



SUSTAINABILITY REPORT

2022-2023

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2022-2023 Sustainability highlights

16th year with
0 fatalities



Using “Batch
Drilling Method”



“0” significant
spills since 2007

Decrease in
Drilling cuttings



First onshore
drilling services in
Azerbaijan

Re-certified for
API Spec Q2



Using advanced
software



“0” Lost Time
injuries



Sustainable Solutions



Environmental Management



Social

Message from the General Director

It is my pleasure to present this Report to you, including a description of the work carried out by SOCAR AQS (hereinafter “the Company”) in 2023 across environmental, governance and social areas. With 16 years of experience, our Company will continue its operations by introducing and applying innovative approaches, as well as providing safe and reliable solutions in the oil and gas industry.

We continue to work to ensure high-quality information disclosure in the field of sustainable development for all stakeholders and on integrating sustainability into every aspect of our business.

Our success belongs to the hard work and dedication of nearly 900 employees with their commitment to the Company’s strategic priorities towards strong business results across all our regions and service lines despite challenges such as post pandemic recovery, geopolitical conflicts and supply chain constraints.

We adhere to our strategy with focus on expansion opportunities across 3 dimensions: Customer expansion and diversification, Service expansion and Geographic development.

- **Customer expansion and diversification.** The Company plans to expand its activities into various rig types (land drilling, mobile drilling) in line with market practice. Entering mobile drilling marketplace on a global scale is one of the Company’s goals for the upcoming years.
- **Services expansion.** Company’s vision is to implement this dimension by increasing its share in in-house operations, in particular, drill

bits, direction drilling, casing and tubing running services, as well as building internal capabilities and capacities through staff sourcing and technology improvements.

- **Geographic development.** In recent years the company successfully delivered a number of projects in Türkiye, Kazakhstan and a few more geographies and continues to focus on expansion into existing and new markets.

In 2022-2023 we continued applying most advanced technology solutions and bringing innovative approaches that allow the business to manage well design and operations in a safe and the most effective way. Particularly, in 2022 we managed to apply the “Batch drilling” method, referring to a sequential drilling of the same section of several wells, to well drilling contributing to the overall operational efficiency and cost optimisation.

In 2023 our company has achieved a historic milestone by introducing a state-of-the-art drilling rig from a renowned international manufacturer to undertake onshore drilling services in Azerbaijan for the first time. This advancement underscores our commitment to adopting cutting-edge technology to enhance our operational capabilities and contribute significantly to Azerbaijan’s energy sector development.

Additionally, in 2023, our collaboration with a subsidiary of Azerbaijan’s pioneering private energy firm on the Buzovna-Mashtaga oil field onshore drilling project, using Drillmec’s state-of-the-art HH 300 hydraulic drilling rig, is poised to further enhance operational performance and safety. This partnership exemplifies our steadfast commitment

to sustainable energy growth and highlights our dedication to responsible innovation as we play a key role in advancing the industry sustainably.

In reporting year, we expanded our services with the establishment of a new service department.

This development involved merging various service offerings and creating a dedicated department to enhance our operational capacity. Furthermore, the company plans to integrate crane services into our portfolio in future years. In alignment with our directional drilling division goals, we are also planning to finalize an agreement with our largest client for directional drilling services.

We remain focused on our value proposition which not only reflect who we are, but also how we interact with our stakeholders and communities in which we operate. We are dedicated to conduct our business with a keen focus on safe and healthy environment for all stakeholders and efficient delivery of operations.

Our people are considered our most important asset and a key factor in differentiating our business. Despite four recordable injuries registered in 2023, we remain focused on prioritizing the safety of our employees. Each incident was thoroughly investigated, root causes were identified, corrective actions were implemented, and measures were taken to prevent similar incidents in the future. This involved updates to training programs, improvements in safety mechanisms, and revisions to work procedures.

Effective teamwork, leadership, and a commitment to a strong safety culture across the company, including contractors and sub-contractors, supported these efforts. Lessons learned were shared across departments to ensure all employees were informed about corrective actions and to reinforce safety awareness, contributing to our ongoing initiative to enhance workplace safety.

Another important environmental area of our work

is the sustainable use of water resources. In light of increasing attention to water scarcity issues, we implemented Reverse Osmosis system of industrial water filtration to reduce water usage and improve treatment quality in a pilot platform with plans to extend its implementation throughout all operations.

In further years in the light of the global transition to new energy sources our environmental priority will be to reduce the Company's emissions and hazardous waste. Thus, we seek opportunities to reduce our emissions, the wastewater disposal and improve the quality of its treatment, as well as to ensure environmentally safe operations by investing in advanced technologies. We plan to purchase an additional generator with rechargeable battery to reduce CO2 emissions and increase the efficiency of the operations.

The principles of sustainable development are embedded into the day-to-day processes of the Company. This area is under constant attention of the Company's management. Key interests of our wide shareholder range will remain in the centre of our business. The choice of our priority areas for sustainable development is based on the principle of materiality: we assess areas where the impacts of the organization on society are the most significant and it is on these impacts that we primarily work.

In line with the Safety Operation Risk Committee, three agile working groups (Performance, Remuneration and Crisis Management) are organised to oversee the implementation of the sustainable development process and system. An assessment of strategic and operational non-financial risks by establishing external and internal context is carried out on a regular basis as a part of Company's risk management framework. As a result of this risk analyses process, initiative programs reflecting strengths, weaknesses, opportunities, and threats are prepared and reviewed.

