
1.1 The activity of the State Oil Company of the Azerbaijan Republic (hereinafter referred to as the "Company") consists of ensuring the effective functioning and development of the petroleum industry as an integrated system and the reliable satisfaction of consumers' demand for fuel.

1.2 The Company engages in commercial activity. The Company exercises ownership over all hydrocarbons produced and petroleum products obtained from their processing.

1.3 The Company is guided in its activity by the Constitution of the Azerbaijan Republic, the laws of the Azerbaijan Republic, decrees and orders of the President of the Azerbaijan Republic, resolutions and orders of the Cabinet of Ministers of the Azerbaijan Republic, other regulatory legal acts, international treaties to which the Azerbaijan Republic is party, agreements concluded in the sphere of petroleum exploration and development approved by laws of the Azerbaijan Republic, and this Charter.

1.4 The Company is a legal entity, possessing an independent balance sheet (the Company balance sheet), clearing and other accounts in banks, including foreign banks. The Company prepares a consolidated account (including balance sheet) of its enterprises, other legal entities and non-legal entities belonging to it (representative offices, branches etc) (hereinafter referred to as "enterprises") together with its independent balance sheet.

1.5 The Company possesses seal, stamps, letterheads and other distinguishing insignia with a depiction of the emblem of the Azerbaijan Republic and the Company name.

1.6 The Company possess the rights to obtain assets and other rights on its own behalf in accordance with the law, to bear liability, and to act as plaintiff and defendant in court.

1.7 The Company bears liability for its obligations with the assets at its disposal. The Company is not liable for state obligations, and with the exception of cases provided for by the law the state is not liable for the Company's obligations.

1.8 The Company's full official name in the Azerbaijani language is Azərbaycan Respublikasının Dövlət Neft Şirkəti, the abbreviated form of the Company's name in the Azerbaijani language is ARDNŞ.

The Company's full name in the English language is “State Oil Company of Azerbaijan Republic” [sic], the abbreviated form of the Company’s name in the English language is SOCAR.

1.9 The Company is located in the city of Baku.

II. Objective, duties and scope of activity of the Company

2.1 The Company's primary objective is the implementation of exploration, discovery, preparation and development of both on- and offshore oil and gas fields, the transportation, processing and sale of oil, gas, condensate and products obtained from
them, the stable and sustainable satisfaction of consumers' demand for fuel and other works and services, and profit generation.

2.2 In order to achieve the above-mentioned objectives in paragraph 2.1 the Company ensures:

(i) production of oil, gas and condensate, the reliable and efficient operation of transportation and refining systems;

(ii) the sale on the domestic and external markets of crude oil, natural gas and products obtained as a result of their processing;

(iii) the satisfaction of the demand of the country's economy and the public for oil, gas, condensate, and other products meeting modern consumer standards obtained from their processing as well as relevant works and services;

(iv) the development and implementation of environmental protection measures;

(v) the use of energy saving technology and equipment, as well as environmentally clean technologies.

2.3 In order to carry out its basic duties the Company implements the following types of activity in accordance with the law:

(i) the development of long-term forecasts regarding the development of the sector, purpose-specific comprehensive scientific, technical, economic and social programs;

(ii) increasing production efficiency, the implementation of a policy of saving energy and material resources, setting up advantageous production, technological and business relations amongst industrial enterprises;

(iii) ensuring mutual relations between the Company and the relevant authorized state authorities for determining the prospective development of the industry;

(iv) development of the production and social base of the industry, investment activity in a manner determined by law for the modernization, expansion and reconstruction of enterprises belonging to the Company and their provision with new equipment and technologies;

(v) geological exploration work, raising the efficiency of field development, acceleration of oil and gas derrick construction using modern construction technology and equipment, also increasing the quality and speed of preparation of fields for operation in accordance with existing legislation in the field of the exploitation of the subsurface and environmental protection;

(vi) enhancement of economic management methods and forms, application of scientific achievements in production;

(vii) the attraction of credits from banks, including foreign banks and other sources, to implement economic and production and technical programmers;

(viii) implementation of human resource policy, organizing the training of personnel and increasing their qualifications in the republic and abroad;

(ix) the creation of favorable opportunities for the social development of the staff of enterprises by strengthening the material base of the social sphere;

(x) relevant mutual activity with state bodies, foreign companies and businessmen;

(xi) ensuring the development of the main directions of geophysical, geological exploration and discovery work and appropriate approvals;

(xii) the adoption of decisions on the development of newly discovered fields,
preparations of experimental industrial operation projects and technological models for the fields operated by enterprises, and development projects for oil, gas and gas condensate fields and their appropriate approval;

III. Assets and income of the Company.

3.1 The assets of the Company and enterprises belonging to it is in the possession of the state. The Company exercises in accordance with and to the extent of the law ownership, use and disposal in relation to its state property.

3.2 The Company's property consists of fixed assets, circulating assets, and other tangible and intangible assets. The Company's property is reflected on its independent balance sheet.

3.3 The Company's assets emanates from the sources below:
(i) Property given by the owner or by a body authorized by the owner;
(ii) Income obtained from commercial activity;
(iii) Loans of banks or other lenders;
(iv) other sources not proscribed by law.

3.4 Having paid taxes and other compulsory payments provided for by law in the established manner the Company independently disposes of profit obtained from its activity.

IV. COMPANY STRUCTURE

4.1 The Company's structure - its management structure and a list of enterprises belonging to it - is approved by the president of the Azerbaijan Republic.

