
Number	No 1955-N	Mode	Main
Type	Order	Status	In force
Source	Unified website 2024.08.05-2024.08.18 Date of official promulgation 12 August 2024	Place of adoption	Yerevan
Adopting body	Minister of Economy	Date of adoption	30 July 2024
Signing body	Minister of Economy	Date of signing	30 July 2024
Ratifying body		Date of ratification	
Date of entry into force		Date of repeal	

Notification

This Order shall enter into force on the date of the entry into force of the Decision of the Government of the Republic of Armenia “On repealing Decision of the Government of the Republic of Armenia No 1769-A of 30 December 2010”.

+ Links to other documents

**ORDER OF THE MINISTER OF ECONOMY OF THE REPUBLIC OF ARMENIA
ON APPROVING THE CODE OF CORPORATE GOVERNANCE
OF THE REPUBLIC OF ARMENIA**

**MINISTER OF ECONOMY
OF THE REPUBLIC OF ARMENIA**

30 July 2024

No 1955-N

city of Yerevan

ORDER

**ON APPROVING THE CODE OF CORPORATE GOVERNANCE
OF THE REPUBLIC OF ARMENIA**

Based on part 1 of Article 76.1 of the Civil Code of the Republic of Armenia, as well as sub-point 21 of point 18 of the Annex approved by point 1 of the Decision of the Prime Minister of the Republic of Armenia No 658-L of 1 June 2019,

I hereby order

1. To approve the Code of Corporate Governance of the Republic of Armenia (hereinafter referred to as “the Code”), in accordance with the Annex.
2. The organisation acceding to the Code shall be obliged to prepare for each reporting year and publish on its webpage — by 30 June of the year following the reporting year — the annual report prescribed by the Code, as well as the corporate governance report and the annual corporate governance statement that comprise part thereof, based on the “Comply or explain” principle.
3. The reporting period for the annual report of the corporate governance, as well as for the annual statement thereof, shall be deemed to include the period from 1 January to 31 December of the given year.
4. The first reporting year for the organisation acceding to the Code shall be deemed to include the period from the date of acceding thereby to 31 December of the given year.
5. This Order shall enter into force on the date of the entry into force of the Decision of the Government of the Republic of Armenia “On repealing Decision of the Government of the Republic of Armenia No 1769-A of 30 December 2010”.

G. Papoyan

Annex
to Order No 1955-N of 30 July 2024
of the Minister of Economy
of the Republic of Armenia

CODE OF CORPORATE GOVERNANCE OF THE REPUBLIC OF ARMENIA

PREAMBLE

Necessity of corporate governance

Corporate governance is a set of management and supervision structures aimed at the long-term success of organisations that includes the relations arising among the top management, board of directors, participants and stakeholders.

The purpose of corporate governance is to form transparent and fair market relations, contribute to the effective distribution of resources and the principle of rule of law, support the attraction of long-term investments in the economy, increase the resilience of the business sector, promote inclusive economic growth, as well as the integrity, responsibility, transparency and accountability of corporate actors and their decisions.

When providing the organisation with capital (financial, intellectual, human, material, social), the investors and other stakeholders must make sure that the organisation operates in an open and transparent manner, has proper management and supervision systems (including internal control, risk management and accountability); the experience and skills of persons making decisions enable them to make impartial and balanced decisions in the interests of the organisation, its participants and other stakeholders, take responsibility thereof, and ensure compliance of the organisation.

The application of the Code: “Comply or explain” principle

Organisations should, to the extent possible, adopt and comply with the principles of the Code (“Comply”). Compliance with the Code is supervised through regular disclosures — the annual corporate governance statement. In case of non-compliance with the principles of the Code, the organisations shall be obliged to provide a full and detailed explanation of the reasons for non-compliance, special circumstances that justify the non-compliance, or the alternative conduct of the organisation that contributes to the achievement of the objectives of the principles of the Code (“Explain”). This stems from the fact that acknowledging the peculiarities of organisations and the specifics of management of each of them, it is sometimes impossible to ensure the uniform application of all the principles of the Code to all organisations equally. The Code emphasises the provision of meaningful, reasonable and essential explanations by organisations as an important component of an open and constructive dialogue with investors and other stakeholders.

Compliance with the principles of the Code or the explanation of the reasons for non-compliance therewith is disclosed by the organisation in the annual corporate governance statement, which is published on the webpage of the organisation, together with the annual report, within the terms set by the legislation of the Republic of Armenia.

Legal status of the Code and the link thereof with the legislation

Based on the fact that the implementation of the Code is carried out in accordance with the above-mentioned “Comply or Explain” principle, the Code may set higher or stricter criteria/guidelines for corporate governance than those currently provided for by the legislation of the Republic of Armenia. Therefore, organisations are encouraged to comply with the principles of the Code, adhering to the minimum requirements set by legislation.

