

IRAQ NATIONAL OIL COMPANY LAW

IN THE NAME OF THE PEOPLE

THE PRESIDENT OF THE REPUBLIC

Pursuant to the approval of the Parliament and in accordance with the provisions of Paragraph (I) of Article (61), and Paragraph (III) of Article (73) of the Constitution;

The President of the Republic of Iraq (the “**State**” or the “**Republic**”) has resolved to promulgate on 25/3/2018 the following Act:

LAW NUMBER (4) FOR THE YEAR 2018

IRAQ NATIONAL OIL COMPANY LAW (the “Law**”)**

Definitions

Article (1)

The following words and expressions shall, for the purposes of this Act, have the meaning ascribed to them below:

- I- “**The Company**” means the Iraq National Oil Company (INOC).
- II- “**The Board**” means the Company’s Board of Directors.
- III- “**The President**” means the President of the Company and the Chair of its Board of Directors.
- IV- “**Owned Company**” means any company owned in full by the Company.
- V- “**Experts and Specialists**” mean people having practice experience in oil, economic, legal, administrative or technical fields and matters, i.e. those having an educational and experience background that enables them to work for the Company or for the Owned Companies.
- VI- “**Bylaws**” mean the bylaws issued by the Board of the Company for the organization of the affairs of the Company or the affairs of any

Owned Company in a manner that does not contradict the provisions of the laws in force in the Republic.

Incorporation

Article (2)

- I- A public company under the name “Iraq National Oil Company” shall be incorporated as a separate corporate entity enjoying financial and administrative autonomy, to be represented by the President or the authorized representative thereof, and shall report to the Council of Ministers. The Company shall have its head office in Baghdad and may establish branches in the oil producing provinces and offices within Iraq at the request of the President and with the approval of the Board of Directors. The Company may also establish branches and offices outside Iraq with the ratification of the Council of Ministers.

- II- The Company shall carry out its activities throughout the territories, territorial waters, and continental shelf of the Republic of Iraq, and outside Iraq on behalf of the Iraqi State.

Objects

Article (3)

The Company aims at ensuring the best exploitation of oil and gas wealth in of the areas of oil and gas exploration, rehabilitation and development of oilfields, as well as producing, marketing and all activities connected therewith, in addition to investing in the oil and gas manufacturing industries on technical and economic bases to ensure the highest returns and lowest costs, achieving thereby the maximum benefit to the people of Iraq.

Article (4)

The Company shall adopt the following methods to realize and fulfil its objects:

- I- Management, development and operation of producing fields as well as discovered and undeveloped fields;
- II- Entering into exploration, production and export contracts in accordance with the policies of the Republic and in a manner that does not contradict the Iraqi Constitution;
- III- Developing exploration, production, transport, storage and marketing operations, and other associated oil operations;
- IV- Managing the service contracts entered into during the exploration, development and production licensing rounds. The Company shall review and amend the contracts entered into in a manner that safeguards the interests of the people of Iraq.;
- V- Developing the national effort in oil and gas extraction, marketing and industrial operations, and investing in joint fields shared with neighbouring countries;
- VI- Managing and operating the main oil pipelines network and export seaports; and
- VII- With the approval of the Council of Ministers, incorporating subsidiaries and funding them in order to carry out their activities on an economic, financial and community-based feasibility.

Capital of the Company

Article (5)

- I- The capital of the Company shall be composed of the following:
 - 1. The value of the Owned Companies' fixed assets, which value shall be determined by a consulting firm selected by the Board and approved by the Council of Ministers; and
 - 2. (400) billion Iraqi Dinars as working capital to be paid by the Ministry of Finance.

- II- The Company may increase its capital mentioned in Paragraph (I) above as needed, provided that such increase may only take place at the proposal of its Board of Directors and with the approval of the Council of Ministers after submittal of the economic feasibility study relating thereto.
- III- The Company may open one or several separate accounts with the Central Bank of Iraq (the “**Central Bank**”) in the local currency and foreign currencies, and may deal with all banks and financial institutions within Iraq. The Company may also open accounts in foreign banks outside Iraq through the Central Bank.
- IV- The Company may, with the approval of the Council of Ministers, borrow from any entity within and outside Iraq to finance its investments.