In our Company, we are strongly committed to conducting our business with the highest standards

of corporate behaviour for our employees, partners and suppliers. We provide opportunities for employees to speak up freely through employee engagement surveys and Concern Reporting procedure. We keep the highest standards of integrity and ethical behaviour through our internal policies, procedures, trainings, and regular communications to ensure that our community engagement continues to have a positive impact on society. We require our suppliers to comply with high ethical standards, consistent with those that we maintain.

Since we target to make a positive difference to the country and local communities where we operate, we focus on local content by creating jobs, training people, supporting local businesses, and working with local suppliers.

During the reporting year the Company continued to support social initiatives by creating career opportunities for graduates via internship program for students from several local universities, sponsoring educational international conferences. Meanwhile, the Company invested in education, sports activities and professional training of its personnel.

As part of the further development of our Company, safety remains a priority with implementation of global best practices in this area, development and deployment of technologically advanced solutions. We will continue to adhere to the principles of responsible well drilling operator and develop our sustainability practices.

Sincerely,

Samir Mollayev
General Director of SOCAR AQCS



About Report

The report highlights the activities and results of the Company in the area of sustainable development. In order to demonstrate its clear and transparent operations to its stakeholders, the Company discloses its approach to sustainable development, social, economic and environmental responsibility on an annual basis since 2018. The practice of sustainability reporting strengthens our commitment to transparency and accountability towards stakeholders, underscoring our pursuit of sustainable growth.

The Report has been prepared in accordance with the Global Reporting Initiative Standards. The application of standards and the index of GRI standard elements are published in Appendix 2. In addition, the Report discloses information on the Company's contribution to implementing the priority UN Sustainable Development Goals (SDGs) and describes related activities thereof.

The process of Report preparation and disclosure of material topics is coordinated by the working group established within the Company. The Report was prepared by combination of quantitative (energy usage records, financial reports etc.) and qualitative data (stakeholder interviews, surveys, updates in the relevant ESG processes as of reporting date, etc.).

Besides this, internal reports and information from third parties were also

considered and referred. We implemented measures to ensure the quality and integrity of the data collected by conducting underlying data validation checks, including verification through third-party information, where practicable and feasible, and addressing any discrepancies or inconsistencies in the data.

The verification and final approval of the Report are conducted by the Company's Management Board.

Reporting Boundaries

The information on sustainable development presented in this Report relates to the activities of the Company (see Appendix 2). The Report does not cover the Company's subsidiaries and joint ventures. The report provides information on performance metrics specifically for the Company, unless stated otherwise explicitly.

Independent Assurance Statement

The content of the Report is built on the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. We have ensured the quality of disclosed information by applying quality principles of GRI and involving third party for the assurance of key material performance indicators.

Entity name	SOCAR AQS-LLC
Headquarters	Baku, Azerbaijan
Reporting boundary	SOCAR AQS (Parent)
Reporting period	1 st January 2023 - 31 st December 2023
Reporting cycle	Annual
Reporting frameworks	Global Reporting Initiatives (GRI) Standards (Core) UN Sustainable Development Goals (SDGs) International Association of Drilling Contractors (IADC) reporting guidelines
Reporting language	English
Third-party involvement	External independent assurance on selected indicators (see section "Independent Assurance Statement")

About the Company

Founded in 2007, the Company has a long history of an integrated drilling and well services management. Today, we are a leading provider of advanced technology for the energy industry due to innovation and a commitment to the technologies of tomorrow.

SOCAR AQS operates as a comprehensive group of companies. For an in-depth overview of the Company's subsidiaries and joint ventures, please refer to the consolidated financial statements of the Company the reporting period ended 31 December 2023 <https://www.socar-aqs.com/az/media/>. The company has many years of experience in

the field of oil and gas well drilling industry while providing advanced drilling technologies and applying new management methods. The Company has pioneered innovative approach in the national drilling industry, and it has a proven track record of excellence in delivering safe and reliable solutions.