4.2 The Company's management structure ensures effective organization and implementation of activities included in the scope of its activity, in order to achieve the Company's objective and tasks.

4.3 Ensures the exploration, construction and development of oil and gas fields, the transportation, processing and sale of oil, gas, condensate, and products obtained from them, provision of services and the implementation of the Company's other tasks and activities by means of enterprises belonging to the Company, as well as legal entities set up by the Company in accordance herewith and structures not possessing the status of a legal entity.

4.4 Legal entities and structures not possessing the status of a legal entity belonging to the Company (with the exception of enterprises established on the basis of the list approved by the president of the Azerbaijan Republic) are set up, reorganized or disbanded by the Company's president in accordance with the law.

4.5 The Company carries out mutual settlement with enterprises belonging to it through its centralized accounts department.

4.6 The Company may charge enterprises belonging to its structure fully or partially with implementing certain activities included in the scope of its activity.

4.7 The Company's president approves the respective Charter and Regulations of enterprises belonging to the Company’s structure.
4.8 The Company may participate directly in legal entities’ alliances.
4.9 Managers and their deputies of enterprises belonging to the Company are appointed and dismissed and other rights with regard to them provided for by law are exercised by the Company’s president.
4.10 Managers and their deputies of enterprises belonging to the Company bear responsibility under the law for the implementation of the objectives, tasks and functions of these enterprises.
4.11 The respective letterheads, seal and stamps and other distinguishing insignia of enterprises belonging to the Company must bear the Company name together with the name of the enterprise.
4.12 Enterprises belonging to the Company have the rights to primary use of services of other enterprises belonging to the Company.
4.13 Enterprises belonging to the Company must comply with the Company’s Charter, must report on their activity to the Company, must ensure the execution of work programs and budgets approved by the Company, must participate in measures undertaken by the Company and in the resolution of tasks facing the Company, and must accomplish other tasks according to the law.

V. Management of the Company

5.1 In accordance with Paragraph 4.1 hereof the Company’s approved management structure includes the Company’s president, the Company’s senior vice president and the Company’s two vice presidents, as well as the Company’s administration.
5.2 The Company’s president organizes the work of the Company, ensures the Company carries out the tasks facing it and manages the Company’s activity.
5.3 The Company’s president, senior vice president and vice presidents are appointed and dismissed by the president of the Azerbaijan Republic.
5.4 The Company’s president:
(i) ensures the efficient activity of the Company’s administration and enterprises belonging to the Company’s structure;
(ii) organizes monitoring of the implementation of the Company’s decisions;
(iii) approves the Company administration’s structure and organization chart, Regulations of the administration’s structural divisions, in accordance with the law appoints and dismisses administration employees, applies incentives and penalties to them;
(iv) appoints and dismisses managers of enterprises belonging to the Company’s structure and their deputies, approves the respective Charters and Regulations of these enterprises;
(v) within his authority in accordance with the law adopts decisions on the creation, reorganization and disbanding of legal entities and structures which are not legal entities;
(vi) organizes and leads the work of the Company’s Board;
(vii) carries out activity on behalf of the Company without power of attorney, represents the Company in relations with state authorities, local and foreign legal entities, bodies and organizations and international organizations;
(viii) according to established procedure concludes agreements (inter alia with foreign companies) and ensures their execution;
(ix) grants powers of attorney, signs invoices and payment orders; disposes of Company property in accordance with the law; issues orders and instructions on the management of the Company; exercises other rights provided for by law.

5.5 The Company’s vice presidents are appointed and dismissed by the president of the Azerbaijan Republic on the basis of a recommendation from the Company’s president.

5.6 On the basis of division of authorities the Company’s senior vice president and vice presidents carry out activity on behalf of the Company without power of attorney, represent the Company in relations with state authorities, local and foreign legal entities, bodies and organizations and international organizations, grant powers of attorney and possess other rights.

5.7 The Company’s Board is a consultative body carrying out activity under the Company’s president. The Company’s president chairs the meetings of the Company’s Board. Other officials of the Company appointed by the Company’s vice presidents and the Company’s president are included in the Company’s Board.

5.8 The Company’s Board meetings are held no less than once a month. The Company’s president convenes extraordinary meetings of the Company’s Board. The participation of more than half of the persons belonging to the Company’s Board represents a quorum. The Company’s Board’s decisions are passed by a simple majority through an open ballot. Should votes be evenly divided the Company’s president (in the absence of the Company’s president, the Company’s senior vice president) has the casting vote.

5.9 The following issues may be discussed at meetings of the Company’s Board:
(i) Reports on the annual work programmers regarding the activity of enterprises belonging to the Company and their implementation;
(ii) The creation of the Company’s centralized assets and regulations for their use;
(iii) Prices charged for products, services and works in mutual relations of enterprises belonging to the Company;
(iv) Full or partial centralization of production and business functions of enterprises belonging to the Company;
(v) Expediency of joint work of the Company with foreign companies;
(vi) Disputes arising in relations amongst enterprises belonging to the Company;
(vii) Other matters relating to Company activity.

5.10 Meetings of the Company’s Board are duly recorded and decisions adopted on matters discussed. Decisions of the Company Board enter into force upon signature by the Company president.

VI. Reporting, accounting and control in the Company

6.1 The Company keeps accounts according to the law, and compiles a statistical report which it submits to the relevant state bodies.

6.2 The Company’s activity is monitored by the relevant state bodies in accordance with the law.
VII. Company's reorganization and liquidation

7.1 The Company can be reorganized or liquidated by the president of the Azerbaijan Republic.