



The Legal 500 Country Comparative Guides

Armenia: Corporate Governance

This country-specific Q&A provides an overview to corporate governance laws and regulations that may occur in Armenia.

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1. What is the typical organizational structure of a company and does the structure typically differ if the company is public or private?

In Armenia, most of the companies are incorporated as Limited Liability Companies (LLC) or Joint Stock companies (JSC).

Armenian law differentiates two type of Joint Stock Companies: (i) Closed Joint Stock Companies (CJSC) and (ii) Open Joint Stock Companies (OJSC). The number of companies which are registered as CJSC prevails over those of OJSC.

It is prohibited CJSC to conduct a public offering of its shares. Thus, only the shares of OJSC may be subject to public trade.

2. Who are the key corporate actors (e.g., the governing body, management, shareholders and other key constituencies) and what are their primary roles? How are responsibilities divided between the governing body and management?

The general meeting of shareholders is the highest governing body both for LLC and JSC. The formation of the board is required only for the JSC with 50 and more shareholders, unlike for the LLC and JSC with up to 50 shareholders for which the formation of the board is at its shareholders' discretion.

The authorities of the board of LLC are not regulated (listed) under the law unlike the authorities of the board of JSC. If JSC has no board, the exclusive authorities of the latter are executed by the general meeting or by the executive body if the law allows the delegation of that authority to the Executive body under the Charter of the company or decision of General meeting.

1/3 of the board members of OJSC should be independent.

It is required that the board of OJSC to form the audit committee by appointing its members, one of whom should be an independent board member.

The appointment of a single natural person (director, CEO, president etc.) The executive body is mandatory for all types of companies. This appointment is subject to state registration in the State register of legal entities. In contradiction to LLC, JSC may have also collegial executive body (e.g. directorate, administration etc.). The authorities of the single-person executive body are defined in the law while the authorities of the collegial executive body are subject to indication in the charter. It is the general rule that authorities which are determined neither as one of the exclusive authorities of general meeting nor the board shall be executed by the executive body.

It is allowed to engage external management company as executive body of the company (including instead of single natural person).

The general meeting exercises authorities with regards to the company's charter (approve, amend, restate), reorganization and liquidation of the company, approval of number and members of the board (if applicable), company's shares, securities and charter capital issues, appointment and dismissal of executive body (in case of JSC which has a board this power is executed by the board), external audit, annual financial statement (approval) and distribution of dividends, major transaction and transactions with conflict of interest (in cases defined under the law).

The general meeting of LLC determines the main directions of the company's activity while a general meeting of JSC exercises such authority unless this company has a Board whose exclusive authority is it.

The board carries out general management of a company's activities and executes powers on strategic management (determination of main directions of company's activities, approval of internal documents regulating the activities of a company's governing bodies, formation of board's committees etc.), asset and capital management (approval of major transactions, transactions with conflict of interest, approval of market price of shares, using of , approval of the estimate of annual expenses and the performance report thereon etc.), management of executive body (appointment, dismissal, remuneration, supervision), the organization of the general meetings.

The executive body is responsible for management of daily basic activity of the company. in particular, the executive body (single person one) is one who are entitled to represent a company without a letter of attorney and who is actually entitled to issue a letter of attorney on behalf of a company, execute all power of employer, be signatory of company.

3. What are the sources of corporate governance requirements?

The regulation concerning to the corporate governance are prescribed in Civil Code of the Republic of Armenia, Law of the Republic of Armenia on Limited liability companies, Law of the Republic of Armenia on Joint Stock Companies. The government of the Republic of Armenia has approved the Corporate governance code of conduct which is a recommendation rather than mandatory regulation.

4. What is the purpose of a company?

The purpose of a company is to earn a profit (commercial activities) which, however, is not prohibited a company to have some non-profit activities as well. The commercial activities should be those allowed by law (e.g. it is prohibited to drug commerce). Should performance certain commercial activities require to have a license, permissions or consents, a company is allowed to act if it is granted. There are some types of commercial activities (e.g. banking, insurance) which the company cannot perform together with the other types of commercial activities.

5. Is the typical governing body a single board or comprised of more than one board?

If a company in Armenia has the board, then it is a single board.

The companies of financial sectors (e.g. banks, insurance companies etc) usually have appointed a directorate (administration), i.e. the collegial executive body which is not a common practice for other companies in Armenia. Armenian company the shareholder(s) of which are listed company, usually has both board and directorate.