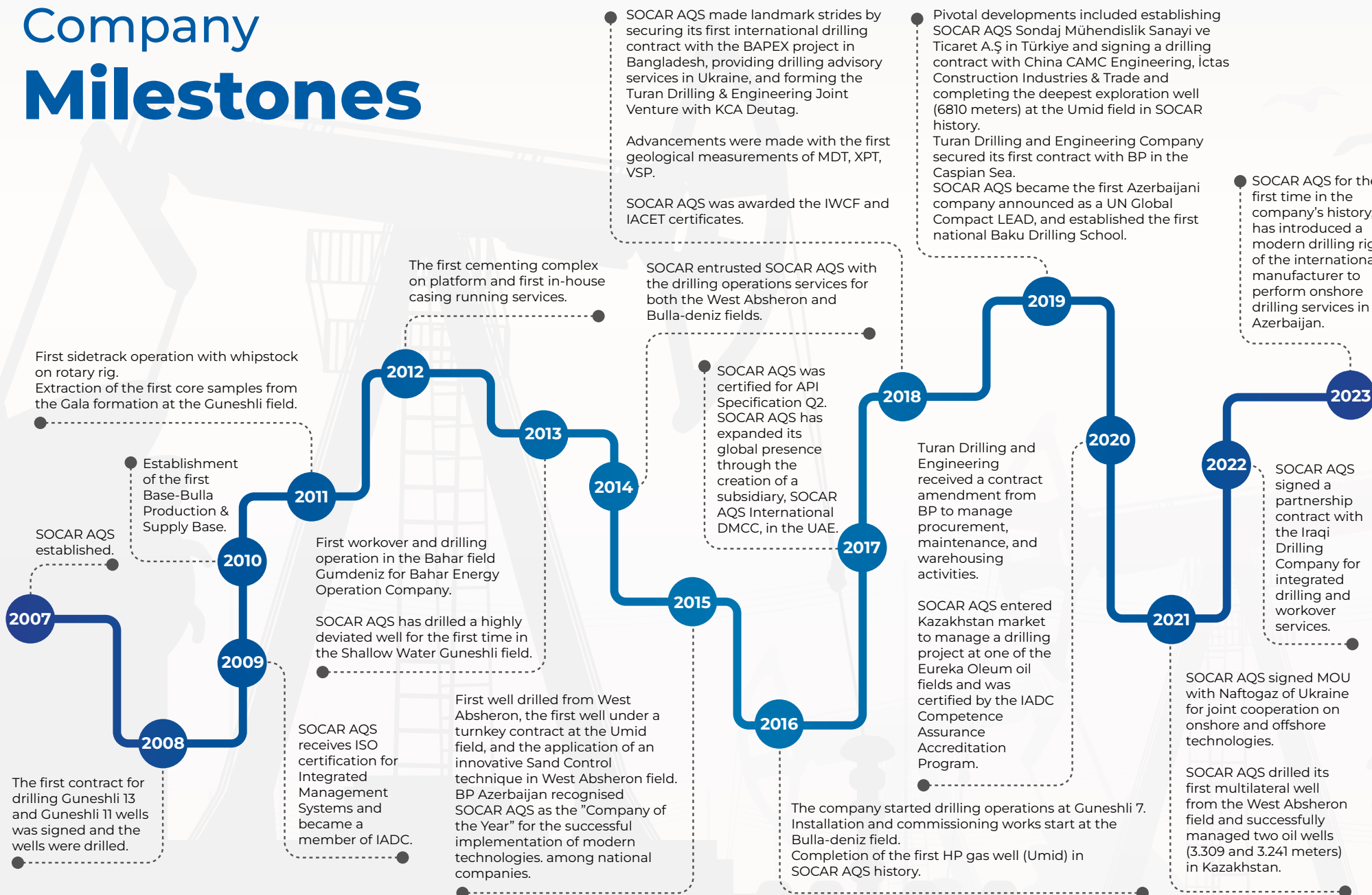
The Company is a member of International Association of Drilling Contractors since 2009, and it has fully complied with all applicable international standards.

Service we provide

- Drilling of oil and gas wells on turnkey basis
- Drilling of deviated, horizontal, HP/HT, and multilateral wells
- Completion works: cased & perforated, multilateral & sand control
- Well engineering: delivering BOD, drilling program, offset analysis, operations support and performance improvement
- Well workover and well repair operations
- Casing running services
- BOP maintenance and testing
- Rig upgrade, refurbishment, mobilization and demobilization
- Project management for well delivery
- Geology: Geological operations, planning and geological hazards



Company Milestones



Company Operations

The Company owns eight drilling rigs for both offshore and onshore operations.

As an integrated drilling and well services company, with continuous focus on safety, the Company has drilled and delivered more than **150 wells** over the past decade. The Company's wells portfolio includes some of the most complex wells drilled to date in the world with depths and pressures in excess of **6,000 m** and **15,000 psi**. The Company's activities are mainly carried out in the territories of Azerbaijan, Kazakhstan and Türkiye.

As part of its projects, the Company, using its in-depth expertise and advanced technologies performs a wide range of drilling works including challenging HP, HT wells, directionally deviated and horizontal wells, casing running services, completion operations, well workover, and well repair operations.

The Company has been a contractor member of the IADC since 2009 and has been evaluated and certified to meet the requirements of international standards such as **ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018, IADC Competence Assurance Accreditation (CAA), API Spec Q2**.

In 2017 The Company was certified by American Petroleum Institute (API) for providing integrated offshore oil and gas drilling and production services.

SOCAR AQS OPERATIONS IN AZERBAIJAN

Most of our drilling work is carried out off the coast of Azerbaijan at the Bulla-deniz, Western Absheron, Guneshli, Umid fields.

BULLA-DENIZ

is located in the northern part of the Baku archipelago, 10 kilometers southeast from the Sangachal-Duvanny-Khara Zira Island field. The Company became the first drilling company in the Caspian region, who successfully carried out geophysical surveys and formation pressure measurements at the Bulla-deniz field. Drilling operations are ongoing at the field.



WEST ABSHERON

is located to the North-West of the Absheron archipelago and North of the Absheron Peninsula of the Caspian Sea, 65 km from Baku City. West Absheron was discovered in 1958 and the area is characterized by harsh climatic and meteorological conditions. By 2022, the Company has drilled and delivered 32 wells from two platforms in West Absheron. The Company has also successfully completed engineering and drilling operations for the first multilateral well in the West Absheron field.



GUNESHLI

is an offshore oilfield in the Caspian Sea, located 120 kilometers West of Baku. Water depth in the field varies from 80 m (North-West) to 300 m (South-East). Until 2022, the Company has drilled 66 wells. SOCAR AQS has drilled a highly deviated horizontal well for the first time in the Shallow Water Guneshli field.



GUM-DENIZ OILFIELD

The Gum-deniz oilfield extends parallel to the southern coast of the Caspian Sea and is located 21 km southeast of Baku, in the land/sea transition zone, covering an area of 144 square kilometers. The Gum-deniz field has been in operation since 1955. The field is divided into 24 aragats, on which 11 main vertical production horizons are identified. In 2013, SOCAR AQS successfully drilled 3 wells at this field.



BAHAR GAS CONDENSATE FIELD

The Bahar gas condensate field is located approximately 40 km offshore, 8 km north of the Shah Deniz gas condensate field and covers an area of 56 km². The southern part of the Bahar field is surrounded by a mud volcano. The depth of productive formations is 2700-5300 meters. Production at the Bahar field began in 1969. In 2013, SOCAR AQS carried out a workover at one of the wells of the Bahar field.