Board of Directors of the Company

Article (6)

The Board of Directors shall be comprised of the following:

- I- The President of the Company as “Chair”;
- II- The First Vice-President as “CEO of the Company” and Vice-President;
- III- The Second Vice-President as Vice-President;
- IV- The Undersecretary of the Ministry of Oil for Extraction Affairs, as “Member”;
- V- The Undersecretary of the Ministry of Regional Natural Resources as “Member”;
- VI- The Chairs of the Board of Directors of three Owned Companies as “Members”; and
- VII- Three specialized Experts as “Members”.

Article (7)

I.

1. The Company shall be presided by a senior officer of a Cabinet rank, holding at least an undergraduate university degree and is an Expert and Specialist in the field of energy, with a service track record of at least twenty-five years in fields that qualify him to manage the Company. The President shall manage the Company and represent it before third parties, implement the Board's decisions, supervise the formation and implementation of the Company's policy and operations, and shall be directly responsible for the supervision of the State Organization for Marketing of Oil. The President shall be appointed in accordance with the Iraqi Constitution for a period of five years.
2. The First Vice-President is the "CEO of the Company" and shall be of a "Deputy Minister" echelon, holding at least an undergraduate university degree and having experience in the extraction industry with at least twenty years of experience. The CEO of the Company shall supervise the Company's technical, contractual, and economic affairs. The Second Vice-President shall be of a special echelon and must hold at least an undergraduate university degree and have at least 20 years of experience in the field of specialization. The Second Vice-President shall supervise the administrative, financial and legal affairs of the Company.
3. The First and Second Vice-Presidents shall be nominated at the proposal of the President with the ratification of the Council of Ministers in accordance with the applicable laws.
4. The three Chairs of the Boards of the Owned Companies mentioned in Article (7) (II) above shall be selected as "Members" of the Board of Directors, provided that they shall include the Chair of the Board of Directors of Basra Oil Company and the Chair of the State Organization for Marketing of Oil. The third Member shall be selected on periodical basis for one year, at the nomination of the President, from among the Owned Companies operating in the extraction of oil, depending on the production volume. The President of the Company may, with the approval of the Board of Directors, increase the representation of the Owned Companies in the Board of Directors up to a maximum of five members.

5. Three experts with special echelons from those specialized in the oil industry and related fields shall be nominated by the President to the membership of the Board of Directors with the ratification of the Council of Ministers in accordance with the applicable laws.

II-

1. The Company shall consist of the formations associated with the Company's position and determined by the Bylaws.
2. The following Owned Companies are associated with the Company:
 - a. Iraqi Oil Exploration Company
 - b. Iraqi Drilling Company
 - c. Basra Oil Company
 - d. North Oil Company
 - e. Meesan Oil Company
 - f. Central Oil Company
 - g. Dhi Qar Oil Company
 - h. State Organization for Marketing of Oil (SOMO)
 - i. Iraqi Oil Tankers Company

III- The Companies mentioned in Paragraph II (2) of this Article shall be managed by a Director General holding at least an undergraduate university degree and having no less than fifteen years of experience in the field of specialization.

IV- The Board may, with the approval of the Council of Ministers, create any other formation in accordance with the applicable laws, and may also attach any formation to the Company at the proposal of the Board and with the approval of the Minister of Oil (the “**Minister**”) and the Council of Ministers.

V-

1. The association of the companies mentioned in Paragraph II(2) of this Article may be dissolved and in such case, the companies shall be acquired by the Company without any consideration, and all rights and obligations of the Ministry of Oil pertaining to the said companies shall transfer to the Company.
2. All rights and obligations related to the exploration, development and production licensing rounds shall transfer to the Company.

