

International Finance Corporation
Azerbaijan Corporate Governance Project

HANDBOOK

**CORPORATE GOVERNANCE OFFICER:
RECOMMENDATIONS FOR AZERBAIJANI COMPANIES**

2010

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The Handbook “Corporate Governance Officer: Recommendations for Azerbaijani Companies” has been produced by IFC through its Azerbaijan Corporate Governance Project. This Handbook is the adaptation of the IFC Handbook “Corporate Secretary: Recommendations for Ukrainian Companies” by Vladislava Ryabota, 2005.

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Introduction

As the business activity grows in Azerbaijan it becomes increasingly important for companies to improve their corporate governance practices by maintaining a clearly defined and investor-oriented strategy of development, based on the principles of transparency, board efficiency, equal treatment of investors' rights and viable control environment. One of the key figures responsible for implementing these practices in the company is a corporate governance officer. The corporate governance officer helps the company develop its internal policies and procedures in line with the local legislation and international best practices; monitors the company's compliance with applicable laws and regulations; maintains a flow of information among governing bodies, shareholders and third parties; and plays a mediating role in solving corporate scandals.

The purpose of this Handbook is to give an overview to the role of the corporate governance officer and describe his/her key functions and responsibilities in the company. We believe this handbook will be helpful for Azerbaijani companies and banks to effectively establish the relevant function in their corporate structure and develop their practices in compliance with the internationally adopted corporate governance principles.

About IFC Azerbaijan Corporate Governance Project

Azerbaijan became a member of IFC in 1995. Since that time IFC launched a number of projects aiming to strengthen financial markets infrastructure, support legislative reforms, help improve the business climate and promote investments to Azerbaijan.

IFC's Azerbaijan Corporate Governance Project (ACGP), funded by the State Secretariat for Economic Affairs of the Swiss Government (SECO), was launched in 2005 with the purpose of improving corporate governance practices in Azerbaijan. ACGP provides consultations to local companies and banks on issues of supervisory and management board practices, shareholders rights, transparency and disclosure, risk management, internal control and internal audit, financial reporting and other related topics. ACGP also cooperates closely with state agencies on the improvement of corporate and securities legislation, and the development of national corporate governance standards.

1. Who is the Corporate Governance Officer?

The corporate governance officer is the company official who ensures observance by the company bodies and officials of the procedural requirements reflected in the law and the company's internal documents. He/she is responsible for a timely flow of information within the company and with investors; plays a mediating role in solving/preventing corporate conflicts among governing bodies and shareholders; and advises the company on regular improvement of its corporate governance practices. Thus the corporate governance officer carries out a variety of duties in the company spanning from administrative to consultancy and problem-solving functions.

The practice of joint stock companies' activities in Azerbaijan has evidenced that an absence of complete and authentic information is often the reason for misunderstandings and even corporate conflicts. Shareholders do not know who to turn to in order to obtain information and company officials have neither time nor capacity for its timely and accurate preparation. Introduction of the corporate governance officer position would be a significant step for addressing the abovementioned problems, as far as the main idea that underlies in this concept is to create an information center, where all important information about the company would be collected.

The corporate governance officer is to maintain relations with the shareholders and ensure that due attention be paid to the issues, which interest them. The corporate governance officer has to be the first person, whom a shareholder contacts, particularly in connection with corporate governance issues. As to the supervisory board and the management board, the task of the corporate governance officer *inter alia* is to ensure observance of the procedures for election of directors, to assist them with performance of their duties and to determine the need in organizing trainings and educational programs for them.

Also, the corporate governance officer is charged with taking minutes of the meetings and drafting other documents. The corporate governance officer should make sure that directors, particularly independent ones, get assistance and advice with regard to the duties vested upon them in timely manner. He/she is to be the source of timely and authentic information for the directors. At that, he/ she should ensure its provision to all supervisory board members, as far as it is the information that makes the work of the board members efficient and the process of decision making – reasonable and unbiased. As to the company on the whole, the corporate governance officer (jointly with the senior lawyer) is responsible for the company's compliance with the effective legislation of the country. In the company, the corporate governance officer is responsible for a correct and timely implementation of internal policies and familiarization of shareholders and other interested persons with decisions of the governing bodies. He/she also ensures that the Company complies with international best practices and advises the Company on improvement of its corporate governance practices.

Thus, the corporate governance officer is a person, who helps not only to establish an effective dialogue, but also to raise the quality of the governing bodies' performance. The corporate governance officer should therefore have professional qualifications in many areas ranging from office work to jurisprudence, as such qualification level ensures efficient functioning of all of the company's management components.

2. Corporate Governance Officer in Laws and Best Practices Codes

In the international practice, the corporate governance officer has been mostly known as a corporate secretary or a company secretary (in UK). However, as the corporate governance practices develop, the title “corporate governance officer” becomes more popular and gradually replaces the term “corporate secretary”, thus accentuating the role of this person in the company and making the job more managerial and attractive. The time for primarily administrative secretaries is inevitably over.¹

Approach to this position varies in different countries. As a rule, possibility or necessity of appointing a person dealing with corporate governance related issues in most countries is provided by codes of best practices or corporate policies (company by-laws). For instance, the Law of the Russian Federation “On Joint Stock Companies” does not provide for establishment of such position, while the Code of Corporate Conduct recommends that the corporate secretary be appointed. In the opinion of the Code drafters, the corporate secretary is a special official, whose sole task is to ensure compliance with the procedural requirements, which guarantee exercise of the rights and observance of the interests of a joint stock company, by the bodies and officials of the company.

Azerbaijani legislation also does not have any requirement on establishment of a corporate governance officer or a corporate secretary position in companies. However, the Azerbaijani Standards on Corporate Governance² recommend companies establishing such a position. It is envisaged that the corporate governance officer be appointed by the supervisory board and report to it.

In some countries, the issue of appointment of such a person is regulated by the legislation. For instance, the 2006 UK Companies Act obliges all registered companies to appoint a company secretary. In pursuance of this provision, the UK code of best practices (Combined Code) contains more detailed recommendations on appointment and functions of this person. The company secretary is said to be the key person in raising efficiency of the activities of the board and the company on the whole. Such a requirement is reflected also in the Ukrainian law on joint-stock companies.

Although US corporate secretaries exercise quite significant influence in general, the US codes on corporate governance explain very little about this function. Most US state company laws, however, mandate the appointment of a “secretary” with a number of corporate responsibilities but provide no details about the job description. Their definition is the responsibility of individual companies.

Normally, a company has a corresponding by-law or policy with regard to the activities of corporate governance officers (corporate secretaries), where the procedures for their appointment and main duties are clearly defined. A model corporate governance officer by-law is provided in the Annex I hereto. By general rule, the corporate governance officer is appointed by the supervisory board and reports to the supervisory board. The corporate governance officer is considered to be a company official and it means that all provisions of the legislation, as well as of the company itself with regard to the duties and liability of directors apply to him/her.

¹ Gertrud Erismann-Peyer, Ulrich Steger, Oliver Salzmann - “The Insider’s View on Corporate Governance. The Role of the Corporate Secretary”, 2008.

² The Azerbaijani Standards on Corporate Governance have been prepared by the task force, initiated by the Ministry of Economic Development. IFC ACGP is an active member of the task force.

3. Professional Associations of Corporate Secretaries

In many countries specialized organizations – professional associations of corporate secretaries have been created: British Institute of Corporate Secretaries and Administrators (ICSA), American Society of Corporate Secretaries (ASCS), Canadian Society of Corporate Secretaries (CSCS). Above-mentioned organizations train highly qualified specialists - corporate governance officers (secretaries) and play an active role in the market. They also provide comments to the government bodies and other institutions with regard to normative documents, which are already in effect and are being drafted, ensure exchange of information and experience among their members and their companies through the ad-hoc committees, issue various publications, conduct different seminars and conferences, provide information and professional support to the persons that hold relevant positions or wish to become corporate secretaries.

