



SOCAR Sustainable Development Report 2023



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Message from the President



2023 was marked by the 100th anniversary of the National Leader Heydar Aliyev in Azerbaijan. The State Oil Company of the Republic of Azerbaijan (SOCAR) organized a series of events to mark the «Year of Heydar Aliyev».

Last year Azerbaijan made important achievements in the energy sector along with the country's successes in other fields of the economy. I would particularly emphasize the cooperative we managed to establish with reputable energy companies, opening of new representative offices abroad, the launch of production from the «Absheron» gas-condensate field under the «Early Production Scheme» phase, and the strategic steps taken to develop renewable energy.

SOCAR's Supervisory Board approved the «Target Operation Model» last year to enhance efficiency in performance and management at SOCAR in line with the latest corporate standards. The new operating model involves enhanced corporate structure and internal processes focusing on increased business sustainability and corporate culture.

Global climate change challenges are in the spotlight of SOCAR, and the company is regularly enhancing cooperation opportunities with international partners on the efficient management of energy projects, support of decarbonization processes in oil and gas operations. The agreements signed with «Masdar», «ACWA Power», «Energy China» and bp are the documents serving our unified strategy in this perspective.

As a company with a demonstrated commitment to environmental challenges, SOCAR took a number of commitments joining the «Oil and Gas Decarbonization Charter» (OGDC) during COP28 in the United Arab Emirates last year.

These targets include:

- Zero routine flaring by 2030 in all operational areas;
- 30% reduction in upstream emission intensity by

2030 compared to 2022;

- 30% reduction of corporate emissions intensity and 20% of total emissions by 2035 compared to 2022;
- Near zero methane target by 2035;
- «Net zero» emission by 2050.

SOCAR has already managed to mitigate direct upstream emissions. Low-carbon business models and strategies are currently in progress in mid and downstream operations as well. In this context, we are confidently going forward to achieve our goals of reduced emission intensity and carbon neutrality with increased introduction of environmentally sound technologies.

Furthermore, SOCAR continues to take regular actions in line with the Company's Corporate Social Responsibility Policy to enhance the knowledge and skills, as well as social well-being and workplace conditions for employees.

It is also a top priority for the Company to strengthen the capacities of highly qualified personnel and achieve optimized management of human resources. The «Leadership Academy», a joint project co-organized by Türkiye's Boğaziçi University and SOCAR's Baku Higher Oil School, is a promising initiative in this context.

Apparently, the volunteer movement, a primary target of the youth policy set by the country President Mr. Ilham Aliyev, continues to grow in Azerbaijan. «SOCAR Volunteers», as a member of a larger volunteer's family opens wider prospects to shape the generation of young oil workers enabling their active participation in all areas of social life, and to discover creative and innovative potential of students. Our company is committed to support young professionals and volunteers.

GRI 102-1, GRI 102-32, GRI 102-46, GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-54, GRI 102-56

State Oil Company of the Republic of Azerbaijan (hereinafter “SOCAR” or “Company”) SOCAR is pleased to present its 13th Sustainable Development Report (hereinafter “Report”). The primary goal of this Report is to provide all of our stakeholders with complete and transparent information on the Company’s performance and accomplishments in the pursuit of sustainable development. The present Report is the primary source of information about the Company’s economic, social and environmental performance, as well as corporate management and social responsibility projects.

The 2023 Report of SOCAR has been prepared under the Global Reporting Initiative (GRI) Standards on sustainable development reporting, as well as the recommendations of the following standard and instructions:

- Principles of the UN Global Treaties
- UN Sustainable Development Goals 2030
- “SASB” Standards for Oil and Gas Industry

The Sustainable Development Reports are developed under the guidance of the SOCAR’s senior management and approved by the Company’s Executive Management annually. To assure the report’s reliability and accuracy, the management of the Company approves data on relevant fields

In addition, assurance statement was obtained upon completion of necessary assurance procedures by EY to guarantee that the Report is developed under the requirements of international standards, with issues necessary for stakeholders are covered, and with information reflected accurately (p. 95).

Given the extensive and diversified portfolio of SOCAR’s operations, we ensured that the same approach is introduced consistently to the subjects disclosed throughout the report. If the scope of material topics is found to be different, for any reason, from the limits of the Report or any material changes have been made as compared to the previous years, relevant notes are provided within the Report.

This report contains performance indicators on economic, social, and environmental aspects of operations of SOCAR’s facilities in Azerbaijan, as well as SOCAR Energy Türkiye (hereinafter “SOCAR Türkiye”), SOCAR Energy Georgia, SOCAR Energy Ukraine and SOCAR Energy Switzerland.

It is worth emphasizing that some discrepancies might be found between sustainable development indicators on indicators on SOCAR Türkiye and those relased by SOCAR Türkiye itself due to varying accountability boundaries (the number of covered companies).

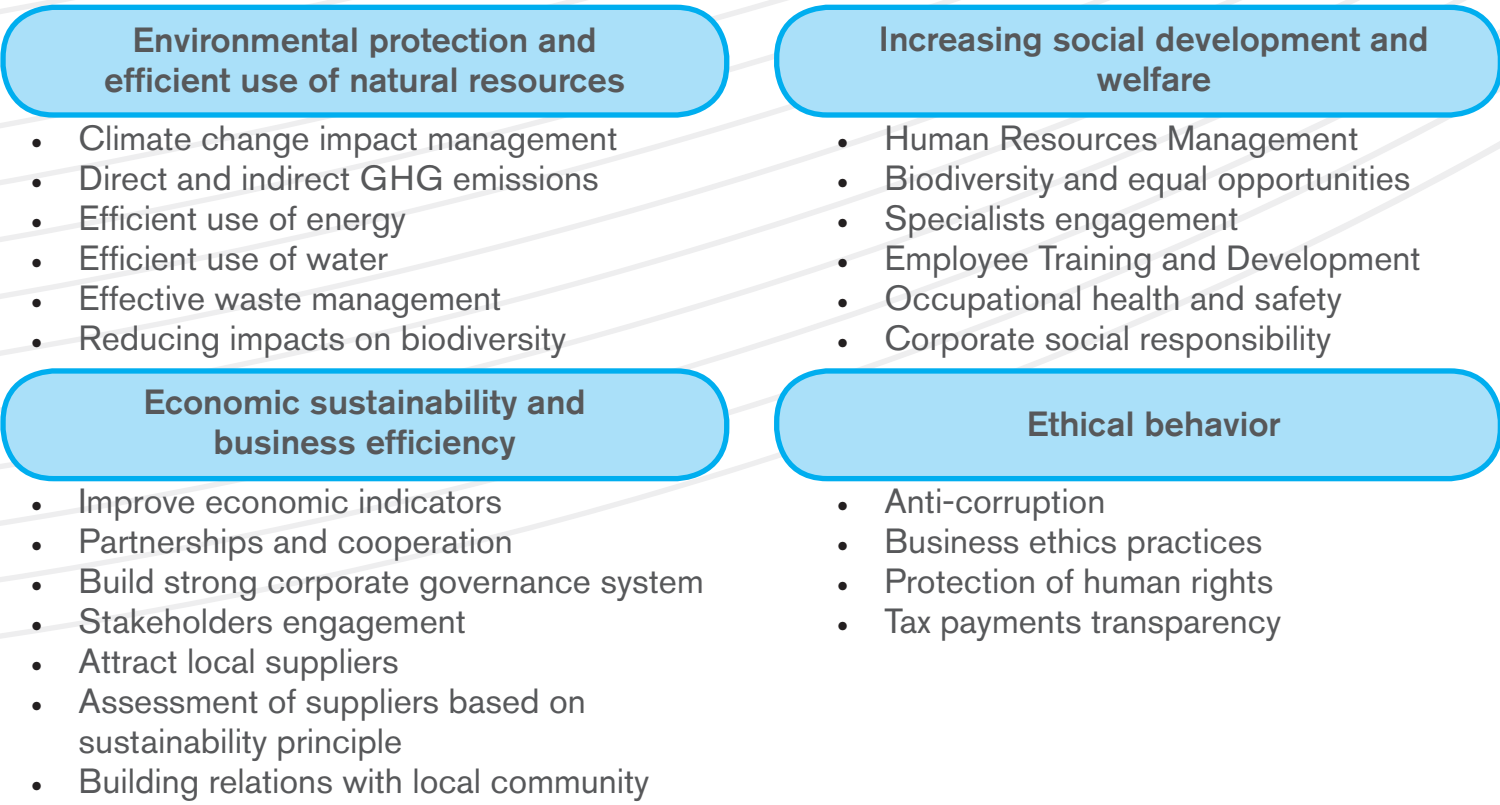
Identification of material topics

GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-46 GRI 102-49, GRI 103-1

Every year, the Company undertakes analysis and studies to identify the content of the Report, including the material topics. To ensure that the topics material for the Company’s stakeholders are disclosed in the Report, we made analysis composed of the following steps:

- Analysis of global trends and reports of leading peer companies on sustainable development;
- Analysis of the present internal systems and the Company’s approach to management of sustainability issues;
- Interviews with persons in charge of various business profile of the Company;
- Analysis of material issues published by the media (hereinafter “Media”).

Figure 1. Material topics



Scope of material topics

GRI 3-2

Table1. Scope of material topics

Scope of material topics			
List of material topics	Scope of aspects	Relevant SDGs	Our contribution
Climate change impacts management	<ul style="list-style-type: none"> • Company • Local population • State • Competitors • Investors 	12, 13, 17	SOCAR approved the SOCAR: 2021-2030 - Low-carbon development strategy to take inventory of GHG emissions, increase energy efficiency, introduce environmental and innovative technologies, and address climate changes of sustainable development.
Direct and indirect GHG emissions	<ul style="list-style-type: none"> • Company • Local population • State • Competitors • Investors 	9, 12, 13	To contribute to the sustainable development of Azerbaijan and reduce reliance on fossil fuels, the Company has built solar power plants and wind turbines, as well as reduced to zero the gas flaring in some facilities.
Efficient use of energy	<ul style="list-style-type: none"> • Company • Local population • Investors 	7, 13	We aim to increase overall energy efficiency and the share of renewable energy sources in the Company's energy balance and sign cooperation agreements with the world's leading companies
Efficient use of water	<ul style="list-style-type: none"> • Company • Local population 	12, 14	SOCAR gives preferences to innovations introduced for efficient use of water in all Company projects and attaches necessary attention to produced waters management.
Effective waste management	<ul style="list-style-type: none"> • Company • Local population • State • Investors 	6, 12, 13	With strict obedience to environmental standards and regulations during SOCAR's operations, we ensure that pollution is reduced, waste is minimized, and natural resources are used effectively
Mitigating impacts on biodiversity	<ul style="list-style-type: none"> • Company • State 	14, 15	During 2023, the Company made researches in areas of SOCAR's oil and gas operations to assess the impacts on biodiversity and took necessary measures.
Human Resources Management	<ul style="list-style-type: none"> • Company • Company employees • Local population • State 	10, 16	It is one of the key elements of our strategy to take care of our employees. Given the difficult working conditions in the sites, we keep control of their continuous development. We believe that equality, diversity, and free expression of opinion within the Company are essential for the sustainability of the business.
Diversity and equal opportunities	<ul style="list-style-type: none"> • Company • Company employees 	5, 10	The success and sustainability of our Company rely on important elements such as talent management and commitment to the principles of equality and diversity in the workplace.
Specialists engagement	<ul style="list-style-type: none"> • Company • Company employees • Local population 	8, 10	In view of the Company's dedication to engagement with qualified persons necessary for SOCAR's effective performance, we ensure the provision of employment of local people and young specialists through different programs.
Employee Training and Development	<ul style="list-style-type: none"> • Company • Company employees • Customers 	4, 5, 8, 10	We train our employees in line with individual training and development plans and the scope of the position to ensure that the performance and skills of employees are improved, and expand the coverage of training programs from year to year.
Occupational health and safety	<ul style="list-style-type: none"> • Company • Company employees • Local population • State • Investors 	3, 12	In 2023, as part of our efforts to improve the HSE management system for SOCAR, the Company developed and introduced a "Zero target" program - Rules that Protect Us" and other necessary working documents.
Corporate social responsibility	<ul style="list-style-type: none"> • Investors • Company • Local population • State • Competitors 	11, 16	SOCAR takes several measures to achieve social results of public importance and create positive social effects and has allocated a total of AZN 300 million for this purpose in the current year. Also, various events are organized to integrate the views of stakeholders into their business activities.

Scope of material topics			
List of material topics	Scope of aspects	Relevant SDGs	Our contribution
Contribution to economic development	<ul style="list-style-type: none"> • Company • Company employees • Local population • State • Customers • Competitors 	8, 11	SOCAR has a material contribution to the public budget with the Company's driving role in the development of the country's economy. We engage and build partnerships with peer companies, as well as leading companies specializing in different areas for organizing our economic activities.
Partnerships and cooperation	<ul style="list-style-type: none"> • Company • Company employees • State • Competitors • Investors 	9, 11, 16, 17	To contribute to our economic performance, we build partnerships and maintain cooperation with similar companies and those specialized in various fields of activity, and sign agreements and MoUs, ensure that this external engagement covers all areas of focus of the Company's performance.
Stakeholders engagement	<ul style="list-style-type: none"> • Company • Local population • State • Investors 	11, 16, 17	It is necessary for the Company to engage the stakeholders to mitigate the potential risks for SOCAR's performance, ensure that all interests are represented, reduce adverse environmental and social impacts and generate value.
Attracting local suppliers	<ul style="list-style-type: none"> • Company • Local population • State • Competitors 	11, 12	SOCAR gives preference to local companies in the procurement of goods, materials, and services to contribute to the economic development in a number of spheres in Azerbaijan. In 2023, the ratio of spending on local suppliers accounted for 52%.
Social and environmental assessment of suppliers' performance	<ul style="list-style-type: none"> • Local population • State • Competitors 	12, 17	The Company ensures that suppliers' compliance with SOCAR's business values and ethical standards are kept under control. And all procurement procedures follow the SOCAR's Procedural Document on Pre-qualification assessment and related criteria.
Building relations with local community	<ul style="list-style-type: none"> • Company • Local population • State 	16, 17	It is the Company's main principle to identify and effectively manage the impacts of the Company's activities, as well as to establish an open dialogue and cooperation with all stakeholders.
Anti-corruption practices	<ul style="list-style-type: none"> • Company • Local population • Competitors • Investors 	10, 16	SOCAR has prepared and successfully implemented the Anti-Corruption Policy, a strategy that introduces the principle of zero tolerance to any form of corruption in areas of business of the Company.
Business ethics practices	<ul style="list-style-type: none"> • Company • Competitors • Investors 	8, 16	During 2023, SOCAR continued to communicate to the staff the Code of Business Ethics. Memos have been presented to the employees using the Company's internal system. In addition, various awareness raising events have been held.
Protection of human rights	<ul style="list-style-type: none"> • Company • Local population • State • Competitors • Investors 	5, 10	Traditionally, the protection of human rights is found to be of vital importance for SOCAR. The Company received no complaints of or recorded no incident on human rights violations during the reporting period.
Tax payments transparency	<ul style="list-style-type: none"> • Company • State 	10, 12	As one of the largest taxpayers in the country, in 2023, the Company paid 2 079 393,2 thousand AZN to the budget and kept the payments under the strict control.

About the Company

GRI 2-1, GRI 2-6

SOCAR is the first national oil company of Azerbaijan involved in oil and gas industry. With its contribution to international economic development processes, SOCAR plays a key role at global level. Founded under the Presidential Decree dated September 13, 1992, SOCAR has targeted to achieve positive and responsible economic, social and environmental impacts in all areas of its business. To achieve these goals, the Company has identified a clear strategy, policy and regulations, as well as mission and vision. Increased environmental and social performance is a key principle that the Company follow in all new projects to achieve sustainable development goals.



Research, exploration and usage of oil and gas fields

Production, processing and transportation of oil, gas and gas condensate



Supply of natural gas to industry and the public in Azerbaijan

Sale of petroleum and petrochemical products, as well as gas in domestic and international markets



Our mission, vision, and values



Our mission

Contribute to sustainable development and energy security at the local, regional and international levels by enhancing our rich oil and gas operations experience with modern technologies and competencies.

Our vision

To become a leading energy company by developing our operations through energy transition, innovation and digitization



SOCAR's business model

GRI 2-1, GRI 2-6

SOCAR's business model involves all streams of the oil and gas industry and is divided into 3 sectors: exploration and production (Upstream), transportation and transport (Midstream), processing and sales (Downstream). Each cycle of production in this model is an important element of the value chain as they provide for production sustainability and all supporting components. The Company has relevant entities including processing facilities to make the final product and deliver to consumer markets, oil and gas producing facilities to supply raw materials, geological and exploration facilities to boost production sustainability and reserves, and oil and gas pipelines and facilities in charge to transport produced oil and gas.

Economic impact and industrial activity

GRI 2-6, GRI 207-1

Being one of the largest taxpayers in the country, SOCAR is the driver of the country's economic development and plays a prominent role in contributing to the state budget. In 2023, the Company's contribution to the public budget amounted to AZN 2 079 393,2 thousand.

Figure 2. SOCAR'S charter capital in 2021-2023 (mln. AZN)

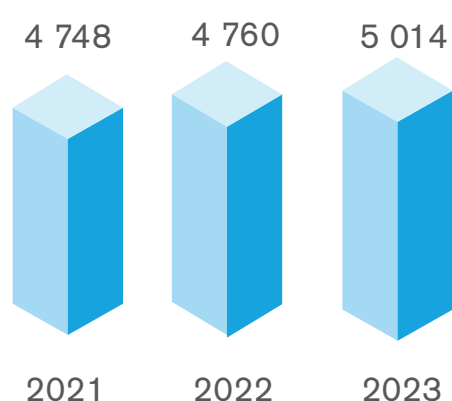


Figure 3. SOCAR's contribution to the public budget in 2021- 2023 (mln. AZN)

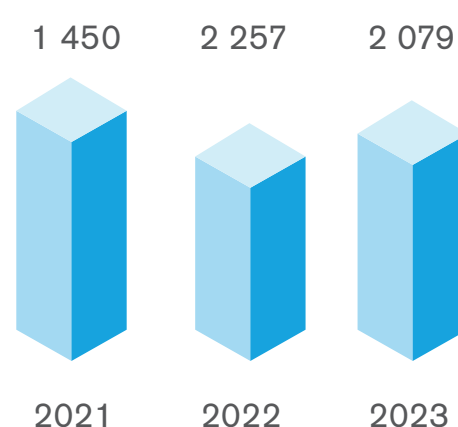


Table 2. SOCAR's economic indicators for 2021-2023, million AZN¹

	2021	2022	2023
Revenues	77 531	119 228	85 201
Prime cost of sales	(68 689)	(104 526)	(76 639)
Distribution costs	(1 708)	(3 048)	(2 206)
General and administrative expenses	(1 456)	(1 851)	(1 939)
Other operating costs	(1 195)	(973)	(2 561)
Financial expenses	(1 247)	(1 537)	(1 833)
Other revenues/(expenses)	(1 121)	2 131	2 050
Profit /(loss) for the year	2 115	9 424	2 073
Other consolidated loss for the year (taxes excluded)	(656)	1 622	(103)
Consolidated revenue /(loss) for the year	1 459	11 046	1 970

Areas of business of SOCAR in Azerbaijan²

GRI 2-1, GRI 2-2, GRI 2-6, GRI 301-1

Along with production unions, trusts and facilities, joint ventures and operation companies engaged in a wide range of activities make significant contributions to SOCAR's operations. In addition, SOCAR and Masdar of the United Arab Emirates signed a "Joint Development Agreement on the development of Offshore Wind and Hydrogen Projects" with a capacity of 2 GW, as well as "Joint Development Agreement on the development of 1 GW solar photovoltaic (PV) and 1 GW onshore wind energy projects in the Republic of Azerbaijan. In addition, SOCAR and Saudi Arabia's ACWA Power signed a cooperation agreement on onshore and offshore wind, solar renewable energy projects, green hydrogen, and green fertilizer production in the Republic of Azerbaijan in February 2023, to further expand cooperation and implement new projects. The agreements marks a milestone on further strengthening cooperation between Azerbaijan and UAE that will help mitigate greenhouse gas emissions in Azerbaijan, contribute Azerbaijan's renewable energy goals and support the country's ongoing sustainable economic development.

Table 3. SOCAR's proven oil and gas resources in Azerbaijan in 2022-2023³

Resource categories	Oil, 10 ³ mt		Condensate, 10 ³ mt		Gas, 10 ⁶ m ³	
	2022	2023	2022	2023	2022	2023
Proven and developed	61 132	55 508	7 381	7 010	61 975	59 982
Proven, developed, and produced	59 280	53 211	4 718	7 010	52 040	59 596
Proven, developed, and not produced	1 852	2 297	2 663	0	9 935	386
Proven and not developed	32 791	26 911	8 457	6 855	51 751	52 804
Proven in total	93 923	82 419	15 838	13 865	113 726	112 786

¹ SOCAR's economic indicators are provided for the SOCAR Group and are based on consolidated financial statements of the Company covering wider boundaries in accordance with International Financial Reporting Standards published as of 31.12.2023. Economic indicators are shown according to GRI 201-1 standard - Direct economic value obtained and distributed.

² More information on SOCAR's areas of business is available on the company's website: <https://socar.az/az/home>

³ SOCAR's proven oil and gas resources in 2020 are based on the research and assessment report by DeGolyer & MacNaughton, in 2021 by "NETHERLAND, SEWELL & ASSOCIATES, INC", while in 2022-2023 by "DeGolyer & MacNaughton" Companies.

Figure 4. SOCAR's share in Production Sharing and Risk Service Agreements on onshore fields, %

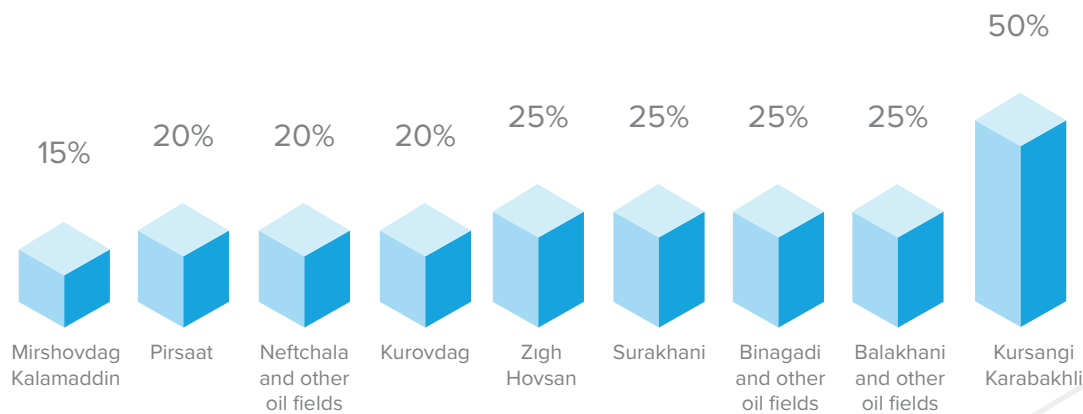
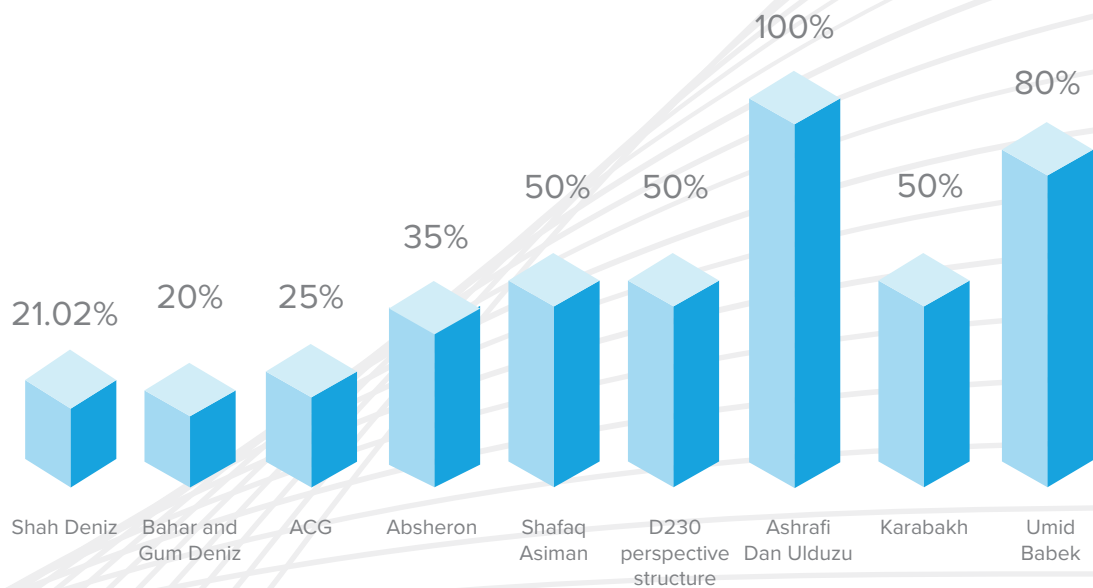
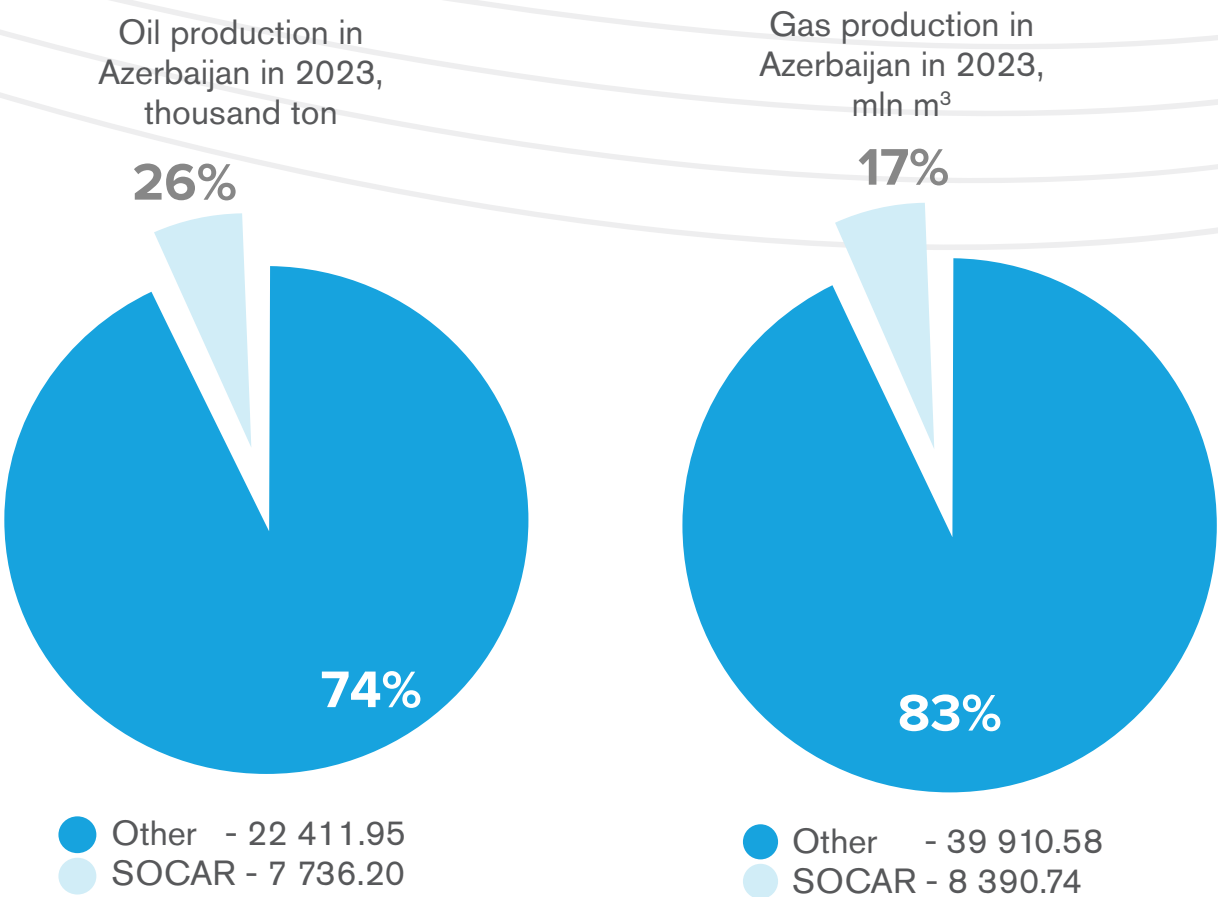


Figure 5. SOCAR's share in Production Sharing and Risk Service Agreements in fields located in the Azerbaijani sector of the Caspian Sea, %



The Company has extensive and specialized facilities for managing reserves, development and production, designing, drilling and construction of new wells. (Upstream).

- Oil and Gas Research Institute
- Department of Geology and Geophysics
- Complex Drilling Works Trust
- Oil and Gas Construction Trust
- "Azneft" PU



SOCAR has a wide range of well-diversified inter-mining and trunk oil-gas pipelines for the collection, processing and transmission of crude oil produced from onshore and offshore fields. (Midstream):

- Oil Pipelines Department
- Gas Export Department
- “Azerigas” PU

Table 4. Volume of delivered oil and gas in 2022-2023 years

	2022	2023
Volume of oil delivered for processing and export, thsd ton	7 700.1	7 976.5
Overall distribution of natural gas, mln. m³	18 371.5	19 289.6
Volume of gas sold domestically, mln. m³	7 320.6	7 371.5

Downstream is a segmentthe processing, delivery and sale of the produced crude oil and gas to the consumers at SOCAR's refineries to consumers:

- Heydar Aliyev Oil Refinery
- Carbamide Plant
- Gas Processing Plant
- Methanol Plant
- “Azerikimya” PU

Table 5. SOCAR's oil and gas production and processing in 2021-2023

Industrial outcomes	2021	2022	2023
Oil processing, thousand tons	6 630.2	6 240.32	6 501.70
Gas processing, million m³	3 602.3	3 608.53	3 506.94

Table 6. Total Production by processing facilities in 2022-2023 years, thousand ton.

Facility	2022	2023
Heydar Aliyev Oil Refinery	5 851	6 165.21
“Azerikimya” PU	563.67	591.41
Methanol Plant	534.5	494.59
Carbamide Plant	537.07	453.58

SOCAR's share in other projects implemented in oil and gas industry in the Republic of Azerbaijan. (Figure 6. SOCAR's Production Sharing projects).

