

On production cooperative

Unofficial translation

The Law of the Republic of Kazakhstan dated 5 October 1995 No. 2486.

Unofficial translation

Footnote. The title and the preamble are given in the new wording; throughout the whole text, the word “Decree” is respectively substituted by the word “Law” by the Law of the Republic of Kazakhstan dated 12 July, 2001 No 241.

Footnote. Preamble is excluded by the Law of the Republic of Kazakhstan dated 29.10.2015 № 373-V (shall be enforced from 01.01.2016).

This Law defines legal status of production cooperatives, organizational, economic and social conditions of their establishment, activity, reorganization and liquidation, rights and obligations of members, powers and responsibilities of the managing and supervision bodies.

Chapter 1. General provisions

Article 1. Concept of a production cooperative

1. A production cooperative shall be recognized as voluntary association of citizens on the basis of membership for joint entrepreneurial activity, based on their personal labour participation and aggregation by their members of asset contributions (corporate stocks).
2. A production cooperative shall be a commercial organization.
3. A production cooperative shall be a legal entity.

Article 1-1. Basic principles of the establishment and activities of production cooperatives

Production cooperatives shall operate on the basis of the following principles:

- voluntariness of entry and retirement;
- introduction of mandatory property (corporate stock) contribution;
- democratic management;
- mutual assistance and secure of economic benefit for its members;
- availability of information in the activity of a production cooperative.

Footnote. Is supplemented by Article 1-1 – by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241.

Article 1-2. Main goals and objectives of this Law

1. The main goal of this Law shall be to create conditions for supporting the development of cooperation, strengthening small and medium-sized businesses, creating new jobs, improving the population’s living standards and consolidation of economic stability.
2. The main objectives of this Law shall be:

- 1) establishing the legal foundation for the creation, registration, operation and liquidation of production cooperatives;
- 2) determining the rights and obligations of members of production cooperatives, as well as the rules for their interaction;
- 3) regulating the procedure for distributing profits and losses among members of a production cooperative;
- 4) establishing decision-making mechanisms within a production cooperative;
- 5) ensuring the development of small and medium-sized businesses and strengthening economic stability in the country.

Footnote. Chapter 1 is supplemented with Article 1-2 pursuant to the Law of the Republic of Kazakhstan dated 05.07.2024 № 115-VIII (effective ten calendar days after the date of its first official publication).

Article 2. Activity of production cooperatives

1. A production cooperative shall have the right to carry out any entrepreneurial activity, which is not prohibited by the legislative acts for private entrepreneurship.
2. The activity, which is subject to state licensing, shall be carried out by the production cooperative in the presence of a license.
3. The subject and objectives of the activity of a production cooperative shall be determined by the charter.
4. Production cooperatives shall be governed by this Law as well during carrying out the activity, regulated by special legislation.

In case of contradiction of the norms of legislative acts, specially regulating separate types of entrepreneurial activity with the norms of this Law, the norms of legislative acts shall apply.

Footnote. Article 2 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241.

Article 2-1. The Scope of this Law

1. This law shall apply to relations regulating the activities of production cooperatives, organizational, economic and social conditions for their creation, activities, reorganization and liquidation, the rights and duties of members, the authority and responsibility of the management and control bodies.
2. This law shall not apply to relations on the regulation of the legal status of an agricultural cooperative formed in the form of a production cooperative, as well as the legal status, rights and duties of its members, which are determined by the Law of the Republic of Kazakhstan "On Agricultural Cooperatives".

Footnote. Chapter 1 is supplemented by Article 2-1 in accordance with the Law of the Republic of Kazakhstan dated 29.10.2015 № 373-V (shall be enforced from 01.01.2016).

Chapter 2. Establishment of a production cooperative

Article 3. Procedure of the establishment of a production cooperative

1. A production cooperative shall be established by decision of the general meeting of founders – individuals.

In the case that the founder (member) of a production cooperative is a foreign citizen, the operation and activity of such a cooperative shall be subject to effect of this Law, taking into account the specifics provided by the Entrepreneurial Code of the Republic of Kazakhstan.

2. The founders of a production cooperative shall not be less than two persons.

3. After the formation of a production cooperative, the founders shall become the members of a cooperative and have equal rights and obligations with other members of production cooperative.

Footnote. Article 3 as amended by the Laws of the Republic of Kazakhstan dated 12.07.2001 N 241; dated 29.10.2015 № 376-V (shall be enforced from 01.01.2016).

Article 4. Constituent documents of a production cooperative

A production cooperative shall carry out its activity on the basis of a memorandum and charter.

Small, medium and large business entities created in the organizational and legal form of a production cooperative may carry out their activities on the basis of a model charter, the content of which is determined by the Ministry of Justice of the Republic of Kazakhstan.

