

QUESTION	ANSWER	CITATION	COMMENT
<b>The Responsibilities of the Board</b>			
<b>Regulatory Framework</b>			
Please provide accurate historical description and analysis of the evolution and content of the regulatory framework	<p>Following establishment of an independent Azerbaijan Republic, matters of corporate management were initially regulated by the law On Enterprises (1994, now repealed) and the Statute on Joint Stock Companies and Limited Liability Enterprises (1990, now repealed). The management of banks was administered under the provisions of the law On Banks and Banking Activities (1992). Later, a new law On Banks and Banking Activities (1996), law On Insurance (1999) and a new Civil Code (2000) were adopted and are now in force along with the law On Joint Stock Companies (1994) and the law On Limited Liability Companies (1998).</p> <p>Other legislation:</p> <ul style="list-style-type: none"> <li>- law On Bankruptcy and Insolvency (“LBI”) (1997)</li> <li>- law On Protection of Rights of Investors on the Securities Market (2000)</li> <li>- Rules of the State Securities Committee On eliminating infringement of the rights of investors on the securities market of the Azerbaijan Republic and supervising the protection of the rights of investors (2000)</li> </ul>		
1. What are the principal normative acts and other sources of guidelines that make up the corporate-governance framework for Board responsibilities and structure?			
1.1. Laws	<ul style="list-style-type: none"> <li>▪ Civil Code (2000) ('CC') (Section 2)</li> <li>▪ Law On Limited Liability Companies (1998) ('LLC')</li> <li>▪ Law On Joint Stock Companies (1994) ('LJSC')</li> <li>▪ Law On Banks and Banking Activities (1996) ('LBBA')</li> <li>▪ Law On Insurance (1999) ('LI')</li> </ul>		It is expected that parliament will soon consider drafts of new laws on joint stock companies and banks

	<p>Furthermore, the following Codes regulate criminal and administrative liability associated with management of the companies:</p> <ul style="list-style-type: none"> <li>▪ Criminal Code (2000) ('CrimC')</li> <li>▪ Administrative Offences Code (2000) ('AOC')</li> </ul>		and banking activity.
1.2. Regulations	N/a		
1.3. Other normative acts	Rules of the State Securities Committee <i>On eliminating infringement of the rights of investors on the securities market of the Azerbaijan Republic and supervising the protection of the rights of investors</i> (2000)		
1.4. Exchange Rules	N/a		
1.5. Codes of Conduct	N/a		
1.6. Other	Corporate charters and foundation agreements		
2. How is the term "director" defined?	<p>The term "director" as such is not defined anywhere in the legislation. However, CrimC (Art. 308) defines the term "official" as, inter alia, a person exercising functions with respect to administration, the issue of instructions, the administrative and business operations of commercial and non-commercial organisations.</p> <p>Furthermore, AOC (Art. 16) defines 'official' as, inter alia, as a person exercising powers with respect to administration, the issue of instructions, and administrative and business operations of state and non-state organisations, enterprises and departments, as well as private entrepreneurs operating without the establishment of a legal entity.</p> <p>Also, law on Bankruptcy and Insolvency (Art. 1) defines "official" as a person authorised by foundation documents (charter and establishment agreement) to issue obligatory instructions related to business operations of the company, including president and his deputies, director and his deputies, chief accountant, as well as any other person issuing such instructions on a continuing basis or a person carrying out actual management of the affairs of the company.</p>		

