AGREEMENT ON RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS BETWEEN THE GOVERNMENT OF THE CZECH REPUBLIC AND THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN

PREAMBLE

The Government of the Czech Republic and the Government of the Islamic Republic of Iran hereinafter referred to as the "Contracting Parties",

Desiring to intensify economic cooperation to the mutual benefit of both States;

Intending to utilize their economic resources and potential facilities in the area of investments as well as to create and maintain favourable conditions for investments of the nationals of the Contracting Parties in each others' territory and;

Recognizing the need to promote and protect investments of the nationals of the Contracting Parties in each others' territory;

Conscious that the promotion and reciprocal protection of investments in terms of the present Agreement stimulates the business initiatives in this field, economic prosperity and sustainable development of both States, and in this context desiring to promote principles of corporate social responsibility;

Desiring to achieve these objectives in a manner consistent with the protection of health, safety, and the environment, and with promotion of consumer protection and labour standards;

Have agreed as follows :

Article 1. DEFINITIONS

For the purpose of this Agreement, the meanings of the terms used therein are as follows:

1. The term "investment" refers to every kind of property or asset, including the following, invested by the investors of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the other Contracting Party (hereinafter referred to as the Host Contracting Party), that has the characteristics of an investment, including characteristics such as the commitment of capital or other resources, the expectation of gain or profit, the assumption of risk and a certain duration:

(a) movable and immovable property as well rights related thereto;

(b) shares or any kind of participation in companies;

(c) money and / or receivables;

(d) industrial and intellectual property rights such as patent; utility models, industrial designs or models, trade marks and names, know-how, goodwill and trade secrets associated with an investment;

(e) rights to search for, extract, or exploit natural resources.

Any alteration or transformation of the form in which assets are invested, provided that it has been approved by the competent authority of the Host Contracting Party, shall not affect their character as investment.

2. The term "investors" refers to the following persons who invest in the territory of the other Contracting Party within the framework of this Agreement:

(a) natural persons who, according to the laws of either Contracting Party, are considered to be its national and have not the nationality of the host Contracting Party.

(b) legal persons of either Contracting Party which are established under the laws of that Contracting Party and having their headquarters and conducting substantial business in the territory of that Contracting Party.

3. The term "returns" refers to the amounts legally yielded by an investment including profit derived from investments, dividends, royalties and fees.

4. The term "territory" refers to areas under the sovereignty or jurisdiction of either Contracting Party, as the case may be, and includes their maritime areas.

Article 2. PROMOTION OF INVESTMENTS

1. Either Contracting Party shall encourage its nationals to invest in the territory of the other Contracting Party,

2. Either Contracting Party shall, within the framework of its laws and regulations, create favorable conditions for attraction of investments of nationals of the other Contracting Party in its territory.

Article 3. ADMISSION

1. Either Contracting Party shall admit investments of natural and legal persons of the other Contracting Party in its territory in accordance with its laws and regulations.

2. When an investment is admitted, either Contracting Party shall, in accordance with its laws and regulations, grant all necessary permits for the realization of such an investment.

3. This Agreement shall only apply to investments approved by the competent authority of the host Contracting Party. The competent authority in the Islamic Republic of Iran is Organization for Investment, Economic and Technical Assistance of Iran (O.I.E.T.A.I.) or any other authority which may succeed it.

Article 4. PROTECTION OF INVESTMENTS

1. Each Contracting Party shall accord to investments of investors of the other Contracting Party, and to investors with respect to their investments, fair treatment and full protection and security in accordance with paragraphs 2 to 4.

2. A breach of the obligation of fair treatment referenced in paragraph 1 may be found only where a measure or series of measures constitutes:

(a) Denial of justice in criminal, civil or administrative proceedings;

(b) Fundamental breach of due process, including a fundamental breach of transparency, in judicial and administrative proceedings;

(c) Manifest arbitrariness;

(d) Targeted discrimination in respect of management, operation, maintenance, use, transformation, enjoyment, sale or assignment of such investments; or

(e) Breach of specific written commitments given to the investor by the relevant authority of the Host Contracting Party.