In the understanding of professional organizations, the corporate governance officer is a person who assists the management board and the supervisory board, so that all officials could be sure that they exercise their duties in a due manner. Some organizations have their own codes of conduct, which all members of the organization are to comply with. Thus, membership in the organization by itself considerably raises the quality of corporate secretaries' work, as well as their responsibility level. At that, great attention is paid to clarification of the functions and the role of these persons to the companies-employers, as well as to the secretaries. The standards of professional training of corporate secretaries rise each year.

Normally, the program of professional training of corporate secretaries is a one or two year program and, as it has been mentioned above, covers many areas of knowledge. Generally, all these issues in practice are subdivided into three main areas, on which a corporate governance officer is to work: shareholder relations, work with the supervisory board and the management board, and work for an entire company. The role and tasks of the corporate governance officer are different in each of these areas.

In some countries corporate governance officers (secretaries) are “united” under professional corporate governance related institutions. In Ukraine they are trained by the Professional Association of Corporate Governance, which keeps the register of corporate secretaries and provides certification. In Kazakhstan a corporate secretary club has been formed under Kazakhstan Association of Independent Directors. In Russia the National Association of Corporate Secretaries has been established for similar purposes.

4. Functions and Responsibilities of the Corporate Governance Officer

The corporate governance officer's (known as a company secretary) first legally prescribed role originated in the United Kingdom in 1948; the United States and other countries with Anglo-Saxon legal systems followed thereafter. At early stages the functions and responsibilities of the company secretary had varied widely. In most companies, however, the company secretary had already assumed a vital role in the day-to-day governance at the company's helm by being a close personal confidant and indispensable aid to the chairman of the supervisory board. In several, mainly Anglo-Saxon, countries the company secretary also had considerable responsibility as a result of specific company secretary legislation prescribing a minimum scope of aims and duties. Depending upon the size and nature of the company, the company secretary's responsibilities in most companies usually involve the actual writing (not setting) of directors' meeting agendas, sending them out, compiling meeting minutes, and keeping statutory company documents. In addition, he/she might be responsible for a wide variety of other tasks that may be further detailed in the company's charter or his/her employment contract.³

Thus the functions of the corporate governance officer may be subdivided by activity areas. In general, each company may identify more such activity areas – depending on the role of the corporate governance officer and current scope of work. The classification provided here represents the minimum that we propose for this position.

Main areas of the corporate governance officer's activities are:

- Administering company's affairs;
- Shareholder relations;
- Organizing general meetings of shareholders;
- Supporting the activities of the supervisory board and management board.

Let us go into each of the foregoing areas.

4.1. Administering company's affairs

The corporate governance officer is responsible for the company's compliance with the effective legislation of Azerbaijan. In this area, "external" and "internal" duties may be identified. On "external" level, for instance, particular attention should be focused on observance of the norms as to legitimacy of the company's activities – presence of the certificate of registration, licenses and other documents, as well as timely compilation and filing of reports.

The following duties may be mentioned among the key "external" duties:

- *Ensuring compilation of annual reports and their timely filing with the regulating authorities.*

The corporate governance officer does not prepare annual reports with his/ her own hand, however, his/ her duty is to make sure that a respective body or official, which/who is obliged to do that, prepares such documents and forwards them in a timely manner to the regulating authorities, such as the State Committee for Securities of the Republic of Azerbaijan (SCS). To this end, it is convenient to draft a joint calendar of the reports, which are filed by the company, and note therein, for instance, a mandatory

³ Gertrud Erismann-Peyer, Ulrich Steger, Oliver Salzmann - "The Insider's View on Corporate Governance. The Role of the Corporate Secretary", 2008.

reminder to the person in charge of the necessity of preparing such reports a month, a fortnight, and a week before the filing deadline.

- *Ensuring preparation of open information and its disclosure to the stakeholders at their request, or by decision of the governing bodies.*

As far as the corporate governance officer is a person who communicates with different stakeholders, he/ she must be able to provide information on the company activities to such persons. Thus, the corporate governance officer should be aware of the list of open information – subject to publication or provision at a person’s or body’s request. The corporate governance officer is to make sure that the company has such list and information. For this purpose, he/ she should ensure their timely preparation by the bodies, whose competence encompasses this issue.

On “internal” level, the corporate governance officer is responsible for a due drawing up and keeping copies of documents, for a correct and timely implementation of by-laws in the company. Actually, the duty of the corporate governance officer in this area is to establish document circulation and information exchange, which would satisfy the needs of shareholders, governing bodies, and other persons. The key duties of the corporate governance officer in this area are specified below.

- *Organizing storage of restricted information and overseeing its provision to the authorized persons.*

The corporate governance officer must be aware what information is regarded to be restricted information – confidential or commercial secret. On the whole, the corporate governance officer should have several lists: a list of information which belongs to the category of open information, similar list as to confidential information, and a list of information which constitutes commercial secret.⁴

Should the company have no lists of such information, it is necessary to ensure compilation of such lists. The corporate governance officer should also make sure that the company has a by-law, which would regulate the issue of information provision to shareholders, officials and persons who are not shareholders.

When providing restricted information, the corporate governance officer must clearly explain its recipients relevant status of the data and draw up documents, which confirm the person’s awareness of the liability for unauthorized disclosure of information. To this end, the corporate governance officer must organize keeping of relevant registration logs, as well as drafting texts of the mentioned acknowledgements and other necessary documents. This work should be done in close cooperation with company’s legal department.

- *Organization of keeping duly certified copies of the company’s documents:*
 - ✓ The company’s charter and amendments to it, the company’s statutory agreement, a certificate of the company’s state registration;
 - ✓ By-laws on general meeting, supervisory board, executive body and audit committee, other by-laws and amendments thereto;
 - ✓ Minutes of general meetings and materials, with which the shareholders had a chance to familiarize themselves during preparation to the general meetings;
 - ✓ Minutes of the meetings of the supervisory board and collegial executive body (orders and resolutions of the chairman of the collegial and individual executive body);

⁴ See: Law “on Possession of Information” (30.09.2005); Law “on Commercial Secret” (4.12.2001); Civil Code (Art.1078-46).

- ✓ Minutes of the meetings of the audit committee;
- ✓ Conclusions of the audit commission and the company's auditor;
- ✓ Annual financial reporting;
- ✓ Equity and other securities' issue prospectuses;
- ✓ List of the company's affiliated persons with an indication of the number and category (type) of shares belonging to them;
- ✓ Other documents envisaged by the acts of law, the company's charter, its by-laws, decisions of general meetings, supervisory board, and executive body.

The corporate governance officer should have duly certified copies of all aforementioned documents. Firstly, it is necessary so that they could be restored, should the originals be lost, secondly, for communication with different supervisory bodies and other interested persons it is always necessary to have documents of title at hand.

- *Providing certified copies of the documents at the request of the company officials and shareholders.*

Shareholders and officials should have a chance to receive copies of the documents without impediments. The corporate governance officer should ensure exercise of this right of the above-mentioned persons. Furthermore, the corporate governance officer should make sure that the company has a clear definition of what "familiarization" means (for instance, see model By-law on general meeting).

Setting up a proper document system is also of paramount importance. Here, the corporate governance officer will find useful the Office Work Guidelines for State Agencies and State Owned Enterprises of the Republic of Azerbaijan, approved by the Presidential Decree #935, dated September 27, 2003. These Guidelines may serve as a model for setting up the company's own system.

- *Performance of regular checks of the company documents' compliance with the legislative requirements and preparation of proposals on making amendments thereto.*

All company documents must comply with effective normative documents. As far as the legislation changes very rapidly, the corporate governance officer should follow such changes and warn relative authorities and officials in timely manner of the need to make changes to the company documents.

Sometimes new normative acts provide for the term for bringing other documents in compliance with their requirements. Should such term be established, the corporate governance officer should pay attention to this fact, and enter respective information into his/her calendar.