Footnote. Article 4 as amended by the Law of the Republic of Kazakhstan dated 19.06.1997 No 132; dated 18.03.2004 No 537 (shall be enforced upon expiry of six months after its first official publication); dated 04.07.2008 No 54-IV (the order of enforcement, see Article 2); dated November 24, 2021 № 75-VII (shall be enforced upon the expiration of ten calendar days after the day of its first official publication).

Article 5. Memorandum of a production cooperative

1. Memorandum of a production cooperative shall contain:

- 1) decision on establishment of a production cooperative, its firm name and location;
- 2) personal membership of a cooperative with specification of their last names, first names, patronymics, date and place of birth, as well as place of residence;
- 3) procedure of activity on establishment of a cooperative;
- 4) information about composition and amounts of asset contributions, transferring by founders to the property of a cooperative;
- 5) decision on assignment (election) of civil servants of a cooperative, whose activity is required for the establishment and registration of a cooperative;
- 6) determination of powers of the specified persons in connection with the decision of the issues of the establishment of a cooperative and organization of its operation;
- 7) approval of the charter of a cooperative;
- 8) procedure for distribution of net profit and losses;
- 9) procedure for retirement of founders from a cooperative.

The other conditions, not contradicting this Law may be included to the memorandum of a production cooperative by decision of the founders.

2. The memorandum shall be signed by all founders.

3. The memorandum of a production cooperative shall be included into documents that are the trade secret, and shall be subject to submission to state and other official bodies, as well as to the third parties only under the decision of the executive body of a cooperative or in cases, established by the legislative acts.

Footnote. Article 5 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 18 March 2004 No 537 (shall be enforced upon expiry of six months after its first official publication).

Article 6. Charter of a production cooperative

1. The charter of a production cooperative shall contain information about:

1) the firm name of a cooperative;

2) the location of a cooperative;

3) the procedure for admission, retirement and expulsion from the members of a production cooperative, their rights and obligations;

4) the procedure for formation of provisions on the composition and competence of the bodies of management and control of a cooperative and taking by them decisions, including the issues, decisions of which shall be adopted unanimously or by the majority of votes;

5) the amount of the corporate stock of each member of a production cooperative, composition and procedure for payment of asset contribution by members of a production cooperative, and their responsibility for breach of obligation on payment of the contribution;

6) the character and the procedure for personal participation of members of a production cooperative in its activity and their responsibility for breach of obligation on personal labour participation;

7) interrelations between a cooperative and its members, executive body of a cooperative and labour collective of employees;

8) the procedure for distribution of net profit and losses of a cooperative;

9) the procedure for reorganization and liquidation of a cooperative.

The charter of a production cooperative may contain other provisions, not contradicting this Law.

2. A firm name of a cooperative shall contain its name and the wording “production cooperative”.

3. The charter shall be approved by the general meeting of founders.

The charter shall be unanimously approved.

Amendments to the charter shall be made by the decision of the general meeting of members of a cooperative in the manner, provided by Article 15 of this Law.

The charter shall be signed by a chairman of the board (a chairman) of a cooperative.

4. The charter of a production cooperative shall be submitted to state and other official bodies, as well as upon request of third parties, having contractual relations with a cooperative, or desiring to enter into these relations.

Footnote. Article 6 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241.

Article 7. Asset contribution of a member of a cooperative

1. Asset contributions of members of a production cooperative shall form the primary capital and shall be intended for the establishment and organization of activities of a cooperative, as well as for covering expenses.

2. Composition and amount of asset contributions, as well as the procedure, methods and terms of their payment shall be determined by the memorandum or the charter.

3. Payment of additional asset contributions by members of a cooperative may be provided by the decision of general meeting of a cooperative. This decision shall be adopted in the manner, specified by Article 15 of this Law.

4. Membership asset contribution of a newly admitted member shall be determined by his/her agreement with a cooperative and shall be fixed in the minutes of the general meeting of members of a cooperative.

5. Each member of a cooperative shall be issued by a document, certifying the amount and type on his/her membership asset contribution.

6. The asset contribution to a cooperative may be money, securities, property rights, including the right of land use, rights to the results of intellectual property and other property.

Pecuniary valuation of the asset contribution of a member of a cooperative may not be made only under the agreement between founders of a cooperative and shall be subject to independent audit. The independent audit shall not be conducted in case when asset contributions of members of a cooperative consist only of money.

Upon re-registration of a production cooperative the pecuniary valuation of asset contribution of its member may be confirmed by the bookkeeping documents of a cooperative or by the audit report.

7. In case when the property is transferred by a member of a cooperative as a contribution to cooperative only for use, the amount of contribution shall be determined proceeding from the rent charge for use of this property, calculated for the period, specified by the agreement of members of a cooperative.