3. For greater certainty, "full protection and security" refers to the Contracting Party's obligations relating to physical security of investors and investments.

4. A determination that there has been a breach of another provision of this Agreement, or of a separate international agreement, does not establish that there has been a breach of this Article.

Article 5. NATIONAL AND MOST-FAVOURED-NATION TREATMENT

1. Each Contracting Party shall in its territory accord to investments and returns of investors of the other Contracting Party treatment which is not less favourable than that which it accords, in like circumstances, to investments and returns of its own investors or to investments and returns of investors of any third State, whichever is more favourable.

2. Each Contracting Party shall in its territory accord to investors of the other Contracting Party, as regards management, maintenance, use; enjoyment or disposal of their investments, treatment which is not less favourable than that which it accords, in like circumstances, to its own investors or to investors of any third State, whichever is more favourable.

3. For greater certainty, the "treatment" referred to in paragraphs 1 and 2 does not include investor-to-state dispute settlement procedures provided for in other international investment treaties and other trade agreements.

4. The obligation referred to in paragraphs 1 and 2 shall not apply to treatment accorded under any bilateral or multilateral international agreements in force, or signed prior to the date of entry into force of this Agreement.

5. The treatment granted under this Article shall not apply to advantages accorded by a Contracting Party pursuant to its obligations as a member of a customs, economic, or monetary union, a common market, a free trade area, or other form of regional economic. integration.

6. The provisions of this Agreement shall not be construed so as to oblige one Contracting Party to extend to the investors of the other Contracting Party or to the investments or returns of such investors, the benefit of any treatment, preference, or privilege which may be extended by the Contracting Party by virtue of any international agreement or arrangement relating wholly or mainly to taxation.

Article 6. MORE FAVOURABLE PROVISIONS

Notwithstanding the terms set forth in this Agreement, more favorable provisions which have been or may be agreed upon by either of the Contracting Parties with an investor of the other Contracting Party are applicable.

Article 7. EXPROPRIATION AND COMPENSATION

1. Investments of natural and legal persons of either Contracting Party shall not be nationalized, confiscated, expropriated or subjected to similar measures by the other Contracting Party except such measures are taken for public purposes, in accordance with due process of law, in a non-discriminatory manner and effective and appropriate compensation is envisaged. Due process of law includes the right to prompt review of the case and valuation of the investment by a competent authority of the Host Contracting Party. The amount of compensation shall be paid without delay and shall include financial costs calculated in accordance with international practice.

2. The amount of compensation shall be equivalent to the value of the investment immediately before the action of nationalization, confiscation or expropriation was taken.

3. The determination of whether a measure or series of measures by a Contracting Party, in a specific situation, constitutes an indirect expropriation requires a case-by-case, fact-based inquiry that considers, among other factors:

(a) the economic impact of the measure or series of measures, although the sole fact that a measure or series of measures of a Contracting Party has an adverse effect on the economic value of an investment does not establish that an indirect expropriation has occurred;

(b) the duration of the measure or series of measures by a Contracting Party;

(c) the character of the measure or series of measures, notably their object and context.

4. Except in rare circumstances, non-discriminatory, proportionate measures in light of the above-mentioned factors adopted in a good faith by a Contracting Party that are designed and applied to protect legitimate public welfare objectives, such as national security, financial stability, public health, safety, and the environment, do not constitute expropriations.

Article 8. LOSSES

1. Investors of cither Contracting Party whose investments suffer losses due to any armed conflict, revolution or similar state of emergency in the territory of the other Contracting Party shall be accorded by the other Contracting Party treatment no less favorable than that accorded to its own investors or to investors of any third country.

2. Notwithstanding paragraph 1 above, if an investor of the Contracting Party, in the situations referred to in paragraph 1, suffers a loss in the territory of the other Contracting Party resulting from:

(a) requisitioning of its investment or part thereof by the latter's forces or authorities; or

(b) destruction of its investment or part thereof by the latter's forces or authorities, which was not required by the necessity of the situation, the latter Contracting Party shall provide the investor restitution or compensation which in-either case shall be prompt, appropriate and effective and paid without undue delay.