- *Providing recommendations to the governing bodies as to the necessity of development and approval of by-laws and other documents.*

As the corporate governance officer is, figuratively speaking, an information center, he/she should get from the bodies and officials information on the issues not regulated by the legislation and internal documents. The corporate governance officer should analyze such information, identify by which particular act the issue may be regulated, and, based on that, provide proposals on drafting new or amending existing documents. The corporate governance officer should also be well informed of recent trends in international corporate governance practices. He/she should keep track on latest developments in this area and provide recommendations to governing bodies on their implementation as much as applicable. The corporate governance officer should also ensure that the "comply or explain"

principle is observed by the company. If the company does not follow any of the recommendations reflected in the Azerbaijani Standards of Corporate Governance, it should give reasonable explanations to it.

Presently, there are many publications, which contain sample documents – by-laws, contracts, etc. When working with such publications, one should bear in mind that they are only a sample, and are to be tailored to each specific case.

- *Keeping records of the violations of legislative requirements admitted and informing respective governing bodies and company officials about them.*

The bottom line of this provision is that the corporate governance officer should respond to the violations of the legislation admitted by officials in due time (for instance, he/she should know about all cases of imposition of fines by the controlling bodies). Analyzing violation cases, the corporate governance officer should put forward a proposal about organization of additional training for officials (should the violation result from the lack of qualification), or initiate consideration of the issue of redistribution of powers (should the violation, for instance, a failure to meet the deadline, occurred as a result of task overload of the responsible person), or suggest other measures, which could prevent violations in the future (drafting supplementary documents – instruction sheets, doing an investigation in case of a deliberate violation etc.). In the first turn, the corporate governance officer should inform the person who admitted violation, and the governing body, of which he/ she is a member. This is normally done in order to prevent such violations in the future rather to punish any particular person.

To ensure successful performance of work in this area, it is worth to envisage in the documents that regulate activities of the respective governing bodies and company officials their duty to provide information upon request of the corporate governance officer.

4.2. Shareholder Relations

Shareholder/ potential investor relations lie, in the first turn, in maintaining communications with them. The corporate governance officer should make sure that all their questions, remarks and complaints be reviewed in timely manner and covered in a due manner. No contact of a shareholder with the company should be left without attention. Should an inquiry be received from a shareholder or potential investor, the task of the corporate governance officer is to forward it to the respective body/ person and make sure that a quality answer to the inquiry be provided and forwarded to the addressee in time.

The following responsibilities may be identified in this work area as the key ones:

- *Keeping records of shareholder rights' violations by governing bodies and officials, and informing about them the company supervisory board and/ or general shareholders meeting.*

The supervisory board and shareholders should have complete information about the violations admitted by the officials and the governing bodies. The corporate governance officer should systematize the data collected and provide summarized violations' results. It will allow the shareholders and officials to analyze the reasons for the violations and identify the ways of their prevention.

- *Keeping records of shareholders' appeals and complaints, submitting them for review to the respective bodies and company officials, and exercising control over their due review and timely provision of responses.*

As the corporate governance officer receives information from shareholders, he/she should keep its records in time, analyze which official should be forwarded this or that appeal, and make sure that the

shareholder gets a response in timely manner. Even if a specific official is mentioned in the appeal, the duty of the corporate governance officer is to make sure that the appeal is reviewed by the person who is capable of providing the most complete answer to the question of the appeal.

- *Ensuring timely provision of complete and authentic information to shareholders and other stakeholders.*

As it was mentioned earlier, the right to information is one of the most important shareholders' rights. The corporate governance officer should make sure that this right is observed. Setting up prompt provision of reliable, timely and complete information to all stakeholders is a guarantee of a positive image of the company and absence of conflicts.

The following should be remembered when information is provided to shareholders:

- ✓ Information must be provided to the shareholders at their request without any impediments, in a timely and accurate manner;
- ✓ Information should be provided to shareholders free of charge and in a manner, which is not burdensome for shareholders.⁵

The list of information to be provided to shareholders should include:

- annual reports and financial statements;
- minutes of the general meetings of shareholders;
- shareholders' register;
- other information envisaged by the company charter.

- *Taking all possible measures to prevent violations and resolve disputes, which arise in connection with shareholders' rights violations.*

The task of the corporate governance officer is to introduce measures defined by officials and governing bodies, and explain the essence of these measures to other persons. Furthermore, if a corporate governance officer has information about beginning of a conflict, he/she must intervene and do his/ her best to prevent it from developing. To effectively carry out this function the corporate governance officer should be provided with an opportunity to attend specialized mediation training.

- *Ensuring timely and complete informing shareholders about the decisions adopted by the governing bodies, and, if necessary, providing explanations of the decisions made by the governing bodies and consulting on corporate governance issues.*

If a general meeting, supervisory board or management board adopted some important decision, the duty of the corporate governance officer will be to inform all shareholders or employees about that (depending on whom the decision or document concerns), and, if necessary – provide relevant consultations and explanations, or draft a respective instruction sheet, or another documents, which would help with implementation of the decisions adopted.

Furthermore, the corporate governance officer should make sure that the company also communicates with shareholders on its own initiative, for instance, sends them information about the company and its achievements, other information, which would help the shareholders to get a more full picture of the company's and its governing bodies' activities.

⁵ OECD Principles of Corporate Governance. OECD, 2004.

- *Ensuring maintenance of the corporate governance related information on a company website.*

Generally websites contain only business-related information, which does not always allow shareholders or potential investors to get information about the company's structure. The website should have at a minimum: the company's governing structure, including governing bodies' structure and composition, the company's mission and business strategy, annual reports, and audited financial statements.

4.3. Organizing General Meetings of Shareholders

Organizing general meetings of shareholders (GMS) is one of the most important duties of the corporate governance officer. The essence of this duty is not only in preparation for the meeting but also in coordinating efforts of all governing and other bodies of the company, such as a counting commission. The corporate governance officer provides assistance in the entire course of running the GMS – the Azerbaijani Standards on Corporate Governance propose including the functions of the general meeting's secretary into the competence of this person. Main duties of the corporate governance officer in this area are described below.

- *Drawing up a draft agenda, submitting it to the supervisory board and executive body for approval, and ensuring publication of the final version in mass media, as well as notification of the shareholders about changes in line with the requirements of the effective legislation and the charter.*

The corporate governance officer does not develop the draft him/herself. His/her duty is only to draw up the draft discussed with the management board and the supervisory board. He/she should ensure that the published version is coordinated with the supervisory board and does not cause misunderstandings.

When drafting an agenda, the corporate governance officer should not forget about his/her duties with regard to other responsibility areas – if, for instance, as a result of legislative change, amendments must be made to the charter, he/ she should make sure that a corresponding issue is put on agenda, as far as the supervisory or management board may be unaware of such necessity and not plan review of such issue at the meeting.

According to Azerbaijani legislation, announcement about the forthcoming meeting should be published in mass-media and notification should be sent to each shareholder of the open joint stock company at least 45 days prior to conducting a general meeting⁶. The corporate governance officer should ensure timely publication of the announcement and notification of shareholders in line with the requirements of law.

- *Ensuring timely compilation of the list of shareholders who should get personal notice, and organizing their timely notification.*

At this stage, the corporate governance officer should contact the registrar, which maintains the company's shareholders register, and order making a relevant list of shareholders. Also, the corporate governance officer should make sure that all shareholders on the list get the notice on time. To ensure efficient observance of this requirement of the law, the corporate governance officer must know well not only current legislation, but also norms of the charter and corresponding by-law, which are currently in effect at the company.

⁶ Art.107-1.4 of the Civil Code of the Republic of Azerbaijan.

- *Developing and submitting for approval sample ballots and voting cards, providing their printing and due storage until the general meeting.*

The corporate governance officer exercises control only over the process of execution. However, if the company does not set up a counting commission prior to the meeting the aforementioned work is to be performed by the corporate governance officer.