3. Does the regulatory framework stipulate positive qualifications for a person to be appointed as a director? If yes, what are these qualifications?	<p>For banks – the chairman and his deputies shall comply with the following requirements: university degree in law or economics and experience in bank management, or at least two years of experience in bank management, free of conviction for crimes against property, no record of termination of labour contracts due to defeasance in relation to cash or property.</p> <p>For insurance companies –managerial staff shall comply with the following requirements: possess a university degree in the field of economics, technical sciences, law or mathematical science and at least two years of experience in the insurance sector, or, irrespective of the above, a university degree and four years of experience in the field of insurance; free of conviction for crimes against property, or business or job-related offences (e.g. fraud or defeasance).</p>	LBBA, Art. 9  LI, Art. 12	No specific requirements are established with respect to companies in general. Such requirements exist with respect to members of the management of banks and insurance companies only and are checked by, respectively, the National Bank of the Azerbaijan Republic and the Ministry of Finances of the Azerbaijan Republic on application for a banking licence. Further, all banks should have at least one Azeri citizen on the management board, either as a chairman or as a deputy chairman.
4. Does it stipulate conditions under which a person cannot be appointed as a director? If yes, what are these conditions?	<p>Supervisory council of banks: A person may not be a member of the supervisory council if he is a member of the supervisory council in 3 or more other companies or of any bank in Azerbaijan; is an employee of the bank; has been deprived of the right by law.</p> <p>Management Board of banks: A person may not be a member of the management board if he is a member of management board of any other company in Azerbaijan; has been deprived of the right by law; is a state or municipal employee; is the husband (wife)/ relative of the first or second degree of a member of the management board.</p> <p>No similar requirements are imposed with respect to insurance companies.</p>	LBBA, Art. 23 and Art. 25	

	JSCs: representative of an entity subordinated to the company, or officials of state authorities and executive bodies, members of the management board of the company, lawyers or attorneys of the company cannot serve as members of the supervisory council. A member of the management board cannot serve as a member of the supervisory council.	LJSC, Art. 22 and Art. 23	
5. What is the required board structure?	All joint stock companies ('JSCs') and limited liability companies ('LLCs') are required to have management boards.  JSC: must have a management board consisting of at least 3 members. The management board may be composed of both shareholders and third parties and is headed by the chairman.  LLC: management board (which may be composed of a single director) is appointed for a period not exceeding 4 years.	LJSC, Art. 23  LLLC, Art. 34	
6. Does your company law prescribe a unitary or dual board structure consisting of a supervisory and a management board/director?	A supervisory council is required only for joint-stock companies with more than 50 shareholders.  For limited liability companies, a supervisory council is not compulsory.	CC, Art. 107  LLLC, Art. 28	
7. If the company law prescribes a dual board structure, or if this is common practice in the articles of association, please respond to the following questions:			
7.1. Is a dual board structure compulsory or not?	Dual board structure is compulsory for JSCs where number of shareholders exceeds 50.	CC, Art. 107	
7.2. If not compulsory, can the use of a dual board structure be established in the articles of association?	Yes		
7.3. If so, is this option commonly used?	No		
7.4. What are the duties of the supervisory council?	JSC: exercises control over activities of the management board; may (upon resolution of the shareholders or if empowered by the charter) exercise	LJSC, Art. 22	

	<p>some of the authorities of a general meeting.</p> <p>LLC: exercises control over the activities of the management board; if no audit commission is established, the management board may carry out the duties of the audit commission.</p> <p>LBBA stipulates specific duties of the supervisory council for banks: establishment of interest policy; issue of unsecured loans above certain limits; determination of the basis for acceptance, application and return of immovable property as security; approval of participation in other companies; issue of decisions on bringing to account officials of the bank, its representative offices and branches; establish salaries and incentive schemes for officials and employees of the bank, its representative offices and branches.</p>	LLLC, Art. 38  LBBA, Art. 23	
7.5.What are the duties of the management board?	<p>JSC: day-to-day management of the company; also carries all duties not specified as being in the competence of a general meeting or supervisory council. Precise scope is to be established by the charter.</p> <p>LLC: Day-to-day management of the company; represents the company in relations with third parties, including in courts; draft documents to be submitted for consideration by a general meeting; enter into transactions and sign documents on behalf of the company; hire and fire, transfer to a different position, determine salaries, decide on application of incentives; carry out other duties not within the exclusive competence of a general meeting, supervisory council or audit commission.</p>	LJSC, Art. 23  LLLC, Art. 35	
8. Are there any legal requirements as to the composition of the board(s). If yes what are these requirements:			
8.1. in terms of size?	JSC: at least 3 members for each of management board and supervisory council.	LJSC, Art. 22 and Art. 23	
8.2.in terms of qualifications?	See 3 and 4 above.		