6. How are members of the governing body appointed and removed from service?

The law does not determine the procedure of appointment of members of the board in LLC. This is subject to company charter regulation.

The law on JSC, however, defines the procedure of appointment of its board members, which is as follows:

a. **Approval of the number of board members and the appointment** of them is the subject of exclusively annual general meeting agenda. Issue concerning the appointment of board members is allowed to discuss in an extraordinary general meeting if the latter has adopted a decision on early termination of the powers of the board or individual member thereof.

b. The **total duration of powers** of board members shall not be limited. The powers of board members shall terminate upon the election of the next set of the board members. The meeting may decide on early termination of powers of any member (all the members) of the board.

If board members were elected by cumulative voting, the meeting may adopt a decision on early termination of powers only with regard to all board members.

c. Company shareholders owning, as of the date of drawing up the list of shareholders having the right to participate in the meeting, 10 percent or more of the placed voting stocks of the Company shall have the right to become a board member or **appoint their representative without any election**. Nominees shall also enjoy this right. Each shareholder may fill only one place in the board.

d. In a Company with 500 or more shareholders (owners of voting stocks), board elections shall be carried out **by cumulative voting**. In a Company with less than 500 shareholders (owners of voting stocks), board elections may be carried out by cumulative voting where so provided by the charter.

In a cumulative voting, the number of votes for each voting stock shall be equal to the number of board members being elected (re-elected). When cumulative voting, a shareholder may cast all of the votes belonging to that shareholder in favour of one candidate or distribute them amongst several candidates.

Candidates having received the maximum number of votes shall be deemed to be elected as board members.

e. **The number of board members** shall be defined by the decision of the meeting and may not be less than three.

The limitation prescribed by this point shall not extend to the persons who have the right to become a board member without any election as it is presented in the point (c) above.

f. A person who is not a shareholder of a Company may be a board member unless prohibited by the charter.

The representatives of the executive body of a Company may not constitute a majority in the board.

7. Who typically serves on the governing body and are there requirements that govern board composition or impose qualifications for directors regarding independence, diversity, tenure or succession?

There are no requirements of diversity, tenure or succession of board members. The quota for independent members is implemented only for the OJSC's board (1/3 of members). As it is indicated in question 6 above, it is prohibited to have the representatives of the executive body as a majority on the board.

To the matter of general rule, no qualification requirements to the board members are defined under the law; it is considered as the subject to the company's charter or bylaws regulation. As for the specific areas of activities (mostly, banking, insurance, credit organizations etc), the separate laws prescribe the qualification requirements to the members of the board, as well as board member certification demand.

8. What are the common approaches to the leadership of the governing body?

The board shall have a chairperson who is appointed by the board by electing one of its members. In the absence of the board chairperson, his or her duties shall, by the decision of the board, be performed by one of the members of the board.

The board may re-elect its chairperson or elect a new chairperson at any time.

In an OJSC the positions of the board chairperson and the director (general director) may not be combined. In any case the board chairperson may not hold any other paid position in the Company.

The role of chairperson is to organize the activities of the board, convene and chair the board meetings, organize the taking of minutes and chair the meeting.

The board chairperson shall: (a) organise the activities of the board; (b) convene and chair the board meetings; (c) organise the taking of minutes; (d) chair the meetings unless otherwise provided by the charter.

The chairman has no right to instruct the other members of board or supervise them. The vote of chairperson has no privileges on voting, i.e his vote is equal in weight with the vote of the other member of the board

9. What is the typical committee structure of the governing body?

It is not mandatory to form a committee of the board except for the OJSC. A board of OJSC shall have an audit committee of the board (more in question 2). A person who or affiliated with who is engaged in the management of daily activity of a company may not be a member of this audit committee. The chairperson of the audit committee shall be appointed among the independent members of board.

10. How are members of the governing body compensated?

The compensation of a member of the board is not mandatory, except for banks (the bank shall pay honorarium to its board members). It is stated that honorarium and/or compensation for the expenses related to the performance of the duties of a board member may be established for board members by decision of the general meeting. The amount of the honorarium and/or compensation as well as the procedure for payment thereof shall be established by the decision of the general meeting.

11. Are fiduciary duties owed by members of the governing body and to whom are they owed?

While performing their duties, the board members and executive body shall act in the interest of the company; they shall exercise their rights and perform their duties towards the company in good faith and in a reasonable manner, avoid real and possible conflicts between personal interests and the interests of the company (fiduciary duty).