UMID

Is the second largest gas field in Azerbaijan located in the South of the Caspian Sea, approximately 75 kilometers southeast of Baku. In 2015-2019, the Company drilled a production well with a depth of 6,352 meters following an exploration well with a depth of 6,810 meters from the Umid platform. Exploration well passed all geophysical wireline studies (Formation Pressure tester, VSP-Vertical Seismic Profile, Coiled Tubing perforation, etc.) that have not been previously conducted in the history of the field. In 2021, SOCAR AQS completed drilling the third well in the Umid field to a depth of 6,270 meters.



BUZOVNA-MASHTAGA OILFIELD

In 2023, SOCAR AQS entered into an agreement with Taghiyev Operating Company LLC (TOC), a subsidiary of GL LTD LLC, to implement an onshore drilling project in TOC's Buzovna-Mashtaga oilfield. To conduct drilling operations in the Buzovna-Mashtaga field, SOCAR AQS used the HH 300, a stand-alone hydraulic drilling rig manufactured by Drillemec—a global industry leader in the design and construction of drilling and workover rigs. This state-of-the-art rig is renowned for its advanced features that drive operational efficiency and ensure a high level of safety while delivering exceptional onshore drilling performance.

At the Buzovna-Mashtaga oilfield—SOCAR AQS's first onshore drilling project in Azerbaijan—three wells were successfully drilled and handed over to the customer.



SOCAR AQS around the world



Türkiye



The Company signed a contract in 2019 to drill and deliver 40 underground gas storage wells in the Tuz Golu area of Aksaray region of Türkiye. The expansion of Tuz Golu underground gas storage is vital for meeting the natural gas demand of Türkiye, and the Company will contribute to successful execution of this mission. In 2021, the Company signed a contract extension to drill 12 more wells under the project and the work continued during 2023.

Iraq



In 2022, **SOCAR AQS** signed a partnership contract with Iraqi Drilling Company for integrated drilling and workover services. The three-year contract includes the implementation of the drilling projects for national and international oil companies in Iraq.

Kazakhstan



In 2022 the Company safely and efficiently delivered a challenging drilling project in the Republic of Kazakhstan, for Eureka Oleum, a Kazakhstan based exploration and production company. As part of the project, the Company provided drilling supervision services at three Eureka Oleum oil fields. The services included supervision of drilling of deviated oil wells with a depth of **3,176, 3,222 and 3,600** meters. The Company assisted the customer with regular operations supervision, supported on HSE (Health Safety Environment), well control, acquiring data using the tough logging conditions tools, coring, side tracks, and helped address other downhole challenges during the operations.

Strategy, Mission and Values of the Company



Our Vision is to add the highest value to our stakeholders as a modern international company by delivering integrated and efficient energy solutions.



Our mission is to provide sustainable and industry-leading drilling services in the Caspian region and expand business in the international market.

The strategic areas and priority goals of our Company are:



The Company recognizes the critical importance of addressing greenhouse gas emissions (GHG) as a significant contributor to climate change. In response, we are implementing a range of proactive measures aimed at reducing emissions and increasing efficiency across all our operations.



Our strategic priority is to continuously integrate advanced technology and innovative methodologies into our operations, enhancing safety and efficiency in well design and management. By implementing the "Batch drilling" method and introducing a state-of-the-art drilling rig from a prestigious international manufacturer for onshore services in Azerbaijan, we aim to optimize operational efficiency and significantly contribute to the development of Azerbaijan's energy sector. These initiatives reflect our goal to lead industry advancements and



embrace sustainability while maximizing performance and cost-effectiveness.

Our company is committed to the sustainable use of water resources, and to this end, we plan to implement a Reverse Osmosis (RO) system for water filtration. By conserving water, improving water quality, and minimizing our environmental footprint, we strive to contribute to the long-term health and resilience of water resources for future generations.



The company's goal is to reinforce its operational capabilities by expanding its presence in in-house operations, with a particular focus on drill bits, directional drilling, casing and tubing running services. This strategic direction entails a concerted effort to enhance internal capacities and through a combination of internal investments, talent development initiatives, and technology-driven innovations.



The company remains steadfast in its commitment to expanding its presence in both existing and new markets. This strategic focus underscores our dedication to growth, diversification, and market leadership.



Our values help drive our commitment to sustainability. The main idea which stands for our core values is that "Integrity while combined with first class Quality and Safety is what we demonstrate as One team in order to deliver Excellence".

Our values:



Safety: Safety is at the core of our organizational culture and we conduct our business according to the highest safety standards.



People-oriented: We value and respect every person in our company and our goal is to build a healthy environment and work as one team.



Integrity: We are honest with all our stakeholders and we have strong moral principles. We follow the highest ethical standards across all our activities.



Excellence: We strive for excellence in all our operations and aim for high-level performance and continuous improvement.



Innovation: We continually invest in modernization – by applying cutting-edge technology and agile ways of working – to deliver safe, competitive and reliable solutions for our customers.

Economic Performance

At SOCAR AQS, we are committed to transparency and accountability in all aspects of our operations.

While this sustainability report focuses on our environmental and social initiatives and achievements, we recognize the importance of economic performance as a fundamental aspect of our sustainability strategy.

To provide our stakeholders with comprehensive and detailed information about our financial performance for the year ended 31 December 2023, we have made our complete financial statements available on our [corporate website](#).

This approach ensures that all interested parties have access to the most current and relevant financial data.

Note: Financial indicators in accordance with GRI 201-1:

Direct economic value generated means Revenues.