8.3.in terms of seats designated to specific shareholders or constituents, including labour representatives?	None		No specific requirements are imposed. However, we note that LBBA (Art. 11) requires at least the chairman or deputy-chairman of the bank to be an Azeri citizen.
9. Does the legislation prescribe the use of independent directors?	No		Use of independent directors is not obligatory. However, under the LLLC (Art. 37) authorities for the management of the company may, where provided by the corporate charter, be transferred to an independent manager, be it a legal entity or a physical person. Said article does not define the term “independent”. A company should enter into an agreement with such director, which agreement should be approved by the general meeting and be signed either by the chairman of the general meeting or by one of the shareholders of the company authorised by the general meeting. CC (Art. 107) provides for

			the possibility to use independent managers in JSCs as well.
9.1.If yes, how is independence defined?	N/a		
9.2.What are the exact provisions regarding their appointment?	N/a		
9.2.Is a concrete number or percentage of independent directors required?	N/a		
10. Is a distinction made between non-executive directors and independent directors? If yes, please describe.	No		
11. Is there a limit as to how many boards an individual can be represented on?	Generally, a member of the management board cannot be a member of the supervisory council and vice versa.		
12. What are the rules and procedures for			
12.1. nominating,	No rules are specified.		Legislation does not specify any rules for nominating a person for election to the management board or supervisory council.
12.2. electing and	JSCs: Members of the management board and supervisory council should be elected by a general meeting.  LLCs: although the legislation does not specifically provide for election or appointment of members of company bodies, but rather refers to the "establishment and termination" of the executive bodies of the company, we understand that this should be interpreted as election of relevant corporate	CC, Art. 107  CC, Art. 91	

	bodies.		
12.3. removing board members?	Members of the management board and supervisory council should be dismissed by the general meeting	CC, Art. 91 and Art. 107	
13. Does the regulatory framework stipulate a maximum election term?	<p>Yes</p> <p>LLC: member of the management board or of the supervisory council should be elected for a maximum of 4 years.</p> <p>Banks: both management board and supervisory council can be elected for a maximum of 4 years.</p>	<p>LLLC, Art. 34 and Art. 38</p> <p>LBBA, Art. 23 and Art. 25</p>	
14. For how long are board members generally elected?	1-4 years		Charters rarely contain provisions as to the term of election.
15. Are all board members re-elected at the same time or are staggered terms allowed?	There are no specific rules		
16. Does the regulatory framework specify the role of the Chairman? If so, what are the main duties of the Chairman?	No		Generally, a description of the duties of the chairman will be contained in the charter.
17. Does it require the separation of Chairman and Chief Executive Officer?	Not specifically but this is the practical result in larger companies if one regards the chairman of the supervisory council as the 'chairman' and the head of the management board as the 'CEO'.		
18. Does the regulatory framework prescribe the formation of any special purpose committees within the board:	No		Usually, audit committees are established outside the management board or supervisory council.

			See 19 below.
18.1. audit committees?	No		
18.2. remuneration committees?	No		
18.3. or nomination committees?	No		
19. If so, what are the requirements for such special purpose committees?	None		
19.1. audit committees?	Audit Commission in JSC: members of the audit commission are elected by the general meeting and cannot serve as members of the management board or supervisory council.  Audit Commission in LLC: members of the audit commission are appointed by the general meeting for a maximum period of four years to exercise control over activities of the executive body of the company. Head (general manager) of the company and members of the executive body cannot serve as members of the audit commission.	LJSC, Art. 24  LLLC, Art. 39	
19.2. remuneration committees?			
19.3. or nomination committees?			
20. And what are their respective functions:			
20.1. audit committees?	Audit Commission in JSC: in general, Audit Commission carries out supervision over financial operations of the company and also carries out an audit of the company in the following circumstances:  <ul style="list-style-type: none"> <li>- following the end of the fiscal year;</li> <li>- upon request of the general meeting;</li> <li>- upon request by a shareholder holding at least 10% of votes;</li> <li>- upon request of the management board or supervisory council;</li> <li>- in other cases specified by the charter.</li> </ul>	LJSC, Art. 24	-