Figure 6. SOCAR's Production Sharing Projects

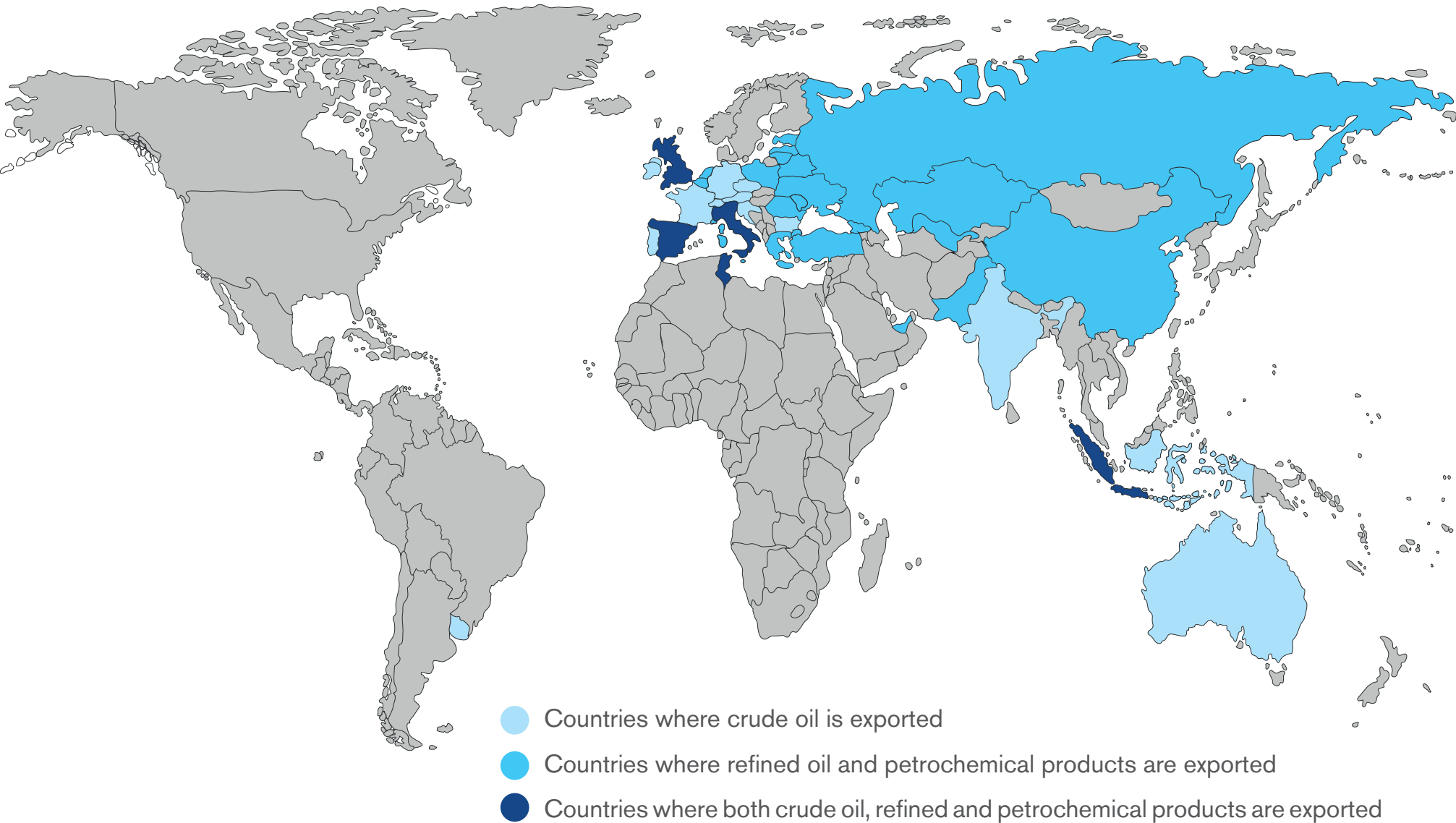
Baku-Tbilisi-Jeyhan Pipeline	The BTC pipeline currently carries mainly ACG crude oil and “Shah Deniz” condensate from Azerbaijan. In addition, other volumes of crude oil and condensate of the Caspian basin continue to be transported via BTC (Kazakhstan and Turkmenistan). In 2023, BTC exported 228.8 million barrels of crude oil.
South Caucasus Pipeline	South Caucasus Pipeline (SCP) has been constructed to transport “Shah Deniz” gas in Azerbaijani sector of the Caspian Sea to Georgia and Türkiye In 2023, the overall throughput of gas via the South Caucasus Pipeline (SCP) constituted 21.83 billion cubic meters.
TANAP	TANAP carries Azerbaijani natural gas from Shah Deniz 2 and other fields of the Caspian Sea to the Türkiye and onwards into Europe. In 2023, 5.6 billion cubic meters out of the 17.11 billion cubic meters of gas carried via TANAP was exported to Türkiye.
TAP	Connecting with the Trans Anatolian Pipeline at the Greek-Turkish border, Trans Adriatic Pipeline is a natural gas pipeline project that crosses Northern Greece, Albania and the Adriatic Sea before coming ashore in Southern Italy to connect to the Snam Rete Gas (SRG) network. In 2023, total volume exported to European markets was 11.43 billion m³.
Western Route Export Pipeline	The Western Route Export Pipeline (WREP) transports crude oil from offshore oil fields in the Caspian Sea to the Black Sea, from where the crude is further shipped via tankers through the Bosphorus to European markets. In 2023, 1.09 million barrels of oil were exported through the Western Route Export Pipeline (WREP).

Activities in foreign markets

GRI 2-2, GRI 2-6

Recent investments and interventions of SOCAR strengthened the company's role as international company in addition to its status as a large local oil company. The company's interventions outside Azerbaijan's boundaries include transportation of oil and gas, processing, sale of oil, fuel and lubricants. (Figure 7. Geography of external operations.)

Figure 7. Geography of SOCAR's external operations

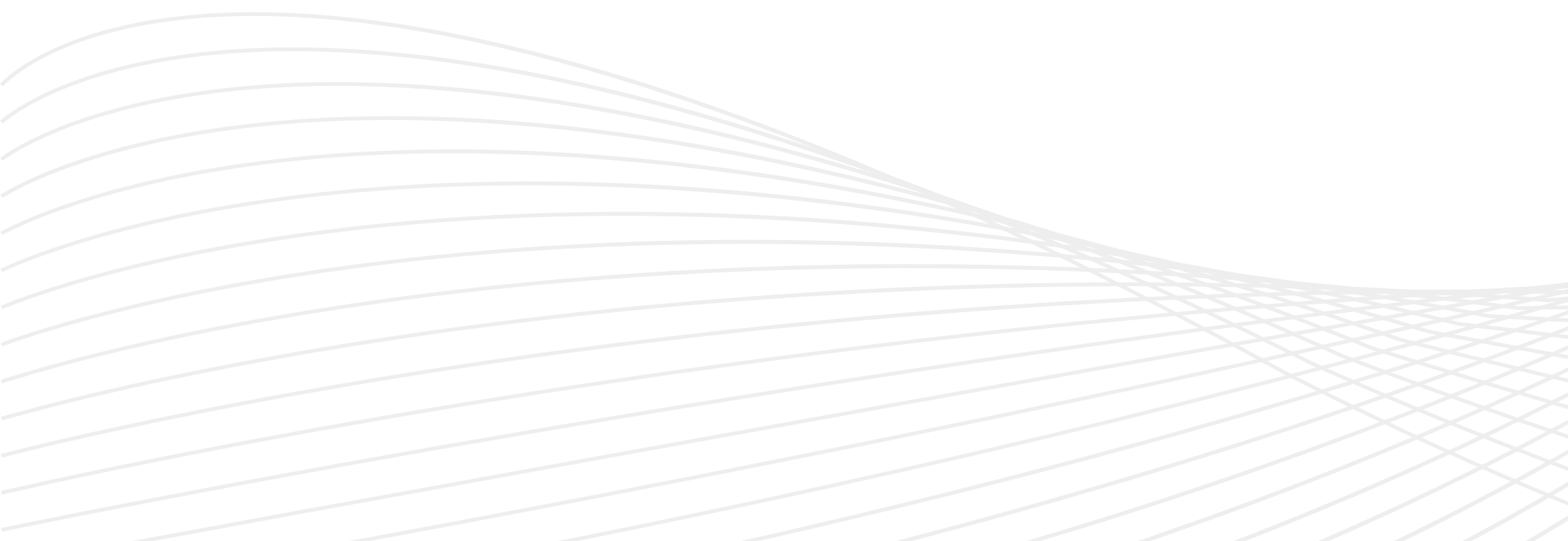


SOCAR Energy Ukraine

SOCAR Energy Ukraine was established in 2008. The Company's primary focus is the wholesale and retail sale of petroleum products, natural gas, and aviation fuel. SOCAR has invested a total of \$294.2 million in the company since its inception.

As of December 31, 2023, SOCAR Energy Ukraine has a nationwide network of 56 premium-class fuel stations in 11 regions of the country.

SOCAR Energy Ukraine launched two floating filling stations designed for filling small and medium-sized vessels in Kyiv and Odessa.



SOCAR Energy Georgia

SOCAR Energy Georgia was founded in 2006 as the first subsidiary abroad, with core activities of import, sales, and distribution of petroleum products, and distribution of natural gas in the Georgian market. According to “Forbes”, it is one of the largest companies in Georgia. As one of the largest investors and taxpayers in Georgia, the Company has invested \$772.8 million in the Georgian economy and paid \$2.036 billion in taxes to the Georgian state budget. The Company had more than 4 055 employees in Georgia as of 31.12.2023.

Along with wholesale and retail activities, SOCAR Energy Georgia has also been involved in the construction and operation of filling stations, supply with oil product terminals and vehicles, and import operations. SOCAR established SOCAR Georgia Gas, SOCAR Georgia Petroleum, and SOCAR Georgia Security, subsidiaries with full legal ownership of SOCAR Energy Georgia, to perform the listed functions. SOCAR Georgia Petroleum was established in 2006 with core activities of construction and operation of petrol stations. By 01.01.2023, the Company had a total of 108 filling stations in Georgia under the brand name “SOCAR”. During 2007-2022, SOCAR supplied the Georgian market with 4 521 337 tons of various types of oil products from the Republic of Azerbaijan. It accounted for 76,622 tons in 2023.

SOCAR Georgia Petroleum operates 13 service centers and 4 oil product terminals. Filling stations offer liquefied petroleum gas (LPG), compressed natural gas (CNG), diesel fuel, and high-quality gasoline of various octanes. Diesel and Gasoline fuels offered by filling stations are imported from European countries and comply with the requirements of EURO-5 standards. For the first time in Georgia, SOCAR serves owners of electric cars with electric chargers available on the main roads across the country and capital Tbilisi in 19 points in 15 filling stations.

Solar panels with a maximum capacity of 39.6 kW were installed on the roof of the filling stations in 2021. Another solar panels with a capacity of 28 KW were installed in 2023, both enabling energy output of 74 000 kWh for the facilities' internal consumption. Installation of the stations with a total capacity of 1,7 megawatts to power four facilities of the Company is currently in the progress.

SOCAR Georgia Gas LLC was established in 2007 with the primary purpose of import, wholesale, and retail, distribution of natural gas, as well as the construction and rehabilitation of natural gas pipelines. With the joint efforts of SOCAR Energy Georgia and the Georgian Government, Georgia is expected to reach 88% gasification of the country by the end of 2024 from 46% in 2008. With all these undertakings, the number of subscribers grew from 71 thousand in 2009 to 870 thousand as of 31.12.2023. A total of 11,2 thousands km of gas distribution pipelines was constructed during the period from 2007 through 2023.

SOCAR Türkiye

SOCAR started its operations in Türkiye after buying 51% of the shares of the Petkim petrochemical complex in 2008. SOCAR Türkiye encompasses the best-in-breed companies such as Petkim, TANAP, STAR Refinery, SOCAR Terminal, Petkim RES (Wind Power Plant), Bursagaz, Kayserigaz, Enervis, SOCAR Energy Trading, Millenicom, SOCAR Trading and SOCAR Depolama and stands out for its huge projects implemented one after the other with the total investment value worth \$18 215 billion.

SOCAR Türkiye is the first company to obtain the title of Private Industrial Zone in Aliaga peninsula in Türkiye. With a total of 5 600 employees and over 10 000 jobs created together with subcontracts, SOCAR Türkiye is one of the largest and integrated industrial groups in the country.



Petkim Petrochemical Complex

SOCAR has invested over USD 100 million in Petkim every year since 2008. The total sum of these additional investments, all of which were provided from Petkim's own resources, has reached USD 2 040 million. Petkim is also among the top-ranking industrial enterprises and export leaders across Türkiye.

With over 60 different types of products produced by 15 main and 6 auxiliary production facilities, Petkim meets 12% of overall need of Türkiye to petrochemicals. These products are used by over 1,500 consumers covering wide range of industrial sectors within the country. At the same time, Petkim enjoys a portfolio of over 350 customers inside the country. The overall production volume of the Company is 3.6 million tons.

The Government of Türkiye has granted Special Security Area and Special Project Area statuses to the territory of Petkim to facilitate the implementation of Petkim's projects in Aliaga peninsula.

Thanks to the Industry 4.0 standard it has reached with its digital applications, Petkim was selected for inclusion in the World Economic Forum (WEF)'s 'Global Lighthouse Network' in January 2020, being the only company from Türkiye to be selected for the 'WEF Global Lighthouse Network'. We exported to nearly 60 countries, Petkim's export for 2023 accounted for 803 million US dollars (869 thousand tons), and the sales volume was 60.4 billion TL.

"STAR" Refinery

STAR Oil Refinery, built by SOCAR in the Petkim petrochemical complex in Aliaga, Izmir province, meets approximately 19,5 percent of Türkiye's demand for oil products. The need for raw materials of Petkim, the first and only integrated petrochemical producer of Türkiye, is provided with naphtha produced by the Refinery.

STAR Refinery has signed the country's largest and longest-term financing deal in the real sector history of Türkiye. The Refinery is one of the largest oil refinery projects in the Europe, Middle East and Africa region. STAR Refinery, with an overall project investment value of \$6.7 billion, managed to provide \$3.3 billion at the expense of a project financing loan.

With its role of essential link in the refinery-petrochemical integration within the SOCAR Türkiye real sector, STAR Refinery has Türkiye's first Strategic Investment Promotion Certificate.

At the peak of construction, the project employed 19,500 workers from 14 countries, including about 3,000 engineers. The refinery employs over 1,100 people for permanent basis. Given the fact the Company has been involved in heavy industry, the majority of employees are men (91%) and local people (96%). In addition to diesel and naphtha, STAR Refinery, with an annual production capacity of 11,5 million tons of crude oil, also produces petroleum products such as jet fuel and LPG, to meet Türkiye's current demand for such important components. In 2023, the average production capacity of STAR Refinery was 117.1%. Each year, STAR Refinery makes significant contribution to the current account deficit in Türkiye, depending on crude oil and product prices.

"STAR" Refinery was ranked the second according to Türkiye's 500 Industrial Enterprises 2023 ranking released by ISO. Star Refine was also ranked the second by Istanbul Chemicals and Chemical Products Exporters' Association in "2023 Export Stars Awards Mineral Fuel Category".

SOCAR Türkiye's Natural Gas Business Unit

SOCAR Türkiye's Natural Gas Business Unit started its operation on June 17, 2019 with the acquisition of subsidiaries of German company EWE in Türkiye. Following this acquisition, the SOCAR Türkiye group now owns 80% of Bursagas and Kayserigas, 100% of shares of "SOCAR Enerji Ticaret A.Ş." and Millenicom. Furthermore, in November 2023,"Enervis", a previously included in the portfolio merged with "SOCAR Türkiye Doğalgaz Yatırım A.Ş." (STDGY A.Ş.).

Under the agreement signed in 2021 between the energy ministries of Azerbaijan and Türkiye, SOCAR Türkiye delivers up to 1.7 billion cubic meters of natural gas from Azerbaijan every year. In addition to the long-term agreement of SOCAR Türkiye, the Company started to import spot pipeline gas from Azerbaijan starting from December 22. SOCAR Türkiye, as the only private sector company that delivers gas from alternative sources to Azerbaijan, stands out among non-active energy companies with a sales and trade volume accounting for over 300 MW of overall wholesale energy portfolio in sales and trading, In general, the scope of energy trade has expanded beyond traditional products with cross-border trading with Georgia and Bulgaria starting from 2023.

SOCAR Energy Switzerland

SOCAR Energy Switzerland is involved in the wholesale and retail sale of oil products in the Swiss market. The assets of Esso Mobile in Esso Schweiz GmbH were transferred to SOCAR's control in July 1, 2012, which facilitated SOCAR to purchase filling stations of Esso in Switzerland. Today, SOCAR stands for the first-class and high-quality products and services and sets new standards in the Swiss retail and energy market. By the end of 2023, the total number of fuel filling stations of SOCAR Energy Switzerland reached 206.

The Consortium of Alpiq, EW Höfe, and SOCAR Energy Switzerland will install an electrolysis facility with a capacity of up to 10 MW in Freienbach (SZ). Planning process is about to end and the construction is scheduled to start in 2024. The facility will be capable of generating between 1.0 and 1.2 thousand tons of green hydrogen annually once it is fully operational, as stated by EW Höfe. According to the company, the green hydrogen will be transported via a pipeline from the production facility at the existing former substation to the current Fuchsberg motorway service area, where SOCAR will install hydrogen filling stations on both sides of the motorway.

In addition, SOCAR Energy Switzerland commissioned the first hydrogen filling station on a Swiss motorway at the Grauholz Süd filling station near Bern, where up to 150 trucks can be filled here per day. The company is also expanding the energy charging business for battery electric vehicles. The company currently operates 20 fast charging facilities, predominantly on motorways and in the wider Zurich city area, and it is planned to roll out 100 fast battery charging facilities in Switzerland by



GRI 2-6, GRI 2-22, GRI 2-23, GRI 2-24

As the largest taxpayer, largest employer and one of the most strategically positioned companies of the Republic of Azerbaijan, SOCAR attaches great importance to sustainability and sustainable development.

Certain sustainable development goals have become an integral part of corporate strategy of SOCAR. Increased resource base of oil and gas production, increased processing capacity, safe industrial production, and social, environmental and economic values created regardless of their operation geography are the key components of the strategy, of which implementation is based on national sustainable development goals and the UN Global Sustainable Development Goals (SDGs):

- Economic growth - effective management of resources, effective management of production, risk management, innovation and digitization.
- Social development - health and healthcare, respect for human values, education and competence development, decent work and wages.
- Environmental responsibility - compliance with environmental norms and rules, wastes reduction and management, environmental aspects in the application of existing and new technologies, actions aimed at mitigation of climate change impacts and their monitoring.

The goal is to ensure that non-financial aspects of the Company's activities are in harmony with the commercial aspects, to achieve effective management of existing resources, social security, and to fulfill environmental and other legislative requirements.

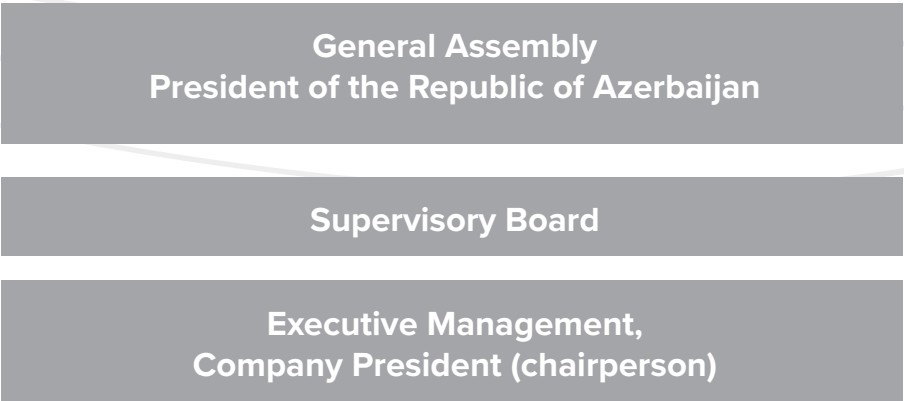
Management of sustainable development

Introduction and improvement of the corporate governance system are found to be key and decisive factors at SOCAR to ensure the Company's sustainable development, make management and investments decisions, and achieve increased effectiveness of financial and economic performance.

SOCAR's corporate governance refers to regulations applicable to relations between the Company's General Assembly, Supervisory Board, Executive Management, Company's President, including other stakeholders, and to mechanisms and methodologies that determine clear-cut division of powers at all managerial levels to ensure effective risk management, effective internal control and transparency and efficiency in Company's operations and overall management.

Supervisory Board, Executive Management, committees, internal audit, risk management, internal control, internal code of ethics and transparency, corporate, financial, and non-financial accountability systems, an integral part of the corporate governance system, are determined as a precondition for the system's integrity.

Figure 8. SOCAR's corporate governance structure



Azerbaijan Investment Holding is a public legal entity aiming to improve the management system, operational efficiency, and transparency of state-owned companies and enterprises, as well as business entities with a majority share of the state capital, which have been transferred to the Holding's governance, while also ensuring their competitiveness and improving their financial health and sustainability

SOCAR's management structure

GRI 2-9, GRI 2-10, GRI 2-11, GRI 2-12, GRI 2-14

SOCAR's Supervisory Board was established in 2021 to exercise general oversight over the Company's performance to increase efficiency and ensure that it is managed in line with the contemporary management standards, as specified by the Presidential Decree On measures for improving the management of the State Oil Company of the Republic of Azerbaijan dated 23.01.2021. The Supervisory Board of SOCAR is composed of 7 (seven) members, including the Chair that can be appointed and dismissed by the relevant decrees of the President of the Republic of Azerbaijan.

Figure 9. Composition of the Supervisory Board



SOCAR's corporate structure underwent several important changes during the reporting period. The Company established and approved the Charter of the Corporate Management Center ⁴ (hereinafter "the Center") as part of the structural changes in SOCAR in order to improve corporate management and set up single coordination with SOCAR's Supervisory Board and Azerbaijan Investment Holding. In addition, it is also planned that corporate secretarial functions for SOCAR Group as specified in the Order "on some issues related to corporate governance in SOCAR", as well as several functions indicated in the Corporate Management Order are performed from a single center.

⁴ By the Order No. No. SOCAR221000030300040020A00019 of SOCAR President, dated February 09, 2022

SOCAR's Executive Management

GRI 102-18

SOCAR's Executive Management works hard to identify the best way to achieve the Company's strategic goals, organize and monitor activities.

The Executive Management of SOCAR consists of the President, 2 First-Vice Presidents, and 12 Vice-Presidents of the Company appointed by the President of the Republic of Azerbaijan

As per the decree No. 3376 of the President of Azerbaijan dated July 21, 2022, Rovshan Najaf was appointed as the President of the State Oil Company of Azerbaijan.

The process of delegation of authority in SOCAR is mainly determined by the Company's Charter, relevant decrees (Decree, dated 4 August 2023, on the organization of corporate structure and division of responsibilities among the members of executive bodies), orders and job descriptions. The vice-presidents and heads of business units have been entrusted with making decisions on the organizational structure and facilities of the Company as well as with ensuring efficient management of the Company's financial and economic affairs.

Executive Management remuneration is determined in accordance with the Labor Code of the Republic of Azerbaijan, based on the Unified Tariff Qualification Reference Book of Works and Occupations of Workers prepared by the Collegium of the Ministry of Labor and Social Protection and the Ministry of Justice, as well as based on Regulations on Labor Compensation at SOCAR.

Events during the reporting period

By the Orders of the President of the Republic of Azerbaijan, dated July 28, 2023, SOCAR Vice-President Yashar Latifov, Suleyman Gasimov, Dashgin Iskanderov, Badal Badalov, Khalik Mammadov, Rafiga Huseynzade were dismissed from their duties. According to other orders of the President of the Republic of Azerbaijan, dated July 28, 2023, Arzu Javadova, Ismayil Zargarli, Ziba Mustafayeva, Babek Huseynov, Afgan Isayev, Anar Mammadov and Fuad Musayev were appointed Vice-President of the State Oil Company of the Republic of Azerbaijan.



Rovshan Najaf
SOCAR's President (Chairman)



Elshad Nasirov
Vice President
Head of Integrated Gas segment



Kanan Najafov
Vice President
Head of Strategy and
Digitization segment



Ismayil Zargarli
Vice President
Head of Legal and
Compliance segment



Arzu Javadova
Vice President
Head of Exploration of Natural
Resources segment



Ziba Mustafayeva
Vice President
Head of Human capital and
Inclusion segment



Zaur Gurbanov
Vice President
Head of Finance segment



Babek Huseynov
Vice President
Head of Development and
Production operations segment



Anar Mammadov
Vice President
Head of Refining and
Petrochemicals segment



Afgan Isayev
Vice President
Head of Energy transition,
Environment and
Decarbonization segment



Fuad Musayev
Vice President
Head of Operation support,
Health and Safety segment

Collective knowledge of SOCAR's Executive Management

GRI 102-19, GRI 102-27

The Executive Management, the SOCAR's collegial management authority has been actively involved in the Company's corporate management. A series of actions have been taken by the Company to facilitate human capital management in line with the Company's mission and goals, tendency in global energy sector and the new corporate management targets:

Improved corporate culture and renewed values

A number of surveys and practical exercises attended by the executive management and strategic managers to review the corporate culture and the Company values in line with the "Corporate Strategy of SOCAR 2035". Meanwhile, the Company management approved SOCAR's renewed corporate values, and further actions are underway to improve the corporate culture at SOCAR.

Leadership Competency Model

SOCAR built a Leadership Competency Model, a norm that shapes the Company's unique leader profile in line with the contemporary standards, to use in the selection, placement and performance appraisal of senior management that meet the Company's corporate values. To shape this model, we had an exchange of ideas in the form of interviews with the vice-presidents of the Company and organized 10 workshops with the participation of the executive management.

Performance appraisal of strategic management

SOCAR set clear-cut targets for 2023 agreed by AIH to evaluate the performance of the Executive Management (vice-presidents). Vice-presidents have been requested to share actual indicators of the targets set for 2023, which, once received, will be sent to AIH, upon the consent of SOCAR President to complete the final evaluation. Yet, a total of 15 sessions were organized with the participation of the vice-presidents to set 2024 targets for strategic managers, as well as harmonize the targets of the segments.

Developed leadership competencies

The Company developed a strategic leaders development program in the context of "Leadership Academy" concept as part of the cooperation between Türkiye's Boğaziçi University and Baku Higher Oil School to support development of leadership competences of SOCAR's strategic management and shape unified management values based on the present-day leadership mindset. The training program designed in line with the new management model of SOCAR and the Company's development strategy, was introduced starting from April, 2023. The trainings organized under this program are:

- "Strategic Change and Innovation"
- "Agile Leadership Masterclass"
- "Leader of Leaders – Leading Transformation and Cultural Change"

In addition, vice-presidents provided mentorship on leadership skills development, strategic thinking and problem analysis for SOCAR employees involved in the "mentoring programs".

"ExCo" meetings

Furthermore, SOCAR has initiated monthly meetings of the Executive Management since 2023 to facilitate the exchange of ideas on priority corporate situations and decision-making on strategic operations. Along with the contribution to the increased involvement of the Executive Management into the corporate management processes, it caused a supportive effect on the Company's efforts to achieve the corporate targets.

Evaluation of members of SOCAR's Executive Management

GRI 102-28

As per SOCAR's Charter, corporate standards, and other nomenclature documents, the Executive Management is subjected to annual assessment of Key Performance Indicators (KPI).

Targets assigned to members of the Executive Management by respective segments and actual results are analyzed and reported to the Azerbaijan Investment Holding (AIH). All requests, if any, are responded and the final report are submitted to the Supervisory Board for approval.

Committees of the top management of SOCAR

GRI 102-22, GRI 102-20, GRI 102-33

One of the most important issues for SOCAR is the further expansion of the production process, elimination of deficiencies, preservation of financial stability, and at the same time issues related to management, including improved quality of management, elimination of risks, timely communication with the Company's management and the trust of business partners.

In view of the abovementioned, the Audit Committee, the Appointment and Remuneration Committee, the Strategy and Investments Committee, the Risk Management Committee, the Procurement Committee, the Information Security Committee, and the Human Resources Management Committee are functioning in SOCAR

Figurel 11.Committees and their functions

Committee	Functions
Audit Committee	<ul style="list-style-type: none">- Determines internal audit policy and strategy- Approves internal audit plans- Monitors internal auditing activities- Provides recommendations on improvement of control system- Submits proposals to improve the risk management system to the relevant governing agencies- Identifies financial risks and other high-risk areas at SOCAR and structural divisions
Appointment and Remuneration Committee	<p>The Appointment and Remuneration Committee functions within the interests of SOCAR's founder and assists the Supervisory Board in preparation of recommendations on the following issues:</p> <ul style="list-style-type: none">- Planning the continuity of activities of the Supervisory Board and SOCAR's management;- Ensure steady and objective assessment of the performances of the Supervisory Board, SOCAR's management and other employees;- Ensure an effective personnel policy, salary and reward system, as well as social support for officials and employees of SOCAR, their professional training and development;- Deal with issues arising from the Charter of SOCAR, this Regulation and other internal documents of SOCAR.
Strategy and Investments Committee	<p>The Strategy and Investments Committee functions within the interests of SOCAR's founder and assists the Supervisory Board in the preparation of recommendations on the following issues:</p> <ul style="list-style-type: none">- Identify strategic goals aimed at the development of SOCAR in the long term;- Increase investment attractiveness of SOCAR;- Ensure effective planning of SOCAR's financial and economic activities;- Determine the priority areas of focus of SOCAR's undertaking, including the main investment focus and projects;- Monitor SOCAR's financial and economic performances and take measures based on monitoring results;- determine dividends and other payments;- Deal with issues arising from the Charter of SOCAR, this Regulation and other internal documents of the Company.
Risks Management Committee	<ul style="list-style-type: none">- Prepare the Group's Risk Appetite Statement (RAS) and submit it to the Audit Committee for review and to the Supervisory Board for approval;- Amend the RAS based on the request of the Audit Committee and the Supervisory Board;- Prepare the Risk Map for the Group and submit it to the Audit Committee for review and to the Supervisory Board for approval;- Submit to the Audit Committee for preparation and review recommendations on the distribution of responsibility for control and monitoring of risks included in the Risk Map, and submit to the Supervisory Board for approval;- Adopt a decision on approval of quarterly reports on the current state of corporate risks and the measures implemented on risk management;- Makes a decision on the formation of measures to control the risks that may affect the achievement of the group's strategic goals;- Make a decision regarding the resolution of the issues by the RMC itself or the escalation of the issue to the vice-president, president, Audit Committee or Supervisory Board in cases where the risks exceed the limits managed by the RMC;- Make decisions on assigning tasks and involving employees of Group companies in order to analyze the risks that may affect the Group more deeply.- Make a decision on the involvement of external independent experts for the purpose of measuring risks that require special skills and knowledge (modeling, information technologies, etc.) for their assessment.- Monitor compliance of the risks taken with SOCAR's Risk Management Policy and Risk Management Strategy.

Building an ethical business

GRI 102-16, GRI 102-17

Ethical values in SOCAR, a 100% state-owned company, are built on principles of lawfulness and corporate responsibility. These principles serve SOCAR's efforts to introduce professional operation management, the rule of law, and higher codes of conduct in the Company.

In 2012, the Company introduced SOCAR's Code of Business Ethics, SOCAR's Anti-corruption Policy, and several internal standards on anti-corruption and enhanced transparency. These standards demonstrated the Company's commitment to high ethical values which are intended to strengthen SOCAR's business reputation and organizational structure with strong preventive measures against threats and risks that undermine these ethical values.

The Code of Business Ethics introduced by SOCAR sets norms and codes of conduct that enable the Company to achieve its goals, secure growth, and planned development, and improve the welfare of employees and the Republic of Azerbaijan in general. The Company communicates the Code to employees each year. Using the internal system, the Company provided the staff with memory cards.

To ensure the SOCAR's Code of Business Ethics and other relevant internal documents and procedures are adapted to the present-day requirements, as well as to take into account changes in the respective legislation and existing international standards applicable to compliance control, the SOCAR updates relevant internal documents and procedures of the Company.

As a result of these works, a draft of the new Code of Business Ethics and the Code of Conduct was initially submitted to the Supervisory Board for review and approval. In contrast to the previous Code, the draft of the new Code includes additional responsibilities imposed on the executives in addition to general duties. The new draft also incorporates new rules governing insider information, legalization of property obtained through crime, counteracting crime financing and tax evasion, international trade restrictions (sanctions), human rights, etc.