Revenues presented as net sales plus revenues from financial investments and sales of assets presented as such in the consolidated statement of Profit or Loss and Other Comprehensive Income.

Economic value distributed includes:

- **Operating costs** (cost of services and general and administrative expense), which includes employee wages and benefits.
- **Payments to government** include payments to governments as all of the organization's taxes

plus related penalties paid at the international, national, and local levels. Company taxes can include corporate, income, and property.

- **Payments to providers of capital** include payments to providers of capital as dividends to all shareholders, plus interest payments made to providers of loans.

Interest payments made to providers of loans can include:

- Interest on all forms of debt and borrowings (not only long-term debt);
- Arrears of dividends due to preferred shareholders.

Innovations



The management of the Company pays special attention to the development of scientific and technical potential of the Company, especially to the creation and application of innovative solutions which can be applied to operational activities.

Key highlights:



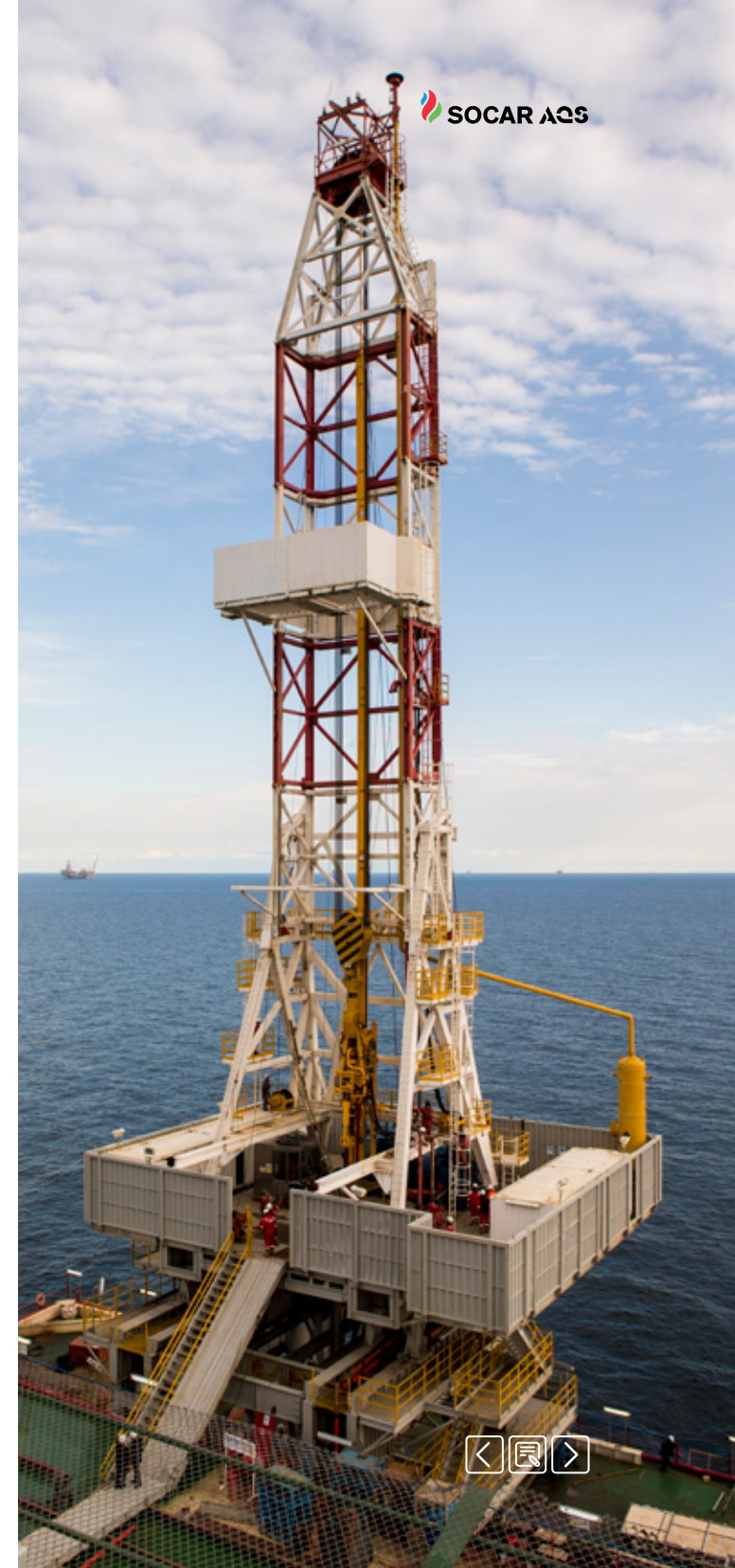
StressCheck Software is an engineering tool designed for casing string design and analysis. It offers automated calculations for realistic burst, collapse, and axial loads, allowing optimization of casing string sections. This enables significant cost savings by avoiding overdesign and reducing material use. StressCheck supports safe and efficient well construction operations by ensuring casing integrity and minimizing risks during complex drilling scenarios.



OpenWells is used by drilling engineers to efficiently manage and optimise drilling operations that requires an information management system to capture, track, report, and analyse all activities at the rig. OpenWells has the capacity to manage and track drilling and completion activities for a number of wells simultaneously. It simplifies data collection and streamlines reporting and analysis by reducing time spent on manual and repetitive work tasks.



WellPlan is a comprehensive tool used for well construction planning and analysis. It provides essential features for optimizing well designs and operations, including torque and drag analysis, hydraulics modelling, and well control simulations. The software enables the prediction and mitigation of potential drilling issues by modelling loads, stresses and fluid dynamics under various scenarios. Key benefits include enhanced operational efficiency, reduced drilling risks, and the ability to design cost-effective solutions while ensuring wellbore integrity and target accuracy.