Footnote. Article 7 as amended by the Law of the Republic of Kazakhstan dated 15 July 1996 No 30; dated 11 July 1997 No 154; dated 12 July 2001 No 241; dated 05 May 2006 No 139 (the order of enforcement, see Article 2 of the Law of the Republic of Kazakhstan No 139).

Chapter 3. Membership in a production cooperative

Article 8. Members of a production cooperative

1. Members of a cooperative shall not be less than two persons.

2. A member of a production cooperative may be any individual, attained the age of sixteen, willing to be a member of a cooperative and capable to take personal labour part in its activity.

3. The consent from administration (body of a legal entity) at the primary place of his/her employment or study shall not be required for entry to a cooperative in the capacity of its member.

The entry to a cooperative by minor citizens shall require the consent from their parents, adoptive persons or trustees.

Article 9. Rights of a member of a production cooperative

1. A member of a production cooperative shall have the right:

1) to participate in the management of cooperative affairs, as well as in work of the general meeting of members of a cooperative with the right of one vote, in the manner, specified by this Law and the constituent documents of a cooperative;

2) to elect and to be elected in managing bodies of a cooperative, to submit proposals on the improvement of activity of a cooperative, elimination of deficiencies in work of its bodies and civil servants;

3) to receive full information on the activity of a cooperative, including the right to familiarize with accounting and other documentation of a cooperative;

4) to participate in distribution of the net profit, received by a cooperative;

5) to receive the share of the net profit that is subject to distribution between members of a cooperative, in accordance with his/her labour participation in its activity, unless otherwise provided by the constituent documents;

6) to receive payment for his/her work in cooperative in the form of salary or in other form, established by a cooperative;

7) to enjoy privileges and advantages, provided by a cooperative for its members, including the right to first priority purchase of the goods (works, services), produced by this cooperative, use of cooperative property, receiving social security from a cooperative;

8) to rest, as well as to annual leave with pay;

9) to social security;

10) to retire from a cooperative in established manner.

2. A member of a cooperative may have the other rights, provided by this Law, other legislative acts and constituent documents of a cooperative.

3. The waiver of the rights provided by this Law and other legislative acts for a member of a production cooperative, or their restriction, as well as under agreement of members of a cooperative, shall be invalid.

Footnote. Article 9 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 10. Obligations of a member of a production cooperative

1. A member of a production cooperative shall be obliged:
 - 1) to comply with the requirements, provided by the constituent documents of a cooperative;
 - 2) to execute decisions of the general meeting, elective managing bodies of a cooperative, adopted in accordance with their competence;
 - 3) to make asset contributions to a cooperative's property in the manner, method and amount, provided by the constituent documents of a cooperative;
 - 4) to carry out personal labour participation in the activities of a cooperative;
 - 5) to bear additional (subsidiary) responsibility for the obligations of a cooperative in the amount and manner, provided by this Law;
 - 6) to comply with production and labour discipline, occupational safety and health regulations;
 - 7) not to disclose the information that is declared by a cooperative as its trade secret.
2. A member of a cooperative may bear other responsibilities, provided by this Law, other legislative acts and constituent documents.

Article 10-1. Provision of information by a production cooperative

Executive body of a production cooperative shall be obliged to inform members of a cooperative about the institution of court proceedings concerning a corporate dispute.

Information about the institution of court proceedings concerning a corporate dispute shall be provided to the members of a cooperative in the manner, provided by the decision of the general meeting of members of a cooperative (unless otherwise provided by the constituent documents), no later than seven business days from the date of receipt of the relevant judicial summons or a citation for a civil case concerning a corporate dispute by a production cooperative.

Footnote. Chapter 3 is supplemented by Article 10-1 in accordance with the Law of the Republic of Kazakhstan dated 05.07.2008 No 58-IV (the order of enforcement see Article 2).

Article 11. Termination of membership in a production cooperative and change in composition of its members

1. A member of a cooperative shall have the right to retire from it in his/her discretion, by notifying a chairman of the board (a chairman) of a cooperative about it, not less than two weeks before retirement. The constituent documents may provide longer term of notification, but it shall not exceed the period of two months. Upon expiry of these terms, a member of a production cooperative shall be considered as retired from a cooperative.
2. A member of a cooperative may be expelled from a cooperative by decision of the general meeting:
 - 1) in case of systematic failure to perform or inappropriate performance of duties, assigned on him/her by the charter of a cooperative;
 - 2) due to the membership in an analogous cooperative;

3) in other cases, provided by the constituent documents.

The decision on expelling from membership of a production cooperative may be appealed in court.