Compliance

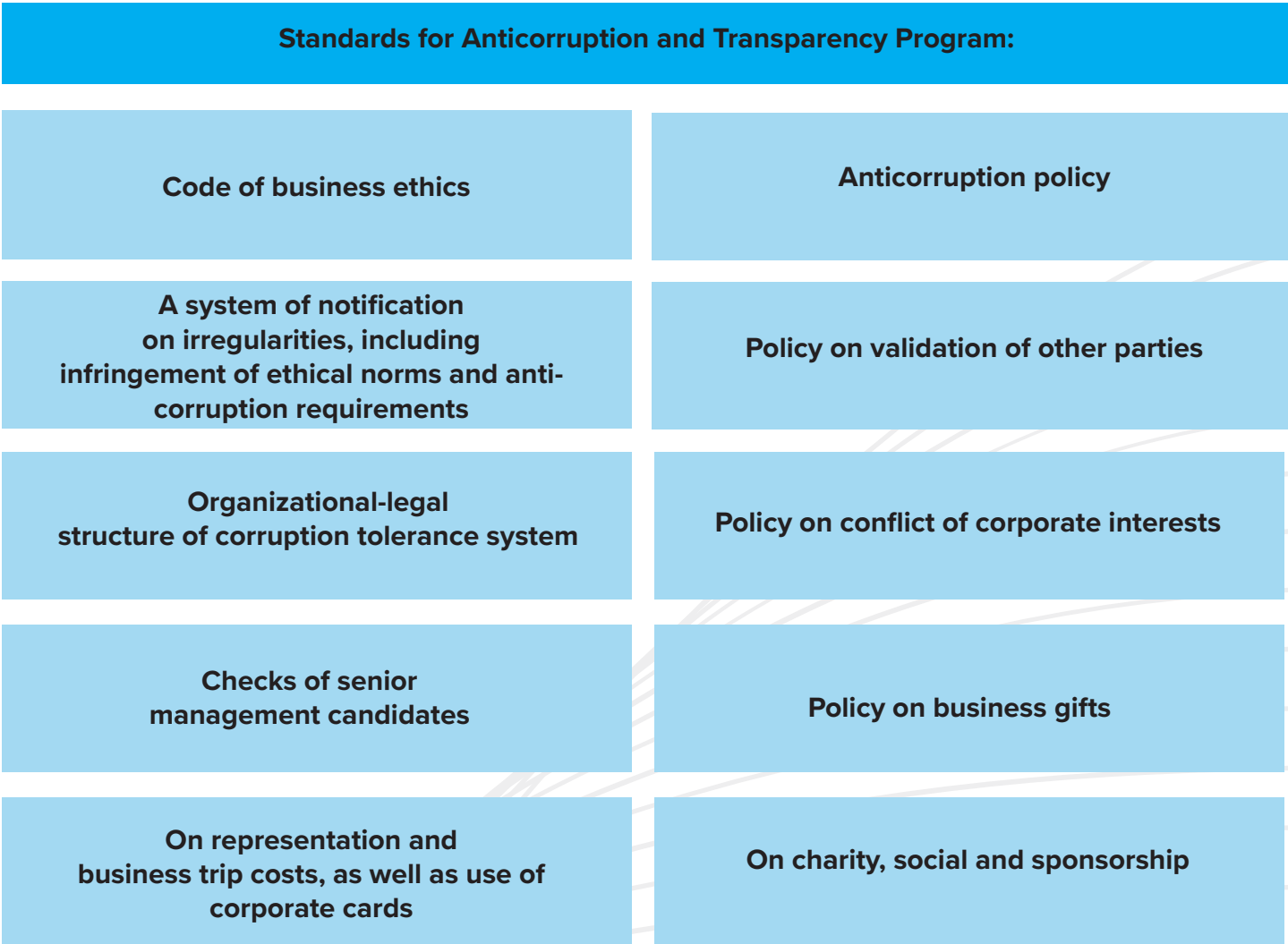
GRI 102-17

SOCAR continuously monitors the transparency and compliance of operations with high professional standards. Our compliance policy is built on the idea to identify and prevent the risk of potential violations of respective decisions and legislation, industry standards, and internal regulations, as well as ensuring that information provided to our stakeholders is fair and transparent. We work hard to minimize financial damage and reputational risks.

SOCAR's compliance system is built on the following criteria:



The key document governing SOCAR’s ethical conduct and compliance is the Code of Business Ethics and several following internal documents and policies on specific topics associated with the provisions of the Code:



In addition, SOCAR and Group companies must take into account the requirements of sanctions and export restrictions in their business operations, actions against the legalization of money or other property obtained through crime (money laundering), the financing of terrorism and the proliferation of weapons of mass destruction, confidential information, and in order to ensure compliance with all legal acts and generally accepted recommendations adopted in the jurisdictions in which it operates or otherwise applicable to SOCAR and Group companies regarding the protection of personal data, Global Sanctions Policy, Proceeds of Crime and or other property legalization, the Policy against the financing of terrorism and the spread of weapons of mass destruction, and the Policy on the protection of confidential information and personal data were prepared and submitted to the Supervisory Board of SOCAR for approval:

- Global Sanctions Policy
- Policy against money laundering or legalization of other property obtained through crime, financing of terrorism and proliferation of weapons of mass destruction
- Policy on protection of confidential information and personal data

SOCAR launched the implementation of the above policies upon their approval at the Supervisory Board meeting on August 5, 2022.

As a continuation of the improvement of internal compliance regulations at SOCAR, the Company submitted the drafts of the new Code of Business Ethics and the Code of Conduct and the Global Sanctions Policy to the Supervisory Board for review and approval. SOCAR plans to continue this process in 2024 and renew the internal regulatory documents on anti-corruption and counteracting money laundering or legalization of funds and other property obtained through crime, gifts and hospitality, social investment, charity and sponsorship, conflict of interest, comprehensive check of the other party.

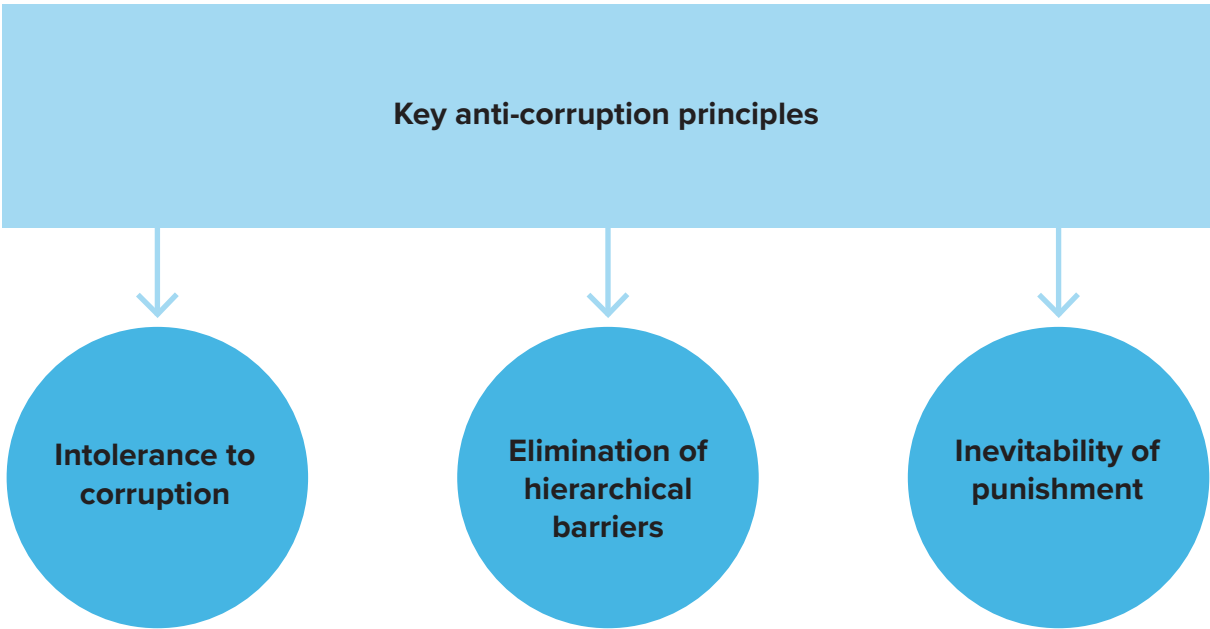
In addition, to achieve compliance control requirements, starting from 2022, SOCAR launched to introduce “World Check” a software developed by “Refinitiv”, which is used across the globe, provides search and verification opportunities and allows quick access to information on whether or not legal and natural persons acting as SOCAR’s counterparties are the subjects of any violations, as well as whether or not they are subject to any sanctions.

Anti-corruption activities

GRI 205-1, GRI 205-3, GRI 102-17

SOCAR has successfully implemented an anti-corruption policy with strict adherence to the “zero tolerance” principle against any type of corruption, relating to the anti-corruption principles and requirements under the laws of the Republic of Azerbaijan, codes of business ethics, international legislation and regulatory documents, laws of foreign countries, as well as global best practices.

Figure 12. Key anti-corruption principles



As part of the zero-tolerance policy, SOCAR managed to develop a broad internal regulatory framework to combat corruption and increase transparency in line with national and international principles and legislative requirements. Furthermore, the anti-corruption policy of the set of standards for fighting corruption and increasing transparency, the Code of Business Ethics, SOCAR's "Hotline" standard, as well as the policy on the regulation of corporate conflicts of interest, in Azerbaijani and English, are available in SOCAR's corporate website. posted on the website.

No cases of corruption were detected in SOCAR's structural organizations during the reporting period.

In addition, in 2023, SOCAR approved the annual action plan and submitted it to the Commission on Combatting Corruption of the Republic of Azerbaijan, to perform respective duties planned for 2023 for public agencies in the "2022-2026 National Action Plan to Strengthen the Fight Against Corruption" approved by the Decree of the President of the Republic of Azerbaijan.

Based on this action plan, in 2023, the Company took measures to increase transparency in recruitment at SOCAR, to introduce public control mechanisms and raise the awareness of the public, organize anti-corruption training for employees, assess corruption risks and manage them. At the end of the year, SOCAR submitted the report reflecting the actions taken over the year to the Commission on the Fight against Corruption of the Republic of Azerbaijan and the Cabinet of Ministers of the Republic of Azerbaijan.

The Company plans to approve a new action plan for 2024. The report on the actions to be taken under that plan will be submitted at the end of the year.

In addition, SOCAR publicized the anticorruption measures on the official website of the Company and on the social media platforms of individual structural units. Joint events were also organized in cooperation with mass media to inform the public.

Regulation of conflict of corporate interests

GRI 102-17, GRI 102-25

The Company has introduced policies to prevent situations and circumstances that may hinder the performance of duties and objectivity in decision making as a result of the conflict between personal and commercial interests of employees and the interests of the Company.

We ensure that our employees do not have any share in companies in joint cooperation with SOCAR. In 2014, the Company created warning notices for personal conflicts of interest with the aim of collecting information on conflict of interest. We analyze the risks of transformation of the detected cases, as well as potential conflicts of interest into actual conflicts of interest and corruption. Later, a comprehensive report on the collected data is submitted to the Risk Management Committee.

It is worth emphasizing that SOCAR has developed an appropriate framework for the confidentiality of anonymous whistleblowers who gave true and reasonable information using the hotline, a channel for informing about corruption, conflicts of interest, and other ethical conduct.

Moreover, since 2017, SOCAR has also introduced a policy governing conflicts of corporate interest apart from preventing personal interests in the Company. The goal of this policy to govern the relations with representation of SOCAR employees in governing bodies of other entities.

Human rights

GRI 408-1, GRI 409-1

Human rights protection is traditionally a priority issue for SOCAR, and the Company demonstrates zero tolerance for human rights violations. No complaint or incident associated with human rights violations was recorded during the reporting period. Additionally, the Company is working hard to reflect SOCAR's approach to human rights protection in relevant internal documents and procedures.

Training and education on corporate ethics, compliance, and anti-corruption

GRI 102-34, GRI 205-2

Employee relations must be focused on combatting corruption.

Along with the new recruits, all Company employees are instructed on the Anti-Corruption Policy and the Code of Business Ethics. The Company staff is trained to ensure that they are fully aware of the Company's efforts to combat corruption and increase transparency. The employees are encouraged to enhance their professionalism and obtain new skills, acquire necessary professional knowledge and improve the quality of work using the personnel training system.

Training held via distant learning or in-person methods help the Company to explain SOCAR's anti-corruption policies, procedures, and associated commitments to the senior management. At the end of the training, an evaluation of its effectiveness and sufficiency is conducted and feedback regarding necessary improvements is communicated to senior management for consideration. Additionally, proposals are prepared and systematized for implementation in the following year.

Trainings were organized pursuant to the relevant annual action plan approved by SOCAR in 2023, in order to implement the tasks provided for the state enterprises of the Action Plan for the National Action Plan for 2022-2026 on Strengthening the Fight against Corruption by the Decree of the President of the Republic of Azerbaijan and the Curriculum of the training course "Corrupt Behavior Model". 585 employees of SOCAR participated as listeners in the areas covered by business processes sensitive to the risk of corruption.

It is planned to approve a new work plan in 2024 to organize new trainings on anti-corruption.

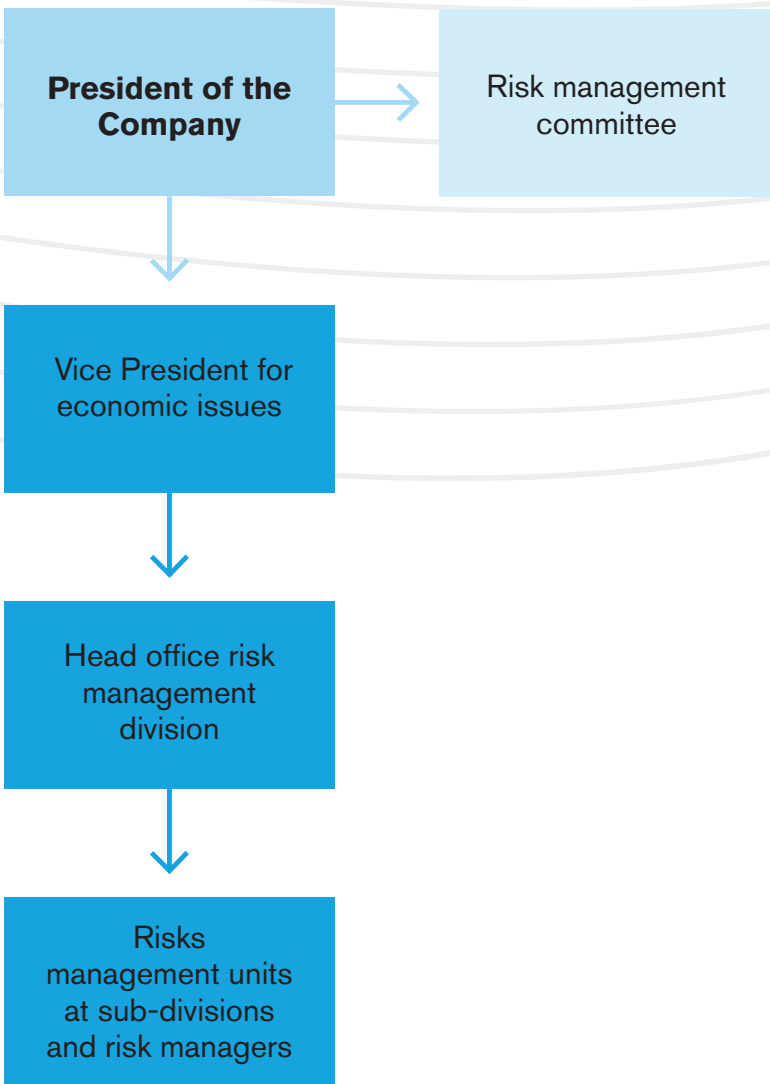
Risk Management at SOCAR

GRI 102-15, GRI 102-29, GRI 102-30

Timely detection, measurement and control of risks are the key processes for the Company to ensure long-term and effective risk management. Risk detection is carried out in all areas of the Company's activities and business processes. To manage risks systematically, the Company introduces risk identification and measurement and effective methods and countermeasures within the Company to address them, which creates a conducive environment for successful risk management.

The Company's risk management system was established in 2008 in line with the COSO Enterprise Risk Management concept.

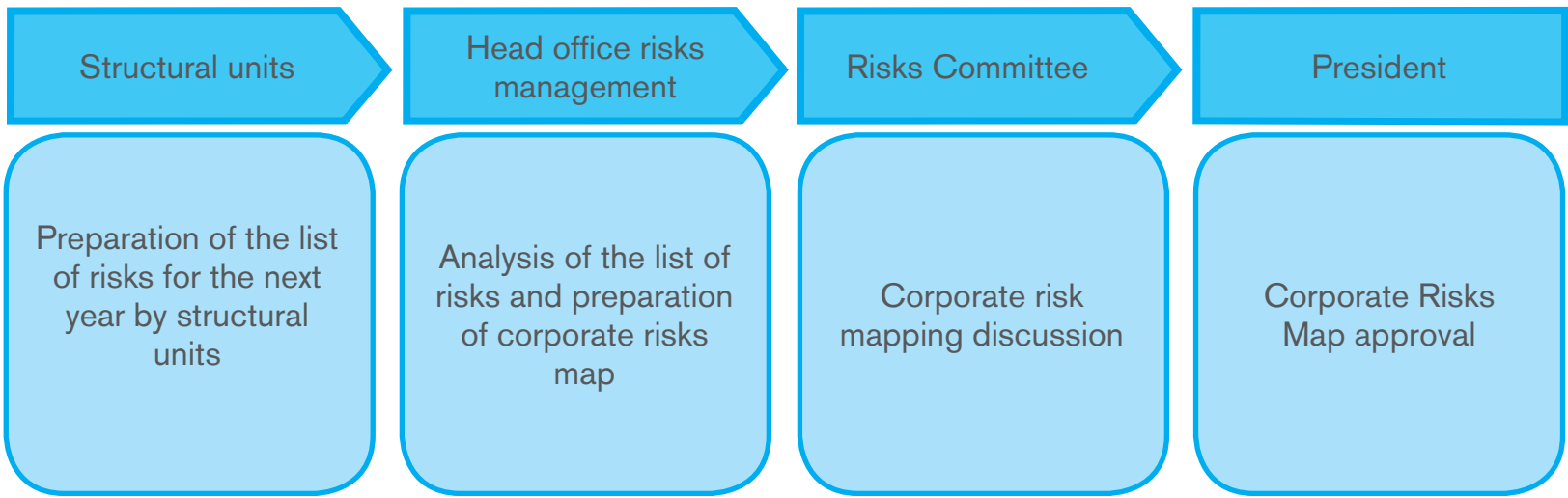
Figure 13. Risks management structure



The Company ensures prompt identification and assessment of operational, strategic, reporting, and compliance-related risks faced by the Company in line with the regulatory documents on risk management approved by the Company's President. Further, the senior management takes necessary actions to address inadequacies discovered in during the risk management procedures described above.

SOCAR's annual Risk Map is prepared to present multiple risks, including sustainable development risks, identified by senior management. It also provides information about each risk's level and severity and identifies a list of countermeasures. Quarterly monitoring reports are another mechanism used at SOCAR to track the status of actions to reduce identified risks.

Figure 14. Approval process of the Risk Map



Based on the results of the analysis as well as the nature of each activity, risks are categorized and controlled as follows:

Risk category/ sub-category	Risk impact	Risk management procedure
Strategic risks	Potential losses and uncertainties in the process of achieving the company's long-term goals and strategic objectives	Creating confidence in SOCAR's strategic goals
Operational risks	Potential losses the company may face as a result of inadequate internal processes and internal systems, human activity, and external events	<ul style="list-style-type: none"> - Maintaining stability of production; - Creating safe working conditions; - Environmental protection
Financial risks	Potential losses that the company may face as a result of negative changes and trends in the financial system and financial management	<ul style="list-style-type: none"> - Ensuring financial sustainability; - Minimizing negative impacts of market fundamentals
IT risks	Potential losses that the company may face as a result of violations of the principles of accessibility, integrity and confidentiality of information technologies or information systems	<ul style="list-style-type: none"> - Providing an information technology system that supports the company's targets; - Ensuring that information systems sustaining external impacts are in place
Compliance risks	Potential losses that the company may face as a result of violations of laws, regulatory procedures and norms, as well as industry standards applicable to the Company operations	Ensuring the Company's compliance with the requirements of applicable legislation and normative acts

Information security at SOCAR

Information security policies and procedures have been updated according to the 2022 edition of the ISO/IEC 27001 international standard to ensure compliance with international information security standards at SOCAR. At the same time, the Company continued the introduction of CIS 18 (Center for Internet Security) controls to strengthen protection against cyber-attacks, protect critical assets and apply global state-of-the-art practices. The Company continues to assess the level of information and cyber security of SOCAR Group companies.

In this framework, gap detection processes are carried out regularly in order to determine the information security vulnerabilities in the system or network. Appropriate measures are taken to eliminate the identified gaps and weaknesses. When using cloud solutions, we did further researches to assess information security risks, adjust security controls, and introduce multi-factor identification, and ensured their application. In addition, independent third-party companies conduct regular penetration tests to determine exploitability. Preventive measures are taken based on cyber threat intelligence from different sources. At the same time, a 24/7 “SOC” monitoring system is in place to detect potential incidents. Incoming data from all systems are analyzed, anomalies are identified and appropriate measures are taken. In addition, cyber-attack simulations are carried out in order to measure the effectiveness of the applied security mechanisms.

In parallel with the technical control mechanisms applied to ensure information security in SOCAR, educational activities are regularly conducted in order to increase the vigilance, knowledge and skills of employees against information security threats. Various social engineering tests are carried out in order to measure the effectiveness of the work done as part of the awareness raising activities.

The above-mentioned information security activities are regularly monitored to detect areas that need improvement and take appropriate measures.

Annual activity on health and safety

GRI 403-4

SOCAR has made it the Company's top priority to protect the life and health of personnel and to ensure that operations are conducted safely, reliably, and are compliant with respective requirements. Our goal is to ensure that all works and operations are done without causing any accidents, emergencies, occupational diseases, and damage to the environment across all production processes. We also aspire to achieve quality assurance and control in line with the requirements of international standards, establish control mechanisms compliant with quality assurance requirements and secure sustainability of methodological development.

Actions for ensuring occupational health and safety

GRI 403-5, 403-6, GRI 403-7

A number of actions were taken to enhance safe working conditions at workplaces in 2023, and the initiatives resulting from the HSE Policy's requirements were also successfully carried out. The Company continued the actions designed to adapt industrial sites, buildings, and workplaces to the requirements of applicable regulations as part of the nomenclature plan of action and to prevent industrial injuries, accidents, and occupational diseases. The overall amount of expenditures on occupational health and safety in 2023 accounted for AZN 35 008 380.

Table 7. . SOCAR's occupational safety expenditures in 2021-2023, AZN

Occupational safety expenditures	2021	2022	2023
On occupational safety, including:	20 838 576	24 000 076	35 008 380
On measures to improve working conditions	13 002 296	16 764 746	22 209 323
On special clothing, special shoes, and other personal protective equipment	6 390 410	5 618 055	10 890 616
On milk supply	1 375 335	1 226 517	1 452 544
Other expenses	70 535	390 758	455 897

During 2023, the HSE Department of the Head Office worked hard to improve the HSE management system for SOCAR. Visualization Center at SOCAR Tower held 3 coordinated trainings and took actions in response to emergencies based on the «Crisis and Emergency Management Plan», a document developed at a corporate level and including the emergencies management during internal and external operations, the organization and control of strategic response measures, as well as other management solutions. In addition, the Center took measures in response to 1 incident occurred during the reporting year.

Joint projects with other companies

In 2023, the Company implemented joint projects with other oil and gas companies and organizations to ensure that HSE activities meet the latest applicable requirements.

Organization	Description of action
International Union of Oil and Gas Producers (IOGP)	Industrial best practices were reviewed and introduced within the framework of cooperation with the International Union of Oil and Gas Producers (IOGP).
“Uzbekneftegaz” SC	As part of the exchange of experience between SOCAR and “Uzbekneftegaz” JSC, representatives of both companies visited the production sites to get to know about the existing HSE management system of units.

Guided by local and international standards applicable to quality assurance, SOCAR and Azerbaijan Standardization Institute PLE (AZSTAND) signed a Memorandum of Understanding in 2023 to enhance the quality of products (services and works), related processes (including management system) and production techniques and the capacities of personnel to ensure that SOCAR's competitiveness in domestic and external markets get increased and natural and energy resources are used effectively.

Application of international management

GRI 102-13

The Company signed an agreement on the certification of international standards with representative offices of three international organizations in the territory of the Republic of Azerbaijan selected on a competitive basis to apply international standards in SOCAR’s entities and continued the process successfully in 2023 :

- Buro Veritas Azeri LLC
- SGS Azeri LTD
- TUV Austria Azerbaijan LLC

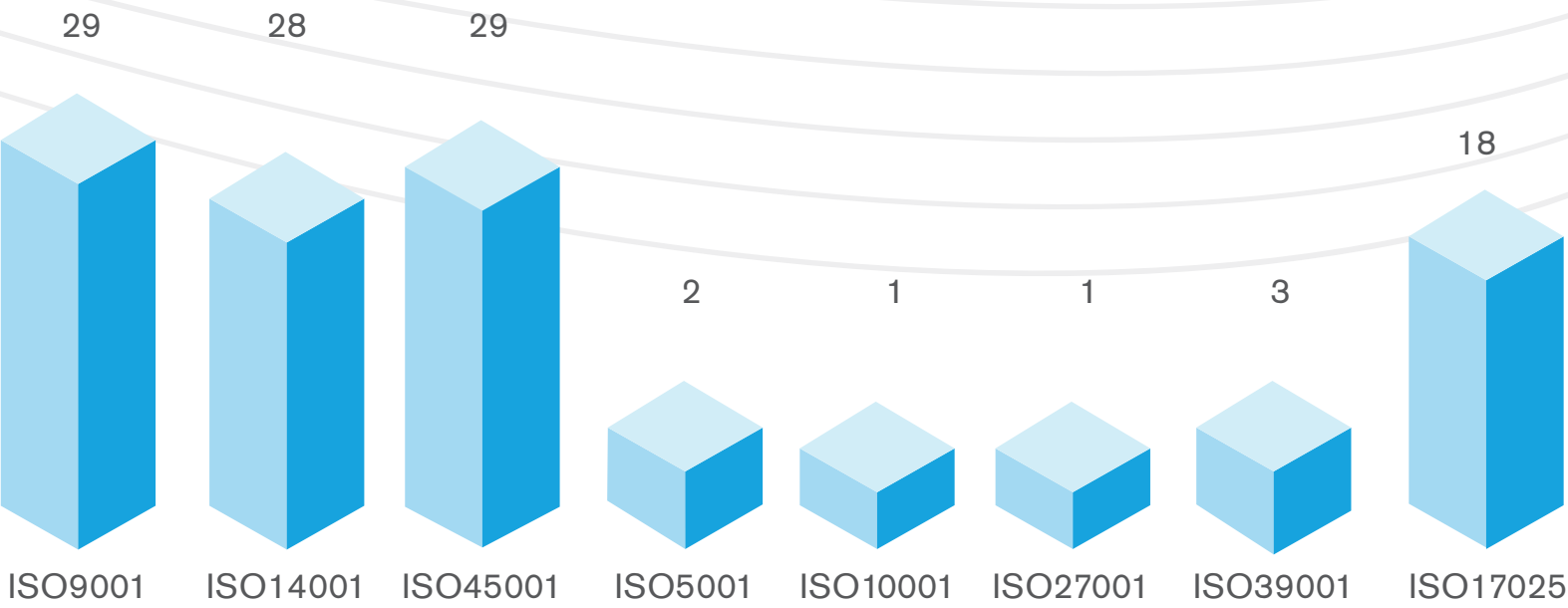
In addition, ISO 17025 certificate was audited at the Oil and Gas Construction Trust, ISO 39001 at the Transportation Department, ISO 50001 at Azerigas PU and Methanol Plant, and certificates were presented.

Furthermore, authenticity of existing certificates in other facilities was approved after audits were completed. It is worth emphasizing that SOCAR’s subsidiaries successfully continued efforts to obtain, update and audit the certificates (ISO 9001, ISO 14001, ISO 45001, ISO/IEC 17024, ISO/IEC 17025 and ISO/IEC 27001, TSE-ISO 10002, ISO 50001, ISO 29990, ISO 39001) in line with the requirements of international management systems.

Table 8. International certificates in SOCAR's facilities in 2023

Certificates of international standards ISO 9001, ISO 14001 and ISO 45001 were updated:	Certificates of international standards ISO 9001, ISO 14001 and ISO 45001 were presented for the first time:
<div><ul style="list-style-type: none">- Administration of “Azneft” PU- “28 May” OGPD- Experimental Manufacturing Facility for Repair and Rental of Diving Equipment- Gas Storages Operation Department- Gas Processing Plant- Diving Service- Transportation Department- Marketing and Economic Operations Department- Information Technologies and Communication Department</div>	<div><ul style="list-style-type: none">- “Absheronneft” OGPD- “Neft Dashlary” OGPD- “Bibiheybatneft” OGPD- “Siyazanneft” OGPD- N.Narimanov OGPD- Material and Technical Supply Department- Specialized Oil and Mining Special Technical Department No. 1- Specialized Oil and Mining Special Technical Department No. 2- Oil Pipelines Department</div>

Figure 15. List of accredited laboratories



In addition, in 5 subsidiaries of SOCAR (Experimental Production Facility for Repair and Rental of Diving Equipment of Azneft İB, “Oil and Gas Construction” Trust, “Complex Drilling Works” Trust, Industrial Safety Department, Geophysics and Geology Department) launched the introduction of API Q1/Q2 standards, followed by internal audits, gap analyzes and certification audits

Education of employees

GRI 404-1, GRI 404-2

During the reporting period, SOCAR’s business units and facilities took a number of complex measures to ensure that occupation safety aligns with present –day requirements. To this end, HSE Department prepared instructive posters on various topics on each month to share with all units included in the structure of SOCAR using the internal e-mail address (InfoCenter). At the same time, the Company reviewed action plans of facilities under the “Target Zero” program of SOCAR, followed by analysis of semi-annual and annual reports submitted. Furthermore, SOCAR’s POCS (Permanent Occupational Safety Commission) regularly evaluated and reported the program’s compliance with the requirements after respective inspections.

1 workshop and 3 panel discussions with extensive participation were organized during 2023:

Workshop:

On 14.12.2023, as a continuation of the various events and meetings regularly held by the HSE Department of the Head Office, a hybrid workshop “Safety of lifting operations” with participation of HSE specialists of the business units and entities included in the structure of SOCAR, as well as Operating Companies, Alliances and Joint Ventures, and employees responsible for lifting operations was held at the Baku Higher Oil School (HOS). The workshop was attended by over 150 employees from facilities included into the SOCAR’s structure, Joint Ventures, Alliance and Operating Companies.

Panel discussion:

On 22.09.2023, SOCAR Tower hosted a panel discussion on “Development of HSE culture” with exchange of views from representatives of the BP, joined the discussion as a guest and staff of subsidiaries of SOCAR.

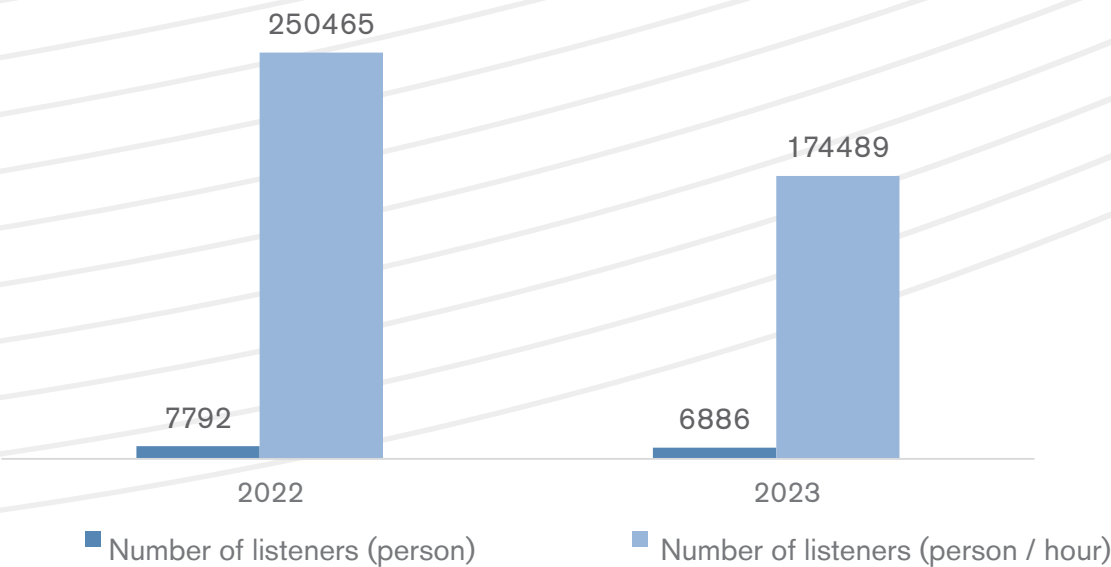
On 28.09.2023, the Company hosted a OHS community meeting with the participation of OHS experts from SOCAR’s business units and subsidiaries, as well as Operating Companies, Alliances and Joint Ventures to discuss OHS issues and perspective cooperation.