1

The Company applied digital solutions that allows the business to manage well design and operations in a safe and the most effective way. In 2022 the Company purchased the top three software – StressCheck, OpenWells, WellPlan – used in drilling operations across the world. StressCheck and WellPlan are used by office drilling engineers, while OpenWells is used by offshore drilling engineers to share the daily activities with the head office.

2

The Company installed Cincoze PC Touch Panel in the Guneshli field, on an offshore platform, inside the NOV TDS11 TopDrive VFD House. The monitor is to help build a Human Machine Interface (HMI) system, which enables to control online the operations of the TopDrive drilling rig (main and auxiliary electric motors), the equipment, and ensures swift service to the equipment. It is expected to integrate HMI to a new eHAWK system – a flagship technology to provide 24/7/365 remote maintenance to drilling rigs installed and currently in use anywhere in the world.

3

The Company for the first time in its history applied the “Batch Drilling” method to well drilling. The main advantage of this method is the sequential drilling of the same section of several wells by using the same equipment and services, which optimizes operational and cost-efficient.

4

SOCAR AQS, integrated drilling and well services management company, for the first time in the company's history, has introduced a modern drilling rig of the international manufacturer to perform onshore drilling services in Azerbaijan.



Sustainability Management System

The Company recognises the importance of its impact on the environment and society and is continuously refining its sustainable development management system.

The issues of sustainable development management have been integrated in the responsibility at all levels of the Company's corporate governance system. The Supervisory Board and its working groups have an important role to play in shaping the strategy and setting

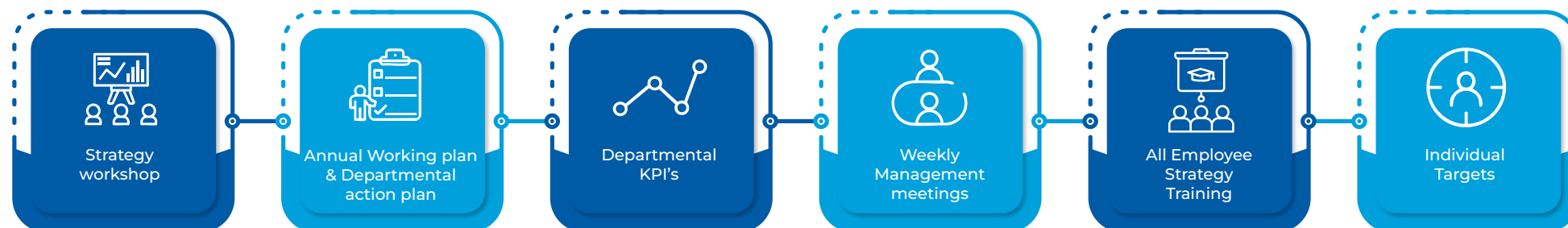
priorities, assessing risks and monitoring sustainability performance.

The Management Board is involved in the processes of environmental, socio-economic impact management and risk management and monitors the results of activities in sustainable development.

Responsibilities for the direct management of various aspects of sustainable development

are distributed among the subdivisions of the Company, which, in line with the functional areas, are responsible for setting goals and implementing specific activities. Oversight of our ESG program starts at the highest level through designated committees and working groups organised to oversee the implementation of the sustainable development process and system (for further details refer to section "Corporate governance").

Sustainability management tools



When determining priority areas of activity in sustainable development, the Company is guided by the UN Sustainable Development Goals, as well as the provisions of other international standards and initiatives in this area.

Since 2018, the Company has been introducing the practice of issuing sustainability reports in line with the standards of the Global Reporting Initiative (GRI) every year.

Contribution to the Achievement of the UN Sustainable Development Goals

We recognize that it is imperative to acknowledge the UN Sustainable Development Goals (SDGs) and integrate them into our strategic decision-making to achieve sustainable economic growth. The table below reflects the Company's achievement towards the UN SDGs.



Goal 3:

Ensure healthy lives and promote well-being for all employees

Management tool

To uphold this commitment, we have developed comprehensive life-saving rules and process safety fundamentals. These initiatives are pivotal in fostering a safe and secure work environment, thereby promoting the physical and mental well-being of our workforce. We also implement proactive approach to health and safety by introducing safety observation cards (SOC).



Goal 5:

Achieve gender equality and empower all women and girls

Management tool

We conduct work to create conditions for the realization of women's abilities and opportunities in various spheres. We do not tolerate any form of discrimination against female employees in the workplace. Based on the results of the employee engagement survey, the actions for increasing the woman engagement were identified.

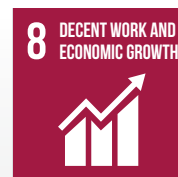


Goal 4:

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Management tool

We embrace technology and innovation in education and training delivery, leveraging digital platforms, e-learning tools, and virtual learning environments to enhance accessibility, flexibility, and effectiveness of our educational programs. Our Learning Management System (LMS) was designed to encourage and facilitate the development and career growth of our internal stakeholders. It aims to improve the competences of offshore, onshore, and office staff with personalised and custom learning experiences. The Company plans to implement and optimise competency system through implementation of online competency software.



Goal 8:

Decent work and economic work

Management tool

We contribute to sustainable economic growth by creating employment opportunities for individuals within our workforce and the communities where we operate. We are committed to providing our employees with decent work opportunities that respect their rights, ensure fair wages, promote workplace safety and well-being, and offer opportunities for professional development and career advancement.