A person who may, by virtue of participation in the authorised capital of a company or of other circumstances, have a material impact on the decisions of the company must not induce board members, the executive body of company to take decisions that contradict the interests

of the company or the legitimate interest of shareholders who cannot have a material impact on the decisions of the board.

The members of the board or administration or directorate who voted against the decision causing damage to the company or were not present at the relevant meeting shall be exempt from the liability for the damage caused to the company.

The resignation, recall or dismissal of the board or executive body of company shall not exempt them from liability for the damage caused to the company. When determining the grounds for and extent of the liability of the board or executive body the customary business practices and other factors of importance to the case must be taken into account.

In case of several persons are liable for the damage caused to the company, they shall hold liability jointly and severally to compensate the damages to the company. A person shall be exempt from the liability for the damage caused to the company if he or she has acted in good faith, i.e., they did not know or could not have known that the Company would incur losses as a result of their actions (omissions).

A company or a company's shareholder(s) (jointly) owning one or more percent of the placed common (ordinary) stocks of the company (in case of JSC) or any participant (in case of LLC) shall have the right to bring an action against board members, executive body to court with a claim for compensation for damages caused to the company.

12. Do members of the governing body have potential personal liability? If so, what are the key means for protecting against such potential liability?

A member of board is liable personally for the damages caused to the company nexus to her or his breach of fiducially duty. The details of impose liability to the member of board are presented above in the question 11.

It is important to note that abuse of administrative authority by the employees of commercial or other organizations against the interests of their organization and in favor of themselves or other persons, if this inflicted damage to citizens or the rights and legal interests of the organization or the state, is a crime, which is punished with a fine in the amount of AMD 200,000 (around USD 420) to AMD 400,000 (around USD 820) minimal salaries, or with arrest for the term of 1-3 months, or with imprisonment for the term of up to 2 years. If the same action caused grave consequences, is punished with a fine in the amount of 300 to 500 minimal salaries, or with arrest for the term of 2-3 months, or with imprisonment for the term of up to 4 years.

13. How are managers typically compensated?

The executive body and other managers of the company are engaged based on the employment contract. In general, these contracts contain clauses about monthly salary. Compensations in addition to a monthly salary, including incentives, may be stated in management agreements, however, it rather the exception than typical clauses for the Armenian labor market.

Some Armenian companies (e.g. IT companies, law firms, audits) are practicing assignment of stocks to the employees (management staff).

14. How are members of management typically overseen and evaluated?

Armenian law allows the board and general meeting to monitor the management of a company via approval of major transactions or transactions with conflict of interest, approval of company budget, receive and approve the report of the executive body, request an independent audit of the company and executive of other authorities.

No regulation related to evaluation of a company management are defined under the Armenian law.

15. Do members of management typically serve on the governing body?

It is allowed for the executive body to be appointed as a board member. For JSC there is a rule limiting the number of representatives of the executive body in the board, meaning they cannot be a majority in the board.

The formation of the board is not typical for a company in Armenia unless it is a bank, insurance company or other financial institution then it is mandatory. Thus, there is no feasibility to conclude how it is typical to have management served on the governing body of a company.

16. What are the required corporate disclosures, and how are they communicated?

Pursuant to the Law of Armenia on LLC, the participant (shareholder) of a company is entitled to receive information on activities of a company as well as obliged to not to disclose any information on the activities of the Company comprising confidential (secrecy).

The regulation in the Law of Armenia of JSC is as follows:

Except for confidential information, as well as the minutes of the meetings of the collegial executive body and the orders and directives of the single-person executive body (which may be provided only to the board members and the control committee (controller) upon their request), a company is obliged to provide its shareholders with reading access to the following documents as well as their copies:

- (a) the company's state registration certificate, charter, the supplements and amendments to the charter, the restated charter, the decision and the agreement on the foundation of the company;
- (b) the documents certifying the company's property rights with regard to the property reflected in the company's balance sheet;
- (c) the company's internal documents approved by the meeting and other governance bodies;
- (d) the charters of the separated subdivisions and institutions of the company;
- (e) the company's annual reports;
- (f) the prospectuses on the issuance of company stocks;
- (g) the accounting documents (accounting balance sheets, profit and loss statements, audit opinions, etc.);
- (h) the financial statements and statistical reports submitted to state administration bodies;
- (i) the minutes of the ballot committee and the ballot papers;
- (j) the opinions of the company's control committee (controller), the Company's auditor, state and local self-government bodies exercising financial control;
- (k) the lists of persons related to the company (specifying the number of stocks belonging to them) as well as of significant and major shareholders of the company;
- (l) the agreements concluded by the company.

