning more than 50% allocated voting shares have been registered.
6. The voting in the Company shareholders' general meeting is carried out according to the principle of "one voting share of the Company – one vote", except the case of the Company Board member election, when the cumulative voting principle is applied.
7. In the Company having shareholders owning more than 25 voting shares, the voting at the general meeting is carried out through the voting-papers of special form approved by the Company Board.
8. The Company shareholders general meeting is valid if at the moment of the registration of the participants, the shareholders commonly owning more than 50% allocated voting shares have been registered.
9. In case of the lack of quorum, the date of holding the new general meeting is announced. The new meeting is considered to be valid if at the moment of completing the participants' registration, the shareholders owning more than 30% allocated voting shares have been registered.
10. In the Company having shareholders owning more than 25 voting shares, the counting commission is created. The General meeting approves the quantitative composition and the members of that commission.

## The Company Board and Its Elections

1. The Company Board members are elected at the Company shareholders annual meeting for 1 year period.
2. The duration of authorization of the Company Board member is not limited.
3. The Company shareholders owning 10% and more of the Company voting shares are entitled to be included in the Company Board without election.
4. Each shareholder can occupy only one position in the Board.
5. In the company with shareholders owning more than 500 voting shares, the elections of the Board are carried out through the cumulative voting. During the cumulative voting each voting share has the number of votes equal to the number of members being elected (re-elected) in the Board. The shareholder is entitled either to grant the votes to one candidate or to distribute the votes among the several candidates. The candidates having obtained the maximum number of votes, however not less than the simple majority of the votes represented in the meeting, are considered to be elected in the Board.
6. In the Company with shareholders owning more than 500 voting shares, the Board cannot be less than 7 persons.
7. The persons not being the Company shareholders can be the board members as well, if the Charter does not prohibit it.
8. The Board members out of the board members elect the chairman of the board, by the majority vote of the total number of the Board members.
9. In the Company with shareholders owning more than 500 voting shares, the positions of the Chairman of the Board and the Executive Director cannot be combined.
10. The decisions of the board are made by the majority votes of its members present at the sitting.
11. Each Board member has only one vote. The transference of the vote and the voting right from one member to another is prohibited.
12. The quorum of the Board sitting cannot be less than half of the Board members.

## The Company Control Commission

1. The Control Commission is entitled to carry out the checking of the annual results of the Company financial-economic activity.
2. The Control Commission is entitled to demand the holding of the shareholders extraordinary general meeting.
3. The shareholders general meeting for 3 years' period elects the Control Commission members.
4. The Control Commission cannot have less than 3 members.
5. The chairman of the Control Commission is elected by the simple majority vote of the Control Commission members.