	Audit commission in LLCs: audit commission is entitled to audit financial operations of the company.	LLC, Art. 39	
20.2. remuneration committees?			
20.3. or nomination committees?			
21. For example, are there provisions concerning the size of board remuneration and the possibility to offer stock options to board members?	No		
22. How is the form and level of board remuneration decided?	No accurate information is available, but generally this will be done through the general meeting.		
23. Is this done by the general meeting or through other procedures?	No accurate information is available		
24. To whom is the board primarily responsible?	General meeting of shareholders of the company		We understand that both the management board and the supervisory council are meant here.
25. Is it clearly stipulated that the board's duty is to serve in the interest of all shareholders?	No		
26. What is the field of competence and how is it expressed in the regulatory framework?			
(For example: "The board is responsible for the organisation of the company and management of its affairs, while the managing director is	JSC: The management board shall settle all matters related to operations of the company, except for matters being within the exclusive competence of the general meeting or of the supervisory council. The management board shall be subordinated to the general meeting and supervisory council and shall carry out their decisions".	LJSC, Art. 23	

responsible for the day-to-day business”).	LLC: “The day-to-day running of the company and administration of its activities shall be carried out by the executive body of the company.”	LLLC, Art. 34	
27. Is the division of power between the board and the management clearly specified in the regulatory framework? If yes, how?	<p>There is a clear separation between the management and the supervisory council, if the latter is treated as the “board”:</p> <p>“The management carries out day-to-day management of the company and reports to the supervisory council and the general meeting.”</p> <p>“For the purpose of exercising control over the activities of the management board during periods between general meetings of the company, corporate charter may provide for the establishment of the supervisory council.”</p>	CC, Art. 107; LJSC, Art. 23  LLLC, Art. 38	
28. What are the general board responsibilities?			
28.1.Are boards responsible for the appointment of the key executive positions of the company	Generally, this is done by the management board.	LLLC, Art., 35	
28.2.Are boards responsible for supervising and reviewing their performance and remuneration?	Yes	LJSC, Art. 23 LLLC, Art. 38	
28.3.Are boards required to periodically report to shareholders the status of the company affairs?	<p>Yes</p> <p>JSCs: management board should, at least 30 days before the date of the general meeting, provide the shareholders with information on the affairs of the company, as well as with reports of the management board and the supervisory council.</p> <p>Furthermore, both open-type and closed-type JSCs should publish their annual reports and balance sheets.</p> <p>Except for LLCs carrying out banking activities, LLCs are not required to publish their annual reports and balance sheets.</p>	LJSC, Art. 13  CC, Art. 99 and Art. 100	Under LJSC, Art. 13.1 shareholders may require SB or MB to provide information on affairs of the company

29. Does the regulatory framework specify the fiduciary duties of the board?	<p>Yes, but only in relation to LLCs:</p> <p>The executive body of the company shall not:</p> <ul style="list-style-type: none"> <li>- enter into any transactions (gift, loan, sale and purchase agreement, etc.) with the company for the purpose of obtaining benefit, save upon consent of the general meeting;</li> <li>- receive any commission from the company or from third parties for agreements made between such third parties and the company;</li> <li>- act on behalf of a third party in relation to the company;</li> <li>- engage in activities constituting competition with the activities of the company.</li> </ul> <p>Charter of the company may specify other cases of such prohibitions.</p>	LLC, Art. 36	
30. Are specific duties of the board prescribed vis-à-vis:			
30.1. the shareholders?	No		
30.2. the company as such or	Yes. Officials of the company (or, as it is written in the CC, 'persons acting on behalf of a legal entity') should act in good faith and with diligence in the interests of their company.	CC, Art. 49	LJSC, Art. 23.1 provides that the management board is subordinated to the supervisory council and the general meeting and should implement their decisions
30.3. or society at large?	No		
31. Does the regulatory framework prescribe specific duties of skill? If yes, please describe.	Yes, see 8.2 above		
32. Or fiduciary duties? If yes, please describe.	Yes, see 29 above		
33. Are any administrative duties of	Yes; preparation of documents to be considered by a general meeting		