Information on the decisions adopted by the general meeting of a company as well as the voting results shall be presented to the shareholders thereof within 45 days upon adopting such decisions in a manner described under the charter of a company.

An OJSC shall be obliged to publish the following on the official website of Public Notifications of the Republic of Armenia at <http://www.azdarar.am> (a) in the case of public offering of stocks, the prospectuses on the issuance of Company stocks; (b) the announcement on convening an annual meeting in the manner prescribed by this Law, (c) in case of the adoption of a decision on conclusion of a major interested-party transaction and prior to concluding the relevant agreement — information on the transaction parties and conditions, on the nature and scope of the interest, as well as the appraisal report of transaction subject matter should it required.

In the case of a public offering of its issued bonds and other securities, Companies, including close Companies, shall be obliged to publish information to the extent and in the manner prescribed by the Law of the Republic of Armenia "On securities market" as well as by the Central Bank of the Republic of Armenia.

The regulatory authority may define the additional requirement of publication for a company with specific activities (e.g. bank, the insurance company, electronic communication).

17. How do the governing body and the equity holders of the company communicate or otherwise engage with one another?

The matter is subject to regulation under the bylaws or internal acts of a company due to lack

of any legislative rules thereon.

18. Are dual or multi-class capital structures permitted and how common are they?

A company may issue common (ordinary) as well as one or several types of preferred shares. Nonetheless, the total nominal value of preferred shares of a company shall not exceed 25% of its authorised capital.

The charter must prescribe the rights of the owners of each type of shares placed by a company, otherwise a company has no right to place authorized shares of the type in question.

Any common (ordinary) shares of a company shall grant the same rights to any shareholder owning that stock. And a company's preferred shares of the same class shall grant the same rights to all shareholders owning them.

Common (ordinary) shares are always voting shares, however, an owner of common (ordinary) shares may not be granted an additional right to vote which does not arise from the nominal value and number of common (ordinary) shares belonging to him or her.

A company shall not guarantee the payments of dividends for common (ordinary) shares unlike for the preferred shares.

A company shall have the right to place preferred shares with fixed or floating dividends, as well as cumulative, convertible and other types of preferred shares, where such are provided for by the charter.

As a matter of general rules owners of preferred shares shall not have the right to vote at the meeting. However, for certain cases the law grants the voting right to the owners of preferred shares mostly then the agenda link to their rights.

19. What percentage of public equity is held by institutional investors versus retail investors?

N/A

20. What matters are subject to approval by the shareholders and what are the typical quorum requirements and approval standards? How do shareholders approve matters (e.g., voted at a meeting, written consent)?

Quorum:

If more than half of the total number of votes of participants of LLC is attended a general meeting have a quorum.

A general meeting of JSC shall be eligible (a quorum shall be deemed present) if, at the time of closing the registration of shareholders for the meeting, company shareholders (their representatives) jointly owning more than 50 percent of the placed voting stocks of the company have registered. If the new meeting convened instead of the meeting that did not take place it shall be eligible if at the time of closing the registration of the participants, company shareholders (their representatives) jointly owning more than 30 percent of the placed voting stocks of the company have registered.

Subject matter of approval and approval standards of LLC:

The following decision shall be adopted by at least 2/3 of the total number of votes of all the participants of LLC (charter of a company may require larger number of votes therefor):

- (1) amendment to the charter of the company and the size of the authorised capital of the company;
- (2) adoption of a decision on reorganisation or liquidation of the company;
- (3) increasing the authorised capital of the company by way of additional contributions made by the participants of the company.

The decision on the following matters shall be adopted unanimously by the participants of the Company:

- (1) increasing the authorised capital of the company through additional contribution made by the participant applied therefor;
- (2) distribution of shares between the participants of a company after the shares have been transferred to the company;
- (3) limited the ration of participation of a participant;
- (4) valuation of non-monetary investment in a company.