Target addressees of the Code

The target addressees of the Code are the organisations that have voluntarily committed to improve their own corporate governance framework, as well as those that have the obligation to comply with the Code by virtue of the laws of the Republic of Armenia.

Content of the Code

Chapter 1. Main rights and equitable treatment of participants, and responsibilities of significant participants

Chapter 2. Board

Chapter 3. Internal control, risk management and internal audit

Chapter 4. Disclosure of information and transparency

Chapter 5. Relations of the organisation with stakeholders

Each principle of the Code is followed by its brief explanation with the aim to present the nature and rationale of the principle.

Extended clarifications of the principles presented in the Code and guidelines for practical application are given in the Corporate Governance Guide.

MAIN RULES OF INTERPRETATION OF THE PRINCIPLES OF THE CODE AND MAIN CONCEPTS USED

Concepts used in the Code and not defined thereby shall be interpreted in accordance with the meaning given thereto by the legislation of the Republic of Armenia.

In case specific concepts defined by the Code have different special regulation by the sectoral legislation, such concepts shall be applied and interpreted in accordance with the meaning given thereto by the special legislation.

The principles of the Code shall be applied insofar as they are, by their nature, applicable to the given organisation (“mutatis mutandis” principle).

Main concepts used in the Code shall be as follows:

1. **Employee** — any person in employment relationship with the organisation;
2. **Share** — a share, stock or stake in an economic entity;
3. **Executive body** — a sole or collegial body carrying out the day-to-day management of the organisation, including a managing organisation or a manager;
4. **Executive position** — a head or a member of the executive body of the organisation;
5. **General meeting** — a supreme managing body of the organisation;
6. **Family member** — in accordance with the meaning given by the Law “On Securities Market”;
7. **Beneficial owner** — in accordance with the meaning given by the Law “On combating money laundering and terrorism financing”;
8. **Independent member of the Board** — in accordance with the meaning given by the Law “On joint-stock companies”.
9. **Executive member of the Board** — a member of the Board, who is a person simultaneously holding an executive position in the given organisation or in the organisation supervised by the latter or supervising it;
10. **Non-executive member of the Board** — a member of the Board, who is not a person or employee simultaneously holding an executive position in the given organisation or in the organisation supervised by the latter or supervising it;
11. **Board** — a collegial management body carrying out strategic management of the organisation — a supervisory board, board of directors, etc.;

12. **Organisation** — an economic entity;
13. **Code** — this Code of Corporate Governance;
14. **Charter** — a founding document regulating activities of the organisation, regardless of the name;
15. **Sustainability report** — a non-financial report consistently and regularly elaborated and published in accordance with any framework of international non-financial reporting standards, containing information on environmental and social issues that reasonably affect the value of assets of the organisation, the capacity thereof to generate revenue and ensure long-term growth, as well as on the impact of the organisation on the society and environment (for example, greenhouse gas emissions, human rights, human capital development, etc.);
16. **Corporate secretary** — an official of the organisation responsible for assisting the governing bodies in the proper performance of their responsibilities in relation to corporate governance;
17. **Annual corporate governance statement** — a document included in the organisation's corporate governance report, which indicates compliance with the principles of the Code and discloses the circumstances of non-compliance with them, and which is published with the organisation's annual report within the terms stipulated by the legislation of the Republic of Armenia;
18. **Compliance** — an obligation of the organisation to operate in accordance with the requirements of normative legal acts, regulations, recommendations, internal policies, procedures, contracts, and corporate rules of conduct;
19. **Publication** — publication of information on the website of the organisation or public dissemination of information, including through the mass media, Internet or in printed form;
20. **Participant** — a participant, shareholder of an economic entity;

21. **Significant participants** — a person with a significant participation in accordance with the meaning given by the Law “On securities market”;
22. **Interest** — a situation where a person has a conflict of interests which may influence the latter to make impartial decisions;
23. **Interested-party transaction** — in accordance with the meaning given by the Law “On joint-stock companies”;
24. **Stakeholder** — a person interested in the activities of the organisation, who may have impact on the organisation or be subject to impact thereby. Employees, customers, depositors, suppliers, local communities, the state, the public and other persons may be deemed as stakeholders;
25. **Affiliated person** — in accordance with the meaning given by the law “On securities market”;
26. **Risk appetite** — the amount of risks that an organisation is capable and willing to take without compromising its financial stability and normal operations.

Chapter I. Main rights and equitable treatment of participants, and responsibilities of significant participants

PRINCIPLE I.1. Right of the participant to participate in the governance of the organisation

The organisation shall be obliged to ensure equitable and fair treatment of all holders of the same type (class) of shares in order to effectively exercise their rights to participate in the organisation’s governance, vote, formulate well-reasoned positions concerning the items on the meeting agenda, and make informed decisions.

