

Approved by the Decree of the  
President of the Republic of Azerbaijan  
№ 434 dated December 29, 2000

**STATUTE OF THE STATE OIL FUND OF THE REPUBLIC OF  
AZERBAIJAN**

Including the addendums and amendments according to the Decrees of the President of the Republic of Azerbaijan № 849 dated February 7, 2003, № 202 dated March 1, 2005, № 797 dated July 10, 2008, № 474 dated July 22, 2011, № 478 dated July 26, 2011, № 520 dated October 28, 2011, № 916 dated June 11, 2013, № 427 dated December 22, 2014, № 1461 dated June 16, 2017, № 41 dated May 7, 2018 and dated July 19, 2019

**1. GENERAL PROVISIONS**

1.1. The State Oil Fund of the Republic of Azerbaijan (hereinafter "Fund") has been established in accordance with the Presidential Decree № 240 dated December 29, 1999 "On Establishment of the State Oil Fund of the Republic of Azerbaijan" to ensure effective management of the country's foreign currency assets, generated from implementation of agreements signed between the State Oil Company (or Authorized Government Body) and investors in regard to oil and gas exploration, development and production sharing, including those generated from the implementation of other agreements concerning exploration and development of the oil and gas reserves in the Azerbaijani sector of the Caspian Sea.

1.2. The Fund is accountable to the President of the Republic of Azerbaijan.

1.3. The Fund is an extra-budgetary state institution. The Fund is a legal entity and has a settlement account and other accounts at banking institutions. The Fund has a seal with the State Emblem and its name engraved on it, as well as an appropriate stamp and letterheads.

1.4. Supervisory Board exercises general control over accumulation and spending of the Fund's assets.

1.5. In the implementation of its activities, the Fund cooperates with government bodies, individuals and legal entities of the Republic of Azerbaijan, as well as with international organizations.

1.6. Except for rights and responsibilities assigned by Presidential Decrees and by this Statute, the Fund:

a) does not have any rights, responsibilities and does not bear any commitments to the Government of the Republic of Azerbaijan, other government bodies, including ministries, state committees, public institutions, enterprises and organizations and financial institutions, as well as to any social

funds, public and other non-governmental organizations under jurisdiction of the Republic of Azerbaijan or any other country;

b) does not bear any responsibility for commitments or guarantees of the Government of the Republic of Azerbaijan, other government bodies, public enterprises, institutions and organizations.

1.7. The Fund's operations are guided by the Constitution and laws of the Republic of Azerbaijan, Presidential Decrees and Resolutions, as well as by this Statute.

1.8. The Fund is located in Baku.

## **2. MAIN RESPONSIBILITIES OF THE FUND**

The main responsibility of the Fund is to ensure the accumulation and effective management of foreign currency and other assets generated from the implementation of oil and gas exploration and development agreements as well as from the Fund's own activities, in the best interest of citizens and future generations of the Republic of Azerbaijan.

## **3. REVENUE SOURCES OF THE STATE OIL FUND**

3.1. The Fund's revenue sources are the following:

3.1.1. Revenues generated from implementation of the agreements on exploration, development and production sharing of oil and gas fields in the territory of the Republic of Azerbaijan including the Azerbaijani sector of the Caspian Sea, as well as other agreements on oil and gas exploration, development and transportation entered into between the State Oil Company of the Republic of Azerbaijan or other authorized state bodies and investors:

3.1.1.1. Net revenues generated from the sale of the share of the Republic of Azerbaijan in hydrocarbons (excluding expenditures on transportation of hydrocarbons, customs clearance and banking costs, marketing, insurance and independent surveyor fees, as well as shareholder revenues of State Oil Company of the Republic of Azerbaijan from the investments in the projects where it is an investor, participant or a contracting party);

3.1.1.2. The bonuses paid by investors to the State Oil Company of the Republic of Azerbaijan or the other authorized state bodies for signing or executing the oil and gas agreements;

3.1.1.3. Acreage payments to the State Oil Company or an authorized state body of the Republic of Azerbaijan for the use of the area contracted for oil and gas exploration and development;

3.1.1.4. The share of the Republic of Azerbaijan from the dividends generated from the implementation of the oil and gas agreements; and revenues from profit sharing (excluding shareholder revenues of State Oil Company of the Republic of Azerbaijan from its investments in the projects where it is an investor, participant or a contracting party);

3.1.1.5. Revenues generated from oil and gas transported over the territory of the Republic of Azerbaijan by means of the Baku-Supsa, Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum export pipelines (excluding shareholder revenues of State Oil Company of the Republic of Azerbaijan from its investments in the projects where it is an investor, participant or a contracting party);

3.1.1.6. Revenues generated from the transfer of assets from investors to an authorized state body within the framework of oil and gas agreements;

3.1.2. Revenues generated from the placement, management, sale or other utilization of the Fund's assets (including financial assets and assets handed over by investors within the frames of oil and gas contracts), asset revaluation, etc;

3.1.3. Grant and other aid;

3.1.4. Other revenues and inflows in accordance with the legislation.

3.3. The rules for bookkeeping and reporting the utilization of the Fund's assets are determined by The Supervisory Board of the Fund.