On 12.10.2023, Azneft PU hosted a panel discussion on “Risks and Emergencies Management “. The discussions focused on the current issues at facilities, as well as perspective application of global best practices with experts from BP.

In 2023, several courses were held in the training centers of SOCAR’s Training, Education and Certification Department to train employees of SOCAR’s subsidiaries on safe work methods. The course subjects included occupational safety, including training of staff working in the sea, methods of survival at sea during emergencies, and rules of free and proper use of personal and collective rescue equipment on platforms. Those who successfully completed the trainings were awarded certificates.

In 2023, courses attended by 6,886 listeners were organized on occupational safety with a total duration of 174,489 training hours.

Figure 16. Occupational health and safety trainings with comparison of 2022-2023 years



Recently, the Quality Assurance and Control (QAC) Department of the Head Office took a number of actions to integrate SOCAR's management systems into the globally accepted best practices.

Actions are also underway to enhance the professionalism of the staff in the SOCAR's subsidiaries along with training and development activities. In this context, posters focused on quality issues and developed at the initiative and with direct participation of the Department were circulated among entities included into the SOCAR structure every month.

In 2023, the training centers of the Training, Education and Certification Department of SOCAR organized a number of training courses to enhance the capacities of personnel at the Company's subsidiaries on quality management system, including, the management of non-compliance, risks assessment, study of internal auditing guidelines. Those who successfully completed the training course were awarded certificates.

Moreover, 32 employees of SOCAR participated in the training course «API Spec. Q1 Practitioner» and «API Spec. Q2 Practitioner» organized by the American Petroleum Institute (API). All those who successfully completed the training course, were awarded certificates.

Technical Safety measures

GRI 403-3

During 2023, SOCAR did enormous works to create healthy and safe working conditions at SOCAR's entities, to reconstruct production facilities, buildings, and workplaces in reference to the latest standards, and to take preventive measures concerning industrial injuries, accidents, and occupational diseases. To ensure the safe operation and suitability for the operation of complex technological processes, equipment, and machinery, most of these devices and equipment have undergone technical examination and periodic testing. To facilitate human labor and the application of safe working methods in technological processes, automatic control and measurement systems meeting modern requirements have been installed and have begun operation in many production areas.

Control of workplace conditions

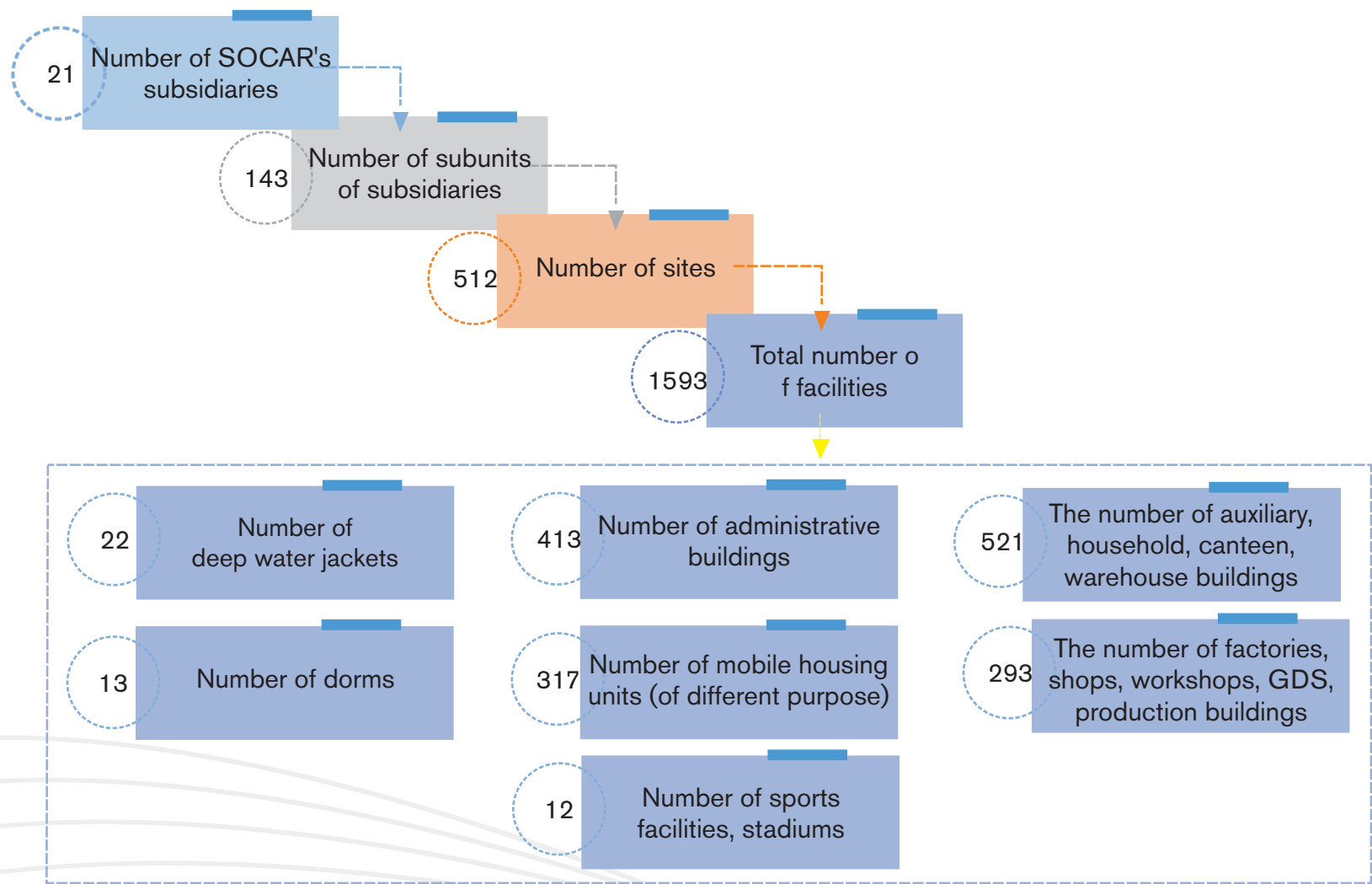
GRI 403-2

SOCAR undertakes a regular workplace attestation to assess workplace safety at the Company facilities. The Company undertook attestation of 2 275 workplaces at SOCAR's facilities during the reporting period and discovered hazardous production factors over the norm in 530 workplaces. In addition, assessment of 5 541 workplaces was undertaken by industrial and sanitary laboratories under the five SOCAR facilities.

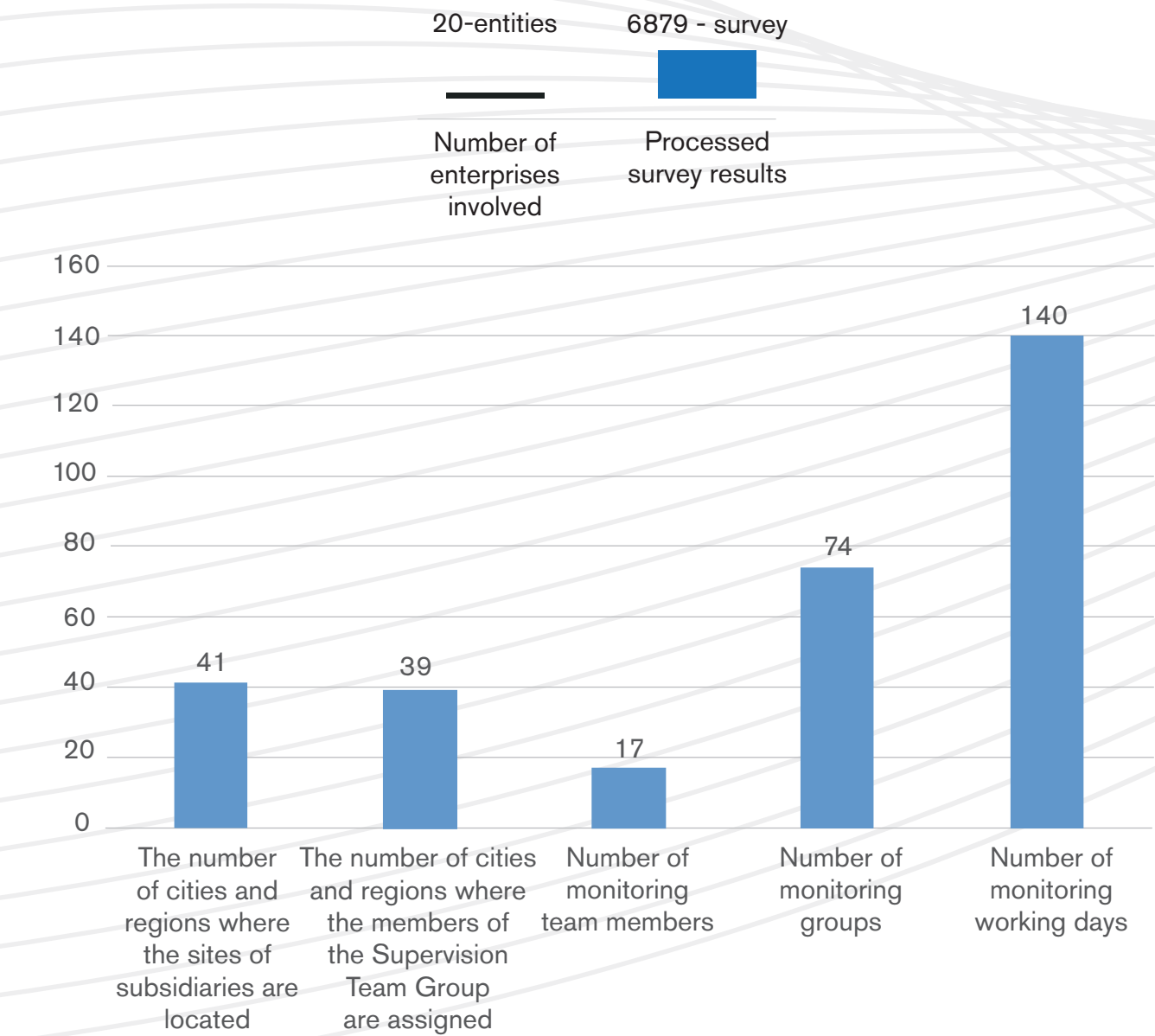
Permanent Occupational Safety Commissions at SOCAR and its entities conducted inspections at production facilities to reduce production risks and check workplace conditions during the reporting period. The Commissions took profound measures with respect to the workplaces where shortcomings were discovered making them much safer for employees, ensuring compliance with applicable requirements or eliminating those not following safety requirements. Permanent Occupational Safety Commissions at SOCAR and its entities conducted 910 inspections at production facilities. 9 806 out of 12 670 shortcomings discovered have been eliminated. In addition, following 4 468 inspections by OHS services of SOCAR and its entities, 15 645 of the 18 366 shortcomings found in SOCAR were eliminated, followed by necessary measures to eliminate others, including repeatedly occurring shortcomings found during both inspections.

During 2023, departments and facilities brought to disciplinary responsibility 666 engineering and technical workers for violation of safety regulations. Of them, 316 persons were subjected to reprimand, 64 to severe reprimand with final warning, 38 were subjected to salary reduction and 247 persons were issued a warning and 1 employee was dismissed. 445 employees were awarded for observance of occupational safety. In addition, in order to further strengthen the safety culture among SOCAR employees, it was planned to regularly organize the «Leader in Safety», a contest that identifies and awards employees who stand out with their exemplary performance in the area of occupational health and safety. The 2023 contest assessed the candidates based on the criteria of compliance with the HSE rules, and chose 23 as the winners of the contest.

Figure 17. To workplace conditions, SOCAR's subsidiaries monitored the current state of transport, work and living conditions, during the reporting period



SMS survey statistics



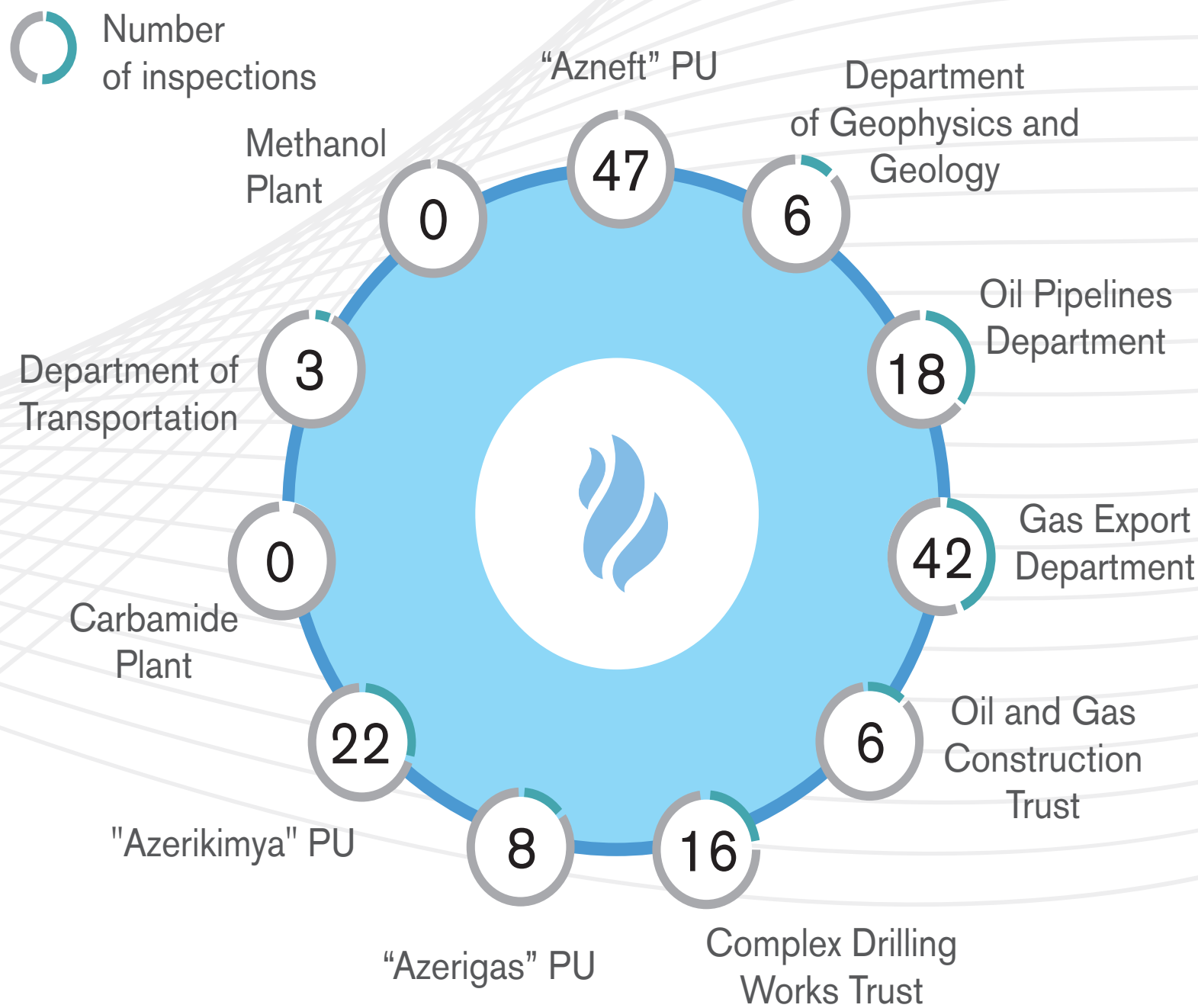
Third-party management

GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2

The Company is strongly focused on ensuring that the performance of third-party contractors is aligned with SOCAR's principles and values. SOCAR requires all third-party contractors to carry out effective health, safety, and risk management at their sites. The occupational health and safety performance of the joint ventures involved as contractors in the SOCAR's entities are controlled on a regular basis. Where the production sites involve several organizations, including contracted third party companies, their performance is subjected to overall guidance and control by designated persons. The vehicles failing to meet the safety requirements are not allowed to enter the fire/explosion prone areas with strong control of the availability of certificates, timely monitoring of the technical condition of the lifting and other equipment, mechanisms and tools used. In addition, the Company makes sure that necessary control measures are in place to ensure compliance with safety rules, all employees are equipped with special clothing and necessary protection equipment, and they are interacted where necessary. The state of industrial injuries is analyzed on the basis of the monthly reports submitted by Joint Ventures and Operating Companies to the Company.

The Company is strongly focused on ensuring that the performance of third-party contractors is aligned with SOCAR's principles and values. In this context, results of quality inspections in the SOCAR's subsidiaries were subjected to statistic analyzes to assess performance effectiveness. Overall 168 quality inspections were organized by 9 entities in 43 contractors.

Figure 18. Number of inspections



The following SOCAR entities were subjected to quality audits starting from the IV quarter of 2023: Neft Daslari OGPD of «Azneft» PU, projects implemented by «Oil and Gas Construction» Trust (OGCT) and the «Complex Drilling Works» Trust (CDWT), and projects implemented by Oil and Gas Construction Trust and «Bati-X» LLC in Dubandi Production Unit of the Oil Pipelines Department.

Accidents

GRI 403-2, GRI 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10

Despite the measures taken, 18 accidents happened in 2023. The relevant agencies were informed of the accidents, which completed the investigation of 8 accidents in line with the applicable legislation. The investigation of other cases is ongoing. The circumstances and reasons of the accidents were investigated, and the Company took appropriate preventive measures to further improve workplace conditions at its entities and increase the scope of awareness-raising activities.

Table 9. Number of accidents in 2023 by the areas of operations for SOCAR Azerbaijan

Entity	Number of accidents
“Azneft” PU	5
Gas Export Department	1
Complex Drilling Works Trust	1
Heydar Aliyev Oil Refinery	5
Oil and Gas Construction Trust	4
Transportation Department	1
Oil and Gas Scientific Research and Design Institute	1
Total	18

Table 10. Occupational health and safety indicators of SOCAR in 2023

Performance indicators for Occupational health and safety	2023
Total number of accidents, including	18
fatal accidents	2
Total number of injured employees	21
Including Number of deceased employees	4
Number of missing people	0
Number of occupational diseases	0
Number of days lost due to occupational injuries	826
The average number of employees	48 139
Total worked hours	83 131 323
Lost time injury ratio (per 200 000 hours worked)	0,05
Lost days ratio (per 200 000 hours worked)	1,99
Accidents’ frequency ratio (number of accidents per 1000 employees)	0,37
Accidents’ severity ratio (number of lost days per accident)	51,63

Table 11. Occupational safety performance indicators of SOCAR’s Joint Ventures and Operating Companies in 2023

Occupational safety performance indicators of SOCAR’s Joint Ventures and Operating Companies	2023
Total number of accidents, including	14
Fatal accidents	0
Total number of injured employees	16
Number of days lost due to occupational injuries	520
Accidents’ severity ratio (number of lost days per accident)	37,14
Accidents’ frequency ratio (number of accidents per 1000 employees)	0,63
Number of occupational diseases	0
The average number of employees	22 140
Total worked hours	45 055 475
Lost time injury ratio (per 200 000 hours worked)	0,06
Lost days ratio (per 200 000 hours worked)	2,31

The Company continued scheduled medical examinations of employees throughout the year and 23 217 Company employees passed the examination.

Employee relations

GRI 401-1, GRI 401-2, GRI 401-3

The personnel policy pursued by SOCAR is aimed at maintaining the existing staff, developing them, and making effective use of human resource opportunities while improving management in line with international standards, meeting the changing demands of the market economy, and developing SOCAR's strategy.

SOCAR approved a New Operation Model to enhance effectiveness of crude oil and gas exploration and production, ensure the Company's expanded involvement in green energy production, introduce innovative and digital technologies, achieve business sustainability and human capital development. The Company set up new business and functional units in line with the New Operation Model to improve management structure. The Target Operation Model prompted the reorganization of the Head Office, followed by actions taken to put in place necessary communication and to develop normative documents. SOCAR established 3 new departments within Human Capital and Inclusivity Unit to develop corporate culture necessary for human resources management, to forecast staff potential, to ensure talents attraction, sustainable development and motivation, explore working practices, etc.

As part of the company's human resources policy, SOCAR uses innovative instruments such as «Skype», «MS Teams», SOCAR Portal and SOCAR Family applications in addition to traditional communication tools such as e-mail, telephone, regular meetings, etc. to ensure communication between employees and managers. Furthermore, feedback sessions held regularly to evaluate competences, identify training needs and individual targets and provide intermediate and final evaluation of the state of performance offer other communication opportunities contributing to the increased process quality.

According to the Company's Strategy, SOCAR finds it necessary to increase the knowledge and experience of its employees, to ensure workplace safety, as well as to increase employee satisfaction at the workplace. To this end, surveys have been carried out for several years in order to measure the satisfaction of employees of the Company. The data on the number of respondents with a high level of satisfaction (>70%) participating in the survey «Evaluation of employee satisfaction at SOCAR» in 2021-2023 are as follows:

Table 12. Assessment of employee satisfaction level of SOCAR's employees in 2021-2023

	2021	2022	2023
Total number of respondents participated in the survey	6 385	6 480	6 015
Number of respondents with high level of satisfaction (>70 %)	4 110	4 214	3 888
Categories of participants, person			
Manual workers	2 054	2 354	2 224
Technical contractors	115	112	77
Specialists	1 144	1 008	962
Senior executives	797	740	625

In total, the Company targeted to involve 5 960 persons to survey in 2023, but over fulfilled the target with 6 015 (101%) having participated in the survey.

Number and categories of SOCAR's employees

GRI 2-6, GRI 2-7, GRI 2-8, GRI 401-1

SOCAR is the largest employer in the Republic of Azerbaijan. As of 31 December 2023, the number of SOCAR employees was 48 320, including those of the Company's business units and assets. Female employees account for 16% of the entire SOCAR workforce. The average age of employees in 2023 was determined as 44.

Figure 19. Employee dynamics in 2023

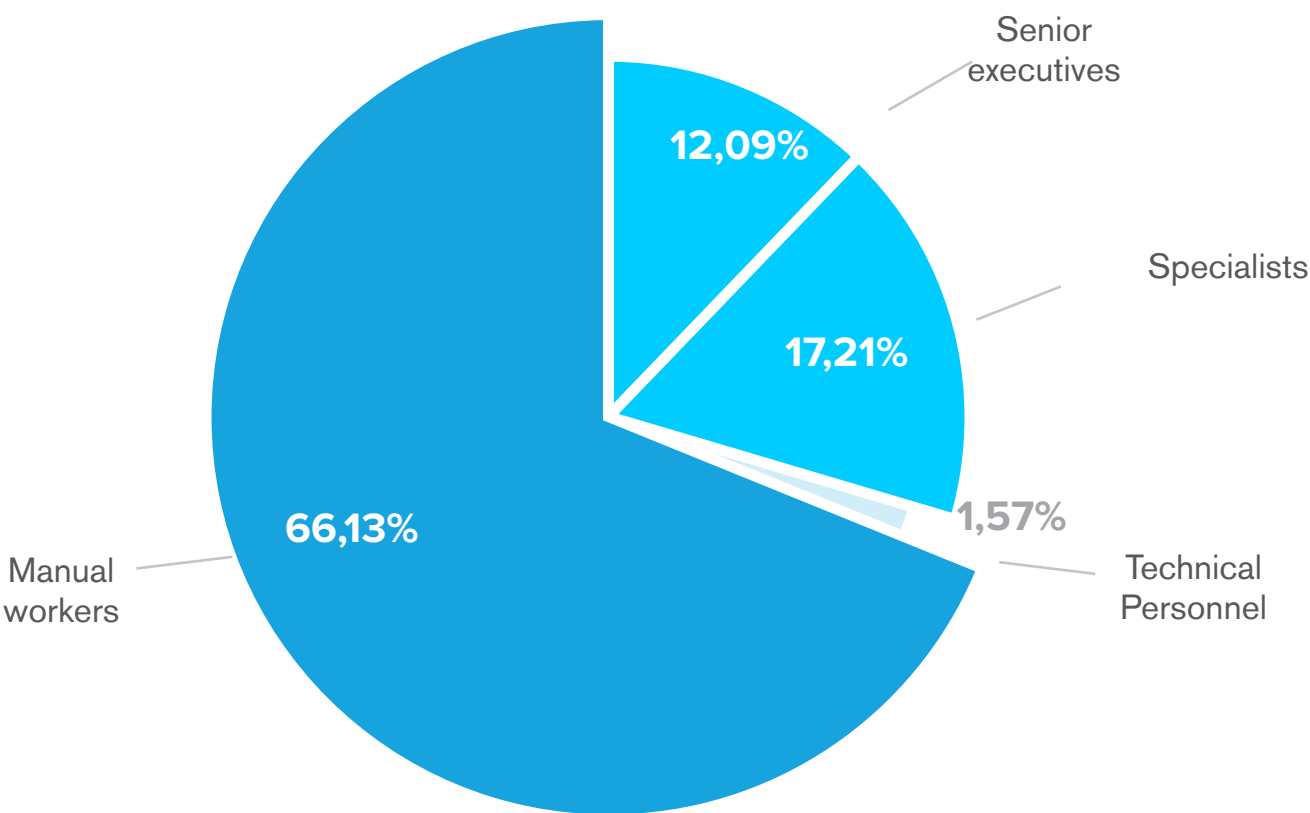
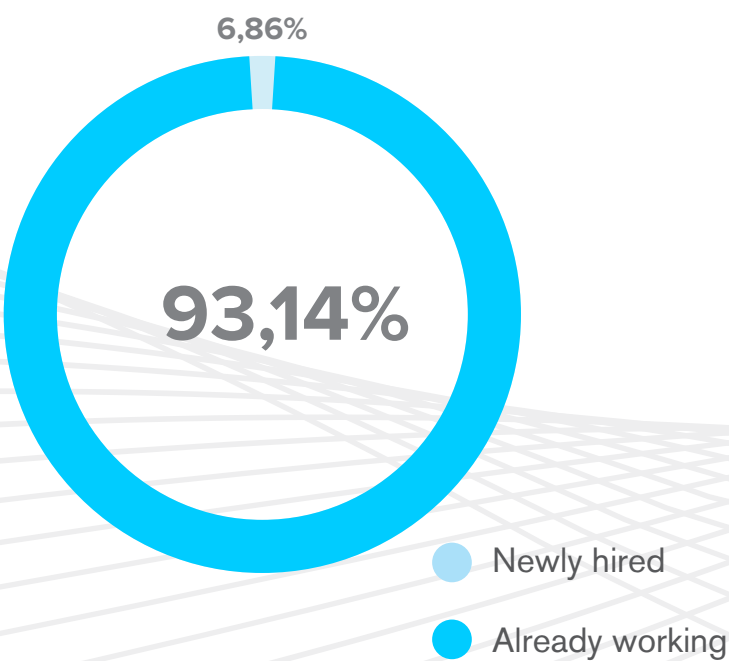


Table 13. Number of employees in 2021-2023⁵

SOCAR's facility	2021	2022	2023
Entities included into the structure of SOCAR	48 870	48 042	48 320
SOCAR Türkiye	5 179	5 251	5 509
SOCAR Energy Georgia	4 451	4 914	4 055
SOCAR Energy Ukraine	2 001	1 719	1 794
SOCAR Energy Switzerland	783	803	818

Figure 20. Number of employees and newly hired employees



Talent attraction and recruitment

GRI 402-1

SOCAR attaches high value to the attraction of specialists to secure the long-term effectiveness of the Company’s performance. It is also the primary area of focus of SOCAR’s HRM program to identify and attract young and promising talents at SOCAR.

Recruitment at SOCAR is based on a competitive selection process based on the respective standards and other regulatory documents of the Company and requirements of the labor legislation of the Republic of Azerbaijan.

One of the main objectives is to increase transparency in the process of assessing opportunities arising from demand and supply in the current labor market, timely recruitment of qualified personnel, shortening the decision-making chain in recruitment, setting KPIs, focusing on quality, and ultimately forming a flexible decision-making system in business units. In this regard, in order to strengthen search and without maturity, empower business units, and increase accountability for quality and compliance parameters, the employee selection process has been delegating to "Azerigas" Production Union and "Azneft" Production Union

⁵For more detailed information (by years) on Human Resources, see SOCAR’s Performance Indicators section on page 76.

During 2023, SOCAR hired a total of 3 313 new employees, including 407 females.

As part of the "Young Talents Program" aimed at ensuring the employment of young people with higher education, 53 out of 68 participants who successfully completed their internship in 2023 were employed by SOCAR's enterprises. In addition, the "Young Talents Program" and the "Working Student" internship program, planned to be held in the coming year, were announced at the end of 2023. As a result, applications from 3,165 individuals were received, and the initial selection process was conducted to involve them in the next stages of the competition.

Table 14. Number of hired and dismissed employees in 2021-2023

	2021	2022	2023
Hired	1 871	2 781	3 313
Dismissed	723	2 174	1 195

Table 15. SOCAR's employee turnover in 2021-2023

	2021	2022	2023
For entities included into the structure of SOCAR	1.4%	2.4%	1.4%
SOCAR Türkiye	8.2%	6.7%	4.93%
SOCAR Energy Georgia	17.5%	27.3%	41.6%
SOCAR Energy Ukraine	45.2%	37.26%	38.26%
SOCAR Energy Switzerland	38.7%	41%	40.34%

Provision of equal and fair opportunities

GRI 2-7, GRI 2-8, GRI 401-3, GRI 405-1

SOCAR has built its operation following the principle of equal opportunities for all employees, as well as nondiscrimination based on gender, age, nationality, religion, and any other characteristics.

Given the nature of the Company's operations, women are currently in the minority. However, the Company exerts every effort to attract more female employees, expand its powers, and offer payments and opportunities regardless of the employee's gender.

Table 16. Dynamics of employees at entities included into the structure of SOCAR

	2021	2022	2023
Female	7 981	7 688	7 631
Male	40 889	40 354	40 689
Total	48 870	48 042	48 320

Table 17. Employees of entities included into the structure of SOCAR, by age categories

2023		
Under 30 years old	30-50 years old	Over 50 years old
4 218	23 617	20 485

Table 18. Number of employees of entities included into the structure of SOCAR in 2023, by gender and employee category

	Female	Male
Senior management	506	5 336
Specialists	2 667	5 648
Technical personnel	531	228
Manual workers	3 927	29 477
Total	7 631	40 689

Table 19. Statistics of employees of entities included into the structure of SOCAR who took parental leave

	Number of employees
Number of employees entitled to parental leave	835
Number of employees who used parental leave	501
Number of employees who returned from parental leave during the reporting period	173
Number of employees expected to return from parental leave during the reporting period	252
Number of employees who returned from parental leave and stayed at work for 12 months	296
The proportion of employees who returned to work	100%
The proportion of employees who stayed at work	100%

Training and professional development

GRI 404-1, GRI 404-2

In 2023, 15,031 people participated in skill upgrading, retraining, awareness, and other training sessions held at SOCAR's training centers, while 1,714 SOCAR employees took part in 59 external training sessions organized by external training providers. In total, 294 different types of training were organized throughout the year using both internal and external resources. The training sessions mainly focused on HSE (Health, Safety, Environment), technical competencies, behavioral competencies, and information technology.