directors specified? If yes, please describe.			
34. Are there any provisions on consequences of breach of duty?	Yes, see below 35		
35. Are:			
35.1.Criminal	<p>Yes</p> <ul style="list-style-type: none"> <li>- liability for illegally receiving a loan or using a loan for purposes differing from those for which the loan was issued;</li> <li>- illegal actions in course of bankruptcy proceedings</li> <li>- deliberate or false insolvency.</li> </ul>	<p>CrimC, Art. 195</p> <p>CrimC, Art. 210</p> <p>CrimC, Art. 211-212</p>	
35.2.Administrative or	<p>Yes</p> <ul style="list-style-type: none"> <li>- liability for deliberate insolvency</li> <li>- liability for illegal receipt of loans or use of loans for purposes differing from those for which the loan was issued</li> <li>- insider dealing.</li> </ul>	<p>AOC, Art. 202</p> <p>AOC, Art. 204</p> <p>AOC, Art. 212</p>	We are not aware of any cases being initiated in accordance with said Articles of the AOC.
35.3.Civil liabilities for breach of duty imposed?	<p>Where an agreement made with an official for the purpose of representing the company does not provide otherwise, upon demand from shareholders of the company, the official should compensate losses caused to the company following his actions or inactions.</p> <p>Furthermore, LLLC imposes liability for breach of fiduciary duties discussed in details in 29 above. In the event of such breach, any shareholder may apply to court and require compensation of damages caused to the company.</p>	<p>CC., Art. 49</p> <p>LLLC, Art. 36</p>	
36. Are there legal provisions mandating the representation of stakeholders on boards? If yes, please describe.	Yes, but such provisions are limited only to participation of the representatives of the State in companies where the State continues to own a certain share (either 25.5% or 51%) following privatisation.	<p>Regulations on transformation of state enterprises into joint stock-companies (1996), s. 7.11</p> <p>Resolution of the Cabinet of Ministers of</p>	

		the Azerbaijan Republic On approving participation of representatives of the State in management bodies of joint-stock companies established on the basis of state enterprises, where the state continues to own certain controlling or limiting share (2001)	
37. How is the directors access to information regulated:			
37.1.Do directors have the explicit right to inspect corporate accounts?	Not clear		
37.2.What other rights are specified in this respect?	Not clear		
38. What are the requirements in terms of board meetings?	None specified		Generally this matter will be covered by the charter. Often, notice requirements will not be followed.
<i>Practical viewpoint on Boards</i>			
Please respond and illustrate by using case studies, brief examples and board statistics, as available.			

39. How important is the board in corporate governance in your country?	Generally, the principal body is the management board and not all companies have, where required, an operational supervisory council.		
40. Is the existing legal framework successfully put into practice?	Poor drafting significantly complicates matters. In many local companies the management board and the founder are identical. In larger companies there will be a management board which will run the company and the role of the general meetings will not be significant. Often, it will be difficult to get a quorum at the general meetings as the relevant provisions of the LJSC require at least 60% of shareholders to be present for the general meeting.		
41. Are board members enabled to carry out their duties in a professional and informed manner?	While a small number of companies may have skilled and experienced managers, most are small and privately run. Of larger companies, few are publicly held and, in most, the heads of state enterprises are appointed by the President of Azerbaijan or at his recommendations.		
42. Do boards fulfil their strategy setting and monitoring functions properly?	In a very small number of companies.		
43. Do the boards and board members operate in a transparent fashion, consistent with the intentions of the Assembly General Meeting?	In a very small number of companies.		
44. The latter question also targets the nomination and remuneration of directors?	Many companies ignore requirements with respect to procedures to be followed in course of election of members of management.		For example, we have seen cases when the management board of a local company was appointed by the majority shareholder, without any resolution passed at the general meeting.
45. Are boards truly independent from	In several larger companies, the supervisory council is independent of		