Article 9. REPATRIATION AND TRANSFER

1. Without prejudice to measures by a customs, economic or monetary union, a common market, a free trade area, or other form of regional economic integration of which a Contracting Party is a member, the Contracting Parties shall guarantee, in accordance with its laws and regulations, the transfer of payments related to investments and returns. The transfers shall be made in a freely convertible currency, without any restriction and undue delay. Such transfers shall include in particular, though not exclusively:

(a) capital and additional amounts to maintain or increase the investment;

(b) profits, financial costs, dividends and other current income;

(c) funds in repayment of loans;

(d) royalties or fees;

(e) proceeds of sale or liquidation of the investment;

(f) any payments resulting from compensation by virtue of Articles 7 or 8;

(g) the earnings of personnel engaged from abroad who are employed in connection with an investment in the territory of the Host Contracting Party, and have obtained in the territory of the Host Contracting Party the corresponding work permits related to the investment.

2. For the purpose of this Agreement, exchange rate shall be the current rate of exchange in accordance with the exchange rate regulations, prevailing on the date of transfer, unless otherwise agreed.

3. Transfers shall be considered to have been made "without any undue delay" in the sense of paragraph 1 when they have been made within the period normally necessary for the completion of the transfer, unless otherwise agreed between the investor and the investor's financial institution.

4. Nothing in this Agreement shall be construed to prevent a Contracting Party from adopting or maintaining, in exceptional circumstances, measures that restrict transfers. where due to payments and capital movement the Contracting Party experiences serious balance of payments difficulties, or the threat thereof, provided that such restrictions are equitable, neither arbitrary nor unjustifiably discriminatory, of limited duration, imposed in good faith, and do not go beyond what is. necessary to remedy the balance of payments situation,

5. Contracting Party may delay or prevent a transfer through the equitable, non-discriminatory and good faith application of a measure ensuring investors' compliance with the legislation of the Contracting Party in whose territory the investment was made relating to:

(a) the payment of taxes and dues;

(b) bankruptcy or insolvency proceedings, including recovery and resolution measures, Or protection of the rights of creditors;

(c) criminal or penal offences;

(d) ensuring compliance with orders or judgments of the courts or tribunals of the Contracting Party in whose territory the investment was made.

Such measures and their application shall not be used as a means of avoiding the Contracting Party's commitments and obligations under this Agreement.

Article 10. SUBROGATION

If a Contracting Party or its designated agency, within the framework of a legal system, subrogates an investor pursuant to a payment made under an insurance or guarantee agreement against non-commercial risks:

(a) such subrogation shall be recognized by the other Contracting Party

(b) the subrogee shall not be entitled to exercise any rights other than which the investor would have been entitled to exercise;

(c) disputes between the subrogee and the host Contracting Party shall be'settled in accordance with Article 11 of this Agreement.

Article 11. SETTLEMENT OF DISPUTES BETWEEN A CONTRACTING PARTY AND INVESTOR(S) OF THE OTHER CONTRACTING PARTY

1. If any dispute arises between the host Contracting Party and investor(s) of the other Contracting Party with respect to an investment, the host Contracting Party and the investor(s) shall primarily endeavour to settle the dispute in an amicable manner through negotiation and consultation.

2. In the event that the host Contracting Party and the investor(s) can not agree within six months from the date of notification of the claim by one party to the other, either of them may refer the dispute to the competent courts of the host Contracting Party or with due regard to their own laws and regulations to an arbitral tribunal of three members referred to in paragraph 5 below.

3. A dispute primarily referred to the competent courts of the host Contracting Party, as long as it is pending, cannot be referred to arbitration save with the parties' agreement; and in the event that a final judgment is rendered, it cannot be referred to arbitration.

4. National courts shall not have jurisdiction over any dispute referred to arbitration. However, the provisions of this paragraph do not bar the winning party to seek for the enforcement of the arbitral award before national courts.