Goal 9:

Industry, innovation and infrastructure

Management tool

We foster a culture of innovation within our organization, encouraging creativity, problem-solving, and continuous improvement in all aspects of our operations. We invest in development initiatives to develop and deploy innovative technologies, processes, and digital solutions that enhance efficiency, safety and sustainability in the energy sector.



Goal 12:

Ensure sustainable consumption and production patterns

Management tool

We prioritize resource efficiency in our operations to minimize waste generation and optimize resource utilization. This includes implementing measures to reduce energy consumption, water usage and raising awareness among our employees.



Goal 14:

Life Water Below

Management tool

The use of advanced technology for offshore operations is a key priority for us, driven by our commitment to minimizing underwater noise and vibration resulting from drilling operations.



Goal 11:

Sustainable cities and communities

Management tool

We believe that as a responsible market player, we hold a certain responsibility towards the society in the sustainable development of the community. Therefore, we continue to implement projects and programs aimed at community development and access to education, as well as contribute to various charities such as carrying out landscaping in the regions where we operate by planting trees, supporting students through internships, conferences, and career fairs.



Goal 13:

Take urgent action to combat climate change and its impacts

Management tool

Our dedication to environmental preservation and ensuring the health and safety of our employees and contractors directly contributes to our commitment to mitigating the impact of our operations on climate change through calculating and reporting greenhouse gas emissions and conducting industrial environmental monitoring of emission sources.



Goal 16:

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Management tool

Continuing our efforts to support national values, we contribute to the preservation of peace and justice within our society. We are actively engaged in efforts to restore national unity and demonstrate solidarity with the families of martyrs and participants of the war. In this regard, we have undertaken significant initiatives to support war veterans and our employees who bravely served during the conflict. This includes providing assistance and donations to veterans and their families, acknowledging their sacrifices and contributions to our nation's defence.

Material Topics

We have evaluated the significance of the ESG topics in accordance with the best practice prescribed under the GRI standards. The procedure for selecting the material topics is an analytical process that includes the following steps: conducting an internal analysis of the importance of topics, a shareholder input collection and compilation of a list of material topics. The evaluation considered two primary criteria: the significance of the economic, environmental, or social impact and impact on the judgments and decisions of stakeholders. In addition, the requirements of rating agencies

regarding the disclosure of material topics were considered when conducting a benchmark analysis, and a comparison was made between the disclosure of indicators among best-in-class and peer companies in the similar industry. To prepare the materiality matrix, the results of internal and external indicators on the horizontal and vertical axes of the matrix respectively were used.

A survey prepared and sent to representatives of stakeholders such as the Company employees,

customers, suppliers, local government authorities and key partners. Every sustainable development topic was rated on a scale of 1 to 5 in terms of importance, where:

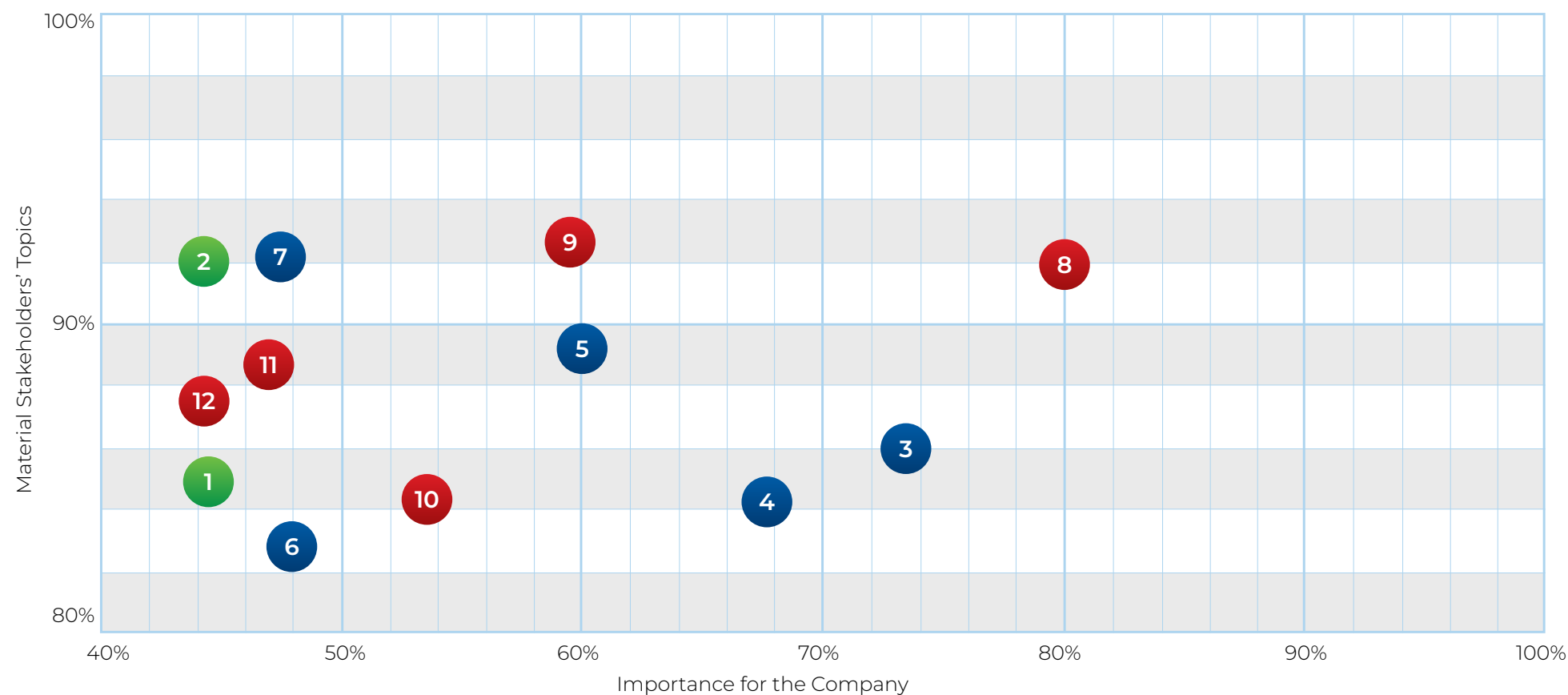
- 5** - "the highest or critical importance";
- 4** - "relatively high importance";
- 3** - "medium importance";
- 2** - "insignificant importance";
- 1** - "means "not important";