The remaining decisions such as named below shall be adopted by the majority of the total number of votes of the participants of a company (charter of a company may require larger number of votes therefor):

- (1) determination of the main directions of the activities of the company, as well as issues with regard to the foundation of companies and participation therein;
- (2) formation of executive bodies of the company and early termination of the powers thereof, as well as issues with regard to transferring the powers of the executive body of the company to a commercial organisation or a private entrepreneur;
- (3) election of a revision commission (the reviser) and early termination of the powers thereof;
- (4) approval of annual reports and annual balance-sheet;
- (5) adoption of a decision on distribution of the profit of the company among the participants

of the company;

(6) adoption (approval) of documents (internal documents of the company) regulating internal affairs of the company;

(7) adoption of a decision on issuance of securities by the company;

(8) adoption of a decision on auditing the company;

(9) appointment of liquidation commission and approval of liquidation balance-sheet;

(10) approval of major transactions;

(11) approval of transactions with conflict of interest.

Subject matter of approval and approval standards of JSC:

Votes at general meetings of JSC shall be held on the principle of “one voting share of a company, one vote”, except in the case of election of board members in which the principle of cumulative voting shall be applied.

The decisions on following matters shall be adopted by a $\frac{3}{4}$ vote of the owners of voting shares participating in the meeting (charter of a company may require larger number of votes therefor):

(1) approval of the charter, making amendments and supplements thereto, approving the restated charter;

(2) reorganisation of the company;

(3) approval of the final, interim and liquidation balance sheets, appointing the liquidation committee

(4) prescribing the maximum number of authorised shares;

(5) adoption of a decision on conclusion of major transactions.

The decisions on following matters shall be adopted by a $\frac{3}{4}$ vote of the owners of voting shares participating in the general meeting but no less than $\frac{2}{3}$ vote of the owners of voting shares (charter of a company may require larger number of votes therefor):

(1) liquidation of the Company;

(2) reduction of the authorised capital of company by way of decreasing the nominal value of shares, by way of acquisition by the company of placed shares for the purpose of reducing the total number of stocks, as well as redemption of shares acquired or repurchased by the company;

The remaining decisions, including those of named below, shall be adopted by a simple majority vote of the owners of voting shares participating in the meeting (charter of a company may require larger number of votes therefor):

(1) approval of the number of board members, election of board members and early termination of their powers.

(2) increasing the authorised capital of the company by way of increasing the nominal value of shares or placing additional shares;

- (3) formation of the executive body of the company (single-person or collegial), early termination of its powers, unless the charter does not vest this power in the board;
- (4) election of the members of the control committee (controller) of the company and early termination of their (his or her) powers.
- (5) approval of the company's auditor;
- (6) approval of the company's annual reports, accounting balance sheets, profit and loss accounts, the distribution of profits and losses, as well as adopting a decision on payment of annual dividends and approving the amount of annual dividends.
- (7) adoption of a decision on non-application of the preferential right of company shareholders owning company shares or other company securities convertible into shares (for CJSC);
- (8) procedure for conducting the meeting;
- (9) formation of the ballot committee;
- (10) deciding on the method of delivering information and materials to the shareholders by the company, including selecting the relevant mass media outlet where the delivery should be carried out in the form of a public announcement as well;
- (11) consolidation and splitting of stocks;
- (12) adoption of a decision on conclusion of transactions with conflict of interest;
- (13) acquisition and repurchase of shares placed by the company;
- (14) determining the conditions for remuneration of head officials of the company (chairperson or member of the board, director, general director or member of the administration or directorate);
- (15) establishment of daughter and dependent companies;
- (16) participation in daughter and dependent companies;
- (17) establishment of holding companies or other associations of commercial organisations;
- (18) participation in holding companies and other associations of commercial organisations.

Manner of approval:

Decisions of the general meeting of LLC shall be adopted by open voting via holding a meeting (the joint presence of the participants of the Company for the purpose of discussing issues on the agenda and adopting decisions related to issues put to a vote) or without it through holding a distant voting (by inquiry). Such voting may be held by exchanging the documents through postal, telegraphic, facsimile, telephone, electronic or other means of communication ensuring authenticity and documentary support of the forwarded and received correspondence.

Decision of the general meeting of JSC may be adopted via holding a meeting or by absent voting (inquiry). Annual meetings, as well as extraordinary meetings summoned for approval of the company's annual reports, accounting balance sheets, profit and loss accounts, the distribution of profits and losses, as well as adopting a decision on payment of annual dividends and approving the amount of annual dividends, may not be held by absent voting (inquiry) except for nominees, who are entitled to vote by absence voting (inquiry). Absent voting shall be carried out by the use of ballot papers.