5. The host Contracting Party or the investor(s) of the other Contracting Party who desires to refer the dispute to the arbitration shall appoint an arbitrator through a Written notice sent to the other party under:

(a) UNCITRAL Arbitration rules, or

(b) If the investor and host Contracting Party agree, to any other institutional arbitration.

6. The decisions of the arbitral tribunal shall be final and binding on the parties.

7. The UNCITRAL rules on transparency in treaty-based investor-State arbitration shall apply to any international arbitration proceedings initiated against the Czech Republic pursuant to this Agreement. The Islamic Republic of Iran. may consider the application of the UNCITRAL rules on transparency in treaty-based investor-State arbitration to any international arbitration proceedings initiated against the Islamic Republic of Iran pursuant to this Agreement.

8. No claim may be submitted to settlement under paragraph 2 if more than three years have elapsed from the date on which the investor first acquired, or should have first acquired, knowledge of the. breach alleged under Article 3 through 8 and knowledge that the investor has incurred loss or damage.

9. The tribunal shall decide on the basis of the law, taking into account the sources of law in the following sequence:

(a) The provisions of this Agreement; as interpreted in accordance with the Vienna Convention.on the Law of Treaties;

(b) Other applicable rules of international law.

10. The tribunal may not award punitive damages.

11. The Tribunal shall order that the costs of the proceedings, including the reasonable costs of legal representation and assistance, be borne by the unsuccessful disputing party. In exceptional circumstances, the Tribunal may apportion such costs between the disputing parties if it determines that apportionment is more suitable in the circumstances of the case.

Article 12. SETTLEMENT OF DISPUTES BETWEEN THE CONTRACTING PARTIES

1. All disputes arising between the Contracting Parties relating to the interpretation or application of this Agreement shall, in the first place, be settled amicably by consultation. In case of disagreement, either Contracting Party subject to its laws and regulations, while sending a notice to the other Party, may refer the case to an arbitral tribunal of three members consisting of two arbitrators appointed by the Contracting Parties and an umpire.

In case the dispute is referred to the arbitral tribunal, either Contracting Party shall appoint an arbitrator within sixty days from the receipt of the notification and the arbitrators appointed by the Contracting Parties shall appoint the umpire within sixty days from the date of last appointment. If either Contract Party does not appoint its own arbitrator or the appointed arbitrators do not agree on the appointment of the umpire within the said periods, each Contracting Party may request the President of the International Court of Justice, to appoint the arbitrator of the failing party or the umpire, as the case may be.

However the umpire shall be a national of a state having diplomatic relations with both Contracting Parties at the time of the appointment.

2. In case the umpire is to be appointed by the President of the International Court of Justice, if the President of the International Court of Justice is prevented from carrying out the said function or if he is a national of either Contracting Party the appointment shall be made by the vice-president of the International Court of Justice, and if the vice-president is also prevented from carrying out the said function or he is a national of either Contracting Party, the appointment shall made by the senior member of the said court who is not a national of either Contracting Party.

3. Subject to other provisions agreed by the Contracting Parties, the arbitral tribunal shall determine its procedure and the place of arbitration.

4. The arbitral tribunal shall reach its decision by a majority of votes. Such decision shall be final and binding. Each Contracting Party shall bear the costs of its own arbitrator and its representation in the arbitral proceedings; the cost of the Chairman and the remaining costs shall be borne in equal parts by both Contracting Parties. The arbitral tribunal shall determine its own procedure.

Article 13. EXCEPTIONS

1. Subject to the requirement that such measures are not applied in a manner which would constitute arbitrary or unjustifiable discrimination against the other Contracting Party's investors where like conditions prevail; nothing in this Agreement shall be construed to prevent the adoption or enforcement by a Contracting Party of measures:

(a) necessary to protect public morals or to maintain public order; These exceptions may be invoked only where a genuine and sufficiently serious threat is posed to one of the fundamental interests of society.

(b) necessary to protect human, animal or plant life or health;

(c) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement including those relating to:

(i) the prevention of deceptive and fraudulent practices or to deal with the effects of a default on a contract;

(ii) the protection of the privacy of individuals in relation to the processing and dissemination of personal data and the protection of confidentiality of individual records and accounts;

(iii) safety.