- *Informing about holding a general meeting the persons whose participation therein is essential.*

Persons, who are neither shareholders nor sit on the governing bodies, do not have an opportunity to obtain information about a general shareholders meeting. So, if presence of such persons at the meeting is necessary (for instance, provision of comments or expert opinions on annual reports), the corporate governance officer should take care to ensure they are notified in a due manner. Accordingly, when opening a general meeting, the corporate governance officer or the meeting chairman should inform the shareholders of the presence of persons who are not shareholders and the purpose of their presence.

- *Ensuring shareholders' and officials' access to the agenda-related materials, providing copies of respective documents at request of stakeholders.*

Ideally, all shareholders and officials should receive copies of the main documents and materials related to the agenda. However, in view of financial difficulties that some companies experience, the minimum standard should be informing shareholders of the place where they can access the agenda-related materials. The best idea is to define the corporate governance officer's office as such place (his/her respective office). The address and opening hours of the office may be indicated in the notice of convening the general meeting. Provision of agenda-related documents is the company's responsibility, thus, the corporate governance officer must make sure that no inquiry is left without an answer.

- *Drawing up drafts of agenda-related materials and ensuring their timely preparation by other company bodies and officials.*

Azerbaijani practice shows that preparation of materials for a general meeting is a rather problematic issue. As a rule, such documents are prepared at the last moment and are not always available for provision to the shareholders during the period of meeting preparation. This situation might be interpreted as a violation of shareholders' right to information. To avoid this, the corporate governance officer's task is to identify the list of materials, which are to be prepared, to identify responsible persons and bodies, as well as to exercise control over timely preparation of materials. Also, at the stage of preparation the corporate governance officer should detect the need of the governing bodies and officials in external assistance, and, if necessary, ensure expert support.

- *Identifying the need in, as well as organizing training and consulting for the meeting chairman and counting commission, as well as ensuring their efficient and coordinated work.*

Formation of the counting commission and appointment of the meeting chairman at the stage of preparation of a general shareholders meeting is regarded as best corporate governance practice. Such approach is aimed at ensuring due preparation of persons, consulting and training them. Therefore, the task of the corporate governance officer is to identify the qualification level of elected/appointed persons, to ensure their qualifications' improvement, as well as to coordinate their activities, so that actions of all bodies and persons would further due preparation and running of meetings. In ensuring a

well-coordinated work, a schedule of the activities on convening a general meeting and other documents related to this work will be useful for the corporate governance officer.

- *Organizing technical support for a general meeting: video- and audio- taping, provision of necessary equipment and other technical means.*

The corporate governance officer should exercise control over availability of all necessary facilities (means), as far as holding of the meeting depends on that.

- *Exercising functions of the general meeting secretary.*

The mentioned provision is recommended by the Azerbaijani Standards on Corporate Governance. Exercising functions of the general meeting secretary will, on one hand, raise efficiency of the meeting's work, and, on the other – the shareholders' trust to the process of taking and drawing up minutes of the meeting. Depending on the scope of work, the company could set up a secretariat, which will report to the corporate governance officer.

- *Ensuring timely provision of information on the procedure and results of voting at the general meeting.*

Shareholders who participated in the meeting must be informed of the decisions adopted at the meeting – in the process of the meeting or at the end of the meeting (however, if voting on subsequent issues depends on the results of voting on previous issue, the notice of the decision adopted is to be made before the beginning of the next voting).

Shareholders who have not participated in the meeting are to be informed as soon as possible after the meeting. The corporate governance officer should make sure that a short letter containing a list of decisions adopted by the meeting and, if necessary, results of such decisions for the company shareholders, be written to the shareholder.

- *Answering questions of the general meeting participants related to the procedures of holding meetings.*

As far as the corporate governance officer is a person who coordinates convening and running of meetings, and has a good understanding of the current legislation and the company's by-laws, he/she should be ready to answer any question related to the meeting procedures.

- *Ensuring timely keeping of the minutes of general shareholder meetings, as well as voting ballots and other documents related to running of general minutes and decisions made thereat.*

The corporate governance officer is an independent and unprejudiced person, who acts in the company's interests. Thus, it is he/she who should keep minutes of the meetings and voting ballots. According to Azerbaijani legislation the minutes should be prepared in two originals within three days from conducting the general meeting. The minutes should be signed by the meeting chairman and secretary, and certified by the company's seal⁷.

The following information should be reflected in the minutes of the general meeting:

- date and venue of the general meeting;
- type of the general meeting (annual (regular) or extraordinary);
- agenda of the general meeting;

⁷ Art. 107-6.1 of the Civil Code of the Republic of Azerbaijan.

- full name of the chairman and secretary of the general meeting;
- number of voting shares possessed by participants of the general meeting;
- number of participating shareholders who have voting rights;
- names of speakers and speech summaries;
- voting results of every issue that has been put to vote;
- the precise text of the decision adopted at the general meeting.

Model minutes of the General Meeting of Shareholders are provided in the Annex III hereto.

4.4. Support of the work of the supervisory board, management, and audit committee

Support of the work of the governing bodies is one of the most responsible activity areas of the corporate governance officer. However, in view of different powers and tasks of the supervisory board, executive body and audit committee, the duties of the corporate governance officer in relation to these bodies will be somewhat different.

In this area, the main tasks in relation to all governing bodies are controlling and checking accuracy of their formation and activities – observance of procedures for election, absence of the grounds preventing the person from holding certain positions, presence of the documents in the company, which regulate the issues of election, dismissal and activities of the board, management board and audit commission in detail.

The corporate governance officer works for an entire governing body, helping the members of the supervisory board, executive body and audit committee to exercise their official duties. In this area the corporate governance officer fulfills the following duties:

- *Helping members of governing bodies to obtain necessary information.*

Providing information to members of the company's governing bodies is one of the key responsibilities of the corporate governance officer. In accordance with the best practices, in order to make good decisions members of the supervisory board should have an access to complete, authentic and timely information. The same can be said also about the members of other governing bodies.

- *Organizing familiarization of the members of governing bodies with internal documents of the company, decisions of the general meeting, supervisory board and executive body, minutes of meetings, expert opinions of the audit committee, as well as main financial and other documents.*

Unlike previous item, which is devoted to general information about the company and its activities, external information on the market etc., this responsibility is aimed at introducing efficient informing of officials and governing bodies about the decisions made with regard to the company. Officials should be informed about the decisions made by their predecessors, as well as about the decisions made by other governing bodies.

- *Explaining to newly elected members of the supervisory board and executive body existing procedures of the governing bodies' functions and the company's organizational structure.*

Such measure is widespread in the countries with well-developed stock market, and it is hard to overestimate its importance. The purpose of the induction (that is how it is called) is to bring new persons to date. As a rule, the corporate governance officer prepares brief information about the company, abstracts from the charter and by-laws, relating to the work of the relevant body, data on the

main achievements and problems of the company. Sometimes a familiarization with production is important – it allows newly elected members of the governing bodies to get a more clear understanding of what exactly the company does. “Orientation session” can, and sometimes should, be combined with a joint meeting of the supervisory board and the executive body. It shall allow all officials to get to know each other better, as well as to identify the main areas of cooperation, and will provide a good opportunity for “senior” directors to share experience with the new colleagues.

A model agenda on director induction is provided in the Annex IV hereto.

- *Introducing newly elected members of the governing bodies to other officials of the company.*

Introduction of persons is a guarantee of establishing friendly relations among them. Simultaneously with presentation, the corporate governance officer provides brief information about the persons: position, work experience, area of responsibilities, etc. Thus, officials will have information about each other, and will be able to communicate effectively. At this stage, a preparation of different instruction sheets and reference books, for instance, a list of the company officials, with a short description of functions exercised by them, as well as contact telephones/ addresses, will be effective.

