

ARTICLES OF INCORPORATION



**BHUTAN POWER CORPORATION LIMITED**

**YARDEN LAM**

**THIMPHU**

**BHUTAN**

## ARTICLES OF INCORPORATION

### Article I

#### Name

The name of the company is Bhutan Power Corporation Limited, on its incorporation, a company with limited liability, wholly-owned by Druk Holding and Investments Limited (DHI).

### Article II

#### Registered Office

The registered office of the company will be situated at Thimphu, Kingdom of Bhutan.

### Article III

#### Objects

- a. The main objects to be pursued by the company on its incorporation are:
- i. To provide electricity to all residents of the kingdom of Bhutan.
  - ii. To provide affordable, adequate, reliable and good quality power supply to all consumers both domestic and industrial.
  - iii. To carry out transmission of power from power generation stations both within the country and for export of power so to ensure uninterrupted power supply.
  - iv. To carry out construction development activities in the field of generation, transmission, distribution and infrastructure development in an environment friendly and sustainable manner.
  - v. To develop expertise and excellence in the areas of electricity transmission, distribution, construction and customer services by use of best technology and practices.
  - vi. To generate revenue for the shareholder/(s) through distribution, construction and from wheeling charges for transmission of power systems within Bhutan and for export
  - vii. To install, own and/or operate information, communication and technology (ICT) facilities by utilizing BPC's power infrastructure, and engage in domestic and international business, as may be approved by relevant authorities.
- b. The objects incidental or ancillary to the attainment of the above objects are:



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- i. To contribute in a significant manner to Bhutan so that the aims and objects of the national theme "Gross National Happiness" are fulfilled.
- ii. To promote safe and environment friendly usage of electricity
- iii. To ensure that Bhutan Power Corporation meets its social objectives towards Kingdom of Bhutan by improving the quality of life of all citizens, provide employment where possible and preserve the cultural heritage of the country.
- iv. To develop the staff members of Bhutan Power Corporation professionally and personally so that they are able to function effectively and efficiently for the betterment of services offered by Bhutan Power Corporation to its customers.
- v. To become a role model in corporate functioning.
- vi. Do all such other things as directed by the shareholder which may be necessary to attain the other above objects of the company.

#### **Article IV**

##### **Limited Liability**

The liability of the shareholders of the company is limited.

#### **Article V**

##### **Capital**

The authorized share capital of the company is Ngultrum 7,500,000,000.00 divided into Equity (or ordinary) shares of Ngultrum 1, 000 each.

#### **Article VI**

##### **Shareholder**

1. DHI Ownership Policy: The expectations of the shareholder from the Board and the management of the company shall be provided in the DHI Ownership Policy, as revised from time to time, and the company shall comply with the provisions of the DHI Ownership Policy.
2. Annual General Meeting of shareholder: The Company shall hold its Annual General Meeting on or before 30 June for transacting, amongst other things, the following business: (i) consideration of audited accounts for the financial year ended 31 December of the previous year, the audit report and the Directors report; (ii) declaration of the dividends; and (iii) appointment of, and fixing the remuneration of the Company's auditors.
3. Extraordinary General Meeting: Extraordinary General meetings of shareholders for any purpose or purposes may be called at any time by the Chairperson of the Board of Directors. Business transacted at any Extraordinary General Meeting of



shareholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

4. Notice of Meetings: Except otherwise provided by law, written notice of each General Meeting of shareholders, whether Annual or Extraordinary, shall be given not less than 7 days and no more than 60 days before the date of the meeting to each shareholder entitled to vote at such meeting. Notice of every meeting shall be given to every shareholder and the auditor(s) of the company. The notice of meeting shall state the place, date and time of the meeting and the means of remote communications, if any, by which the shareholder may be deemed to be present in person and vote at such meeting. Where any item, other than the aforementioned items specified in Article VI (2), is to be transacted, there shall be annexed to the notice of meeting an explanatory statement setting out all material facts concerning such items of business, including in particular the nature of the concern or interest, if any of any member of the Board of Directors.
5. Voting Rights: Each shareholder shall have the right to vote on every resolution placed before a General Meeting through poll or show of hands as decided at such a meeting pursuant to the Companies Act of Kingdom of Bhutan 2000 or any amendments thereof. A shareholder may appoint other person as his proxy to attend and vote at any General Meeting.
6. Nomination and Appointment of Directors
  - i. The Board of Directors shall be appointed by the Shareholder.
  - ii. The shareholder shall nominate a Chairperson for consideration by the Board.
  - iii. The board of the company shall select the Chief Executive Officer (CEO) of the company through a fair and transparent process, and convey the decision to shareholder for confirmation. Subject to confirmation by shareholder, the company shall cause to appoint such a person as the CEO and a board member at a general meeting.
7. Conduct at general meetings
  - i. Chairperson of Meeting: Meetings of shareholders shall be presided over by the Chairperson of the Board of Directors, or in the Chairperson's absence by a Chairperson designated by the Board of Directors.
  - ii. Rules, Regulations and Procedures: The Board of Directors of the Company may adopt by resolution such rules, regulations and procedures for the conduct of any meeting of shareholders of the Company as it shall deem appropriate including, without limitation, such guidelines



procedures as it may deem appropriate regarding the participation by means of remote communication of shareholder and proxy holders not physically present at a meeting in each case in accordance with applicable law. The Chairperson of any meeting of shareholder shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairperson, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairperson of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to shareholders of record of the Company, their duly authorized and constituted proxies or such other persons as shall be determined; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and /or (v) limitations on the time allotted to questions or comments by participants.

## Article VII

### Board of Directors

1. General Powers: The business affairs of the Company shall be managed by or under the direction of a Chairperson and the Board of Directors, who may exercise all the powers of the Company as provided in the Companies Act of the Kingdom of Bhutan 2000 and these Articles of Incorporation. Any reference in these Articles to the term "Board of Directors" shall mean, collectively, the Chairperson and the other members of the Board of Directors.
2. Number and Term: The Board of Directors shall consist of maximum of nine members including the chairperson. While the normal term for each director shall be three years, there will be periodic assessment of the Director's performance and the term may be shortened if the performance is not satisfactory. Notwithstanding the tenure of 3 years, the company shall cause to resign one third of the board directors and may re-appoint them at the AGM to comply with the Companies Act of the Kingdom of Bhutan 2000 or any amendments thereof in the future.
3. Board Meetings: The Board of Directors shall meet not less than four times per year, at least once every three months held at any time and place designated in a call by the Chairperson of the Board of Directors.
4. Extraordinary Meetings of the Board of Directors: Extraordinary meetings of the Board of Directors may be held at any time and place designated in a call by the Chairperson of the Board of Directors.



5. Notice of Meetings: Notice of any meeting of the Board of Directors shall be given in writing to each Director along with a description of business to be transacted thereat by the Chairperson of the Board of Directors. Notice shall be duly given to each Director (i) by sending a telecopy or electronic mail, or delivering written notice by hand, to such Director's last known business, home or electronic mail address at least 24 hours in advance of the meeting or (ii) by sending written notice, via post or reputable overnight courier, to such Director's last known business or home address at least 48 hours in advance of the meeting. The notices of all meetings shall state the place, date and time of the meeting and the means of remote communication, if any, by which Directors may be deemed to be present in person and vote at such meeting.
6. Meetings by Conference Communications Equipment: Directors may participate in meetings of the Board of Directors or committee thereof by means of conference telephone or such other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.
7. Quorum: The quorum for the meeting of the Board and general meeting shall be as provided in the Companies Act of the Kingdom of Bhutan 2000 or any amendments thereof.
8. Action by Written Consent: Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent to the action in writing and/or by electronic transmission, and such consents whether in writing and/or by electronic transmission are filed with the minutes of proceedings of the Board of Directors or committee. However, important decisions shall be ratified in the next Board Meeting.
9. Minutes of the meetings: The Company shall cause minutes of all proceedings of every General Meeting and of all proceedings of every meeting of its Board of Directors or of every committee of the Board of Directors, to be kept by the Company in accordance with the Companies Act of Kingdom of Bhutan. The minutes of any general meeting shall be finalized within thirty days after considering the comments/feedbacks of the shareholders to the draft minutes.
10. Removal: A member of the Board of Directors may be recommended for removal to the Shareholder for cause by an affirmative vote of at least two thirds of the members of the Board of Directors, excluding the member being considered for removal, for purposes of this Article, removal "for cause" shall mean termination or removal as a result of or caused by a Director's theft or embezzlement from the company and any of its subsidiaries, substantial failure on the part of the director to perform his duties as a Director, the disclosure by Director of confidential information of the company or any of its subsidiaries, willful misconduct or dishonesty or conviction of or failure to contest prosecution for a crime of moral turpitude, excessive absenteeism unrelated to