Duties of the Company Board of Directors

Article (8)

- I- The Board shall perform the following duties:
1. To approve the Company's final accounts and submit them to the Federal Board of Supreme Audit for its review and presenting the same to the Council of Ministers for ratification;
 2. To approve the annual budget and submit it to the Council of Ministers for ratification;
 3. To approve the annual and future extraction and development plans, and follow-up on their implementation plans;
 4. To develop and lay down the administrative, financial, organizational and technical plans necessary to conduct the Company's activity, taking into account the social, health, environmental, research and personnel affairs dimensions thereof, and ensuring that they achieve the Company's objects;
 5. To propose to the Ministry of Oil and the Council of Ministers strategies and policies relating to exploration, development, production, export, manufacturing, as well as strategies and policies relating to investment programs for the development of the oil industry and the alternative energy programs;
 6. To lay down policies and programs for the development of infrastructures required to sustain the production, use modern technology and work systems, and adopt methods constantly warranting the improvement and development of the management;
 7. To lay down policies for the qualification, training and development of the Iraqi staff;
 8. To approve the policy of transparency, combating corruption, and good governance in the oil and gas industry;
 9. To lay down environmental protection rules and work on ceasing pollution through the development of alternative energy sources;

10. To lay down plans to encourage the Iraqi private sector, and programs to rehabilitate and develop the same in order to participate in building the oil industry and developing the various energy sectors;
11. To lay down rules to benefit from the abilities and experience of non-Iraqi companies in accordance with competition principles and economic feasibility, so as to achieve the maximum benefit for Iraq as stipulated in the Constitution;
12. To lay down rules for seeking the assistance of consultants, experts and specialized consulting firms within and outside of Iraq in order to develop the technological, technical, accounting and administrative systems with everything related to the Company's on-going and future activities, and to determine their fees;
13. To exercise all the powers and rights vested in the Company pursuant to legislations and in line with the State's oil policy; and
14. The Board may delegate its duties stipulated in Paragraph (I) of this Article to the Chair.

II-

1. The Board shall meet at least once per month upon an invitation from its Chair.
2. The Board may hold an exceptional meeting upon an invitation from its Chair or at the request of three of its Members, provided that such request states the reason justifying such exceptional meeting;
3. The quorum required for a Board meeting to be valid is the attendance of two thirds of its Members, including the Chair. The First Vice-President shall replace the Chair when the latter is absent and the Second Vice-President shall replace when both the Chair and the First Vice-President are absent;
4. The Board shall take its decisions related to the policies, contracts, and investment with the absolute majority of the votes of the Board Members;
5. The Company may invite the Members of the Committee of Oil and Energy (Parliamentary), Members of the Committee of

Energy (Region Parliament), Chairmen of the Committees of Oil, in the Council of Oil Producing Provinces, the Associate Employees elected as Members of the Boards of Directors of Owned Companies, and may also invite experts to provide advice and consultancy and they may attend the meetings of the board provided that their number does not exceed seven in each meeting.

Duties of the President

Article (9)

The President shall perform the following duties:

1. To prepare and present the planning budget and submit it to the Board three months prior to the beginning of the relevant fiscal year;
2. To disburse expenses, and to operate the Company's accounts within the limits determined by the Board;
3. To supervise and control the Company staff and employees, as well as their conduct and discipline;
4. To submit reports to the Board on periodical basis (monthly, quarterly and annual) on the work progress in the Company and in the Owned Companies, and to regularly publish such reports on the websites of the Company and of the Owned Companies;
5. To examine the resolutions of the Board of Directors of the owned Companies, along with the proposals of the Managing Directors and Directors General and to adopt decisions in this respect. The president may propose any of such resolutions to the Board as he may deem appropriate;
6. To prepare the balance sheet, profit and loss accounts, and annual report on the results of the Company's activities during the then ended financial year and to present the them to the Board;
7. To exercise any other authorities vested in the President by the Board to achieve the Company's objects and to conduct its activity;
8. To comply with transparency rules and be held accountable for the Company's decisions under the rules of good governance; and
9. To prepare the annual and future extraction and development plans and present them to the Board for ratification.