- *Providing other information necessary for a due exercise of official duties by the members of governing bodies.*

In this area, the main objective is to provide information in the form which each governing body needs. For instance, the same information will be presented differently for an audit committee consisting mainly of finance specialists and for a supervisory board, the members of which do not always have financial education.

This task is one of the most complex ones, as far as it requires from the corporate governance officer a thorough knowledge of the material, which he/she is to present, as well as preparedness of the persons whom the information is intended for.

- *Organizing training and qualifications improvement for the members of the board, executive body and audit committee.*

The corporate governance officer should identify the need in participation of the officials of governing bodies in seminars and various training events. To this end, he/she should be informed about the qualifications of each supervisory board and executive body member, discuss relevant issues, and, taking into consideration the wishes voiced, make a schedule of such trainings.

- *Providing consultations for members of the governing bodies on corporate governance related issues.*

If members of the governing bodies need additional assistance, the corporate governance officer should provide relevant consultation or ensure these services provided by a reliable external consultant.

- *Organizing the process of self-assessment of the work of the board and executive body, preparing relevant questionnaires, processing data and reporting on the results of self-assessment to the respective governing body.*

Each governing body should perform a periodic self-assessment of its work efficiency. Preparation and organization of this process is the responsibility of the corporate governance officer. To this end, he/she

should develop relevant questionnaires, explain the procedure of filling them in, collect and analyze data, as well as prepare respective notices for each body. Furthermore, should the company have assessment of the management board's activities by the supervisory board in place, the corporate governance officer should assist with organization of this activity. Self-assessment and assessment could be performed during a regular meeting of the respective governing body.

A sample questionnaire for the board's self-assessment is provided in the Annex V hereto.

- *Ensuring preparation to, and conduct of, the meetings of the supervisory board, management board and audit committee in line with the legislation, charter and by-laws of the company.*

Unfortunately, currently, preparation of the meeting of the company's governing bodies is not paid due attention to. Often supervisory board members arrive at the meeting and only there find out about the list of issues that will be considered. Under such conditions, it is not possible to speak about making sound and motivated decisions. In this area, the task of the corporate governance officer is to notify the members of the respective governing body about the meeting on time, to prepare and provide all documents necessary for decision-making to them, as well as to take and keep minutes of the meetings.

- *In case if an absentee meeting – providing for signing uniform minutes, or collecting signed decisions of each member of the governing body and drawing up corresponding minutes.*

If according to the company internal documents the governing body is entitled to held a meeting in absentia, the task of the corporate governance officer is to collect the data necessary for drawing up relevant decision. There are several methods to implement such drawing up:

the corporate governance officer either draws up the minutes in advance and submits them for signing to each member of the governing body, or he/she sends out draft decision, which each official should return with expression of his/ her will – “for” or “against”.

After all signed drafts have been collected, the corporate governance officer may draw up a single document, having added the drafts received thereto, or making a relevant reference thereto in the decision itself.

- *During the meetings of the governing bodies – observing the required procedures for conducting those meetings.*

Observance of the procedures for conducting meetings is a guarantee of quick and efficient decision-making. Thus, the corporate governance officer, when planning meetings, should approach this process carefully and reasonably. The place and conditions of holding meetings are also important.

In some countries, in the course of preparation of meetings corporate governance officers even develop a plan of positioning the officials at the table. It is done, for instance, in order to ensure that directors, who know each other, do not discuss their business during the meeting, but concentrate on the agenda.

- *Ensuring keeping the minutes of governing bodies' meetings, exercising other functions of the secretary of the supervisory board and the executive body of the company.*

The corporate governance officer should be vested with the functions of a secretary of the respective governing bodies. Again, it does not mean that one person has to do all work. An office of corporate governance officer could be set up in order to help such persons, depending on the scope of work.

Model minutes of the Supervisory Board meeting are provided in the Annex VI hereto.

5. The Legal Status of the Corporate Governance Officer

The legislation does not provide for a corporate governance officer position, though it does not mean that it cannot be introduced now – current Azerbaijani legal framework permits it, at that, it allows for several options, which have their advantages and shortcomings. In each specific case the company is to analyze what role it allocates to the person mentioned, and what particular duties he/ she will be entrusted with. A model job description for corporate governance officers is provided in the Annex II hereto.

It should be mentioned that now some companies experience difficulties with assigning a person for performance of the corporate governance officer functions only. Thus, it is considered fully acceptable for transition economies (but not always right from efficiency perspective) when a person performs the functions of corporate governance officer in addition to other functions, in other words, combines two positions. Should a company chose this path, it is necessary to make sure that there is no conflict of the functions performed for such positions (for instance, it is not possible to combine the corporate governance officer position with the management board member position, but possible - with lawyer position).

Furthermore, it is necessary to choose the most appropriate mechanism for combining positions. The matter is that positions can be combined in the labor law domain, as well as in the civil law domain. Below, when considering the options at to the legal status of a corporate governance officer (employee or contractor), the issues of combining the functions of the corporate governance officer with other activities will be covered.

5.1. Employee (labor contract)

In case of choosing this approach (granting the corporate governance officer the status of an employee), the relations between the company and the corporate governance officer will be based on the norms of the labor law. In other words, the corporate governance officer will be an employee who will perform his/her duties on the ground of a labor contract, and the company will be an employer. Let us recollect what labor contract is.

Labor contract is a written agreement between an employer and an employee setting up main provisions of labor relations as well as specifying rights and responsibilities of each party⁸.

What should be remembered:

- The process of signing a labor contract should be preceded by an election or appointment of the corporate governance officer by the relevant governing body.
- As the Azerbaijani Standards on Corporate Governance advise, in order to ensure independence of the corporate governance officer, it is expedient to provide that he/she be elected by the decision of the supervisory board.
- If there is no supervisory board in the company, the corporate governance officer may be elected by the general shareholders meeting.
- The procedure for election or appointment must be precisely defined in the relevant by-law.

⁸ Art. 1.5 of the Labor Code of the Republic of Azerbaijan.

Labor contract may be for a fixed term or permanent – subject to the company choice. If the company wants the person, who is being elected a corporate governance officer, to work irrespective of particular composition of the supervisory board – it is worth to make a permanent labor contract with such person. If each supervisory board will elect “its” corporate governance officer – it is worth to make a labor contract limited by the term of office of the respective board. At that, it is necessary to provide a precise substantiation of the contract’s term, as far as without such argumentation there is a great risk that the labor contract may be recognized permanent.

If a person will be exercising functions of the corporate governance officer in addition to other functions at the same company, both contracts will be labor contracts; the company will need to analyze the nature of the work performed, its scope, and to discuss with the employees which duties will be considered “more important” and how to formalize such work better.

5.2. Contractor (civil agreement)

Under this option, relations between the corporate governance officer and the company will be based on the civil law norms. Corporate governance officer will work on the ground of a civil agreement, in other words, will be a person that provides services to the company. In such case, the corporate governance officer will not be an employee of the company.

A civil agreement can be concluded with a citizen – entrepreneurial entity, or even a separate organization – legal entity, which can undertake an exercise of certain functions of the corporate governance officer. In both cases, the contractor will be considered a person who performs certain work at his/her own risk. The subject of the contract/ agreement in both cases will be rendering services on the company activities’ organization and ensuring a due exchange of information between the shareholders and the governing bodies.

Should the company consider that an exercise of the corporate governance officer’s duties may be combined with performance of other work, it may make a civil agreement with the person who already works for the company based on a labor contract. In other words, an employee (for instance, legal assistant) will in addition perform the work of a corporate governance officer under a civil agreement. At that, such combination will be regarded neither as doing off-hour work, nor combining jobs, as far as these concepts exist in the labor law only, and relations that might arise between the company and the person will be regulated by different branches of law: one contract – by labor law, and another one – by the civil law.

Differences between a labor contract and a civil agreement are shown below.