3. The membership in a cooperative shall be terminated in the following cases:

1) death of a member of a cooperative, declaring him as decedent, recognition as missing;

2) transfer of the corporate stock of a member of a cooperative by him/her in the manner, provided by paragraph 5 of this Article;

3) enforced collection of the corporate stock of a member of a cooperative by a creditor (creditors);

3-1) waiver of personal labour participation in the activity of a production cooperative by a member of a cooperative.

4. In case of death of a member of a cooperative, his/her heirs may be admitted to membership of a cooperative, unless otherwise provided by the charter of a cooperative.

5. A member of a cooperative shall have the right to sell his/her corporate stock or its part to another member of a cooperative (members), unless otherwise provided by the constituent documents of a cooperative or by the legislative acts.

The transfer of a share (its part) to a citizen who is not a member of a cooperative is allowed only with the consent of the members of the cooperative, unless otherwise provided by legislative acts. In this case, other members of the cooperative shall enjoy the pre-emptive right to purchase such a share (its part), except for the cases provided for by this Law.

6. A person that is not a member of a cooperative, that received the corporate stock or its part in the manner, provided by this Article, and who showed his/her wish to enter into cooperative shall be subject to admission to its membership.

7. Members of a cooperative, attained the retiring age may preserve the membership in a cooperative under the terms, provided by the charter of a cooperative.

8. Admission of new members of a cooperative shall be made by the general meeting of members of a cooperative in the manner, provided by Article 15 of this Law.

Footnote. Article 11 as amended by the Laws of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 07 August 2007 No 321 (shall be enforced from the date of its first official publication); dated June 29, 2020 № 352-VI (shall be enforced ten calendar days after the day of its first official publication).

Article 12. Enforced collection of corporate stock of a member of a production cooperative

1. Enforced collection of the corporate stock of a member of a cooperative due to his/her personal debts shall be allowed only in case of deficiency of his/her other property to cover such debts.

2. Upon enforced collection of the corporate stock, a cooperative shall allocate a share in the property of a cooperative, adequate to the corporate stock of its member-debtor. The amount of the share shall be determined according to the data of the accounting report on the date of receipt of the claim of a creditor (creditors).

The share shall be allocated in monetary form or in kind.

Article 13. Consequences of changing the membership in a production cooperative

1. In case of retirement of a member of a cooperative from a cooperative by his/her discretion, as well as in case of expelling from it (paragraphs 1 and 2 of Article 11 of this Law) a member of a cooperative shall be paid or issued by his/her corporate stock, as well as other payment, provided by the charter shall be made.

The issuance of the corporate stock or other property to retiring member of a cooperative shall be made in the end of financial year and approval of accounting balance sheet of a cooperative.

The payment of the cost of the corporate stock by the agreement between a retiring member and a cooperative may be replaced by the issuance of the property in kind.

A retiring member of a cooperative shall be paid by a portion of profit owed to him/her, received by a cooperative in the actual year, for the period of his/her participation in that year.

2. Disbursements for personal labour participation in the activity of a cooperative shall be made within one month upon the date of termination of membership in a cooperative.

3. In case of expelling a member of a cooperative for violation of obligation on personal labour participation in the activity of a cooperative, the mentioned member of a cooperative shall not take part in distribution of profit, received for the period, when he/she didn't worked in this cooperative.

4. Property, transferred to use of a cooperative by a retiring member shall be returned without remuneration, unless otherwise provided by the constituent documents of a cooperative.

4-1. Apportionment of a land plot in kind, the right to which is transferred as a contribution to a production cooperative (including the right for conditional land share) shall be made in the manner, established by the land legislation of the Republic of Kazakhstan upon retirement of a member of a cooperative.

5. Upon the refusal of a heir of a deceased member of a cooperative to join the cooperative, or upon the refusal of a cooperative on admission of a heir, the heir shall be paid a share in the property, proportionate to the corporate stock of a deceased member of a cooperative, as well as the part of net profit of a cooperative owed to deceased member and remuneration for personal labour participation in the activity of a cooperative.

6. Upon purchase of the corporate stock or part of the corporate stock of a retiring member of a cooperative by a member (members) of a cooperative, the share of a purchaser in the property of a cooperative shall be increased in proportion to the increase of his/her corporate stock.

7. Upon disbursement or issue of the corporate stock by a cooperative to a retiring member of a cooperative or his/her heirs, as well as upon enforced collection of creditors to

the corporate stock of a member of a cooperative due to his/her personal debts, the shares of the rest of members of a cooperative shall increase proportionate to the amount of their corporate stock, established on the date of retirement.

8. Upon the admission of a new member into a cooperative with introduction of asset contribution by him/her, new amount of shares of members of a cooperative in its property shall be determined.

Footnote. Article 13 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; by the Law of the Republic of Kazakhstan dated 29 December 2003 No 512.