management and major or controlling shareholders?	management. However, where the State is the majority or significant shareholder, its influence is often felt in the way the board functions.		
46. Is cumulative voting used and does it have an impact on enhancing board independence?	No		
47. Do boards play an effective role with respect to conflicts of interest, related party or major transactions?	No		
48. Do companies have a sufficient number of independent directors?	No		
49. Do board committees exist and if so, do they fulfil their role?	Occasionally, primarily in banks.		[For example, we are aware of at least one bank which operates separate credit committee and assets and liability committee, whose members are appointed by the supervisory council at the recommendation of the management board..]
50. Are they instrumental in enhancing board effectiveness?	See 49 above		
51. Do they have sufficient power and resources at their disposal?	See 49 above		
52. Do board members possess adequate qualities and competencies?	Rarely.		

53. How do companies identify, select and recruit competent directors?	There are no specific guidelines. Most major companies are still wholly or partly State-owned and the State has a significant say in appointments. Corruption and the 'sale' of directorships is a prevalent problem.		
54. Are board members adequately compensated?	No information is available		
55. Are there education and training programmes for directors?	With respect to banks.		
56. What are the perceived needs in this respect?	Training in general management related matters, drawing up of business plans, legislative awareness (general corporate law, securities, banking, bankruptcy, licensing, real estate), along with ethics and shareholder protection may be a good starting point.		
57. What role do the bilateral and multilateral donors play in assisting such needs?	Poor training are put in place and are made available and is generally made by people without direct knowledge of local problems and legislation. The target population is often mis-directed.		
58. What is the profile of board directors? Are there any statistics in terms of their spread among:	No specific information is available		
58.1.Financial professionals	Very few		
58.2.Legal professionals	Very few		
58.3.Retired industry leaders	Often state industry heads, etc.		
58.4.Retired senior government officials	Larger companies usually have one or more directors who were senior government officials / ministers.		
58.5.Other	Government officials or officials of state enterprises		
59. Do professional associations exist and what is their role in enhancing professionalism and board ethics?	No information is available		We are not aware of any specific professional organisations. There is however a non-governmental organisation called the

			Union of Entrepreneurs and Salans is hoping to establish a Lawyers' Association to regulate the legal profession.
60. Please provide statistics, as available, or describe trends, regarding:	No published information is available		
60.1. Average size of boards of directors?			
60.2. Average number of executive board members.			
60.3. Average number of non-executive (independent) board members?	Rare		
60.4. Number of companies with: - audit committee - compensation/remuneration committee - nomination committee - other committees	No information is available		
60.5. Average size of committees: - audit committee - compensation/remuneration committee - nomination committees - other committees	No information is available Rare Very rare Very rare		
60.6. Attendance of directors meetings?	No specific information is available		
60.7. Average number of	4		

directors meetings per year?			
60.8. Average board remuneration?	No information is available		
60.9. Number of companies with board training programmes?	No information is available		
<b>Stakeholders</b>			
Please provide a description of the regulatory framework together with some empirical illustrations			
61. Please describe which legal acts define the role and rights of shareholders and in what respective terms:			
61.1.company law	<p>1. Law On protection of the rights of investors on the securities market Rules on the elimination of breaches of the law and the exercise of control over the protection of the rights of investors on the securities market: this law specifies measures with respect to protection of rights and interests of investors on the securities market, as well as establishes liability for breach of said rights and interests and the law On Securities (1998).</p> <p>2. LJSC: this law details rights of shareholders and contains certain details as to the exercise of said rights; the law also specifies the duty of shareholders to pay for their shares.</p> <p>3. LLLC: this law specifies rights and duties of shareholders, although not in as much details as the LJSC.</p>		

