

Q&A Matrix for Supporting the Implementation of the Beneficial Ownership Disclosure Roadmap for Extractive Industries in Azerbaijan dated 28 June 2018

What is beneficial ownership?

Beneficial ownership refers to natural persons who ultimately own and derive financial benefit from a company or commercial activity. There is no single global standard of beneficial ownership disclosure. There are various detailed definitions available and this project includes developing an appropriate definition for Azerbaijan.

What are the benefits of beneficial ownership disclosure in relation to Azerbaijan's extractive industries?

Beneficial ownership disclosure allows the public to know who owns a company or benefits from a commercial activity. It makes it easier to do business by contributing to increasing trust and confidence in the companies who are investing in or contracting with Azerbaijan's extractive industries. In addition, it allows the government to monitor who is ultimately earning how much in revenues and to ensure that related taxes, duties, etc. are collected in accordance with prevailing laws and regulations. Also, it will help improve transparency and good governance of Azerbaijan's extractive industries. ;

What is the scope of this project?

The project will consider the extractive industries in Azerbaijan only (i.e. commercial activities in relation to the exploration, development and production of oil, gas and mineral resources).

What is the timeframe for this project?

The project started on 1 June 2018 and is expected to be completed by 31 October 2019.

What will this project deliver?

This project will deliver an agreed definition of beneficial ownership in relation to Azerbaijan's extractive industries, recommended mechanisms for collecting, verifying and disseminating information (including possible web-based solutions depending on the number of companies required to register and the frequency at which they will be required to update their records), and draft legislation to facilitate beneficial ownership disclosure.

Why are you using international consultants for this project?

Local consultants, including a member of the Azerbaijani Bar and a partner in a local subsidiary of an international accounting firm (BDO Azerbaijan LLC), are carrying out the project in direct affiliation with international consultants with relevant experience in similar assignments in different jurisdictions. These international consultants will assist BDO and allow Azerbaijan to benefit from their knowledge about international good practice in this area.

What types of companies will have to report beneficial ownership information?

While no decision has been made regarding companies that would be subject to beneficial disclosure obligations, companies likely to be included engage in one or more of the following activities:

- *apply for exploration licenses;*
- *conduct exploration;*
- *develop oil, gas or mineral resources;*
- *produce oil, gas or minerals;*
- *export oil, gas or minerals;*
- *purchase the state's share of oil, gas and minerals production; and*
- *jointly contract with each other to perform any of the activities stated above or related commercial activities*

Who will be able to access the information?

While aiming to improve transparency and reflecting full public disclosure as the main guiding principle, the extent of access to the beneficial ownership information will form part of the mechanisms to be agreed among relevant stakeholders during the project and ultimately to be facilitated through enacted enabling legislation and regulation.

How will the information be accessed?

This will also form part of the mechanisms that are to be agreed during the project implementation. The expectation is that it will be available online.

What implications will the disclosure of beneficial information have for commercial confidentiality?

The disclosure will not include trade secrets or proprietary information. Steps will also be taken to protect information - such as residential addresses relating to Beneficial Owners - that might prejudice the personal security of them and their families.

What activities will the project include?

The project will include desktop research on international good practice, review of Azerbaijani legislation, engagement with stakeholders and two consultation exercises.

Who are the Government of Azerbaijan sponsoring agencies?

The implementing agency is SOFAZ and the executing agency is the Ministry of Finance.

Why is the Asian Development Bank (ADB) funding this project?

ADB has a longstanding involvement in developmental priorities as agreed between the Government of Azerbaijan and ADB, and in close consultation and coordination with its development partners. To enhance its developmental effectiveness, ADB is keen to help improve transparency and establish good governance practices. This project is part of technical assistance provided by ADB to Azerbaijan.

For any queries, please contact Ms. Yagut Ms. Yagut Iltifat Ertenliche, Project Officer, Azerbaijan Resident Mission at yertenliche@adb.org or +9885588106 or Mr. Roland Pladet, Principal Finance Specialist, Energy Division, Central and West Asia Department, Manila, Philippines at rpladet@adb.org or +6326326178.

How can interested stakeholders engage in the consultation process?

The Consultant can be contacted directly at

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or via EITC to address any specific queries from interested stakeholders. There will also be opportunities to respond to consultations and/or participate in plenary consultative sessions to be organized during project implementation.

Are any presentations and/or consultations planned during project implementation?

Yes, the tentative schedule of presentations/consultations can be found at EITC website

Are there any good examples of beneficial ownership disclosure registers in other countries with significant extractive industries?

Yes, beneficial ownership registers have been established in:

- *Ukraine:* <https://usr.minjust.gov.ua/ua/freesearch>
- *United Kingdom:* <https://www.gov.uk/get-information-about-a-company>
- *Zambia:* <https://eiti.org/document/2015-zambia-eiti-report>