Article 14. Responsibility of members of a production cooperative on cooperative's liabilities

1. Members of a cooperative shall bear additional (subsidiary) responsibility on cooperative's liabilities.

2. A member of a cooperative, entered into a cooperative after its establishment in the procedure of transfer of the corporate stock or succession of the corporate stock shall be responsible on an equal basis with other members on liabilities, arising before his/her entering into cooperative.

3. A member of a cooperative, entered into a cooperative after its establishment, shall be responsible on liabilities, arising after his/her entering into cooperative.

4. A member of a cooperative retired from it in the procedure of transferring of the corporate stock to another member or to a third party, in case of enforced collection of his/her share by a creditor (creditors), as well as a heir of a descended member, being refused in admission to a cooperative, shall not be liable for cooperative's liabilities.

5. Limited size of the additional (subsidiary) responsibility of a member of a cooperative on cooperative's liabilities shall be determined by the constituent documents, but may not be less than cost rate of the corporate stock of a member of a cooperative. The distribution of the responsibility between members of a cooperative shall be made proportionate to their corporate stocks.

Chapter 4. Management of a production cooperative

Article 15. General meeting of members of a production cooperative

1. The supreme body of a cooperative shall be the general meeting of its members.

The constituent documents may provide assignment of functions of the supreme body to the meeting of authorized persons in cooperatives which number of members exceeds 100 persons.

2. The exclusive competence of the general meeting of members of a cooperative shall include:

1) change of the charter of a cooperative;

1-1) definition of the main areas of activity of a cooperative;

2) establishment of the executive body, audit bodies and the supervisory board and revocation of their members;

3) establishment of types and amounts of funds and reserves of a cooperative and direction of their use;

4) adoption and change of internal regulations, provisions on payment for labour of civil servants of a cooperative, its members and employees and other acts of a cooperative;

5) establishment of branches and representative offices of a cooperative, the establishment of economic partnerships and entry into them as a participant;

6) decision of the issue on payment of additional corporate stock contributions;

7) admission and expulsion from membership of a cooperative;

8) approval of annual reports and accounting balance sheets of a cooperative, distribution of its profits and losses;

9) decision on reorganization and liquidation of a cooperative;

10) approval of the report of the audit commission (auditor);

11) hearing of the report of the board of a cooperative (a chairman of a cooperative).

3. The constituent documents of cooperative may also refer the decision of other issues to exclusive competence of the general meeting.

4. The issues referred to the exclusive competence of the general meeting cannot be transferred for the decision of the executive body of the cooperative.

5. The general meeting of members of a cooperative may be ordinary and extraordinary.

6. The ordinary general meeting shall be held within the terms established by the board of a cooperative (a chairman of a cooperative), but no later than three months after the end of the next financial year.

The ordinary general meeting of members of a cooperative shall:

1) approve the annual report and accounting balance sheet of a cooperative, distribution of its profits and losses;

2) approves the report of the audit commission (auditor);

3) hear the report of the board of cooperative (a chairman of a cooperative);

4) decide the other issues of the activity of a cooperative, submitted for consideration in accordance with paragraph 8 of this Article.

7. An extraordinary general meeting is convened by the board of the cooperative (chairman of the cooperative) on its own initiative, by decision of the supervisory board, at the request of the audit commission (auditor), as well as at the request of at least twenty percent of the members of the cooperative.

Request to board of a cooperative on convening the extraordinary general meeting shall be subject to execution within twenty days from the date of its application. Otherwise the members of a cooperative, filed the claim on convening the extraordinary general meeting shall have the right to convene the meeting on their own.

8. A chairman of the board (a chairman of a cooperative) shall notify members of a cooperative in written about the date, place, time and agenda of the general meeting not less than twenty days before the date of the meeting.

The general meeting shall not have the right to amend the agenda and to make decisions on the issues that are not included into the agenda, unless otherwise unanimously adopted by members of a cooperative attended the meeting, in the presence of the proper quorum. The reconvening of the general meeting shall be carried out in the same procedure, if the deadline was postponed due to absence of quorum.

9. The general meeting shall be legally competent, if more than half of members of a cooperative, or their authorized persons attend the general meeting.

10. The regulations of the work of the general meeting and voting procedures (open or secret) are determined by the general meeting of members of a cooperative.

11. Each member of a cooperative shall have one vote upon taking the decision by the general meeting, notwithstanding the amount of his/her corporate stock.

12. The decision of the general meeting shall be considered as adopted if it receives more than half of votes of members of a cooperative or their authorized person, attended the general meeting.

The decision on the issues, provided by subparagraphs 1), 6), 7) and 9) of paragraph 2 of this Article shall be considered as adopted, if it receives at least two-thirds votes of all the members of a cooperative.

The reorganization of a cooperative in the form of its transformation into economic partnership shall be performed on the basis of unanimously adopted decision.