Table 20. Type and number of training sessions

Training or Education Center	Number of participants
Employee Development Center	7 973
Training Center for the Safety of Life at Sea	3 355
Sumgait Education and Training Center	278
Gala Education and Training Center	502
Gobustan Regional Training Center	2 923
External training centers	1 714
Orientation training	360
Total	17 105

Manual workers accounted for 61% (7 622 people) of overall training participants who attended the trainings. In SOCAR, the number of training hours per listener was 28.02, while training hours per employee constituted 9.76 hours.

Table 21. Average training hours per employee at entities included into the structure of SOCAR 2021-2023, by gender and employee category

Category	2021	2022	2023
Senior management	12.3	10.5	9,5
Specialists	10.4	10.8	8,9
Technical personnel	11.2	6.0	1.7
Manual workers	8.5	7.2	10,2
Female	4.0	4.3	5.5
Male	10.4	9.0	10.6

Professional Manual Workers Development Program

Since May 2023, SOCAR launched the training of 515 students in 22 vocational specialties in the Training Centers of SOCAR. At present, the training for all professions has ended with 353 students graduated from these professions after the final exams, and 90 students are expected to graduate in early 2024. Some students were excluded from the educational process either voluntarily or due to non-attendance. In addition, 455 graduates of the previous and current training program were employed during the reporting period.

Overseas Scholarship Program

The program aims to meet the education costs of employees working in the SOCAR Group who have been admitted to leading higher education institutions abroad, and to meet the demand for qualified personnel.

The Company launched the improvement of the program in 2023 to further increase its efficiency and to ensure effective engagement with graduates. To this end, a focus group discussion was organized with the participation of graduates to get their opinions and suggestions, followed by approval of changes by the senior management in a number of issues (requirements for candidates, selection process, obligations of fellows, recruitment and career development, etc.) with a capacity to make positive impact on the program. The next wave of changes is planned to be implemented in 2024.

In 2023, a graduate who successfully completed his education at KDI State Policy and Management School as part of the SOCAR’s Overseas Scholarship Program was employed by SOCAR..

Furthermore, during 2023, 4 employees had the opportunity to receive higher education at world’s leading universities such as Manchester University, New York University, and Columbia University within the framework of SOCAR’s Overseas Scholarship Program.

“Early Bird” Program

SOCAR launched “Çalışan tələbə” project as part of the Young Talents Program to support the development of young students in various universities of Azerbaijan and foreign countries and to contribute to their employment in the future. 3rd year bachelor students (4th year in 5-year education system) of the higher educational institutions of the Republic of Azerbaijan and foreign countries had the opportunity to apply for the program.

The project aims to increase students’ practical knowledge in various fields of the oil industry, familiarize them with real working conditions, test their theoretical knowledge in practice, and gain more detailed information on the quality of working at SOCAR.

Baku Higher Oil School Scholarship Program

A scholarship program for SOCAR employees studying MBA was launched to help development of high qualified personnel meeting state-of-the art requirements. The goal of the program is to support the professional development of personnel, encourage them for continuous development, help increase the competence, performance and initiative taking among employees.

“ProEx” – Sustainable development program for finance

The primary goal of the program is to develop future leaders involved in finance, to develop a talent base, to strengthen communication links between finance team of the SOCAR Group, and to exchange knowledge with experienced managers. The program was attended by 25 mid-level managers from various entities of SOCAR Group. The Company organized 5 finance trainings and 2 behavioral skills development trainings in 2023. Furthermore, a Shusha tour was organized to strengthen communication skills of the program participants.

Unpaid Internship Program

SOCAR has been running the Unpaid Internship Program for many years already. Every year, SOCAR offers opportunities to students who are citizens of Azerbaijan studying control gauging instruments, automation, ecology, energy, geological exploration, information and communication technologies, economics, chemistry and technology, mechanics, oil and gas extraction, or construction engineering at universities in both the Republic of Azerbaijan and foreign countries, to take part in the Internship Program. **In 2023, 737 students from Azerbaijan gained the opportunity to participate in an internship at SOCAR’s entities through the Unpaid Internship Program offered.**

«From Manual Worker to Engineer» Development Program

In 2021, SOCAR launched «From Worker to Engineer» Development Program to train employees with higher education, who work as manual workers, to engineering posts at SOCAR. The development program aims to systematically train manual workers with higher education in the specialty compatible with the job field, train more competent engineers in the Company and effectively complete vacant engineering posts by internal candidates. The development plan was prepared for 169 war veterans with special status, who were involved directly without introducing any selection process. **In 2023, 145 program participants, including 48 Karabakh War veterans were hired to engineering posts.**

Table 22. The target audience of the “Manual Worker to Engineer” Development Program

	Number of employees applicable for the program			Number of employees joined the program			Number of employees advanced to the next stage
	Employee	Veteran	Total	Employee	Veteran	Total	
Total	579	192	771	304	169	473	145

Other initiatives and cooperation

Cooperation with «Baker Hughes»

We have ongoing cooperation with «Baker Hughes» in the organization of trainings. The cooperation involves leadership trainings for 3 groups at upstream, 1 and 2 at midstream. 2 out of 3 trainings planned for the upstream have already been organized. The training planned for the midstream has already been completed. It is planned to start the leadership training on March 2024, which will involve a total of 110 employees.

Social wellbeing of employees

SOCAR launched the «Psychological support» project in line with the Company's value «Care», to improve the well-being of the employees, reduce tension in the working environment and manage stress. As part of the Company's commitment to improved social wellbeing, employees are provided with awareness raising seminars and presentations, including individual sessions that encourage them to have a healthy lifestyle, follow work-life balance and get satisfaction with life. It is planned to gradually implement the project in all structural entities and organizations of SOCAR in the years to come.

Flexible working hours

The flexible working hours has been implemented in SOCAR's Head Office since 2022, and in SOCAR's entities and organizations since April 2023. The flexible working hours are deemed appropriate by SOCAR to contribute to the improved social wellbeing of employees, help address daily social issues arisen and increase work efficiency.

Developing leadership competences

The development program «Leadership mastery - Empowering mid-level managers»

SOCAR designed a development program «Leadership mastery - Empowering mid-level managers» for managers as part of the «Leadership Academy» to ensure that the leadership skills of managers involved in important positions at SOCAR are improved and to shape shared management values involving the modern leadership approaches. The program includes a series of training sessions consisting of 2 modules dedicated to the themes «Driving Growth Mindset - Strategies for Continuous Improvement» and «Cultivating Collaboration - Empathetic Leadership in Action».

Leadership Academy

The development program for senior managers aims to increase leadership knowledge and skills using new modern approaches, as well as to shape a unified leadership culture in SOCAR. The program was jointly organized by Baku Higher Oil School and Boğaziçi University, and up to 100 strategic leaders participated in 4 modules until the end of 2023. Trainings are organized by international trainers with extensive academic and corporate experience.

Management of employee performance

GRI 404-1, GRI 404-2

In 2023, the individual goals of SOCAR employees were identified and evaluated. To this end, the primary changes involve a new approach to process management, cascading method and principles. In general, the main event/achievement of the employee performance management system in 2023 is the implementation of a project, where the current performance system was diagnosed and the design of the new performance system was completed according to the diagnosis result.

As part of the process, individual goals were set for more than 13,000 employees with managerial and specialist positions at the company, followed by intermediate assessment and a final assessment of the goals. In parallel, during 2023, the project designed for the improvement of the performance management system was initiated at SOCAR with the involvement of an international consulting company. The project involved the analysis of documents on SOCAR's current performance management system, including the collection of information about the current and prospective performance management system using surveys, interviews and workshops with all categories of employees. As a result, a diagnostic report on the performance management system was prepared and a new performance management system was designed with appropriate improvements. The newly developed performance management system is planned to be implemented from 2024.

Table 23. In 2023, employees with individual goals set for SOCAR Head Office and entities included in the structure of SOCAR

Facility	Number of employees with identified individual goals
SOCAR Head Office	591
“Azerikimya” Production Union	709
“Azerigas” Production Union	3 211
“Azneft” Production Union	3 022
Security Department	198
Department of Geophysics and Geology	553
Department of Information Technologies and Communication	344
Carbamide Plant	150
Complex Drilling Works Trust	660
Marketing and Economic Operations Department	176
Methanol Plant	159
Oil Pipeline Department	241
Oil and Gas Research Design Institute	795
Oil and Gas Construction Trust	643
Department of Transportation	686
Gas Export Department	527
Department of Social Development	202
Industrial Safety Department	168
Editorial office of “Azerbaijan Oil Industry Journal”	17
Department of Development of Occupational Norms	74
Office of Training, Education and Certification	176
Baku Deep Water Jackets Plant	43
Total	13 345

Competency Management

GRI 404-3

SOCAR has been implementing the Competency management process for all entities of the Company starting from 2021. In 2023, the Company carried out a series of awareness raising events to provide detailed information and achieve objective assessment on evaluation processes for senior managers, evaluation errors, behavioral competencies, critical tasks and criteria for their determination, successors, and criteria for candidacy for succession in a number of entities.

During the reporting period, a total of 11 195 employees were involved in the evaluation process from all facilities of SOCAR. The Company reviewed the list of high and very important roles for several entities and involved new successors to the preparation process. A total of 940 positions were identified as high and very important roles during 2022, and 1 918 employees were selected for preparation as successor from among the employees whose competencies were assessed for positions approved as high and very important.

SOCAR organizes career interviews by the applicable methodology to ensure that the Company makes more objective and transparent decisions regarding the appointment of successors to vacant or very high-level positions. As a result, 48 candidates were appointed as successors to the intended posts in 2023.

Application of Assessment Center

GRI 401-2

In 2021, SOCAR launched the Assessment Center, an initiative to help the Company with an assessment of successors for high and very important positions. During the reporting period, the Assessment Center experienced a number of improvements. It involved the evaluation of 78 candidates in the selection stage for important vacant positions of the company, as well as in selections for the Young Talents Program, which followed this method.

The employees of the Human Resources Department of SOCAR’s Head Office were invited as evaluation experts to the «Yukselish» contest, which is held by the Decree of the President of the Republic of Azerbaijan Mr. Ilham Aliyev dated December 9, 2021, who attended the trainings designed for evaluation experts and participated in the final and semi-final stages of the contest.

Employee benefits

GRI 401-2

SOCAR continually monitors the effectiveness of its HRM policy and takes necessary measures to support reaching targets in this direction. A number of benefits and opportunities were created to increase employee satisfaction, and it is planned to enhance such benefits to ensure their full availability in the future. The benefits include medical insurance, transportation services, dormitories, training and education, as well as workplace safety.

Awards

During 2023, 106 persons were awarded the «Honorary Oilworker» badge of the State Oil Company of the Republic of Azerbaijan, and 224 were awarded the Order of Honor on the occasion of Oilworkers Day and for their special services in the development of the oil industry. Among those awarded, 87 are women.

The number of employees awarded in 2021-2023, by job category

	2021					2022					2023				
	Leader	Specialist	Worker	Including Female	Male	Leader	Specialist	Worker	Including Female	Male	Leader	Specialist	Worker	Including Female	Male
"Honorary Oilworker" badge	38	12	27	4	73	44	16	29	10	79	48	29	27	25	79
Order of Honor	42	36	28	10	96	97	40	60	4	173	86	64	66	62	154

Review of applications

Statistics on the review of employee applications and the number of citizen applications in 2021-2023.

Göstəricilər	2021	2022	2023
The number of employee applications received and responded to at the hr@socar.az email address	4418	7153	10625
The number of citizen applications received via the Opentext ECM system	1626	1067	700

Social activity and support for the local development

GRI 203-1, GRI 413-1

As a company with full commitment to its corporate social responsibilities, SOCAR takes large scale actions to improve working conditions and the social welfare of its employees in the Company’s entities and business units and of their family members taking special care of employee health and recreation, and to contribute to important socio-economic projects implemented at the country level.

SOCAR's business units and entities continued to implement the “2021-2025 Social Development Program, a document aimed at “improving workplace conditions and social welfare of SOCAR employees” and adopted by the Decision of the Republican Committee of Azerbaijan Oil and Gas Industry Workers Trade Union to improve social welfare of SOCAR employees.

The Company organized monitoring of a total of 1 593 production, administrative, social, sports and other facilities in 512 sites of 143 subunits of SOCAR's subsidiaries, and designed and initiated the implementation of necessary plan of actions to address detected deficiencies.

Assistance and support provided to employees

GRI 401-2

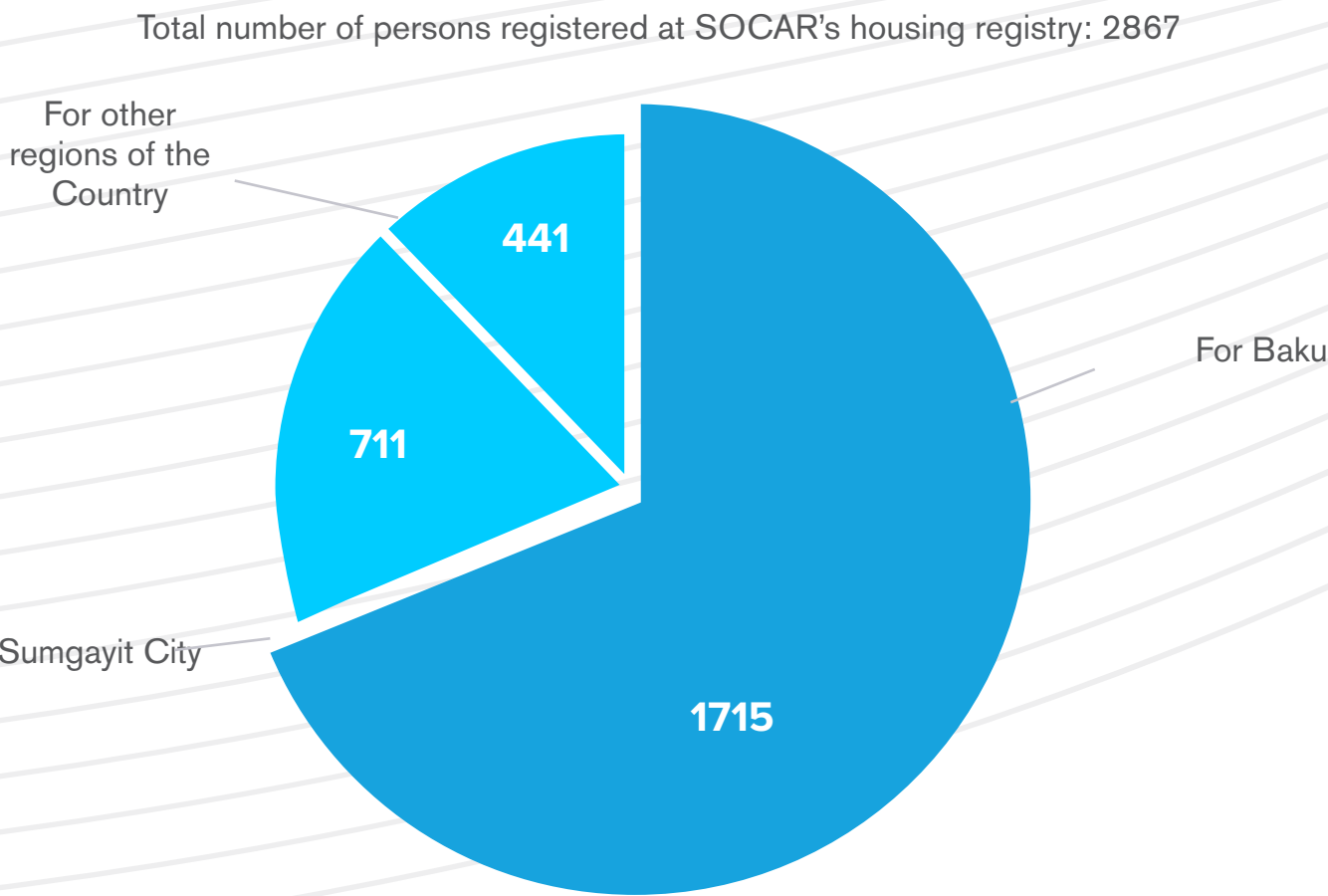
In 2023, the Company continued financial assistance to employees in line with the Regulations on Financial Support to SOCAR’s Employees. Under this Regulations, SOCAR provided financial assistance worth 2,5 times the minimum monthly wage to minor children of deceased employees until they reach the age of 18 (or 23 if they are having higher education) and 5 times the minimum monthly wage to each child of those martyred during the Karabakh war.

Following the necessary amendments to the collective agreement signed between SOCAR and Republican Committee of Azerbaijan Oil and Gas Industry Workers Trade Union, each year, SOCAR provides financial assistance to 3,999 employees who participated in the protection and restoration of the territorial integrity of Azerbaijan, as well as to the family members of 178 former employees martyred during the war, on the occasion of Victory Day. In addition, they are provided with recreation and treatment at sanatorium-resort centers throughout the country. In 2023, 52 veterans and 38 family members of martyrs were provided with recreation and treatment in a resort center.

Work-life balance

SOCAR organized vacations for over 4 000 oil workers and their family members in the recreation centers in 2023. About 3 500 Company employees were issued referrals for treatment at sanatorium-resort centers of the country.

Figure 21. Housing registry



14 of those registered for housing in Baku are young specialists who are employed by SOCAR and recently completed their education under SOCAR's Scholarship Program, while 6 were those who lived in an orphanage and gained vocational education at the Training, Education and Certification Department of SOCAR. SOCAR launched the construction of residential complex composed of 8 buildings with 676 apartments in the territory of Bibiheybat settlement of Sabail district. In 2023, it completed the construction of 2 residential buildings and, followed by the distribution of 252 apartments to their residents.

SOCAR continued the distribution of apartments providing 267 more families of oil workers with cooperative apartments.

In addition, 7 families of oil workers were provided with a land plot in the area allocated to «Neftchi» housing-construction cooperative for the construction of 335 individual residential houses in Buzovna settlement, Khazar region. Land plot for construction of 321 individual houses were distributed during the previous years with 14 more plots pending distribution in the next year.

Among those provided with cooperative apartments, 28 are young professionals completed their education under SOCAR's Scholarship Program and are employed by SOCAR, while 21 are those who lived in an orphanage and gained their vocational training at SOCAR's Training, Teaching and Certification Department.

Provision of social and medical services

Voluntary medical insurance

SOCAR provides comprehensive approach to employee health and takes continues measures to improve workplace conditions, to organize spare time of employees, conduct a preliminary and periodic examination and improve the quality of inpatient examinations and treatments provided to employees. The Company expanded the coverage of medical insurance and included the former employees exposed to industrial injury, along with the current employees. Pursuant to the program, employees are granted the opportunity to use medical services worth 120,000 AZN and benefit from medical consultation in different clinics of the country during the year.

Retiree health insurance

SOCAR has signed a «Voluntary medical insurance contract» with OJSC «PASHA Insurance» to insure retired employees and provide them with medical services. Under the contract, the insurance company provides services such as emergency medical care, ambulatory polyclinic and inpatient treatment for SOCAR's former employees within the framework of the «Voluntary medical insurance program».

Mandatory life insurance

To improve the occupational health and safety, compulsory health insurance is issued for the Company employees pursuant to the «Contract on Compulsory Insurance against the loss of occupational capacity due to industrial accidents and occupational diseases» signed between SOCAR and «Pasha Hayat Insurance» OJSC. This contract serves as legal framework for insurance payments provided for loss of occupational capacity or death as a result of damage to life and health.

Life insurance

Life insurance is another assuring product offering opportunities to enhance the quality of life and social security of SOCAR employees. By joining this investment product offering the highest income in the insurance market, employees get the opportunity to gain more income than their wages (up to 50%).

Life insurance against terminal and incurable diseases

«Life insurance against terminal and incurable diseases» is another insurance coverage for employees to get insured against death and incurable diseases they are exposed to for any reason, which they can use anywhere in the world and 24 hours a day. This insurance makes it possible to receive insurance payments for death and incurable diseases, regardless of whether the insurance event occurred is related to industrial activity or not.

Table 24. “Regulation on financial assistance to SOCAR’s employees” provides for the type and amount of financial assistance by the Company’s business units and the Head Office, in Azerbaijani Manat:

Type of assistance	2021	2022	2023
In the event of the death of employee, to one of the family members - 20 times the lump-sum minimum wage	1 355 000	2 207 000	1 179 900
In the event of the death of an employee in the Karabakh war with the enlistment in military service (directly related to military operations), to one of the family members of the employee - in the amount of 40 times the lump-sum minimum wage	20 000		
In the event of the death of a family member of employee - 5 times the lump-sum minimum wage	2 248 750	4 079 600	1 918 200
5 times the minimum wage per month for each of the children of the employee deceased in the Karabakh war and during January 20 events, until they reach the age of 18 (23 if he/she is enrolled for full-time higher education)	45 000	108 000	6 208
In the event of the death of an employee, his/ her minor children will be paid on a monthly basis until they reach the age of 18 (23 if they are enrolled for a full-time higher education) - 2.5 times the minimum wage.	6 585 910	14 018 860	8 99 768
In the event of disability, due to participation in the Karabakh war with enlistment in the military service (directly related to military operations) - 20 times the lump-sum minimum wage;	55 000	60 000	
Total:	10 309 660	20 473 460	4 004 076

Charity and Sponsorship

GRI 203-1, GRI 203-2, GRI 413-1

SOCAR takes many actions to achieve positive outcomes for society. It provides support and sponsorship for social projects, including the development of youth. Total social expenditures of SOCAR in 2023:

Table 25. Total social expenditures of SOCAR, million AZN

	2021	2022	2023
Total social expenditures of SOCAR ⁶	261	214	300

Social projects on sport, education and culture

GRI 203-1, GRI 413-1

With the declaration of 2023 as the «Year of Heydar Aliyev», SOCAR’s business units, entities and organizations developed a plan of actions including blood donation and tree planting campaigns:

- «My Azerbaijan» art competition among Sumgayit city schools organized by «Azerikimya» Production Union,
- Chess tournament for school children at the chess school,
- A cross-country running with the participation of employees of business units, entities and organizations located in the city of Sumgayit, as well as students of higher and secondary specialized educational institutions.
- Digital Idea Competition dedicated to the 100th anniversary of the Great Leader at the Baku Higher Oil School (BHOS),
- A round table, a debate tournament in connection with «June 15 National Liberation Day», and scientific conferences of students and young researchers.

Since 2009, SOCAR employees have participated in the voluntary blood donation campaign within the “For the sake of life without thalassemia” program, organized by the initiative of Mrs. Mehriban Aliyeva, President of the Heydar Aliyev Foundation. Up to date, 41 157 kids with thalassemia were provided assistance. 1,935 SOCAR employees joined this benevolent event and participated in the blood donation campaign scheduled by the Medical Services Department in 2023.

As part of the joint cooperation with the National Center of Hematology and Transfusion, SOCAR continued blood donation campaigns in 2023, as it did in previous years, in all entities and institutions of SOCAR, within the framework of «Donor Day».

⁶ The figures reflect expenditures for SOCAR Group overall

The Company continued to support sports initiatives as part of the Company's Corporate Social Responsibility projects. In addition to the Baku Olympic Stadium, the largest sports facility in the country, SOCAR has stadiums and gyms located in various cities and regions of the country (Sports Hall Complex, Shirvan, Neftchala, Pirallahi and Siyazan Stadiums). SOCAR promotes football, judo, chess, shooting, etc. to develop sports in the country and cooperates with sports federations, providing them with sponsorship support.

Over the past period, SOCAR organized various sports tournaments (volleyball, mini-football, mountain tourism, swimming, etc.) among the Company business units and entities at the initiative of the «Neftchi Sports Club» Public Union. Furthermore, «Orienteering» dedicated to the 100th anniversary of the Great Leader Heydar Aliyev, tourism competition dedicated to «June 1 International Children's Protection Day» are among the activities of this kind and of special interest.

Social activities of SOCAR in foreign countries

GRI 203-1, GRI 203-2

In 2023, SOCAR, via its subsidiaries, implemented a number of social and humanitarian support projects outside the country, notably in the Republic of Türkiye, Georgia and Ukraine. In 2023, SOCAR provided assistance to Türkiye to help address the damage caused by the strong earthquake occurred in several regions of the country and SOCAR Türkiye covered the demand for fuel in the earthquake region. In addition, the Company continued to implement the scholarship support program for ethnic Azerbaijani students studying at the leading higher education institutions of Georgia, jointly with the Ministry of Education of the Republic of Georgia. Since the launch of the program in 2008-2009 academic year, 6,500 Azerbaijani students have benefited from this scholarship.

The Company carried out a number of activities to address the consequences of the ongoing war in Ukraine. Examples of these works include the renovation of the Lyceum named after Zarifa Aliyeva, Polyclinic and Friendship Park named after Zarifa Aliyeva in Irpen, free supply of fuel for ambulances and other vehicles of special purpose, free food for employees of emergencies and medical centers.

GRI 102-9, GRI 102-10, GRI 204-1, GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2

SOCAR oversees its warehouses based on the quarterly reports to ensure that remaining material resources in the warehouses of the Company's units and entities are used effectively, no procurement of surplus-generating material supply is allowed and only the most necessary material resources are allowed to procure subject to the availability of funds, as required by material and technical supply management and regulation instruction applicable in SOCAR. The Company developed an annual report with necessary information on designated purpose, length of validity and category of materials to be purchased by SOCAR's units and entities, in line with the Company's material and technical supply management and regulation instruction. As a continuation of the process, we started to integrate annual demand of the Company into the SAP ERP system and developed a new functionality to be applied successfully in SOCAR's units and entities.

Lists of ILR (illiquid reserves) determined by SOCAR were grouped and submitted with an official letter to the Oil and Gas Scientific Research Institute. The goal was to re-design the management of remaining ILR balance, to look into the possibility of their use in facilities currently under construction, and to take the necessary measures to achieve a positive result. As provided by the Order On the implementation of the plan on transition to a method that relies on Resource method to determine the estimated value of the construction-installation and adjustment works performed via contractor agreement) the market prices of over 2000 MMD (materials used during construction and installation and startup and adjustment works) were determined to formulate the «Request book on current prices of resource indicators». Prices are regularly reviewed and updated as a result of market analysis.

As the largest consumer of goods and materials, SOCAR maintains its focus on creating efficient supply chain, which helps the efficient use of budgetary resources and development of the supply system.

The supply system in SOCAR follows the requirements of local legislation, international standards, and internal regulatory and technical documents. The Company has a Procurement Committee, Operation Procurement and Supply Department, Large Capital Projects Procurement Department, the portal "e-procurement", and SAP module to carry out this work.

SOCAR took a number of actions and set specific targets to improve supply and procurement performance, one of the most important business processes at SOCAR and to enhance procurement efficiency and transformation:

- Improve the supplier selection process
- Implement a category management process
- IT and accountability

Logistics and supply systems have been set up at SOCAR to ensure production sustainability and meet the demand for oil and gas products. SOCAR's supply system is based on the principles of efficiency, cost optimization, and high quality of purchased goods, materials, and services.

Sustainability of the supply chain

The Company's supply system is based on procurement operations that meet the principles of transparency, environmental friendliness, and safe operations. This has a positive economic, social, and environmental impact on the geography of SOCAR's operations. Each supplier must comply with SOCAR's values and principles, and the Company always monitors suppliers' compliance with SOCAR's business values and ethical standards. The same principles apply to the Company's subsidiaries

SOCAR reviews the performance results of third-party companies when executing contracts. The Procurement Regulations, Inspection of Other Parties, an Anti-Corruption Standard, and other relevant papers serve as the foundation for the Company's interactions with counterparties.

SOCAR's Document on Pre-qualification assessment procedures was developed in line with SOCAR's normative documents on procurement, as well as SOCAR's Manual on the arrangement and management of Pre-qualification. The following criteria guide the suppliers' assessments in the document:

- Operational risks, including key risks associated with the supplier's environmental and social performance
- Project and tasks implementation and control capacity
- Quality Control/Quality Assurance
- Supplier's technical capacity and employees' competence
- Innovative approach
- Sources of supply of materials, equipment, personnel, facilities, buildings
- HSE practices

The Procedural Document is designed to ensure that the most qualified party is selected for the procurement procedures and vendor site category/sub-category required for the performance of work and the provision of services as well as the supply of materials and equipment by third parties. The document also intends to guarantee the implementation of an objective evaluation, the supply of high-quality goods, works, and services, as well as the analysis of additional aspects influencing the procedure.

Furthermore, a draft of the Manual on Acceptance of Goods, Materials, and Equipment was prepared to form a unified approach to the goods, materials, and equipment acceptance at SOCAR. This instruction contains the main requirements associated with the sequence, conditions, and system to be followed in the stages of goods, materials, and equipment acceptance. It also regulates relations related to the admission procedure according to the needs of SOCAR's enterprises and business units. The main purpose of the Manual is to determine the necessary rules for the implementation of the equipment and materials acceptance processes at SOCAR and its business units, to achieve the proper application of the requirements arising from the purchase agreement, and to ensure that the process becomes systematic and meets corporate rules and requirements.

Support of local suppliers

GRI 204-1

SOCAR prioritizes local companies when procuring the necessary goods, materials, and services to contribute to economic development in Azerbaijan.

SOCAR's procurement costs in Azerbaijan in 2023 amounted to AZN 5 561 million, of which AZN 3 666 million were spent on the purchase of raw materials and AZN 1 896 million on services. A total of AZN 2 876 million was spent on local suppliers

Table 26 The ratio of spending to local suppliers in 2021-2023 years (%)

Year	Entities included into the structure of SOCAR	SOCAR Türkiye	SOCAR Energy Georgia	SOCAR Energy Ukraine	SOCAR Energy Switzerland
2021	88	90	94	96	86
2022	38	82	93.5	95	92
2023	52	82	97	99	81

Figure 21. Key directions of purchase of goods and materials in SOCAR 2023,%

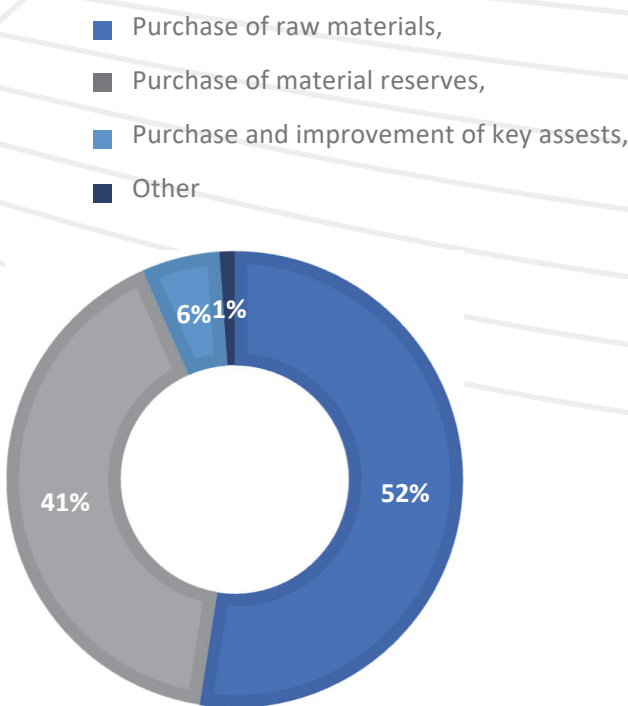
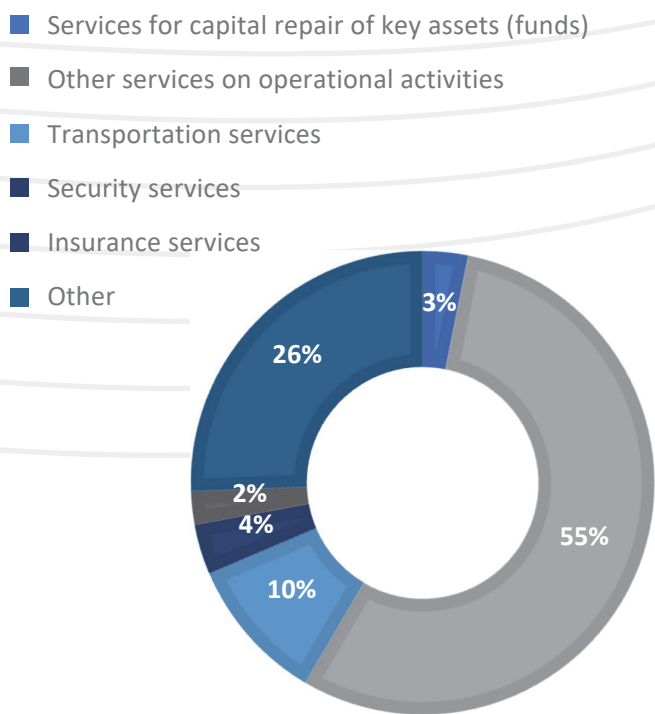


Figure 22. Key directions of procurement of services in SOCAR in 2023,%

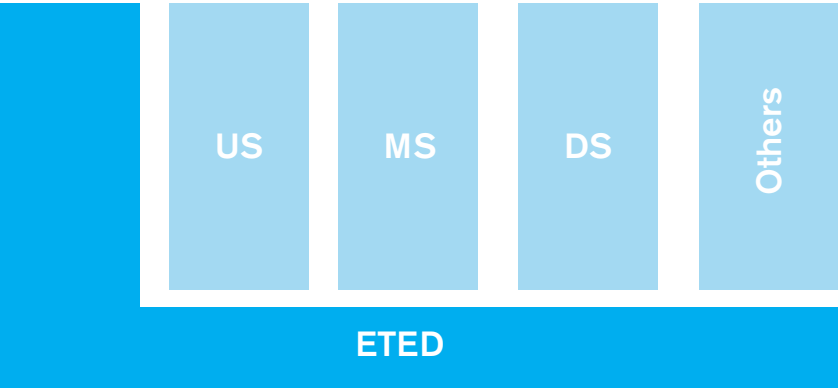


GRI 102-11, GRI 201-2, GRI 305-4, GRI 307-1

Introduction

In 2023, SOCAR embarked on a significant transformation with the launch of its Green Agenda, a cornerstone in advancing environmental and climate initiatives. This led to the establishment of the Energy Transition, Environment, and Decarbonization Segment (ETED segment), which is now responsible for overseeing environmental management across all SOCAR operations as well as management of renewable projects. As part of this commitment, SOCAR set ambitious decarbonization targets, taking the first steps towards becoming a leading energy company and achieving net zero emissions by 2050.