2. Nothing in this Agreement shall prevent the Contracting Party from adopting or maintaining reasonable measures for prudential reasons, including:

(a) the protection of investors, depositors, policy holders, policy claimants, as well as financial market participants, or persons to whom a fiduciary duty is owed by a financial institution;

(b) the maintenance of the safety, soundness, integrity or financial responsibility of financial institutions;

(c) ensuring the integrity and stability of the Contracting Party's financial system;

3. This Agreement shall apply without prejudice to the obligations of the Contracting Parties deriving from their membership or participation in any existing or future customs unions, economic union, regional economic integration agreement or similar international agreement such as the European Union.

Article 14. INVESTMENT AND REGULATORY MEASURES

1. Nothing in this Agreement shall be construed to affect the right of the Contracting Parties to regulate within their territories through measures necessary to achieve legitimate policy objectives, such as the protection of public health, safety, environment or public morals, social or consumer protection or promotion and protection of cultural diversity,

2. For greater certainty, the provisions of this Agreement shall not be interpreted as a commitment from a Contracting Party that it will not change the legal and regulatory framework, including in a manner that may negatively affect the operation of investments or the investor's expectations of profits.

Article 15. ESSENTIAL SECURITY INTERESTS

1. Nothing in this Agreement shall be construed to prevent any Contracting Party from taking any appropriate actions that it considers necessary for the protection of its essential security interests:

(a) relating to criminal or penal offences;

(b) relating to traffic in arms, ammunition and implements of war and transactions in other goods, materials, services and technology undertaken directly or indirectly for the purpose of supplying a military or other security establishment;

(c) taken in time of war or other emergency in international relations:

(d) relating to the implementation of national policies or international agreements respecting the non-proliferation of nuclear weapons or other nuclear explosive devices; or

(e) in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

2. A Contracting Party's essential security interests may include interests deriving from its membership in a customs, economic, or monetary union, a common market, a free trade area, or other form of regional economic integration:

Article 16. DENIAL OF BENEFITS

1. The benefits of this Agreement may be denied to an investor of the Home Contracting Party that is a legal person of the Home Contracting Party and to investments of that investor if natural persons or legal persons of a non-Contracting Party own or control such investment or any part of it and the Host Contracting Party:

(a) does not intentionally maintain diplomatic relations with the non-Contracting Party; or

(b) adopts or maintains measures w ith respect to the non-Contracting Party or a natural person or legal person of the non-Contracting Party that prohibit transactions with such natural person or legal person or that would be violated or drcumvented if the benefits of this Agreement were accorded.

Article 17. ENTRY INTO FORCE, DURATION-AND TERMINATION

1. The Contracting Parties shall notify each other, through diplomatic channels, of the completion of their respective internal procedures necessary for the entry into force of this Agreement.

2. This Agreement shall enter into force for a period of ten years from the 30th day from the date of receipt of the last notification. of either Contracting Party to the other Contracting Party that it has completed necessary procedures for the entry into force of this Agreement. After the said period, this Agreement shall remain in force thereafter unless one of the Contracting Parties notifies the other Contracting Party in writing of its termination. In this case, the Agreement shall be considered terminated 180 days after the said period.

3. After termination of this Agreement, its provisions shall apply-to investments under this Agreement for a further period of ten years.

4. Upon the entry into force between. the Contracting Parties of an international agreement providing for a multilateral investment tribunal and/or a multilateral appellate mechanism applicable to disputes under this Agreement, the relevant parts of this Agreement shall cease to apply,

Article 18. LANGUAGE AND NUMBER OF THE TEXTS

This Agreement is done in duplicate, each in Czech, Persian and English languages, all being equally authentic. In case of divergence of interpretation the English text shall prevail.

Signed in Teheran on 18 December 2017, corresponding to 27 Azar 1396, by representatives of the Government of the Czech Republic and the Government of the Islamic Republic of Iran..

For the Government of the Czech Republic

For the Government of the Islamic Republic of Iran