Rights and Obligations of the Company

Article (10)

- I- The Company shall commit to the oil policy of the State.
- II- Should the Minister be convinced that a decision of the Board of Directors is biased, the Minister may propose to the Council of Ministers to bring specific modifications to the decision, and the resolution of the Council of Ministers shall be binding upon the Board of Directors.

Article (11)

- I- The Company shall set aside a sum covering all investment and operational costs, not to be less than the costs in all investment fields, for each crude oil barrel and gas produced, plus a specific percentage of profit. This shall be determined in agreement between the Company, the Ministry of Finance, the Ministry of Oil, and the Ministry of Planning, and shall be ratified by the Council of Ministers and reviewed every three years. The said deduction shall be made directly from the Ministry of Finance's account for oil and gas returns kept with the Central Bank.
- II- The accounts shall be settled between the Company and the Ministry of Finance after the end of the Company's financial year and once the Company's financial accounts are completed and ratified by the Federal Board of Supreme Audit.

Article (12)

- I- The financial revenues of the Company consists of the revenues realized from the sale of crude oil, gas and any other products, in addition to any revenues that the Company may realize.
- II- The Company's profits consists of the total revenues, less the charges and expenses as described in Article 11.
- III- The Company's profits shall be distributed as follows:
 - 1. State Treasury: A percentage not exceeding 90% of the Company's profits shall devolve upon the State Treasury and such percentage shall be determined in the Federal Budget Law.

2. The remaining profits of the Company shall, after deduction of the percentage allocated in (1) of this Paragraph, be distributed as follows:

- (a) A percentage of the profits shall be added to the reserve capital of the Company, and the Board of Directors may determine the mechanisms and fields of disposal of such reserve to achieve the interests and objects of the Company;
- (b) A percentage of the profits shall be allocated to the “Citizen Fund”, whereby equal value shares are distributed to all national citizens residing in Iraq, pursuant to priority of the society segments, and the shares may not be sold, purchased or inherited, as they are forfeited upon death;
- (c) Shares of Iraqi citizens residing in regions and Governorates that are not organized in a region and that refrain from delivering the revenues of produced oil and gas to the Company, shall be deprived of profits and their entitlement shall be added to the rest of the shareholders;
- (d) A percentage of the profits shall be allocated to the “Generations Fund” with the object of investing for the benefit of the generations;
- (e) A percentage of the profits shall be allocated to the “Reconstruction Fund” for the purpose of executing strategic projects in the Governorates where the Company carries out an oil activity; and
- (f) The Board shall issue instructions regarding the content of (II) of this Paragraph pursuant to the Bylaws.

IV- Deductions in favour of those entitled under Paragraph (III) above shall be taken from the Company’s account with the Central Bank, and on basis of the estimations approved by the Board in the annual budget, provided that the accounts shall be settled when the financial year has ended and under the supervision of the Federal Board of Supreme Audit.

General and Final Provisions

Article (13)

- I- The Company staff and employees shall be governed by the provisions of the Law of Salaries of State and Public Sector no. (22) for the year 2008 (as amended), the Law of Discipline of State and Public Sector Employees no. (14) for the year 1991 (as amended), and the Unified Retirement Law no. (9) for the year 2014.
- II- Incentives of those working in the Company are excluded from the provisions of the Law of Salaries of State and Public Sector no. (22) for the year 2008, and shall be determined by a regulation to be issued by the Council of Ministers.
- III- Iraqi and foreign experts may be employed by virtue of special contracts entered into directly by the Company.
- IV- The service in the Company and in the Owned Companies shall be deemed to be a pension service as of the effective date of this Law.