EXPLANATION

The participant should receive sufficient and timely information about the date, venue, format and agenda of the general meeting within a reasonable timeframe, as well as should have an opportunity to get acquainted with the draft decisions, documents, and other necessary information to be discussed at the general meeting.

The venue and date (time) of convening the general meeting should not limit the participant's participation in general meeting. The organisation shall notify the participants about convening the meeting at least 21 days before the day of convening the meeting.

The notification of the general meeting and provision of information and materials to be discussed at the general meeting should enable the participant to properly prepare for the general meeting and make informed decisions.

The announcement of convening the general meeting shall be published on the website of the organisation. This shall not replace the notification methods provided for by the Charter and law.

The electronic provision of information and materials discussed at the general meeting shall be possible if the participant has an uninterrupted access to the relevant information channel or this method of providing information is offered by the participant.

The processes, format, and procedures for general meetings should ensure the equitable treatment of all participants. The participant should be informed of the rules and procedures for holding general meetings, including voting procedures.

The rules for holding a general meeting should ensure the proper calculation and record of votes at the general meeting, as well as the publication of voting results within a reasonable timeframe. The rules and procedures for holding the meeting should be published on the website of the organisation.

The participant should have the opportunity to vote in person or by power of attorney, as well as in absentia or remotely.

To facilitate the participation and involvement of participants, reduce their participation costs and save time, a general meeting can be held remotely or in a hybrid format (by combining simultaneous presence and remote participation of participants at general meetings). Such meetings should be held by ensuring equal access to information and participation opportunities for all participants.

The organisation should exercise due diligence to ensure that remote meetings do not diminish participants' opportunities to communicate with and pose questions to the members of the board and of the executive body, compared to meetings held in simultaneous presence.

Regardless of the procedure to convene meeting or to vote, the votes of the participants should be of equal weight.

The organisation shall ensure that during general meetings, participants have the opportunity to pose questions to the members of the board and of the executive body, as well as the external auditor if the opinion of the latter is available in the materials of the general meeting. In case of impossibility to answer the questions at the general meeting, the response thereto should be sent to the participant in writing and be posted on the website of the organisation in order to make it available to other participants, except for confidential information. To ensure the access of participants to the response, the organisation should also apply other mechanisms for providing information.

Taking into account the legislative restrictions, the participants shall have an opportunity to communicate during the general meeting with each other if it is necessary for making a decision on the issue put to a vote or for clarifying the nature of the issue.

PRINCIPLE I.2. Right of the participant to nominate candidates for the members of the Board of the organisation

The corporate governance framework of the organisation should promote the effective participation of the participant in the process of nominating candidates for members of the Board and the election of members of the Board.

EXPLANATION

For assessing the skills of each candidate for Board member and compliance thereof with the position nominated, the participant should, within a reasonable timeframe, receive complete and sufficient information about the professional qualifications and experience of the candidates for Board members, positions previously and currently held thereby, being a significant participant of the organisation and a person (persons) affiliated thereto.

PRINCIPLE I.3. Remuneration of the Board of the organisation and executive body thereof

The participant shall have an opportunity to express an opinion on the remuneration of the Board and executive body, including by voting at the general meeting.

EXPLANATION

The remuneration of the Board and the executive body should be in line with the organisation's values, and have relation to the performance and long-term outputs of the organisation's activities, including the sustainability targets.

The organisation should have a policy for remuneration of the Board and executive body.

The remuneration policy of the Board and the executive body, the remuneration schemes and modifications thereto shall be approved by the general meeting on the proposal of the Board, unless this power is assigned to the Board with respect to the executive body.

The policies for remuneration of the Board and executive body should be disclosed on the website of the organisation.

PRINCIPLE I.4. Right of the participant to receive a dividend

The organisation should to ensure equitable and fair treatment of all holders of the same type (class) of shares to participate in the distribution of profits of the organisation through the receipt of dividends.

EXPLANATION

The organisation should adopt a policy of dividend payments, which should include the minimum payout ratio. It may be set to zero as well. The policy of dividend payments shall be developed and approved by the Board.

The procedures for dividend payments should ensure equitable treatment of holders of the same type (class) of shares.

The policy of dividend payments should be published on the website of the organisation.

PRINCIPLE I.5. Obligations of a significant participant

The organisation should protect participants with small shareholding from abuses committed in the interest of, or directly by significant participants.

EXPLANATION

The significant participant of the organisation shall be obliged to:

1. disclose his or her potential significant interest in acting directly or indirectly or on behalf of third persons in transactions concluded with the organisation or in matters directly affecting the organisation and refrain from participating in decision-making related to the given transactions or matters;
2. disclose his or her affiliation with the members of the Board and Executive Body.

Chapter II. Board

PRINCIPLE II.1. Key functions of the Board

The organisation should be guided by an effective and constructive board, the role of which is to contribute to the long-term success of the organisation, creation of value for participants and supporting the stakeholders of the organisation.