<i>Labor contract</i>	<i>Civil agreement</i>
<ol style="list-style-type: none"> 1. Regulates the labor process itself (and not its result) – an employee is a part of the general process of product manufacturing by the enterprise. 2. The parties: employer and employee (always a natural person). 3. Employee performs a certain labor function, the components of which include profession, specialization and qualification. 4. Employee observes internal labor procedures. 5. Labor conditions are stipulated by the Labor contract, collective agreement and the legislation. 6. Employee is entitled to annual leave, sick leave etc. 	<ol style="list-style-type: none"> 1. Made regarding work results – the contractor must provide a specific work result – a product or a service. 2. The parties: client and contractor (legal entity or natural person). 3. Any person capable of doing the work may be a contractor. 4. Contractor organizes performance of work independently, at his/ her own risk. 5. Labor conditions are stipulated by the agreement and the civil legislation. 6. No annual leave, sick leave or other employee benefits usually provided.

List of Annexes

- I. Model By-law on the Corporate Governance Officer
- II. Job Description for the Corporate Governance Officer
- III. Model Minutes of the General Meeting of Shareholders
- IV. Model Agenda for Director Induction
- V. The Supervisory Board's Self-Assessment Questionnaire
- VI. Model Minutes of the Supervisory Board Meeting

Annex I. Model By-Law on the Corporate Governance Officer

APPROVED ON THE

“ ___ ” _____ 20__

MEETING OF THE SUPERVISORY BOARD

of « _____ » OJSC [CJSC].

Minutes № _____

Meeting Chairperson

By-Law on Corporate Governance Officer of the

“ _____ ”

Open [Closed] Joint Stock Company

20__

1. General Provisions

- 1.1. This by-law has been developed based on the Civil Code of the Azerbaijan Republic, other statutory and legal acts, and the Charter of Open [Closed] Joint Stock Company (hereinafter referred to as “Company”).
- 1.2. The Corporate Governance Officer (hereinafter referred to as “Corporate Governance Officer”) of the Company is the officer that directly deals with corporate governance at the Company. Corporate Governance Officer carries out the following:
 - 1.2.1. To participate in development of corporate governance policies in the Company;
 - 1.2.2. To implement measures within his/her authority in order to effectively supervise the observance of corporate governance policies by all bodies and officers of the Company;
 - 1.2.3. To carry out actions necessary to convene and conduct general meetings of shareholders, and meetings of the supervisory board and the executive body;
 - 1.2.4. To contribute to effective organization of exchange of information among the Company’s governing bodies and other units;
 - 1.2.5. To take actions for due disclosure of essential information by the Company;
 - 1.2.6. To assist the Company in administering appeals and complaints made by shareholders and other stakeholders as well as resolving intra-corporate conflicts in an out-of-court way.
- 1.3. Corporate Governance Officer is guided by the existing legislation, the Company’s Charter and other statutory documents, as well as by the provisions specified in this By-Law.
- 1.4. Corporate Governance Officer carries out his/her job responsibilities based on the labor contract signed between him/her and the Company.

2. Appointment of the Corporate Governance Officer

- 2.1. Corporate Governance Officer is appointed by a majority of _____ votes of the members participating in the Company’s Supervisory Board (hereinafter referred to as “Board”). The candidates for a Corporate Governance Officer position can be nominated by any of the Board members.
- 2.2. The candidates nominated for a Corporate Governance Officer position shall meet the following requirements:
 - 2.2.1. higher education;
 - 2.2.2. experience and professional competency required to carry out the responsibilities of a Corporate Governance Officer;
 - 2.2.3. _____.
- 2.3. The Board members shall receive the following information about the candidates who are nominated for a Corporate Governance Officer position:
 - 2.3.1. his/her education, work experience, including the positions he/she held in the past _____ years;
 - 2.3.2. whether he/she is the shareholder of the Company (if yes, the amount of shares);
 - 2.3.3. whether he/she is a related party to the Company;
 - 2.3.4. his/her relations with the Company’s related parties;
 - 2.3.5. _____;
 - 2.3.6. Information on other issues that might seriously affect fulfillment of the Corporate Governance Officer duties.

- 2.4. Corporate Governance Officer shall be appointed for ____ years.⁹
- 2.5. The terms of the labor contract signed with a Corporate Governance Officer shall be approved by the Board. The contract shall be signed by the Chairman of the Board on behalf of the Company.

3. Powers and responsibilities of Corporate Governance Officer

- 3.1 Corporate Governance Officer has powers over the following:
 - 3.1.1 To support the Board [or Corporate Governance Committee, if it exists] in taking actions on elaboration, implementation, analysis and further development of the governance policy at a Company;
 - 3.1.2 To monitor the compliance of all the bodies and officials of a Company with the Azerbaijani legislation on corporate governance and the Company's corporate governance policies;
 - 3.1.3 To follow closely all corporate governance reforms underway in international practice, inform the Board and the executive body on these reforms, explore opportunities of implementing these reforms in the Company;
 - 3.1.4 To initiate amendments to the Company's corporate governance policies and procedures (respective by-laws, guidelines), and submit written proposals about such amendments to the Board;
 - 3.1.5 To work in close coordination with a legal department of the Company; to maintain due exchange of information with this department;
 - 3.1.6 To immediately inform the Board Chairman on violation (non-compliance) of the corporate policies and procedures adopted in the Company by any bodies or officials of the Company. If the Board Chairman commits a violation, to inform the Board members and the Company's shareholders at the general meeting;
 - 3.1.7 To carry out the following activities with regards to convocation and conduct of the general meeting of shareholders in accordance with the existing legislation, the Company's Charter and other statutory documents (by-laws):
 - 3.1.7.1 To prepare a list of the individuals that have the right to participate in general meeting based on the register of a Company's shareholders and submit the list to the Board;
 - 3.1.7.2 To send notifications to Company's shareholders, as well as other individuals eligible to participate at the general meeting based on the list approved by the Board;
 - 3.1.7.3 To inform the Board, the Company's executive body and revision commission about convocation of the general meeting;
 - 3.1.7.4 To ensure the dissemination of the information on convocation of the general meeting through mass media¹⁰;
 - 3.1.7.5 To send voting bulletins prepared based on the issues included in the general meeting's agenda to shareholders in addition to the notifications;
 - 3.1.7.6 To prepare a set of necessary documents on the issues included in the general meeting's agenda, to take necessary measures in order to ensure that the meeting participants are familiar with those documents, and to submit them the copies of those documents upon their request;
 - 3.1.7.7 To collect voting bulletins completed by the shareholders and to transmit them to the counting commission;
 - 3.1.7.8 To take the minutes of a general meeting and ensure safekeeping of minutes;

⁹ The duration included shall correspond to the length of the labor contract to be signed with the Corporate Governance Officer.

