The Ministry of Economic Development of Azerbaijan Republic

Azerbaijani Corporate Governance Standards

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The purpose of Standards

- The purpose of Standards is to assist companies in applying the good corporate governance mechanisms by coordinating local and international experiences of corporate governance. And thus the Standards are directed to increase competitiveness of companies and their attractiveness to investors.

- The Standards were prepared according to the OECD Principles of Corporate Governance.
Procedure of preparation

- The Azerbaijani Corporate Governance Standards were prepared by Task Force established by the Ministry of Economic Development which included representatives of relevant state authorities, Baku Stock Exchange and International Finance Corporation with the purpose of applying good corporate governance practices in companies of the Azerbaijani Republic.

- The draft Standards were submitted to the stakeholders (state bodies, banks, insurance companies, real sector, audit and law firms) in the framework of public discussion and public opinions and recommendations have been reflected in the draft.

- The draft Standards were agreed upon with the Ministry of Justice, the Ministry of Finance, the State Committee for Securities, the State Committee on Property Issues and the Central Bank of Azerbaijan.

- Global Corporate Governance Forum provided positive feedback on the draft.
The legal effect

- Regulations of Standards are legally non-binding, i.e. voluntary.
- Some issues concerning corporate governance are reflected in legislation of the Azerbaijan Republic. Nevertheless, as the legislation includes only general rules (principles) of the management of companies, it can’t regulate every issue of company management. Besides, for legislation it is not possible to regulate changes in the field of corporate governance flexibly (dynamically). Therefore, regulations which take into account structural and functional characters of companies, as well as specification of technological processes and operations, and based on international experience and standards should exist.
The necessity of the Standards

- In accordance with the best corporate governance practices the Standards:
  - Define the authorities and duties of the government bodies of the companies
  - Create condition for the efficient organization of the work of the companies management boards
  - Guaranty protection of shareholders’ rights
  - Set regulations on ensuring transparent activity of the company
  - Include the demands internal control and risk management from point of view of organizing reliable and transparent accountability system
The Structure of the Standards

INTRODUCTION

CHAPTER I. GENERAL MEETING OF SHAREHOLDERS

CHAPTER II. THE RIGHTS OF SHAREHOLDERS

CHAPTER III. SUPERVISORY BOARD

CHAPTER IV. MANAGEMENT BOARD

CHAPTER V. FINANCIAL ACCOUNTABILITY, TRANSPARENCY AND INFORMATION DISCLOSURE

CHAPTER VI. INTERNAL CONTROL SYSTEM, INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT

CHAPTER VII. CORPORATE GOVERNANCE OFFICER

CHAPTER VIII. STAKEHOLDERS
CHAPTER I. GENERAL MEETING OF SHAREHOLDERS

1. AUTHORITY OF GENERAL MEETING OF SHAREHOLDERS
2. PREPARATION FOR GENERAL MEETING
3. HOLDING OF THE MEETINGS OF GENERAL MEETING
4. DECISIONS IN THE GENERAL MEETING
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CHAPTER II. THE RIGHTS OF SHAREHOLDERS

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2. RIGHT TO PARTICIPATE IN GENERAL MEETING
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4. RIGHT TO ELECT AND TO BE ELECTED
5. RIGHT TO OBTAIN AN INFORMATION
6. RIGHT TO DEMAND REDEMPTION OF SHARES
7. PREEMPTIVE RIGHT TO BUY NEWLY ISSUED SHARES
8. RIGHT TO DEMAND THE INSPECTION OF THE COMPANY’S ACTIVITIES
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1. THE ROLE AND AUTHORITY OF THE SUPERVISORY BOARD
2. PROFESSIONALISM AND STRUCTURE OF THE SUPERVISORY BOARD
3. RESPONSIBILITIES OF THE BOARD’S MEMBERS
4. ELECTING AND REMOVING OF THE BOARD’S MEMBERS
5. COMMITTEES OF THE SUPERVISORY BOARD
6. REMUNERATION OF THE SUPERVISORY BOARD MEMBERS
7. CONFLICT OF INTEREST OF THE SUPERVISORY BOARD’S MEMBERS AND TRANSACTIONS WITH THE RELATED PERSONS
CHAPTER IV. MANAGEMENT BOARD

1. AUTHORITY OF THE MANAGEMENT BOARD
2. REWARDING OF THE MANAGEMENT BOARD
3. CONFLICT OF INTEREST OF THE MANAGEMENT BOARD MEMBERS AND TRANSACTIONS WITH THE RELATED PERSONS
CHAPTER V. FINANCIAL ACCOUNTABILITY, TRANSPARENCY AND INFORMATION DISCLOSURE

1. FINANCIAL REPORTING
2. EXTERNAL AUDIT
3. INFORMATION DISCLOSURE
CHAPTER VI. INTERNAL CONTROL SYSTEM, INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT

1. INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT FUNCTION
2. RISK MANAGEMENT
CHAPTER VII. CORPORATE GOVERNANCE OFFICER

1. THE ROLE OF CORPORATE GOVERNANCE OFFICER
2. THE FUNCTIONS OF CORPORATE GOVERNANCE OFFICER
3. ORGANIZATION OF CORPORATE GOVERNANCE OFFICER’S ACTIVITIES
CHAPTER VIII. STAKEHOLDERS

THIS CHAPTER INCLUDES:

1. THE OVERALL STAKEHOLDERS OF THE COMPANY
2. THE OBLIGATIONS OF THE COMPANY TOWARDS ITS STAKEHOLDERS
Thank you for your kind attention!