EXPLANATION

In order to perform its role effectively within the corporate governance framework of the organisation, the Board shall ensure the implementation of the following key functions:

1. setting objectives, operational principles and corporate values of the organisation;
2. overseeing and guiding corporate strategy, key action plans, annual budgets and business plans, setting performance target indicators, and supervising the implementation of corporate programmes and activities, capital expenditures, acquisitions and sales;
3. establishing an executive body, supervising activities, terminating the powers when necessary, defining remuneration and its terms and compliance with the organisation's long-term objectives, including sustainability targets, and overseeing generational change (succession) planning;
4. submitting recommendations on the remuneration of Board members and its terms to the General Meeting;
5. ensuring the integrity of accounting, financial and non-financial reporting, including the independence of internal and external audits, and compliance with relevant control systems, in particular, risk management, financial and operational control;
6. monitoring governance effectiveness and implementing changes when required;
7. managing and controlling potential conflicts of interests involving members of the Board and executive body and participants, including misuse of the organisation's assets and interested-party transactions;
8. overseeing the disclosure and communication of information about the organisation, as well as other functions assigned to it by the internal legal acts of the organisation.

PRINCIPLE II.2. Composition of the Board

Members of the Board should have various complementary professional skills, education and experience.

The organisation should ensure diversity of the Board's composition to ensure the effectiveness of Board's activities and the objectivity and balance of decisions thereof.

EXPLANATION

To effectively and objectively fulfil its role and responsibilities in leading the organisation, the Board should assume a responsibility for its composition and processes that enable achieving an appropriate balance of knowledge, skills, experience, diversity and independence within the Board.

The Board should encourage diversity among its members, including in terms of sectoral specialization, capacities, experience, age and gender. Furthermore, the representation of each gender on the Board should not be less than 30%.

The Board should establish a diversity policy for the organisation, which may outline other diversity criteria and targets.

The corporate governance report should describe the diversity policy, its implementation measures and performance, the possible reasons for failure to achieve the policy targets and the measures taken to achieve them.

PRINCIPLE II.3. Non-executive members of the Board

Non-executive members of the Board should challenge the executive body through their constructive conduct, guide the strategic development of the organisation, and offer consulting support to the executive body.

Non-executive members should form a majority on the Board.

EXPLANATION

The role of the non-executive member in the corporate governance framework is primarily to provide additional experience to the Board in the following issues:

1. perceiving the challenges the organisation faces and supporting the strategic development of the organisation;
2. supervising the executive body and assessing performance thereof;
3. ensuring the credibility of information, reliability of internal control and risk management systems, credibility of financial and non-financial statements;
4. planning generational change (succession) of the Board and executive body, forming assessment and remuneration policies and systems.

PRINCIPLE II.4. Independent members of the Board

The Board should consider the issue of nominating a sufficient number of independent members of the Board, who are capable of making independent judgements.

EXPLANATION

Restrictions aimed at ensuring the independence of the member of the Board should remain in effect throughout the entire term of office of the member of the Board.

The Board should establish rules of conduct for the independent member of the Board and relationships or circumstances having a potential impact on the Board member's decisions ignoring which may cast doubt on independence of the Board member.

At least one third of the Board should be independent. If one third is not a natural number, the integer nearest to one third shall be deemed as the number of independent members of the Board.

The independent member of the Board shall be obliged to refrain from any action that endangers his/her independence, and in case of loss of independence, he/she shall be obliged to inform the Board about it, disclosing the reasons.

The Board should disclose information on independent members and compliance thereof with the criteria of independence in the annual report of corporate governance.

PRINCIPLE II.5. Chairperson of the Board

The Board shall be chaired by the Chairperson who shall be responsible for the effective activities of the Board. The Chairperson should possess independent and impartial judgement, promote transparency of the activities of the Board and the organisation, as well as encourage the culture of debate within the Board.

The Chairperson should contribute to formation of constructive relationships between the executive and non-executive members of the Board and ensure that non-executive members of the Board receive, in a timely manner, accurate and essential information in order to make informed decisions.

EXPLANATION

The Chairperson of the Board shall be a non-executive member of the Board.

The Chairperson of the Board shall:

1. define and approve the agenda of the Board;
2. promote the culture of diversity and inclusivity within the Board;
3. encourage the involvement of all Board members in board meetings based on their skills, experience and knowledge;
4. facilitate relationships based on mutual respect and open communication between executive and non-executive members;
5. convene a meeting of non-executive members of the Board at least once a year, without the participation of executive members;
6. develop and strengthen effective working relationships with the head of the executive body, by respecting the scope of the latter's responsibilities provide advisory support, as well as perform other functions assigned to him/her by the internal legal acts of the organisation.

PRINCIPLE II.6. Board Committees

To support its activities, the Board shall form specialized committees.

EXPLANATION

The Committees shall aim to improve the performance of the Board and provide deeper expertise on key issues.