Figure 23. SOCAR's organizational structure (business segments)



SOCAR is deeply committed to environmental protection and climate change mitigation. Our assets and business units actively integrate sustainable practices into their operations, ensuring that production demands do not compromise environmental stewardship. We continuously monitor the environmental performance of our assets and initiate projects to reduce our environmental impact. To support these efforts, we have established a dedicated governance structure, with the ETED Segment and SOCAR's Vice President overseeing energy transition, environmental protection, and decarbonization processes across our activities.

To further our environmental commitments, SOCAR continues to expand partnerships and leverage its subsidiaries. EKOL Engineering Services CJSC (EKOL), a provider of ecological services such as waste management, environmental impact assessment, environmental monitoring and laboratory analysis, operates under the ETED Segment to help fulfill our environmental responsibilities. Additionally, SOCAR has established a new subsidiary, SOCAR Green, which plays a key role in delivering low-carbon business solutions through collaborations with global organizations like bp, AIC, Masdar, and ACWA Power.

Regulatory Framework

At SOCAR, we are committed to environmental sustainability, adhering to internationally recognized standards and global initiatives endorsed by the Republic of Azerbaijan. Our dedication to minimizing the environmental impact of our operations is demonstrated through the continuous improvement of our policies and their alignment with global best practices.

The management and reduction of environmental impacts from our operations are guided by international agreements to which the Republic of Azerbaijan is a signatory, along with legislative documents, state programs on environmental management, regulatory legal frameworks, and SOCAR's corporate policies. Some of the key corporate documents developed and implemented at SOCAR to manage and mitigate environmental impacts are listed below:

- Environmental policy and associated statements
- Reduction of Fugitive Emissions in SOCAR and SOCAR-Participated Projects Plan
- Support of the global initiative by the World Bank in 2014 “Zero routine flaring in the normal production process by 2030”,
- Energy Audits Program
- Climate Change Mitigation Strategy for 2010-2020 and 2021-2030: Low Carbon Development Strategy.
- SOCAR's Corporate Strategy 2035, Energy Transition, Environment and Decarbonization chapter,
- Environmental Monitoring Program,
- Decarbonization strategy, program and targets,
- Emissions calculations methodology aligned with the latest international standards

SOCAR is participating in large scale renewables and green hydrogen projects in Azerbaijan, to be delivered jointly with global leading companies. We collaborate with international partners and participate in programs such as OGDC⁷, MGP⁸, IOGP⁹, OGMP 2.0¹⁰, and the UNFCCC's¹¹ CDM, which address climate challenges like methane emissions and the energy transition.

⁷ Oil & Gas Decarbonization Charter
⁸ Methane Guiding Principles
⁹ International Association of Oil & Gas Producers
¹⁰ Oil & Gas Methane Partnership 2.0
¹¹ UNFCCC's Clean Development Mechanism

Organizational changes and new agenda

We continuously implement large-scale internal programs and exercises to enhance our environmental management practices and minimize the negative impacts of our operations on environment. In 2023, SOCAR introduced a new Target Operating Model, set to be fully implemented by 2025. This led to the transformation of the Ecology Department and Energy Transition Department into the ETED Segment, marking a strategic shift in our organizational structure.

The ETED Segment comprises three departments responsible for deployment and implementation of Environmental Management System, environmental reporting and data analysis, monitoring of environmental performance and setting corporate environmental KPIs and targets, management of partnerships and collaboration with external parties, as well as expansion and management of green business portfolio of SOCAR. To support the expanding scope of our initiatives, we are also planning to grow the team within the ETED Segment, ensuring we have the talent and resources needed to drive our environmental goals forward.

One of the main objectives of ETED segment is to establish an Environmental Management System (EMS) in accordance with the ISO 14001 standard. We are dedicated to ensuring that the EMS achieves the highest standards of environmental performance and effectiveness through continuous development and improvement. To support this and other associated ambitions and targets, ETED segment is launching a two-year Climate and Sustainability – Green Lighthouse program to accelerate SOCAR's transformation. This program will support our decarbonization efforts, ensuring the successful implementation of the Company's low-carbon initiatives (Figures 24 and 25) as well as improving environmental performance of existing assets.

Figure 24 “LightHouse” project



Create climate and sustainability impact and establish industry leadership

Team focused on rapid implementation of company-wide changes

Commitment to launch climate and sustainability transformation from carbon footprint to water and soil

Figure 25. “LightHouse” initial efforts

Decarbonization program (“Net Zero” target)
Water management
Oil spills management
Methane emissions management
Oil-contaminated lands and lakes reclamation

Furthermore, ETED segment has launched several company-wide exercises to enhance the existing environmental management system elements including:

- Statement on Environmental Protection Goals was developed, outlining targets aligned with a commitment to combat climate change and reduce negative environmental impacts. These targets apply to all entities within the organization as well as to business partners, contractors, and suppliers.
- Enhancement of Environmental reporting processes across all assets by aligning them with the latest industry standards, with a particular focus on methane and other emissions calculations. This includes implementing advanced methodologies for accurate emissions quantification and incorporating up-to-date protocols and technologies. By refining data collection and analysis, the reporting now meets regulatory requirements and industry best practices, enabling more precise tracking of environmental performance and contributing to global climate goals.
- Development and implementation of the Environmental Monitoring Program for 2024-2025 (EMMP) to improve the efficiency of environmental monitoring efforts and ensure alignment with the latest industry standards. The updated program provides comprehensive and reliable monitoring of environmental impacts across all production activities, ensuring data collection and reporting meet both local and international standards. This improvement allows for better assessment of ecological risks and the implementation of targeted mitigation measures.

Energy transition and decarbonization

GRI 302-1, GRI 302-3, GRI 302-4, 302-5

New Vision and Strategy

SOCAR plays a leading role in Azerbaijan’s decarbonization efforts across the country, actively supporting Azerbaijan’s national sustainability goals to achieve the target of reducing greenhouse gas emissions by 40% by 2050 compared to 1990 levels.

Figure 26 National decarbonization targets, mtCO₂

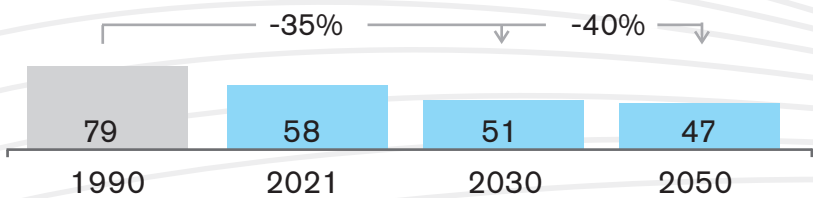
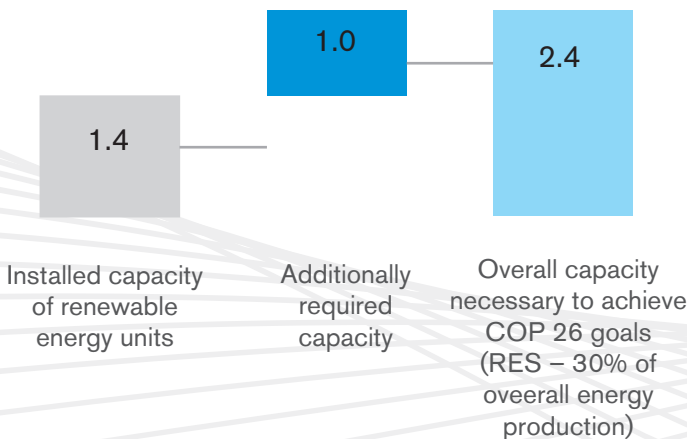


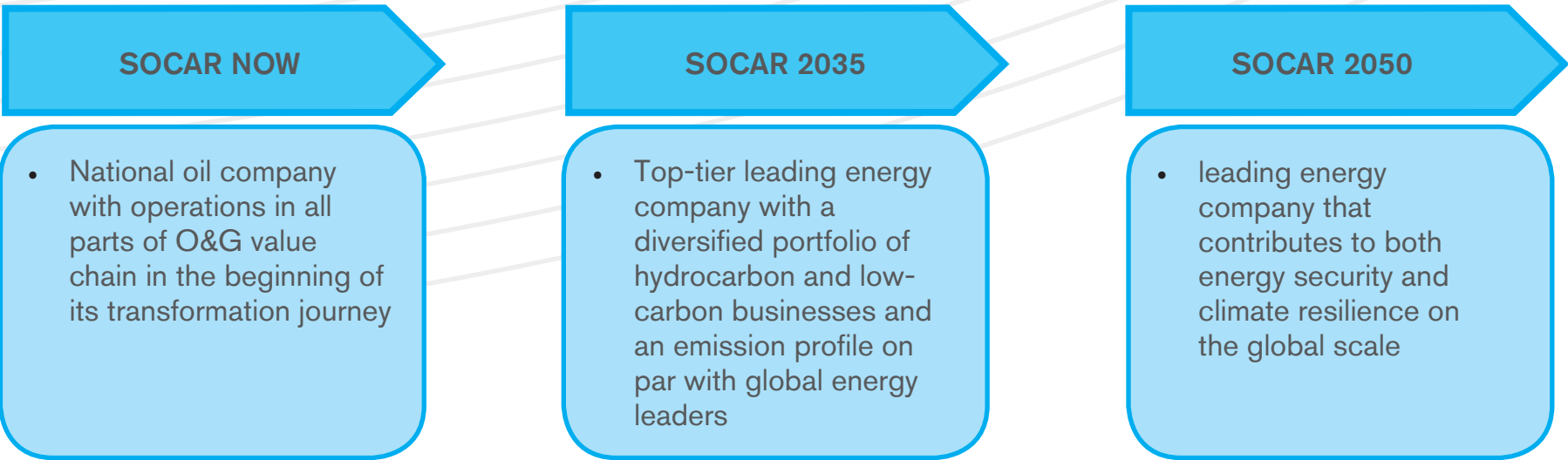
Figure 27 National Renewable Energy targets, GW capacity



SOCAR, in collaboration with its partners, is working towards achieving energy production of 2.3 GW, more than double the renewable energy potential needed to meet national ambition. SOCAR’s commitments are in line with the country’s goals, and we are positioned to exceed them. In 2023, SOCAR delegation attended the “Oil and Gas Decarbonization Charter” (OGDC) conference, held during the 28th session of the Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change in Dubai, United Arab Emirates. At this conference, SOCAR officially joined the OGDC charter. The charter outlines ambitious targets, including achieving net-zero operations by 2050, reducing methane emissions in the upstream segment to near zero by 2030, and eliminating routine flaring by 2030. The OGDC charter has been signed by over 50 national and international oil companies, including bp, Saudi Aramco, ADNOC, TotalEnergies, and KazMunayGas.

Our aim is to transform SOCAR into leading energy company providing affordable, secure and sustainable energy. Our current positions and ambitions for the future are depicted in Figure 28.

Figure 28. SOCAR Transformation



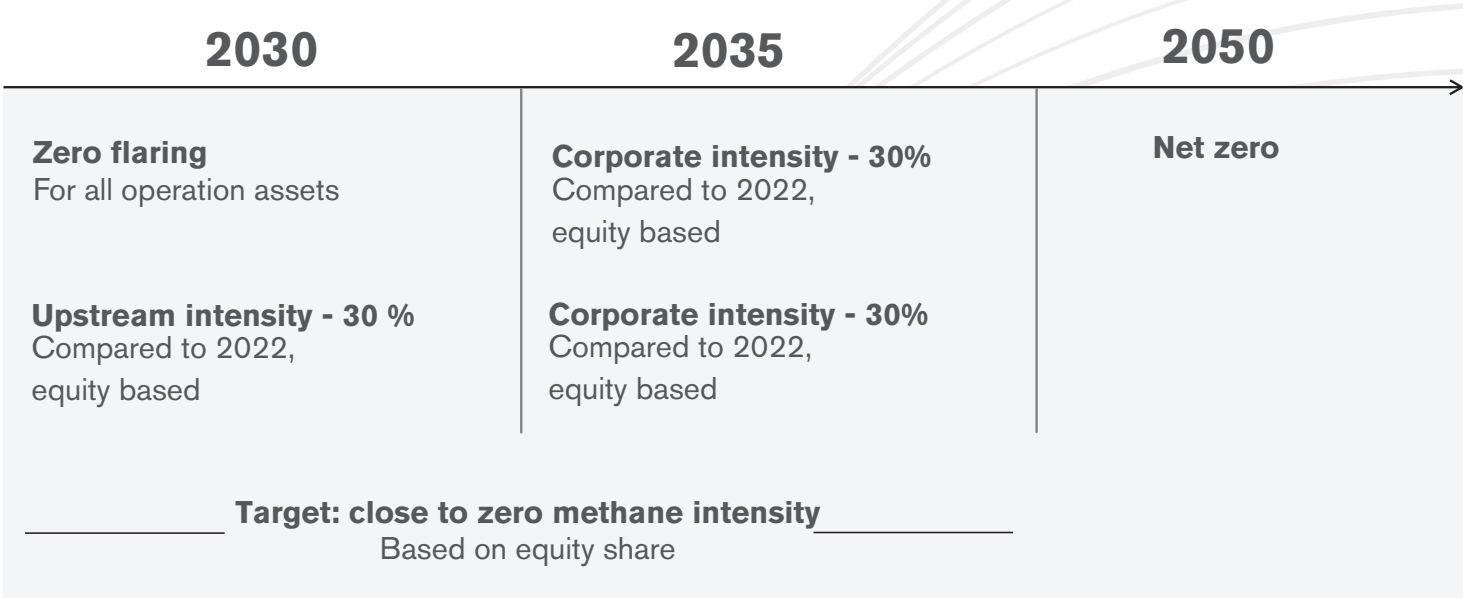
In 2023, SOCAR announced its decarbonization and energy transition targets at COP28 which are listed below:

- Reducing routine flaring to zero in the normal production process in all operational areas by 2030;
- 30% reduction of emission intensity in the upstream operations by 2030 compared to the 2022 baseline;
- 30% reduction of corporate emissions intensity and 20% of total emissions by 2035 compared to 2022 baseline;
- Reaching the Near Zero Methane target by 2035
- Reaching the Net Zero target by 2050.

SOCAR decarbonization program addresses emission growth to directionally reach Net Zero by 2050. SOCAR decarbonization program is based on a thorough study of emissions profile, portfolio evolution and realistically achievable abatement levers.




These goals are indicators of the significant steps taken by SOCAR to transform from an oil and gas company into a sustainable energy company.

Figure 29. SOCAR’s targets



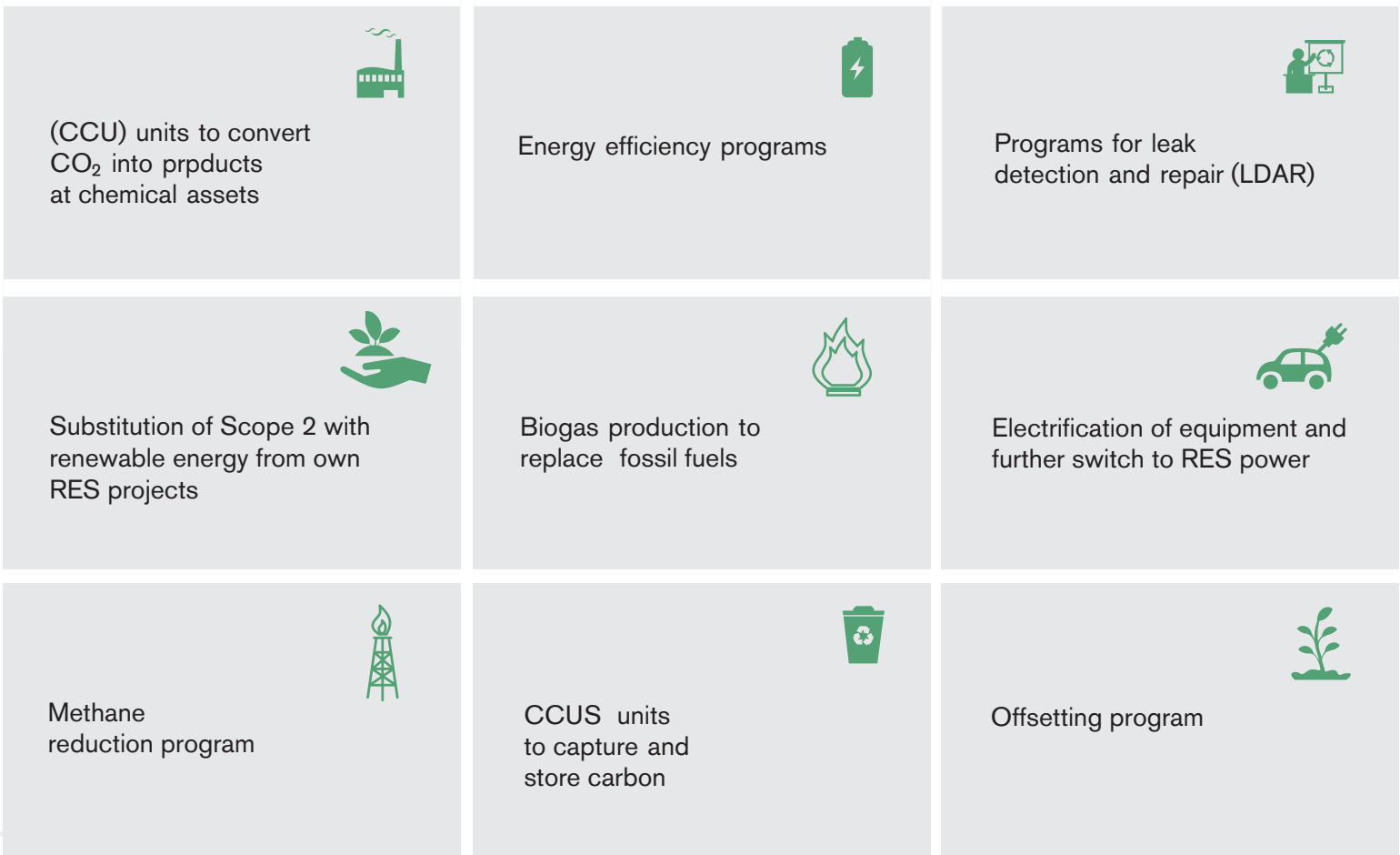
SOCAR capitalizes on its internal resources to achieve its ambition - decarbonization, introduction of new business areas and transformation of the organization.

Figure 30. SOCAR’s internal capabilities

	Main decarbonization	Already launched full-scale decarbonization program of SOCAR operation across all key geographies
	Organizational transformation	Change in the Company's operational model and DNA to support ambition: new procedures, tools and organizational units aimed at decarbonization and growing new businesses
	New business	New businesses lines in partnerships with global leading companies – renewables (solar and wind), green hydrogen and new technologies to support development of specific territories of Azerbaijan

Decarbonization effort covers all production assets at every segment and across all geographies. More than 60 roadmaps have been developed to guide SOCAR's assets to reach net zero and other intermediate decarbonization goals which are based on 9 levers described below

Figure 31. SOCAR's decarbonization activities



Implemented Improvements

SOCAR has successfully implemented Leak Detection and Repair (LDAR) project at upstream facilities. LDAR mechanism is an effective tool to achieve significant reductions in greenhouse gas emissions in the oil and gas operations chain.

As a result of the project's implementation, 26,340 tons of CO₂ equivalent emissions were prevented from being released into the environment. The reduced emission volumes were certified and sold on European markets. The project was completed in early 2023. Building on this success, SOCAR launched a larger-scale LDAR project in the “Oil Rocks” field in 2023, utilizing internal resources. In the initial phase of the project, state-of-the-art equipment, including infrared cameras, was used to detect leakage sources. Measurements were taken at the identified locations to determine the total emission volumes. With the help of specialized international service providers, the leakage sources were verified, and repairs were initiated. The project is currently being successfully implemented.

Figure 32. Certificate of the first LDAR project



The Heydar Aliyev Oil Refinery launched reconstruction works to reduce GHG emissions. In 2023, diesel produced at the Heydar Aliyev Oil Refinery was brought into compliance with Euro 5 standards, and it is planned to start the production of gasoline to this standard in 2024.

Green projects

Projects within Azerbaijan

SOCAR Green

Created as a driving force for low-carbon business solutions, “SOCAR Green” is now collaborating with leading global players on the following sustainability projects:

BP and AIC

In September 2023, SOCAR, the Azerbaijan Investment Company (AIC), and BP signed a “Joining Agreement,” formalizing the intention of SOCAR and AIC to participate in the “Shafaq” project in the Jabrayil region. This project involves the construction of a 240 MW solar power plant named “Shafaq” (Sunrise) in the Jabrayil region.

Masdar

In January 2023, two Joint Development Agreements (JDAs) were signed between SOCAR and Masdar of the United Arab Emirates:

- “Mega” – 2 GW onshore solar and wind power plant;
- “Hector” –an integrated green hydrogen asset powered by 2 GW of offshore wind power.

ACWA Power

In February 2023, SOCAR and Saudi Arabia’s ACWA Power signed a cooperation agreement to develop renewable energy projects in Azerbaijan. This includes onshore and offshore wind, solar, and green hydrogen projects. These agreements aim to expand renewable energy collaboration and execute new projects, significantly reducing greenhouse gas emissions and contributing to sustainable development goals.

Karabakh project

SOCAR is prepared to develop the Karabakh and Eastern Zangezur economic regions as carbon-neutral zones through the following measures:

- Emission reduction – increased energy efficiency, introduction of CCU/CCUS and other options;
- EV infrastructure development – build regional infrastructure for electric vehicles;
- Gas Replacement – replace gas with renewables, H2, and other green energy solutions;
- Green fuel production – replace traditional hydrocarbon fuel with biogas and biodiesel.

Projects outside Azerbaijan

Outside Azerbaijan, SOCAR has been involved in the development of renewable energy and hydrogen projects in global markets.

Türkiye

To enhance energy security and reduce energy costs, SOCAR is establishing a 50 MW wind power plant at the Petrochemical Production facility in Izmir

Georgia and Romania

Solar panels are being installed at the fuel stations in these countries to promote renewable energy usage.

Switzerland

In collaboration with “EW Höfe” and “Alpiq,” SOCAR is launching a joint project to open a pilot electrolyzer plant with an annual capacity of up to 10 MW. Additionally, a hydrogen fueling station will be operational.

Environmental performance

Emissions

GRI 305-1, GRI 305-2, GRI 305-3

The inventory of greenhouse gas emissions from SOCAR’s activities in Azerbaijan encompasses the “Upstream”, “Midstream”, “Downstream” operations, the electricity and steam power generation, as well as service providers included in SOCAR’s structure and external providers. The report covers emissions of SOCAR’s direct facilities, relevant projects, and indirect emission sources from oil and gas activities, and petrochemical operations.

In the current year, the scope of the report was expanded with addition of “SOCAR Petroleum” CJSC, an entity established with the participation of SOCAR which manages the wholesale and retail sale of oil and oil products Distribution of emissions by segments is provided below.

Direct emissions – “Scope 1 emissions”:

- Upstream operations ¹²
- Midstream operations ¹³
- Downstream operations ¹⁴
- Other entities of SOCAR ¹⁵

Indirect emissions – “Scope 2 emissions”:

- Electrical power producers ¹⁶
- Steam producers ¹⁷

Table 27. SOCAR's GHG Emissions ¹⁸

	2021	2022	2023
Entities included into the structure of SOCAR	7 537.7	7 852.9	8 367.45
Direct emissions, thousand ton CO ₂ -equivalent	6 810.3	6 708.7	7 112.7
Indirect emissions, thousand-ton CO ₂ -equivalent.	727.4	1 144.2	1 254.75

Table 28. Emissions by segments

Segments	GHG emissions, thousand ton CO ₂ equivalent (Scope 1) and (Scope 2)
Upstream	3 743.20
Midstream	401.73
Downstream	4 129.47
Other entities of SOCAR	93.03

¹² Direct emission sources for the “Upstream” operations: Azneft PU, “SOCAR Upstream Management” LLC, Geophysics and Geology Department, Complex Drilling Works Trust.

¹³ Direct emission sources for the “Midstream” operations: Oil Pipeline Administration, Gas Export Administration.

¹⁴ Direct emission sources for the “Downstream” operations: “Azerigas” PU, “Azerikimya PU, H. Aliyev Refinery, Gas Processing Plant, Urea Plant, Methanol Plant, Marketing and Economic Operations Department, SOCAR Polimer LLC, SOCAR Petroleum JSC.

¹⁵ Services provided to other entities, including IT, security, protection, construction, project management, air, sea, and land transportation, have been considered for the main business segments: "Upstream," "Midstream," and "Downstream."

¹⁶ Electricity producers; Azerenerji OJSC, Baku Electricity Greed, “SOCAR Uniper” LLC

¹⁷ Relevant information was requested from the steam power producer - “SOCAR Uniper” LLC

¹⁸ In January 2024, SOCAR has launched a company-wide baselining exercise of methane emissions across our upstream and midstream assets. This exercise includes instrumental measurements at site level, application of satellite methane measurements technologies as well as use of AI platform for data extrapolation and deep performance analysis. This study is scheduled to be completed by end of 2024. Results of this study might cause revision of our emissions calculations methodologies to ensure most up to date infrastructural information as well as international emissions conversion factors are used in calculations, hence some of numbers indicated in this table might be updated in the next year’s submission.

Table 29. Emissions by SOCAR’s entities in 2021-2023

SOCAR entities	Emissions from entities included in the structure of SOCAR (thousand ton CO2 equivalent)		
	Direct	Indirect	Direct and indirect (total)
“Azneft” PU	3 222.06	72.27	3 294.33
Complex Drilling Works Trust	31.16	5.58	36.73
Department of Geophysics and Geology	0.83	0.59	1.42
Oil Pipelines Department	1.68	14.95	16.63
Gas Export Department	376.09	9.00	385.09
“Azerikimya” PU	362.47	61.06	423.53
Heydar Aliyev Oil Refinery	1 601.72	291.74	1 893.46
Gas Processing Plant	106.53	14.09	120.62
Carbamide Plant	329.85	77.69	407.54
Methanol Plant	246.61	17.72	264.33
“Azerigas” PU	246.01	2.27	248.28
Marketing and Economic Operations Department	0.36	0.40	0.76
Oil and Gas Processing Research and Design Institute	0.64	0.70	1.34
Oil and Gas Construction Trust	3.24	3.63	6.87
Social Development Department	2.57	4.73	7.30
Transportation Department	60.92	1.18	62.10
Information Technologies and Communication Department	0.13	0.94	1.07
Training, Education and Certification Department	0.30	0.42	0.72
Security Department	0.00	0.08	0.08
Industrial Safety Department	0.00	0.17	0.17
Heydar Aliyev Deep Water Jackets	0.95	0.18	1.13
Baku Higher Oil School	0.00	0.06	0.06
SOCAR Head office	0	4.16	4.16
Total	6 594.12	583.61	7 177.73

Upstream operations

Upstream operations as per SOCAR and projects with SOCAR’s involvement.

- “Azneft” PU;
- “SOCAR Upstream Management” LLC;
- Department of Geophysics and Geology;
- Complex Drilling Works Trust;
- Other entities of SOCAR

Table 30. “Upstream” emissions

Entity	Direct and indirect GHG Emissions, thousand ton CO2 equivalent
“Azneft” PU	3 294.33
“SOCAR Upstream Management” LLC	410.73
Department of Geophysics and Geology	1.42
Complex Drilling Works Trust	36.73
Other entities of SOCAR	93.03
Total	3 836.24

To measure and monitor SOCAR’s corporate emissions performance, “CO2 emissions equivalents kilograms and per barrel of oil production equivalent” corporate KPI was calculated. For 2023 activities, this carbon intensity KPI was only set and monitored at Upstream facilities. SOCAR’s carbon intensity KPI for the upstream operations for 2023 was set to 39.55 kg CO2 eq/1bbl. 2023 emissions are calculated for the SOCAR Upstream operations, including direct emissions, indirect emissions and emissions from some key service providers used to support the segment’s performance.

Table 31. 2023 KPI for Upstream emissions

Seqment	GHG emission thousand ton CO ₂ ekv	Crude oil Thousand ton	Gas production thousand m ³	Oil and gas production Barrel equivalent	Carbon footprint kg CO ₂ equiv./1bbl
Upstream	3 836.24	7 736.2	8 390 738.00	105 473 483.84	35,88

Upstream’s actual carbon intensity value was estimated to be 35.88 kg CO2 eq/1bbl which is 9.04% lower than the set KPI.

Midstream operations

Midstream entities

- Gas Export Department
- Oil Pipelines Department

Table 32. “Midstream” emissions

Entity	Dierect and indirect GHG emissions, thousand ton CO ₂ equivalent
Oil Pipelines Department	16.63
Gas Export Department	385.10
Total	401.73

Downstream operations

SOCAR’s Downstream segment includes the following entities:

- “Azerikimya” PU
- “Azerigas” PU
- Heydar Aliyev Oil Refinery,
- Gas Processing Plant
- Carbamide Plant
- Methanol Plant
- SOCAR Polymer
- Marketing and Economic Operations Department
- “SOCAR Petroleum” CJSC
- SOCAR UNİPER LLC

In this segment, entities within SOCAR’s structure, along with processing entities established with SOCAR’s participation, as well as those involved in the sale of oil, gas, and petrochemical products, were included in the Downstream segment’s emissions values.