¹⁰ For open joint-stock companies

- 3.1.7.9 To submit the minutes of the general meeting to shareholders upon their request;
 - 3.1.7.10 To inform all the shareholders on results of the issues reviewed and decisions taken at the general meeting;
 - 3.1.7.11 To address the inquiries of the individuals that have the right to participate at the general meeting;
 - 3.1.7.12 To take actions necessary to resolve disputes and conflicts arisen with regard to convocation and conduct of the general meeting.
 - 3.1.8 To take the following actions for arranging the Board meetings:
 - 3.1.8.1 To identify the schedule of the Board meetings for each year together with the Board Chairman and to ensure that the Board members are familiar with this schedule;
 - 3.1.8.2 To send a notification to the Board members at least _____ days before the Board meetings take place and share the meeting agenda with them;
 - 3.1.8.3 To send the voting bulletins on the items of the meeting agenda to the Board members when necessary, to receive the bulletins completed by the members and submit them to the Board chairman;
 - 3.1.8.4 To take the minutes of a meeting and to ensure safekeeping of the minutes;
 - 3.1.8.5 To submit the minutes of a meeting and other necessary documents to the Board members upon their request;
 - 3.1.8.6 To address the inquiries of the Board members with regard to arrangement of meetings;
 - 3.1.9 To contribute to effective organization of exchange of information among the Company's governing board and other units;
 - 3.1.10 To ensure compliance with the rules of maintaining and disclosing the information on the Company in accordance with the requirements of legislation and the Company's internal policies;
 - 3.1.11 To ensure the disclosure of necessary information on the Company (including the Company's securities emission prospectuses, annual financial and other statements, transactions concluded with related parties¹¹) in accordance with the legislation;
 - 3.1.12 To ensure that the shareholders are informed about the share redemption declared by the Company;
 - 3.1.13 To immediately inform the Board chairman on the cases of conflicts of interest that have or could be arisen among the Company's shareholders, Board members or the executive body members;
 - 3.1.14 To act as mediators in resolution of the conflicts and disputes arisen among the Company's shareholders, Board members, executive bodies and other individuals that are associated with the Company's operations;
 - 3.1.15 To ensure that all the documents with regard to the Company are properly maintained, to create acceptable conditions for the individuals that are authorized to gain access to them, and to submit them the copies of documents upon their request (the copies of documents shall be verified by the Corporate Governance Officer's signature);
 - 3.1.16 To keep a record of the letters, appeals and requests addressed to the Company by shareholders, transmit them to respective bodies and officials of the Company and ensure that they are timely reviewed by those bodies and officials;
 - 3.1.17 To detect the cases where the shareholders' rights have been violated, to investigate them and inform the Board Chairman about those violations.
- 3.2. The Corporate Governance Officer has the right to receive any information and documents from all bodies and officials of the Company with regards to fulfilling his/her duties.

¹¹ For open joint-stock companies

4. Corporate Secretariat¹²

- 4.1 In order to ensure an effective execution of the duties assigned to the Corporate Governance Officer, the Corporate Secretariat (hereinafter referred to as "Secretariat" shall be established.
- 4.2 The Secretariat includes the Corporate Governance Officer and ____ staff members under him/her. Staff of the Secretariat shall be appointed by the head of the Company's executive body based on the proposals of the Corporate Governance Officer.
- 4.3 Staff of the Secretariat shall hold positions under the Corporate Governance Officer's authority. The distribution of responsibilities among them shall be carried out by the Corporate Governance Officer.
- 4.4 Staff of the Secretariat shall have the relevant education and work experience in order to properly fulfill their responsibilities.
- 4.5 Staff of the Secretariat cannot be members of the Board, the Company's executive body, internal audit department and the revision commission.

5. Dismissal of the Corporate Governance Officer

- 5.1. The Corporate Governance Officer shall be dismissed under the following circumstances:
 - 5.1.1. upon his/her request;
 - 5.1.2. when the term of office expires;
 - 5.1.3. when he/she is not able to cope with the task;
 - 5.1.4. when he/she is elected to a position, which doesn't allow to become a Corporate Governance Officer;
 - 5.1.5. in other cases stipulated by the legislation.
- 5.2. When a Corporate Governance Officer is dismissed, a new person shall be appointed to this position. Termination of the labor contract with the dismissed Corporate Governance Officer shall be governed by the existing labor legislation.

6. Final provisions

- 6.1. This By-law is effective as of the date of its approval by the Board.
- 6.2. The Company's previous by-laws on Corporate Governance Officer shall become ineffective as of the date of this By-law entering into force.
- 6.3. If any changes occur in the legislation of the Azerbaijan Republic or the Company's Charter following the effectiveness of this By-law, the provisions included in this By-law are exercised in parts not contradicting those changes.

¹² The Secretariat can be established in large institutions, also banks and other financial institutions.

Annex II. Model Job Description for the Corporate Governance Officer

The Corporate Governance Officer is a full-time staff member, exclusively dedicated to below-mentioned tasks. The Corporate Governance Officer shall be independent from management, be appointed by, and accountable to the Supervisory Board. The Supervisory Board shall also define its remuneration and termination of office issues.

I. The Corporate Governance Officer shall carry out the following duties:

1. Communication duties:

- 1.1. Assist in establishing and maintaining clear communication between the governing bodies (the General Meeting of Shareholders, Supervisory Board, Audit Committee and Management Board);
- 1.2. Ensure that a timely feedback is provided to the shareholders', creditors' and other parties' inquiries.

2. Duties on organization of meetings of the governing bodies:

- 2.1. assist the chairman of the Supervisory Board chairman in organizing Supervisory Board meetings and the GMS;
- 2.2. assist the chairman of the Audit Committee in organizing Audit Committee meetings;
- 2.3. coordinate the calendar of meetings;
- 2.4. control a timely preparation and of the shareholders' register;
- 2.5. compile a list of persons eligible to participate at the meetings;
- 2.6. ensure timely distribution of notices and other materials to the meeting participants;
- 2.7. exercise functions of the meeting secretary;
- 2.8. ensure observance by the participants of all necessary procedures during meetings;
- 2.9. keep minutes of the meetings in compliance with legal requirements;
- 2.10. ensure safety of minutes;
- 2.11. send copies of minutes to shareholders.

3. Duties on information disclosure:

- 3.1. ensure compilation of annual reports and their timely filing with state regulating authorities;
- 3.2. ensure preparation of information for public purposes and its due disclosure through mass-media and other sources required by law and internal procedures;
- 3.3. keep safe confidential information and monitor its due disclosure to authorized persons.

4. Advisory duties:

- 4.1. Advise to directors and senior executives on regulatory requirements and corporate governance issues;
- 4.2. Identify gaps in the bank's corporate governance, prepare draft plans and policies on improvement of the corporate governance and submit them to the Supervisory Board;
- 4.3. Advise to directors and senior officials on development of internal policies and by-laws.

5. Compliance duties:

- 5.1. monitor the bank's compliance with corporate and labor legislation;
- 5.2. control the bank's compliance with listing and delisting rules;
- 5.3. record facts of violation by the bank officials of legal requirements and inform the bank's respective bodies about such violations.

6. Other duties:

- 6.1. Ensure the safekeeping of all corporate documentation;
- 6.2. Familiarize newly elected Supervisory Board, Management Board members and other key persons with organizational structure of the bank; bank's internal documents and procedures that regulate the work of governing bodies;
- 6.3. Organize trainings for directors and senior officials;
- 6.4. Assist in resolving corporate conflicts among Supervisory, Management Board members, executives, and shareholders; etc.

II. The Corporate Governance Officer shall meet the following requirements:

1. higher education (preferably in law or finance);
2. minimum [2] years of relevant work experience;
3. knowledge of the corporate legislation;
4. knowledge of business fundamentals;
5. not being a related party to the bank or its senior officials;
6. ability to multi-task, deal with conflicting priorities and deliver high quality work on schedule.

Annex III. Model Minutes of the General Meeting of Shareholders

“ _____ ” (name of the company)

[Annual / Extraordinary] General Meeting of Shareholders

Date of the meeting: « _ » _____ 20_

Time of the meeting: From _ : _ to _ : _

Place of the meeting: _____

Chairman of the meeting: _____ [Surname / Name / Patronymic]

Secretary of the meeting: _____ [Surname / Name / Patronymic]

Number of shareholders participating at the meeting: _____

Number of voting shares of shareholders participating at the meeting: _____ (___ per cent
of the charter capital)

The meeting has a quorum.

Persons and advisors invited to the meeting:

1. _____;

2. _____;

3. _____.

AGENDA

Item No. 1: _____

Item No. 2: _____

Item No. 1: _____

1. Discussion

Speaker 1: _____ [Surname / Name / Patronymic]

Speech summary: _____.

Speaker 2: _____ [Surname / Name / Patronymic]

Speech summary: _____.

2. Decision to approve the following _____.**3. Voting results on this item:**

Item 1.	Voting options		
	FOR	AGAINST	Abstained
Percentage of voting shares			

Item No. 2: _____

1. Discussion

Speaker 1: _____ [Surname / Name / Patronymic]

Speech summary: _____.