illness and any act by a Director in competition with the company or any of its subsidiaries, or any act, activity or conduct of Director which in the opinion of the Board of Directors is adverse to the best interests of the company or its subsidiaries.

The shareholder may also remove a Director(s) through a resolution at a General Meeting, either Annual or Extraordinary.

11. Vacancies: Any Vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board, shall be filled by a Director selected by the Shareholder.
12. Resignation: Any Director may resign by delivering a resignation in writing to the Company at its principal office or to the Chairperson of the Board of Directors. Such resignation shall be effective upon receipt unless it is specified to be effective at some later time or upon the happening of some later event.
13. Committees: The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the company. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of law, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the company and may authorize the seal of the company to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Articles of Incorporation for the Board of Directors.
14. Remuneration:

Board Remuneration: Directors may be paid remuneration for their services and reimbursement for all reasonable expenses for attendance at meetings and in connection with the business of the company as determined by Shareholder from time to time. Invitees other than employees may receive fees for participating in the Board Meetings.

Employee Remuneration: The remuneration of the CEO and employees of the company shall be subject to the DHI Ownership Policy, guidelines and/or any other relevant documents on remuneration issued by DHI.

## Article VIII

### Dividends



Dividends: The dividends to be provided, whether from the current year profits and/or from undistributed profits (distributable profits) from past years, shall be decided by the Shareholder in consultation with the Board of Directors at the Annual General Meeting. To facilitate cash-flow requirements of the Shareholder, the company may transfer remittances on a monthly basis.

#### **Article IX**

##### **Investment and Divestment**

The Board's authority for investments and divestments shall be as per the DHI Ownership Policy.

#### **Article X**

##### **Winding up**

If the company shall be wound-up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Companies Act of Kingdom of Bhutan, divide among the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.

1. For the purpose aforesaid, the liquidator may set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
2. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares of other securities whereon there is any liability.

#### **Article XI**

##### **Indemnity**

Every officer or agent for the time being of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in which he is acquitted.



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**Article XII**

**Amendment**

These Articles of incorporation may be altered, amended or repealed in whole or in part only by the shareholder.

**Article XIII**

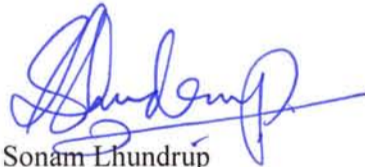
**Subscription**

The Druk Holding and Investments Limited subscribes to the number of shares of Bhutan Power Corporation Ltd. as set forth below:

Name of subscribers	Shares subscribed	Signature of Authorized Signatory
Druk Holding and Investments Ltd. P.O. Box 1127 Thimphu: Bhutan	7,258,771	  Mr. Karma Yonten Chief Executive Officer Druk Holding and Investments Ltd. Thimphu: Bhutan

Thimphu: Bhutan  
10<sup>th</sup> December 2010

Witness to the above signature:  
BY:



Mr. Sonam Lhundrup  
Legal Officer/General Counsel  
Druk Holding and Investments Ltd.  
Thimphu: Bhutan