The Committees shall have supervisory and advisory roles. The Board shall be fully responsible for its decisions.

In order to fulfil their duties, the Committees shall have access to the necessary information, receive adequate funding, and, if necessary, engage external experts or consultants.

The Committees shall be accountable to the Board and submit reports to it in the format and frequency established by the Board.

The mission, composition, scope of activities and procedures of the Committee should be approved and disclosed by the Board.

The Board may form audit, remuneration and nomination committees composed solely of non-executive members of the Board. The Chairperson of the Committee shall be elected by the Board.

Depending on the size, structure, field of activity or level of development of the organisation, the needs of the Board and the profile of its members, the Board may also form other committees, such as risk management, strategy and sustainability committees, etc.

To respond to special needs or corporate operations, the Board may form ad hoc or special committees to which the requirement for information disclosure may not extend.

(1) Audit Committee

The members of the Audit Committee should be composed predominantly of independent members of the Board. The Chairperson of the Audit Committee should be an independent member of the Board. The positions of the Chairperson of the Board and the Chairperson of the Audit Committee cannot be combined.

Members of the Audit Committee should have knowledge related to the field of activities of the organisation. At least one member of the Audit Committee should have relevant experience in finance, auditing or accounting.

The Audit Committee shall carry out:

1. overseeing the reliability of the organisation's financial reports and official statements on the organisation's financial and non-financial performance indicators, and the analysis of the essential judgements contained therein in relation to financial reports;
2. consulting the Board on the credibility, balance and comprehensibility of the annual report;
3. providing relevant information to participants to evaluate the organisation's positions and performance, business model and strategy;
4. analysing the organisation's internal financial control and internal control and risk management, except for cases where a Risk Management Committee has been formed within the organisation;
5. supervising and analysing the effectiveness of the organisation's internal audit function or, if it has not been formed yet, considering annually the need for it and presenting a corresponding recommendation to the Board;
6. submitting to the Board recommendations on selection, re-selection, termination of powers, and remuneration of the auditing organisation;
7. overseeing and analysing the independence and objectivity of the auditing organisation;
8. analysing the effectiveness of the external audit process, taking into account international professional and regulatory requirements;
9. developing a policy of engaging the auditing organisation for provision of non-audit services and supervising thereof, taking into account the influence of non-audit services on the independence of the auditing organisation, preliminary approval of the list of these services, as well as other functions assigned to it by the internal legal acts of the organisation.

PRINCIPLE II.7. Duties of members of the Board

Members of the Board should act in a fully informed manner, in good faith, with due diligence and reasonable care, based on the best interests of the organisation and participants and taking into account the interests of the stakeholders of the organisation.

EXPLANATION

A member of the Board shall be obliged to act in compliance with the legislation and internal legal acts adopted by the organisation.

A member of the Board shall be required to exercise independent judgement in decision-making.

A member of the Board should assume his/her duties effectively. He/she should set aside sufficient time and attention, and exercise reasonable efforts to properly perform his/her duties.

A member of the Board shall be obliged not to accept such benefits from third parties, which may be considered unreasonable and lead to a conflict of interests with the organisation or persons affiliated thereto.

Where a member of the Board has a direct or indirect personal interest in the transaction concluded or arrangements reached by the organisation, he/she shall be obliged to inform the Board about it before concluding the transaction or reaching the arrangement and not to be present at the discussion and voting on the decision to conclude the transaction.

When fulfilling his/her duties, a member of the Board shall be obliged to ensure equitable and fair treatment of all participants of the same type (class).

A member of the Board shall be obliged to support the success of the organisation, taking into account the following factors, among others:

1. the possible long-term consequences of adopted decisions;
2. the interests of employees;
3. the need to strengthen relations with customers, suppliers and other persons;
4. the impact of the activities on society and environment;
5. the need to demonstrate appropriate conduct that strengthens business reputation;
6. the need to act fairly.

A member of the Board shall be obliged to perform his/her duties personally. Their execution cannot be transferred to another person.

Regardless of whether actual damage is incurred, the organisation should implement protection measures for the members of the Board who make decisions with due diligence, procedural caution, full awareness, without conflict of interests, and who properly assess the impact thereof on the long-term success and performance of the organisation.

The organisation shall insure liability risk of the members of the Board at its own expense.

PRINCIPLE II.8. Ethical commitment of the Board

The Board should follow high ethical standards.

EXPLANATION

Following high ethical standards is in the long-term interests of the organisation, and contributes to strengthening trust and increasing corporate reputation thereof.

The Board should be committed to ensuring the ethical and anti-corruption compliance of the organisation through introducing the Ethics and Compliance Programme and ensuring control over its implementation.

The Board should approve the corporate rules of conduct of the organisation and corporate policies promoting the ethical and anti-corruption compliance of the organisation.

The Board should ensure that the corporate rules of conduct and policies include the principles and rules of interacting with the stakeholders of the organisation and with public in general.