Table 33. “Downstream” emissions

Entity	Direct (Scope1) and indirect (Scope2) GHG emissions
“Azerikimya” PU	423.53
“Azerigas” PU	248.28
Heydar Aliyev Oil Refinery	1 893.46
Gas Processing Plant	120.62
Carbamide Plant	407.54
Methanol Plant	264.34
SOCAR Polymer	15.55
Marketing and Economic Operations Department	0.76
“SOCAR Petroleum” CJSC	308.16
SOCAR UNİPER LLC	447.23
Total	4 129.47

Other entities of SOCAR

Other entities of SOCAR provide auxiliary and business support functions to carry out oil and gas operations in the "Upstream," "Midstream," and "Downstream" segments.

Both SOCAR's directly subordinate entities and external organizations are involved as service providers. These operations are inherently tied to supporting core business processes and supplying the necessary work, services, and products throughout the value chain.

Other entities operating directly under SOCAR’s supervision include:

- Oil and Gas Processing Research and Design Institute;
- Oil and Gas Construction Trust;
- Heydar Aliyev Baku Deep Water Jacket Factory;
- Transportation Department;
- Industrial Safety Department;
- Security Department;
- Information Technologies and Communication Department;
- Social Development Department;
- Training, Education and Certification Department;
- Baku Higher Oil School;
- EKOL Engineering Services CJSC;
- SOCAR Head office.

Table 34. Emissions from other SOCAR entities in 2023.

Entity	GHG Emissions (Scope 1) (Scope 2), thousand ton CO ₂ equivalent
Oil and Gas Scientific Research and Design Institute	1,33
Oil and Gas Construction Trust	6,87
Social Development Department	7,30
Transportation Department	62,10
Information Technologies and Communication Department	1,08
Training, Education and Certification Department	0,72
Security Department	0,08
Industrial Safety Department	0,17
Heydar Aliyev Baku Deep Water Jacket Factory	1,13
Baku Higher Oil School	0,06
“EKOL Engineering Services CJSC”	8,03
SOCAR Head office	4.16
Total	93.03

Energy

Table 35. Electricity consumption at SOCAR, thousand kW-hour

Entity	2021	2022	2023
For SOCAR, total,	2 914 605	2 708 321	2 871 191
including:			
For entities included into SOCAR's structure	1 176 429	1 202 879	1 295 521
SOCAR Türkiye	1 688 459	1 455 071 ¹⁹	1 514 448
SOCAR Energy Georgia	24 570	31 369	27 584
SOCAR Energy Ukraine	13 046	8 989	10 448
SOCAR Energy Switzerland	12 100	10 013	9 776

Table 36. Electricity intensity ratio at SOCAR, per employee

Entities	2021	2022	2023
Entities included in SOCAR's structure	24.2	25.04	26.8
SOCAR Türkiye	326.0	279.28	277.34
SOCAR Energy Georgia	5.5	6.38	6.80
SOCAR Energy Ukraine	6.5	5.23	5.82
SOCAR Energy Switzerland	15.5	12.8	12.0

Table 37. Fuel consumption at SOCAR

Indicators	2021	2022	2023
Entities included in SOCAR's structure			
Gasoline, tons	6 307	6 233	5 985
Diesel, tons	29 128	31 403	27 131
Natural gas, thousand m ³	1 140 341	1 303 360	1 665 528
SOCAR Türkiye			
Gasoline, tons	0	0	46.82
Diesel, tons	904	985 ²⁰	1 287
Natural gas, thousand m ³	870 604	662 123 ²¹	567 713
SOCAR Energy Georgia			
Gasoline, tons	519	465	336
Diesel, tons	347	478	559
Natural gas, thousand m ³	1.41	9.63	1.45
SOCAR Energy Ukraine			
Gasoline, tons	187	135	218
Diesel, tons	82	193	279
Natural gas, thousand m ³	31.9	16.4	9.5

¹⁹ Electricity consumption figures for 2022 include mainly "Petkim", "STAR Refinery" and "Terminal" due to materiality.

²⁰ Diesel consumption figures for 2022 include mainly "mainly "Petkim", "STAR Refinery", "Terminal", "Bursagaz", "Kayserigaz" and "Enervis" due to materiality.

²¹ Natural gas consumption figures for 2022 include mainly "Petkim", "STAR Refinery", "Bursagaz", "Kayserigaz" and "Enervis" due to materiality.

Water

GRI 303-1, GRI 303-2, GRI 303-3, 303-4, 303-5

We continuously implement measures to ensure the effective use water resources and preventing any pollution to the water bodies from our activities. We also prioritize the application of innovative solutions for the efficient use of water in all new projects. As part of the 'LightHouse' project's water management program, SOCAR is establishing a centralized Water Management System (WMS). For this purpose, a baseline for water usage for 2022 has been determined, and key water metrics have been calculated in accordance with the 'GRI 303' standards. The established water balance will play a significant role in solving water-related issues and optimizing the Company's water efficiency. In this context, ETED will serve as the primary integrator for the WMS and as a promoter of best practices. To ensure the effectiveness of this approach, SOCAR is also updating its internal water management procedures.

Table 38. Water consumption of SOCAR, mln. m³

Indicators	2021	2022	2023
Entities included into the structure of SOCAR	55.34	56.92	57.84
SOCAR Türkiye	26.21	24.87	23.12
SOCAR Energy Georgia	0.16	0.14	0.13
SOCAR Energy Ukraine	0.12	0.09	0.10

Table 39. Water intensity ratio for 2021-2023 (Thousand m³ of water consumption per employee)

Biznes vahidləri	2021	2022	2023
Entities included in SOCAR's structure	1.13	1.18	1.2
SOCAR Türkiye	5.06	4.77	4.20
SOCAR Energy Georgia	0.03	0.03	0.03
SOCAR Energy Ukraine	0.06	0.05	0.06

Since 2010, SOCAR has implemented specific control measures for sustainable management of produced water. Closed systems have been established at many assets to control produced water and ensure prevention of direct discharge of produced water to environment. In the management of produced water, SOCAR primarily applies solutions such as re-injecting and reuse after initial treatment of produced water.

Table 40. Produced waters, thousand m³

Indicators	2022	2023
"Azneft" PU	6 122.5	6 149.9
Operation Companies	17 028.2	18 605.1
Total	23 120.4	24 755

Table 41. Waste water management at SOCAR, m³

Entity	2021	2022	2023
Entities included in SOCAR's structure			
The volume of generated wastewater	7 952 773	7 652 450	8 283 706
The volume of wastewater discharged without treatment, including:	316 630	283 495	244 492
Onto soil	6 770	7 898	123 525
Into the water	309 860	275 597	120 967
The volume of wastewater discharged after treatment	7 636 143	7 368 955	8 039 214
SOCAR Türkiye			
The volume of generated wastewater	10 500 322	12 132 534	10 552 998
The volume of wastewater discharged without treatment	0	12 504	15 662
The volume of wastewater discharged after treatment	10 500 322	12 120 660	10 537 336

Table 42. Water used in the closed system during the production process at SOCAR, mln. m³

Indicators	2021	2022	2023
Entities included in SOCAR's structure			
Recycled water	328.50	281.5	274.17
Reused water	0.88	1.22	0.01

Waste

GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, 306-5

At SOCAR, waste management business processes are managed through the SAP EHS-Waste Management module within the SAP ERP system. This approach helps ensure consistent and efficient waste management practices, facilitating the unification and standardization of processes across SOCAR's entities. We have also launched several initiatives aimed at optimizing our waste management processes to enhance operational efficiency and contribute to our sustainability goals. These initiatives include development of a Waste Management System aimed at improving recycling and reuse rates of our waste as well as improvement of handling, storage and disposal processes to ensure continuous reduction of our environmental impacts and promoting circular economy principals.

Management of waste generated at SOCAR assets is mainly implemented by a subsidiary company Waste Management Center (WMC) operated under EKOL. SOCAR's WMC is a specialized organization which has access to the modern infrastructure and resources for efficient and safe management of waste. Within the framework of the cooperation in waste management, in 2023, the WMC received and processed:

- 26159.32 tons of drilling waste
- 5701.67 tons of production sludge
- 2864.63 tons of production waste

93 % of plastic waste and 71% of paper waste received by WMC was recycled and/or reused.

Table 43. Waste management at SOCAR, thousand ton

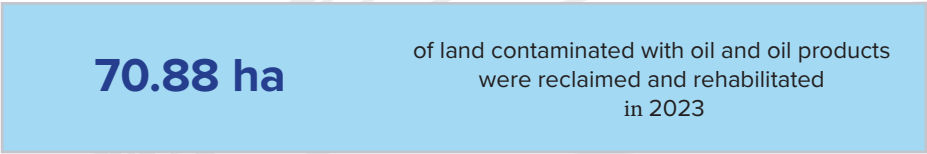
Entities included into the structure of SOCAR	2022		2023	
	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste
Generated waste	127.10	24.89	113.70	16.94
Utilized waste	1.05	0	0.78	0.23
Waste transferred to external organizations	124.83	24.67	116.21	16.73
Waste transferred to Waste Management Center	22.19	8.96	73.63	0.82
Waste disposed and transferred	0.94	0.22	0.22	0.21

SOCAR Türkiye	2022		2023	
	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste
Generated waste	33.84	226.77	32.31	70.78
Processed waste	21.01	5.77	5.72	8.86
Waste transferred to third parties	32.85	226.01	30.43	70.33

SOCAR Energy Ukraine	2022		2023	
	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste
Generated waste	0.00	3.34	0.00	2.44
Utilized waste	0.00	3.34	0.00	2.44

Efficient use of land and oil lakes

SOCAR continues implementation of remediation of contaminated soils, reforestation, and afforestation. We continually conduct targeted measures related to studying international practices, researching, selecting, and applying the latest rehabilitation technologies for the cleanup of soils contaminated with oil, oil products, and formation waters. Mechanical reclamation, biological reclamation, and phytoremediation methods are mainly used during soil remediation. Rehabilitation works were carried out mainly at “Azneft” PU assets, as well as in the oil field areas of OJs and JVs.



With the “LightHouse” project, SOCAR has developed the concept of recultivation of contaminated lands and lakes. For this purpose, identification and investigation of contaminated areas has been launched with EKOL acting as the main facilitator of these efforts.

Table 44. Land contaminated with oil and flooded by formation waters at SOCAR’s Azneft PU, JV, and OC

Reasons for contamination of land	Area of land, by year, ha					
	2021		2022		2023	
The total area of land polluted by oil products and flooded by formation water. including:	1 120.23		1 008.8		841.4	
	Azneft PU	OCs and JVs	Azneft PU	OCs and JVs	Azneft PU	OCs and JVs
	487.33	632.90	459.63	549.17	383.92	457.48
The total area of land polluted by oil and gasoline products	123.85	373.38	335.8	330.76	260	305.93
The total area of land flooded by produced water	363.48	259.52	123.9	218.4	123.9	151.55

Table 45. Restoration and rehabilitation of SOCAR’s land plots polluted by oil, oily water, and other industrial waste, ha

Entity	Area of restored land, ha		
	2021	2022	2023
Total for SOCAR, including:	53.61	68.2	70.88
“Azneft” PU	30.95	27.7	30.6
JVs and OCs	22.66	40.5	40.28

Biodiversity

GRI 304-1, GRI 304-2, GRI 304-3, GRI 304-4

At SOCAR, we recognize the importance of biodiversity conservation and see it as a collective responsibility. We strive to protect both communities and natural ecosystems from the adverse impacts that might occur as a result of our operations, ensuring that our activities promote sustainability and well-being for future generations. Biodiversity conservation serves the protection of biological diversity, ecological systems and natural complexes in SOCAR's fields of activity, including the protection of rare and endangered species, while also strengthening the legal framework, as well as improving the monitoring system.

We continuously monitor changes in local ecosystems in accordance with the SOCAR's Environmental Monitoring Program, reviewed and updated on annual basis. Monitoring is carried out at SOCAR's and subsidiaries facilities to assess potential impact of our operations on local ecosystems, as well as to inspect flora, fauna, and soil stability. Environmental Monitoring Program sets requirements for the monitoring of air, water, soil quality, biodiversity and habitats conditions as well as monitoring of Environmental Impact Assessment (EIA) document commitments implementations.

EIA documents are prepared in accordance with the relevant legal requirements and international standards. Environmental Impact Assessments include a detailed evaluation of environmental impacts of planned activities during the project as well as operational phases of facilities.

According to the regulations of the Republic of Azerbaijan, EIAs and relevant project technical design documents are submitted to the Ministry of Ecology and Natural Resources for review and approval during design and prior to launch of any construction and installation activities.

During the reporting period, SOCAR's business units and entities carried out an inventory of the existing green areas to collect information on their condition and explore species composition, analyze quantitative and qualitative indicators, such as water consumption, ensure protection from pests, as well as the state of implementation of phytosanitary and agrotechnical measures. The Company provided agro-technical maintenance works for existing vegetation zones in production sites and continued planting trees and shrubs suitable for the local climate.

SOCAR's Statement on Biodiversity Conservation reflects our commitment to protecting natural habitats and promoting sustainable practices. Additionally, it highlights our goal of minimizing potential negative impacts on the environment that result from our operations, explains the preventive actions we commit to take to protect and preserve local ecosystems during our activities. Additionally, it describes our obligations on habitat restoration in case of any environmental impact.

Our vision and approach to biodiversity conservation is also supported by the "Zero Target" strategy document which emphasizes our goal to create a sustainable production process with minimal harm to the ecosystems. These commitments reflect our continuous efforts to integrate environmental management into our operations and contribute positively to the protection of natural ecosystems. Our commitments are extended to all our production sites, as well as our suppliers and contractors.

Moreover, the Eco-Park project enables SOCAR to advance its environmental goals and raise awareness, supporting the Company's greening initiatives and biodiversity conservation efforts. The Eco-Park focuses on the conservation of plant species threatened with extinction in Azerbaijan, as well as the cultivation and propagation of plants in controlled nursery conditions.

As part of the Company's ongoing efforts to protect natural ecosystems and minimize environmental impacts SOCAR designates protected areas. Our infrastructure is strategically designed to align operations with environmental considerations, ensuring the reduction of potential impacts. SOCAR also conducts rehabilitation and restoration in disturbed areas during active operations, depending on the operation type and the necessity that is established by the results of the impact assessment. Currently, all operations comply with these sustainable practices, reflecting our commitment to responsible environmental management and adherence to global sustainability standards.



Spills

SOCAR has developed and implemented an “Oil Spill Management Plan” (OSMP) to guide our assets in establishing a system for rapid and effective response to oil pollution incidents. The OSMP also focuses on identifying oil spill risks in planned projects and developing preventive measures.

As a part of the “LightHouse” project, a comprehensive diagnosis of the infrastructure is being conducted. This allows for the assessment of the risk of each infrastructure component (pipelines, storage tanks etc.) and thus prioritizes extensive technical maintenance programs across all SOCAR assets.

The next step is the development of a centralized Spill Management and Reporting System in accordance with industry standards. This initiative will enhance preparedness for oil spills, reduce HSE risks of our activities and will improve the emergency response capability of SOCAR.

Resource use and circularity

SOCAR's Environmental Policy encompasses extensive commitments dedicated to sustainable management of natural resources and raw materials. A key element of this policy is enhancing relations and cooperation with stakeholders to achieve commitments aimed at increasing the efficiency and sustainable management of natural resource and raw material use.

At present, the evaluation of the innovative Pyrolysis Gas green project is underway at SOCAR. This initiative aims to process plastics wastes using Pyrolysis Unit integrated with Steam Cracker Unit at AzeriKimya. The technology will be able to convert plastic-rich household wastes into Green Gas with high light olefin content, valuable compounds and diverse applications. The technology relies on a highly effective process that addresses the need for fossil fuels and other forms of carbon. It is planned to transform the generated pyrolysis products into even higher quality polymers.

Environmental expenditures

Table 46. SOCAR's environmental expenditures in 2021-2023 years.

SOCAR's Environmental Expenditures	2021	2022	2023
Entities included in SOCAR's structure, thousand AZN	26 000	34 000	15 000
SOCAR Türkiye, AZN	22 385.93	434 640	316 515

Industrial activity

SOCAR’s proven oil and gas resources in Azerbaijan in 2021-2023

Resource categories	Oil, 10³mt			Condensate, 10⁶mt			Gas, 10⁶m³		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Proven and developed	56 785	61 132	55 508	6 180	7 381	7 010	68 324	61 975	59 982
Proven, developed, and produced	56 785	59 280	53 211	6 180	4 718	7 010	68 324	52 040	59 596
Proven, developed, and not produced	0	1 852	2 297	0	2 663	0	0	9 935	386
Proven and not developed	24 711	32 791	26 911	9 359	8 457	6 855	62 779	51 751	52 804
Proven in total	81 496	93 923	82 419	15 539	15 838	13 865	131 103	131 726	112 786

SOCAR's oil refinery and gas processing in 2021-2023

Industrial outcomes	2021	2022	2023
Oil refinery, thousands of ton	6 630.2	6 240.32	6 501.70
Gas processing, million m³	3 602.3	3 608.53	3 506.94

Total Production by processing facilities in 2021-2023 years, thousand ton.

Entity	2021	2022	2023
Heydar Aliyev Oil Refinery	6 214	5 851	6 165.21
“Azerikimya” PU	799.48	563.67	591.41
Methanol Plant	378.0	534.5	494.59
Carbamide Plant	355.25	537.07	453.58

Occupational health and safety

SOCAR's occupational safety expenditures in 2021-2023, AZN

Əməyin mühafizəsi və təhlükəsizliyi xərcləri	2021	2022	2023
On occupational safety, including:	20 838 576	24 000 076	35 008 380
On measures to improve working conditions	13 002 296	16 764 746	22 209 323
On special clothing, special shoes, and other personal protective equipment	6 390 410	5 618 055	10 890 616
On milk supply	1 375 335	1 226 517	1 452 544
Other expenses	70 535	390 758	455 897

Number of accidents in 2023 by the areas of operations for SOCAR

Entity	Number of accidents
“Azneft” PU	5
Gas Export Department	1
CDWT	1
Heydar Aliyev Oil Refinery	5
Oil and Gas Construction Trust	4
Transportation Department	1
Oil and Gas Scientific Research and Design Institute	1
Total	18

Occupational health and safety indicators of SOCAR in 2021-2023

	2021	2022	2023
Total number of accidents, including	12	17	18
fatal accidents	0	0	2
Total number of injured employees	12	17	21
Including Number of deceased employees	0	0	4
Number of missing people	1	0	0
Number of occupational diseases	0	0	0
Number of days lost due to occupational injuries	1 114	984	826
The average number of employees	49 184	48 031	48 139
Total worked hours	87 374 090	83 781 368	83 131 323
Lost time injury ratio (per 200 000 hours worked)	0.02	0.04	0.05
Lost days ratio (per 200 000 hours worked)	2.55	2.35	1.99
Accidents' frequency ratio (number of accidents per 1000 employees)	0.24	0.35	0.37
Accidents' severity ratio (number of lost days per accident)	92.83	57.88	51.63

Occupational safety performance indicators of SOCAR's Joint Ventures and Operating Companies in 2021-2023

	2021	2022	2023
Total number of accidents, including	16	13	14
Fatal accidents	0	2	0
Total number of injured employees	16	12	16
Number of days lost due to occupational injuries	399	352	520
Accidents' severity ratio (number of lost days per accident)	24.93	32	37.14
Accidents' frequency ratio (number of accidents per 1000 employees)	0.59	0.502	0,63
Number of occupational diseases	0	0	0
The average number of employees	27 074	25 887	22 140
Total worked hours	255 276	52 119 867	45 055 475
Lost time injury ratio (per 200 000 hours worked)	155	0.046	0.06
Lost days ratio (per 200 000 hours worked)	0.013	1.35	2.31

Occupational health and safety indicators of SOCAR Türkiye in 2021-2023

	2021	2022	2023
Number of injured employees	15	17	5
Including the number of deceased employees	0	2	0
Number of days lost due to occupational injuries	346	229	43
Total worked hours	7 621 629	9 655 334	9 799 788
Occupational injury ratio (per 200,000 worked hours))	0.39	0.35	0.10
The weighted ratio of accidents (number of lost days per accident)	23.07	15.27	8.6
Suppliers and contractors of SOCAR Türkiye	2021	2022	2023
Number of injured employees	22	17	24
Number of deceased employees	0	0	0
Total worked hours	6 021 139	11 207 177	10 171 972
Occupational injury ratio (per 200,000 worked hours)	0.73	0.30	0.47

Occupational health and safety indicators of SOCAR Energy Ukraine in 2021-2023

	2021	2022	2023
Number of injured employees	0	0	1
Including the number of deceased employees	0	0	0
Number of days lost due to occupational injuries	0	0	28
Absence due to occupational diseases	13 657	8 686	8 216
Number of employees	2 001	1 719	1 794
Total worked hours	3 643 119	2 665 061	3 059 303
Total worked days	414 303	302 406	333 246
Occupational injury ratio (per 1000 000 worked hours)	0	0	0
Lost days ratio (per 1000 000 worked hours)	0	0	84

Occupational health and safety indicators of SOCAR Energy Georgia in 2021-2023

	2021	2022	2023
Number of injured employees	0	0	0
Including the number of deceased employees	0	0	0
Number of days lost due to occupational injuries	0	0	0
Absence due to occupational diseases	6 929	31 956	6 269
Number of employees	4 451	4 914	4 055
Total worked hours	8 668 528	9 533 040	8 027 408
Total worked days	1 083 566	1 191 630	1 003 426
Occupational injury ratio (per 1000 000 worked hours)	0	0	0
Lost days ratio (per 1000 000 worked hours)	0	0	0

Occupational health and safety indicators of SOCAR Energy Switzerland in 2021-2023

	2021	2022	2023
Number of injured employees	34	43	33
Including the number of deceased employees	0	0	0
Number of days lost due to occupational injuries	368	614	522
Number of employees	783	804	818
Total worked hours	1 339 906	1 305 919	1 325 284
Total worked days	159 513	155 466	157 772
Occupational injury ratio (per 200,000 worked hours)	5.07	6.59	4.98
Lost days ratio (per 200,000 worked hours)	54.93	94.03	78.78
The weighted ratio of accidents (number of lost days per accident)	10.82	14.28	15.82

Human Resources Indicators

Number of employees in 2021-2023

SOCAR's facility	2021	2022	2023
Entities included in SOCAR's structure	48 870	48 042	48 320
SOCAR Türkiye	5 179	5 251	5 509
SOCAR Energy Georgia	4 451	4 914	4 055
SOCAR Energy Ukraine	2 001	1 719	1 794
SOCAR Energy Switzerland	783	803	818

Dynamics of employees at SOCAR for 2021-2023

	2021	2022	2023
Azerbaijan			
Female	7 981	7 688	7 631
Male	40 889	40 354	40 689
Total	48 870	48 042	48 320
Türkiye			
Female	628	657	791
Male	4 551	4 553	4 718
Total	5 179	5 210	5 509
Georgia			
Female	887	1 269	1 112
Male	3 564	3 645	2 943
Total	4 451	4 914	4 055
Ukraine			
Female	1 049	874	966
Male	952	845	828
Total	2 001	1 719	1 794
Switzerland			
Female	529	544	547
Male	254	259	271
Total	783	803	818

SOCAR employees divided by age category, 2011-2023 years

	Under 30 years old	30-50 years old	Over 50 years old
Azerbaijan	2023		
	4 218	23 617	20 485
	2022		
	3 863	23 153	21 026
	2021		
Türkiye	3 730	23 709	21 431
	2023		
	758	4 456	295
	2022		
	939	4 045	226
Georgia	2021		
	848	4 026	305
	2023		
	580	2 046	1 429
	2022		
Ukraine	802	2 467	1 645
	2021		
	693	2 286	1 472
	2023		
	456	949	389
Switzerland	2022		
	479	913	327
	2021		
	636	1 036	329
	2023		
	249	382	187
	2022		
	254	380	169
	2021		
	269	349	165

Number of SOCAR employees, 2021-2023 years, by employment contract type

	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Azerbaijan						
Permanent employees	7 932	40 377	7 666	39 802	7 613	40 141
Temporary employees	49	512	22	552	18	548
Full time	7 979	40 879	7 686	40 344	7 629	40 679
Part time	2	10	2	10	2	10
Türkiye						
Permanent employees	628	4 551	657	4 553	791	4 718
Temporary employees	0	0	0	0	0	0
Full time	628	4 551	657	4 553	789	4716
Part-time	0	0	0	0	2	2
Georgia						
Permanent employees	887	3 564	1 269	3 645	1 112	2 943
Temporary employees	0	0	0	0	0	0
Full time	886	3 564	1 268	3 645	1 106	2 942
Part-time	1	0	1	0	6	1
Ukraine						
Permanent employees	1 049	952	874	845	966	828
Temporary employees	0	0	0	0	0	0
Full time	1 016	923	804	790	924	793
Part-time	33	29	70	55	42	35
Switzerland						
Permanent employees	516	237	533	245	535	252
Temporary employees	13	17	11	14	12	19
Full time	202	158	202	157	199	164
Part-time	327	96	342	102	348	107

Employee turnover at SOCAR in 2021-2023 and employees covered by the collective employment agreement, %

	2021	2022	2023
Azerbaijan			
Employee turnover	1.4	2.4	1.4
Collective employment agreement	100	100	100
Türkiye			
Employee turnover	8.3	6.7	4.93
Collective employment agreement	78	77	72
Georgia			
Employee turnover	17.5	27.3	41.6
Collective employment agreement	93	93	93
Ukraine			
Employee turnover	45.2	37.26	38.26
Collective employment agreement	8.6	9.08	9.03
Switzerland			
Employee turnover	38.7	41	40.34
Collective employment agreement	84.93	85.18	85.33

Number of SOCAR employees hired and dismissed in 2021-2023 years, by gender and age groups

	2021	2022	2023
Azerbaijan			
Hired personnel	1 871	2 781	3 313
Female	301	313	407
Male	1 570	2 468	2 906
Under 30 years old	784	1 203	1 629
30-50 years old	718	1 109	1 388
Over 50 years old	369	469	296
Dismissed personnel	723	2 174	1195
Female	64	418	237
Male	659	1 756	958
Under 30 years old	71	324	149
30-50 years old	200	1188	327
Over 50 years old	452	662	719
Türkiye			
Hired personnel	342	377	480
Female	109	83	155
Male	233	294	325
Under 30 years old	193	197	252
30-50 years old	147	178	225
Over 50 years old	2	2	3
Dismissed personnel	428	346	264
Female	118	53	56
Male	310	293	208
Under 30 years old	79	106	37
30-50 years old	270	159	190
Over 50 years old	79	81	37
Georgia			
Hired personnel	722	1 319	1 008
Female	90	417	298
Male	632	902	710
Under 30 years old	308	584	351
30-50 years old	325	548	447
Over 50 years old	89	187	210
Dismissed personnel	784	1 276	1 867
Female	87	353	469
Male	697	923	1398
Under 30 years old	212	484	415
30-50 years old	323	608	898
Over 50 years old	249	184	554
Ukraine			
Hired personnel	916	411	747
Female	471	220	483
Male	445	191	264
Under 30 years old	471	172	314
30-50 years old	355	188	315
Over 50 years old	90	51	118
Dismissed personnel	902	693	672
Female	435	393	390
Male	467	300	282
Under 30 years old	450	276	278
30-50 years old	358	332	312
Over 50 years old	94	85	82
Switzerland			
Hired personnel	234	331	331
Female	149	220	184
Male	85	111	147
Under 30 years old	133	174	188
30-50 years old	88	132	109
Over 50 years old	13	25	34
Dismissed personnel	312	325	330
Female	194	214	190
Male	118	111	140
Under 30 years old	188	170	170
30-50 years old	97	122	121
Over 50 years old	27	33	39

Average training hours per employee in 2021 - 2023, by gender and employee category

	2021	2022	2023
Entities included in SOCAR's structure			
Senior management	12.3	10.5	9.5
Specialists	10.4	10.8	8.9
Technical personnel	11.2	6.0	1.7
Manual workers	8.5	7.2	10.2
Male	10.4	9.0	10.6
Female	4.0	4.3	5.5
SOCAR Türkiye			
Senior management	46.7	30.1	51.0
Specialists	22.0	61.2	54.0
Technical personnel	43.8	54.2	37.0
Manual workers	44.8	43.7	38.0
Male	47.8	48.7	41.3
Female	49.2	51.0	55.2
SOCAR Energy Georgia			
Senior management	0.4	4.3	6.4
Specialists	0.4	4.5	4.2
Technical personnel	3.5	3.8	8.3
Manual workers	9.1	10.5	10.0
Male	5.3	7.4	10.0
Female	0.6	2.1	2.6
SOCAR Energy Ukraine			
Senior management	43.1	48.1	48.1
Specialists	149.8	101.7	171.6
Technical personnel	38.5	44.5	47.2
Manual workers	169.8	106.3	156.6
Male	170.7	100.5	147.2
Female	135.0	95.2	164.9
SOCAR Energy Switzerland			
Senior management	12.0	9.8	12.0
Specialists	12.0	12.9	12.0
Technical personnel and manual workers	23.9	36.0	36.0
	20.1	20.2	20.0
	21.8	22.0	21.8

Statistics of employees of facilities included into the structure of SOCAR who took parental leave

Number of employees entitled to parental leave	835
Number of employees who used parental leave	501
Number of employees who returned from parental leave during the reporting period	173
Number of employees expected to return from parental leave during the reporting period	252
Number of employees who returned from parental leave and stayed at work for 12 months	296
The proportion of employees who returned to work	100%
The proportion of employees who stayed at work	100%

The target audience of the from Manual Worker to Engineer Development

	Number of employees applicable for the Program			Number of employees joined the Program			Number of employees advanced to the next stage
	Employee	Veteran	Total	Employee	Veteran	Total	
Total	579	192	771	304	169	473	145

Type and number of training sessions

Training or Education Center	Number of participants
Employee Development Center	7 973
Training Center for the Safety of Life at Sea	3 355
Sumgait Education and Training Center	278
Gala Education and Training Center	502
Gobustan Regional Training Center	2 923
External Training Centers	1 714
Orientation training	360
Total	17 105

In 2023, employees with individual goals set for SOCAR Head Office and facilities included in the structure of SOCAR

Entity	Number of employees with identified individual goals
SOCAR Head Office	591
“Azerikimya” Production Union	709
“Azerigas” Production Union	3 211
“Azneft” Production Union	3 022
Security Department	198
Department of Geophysics and Geology	553
Department of Information Technologies and Communication	344
Carbamide Plant	150
Complex Drilling Works Trust	660
Marketing and Economic Operations Department	176
Methanol Plant	159
Oil Pipeline Directorate	241
Oil and Gas Construction Trust	795
Oil and Gas Research Design Institute	643
Department of Transportation	686
Gas Export Department	527
Department of Social Development	202
Industrial Safety Department	168
Editorial office of “Azerbaijan Oil Industry Journal”	17
Department of Development of Occupational Norms	74
Department of Training, Education and Certification	176
Baku Deep Water Jackets Plant	43
Total	13 345

The ratio of entry-level wage to the official minimum wage in the country during 2021-2023

	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Entities included in SOCAR's structure	1.24	1.24	1.24	1.24	1.24	1.24
SOCAR Türkiye	1.17	1.01	1.08	1.11	1.05	1.00
SOCAR Energy Georgia	7.50	7.50	7.50	7.50	10.5	10.5
SOCAR Energy Ukraine	1.03	1.03	1.00	1.00	1.00	1.00

Statistics on the review of employee applications and the number of citizen applications in 2021-2023.