	4. CC: contains, both with respect to JSCs and LLCs, provisions regulating use of the pre-emptive rights by participants willing to leave the company.		
61.2.labour law	N/a		
61.3.environmental law	N/a		
61.4.contract law	N/a		
61.5.insolvency law	LBI: refers to the right of shareholders		
61.6.other			
62. What concrete provisions ensure the (proper) protection of stakeholder rights:			
62.1.in the company law	<p>Law On protection of rights of investors on the securities market and the law On Securities:</p> <ul style="list-style-type: none"> <li>- prohibition on provisions in agreements made by issuers limiting the rights and interests of investors;</li> <li>- providing investors with information on securities (please see comments);</li> <li>- providing for the publication of securities related information in a special publication of the State Securities Committee (SSC) (including information on special permits issued to professional participants of the securities market, self-regulating organisations of professional participants, administrative measures applied by the SSC, court orders issued upon claims of the SSC, normative-legal acts passed by the SSC)</li> </ul>	Art 2, 3 and 5	<p>For example, emission prospectus should contain the following information (law On Securities, Art. 11):</p> <ul style="list-style-type: none"> <li>(a) Full name of the issuer and its shareholders;</li> <li>(b) Registered address of the issuer;</li> <li>(c) Date and number of state registration;</li> <li>(d) Information on forthcoming issue of securities: <ul style="list-style-type: none"> <li>- information on</li> </ul> </li> </ul>

			<p>securities (type of securities), total volume of the issue, number of issued shares;</p> <ul style="list-style-type: none"> <li>- information on emission of securities (date of decision on issue, name of the authority issuing such decision, place for subscription, name and address for depositories, if applicable);</li> <li>- dates for commencement and finalisation of placement of emission securities;</li> <li>- prices and procedure of payment for emission securities;</li> <li>- information on professional participants of</li> </ul>
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			the securities market to be involved in placement of emission securities.
	<p>JSC:</p> <ul style="list-style-type: none"> <li>- right to dispose of shares;</li> <li>- right to vote (either in person or by proxy);</li> <li>- right to receive information on company affairs;</li> <li>- right to require convening of the general meeting (to be exercised by holders of at least 1/10 of share capital);</li> <li>- right to require audit of operations of the company (to be exercised by holders of at least 1/10 of share capital);</li> <li>- right to require amendments into the agenda of the general meeting of the company (to be exercised by holders of at least 1/10 of share capital);</li> <li>- right to receive compensation for shares in the event of liquidation;</li> <li>- right of pre-emption in purchase of shares offered for sale;</li> <li>- right to leave without consent of other participants.</li> </ul>	<p>LJSC - Art. 10, 12, 13, 14, 15, 16 and 26 CC - Art. 91, 93 and 95</p>	For example, the right to receive information on company affairs may be exercised through: participation in general meeting, requiring members of the management board and supervisory council to submit explanations, giving suggestions, raising objections; receiving information on matters included into the agenda of the general meeting, as the shareholder considers necessary; receiving extracts from or copies of protocols of the general meeting.
	<p>LLC:</p> <ul style="list-style-type: none"> <li>- right to receive information on affairs of the company and right of access to accounting and other corporate documentation;</li> <li>- right to receive dividends from operations of the company;</li> <li>- in the event of liquidation, right to receive liquidation dividend or share of assets;</li> <li>- right to dispose of own share and to leave the company;</li> <li>- right to dispose of shares</li> </ul>	<p>LLLC - Art. 8 CC- Art. 99, 100, 101, 104, 107</p>	

	<ul style="list-style-type: none"> <li>- right of pre-emption in purchase of shares offered for sale (if provided by the charter) or issue</li> <li>- right to require audit of affairs of the company (to be exercised by holders of at least 1/10 of the total size of the share capital)</li> </ul>		
62.2.in the labour law	N/a		
62.3.in the environmental law	N/a		
62.4.in the contract law	N/a		
62.5.in the insolvency law	<p>LBI gives shareholders the right to receive their portion of the assets of the company remaining after settlements with all higher ranking creditors.</p> <p>LBI also deals with the rights of creditors:</p> <ul style="list-style-type: none"> <li>- right to file a petition for declaring a debtor -company bankrupt</li> <li>- right to appeal a court decision issued upon a petition for declaration a bankruptcy</li> <li>- right to receive notice of general meetings of creditors</li> <li>- right to appoint assets administrator</li> <li>- right to receive report of assets administrator</li> <li>- right to accept/modify/reject any out-of-court settlement proposed by the debtor</li> <li>- right to file a request for payment of debt (which right should be exercised within 60 days from the date of the publication of notice on bankruptcy of the debtor)</li> <li>- right to appeal decisions of assets administrator in court</li> <li>- right to convene general meeting of creditors (to be exercised by holders of at least 1/3 of the debt)</li> <li>- right to establish a creditors' committee for the purposes of assisting assets administrator</li> <li>- right to receive compensation for receivables</li> </ul>	<p>Art. 53.1</p> <p>Art. 6, 12, 13, 15, 16, 27, 30, 36, 43, 45, 48, 50, Chapter XII</p>	
62.6.in the other legal acts	Administrative Offences Code 2000 specifies the following types of violations concerning shareholders' rights and imposes respective penalties (currently, minimum salary is AZM 5500 or, approximately, USD 1.2):		