13. The charter of a cooperative may determine the issues, decisions on which shall be adopted by the qualified majority of votes or unanimously.

14. A member of a cooperative, in respect of whom the issue of the expulsion is considered shall not take part in voting.

Footnote. Article 15 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated June 29, 2020 № 352-VI (shall be enforced ten calendar days after the day of its first official publication).

Article 16. Supervision board of a production cooperative

1. A supervisory board carrying out the control of executive body's activity of a cooperative may be established in a production cooperative.

Members of a supervisory board may be only the members of a cooperative.

2. Members of a supervisory board shall be elected at the general meeting of members of a cooperative. The number, duration and competence of a supervisory board shall be determined by the charter of a cooperative. A member of a supervisory board may not be the member of the board or the chairman of a cooperative at the same time.

3. The charter of a cooperative may refer the periodic hearing of the reports of board of a cooperative (a chairman of a cooperative), the consent for assignment of civil servants of an

executive body, the preliminary approval of transactions in the amount, exceeding the size, established by the charter, control of execution of decisions of the general meeting of members of a cooperative to the competence of a supervisory board.

4. The issues referred to the exclusive competence of the supervisory board cannot be transferred for the decision of the executive body of the cooperative.

5. Members of a supervisory board shall not have the right to act on behalf of a production cooperative.

Footnote. Article 16 as amended by the Law of the Republic of Kazakhstan dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 17. Audit commission of a production cooperative

1. An audit commission may be created in the cooperative that monitors the financial activities of the executive body of the cooperative. Only the members of the cooperative can be the members of the audit commission. The members of the audit commission cannot be members of the supervisory board and the executive body of the cooperative.

2. Members of audit commission shall be elected at the general meeting of members of a cooperative. The number, duration and competence of audit commission shall be determined by the charter of a cooperative. The constituent documents may provide election of an auditor of a cooperative instead of audit commission.

3. Audit commission (an auditor) of a cooperative shall provide the general meeting of the members of a cooperative with the conclusion on credibility of annual reports and accounting balance sheets of a cooperative.

4. The audit commission (auditor) may carry out inspections on behalf of the general meeting of the cooperative, the supervisory board, on its own initiative or at the request of at least ten percent of the members of the cooperative.

5. The audit commission (auditor) has the right to get acquainted with the financial documentation of the cooperative.

6. (Paragraph 6 is excluded - No 241 dated 12.07.2001)

7. (Paragraph 7 is excluded - No 241 dated 12.07.2001)

Footnote. Article 17 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication); dated June 29, 2020 № 352-VI (shall be enforced ten calendar days after the day of its first official publication).

Article 17-1. Audit of a production cooperative

1. A cooperative shall have the right to engage audit organization, not linked by property interests with a cooperative, the members of its executive, control and other bodies or with members of a cooperative, in case and in the manner, specified in its charter for verification and confirmation of the annual financial reporting as well as for current state of its affairs.

2. The legislative acts may establish mandatory audit of the annual financial reporting for production cooperatives, carrying out the separate types of entrepreneurial activity.

3. The audit of financial activity of a production cooperative may be conducted upon the request of a supervisory board, audit commission (an auditor), and not less than ten percent of members of a cooperative. In the latter case, the services of an audit organization shall be paid by members of a cooperative, requested such audit.

4. If executive body of a production cooperative evades the conduct of audit of financial reporting of a cooperative, when the audit is required or when it is requested by a member of a production cooperative, the audit may be assigned by the court decision, adopted upon the application of interested person or of a member of a production cooperative.

Footnote. Article 17-1 is supplemented by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; as amended by the Law of the Republic of Kazakhstan dated 05 May 2006 No 139 (the order of enforcement see Article 2 of the Law of the Republic of Kazakhstan No 139).

Article 18. Executive bodies of a production cooperative

1. The executive body of the cooperative is the board or the chairman of the cooperative.

2. The board of a cooperative shall be headed by a chairman of the board, elected by the general meeting among members of the board.

3. Members of the board of a cooperative (a chairman of a cooperative) shall be elected at the general meeting of members of a cooperative.

The number of members of the board, as well as the term, on which the board of a cooperative (a chairman of the board) is elected, shall be determined by the charter of a cooperative.

The members of the cooperative board (a chairman of a cooperative) may be only the members of a cooperative.

A member of the board (a chairman of cooperative) may not be the member of a supervisory board at the same time.

4. The board of the cooperative (chairman of the cooperative) carries out the current management of the cooperative's activities and reports to the supervisory board and the general meeting of the members of the cooperative.

5. The competence of the board of a cooperative (a chairman of a cooperative) shall include decision of all the issues of the activity of a cooperative, not referred by this Law and constituent documents of a cooperative to exclusive competence of the general meeting or the supervisory board.