Göstəricilər	2021	2022	2023
The number of employee applications received and responded to at the hr@socar.az email address	4418	7153	10625
The number of citizen applications received via the Opentext ECM system	1626	1067	700

Social projects and SOCAR's support of local development

Total social expenditures of SOCAR, million AZN

	2021	2022	2023
Total social expenditures of SOCAR	261	214	300

SOCAR Türkiye's social expenditures in 2021-2023, AZN

Sosial layihələr	2021	2022	2023
Health	365 914	21 221	12 112
Education	209 297	186 657	143 739
Environment	788 653	434 640	316 515
Support of the victims of emergencies	171 013	270 323	5 250 409
Material support to funds and institutions	408 273	524 960	
Material support to individuals	54 839		
Social			2 609 683
Sports	108 974	287 551	
Total	2 106 963	1 725 352	8 332 458

Social expenditures of SOCAR Energy Georgia in 2021-2023, AZN

Social projects	2021	2022	2023
Healthcare	8 442	0	0
Education	0	0	0
Other	62 565	152 755	130 496
Total	71 007	152 755	130 496

Supply chain management

The ratio of spending to local suppliers in 2021-2023 years (%)

Year	Entities included in SOCAR's structure	SOCAR Türkiye	SOCAR Energy Georgia	SOCAR Energy Ukraine	SOCAR Energy Switzerland
2021	88	90	94	96	86
2022	38	82	93.5	95	92
2023	52	82	97	99	81

Environmental indicators

Waste Management at SOCAR in 2021-2023 years, thousand ton

Type of waste	2021	2022	2023
Entities included in SOCAR's structure			
Generated waste	131.26	151.99	130.64
Hazardous	117.49	127.10	113.70
Non-hazardous	13.77	24.89	16.94
Utilized waste	2.66	1.05	1.01
Hazardous	2.66	1.05	0.78
Non-hazardous	0	0	0.23
Waste transferred to third parties, including	147.4	149.49	132.95
Hazardous	134.4	124.83	116.21
Non-hazardous	12.96	24.67	16.73
Wastes transferred to WMC	9.46	31.15	74.45
Hazardous	9.03	22.19	73.63
Non-hazardous	0.43	8.966	0.82
Wastes disposed and transferred	2.49	1.16	0.42
Hazardous	2.27	0.94	0.22
Non-hazardous	0.22	0.22	0.21
SOCAR Türkiye			
Generated waste	58.56	260.60	103.09
Hazardous	34.73	33.84	32.31
Non-hazardous	23.83	226.77	70.78
Processed wastes	19.04	26.78	14.58
Hazardous	11.27	21.01	5.72
Non-hazardous	7.77	5.77	8.86
Waste transferred to third parties, including	57.72	258.85	100.76
Hazardous	33.97	32.85	30.43
Non-hazardous	23.75	226.01	70.33
SOCAR Energy Ukraine			
Generated waste	10.64	3.34	2.4429
Hazardous	0.01	0	0.0021
Non-hazardous	10.63	3.34	2.44
Utilized waste	10.64	3.34	2.44
Hazardous	0.01	0.00	0.0021
Non-hazardous	10.63	3.34	2.4429

Water consumption of SOCAR in 2021-2023 years, million m³

Entity	2021	2022	2023
Entities included in SOCAR's structure	55.34	56.91	57.84
SOCAR Türkiye	26.21	24.87	23.12
SOCAR Energy Georgia	0.16	0.14	0.13
SOCAR Energy Ukraine	0.12	0.08	0.10

Water intensity ratio for 2021-2023 years (thousand m3 of water consumption per employee)

Entity	2021	2022	2023
Entities included in SOCAR's structure	1.13	1.18	1.2
SOCAR Türkiye	5.06	4.77	4.20
SOCAR Energy Georgia	0.03	0.03	0.03
SOCAR Energy Ukraine	0.06	0.05	0.06

Water used in the closed system during the production process at SOCAR in 2021-2023 years, mln. m³

Indicators	2021	2022	2023
Entities included in SOCAR's structure			
Recycled water	328.50	281.5	274.17
Reused water	0.88	1.22	0.01

Electricity consumption at SOCAR in 2021-2023 years, thousand kW-hou

Entity	2021	2022	2023
For SOCAR, total, including:	2 914 605	2 708 321	2 871 191
For entities included into SOCAR's structure	1 176 429	1 202 879	1 295 521
SOCAR Türkiye	1 688 459	1 455 071	1 527 862
SOCAR Energy Georgia	24 570	31 369	27 584
SOCAR Energy Ukraine	13 046	8 989	10 448
SOCAR Energy Switzerland ²²	12 100	10 013	9 776

Electricity intensity ratio at SOCAR in 2021-2023 years, per employee

Biznes vahidləri	2021	2022	2023
Entities included in SOCAR's structure	24.2	25.04	26.8
SOCAR Türkiye	326.0	279.28	277.34
“SOCAR Energy Georgia”	5.5	6.38	6.80
“SOCAR Energy Ukraine”	6.5	5.23	5.82
“SOCAR Energy Switzerland”	15.5	12.8	12.0

²²“SOCAR Energy Switzerland” in 2022 was updated as per the latest communication during current reporting year

Fuel consumption at SOCAR in 2021-2023 years

Indicators	2021	2022	2023
Entities included in SOCAR's structure			
Gasoline, tons	6 307	6 233	5 985
Diesel, tons	29 128	31 403	27 131
Natural gas, thousand m³	1 140 341	1 282 037	1 665 528
SOCAR Türkiye			
Gasoline, tons	0	0	46.82
Diesel, tons	904	985.6	1 287
Natural gas, thousand m³	870 604	662 123	567 713
SOCAR Energy Georgia			
Gasoline, tons	519	465	336
Diesel, tons	347	478	559
Natural gas, thousand m³	1.41	9.63	1.45
SOCAR Energy Ukraine			
Gasoline, tons	187	135	218
Diesel, tons	82	193	279
Natural gas, thousand m³	31.9	16.4	9.51

Wastewater management at SOCAR in 2021-2023 years, m³

Entity	2021	2022	2023
Entities included in SOCAR's structure			
The volume of generated wastewater	7 952 773	7 652 450	8 283 706
The volume of wastewater discharged without treatment, including:	316 630	283 495	244 492
Onto soil	6 770	7 898	123 525
Into the water	309 860	275 597	120 967
The volume of wastewater discharged after treatment	7 636 143	7 368 955	8 039 214
SOCAR Türkiye			
The volume of generated wastewater	10 500 322	12 132 534	10 552 998
The volume of wastewater discharged without treatment	0	12 504	15 662
The volume of wastewater discharged after treatment	10 500 322	12 120 660	10 537 336

Lands contaminated with oil and flooded by produced waters at SOCAR's Azneftt PU, JV, and OC in 2021-2023 years

Reasons for contamination of land						
	2021		2022		2023	
The total area of land polluted by oil products and flooded by produced water,.	1 120.23		1 008.8		841.4	
	Azneft PU	OCs and JVs	Azneft PU	OCs and JVs	Azneft PU	OCs and JVs
including:	487.33	632.90	459.63	549.17	383.92	457.48
The total area of land polluted by oil and gasoline products	123.85	373.38	335.8	330.76	260	305.93
The total area of land flooded by produced water	363.48	259.52	123.9	218.4	123.9	151.55

Restoration and rehabilitation of SOCAR's land plots polluted by oil, oily water, and other industrial waste in 2021-2023 years, ha

Entity	2021	2022	2023
Total for SOCAR, including:	53.61	68.2	70.88
“Azneft” PU	30.95	27.7	30.6
JVs and OCs	22.66	40.5	40.28

SOCAR's environmental expenditures in 2021-2023 years.

SOCAR’s Environmental Expenditures	2021	2022	2023
Entities included in SOCAR's structure, thousand AZN	26 000	34 000	15 000
SOCAR Türkiye, AZN	22 385.93	434 640	316 515

The intensity of use of resources at SOCAR in 2021-2023

Upstream emission, water, and energy consumption intensity	2021	2022	2023
Direct (tCO ₂ e/t product)	0.56	0.46	0.52
Water consumption intensity (m ³ /t product)	5.58	5.47	6.13
Electricity consumption intensity (kW/t product)	49.03	53.66	54.52

Downstream emission, water, and energy consumption intensity	2021	2022	2023
Direct (tCO ₂ e/t product)	0.21	0.25	0.30
Water consumption intensity (m ³ /t product)	2.16	2.25	1.99
Electricity consumption intensity (kW/t product)	100.73	89	103.01

Midstream emission, water, and energy consumption intensity	2021	2022	2023
Direct (tCO ₂ e/t product)	0.00005	0.00006	0.00003
Water consumption intensity (m ³ /t product)	0.00010	0.00011	0.00033
Electricity consumption intensity (kW/t)	0.007	0.007	0.077

GHG emissions at SOCAR in 2021-2023

Entity	2021	2022	2023
Facilities included into the structure of SOCAR	7 537.7	7 852.9	8 367.45
Direct emissions, thousand ton CO ₂ -eq.	6 810.3	6 708.7	7 112.7
Indirect emissions, thousand ton CO ₂ -eq.	727.4	1 144.2	1 254.75
SOCAR Türkiye²³	4 422	4 722	4 887.13
Direct emissions, thousand ton CO ₂ -eq.	3 892	4 285.4	4 377
Indirect emissions, thousand ton CO ₂ -eq.	530.1	436.3	510.13
SOCAR Energy Georgia²⁴	0.5	0.7	82.163
Direct emissions, thousand ton CO ₂ -eq.	0.5	0.7	82.163
Indirect emissions, thousand ton CO ₂ -eq.	0	0	0

²³ Quantification and verification of direct and indirect emissions of “SOCAR Türkiye” in 2023 within the scope of 14064-1 standard continue

²⁴ "SOCAR Energy Georgia" in 2023 were calculated according to the updated GWP metrics as per the new IPCC AR 5 report

Direct emissions (“Scope 1”) from entities included in the structure of SOCAR in 2021-2023, thousand ton CO₂-eq.

GHG emissions	2021	2022	2023
Total for SOCAR, thousand tons of CO ₂ , including:	6 810.3	6 708.7	7 049.87
From stationary sources, including:	6 738.9	6 605.7	6 832.85
Business units	6 562.8	5 996.9	6 594.14
JJVs and OCs	176.1	608.8	238.71
From mobile sources, including:	71.4	102.9	64.59
SOCAR	54.6	66.3	50.96
JVs and OCs	16.8	36.7	13.63

Quantity of pollutants emitted from stationary sources into the atmosphere at SOCAR in 2021-2023, thousand ton

Entity	2021	2022	2023
Facilities included into the structure of SOCAR	223.20	106.67	112.26
Solid particles	0.25	0.23	0.17
Gas and liquid substances	111.49	106.39	112.09
including:			
Sulphur dioxide	0.76	0.58	0.85
Nitrogen oxide	3.08	3.44	2.49
Carbon oxide	8.67	7.08	41.47
Hydrocarbons (without volatile organic compounds)	87.91	83.35	60.52
Volatile organic compounds	10.28	10.61	13.07
Other gas substances	0.76	0.70	0.82
Total for SOCAR Türkiye	5.86	4.59	3.8
Sulphur dioxide	2.7	1.23	1.25
Nitrogen oxide	2.3	2.9	2.06
Carbon oxide	0.86	0.46	0.49
SOCAR Energy Georgia	0.65	0.59	0.53
Sulphur dioxide	0.40	0.35	0.37
Nitrogen oxide	0.02	0.02	0.01
Carbon oxide	0.23	0.22	0.15

Gases emitted into the atmosphere as a result of SOCAR’s business activities in 2021-2023, thousand tons

GHG emission indicators	2021	2022	2023
Methane (CH ₄)	146.8	110.04	56.93
Nitric oxide (N ₂ O)	0.00913	0.0078	0.0695

Indirect emissions (based on electricity consumption) of SOCAR in 2021-2023, thousand tons of CO₂-eq

Entity	2021	2022	2023
Total for SOCAR, including:	717.4	813.9	1254.75
Business units	521.7	651	1082.73
JVs and OCs	195.7	162.9	172.02

Direct emissions (“Scope 1”) from entities included in the structure of SOCAR in 2021-2023, thousand tons of CO₂-eq

SOCAR’s facilities	2022	2023
Azneft PU	2 980.62	3 222.06
Complex Drilling Works Trust	17.53	31.116
Department of Geophysics and Geology	0.15	0.83
Oil Pipelines Department	1.36	1.68
Gas Export Department	247.57	376.09
Azerikimya PU	365.59	362.47
Heydar Aliyev Oil Refinery	1 186.31	1601.72
Gas Processing Plant	225.65	106.53
Carbamide Plant	470.97	329.85
Methanol Plant	285.10	246.61
Azerigas Production Union	188.72	246.01
Marketing and Economic Operations Department	0.28	0.36
Oil and Gas Processing Research and Design Institute	0.66	0.64
Baku Higher Oil School	0	0
Oil and Gas Construction Trust	3.50	3.24
Security Department	0	0
Social Development Department	2.44	2.57
Information Technologies and Communication Department	0.14	0.13
Training, Education and Certification Department	0.31	0.30
Industrial Safety Department	0	0
Transportation Department	20.03	60.92
Heydar Aliyev Deep Water Jackets	0	0.95

Direct emissions of ‘Upstream’, thousand tons of CO₂-eq

Entity	2023
Azneft PU	3 222.06
Complex Drilling Works Trust	31.116
Department of Geophysics and Geology	0.83
Total	3 254.0

“Midstream” üzrə emissiyalar, min ton CO₂-ekv.

Entity	2023
Oil Pipelines Department	1.68
Gas Export Department	376.09
Total	377.77

Direct emissions of ‘Downstream’, thousand tons of CO₂-eq

Entity	2023
Azerikimya PU	362.47
Azerigas PU	246.01
Heydar Aliyev Oil Refinery	1601.72
Gas Processing Plant	106.53
Carbamide Plant	329.85
Methanol Plant	246.61
Marketing and Economic Operations Department	0.36
Total	2 893.55

Direct emissions from other entities, thousand tons of CO₂ equivalent.

Müəssisənin adı	2023
Oil and Gas Construction Trust	3.24
Transportation Department	60.92
Training, Education and Certification Department	0.30
Heydar Aliyev Deep Water Jackets	0.95
Security Department	0
Social Development Department	2.57
Oil and Gas Processing Research and Design Institute	0.64
Information Technologies and Communication Department	0.13
Industrial Safety Department	0
Baku Higher Oil School	0
SOCAR Head office	0
Total	68.75

Emissions for SOCAR Upstream Management LLC in 2023, thousand tons of CO₂-eq

Indirect emissions	Direct emissions	Indirect emissions (use of electricity)
Binagadi Oil Company	14.64	13.49
Karasu OC	15.58	21.33
Neftchala OCL	4.20	0
Shirvan OCL	102.85	28,93
Absheron OCL	4.77	0.21
Balakhani OCL	4.58	0.02
Surakhani Oil OCL S.A.	16.14	40.28
AzGerneft LLC	2.18	30.55
Bahar Energy OCL	52.34	13.99
Tagiyev OC	1.02	7.48
Salyan Oil Ltd.	17.70	14.17
Umid Babek OC	2.70	1.56
“SOCAR Polymer” LLC	15.55	0
Total	254.25	172.02

Abbreviations

- ACG – Azeri-Chirag-Guneshli
- LCDS – Low Carbon Development Strategy
- API – American Petroleum Institute
- RA – Republic of Azerbaijan
- SOCAR – State Oil Company of the Republic of Azerbaijan
- AZN – Azerbaijan Manat
- BHOS – Baku Higher Oil School
- JV – Joint Ventures
- UN – United Nations
- BOSIET – Basic Offshore Safety Induction and Emergency Training
- BTC – Baku-Tbilisi-Ceyhan
- CIS – Center for Internet Security
- SCP – South Caucasus Pipeline
- COSO – “Treadway” Komissiyasının Sponsor Təşkilatları Komitəsi
- PFC – Permanently Functioning Commissions
- SDG – Sustainable Development Goals
- DWJF – Deep Water Jackets Factory
- EEA – European Environment Agency
- AEA – Aegian Exporters Association
- EMEP – European Monitoring and Evaluation Programme
- EMP - Ecological Monotoring Program
- KPI – Key Performance Indicators
- OC – Operation Company
- FQD – Fuel Quality Directive
- GEL – Georgian Lari
- GRI – Global Reporting Index
- PU – Public Union
- IEC – International Electrotechnical Commission
- GHG – Greenhouse Gas
- INDC – Intended Nationally Determined Contributions
- EOCP – Extended Oil Collection Post
- IOGP – International Association of Oil & Gas Producers
- IPCC – Intergovernmental Panel on Climate Change
- HRM – Human Resources Management
- ISO – International Organization for Standardization
- WPS – Wind Power Station
- MM – Mass Media
- CDT – Complex Drilling Trust
- CSR – Corporate Social Responsibility
- CJSC – Closed Joint Stock Company
- LDAR – Leak Detection and Repair
- LPG – Liquefied Petroleum Gas
- LLC – Limited Liability Company
- MRV – Monitoring, Reporting and Verification

NAMA – Nationally Appropriate Mitigation Actions
NDC – Nationally Determined Contributions
SAP – “System Analysis and Programming” system
SCP – South Caucasus Pipeline
HSE – Health, Safety, and Environment
SOC – Security Operations Center
SRG – “Snam Rete Gas”
TANAP – Trans- Anatolian Gas Pipeline
TAP – Trans Adriatic Pipeline
WMC – Waste Management Center
UER – Upstream Emission Reduction
WEF – World Economic Forum
CNG - Compressed Natural Gas
WREP - Western Route Export Pipeline
AIH - Azerbaijan Investment Holding

GRI Standards content index table

GRI Standards	Disclosures	Status	Pages	Comments
GRI 2: General Disclosures	2-1. Organizational details	Disclosed, About this Report; About the Company; SOCAR's business model; Directions of SOCAR's activities in Azerbaijan	6, 9, 10	
	2-2. Entities included in the organization's sustainability reporting	Disclosed, About this Report; Directions of SOCAR's activities in Azerbaijan; Activities in foreign markets	6, 10, 13	
	2-3. Reporting period, frequency and contact point	Disclosed, About this Report	6	
	2-4. Restatement of information	Disclosed, About this Report	6	
	2-5. External assurance	Disclosed, About this Report	6	
	2-6. Activities, value chain and other business relationships	Disclosed, About the Company; SOCAR's business model; Economic impacts and industrial activity; Directions of SOCAR's activities in Azerbaijan; Activities in foreign markets; Ensuring sustainable development; Number and categories of SOCAR's employees; Supply chain management	9, 10, 13, 19, 37, 50	
	2-7. Employees	Disclosed, Number and categories of SOCAR's employees; Provision of equal and fair opportunities	37, 39	
	2-8. Workers who are not employees	Disclosed, Number and categories of SOCAR's employees; Provision of equal and fair opportunities	37, 39	
	2-9. Governance structure and composition	Disclosed, SOCAR's management structure; SOCAR's Executive Management; Committees of the top management of SOCAR	20, 21, 23	
	2-10. Nomination and selection of the highest governance body	Disclosed, SOCAR's management structure; SOCAR's Executive Management	20, 21	.
	2-11. Chair of the highest governance body	Disclosed, SOCAR's management structure	20	
	2-12. Role of the highest governance body in overseeing the management of impacts	Disclosed, SOCAR's management structure; Risk management at SOCAR	20, 27	

	2-13. Delegation of responsibility for managing impacts	Disclosed, Collective knowledge of SOCAR's Executive Management; Committees of the top management of SOCAR; Risk management at SOCAR	22, 23, 27	
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	2-15. Conflicts of interest	Disclosed, Regulation of conflicts of corporate interests	26	
	2-16. Communication of critical concerns	Disclosed, Committees of the top management of SOCAR	23	
	2-17. Collective knowledge of the highest governance body	Disclosed, Collective knowledge of SOCAR's Executive Management	22	
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	2-19. Remuneration policies	Disclosed, SOCAR's Executive Management	21	
	2-20. Process to determine remuneration	Disclosed, SOCAR's Executive Management	21	
	2-21. Annual total compensation ratio	Disclosed, Detailed tables of sustainable development indicators	68	
	2-22. Statement on sustainable development strategy	Disclosed, Ensuring sustainable development; Environmental activities	19, 52	
	2-23. Policy commitments	Disclosed, Ensuring sustainable development; Building an ethical business; Compliance	19, 24	
	2-24. Embedding policy commitments	Disclosed, Ensuring sustainable development; Building an ethical business; Compliance	19, 24,	
	2-25. Process to remediate negative impacts	Disclosed, Building an ethical business	24	
	2-26. Mechanisms for seeking advice and raising concerns	Disclosed, Building an ethical business, Compliance; Anti-corruption activities; Regulation of conflicts of corporate interests	24, 25, 26	
	2-27. Compliance with laws and regulations	Disclosed, Building an ethical business; Compliance;	24, 25	

		Anti-corruption activities		
	2-28. Membership associations	Disclosed, Application of international management systems	31	
	2-29. Approach to stakeholder engagement	Disclosed, Identification of material topics	6	
	2-30. Collective bargaining agreements	Disclosed, Detailed tables of sustainable development indicators	68	
GRI 3: Material Topics	3-1. Process to determine material topics	Disclosed, About this Report; Identification of material topics	6	
	3-2. List of material topics	Disclosed, Identification of material topics; Scope of material topics	6, 7	
	3-3. Management of material topics	Disclosed, Identification of material topics	6	
GRI 201: Economic Performance	201-1. Direct economic value generated and distributed	Disclosed, Economic impacts and industrial activity	9	
	201-2. Financial implications and other risks and opportunities due to climate change	Disclosed, Environmental activities	52	
	201-3. Defined benefit plan obligations and other retirement plans	Not disclosed		Outside the scope of the Report
	201-4. Financial assistance received from government	Not disclosed		Outside the scope of the Report
GRI 202: Market Presence	202-1. Ratios of standard entry level wage by gender compared to local minimum wage	Disclosed, Detailed tables of sustainable development indicators	68	
	202-2. Proportion of senior management hired from the local community	Not disclosed		Outside the scope of the Report
GRI 203: Indirect Economic Impacts	203-1. Infrastructure investments and services supported	Disclosed, Social activity and support for local development; Charity and sponsorship; Social projects on sport, education and culture; Social activities of SOCAR in foreign countries	46, 48, 49	
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GRI 204: Procurement Practices	204-1. Proportion of spending on local suppliers	Disclosed, Supply chain management; Support of local suppliers	50, 51	
GRI 205: Anti-corruption	205-1. Operations assessed for risks related to corruption	Disclosed, Anti-corruption activities	25	

	205-2. Communication and training about anti-corruption policies and procedures	Disclosed, Anti-corruption activities; Training and education on corporate ethics, compliance and anti-corruption	27	
	205-3. Confirmed incidents of corruption and actions taken	Disclosed, Anti-corruption activities	25	
GRI 206: Anti-competitive Behavior	206-1. Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not disclosed		Unrelated to the operational characteristics and profile of the Company
GRI 207: Tax	207-1. Approach to tax	Disclosed, Economic impacts and industrial activity	9	
	207-2. Tax governance, control, and risk management	Not disclosed		Outside the scope of the Report
	207-3. Stakeholder engagement and management of concerns related to tax	Not disclosed		Outside the scope of the Report
	207-4. Country-by-country reporting	Not disclosed		Outside the scope of the Report
GRI 301: Materials	301-1. Materials used by weight or volume	Disclosed, Directions of SOCAR's activities in Azerbaijan	10	
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	301-3. Reclaimed products and their packaging materials	Not disclosed		Outside the scope of the Report
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	302-3. Energy intensity	Disclosed, Energy transition; Detailed tables of sustainable development indicators	55, 68	
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GRI 303: Water and Effluents	303-1. Interactions with water as a shared resource	Disclosed, Water management	63	
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	303-4. Water discharge	Disclosed, Water management; Detailed tables of sustainable development indicators	63,68	

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	304-2. Significant impacts of activities, products and services on biodiversity	Disclosed, Biodiversity	66	
	304-3. Habitats protected or restored	Disclosed, Biodiversity	66	
	304-4. IUCN Red List species and national conservation list species with habitats in areas affected by operations	Disclosed, Biodiversity	66	
GRI 305: Emissions	305-1. Direct (Scope 1) GHG emissions	Disclosed, Climate change and emissions; Detailed tables of sustainable development indicators	58,68	
	305-2. Energy indirect (Scope 2) GHG emissions	Disclosed, Climate change and emissions; Detailed tables of sustainable development indicators	58,68	
	305-3. Other indirect (Scope 3) GHG emissions	Disclosed, Climate change and emissions; Detailed tables of sustainable development indicators	58,68	
	305-4. GHG emissions intensity	Disclosed, Environmental activities; Detailed tables of sustainable development indicators	52,68	
	305-5. Reduction of GHG emissions	Disclosed, Climate change and emissions	58	
	305-6. Emissions of ozone-depleting substances (ODS)	Not disclosed		Outside the scope of the Report
	305-7. Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Disclosed, Detailed tables of sustainable development indicators	68	
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	306-3. Waste generated	Disclosed, Waste; Detailed tables of sustainable development indicators	64,68	

	306-4. Waste diverted from disposal	Disclosed, Waste; Detailed tables of sustainable development indicators	64,68	
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GRI 308: Supplier Environmental Assessment	308-1. New suppliers that were screened using environmental criteria	Disclosed, Supply chain management; Control on third-parties	35,50	
	308-2. Negative environmental impacts in the supply chain and actions taken	Disclosed, Supply chain management; Control on third-parties	35,50	
GRI 401: Employment	401-1. New employee hires and employee turnover	Disclosed, Building employee relations; Number and categories of SOCAR's employees; Detailed tables of sustainable development indicators	37,68	
	401-2. Benefits provided to full-time employees that are not provided to temporary or part-time employees	Disclosed, Building employee relations; Application of the Assessment Center; Employee benefits; Assistance and support provided to employees	37, 45, 46	
	401-3. Parental leave	Disclosed, Building employee relations; Provision of equal and fair opportunities	37, 39	
GRI 402: Labor/Management Relations	402-1. Minimum notice periods regarding operational changes	Disclosed, Talent attraction and recruitment	38	
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	403-8. Workers covered by an occupational health and safety management system	Disclosed, Incidents	36	
	403-9. Work-related injuries	Disclosed, Incidents	36	
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	404-2. Programs for upgrading employee skills and transition assistance programs	Disclosed, Management of employee performance; Training and professional development; Education of employees	32, 40, 43	
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	405-2. Ratio of basic salary and remuneration of women to men	Disclosed, Detailed tables of sustainable development indicators	68	
GRI 406: Non-discrimination	406-1. Incidents of discrimination and corrective actions taken	Not disclosed		Unrelated to operational characteristics and profile of the Company
GRI 407: Freedom of Association and Collective Bargaining	407-1. Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not disclosed		Unrelated to operational characteristics and profile of the Company
GRI 408: Child Labor	408-1. Operations and suppliers at significant risk for incidents of child labor	Disclosed, Human rights	27	
GRI 409: Forced or Compulsory Labor	409-1. Operations and suppliers at significant risk for incidents of forced or compulsory labor	Disclosed, Human rights	27	
GRI 410: Security Practices	410-1. Security personnel trained in human rights policies or procedures	Not disclosed		Outside the scope of the Report

GRI 411: Rights of Indigenous People	411-1. Incidents of violations involving rights of indigenous peoples	Not disclosed		Outside the scope of the Report
GRI 413: Local Communities	413-1. Operations with local community engagement, impact assessments, and development programs	Disclosed, Social activity and support for local development; Charity and sponsorship; Social projects on sport, education and culture	46, 48	
	413-2. Operations with significant actual and potential negative impacts on local communities	Not disclosed		Outside the scope of the Report
GRI 414: Supplier Social Assessment	414-1. New suppliers that were screened using social criteria	Disclosed, Supply chain management; Control on third-parties	35, 50	
	414-2. Negative social impacts in the supply chain and actions taken	Disclosed, Supply chain management; Control on third-parties	35, 50	
GRI 415: Public Policy	415-1. Political contributions	Not disclosed		Unrelated to operational characteristics and profile of the Company
GRI 416: Customer Health and Safety	416-1. Assessment of the health and safety impacts of product and service categories	Not disclosed		Unrelated to operational characteristics and profile of the Company
	416-2. Incidents of non-compliance concerning the health and safety impacts of products and services	Not disclosed		Unrelated to operational characteristics and profile of the Company
GRI 417: Marketing and Labeling	417-1. Requirements for product and service information and labeling	Not disclosed		Unrelated to operational characteristics and profile of the Company
	417-2. Incidents of non-compliance concerning product and service information and labeling	Not disclosed		Unrelated to operational characteristics and profile of the Company
	417-3. Incidents of non-compliance concerning marketing communications	Not disclosed		Unrelated to operational characteristics and profile of the Company
GRI 418: Customer Privacy	418-1. Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not disclosed		Unrelated to operational characteristics and profile of the Company

Independent practitioner's assurance report

To the Management of the State Oil Company of the Azerbaijan Republic (SOCAR)

Subject matter

We have been engaged by SOCAR (hereinafter "the Company") to perform a 'limited assurance engagement' as defined by International Standards on Assurance Engagements, (hereinafter referred to as "Engagement"), to report on Company's material qualitative and quantitative sustainability performance indicators (hereinafter the "Subject Matter") disclosed in the SOCAR's Sustainable Development Report (hereinafter the "Report") for the period from 1 January 2023 until 31 December 2023.

The Subject Matter is limited to the following indicators:

- ▶ Total number of employees;
- ▶ Total number of Hired employees;
- ▶ Total number of Dismissed employees;
- ▶ Total hours of Trainings;
- ▶ Occupational health and safety expenses, AZN;
- ▶ Number of incidents (causing injuries beyond first aid);
- ▶ Direct carbon emissions (Scope 1) – thsd t CO_{2e};
- ▶ Indirect carbon emissions (Scope 2) – thsd t CO_{2e};
- ▶ Amount of electricity consumed (thsd kWh);
- ▶ Amount of fuel consumed (ton);
- ▶ Amount of natural gas consumed (thsd m³);
- ▶ Amount of water consumed (mln m³);
- ▶ Generated and transported hazardous waste (ton);
- ▶ Procurement expenses (local and foreign) on products and services, AZN.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, such as forward-looking statements on performance, events, or planned activities, and accordingly, we do not express a conclusion on this information.

Criteria applied by SOCAR

In preparing the Subject Matter, the Company applied the Global Sustainability Reporting Initiative (hereinafter "GRI Standards") and other sustainability reporting principles as set out in the 'About the Report' section of the Report (hereinafter "the Criteria").

Company's responsibilities

The Company's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (hereinafter 'ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with the Company on 11th January 2019. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Inquiries of the representatives of the Company's management and specialists responsible for its sustainability policies, activities, performance and relevant reporting,
- ▶ Analysis of key documents related to the Company's sustainability policies, activities, performance and relevant reporting,
- ▶ Benchmarking of the Report against sustainability reports of selected international peers of the Company,
- ▶ Analysis of a selection of corporate and external publications on the Company's sustainability policies, activities, events, and performance in 2023,
- ▶ Identification of sustainability issues material for the Company based on the procedures described above and analysis of their reflection in the Report,
- ▶ Testings conducted on a sample basis underlying source information regarding key sustainability indicators for the reporting period disclosed in the Report to check whether these data have been collected, prepared, collated and reported appropriately in accordance with the Criteria,
- ▶ Site visits to the Company's subsidiaries such as Head Office, "Azneft" Production Union, "Azerigas" Production Unit, Heydar Aliyev Oil Refinery Plant as well as distant communication with representatives of "SOCAR Türkiye" for gathering evidence to support the assertions on the Company's sustainability policies, activities, events, and performance made in the Report,
- ▶ Collection and checking, on a sample basis, evidence substantiating the qualitative and quantitative information included in the Report and,

- ▶ Checking of compliance of information and data disclosures in the Report with the requirements of the GRI Standards "in accordance" requirements.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the year ended 31 December 2023, in order for it to be in accordance with the Criteria.

Restricted use

This report is intended solely for the information and use of SOCAR's management and is not intended to be and should not be used by anyone other than those specified parties.

Ernst & Young Holdings (CIS) B.V.

09 August 2024

Baku, Azerbaijan