At general meetings of a JSC with more than 50 shareholders (owners of voting shares), votes shall be held by ballot papers.

21. Are shareholder proposals permitted and what requirements must be met for shareholders to make a proposal?

Any participant of the LLC shall, no later than ten days prior to convening general meeting, be entitled to submit a proposal on including additional issues in the agenda thereof. Except for the issues not falling within the competence of the general meeting of LLC or those not complying with the requirements of the law, additional issues shall be included in the agenda of the general meeting of LLC. The body or persons convening general meeting of LLC shall not be entitled to make changes in the formulations of additional issues proposed by the participant for the purpose of being included in the agenda of the general meeting.

Shareholder(s) of JSC owning at least 2% of the voting shares shall have the right, within 30 days following the end of the company's fiscal year (December 31st) or within longer time limits if it is defined by the charter, to submit in written no more than two recommendations concerning the annual meeting agenda as well as nominate candidates for members of the board and control committee (controller).

Shareholder(s) of a JSC owning, as of the date of submitting such request, at least 10 percent of the company voting shares is entitled to request convene of an extraordinary general meeting of JSC. Such a request shall specify the issues recommended for inclusion in the meeting agenda as well as justifications as to why it is necessary to discuss them. The board shall not have the right to make changes to the agenda proposed or to change the wording of the issues recommended for discussion, except for the case when the proposed agenda issues are not within the competence of the general meeting prescribed by the law and the charter of company.

If JSC has a board the mentioned submission is made to the board and the latter may reject the inclusion of submitted recommendation in the annual meeting agenda or the list of candidates or summon extraordinary meeting only in the following cases:

- (1) the shareholder(s) having submitted the recommendation does not meet the deadline thereof;
- (2) the number of Company voting stocks owned by the shareholder(s) having submitted the recommendation has not own shares granting the right to submit;
- (3) the written application is missed the data required under the law or the submission does not comply with the procedure in other manner as it is prescribed under the law or charter;
- (4) the recommendation does not comply with the requirement of the legislation (e.g. the general meeting is not entitled to hearing on the issue).

22. May shareholders call special meetings or act by written consent?

As it is presented above, the shareholder of JSC owning, as of the date of submitting such request, at least 10 percent of the company voting shares is entitled to request convene of an extraordinary general meeting of JSC.

Shareholders of a JSC may exercise their right to participate in a meeting either personally or through an authorised representative. Shareholders shall have the right to change their authorised representative at any time or participate in a meeting personally.

Upon availability of two or more letters of authorisation issued by the same shareholder, the most recent letter of authorisation shall be deemed to be in force.

Heads of legal person shareholders of a Company shall participate in a meeting without a letter of authorisation.

No letter of authorisation shall be required from a nominee holding shares of the company in question for participating in a meeting on behalf of the shareholder(s), and the powers of the nominee shall be certified by registration of nominee in the register of shareholders of a company.

The participant of LLC owning 10% of shares is entitled to request summon of extraordinary general meeting of LLC.

The participants of LLC shall have the right to participate in the meeting in person or through their representatives. Representatives of the participants of the LLC must present documents attesting the powers reserved thereto.

23. Is shareholder activism common and what are the recent trends?

Shareholders of Armenian companies are mostly involved in the business activities of the company by having executive positions therein. By growing the companies are making efforts to develop corporate governance structure of the companies by diversifying the activities of shareholders from those of executive authorities of the company.

The shareholder's activity of companies in the financial and capital market sector, electronic communication (big ones) is limited by the role and authority granted them under the law and with the low level of engagement in the day-to-day activities of the company.

24. What is the role of shareholders in electing the governing body?

The shareholders of JSC exercise the following power while electing the board:

- (1) to nominate candidates for member, if shareholder(s) owning at 2% of the voting shares, and
- (2) to become a board member or appoint their representative without any election (each shareholder may fill only one place in the board) if shareholder(s) owning, as of the date of drawing up the list of shareholders having the right to participate in the meeting, 10 percent or more of the placed voting shares of the company, and
- (3) to vote in the general meeting.