The Board should make sure that the employees and other stakeholders have access to corporate rules of conduct and policies of the organisation.

PRINCIPLE II.9. Rights of members of the Board to receive information and professional consultation

In order to perform his/her duties properly, a member of the Board should have access to and ensure that he/she receives up-to-date, reliable and relevant information. If necessary, he/she should have the opportunity to seek independent external consultancy at the expense of the organisation.

EXPLANATION

The corporate secretary, internal auditor, risk management and compliance assurance functions shall contribute to informed decision-making by the members of the Board.

To carry out his/her duties properly, the non-executive member of the Board shall be entitled to submit a substantiated request to engage an independent external consultant at the expense of the organisation.

PRINCIPLE II.10. Evaluation of the Board

The Board shall, on a regular basis, evaluate its performance and determine whether its members have the proper combination of experience and capacities.

EXPLANATION

The evaluation of the Board aims to identify the ability of the Board as a whole and of each of its members to operate effectively.

Performances of the Board, its committees, Chairperson and members shall be subject to evaluation.

The Board should be evaluated by an external evaluator at least once every five years. The Board should arrange at least one meeting per annum to evaluate its activities.

Where the activities of the Board are evaluated by an external evaluator, the information thereon shall be disclosed in the corporate governance report of the organisation, along with the statement of the external evaluator on the existence (absence) of any relation with the organisation or members of the Board. By the decision of the Board, information on the evaluation of the Board, including its results, may be disclosed in the corporate governance report of the organisation.

PRINCIPLE II.11. Continuous professional development of members of the Board and orientation of new members of the Board

The Board should ensure that its knowledge and activities remain aligned with the growth of the organisation and complexity of its structure.

EXPLANATION

The Board shall be obliged to ensure continuous professional development of its members.

The Board shall be obliged to conduct introductory courses for its new members to present the sector of activities and competitive environment of the organisation, the management and corporate structure of the organisation, composition of the Board and the executive body, including key employees, the peculiarities of the business model of the organisation, production (service-related), technological, financial, social, environmental processes, the main risks, the legal framework regulating the sector of activities of the organisation, the main scope of customers, partners and other stakeholders, as well as other information considered essential by the Board.

PRINCIPLE II.12. Nomination of members of the Board

The process of nominating and selecting members of the Board should be transparent and regulated. Selection of members of the Board should be based on objective criteria.

EXPLANATION

The composition of the Board should be regularly updated to guarantee that the Board has sufficient capacities to respond to the rapidly changing business challenges. Fresh thinking and new approaches should be balanced with the experience of acting within the organisation.

The Board should plan its generational change (succession).

The planning of generational change (succession) of the Board shall be based on the strategy of the organisation and results of the evaluation of the Board.

The candidate for a non-executive member of the Board may be sought through an open advertisement or by a person of an external consultant, providing services for recruitment of members of the Board.

If the Board engages an external consultant, the information on the latter should be disclosed in the corporate governance report, along with the statement on the existence (absence) of any relation with the organisation or members of the Board and the executive body.

Where the acting member of the Board is on the list of potential candidates (is re-elected), the Board should submit a proper justification for it.

Chapter III. Internal control, risk management and internal audit

PRINCIPLE III.1. Internal control

An organisation should have effective internal control processes and procedures to ensure the integrity of the organisation's financial, non-financial and accounting information, promote accountability and prevent fraud.

EXPLANATION

The purpose of internal control is to ensure the effective management of the organisation's resources, the accuracy and completeness of reports, compliance with laws and regulations, the prevention of fraud and errors, the representation of an objective, fair and clear picture of the current state and prospects of the organisation, the reasonableness of the risks accepted by the organisation.

The executive body of the organisation should ensure the establishment and maintenance of an effective internal control system within the framework of policies for organising internal control established by the Board.

PRINCIPLE III.2. Risk management of the organisation

The organisation should have a risk management function, which effectively and completely enables to implement the risk management strategy, ensures the accountability and communication on the risks of the organisation, as well as forms reasonable expectations for the organisation to achieve its strategic goals.

EXPLANATION

Appointment of a person responsible for implementation of the risk management function of the organisation, termination of his/her powers, approval of remuneration terms, application of incentives and disciplinary liability measures shall be carried out by the executive body of the organisation, upon the consent of the Board.

The knowledge and skills of the person responsible for performance of the risk management function should be appropriate to the position he/she holds, and he/she should have a clear understanding of his/her role in the corporate governance framework.