	<ul style="list-style-type: none"> <li>- violation of rules regarding placement and registration of a securities issue – an official may be warned or fined 50 to 70 provisional currency units, and a legal entity may be fined 150 to 200 provisional currency units;</li> <li>- illegal use of internal information for personal benefit by an employee of a professional participant of the securities market or disclosure of internal information to a third party for the purpose of entering into a transaction – a physical person may be fined 25 to 30 provisional currency units, and a legal entity may be fined 50 to 70 minimum salaries;</li> <li>- violation of rules of payment, illegal refusal of payment or for evasion from payment of a value of securities or property, dividends, percentage to be paid from securities – an official may be fined 50 to 70 provisional currency units, and a legal entity may be fined 200 to 250 provisional currency units;</li> <li>- violation of shareholders' rights specified in legislation or any form of illegal restriction of shareholders' rights – an official may be fined 50 to 70 provisional currency units, and a legal entity may be fined 200 to 250 provisional currency units.</li> </ul>	AOC, Art. 208  AOC, Art. 212  AOC, Art. 219  AOC, Art. 220	
63. Is judicial redress provided for by the existing legal framework? If yes, by which laws and in what terms?	Yes: AOC, See 62 above		
64. Is redress by means of mediation and arbitration provided for in the current legislation on stakeholders?	No		
65. Do internal redress procedures for employee rights exist and if yes, please describe?	Not clear		

66. Could you provide examples of cases related to stakeholder right violation?	No information of specific cases is available		According to the reports of the SSC the following actions were taken by the SSC in 2002 in relation to the protection of rights of holders of securities: SSC considered 133 letters of complaint filed by shareholders of 555 joint-stock companies. Following investigation, 50 joint-stock companies were fined for a total amount of 56 650 000 manats. <a href="http://www.scs-az.com/">http://www.scs-az.com/</a> Please also see 67 below.
67. Could you provide examples of cases of legal redress related to such violations or lack thereof?	SSC has applied sanctions upon companies violating rights of shareholders, such sanctions being imposed primarily for failure to give a notice of a general meeting or failure to make due payment of dividends.		
68. Do performance enhancing mechanisms exist for stakeholder participation in corporate governance, such as:			
68.1.employee participation in corporate boards,	No		
68.2.employee stock ownership plans or other profit sharing mechanisms,	No, though profit sharing may exist in a crude form (with bonuses being fixed and paid in normal circumstances).		
68.3.creditor involvement in governance in the context of insolvency proceedings?	Yes  Please see 62.5 above.		

69. How are the stakeholder rights applied in practice?	In most cases shareholders do not take any part in the management of the company.		
70. Does the corporate governance framework recognise the rights of stakeholders as established by law?	Please see 69 above		
71. What are the main current pitfalls in addressing their rights by the corporate governance framework?	Shareholders are rarely involved by the management in the running of the company – furthermore, shareholders themselves display little interest in taking part in such activities. Other than some employee shareholders, non-management related shareholders are still rare.		
72. At this stage of development of the corporate sector, which are the most important stakeholder groups in your country?	Shareholders		
73. Are institutional investors important stakeholders in the corporate governance landscape of your country?	No		
74. Is there a practice by boards of disclosing how the interest of stakeholders are being protected?	No		