#### **4. UTILIZATION OF THE FUND'S ASSETS**

4.1. The Fund's assets are utilized in accordance with the main directions (program) approved by the President of the Republic of Azerbaijan.

4.2. The Fund's assets may be used for solving the most important nation-wide problems, as well as for construction and reconstruction of strategically significant infrastructure facilities, for the purpose of the country's socioeconomic development.

4.3. Information regarding approved directions for utilization of the Fund's assets for each year, as well as an annual report concerning their actual disbursement is published in the press.

4.4. The Fund's assets may neither be used for lending to government bodies, public and non-public enterprises (organizations), nor as a collateral for debts (commitments, guarantees), and/or other liabilities of any entity under the jurisdiction of the Republic of Azerbaijan.

4.5. The Fund's revenues are exempt from tax, duties and other charges in accordance with the legislation.

4.6. Officials are liable for failure to use Fund's assets for its intended purpose according to the Criminal Code of the Republic of Azerbaijan and Code of Administrative Offenses of the Republic of Azerbaijan.

#### **5. MANAGEMENT OF THE FUND**

5.1. The Executive Director carries out operational management of the Fund's activities.

5.2. The Executive Director is appointed to and dismissed from his position by the President of the Republic of Azerbaijan. Deputy Executive Director is appointed and dismissed from his position by the President of the Republic of Azerbaijan and accomplishes tasks assigned by the Executive director and bears personal responsibility.

5.3. The Fund's Executive Director:

organizes and manages current work of the Fund;

prepares proposals regarding main directions (program) for utilization of the Fund's assets and submits them for approval to the President of the Republic of Azerbaijan together with the opinion of the Supervisory Board;

prepares an annual report on the Fund's operations and submit it to the President of the Republic of Azerbaijan together with the opinion of the Supervisory Board;

prepares cost estimates for managing the Fund (including maintenance costs of the central office) and submit them to the President of the Republic of Azerbaijan for approval;

organizes the preparation of necessary reports based on assignments of the President of the Republic of Azerbaijan;

appoints and dismisses employees of the Fund in a manner determined by the legislation, and apply encouragement and punishment measures to them;

provides the implementation of auditing procedures by an auditor, appointed by the President of the Republic of Azerbaijan;

Presents financial report of the Fund including auditor's opinion to the President of the Republic of Azerbaijan not late than 30th of June and publishes it in internet and media;

prepares analytical information regarding the Fund's activities, and submits it to the President of the Republic of Azerbaijan and to the Supervisory Board;

submits the amount of wages on the classification and degree of the Fund's staff to the approval of the Supervisory Board;

exercises other powers in accordance with the legislation of the Republic of Azerbaijan and this Statute.

5.4. For the purpose of general supervision over the Fund's activities, the Supervisory

Board is to be established comprising representatives from relevant state bodies and

public organizations, as well as of other persons.

5.5. Members of the Supervisory Board are to be approved by the President of the Republic of Azerbaijan.

5.6. The Supervisory Board reviews and gives its opinion on the main directions (program) of utilization of the Fund's assets, the Fund's annual report and balance sheet, as well as the Fund's draft annual cost estimates, approves the amount of wages on the classification and degree of the Fund's staff within salary fund provided for in the cost estimates on the Fund's management presented by the Executive Director.

5.7. The Supervisory Board should meet when necessary but not less than once a quarter. Ad hoc meetings may be held at the initiative of the Executive director or called for by half of the Supervisory Board's members.

5.8. Members of the Supervisory Board carry out their responsibilities without remuneration.

## **6. ACCOUNTING AND REPORTING**

6.1. Fund maintains accounting reporting based on the “Law on Accounting” of the Republic of Azerbaijan and prepares annual financial reports. Annual financial reports are audited and approved by independent auditors appointed by the President of the Republic of Azerbaijan.

6.2. Fund prepares and presents its tax reports in accordance with Tax Codex of the Republic of Azerbaijan and statistical reports in accordance with the law of the Republic of Azerbaijan on “Official statistics”.

## **7. MAKING CHANGES TO THE FUND'S STATUTE**

Any change or addition to the Fund's Statute is to be approved by the President of the Republic of Azerbaijan.

## **8. RE-ESTABLISHMENT AND LIQUIDATION OF THE FUND**

Re-establishment and liquidation of the Fund can be carried out by a decree of the President of the Republic of Azerbaijan.