A person responsible for implementation of the risk management function shall:

1. identify and assess essential risks specific to the activities of the organisation and support the effective management thereof;
2. supervise the risk management process to make sure that the risk management is performed within the framework of the culture of risk management, risk appetite and risk limits of the organisation;

3. form a system for early detection and prevention of violations;
4. ensure accountability and communication on risk management;
5. submit recommendations on the risk management strategy, risk appetite and risk limits, and risk management policy (policies);
6. submit reports on risk management to the Board, executive body and where necessary, other persons implementing control functions, pursuant to the periodicity established by the Board;
7. in a timely and proper manner, provide information to the Board and executive body on all the circumstances that may significantly and adversely affect the risk management system of the organisation, and also perform other functions assigned thereto by the internal legal acts of the organisation.

PRINCIPLE III. 3. Compliance assurance of the organisation

The organisation should have a compliance assurance function which shall effectively and fully enable to assess compliance risks of the organisation and contribute to compliance assurance of the organisation.

EXPLANATION

Appointment of a person responsible for implementation of the compliance assurance function, termination of his/her powers, approval of remuneration terms, application of incentives and disciplinary liability measures shall be carried out by the executive body of the organisation, upon the consent of the Board.

The knowledge and skills of the person responsible for performance of the compliance assurance function should be appropriate to the position he/she holds and he/she should have a clear understanding of his/her role in the corporate governance framework.

A person responsible for the implementation of the compliance assurance function shall:

1. promote responsible and integrity-oriented conduct within the organisation and ensure compliance of the activities of the organisation with requirements of laws and other legal acts, including internal legal acts of the organisation;
2. support the formation of corporate culture valuing compliance of the activities of employees with the requirements of laws and legal acts, including internal legal acts. This shall include regular organisation of seminars and discussions on corporate rules of conduct and other corporate policies and procedures;
3. manage risks related to assuring compliance of the activities of the organisation, including those associated with the supply chain of the organisation;
4. assess the impact of potential legal changes on the activities of the organisation and the potential risks related thereto;
5. propose and, within the competencies thereof, implement corrective and preventive measures to assure compliance of the activities of the organisation;
6. facilitate the introduction of the “Ethics and Anti-Corruption Compliance” programme and ensure its implementation within the organisation;
7. facilitate the introduction of whistleblowing mechanisms which enable employees of the organisation (including members of the executive body), their representative bodies (if any) and external stakeholders to report (whistleblow) either in writing or orally to the Board or another body on any unlawful actions or misconduct within the organisation, including cases of corruption, conflicts of interests, violations of the corporate rules of conduct, or any other harm to the interests of the organisation or the threat thereof;
8. submit reports on compliance assurance processes to the Board, executive body and where necessary, other persons implementing control functions, pursuant to the periodicity established by the Board;

9. in a timely and proper manner, provide information to the Board and executive body on all the circumstances that may significantly and adversely affect the compliance of the organisation, and also perform other functions assigned thereto by the internal legal acts of the organisation.

PRINCIPLE III.4. Internal audit of the organisation

The organisation should have an internal auditor/internal audit department that provides independent and objective assurances and advice to the organisation's Board and executive body regarding the adequacy and effectiveness of the organisation's internal control and risk management systems, corporate governance framework, and supports the achievement of the organisation's goals and improvement of activities.

EXPLANATION

The internal auditor/internal audit department shall be independent from the executive body.

The internal auditor/the employees of the internal audit department shall be appointed by the Board. The internal auditor/internal audit department shall be accountable to the Board and, in case an audit committee is in place — to the latter.

The Board/ audit committee shall approve the annual internal audit plan.

The internal auditor/the employees of the internal audit department can be neither members of the Board and executive body of the organisation, nor persons affiliated thereto.

The knowledge and skills of the internal auditor/the employees of the internal audit department should be relevant to the position they hold and they should have a clear understanding of their role in the corporate governance framework. The functions of

the internal auditor/internal audit department may be transferred, by signing a civil law contract, to a person who is not in employment or business relationship with the organisation.

Planning the works of the internal auditor/ internal audit department shall be carried out based on risk assessment.

The internal auditor/ internal audit department shall:

1. review and evaluate the adequacy and effectiveness of corporate policies, processes, their documentation, and the application of control functions;
2. regularly evaluate the effectiveness of risk management and compliance assurance functions and alignment with the risks thereof;
3. evaluate decision-making processes at various levels of management of the organisation;
4. assess the credibility of information used in the decision-making process;
5. check the effectiveness of risk management;
6. oversee the proper reflection of assets in financial reports and, if necessary, the physical existence of assets and the methods of maintaining thereof, as well as the full disclosure and justification of liabilities;
7. review the compliance of actions of employees and organisational units with the organisation's policies and procedures (regulations, procedures, directives, guidelines);
8. assess the security of the information system;
10. submit reports to the Board/ Audit Committee pursuant to the periodicity established by the Board/Audit Committee;
11. submit reports to the executive body to inform about the detected violations and non-compliance;

12. in a timely and proper manner provide information to the Board/Audit Committee on any circumstances that may significantly and adversely affect the organisation's capability to achieve its objectives and perform other functions assigned by the organisation's internal legal acts.