6. The board shall take its decisions at the sessions, which shall be held at least once every three months.

The session of the board shall be valid, if more than half of members of the board attended it.

The issues at the session of the board shall be decided by voting. Decision of the board shall be deemed adopted if it receives more than half of votes of members of the board, attended at the session. In case, if votes "for" and "against" are equally divided, the vote of a chairman of the board shall be deemed decisive.

The charter of a cooperative may provide a scope of issues on which the decisions shall be adopted by the qualified majority of votes or unanimously.

7. A chairman of the board (a chairman of a cooperative) shall act on behalf of a cooperative without power of attorney; dispose the property of a cooperative within the scope, provided by this Law and issue powers of attorney, including those with the right of substitution, on behalf of a cooperative; open the accounts of a cooperative in banks and other credit organizations; carry out hire of labour and dismissal of employees; compulsory for execution by members of a cooperative and employees within the scope of his/her competence impose orders and give instructions.

Footnote. Article 18 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 18-1. Management of the affairs of the production cooperative in the procedure of bankruptcy and rehabilitation

In cases when the production cooperative is declared bankrupt or the rehabilitation procedure is applied and the temporary or bankrupt or rehabilitative manager is appointed in accordance with the procedure established by the legislative act of the Republic of Kazakhstan on rehabilitation and bankruptcy, all powers to manage it shall be transferred to a temporary or bankrupt or rehabilitative manager, respectively.

Footnote. The Law is supplemented by Article 18-1 in accordance with the Law of the Republic of Kazakhstan dated 07.03.2014 № 177-V (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Article 19. Appeal of decisions and actions of managing bodies of a cooperative

1. Decisions and actions of the executive body of the cooperative may be appealed by the members of the cooperative and employees to the supervisory board, which shall have the right to suspend the appealed acts before consideration of this issue at the general meeting of members of the cooperative.

2. Decisions and actions of a chairman of the board may be appealed in the board of a cooperative, which shall have the right to repeal the acts being appealed.

3. Decisions and actions of civil servants of executive apparatus may be appealed to a chairman of the board (a chairman of a cooperative) that shall have the right to repeal the act being appealed.

4. Decisions of any managing bodies of a cooperative and civil servants of its executive apparatus may be appealed to the general meeting of members of a cooperative, which shall have the right to repeal any acts being appealed.

5. Decisions of managing bodies of a cooperative may be appealed to the court.

Footnote. Article 19 as amended by the Law of the Republic of Kazakhstan dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication).

Chapter 5. Economic activity base of a production cooperative

Article 20. Property of a production cooperative

1. Sources of formation of property of a production cooperative shall be:

- 1) asset contributions of members of a cooperative;
- 2) income, received from its activity;
- 3) other sources, not prohibited by the legislative acts.

2. Property, being in the ownership of a production cooperative shall be divided into corporate stocks of its members in accordance with the charter of a cooperative.

A corporate stock shall be a share of a member of a production cooperative in the property of a cooperative.

3. Shares of members of a cooperative in its property shall be calculated in percentage terms.

4. In case of liquidation of a production cooperative (Article 25 of this Law) or in retirement of a member of a cooperative from it (Article 11 of this Law) the latter shall have the right to apportionment of his/her share in the property of a cooperative, proportionate to his/her corporate stock.

Article 21. Funds of a production cooperative

1. The constituent documents of a cooperative may provide the formation of charter fund of a cooperative, which determines the minimum size of the property of a cooperative, securing the interest of its creditors.

The size of charter fund and the procedure for its formation shall be established by the charter of a cooperative.

If a cooperative carries out the activity, in respect of which the legislative acts provide the existence of the charter fund in specified size in the organizations, carrying out such activity, the cooperative shall be obliged to form it and use in the manner, provided by mentioned legislative acts.

2. A cooperative may form a reserve fund at the expense of annual deductions from the income, intended for the provision of ensuring fulfilling the obligations of a cooperative before the creditors and for covering the contingent expenses.

The size of a reserve fund and procedure for its formation shall be established by the charter of a cooperative.

If a cooperative carries out the activity in respect of which the legislative acts provide the existence of reserve fund in the specified size in the organizations, carrying out such activity,

a cooperative shall be obliged to form it and use in the manner, provided by mentioned legislative acts.

3. A cooperative shall have the right to form other monetary and material funds, required for its production and economic activity and for the social development.

The list of such funds, procedure for their formation and expenditure shall be determined in the charter of a cooperative.

Article 22. Distribution of net profits and losses of a production cooperative

1. Net profit of a production cooperative shall be determined following the results for the year. Net profit, remaining after payment of taxes and other compulsory payments, shall be in the full disposal of a cooperative and shall be distributed by the general meeting of its members for the purposes, provided by the constituent documents of a cooperative.