Speaker 2: _____ [Surname / Name / Patronymic]

Speech summary: _____.

2. Decision to approve the following _____.**3. Voting results on this item:**

Item 1.	Voting options		
	FOR	AGAINST	Abstained
Percentage of voting shares			

Date of the minutes: « _____ » _____ 20__.

The Supervisory Board Chairman _____ / _____ [signature]

The Corporate Secretary _____ / _____ [signature]

L.S.

Annex IV. Model Agenda for Director Induction

Topic I: An Introduction to Board and Corporate Governance

- 1.1: What is Corporate Governance and Why is it Important
- 1.2: The Role of the Board
- 1.3: The Election of the Board
- 1.4: The Composition of the Board
- 1.5: The Structure of the Board
- 1.6: The Working Procedures of the Board
- 1.7: The Duties and Liabilities of the Board and its Directors
- 1.8: The Self-Evaluation of the Board
- 1.9: Director Remuneration

Topic II: Good Board Practices

- 2.1: The Importance of Independent Directors
- 2.2: The Importance of Board Committees
- 2.3: The Interaction between the Board and Executive Bodies
- 2.4: The Role of the Board in Succession Planning
- 2.5: The Role of the Board in Setting Strategy
- 2.6: The Role of the Corporate Secretary in Good Board and Corporate Governance

Topic III: The Role of the Board in Protecting Shareholders' Rights

- 3.1: An Introduction to the Board's Role in Protecting Shareholders Rights
- 3.2: The Board's Role in Preparing for and Conducting the General Meeting of Shareholders
- 3.3: The Board's Role in Shaping the Company's Dividend Policy
- 3.4: The Board's Role in Related Party Transactions
- 3.5: The Board's Role in Extraordinary Transactions
- 3.6: The Board's Role in Managing Corporate Conflicts
- 3.7: Corporate Governance Issues and the Charter Capital, Securities and Funds

Topic IV: The Role of the Board in Control, Disclosure and Transparency

- 4.1: An Introduction to the Board's Role in Information Disclosure and Transparency
- 4.2: The Board and the Audit Committee
- 4.3: The Board and Risk Management
- 4.4: The Board and Internal Control Procedures
- 4.5: The Board's Role in Financial Reporting and Accounting
- 4.6: The Board's Role in Developing the Annual Report
- 4.7: The Board and Investor Relations
- 4.8: The Board and the External Audit Process

Annex V. The Supervisory Board Self-Assessment Questionnaire

Rank answers from:

1 = Needs significant improvement

2 = Needs improvement

3 = Consistently good

4 = Outstanding, one of the best in this area

Board Information

1. Are you receiving clear and concise background information prior to Board meetings that helps you understand and evaluate Board agenda items?	1	2	3	4
2. Has the Board satisfactorily identified and communicated to management the Board's informational needs, including appropriate benchmarks to monitor results and to identify potential areas of concern regarding performance?	1	2	3	4
3. Are you receiving information concerning Board agenda items in a timely fashion?	1	2	3	4
4. A. Do the financial statements provided to you prior to Board meetings give you the information you need to understand the important issues and trends in the businesses? B. Is the financial information presented in such a way as to highlight these important issues and trends?	1	2	3	4
5. Is the information provided prior to and during Board presentations giving you the substance you need to make good decisions?	1	2	3	4
6. A. Are Board meetings conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues? B. Is the Board meeting time appropriately allocated between Board discussion and management presentations?	1	2	3	4
7. Does the Board focus with management on the few high-profile risk issues that could have a significant impact on the Company?	1	2	3	4
8. Does the Board have a system for auditing the other less high-profile risk issues that still have the potential under certain circumstances to influence significantly or negatively the Company's performance?	1	2	3	4

9. Do you have sufficient access to officers outside of Board meetings?	1	2	3	4
10. Is the Company's orientation program for new directors providing helpful information about the Board process and the Company?	1	2	3	4

Board Composition

11. Is the Board the right size? If not, what size should it be?	1	2	3	4
12. Is the proportion of independent directors appropriate?	1	2	3	4
13. A. Does the Board have the right mix of characteristics, experiences and skills? What characteristics or skills would you like to see represented to a greater degree? B. Are those characteristics or skills being properly applied to the various issues that come before the Board?	1	2	3	4

Board Accountability

14. Do Board members spend sufficient time learning about the Company's business and understand it well enough to provide critical oversight?	1	2	3	4
15. Does the Board sufficiently review the capital budgets and strategic plans and regularly monitor progress throughout the year?	1	2	3	4
16. Does the Board know and understand the Company's values, mission and strategic and business plans, and reflect this understanding on key issues throughout the year?	1	2	3	4
17. Does the Board adequately monitor financial indicators throughout the year and understand whether the Company is performing as projected?	1	2	3	4
18. Does the Board encourage/ensure an open line of communication A. between the Board and senior management? B. between Board members?	1	2	3	4
19. How would you rate the Board's consideration of shareholder value in its decision-making process?	1	2	3	4
20. Does the Board adequately monitor Company performance in the market?	1	2	3	4

21. Are Board committees functioning properly? If not, do you have any suggestions?	1 2 3 4
22. Are Board goals, expectations, and concerns openly communicated with the Chairman of the Management Board?	1 2 3 4
23. Is the Board doing an adequate job of evaluating the Chairman of the Management Board?	1 2 3 4
24. Is the Board doing an adequate job of determining Chairman of the Management Board succession?	1 2 3 4
25. Is there adequate opportunity for informal discussion to promote a feeling of connectivity to the Board?	1 2 3 4
26. Are the executive sessions candid and constructive, and conducted in a manner where there can be civil disagreement and critical questioning?	1 2 3 4

Standards of Conduct

27. Do you believe Board members ask the appropriate questions of management?	1 2 3 4
28. Do directors disclose personal interests in transactions and abstain from voting where appropriate?	1 2 3 4

Comments:

Annex VI. Model Minutes of the Supervisory Board Meeting

“ _____ ” (name of the company)

Date of the meeting: « _ » _____ 20
 Time of the meeting: From _ : _ to _ : _
 Place of the meeting: _____
 Chairman of the meeting: _____

Supervisory Board members participating in the meeting:

1. _____ ;
2. _____ ;
3. _____ ;
4. _____ ;
5. _____ .

The meeting has a quorum.

Persons and advisors invited to the meeting:

1. _____ ;
2. _____ ;
3. _____ .

Meeting Agenda

Item No. 1: _____

Item No. 2: _____

Item No. 1: _____

1. Discussed

Item No. 1 of the agenda of the Supervisory Board meeting on the

2. Presenters:

 _____ ;
 _____ ;
 _____ .

3. Decision to approve the following _____

Voting results on this item:

№p/p	Full name of the director	Voting options		
		FOR	AGAINST	Abstained
1.				
2.				
3.				
4.				
5.				

Item No. 2: _____

1. Discussed

Item No. 1 of the agenda of the Supervisory Board meeting on the

2. Presenters:

_____;
_____;
_____.

3. Decision to approve the following _____

Voting results on this item:

№p/p	Full name of the director	Voting options		
		FOR	AGAINST	Abstained
1.				
2.				
3.				
4.				
5.				

Date of the minutes « _____ » _____ 20__.

The Supervisory Board Chairman _____ / _____ (signature)
 Director 1 _____ / _____ (signature)
 Director 2 _____ / _____ (signature)
 Director 3 _____ / _____ (signature)
 Director 4 _____ / _____ (signature)
 Director 5 _____ / _____ (signature)
 The Corporate Secretary _____ / _____ (signature)

L.S.

Supplementary Materials

1. Model By-law on the General Meeting of Shareholders
2. Model By-law on the Supervisory Board
3. Model By-law on the Management Board
4. Model By-law on Information Policy