Chapter 4. Disclosure of information and transparency

PRINCIPLE IV. 1. Information policy of the organisation

The organisation should ensure its transparency, including the timely disclosure of updated and credible information on all material matters of its financial condition, performance, sustainability, ownership, and corporate governance.

EXPLANATION

The organisation should have an information policy which should at least define the objectives, principles, terms, frequency, procedure and communication channels of information disclosure by the organisation, as well as the list of information to be disclosed if it exceeds legal requirements.

The information policy should provide for equal and economically efficient access to information. Regular disclosures of information should be accompanied by disclosure of information on significant developments of the organisation.

The organisation should guarantee the protection of confidential, internal information and information security thereof.

PRINCIPLE IV.2. Reports of the organisation

Disclosure of information on material matters by the organisation should include but not be limited to the publication of annual reports.

EXPLANATION

The annual report of the organisation should include the following:

1. the message of the chairperson of the Board and the head of the executive body;
2. the report of the executive body, which should include the analysis of the performance of the organisation during the reporting period, including the main risks (including social, environmental), forecasts of the activities and potential risks, as well as ways of management thereof;
3. the financial reports of the organisation and the auditor's opinion thereon;
4. the goals of the organisation and the sustainability report;
5. the information regarding interested-party (conflict of interests) transactions;
6. the corporate governance report of the organisation, which shall include the following:
 - (1) description of the administrative-organisational and corporate structure of the organisation;
 - (2) information on significant participants, including beneficial owners;
 - (3) brief biography of members of the Board (age, education, experience, current work place, engagement in other boards, qualifications, awards, etc.), term of office, status in the Board (chairperson, executive member, non-executive member, non-executive independent member), attendance data of the Board members at Board meetings, results of the assessment of the compliance of independent members of the Board with the

independence criteria, annual report of the activities of committees of the Board, the number of meetings convened by the Board (committees) and non-executive members, methods of convening thereof and data on their initiator(s), information on continuous professional development and evaluation of members of the Board, information on the annual individual remuneration of the Board members and the link between remuneration and corporate sustainability targets, statements of the Board members on disclosing interest in transactions or arrangements of the organisation;

- (4) information on the annual remuneration of the executive body (individual or collective) and the link between remuneration and corporate sustainability targets;
- (5) number of shares of the organisation owned by the members of the Board and executive body;
- (6) name and remuneration of the auditing organisation, as well as the results of verifying the fact of independence thereof;
- (7) rights attached to shares issued and distributed by the organisation, according to their type (class);
- (8) information on persons providing consulting services to the organisation and the Board on corporate governance matters, including Board evaluations and recruitment of Board members, and remuneration thereof;
- (9) annual corporate governance statement;
- (10) other information at the discretion of the Board.

If any material information or facts reflected in the annual report are amended within the legislative limitations, the organisation shall be obliged to disclose the relevant information or facts within a reasonable timeframe.

PRINCIPLE IV.3. External audit of the organisation

The organisation should be subjected to an external audit conducted by an independent, competent, and qualified auditing organisation, in accordance with internationally recognised auditing, ethical and independence standards to provide reasonable assurance to the Board and participants that the organisation's financial statements, in all material aspects, fairly represent its financial condition and financial performance, and are prepared in compliance with applicable financial reporting standards.

EXPLANATION

The organisation should have formulated and documented criteria for selecting an auditing organisation that enable determining its independence from the organisation, the Board, the executive body, and significant participant(s).

To ensure independence of the auditing organisation, the organisation should have a procedure for its selection, which should include terms for the rotation of auditing organisations and auditors.

The auditing organisation shall also inspect the organisation's internal control system and risk management.

The auditing organisation should be accountable to the participants.

The auditing organisation may provide to the organisation other non-audit services not prohibited by law, solely upon permission of the Board/ Audit committee.

The Board/Audit committee should have regular meetings with the auditors.

Chapter 5. Relations of the organisation with stakeholders

PRINCIPLE V.1. Stakeholders of the organisation in the corporate governance framework

The organisation should recognize the rights, roles and interests of its stakeholders and promote active collaboration among the organisation, participants and stakeholders aimed at creating value, including quality jobs, as well as building a viable and resilient organisation.

EXPLANATION

Stakeholders' input is a valuable resource for building a competitive and profitable business. It is in the long-term interests of the organisation and participants to identify significant stakeholders, recognize their legitimate interests, and foster cooperation with them.

Organisations may assume obligations towards stakeholders exceeding those stipulated by legislation and contracts.

Stakeholders should be able to freely express their concerns to the Board or other competent bodies regarding unlawful or unethical practices within the organisation, without restrictions, harassment, or discrimination. To address complaints about unlawful and unethical conduct, the organisation should develop and introduce a whistleblowing policy, procedures, and mechanisms.

The organisation shall communicate its relations with stakeholders through sustainability reports.

Date of official promulgation: 12 August 2024.