2. Net profit in the amount, determined by the general meetings shall be distributed between members of a cooperative in accordance with their labour participation, unless otherwise provided by the charter of a cooperative.

3. Agreements of members of a cooperative or provisions of its constituent documents, eliminating any of members of a cooperative from participation in the distribution of net profit and cover of losses shall be invalid.

4. The losses of a cooperative, not covered by its property shall be distributed between its members in accordance with Article 14 of this Law.

Footnote. Article 22 as amended by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 27.02.2017 № 49-VI (shall be enforced upon expiry of ten calendar days after the day its first official publication

Article 23. Labour relations in production cooperatives

1. Labour conditions of members of a cooperative shall be regulated by this Law and the constituent documents of a cooperative, and persons, employed cooperatives under the labour agreement shall be regulated by the labour legislation of the Republic of Kazakhstan.

2. (Paragraph 2 is excluded - No 241 dated 12.07.2001)

3. The amounts of remuneration for personal labour participation of members of a cooperative shall be established by decision of the general meeting.

The amounts of wages, including the official salary and tariff rates of employees shall be established by decision of the general meeting of members of a cooperative, unless otherwise provided by its constituent documents.

In all cases, the minimum amount of salary of employees in a cooperative may not be less than minimum level of salary, established by the legislative acts.

Maximum amount of the personal income of members of a cooperative and its employees shall not be limited.

4. (Paragraph 4 is excluded - No 241 dated 12.07.2001)

5. The period of employment in a cooperative shall be included into the labour experience

6. Disciplinary penalties, including the dismissal against a chairman of the cooperative, members of the board, of the supervisory board, and of the audit commission (an auditor) may be imposed only upon the decision of the general meeting of members of a cooperative, and to other its managing employees – also by the board (a chairman) of a cooperative.

7. Duration and schedule of business day in a cooperative, the procedure for granting day-offs, leaves, including additional, other conditions of employment shall be determined in accordance with the labor legislation in internal regulations of a cooperative, as well as in the labour agreement.

Duration of rest time, including the duration of annual leaves shall not be less than minimum length, established by the labour legislation of the Republic of Kazakhstan for the relevant categories of employees.

A cooperative shall implement measures on securing the labour protection, industrial hygiene and sanitation, governed by provisions and regulations, established by the legislation.

8. Members of a cooperative and its employees shall be subject to insurance and social secure.

Pregnant women (members of a cooperative and employees) shall be provided with easy work with preservation of an average wage upon the previous work. The pregnancy leaves, as well as other guarantees for pregnant women and women, having infant children shall be provided in the manner, provided by the labour legislation of the Republic of Kazakhstan.

A cooperative shall establish reduced work day and other guarantees, provided by the labour legislation of the Republic of Kazakhstan for its members and employees under the age of 18.

A cooperative shall have the right to enact additional benefits concerning social secure of its members at the expense of own profits by decision of the general meeting.

Footnote. Article 23 as amended by the Laws of the Republic of Kazakhstan dated 12 July 2001 No 241; dated 15 May 2007 No 253.

Chapter 6. Reorganization and liquidation of a production cooperative

Article 24. Reorganization of a production cooperative

1. A production cooperative may be reorganized by decision of the general meeting of its members in the manner, provided by this Law and the constituent documents of a cooperative on a voluntary basis.

Upon merger and acquisition of cooperatives the sizes of corporate stocks of members of reorganized cooperatives shall be preserved.

2. A production cooperative by unanimous decision of its members may be reorganized into economic partnership.

3. Other grounds and procedure for reorganization of a production cooperative shall be determined by the Civil Code of the Republic of Kazakhstan and other legislative acts.

Article 25. Liquidation of a production cooperative

1. A production cooperative may be liquidated on a voluntary basis by decision of the general meeting of its members in the manner, provided by this Law and the constituent documents of a cooperative.

2. If in the result of retirement of other members, there is only one member left in a cooperative, he/she shall have the right to admit new members and to preserve the cooperative, or to reorganize it into economic partnership that in accordance with the Civil Code of the Republic of Kazakhstan may be established by one person within six months. In failure to fulfill the specified requirements upon expiry of sixth month, the cooperative shall be subject to liquidation.

3. Other grounds and the procedure for liquidation of a production cooperative shall be determined by the Civil Code of the Republic of Kazakhstan and other legislative acts.

4. The property of the liquidated cooperative, left after satisfaction of the claims of creditors, shall be distributed between its members proportionate to their corporate stocks.

Chapter 7. Final provisions

(Chapter 7 is excluded by the Law of the Republic of Kazakhstan dated 12 July 2001 No 241)

The President
of the Republic of Kazakhstan