25. Are shareholder meetings required to be held annually or otherwise, and what information needs to be presented?

It is required to summon annual general meeting, both in LLC and JSC. Annual general meeting shall be held not later than within six months after the end of the company's each preceding fiscal year for approval of the Company's annual reports, accounting balance sheets, profit and loss accounts, the distribution of profits and losses, as well as adopting a decision on payment of annual dividends and approving the amount of annual dividends.

In case of JSC the following rule should be applied: the company's annual meeting has not taken place in the prescribed time limits, an extraordinary meeting may be summoned only for the purpose of discussing issues concerning the liquidation of the Company or the issues approval of the Company's annual reports, accounting balance sheets, profit and loss accounts, the distribution of profits and losses, as well as adopting a decision on payment of annual dividends and approving the amount of annual dividends. No other issues may be discussed in an extraordinary meeting summoned to discuss the mentioned issues, except for issues related to the reduction of the authorised capital triggered by the decisions adopted on the issues mentioned herein.

It is allowed to convene extraordinary general meetings as well if there is such a request.

An extraordinary general meeting of LLC may be convened by the request of the board (if there is one), executive body or participant owning 10% of participation in the company. This request should specify the manner of summon of meeting (with holding or without holding a meeting) as well as the agenda thereof.

An extraordinary general meeting of JSC may be initiated by the board or requested by the executive body of the company, control committee (controller), auditor of the company, or shareholder owning as of the date of submitting such a request, at least 10 % of the company voting shares.

26. Do any organizations provide voting recommendations or otherwise advise or counsel shareholders on whether to approve matters?

N/A

27. What role do other stakeholders, including debt holders, employees, suppliers, customers, the government and communities, typically play in the corporate governance of a company?

Neither debt holders nor the employees, suppliers, customers, government, and communities play any role in the corporate governance of a company as the other stakeholder under the Armenian law.

The debt holders may be involved in the corporate governance of a company based on the agreement concluded between debt holders and a company. Usually, this is typical if the debt holder is a professional financial institution and the request of which is to corporate governance development (e.g. formation of the board) or appointment of a certain person to the management position(s).

28. What consideration is given to ESG (environmental, social and governance) issues, including climate change, sustainability and product safety issues, and are there any legal disclosure obligations regarding the same?

N/A

29. How are the interests of shareholders and other stakeholders factored into decisions of the governing body?

N/A

30. Do public companies typically provide earnings guidance on either a quarterly or annual basis?

Armenian law required to include in prospectus amongst others the information about the business prospects and risks thereof. Prospectus is subject to publication.

Not later than on the 15th day upon the expiration of each 30th day from the moment of starting the public placement, as well as within a period of 30 days after completion of placement, issuer shall submit to the Central Bank a report on the process and results of placement in the form and manner prescribed by regulatory legal acts of the Central Bank.

A reporting issuer shall be obliged to publish and submit to the Central Bank:

- (1) annual reports approved by an independent audit opinion;
- (2) interim reports.

The detailed requirements for the content, form, periodicity and the procedure for the publication of the aforementioned reports shall be prescribed by the regulatory legal acts of

the Central Bank.

The reporting issuer shall be obliged to provide these reports to any person, at the latter's request, charging only the costs of copying.

The operator of the market may, by the rules of the market, prescribe additional requirements for disclosure of information for the reporting issuers.

31. May public companies engage in share buybacks and under what circumstances?

If in the course of placement the person carrying out placement submits a prospectus supplement that refers to an essential change of the information included in the prospectus, the occurrence of a new material circumstance or fact, the person carrying out placement, at the request of the investor, shall revoke the acceptance given by the investor and reimburse the funds received from the investor in the course of subscription or repurchase the securities sold to the investor prior to the submission of the supplement, at least at the security acquisition price. This obligation shall be applicable also in case of publication of information on final price and number of the offered securities, where in the cases provided for by the law, the prospectus does not contain information on final price and number of the offered securities.

32. What do you believe will be the three most significant issues influencing corporate governance trends over the next two years?

Amendments to the Law on JSC has been adopted on 19.04.2019. Some of changes adopted will have impact on the corporate governance and influence upcoming trends.

- (1) it is prohibited for the daughter and dependent companies to purchase the shares of the main company,
- (2) the law defines and regulates shareholder agreement (the signing of this type of agreement was not common),
- (3) it is defined a maturity date of payment of dividends (one year) since the general meeting decides on its distribution,
- (4) increase corporate standard for OJSC (e.g. independent members quota, audit committee of board).