Article (14)

- I- The companies mentioned in Paragraph II of Article (7) of this Law shall carry out their activities according to their bylaws and in a manner that does not contradict the provisions of this Law.
- II-
 1. The Company's financial year shall start on the first of January and end on the thirty-first of December of the same year:
 2. The first financial year of the Company shall start on the effective date of this Law and end on the thirty-first of December of the following year.
 3. The Company shall consolidate its annual final accounts and the accounts of its companies in one annual consolidated final account.
 4. The accounts of the Company shall be subject to audit and control by qualified and experienced chartered accountants, according to the best recognized accounting standards in the world for comparable activities.

5. The accounts of the Company shall be subject to the control and audit of the Federal Board of Supreme Audit.
6. The audit results shall be presented to the Council of Ministers for approval.

Article (15)

- I- The Law of Incorporation of the National Oil Company in Iraq no. 123 of 1967, and its amendments, are hereby repealed.
- II- The two decisions of the Revolutionary Command Council (Dissolved) no. (267) for the year 1987 and no. (79) for the year 1995, are hereby cancelled.

Article (16)

- I- The Company and its Owned Companies are excluded from the following laws:
 1. Financial Management Law;
 2. Public Companies Law;
 3. Customs Law;
 4. Foreigners Residency Law;
 5. Governmental Contracts Law and the directives facilitating its implementation; and
 6. The Law of Sale and Lease of State Properties and the directives facilitating its implementation.
- II- The Council of Ministers, upon the recommendation of the Company, shall issue a regulation replacing separately each of the excluded laws listed in Paragraph (I) of this Article, in a manner that safeguards the rights of the Public Treasury.

Article (17)

Both the Company and its Owned Companies may –on need basis- acquire any real estate and property belonging to the State without consideration to fulfil their objectives.

Article (18)

- I- The Company may build on its own property residential compounds to accommodate its staff and employees, along with all social facilities pursuant to work requirements.
- II- The Company may own land and property for its own objects and allocate the same to its staff and employees according to the directions issued by the Board.
- III- The Company may participate in the development of community life, as well as human and economic development, and may build sport clubs in the areas where it operates. These activities shall be taken into consideration when preparing the Company's business plans and annual balance sheet.
- IV- The Company is committed to comply with the sexual, sectarian, religious, racial, and national non-discrimination policy when recruiting and carrying out its operations, and shall support the legitimate rights of its employees.
- V- The Company undertakes to ensure that all "Muharramat" land at its disposal shall be productive either for its own objects related to the sector, or to have them allocated to simple agricultural or industrial projects that do not impede the work of the sector, or to service, tourism or recreational projects.
- VI- The Company may participate in the development of the agricultural, industrial and service sectors, provided that its activities shall include all areas of Iraq to serve the interests of all Iraqi citizens.

Article (19)

Within six months following publication of this Law, the Ministry shall take all necessary measures to enable the Company to start organizing its head office to carry out its activity, including installing the assets of its Owned Companies, transferring the financial assets, providing premises, buildings, data, technical and administrative support, identifying the exclusions from some laws in force, etc.

Article (20)

The Company may only be dissolved or liquidated pursuant to a law.

Article (21)

This Law shall be implemented from date of its publication in the Official Gazette.

Muhammad Fuad Masum
President of Republic of Iraq

Compelling Reasons

This Law has been enacted:

To ensure the exploration, development, production and marketing of the oil resources in the fields and land allocated thereto pursuant to the law on behalf of the Iraqi State, and in order to increase the production and develop the oil and gas industry, the relevant facilities and installations, the work methods on basis of proficiency, flexibility and competitiveness and maximize the revenues of the Iraqi people, all in accordance with the international recognized standards, it is required to establish the Iraq National Oil Company as a public company fully owned by the State and reflecting the concept of the people's ownership of oil and gas, and to create specialized divisions within its organizational structure that suit its role in managing and developing the producing and explored oil and gas fields for the advancement of the oil and gas industry and the development of the other various energy sectors in Iraq.