Comparative analysis of the material topics (X axis)	Stakeholders input collection (Y axis)	Compilation of a list of material topics
<ul style="list-style-type: none"> Analysis of publicly available information about the Company; 	<ul style="list-style-type: none"> Survey among internal and external stakeholders; 	<ul style="list-style-type: none"> Material topics ranking according to the level of materiality;
<ul style="list-style-type: none"> Comparative analysis of material topics disclosed by benchmark companies and an analysis of best practices in the similar industry; 	<ul style="list-style-type: none"> Interviews with the Company's management regarding the significance of the economic, environmental or social impact on the environment, economy and society. 	<ul style="list-style-type: none"> Materiality threshold determination;
<ul style="list-style-type: none"> Analysis of the requirements of rating agencies in the ESG area. 		<ul style="list-style-type: none"> Final agreement on material topics.
A Preliminary List of Material Topics	Refined List of Material Topics	Agreed List of Material Topics

Based on materiality assessment results, 12 topics were disclosed within the GRI standards, for which the materiality matrix is presented on the next page. This materiality matrix visually depicts the importance of each topic relative to two standards of valuation.

The X-axis demonstrates the importance of each topic for the Company, and the Y-axis demonstrates each issue's importance to our stakeholders. In the matrix material topics were defined as those with more than 80% weight assigned.

Materiality Matrix



Governance



- 1 Procurement practices
- 2 Technology and innovation

Environmental



- 3 Greenhouse gas emissions
- 4 Water resources
- 5 Wastes
- 6 Energy saving and energy efficiency
- 7 Environmental compliance

Social



- 8 Occupational health and safety
- 9 Employee training and development
- 10 Labour practice
- 11 Diversity and equal opportunities
- 12 Local communities

Stakeholder Engagement







Stakeholder engagement is critical to supporting our sustainability strategy. Therefore, the Company recognises the importance of the opinions and expectations of all stakeholders which helps us manage sustainability risks, align our business processes with local and national priorities, maintain our social license to operate, and increase the productivity of our workforce. The Company's

approach is based on the principles of openness, trust and mutual respect.

Throughout its activity, the Company interacts with a wide range of stakeholders, which include local and international organisations. Responsible functional and structural subdivisions are involved in the identification of the main stakeholder groups

and coordination of engagement with them on an ongoing basis. The key instruments of engagement and public visibility are corporate reporting, the Company's website, forums, exhibitions, meetings and other activities, publications in the media on social networks as well as Ethics hotline.

STAKEHOLDERS	INTERESTS AND EXPECTATIONS	MECHANISMS OF ENGAGEMENT
 <p>Employees</p>	<ul style="list-style-type: none"> • Creating and securing workplaces; • Staff-management relations; • Non-discrimination/diversity and equal opportunities; • The level of employees' job satisfaction; • Education and training; • Increasing the level of safety culture. 	<ul style="list-style-type: none"> • Trainings; • Annual employee engagement surveys; • Annual performance review and professional development plans; • Regular all-staff meetings; • Yammer (internal social media) and other digital communication channels; • Ethics and compliance hotline; • Exit interviews; • Media publications.
 <p>Suppliers</p>	<ul style="list-style-type: none"> • Increase share of local supply; • Constructive and open cooperation. 	<ul style="list-style-type: none"> • Enhanced procurement process and tender tools used; • Selection and contracting process; • Meetings, workshops and trainings; • Regular engagement with supplier category managers; • Vendor Validation Evaluations; • Project performance evaluation; • Annual Strategic Supplier sustainability surveys and follow up engagement.

STAKEHOLDERS	INTERESTS AND EXPECTATIONS	MECHANISMS OF ENGAGEMENT
 Customers and key business partners	<ul style="list-style-type: none"> • Constructive, open and trustful cooperation; • Transparency; • Quality work; • Market share / market footprint; • Industry best practices. 	<ul style="list-style-type: none"> • Industry or professional association events; • Invitation to tender / request for proposals; • Periodic meetings with project management / leadership teams; • Procurement activities; • Workshops; • Regular reports.
 Shareholders	<ul style="list-style-type: none"> • Ensuring the rights of the shareholders; • Transparency of disclosure information. 	<ul style="list-style-type: none"> • Interaction through representatives within the Supervisory Board; • Conducting meetings and negotiations; • GAS (General Assembly of Shareholders); • Annual reports.
 Public Agencies	<ul style="list-style-type: none"> • Compliance with requirements, business stability and resilience; • Creating and securing workplaces; • Increasing the level of energy- and resource-use efficiency in operation; • Mitigating emissions into the environment. 	<ul style="list-style-type: none"> • Agreements with government bodies; • Business meetings and consultations; • Digital communication channels; • Ministry inspections and audits.
 Academia	<ul style="list-style-type: none"> • Attracting talented diverse graduates of local universities and employment opportunities; • Collaboration with Universities; • Hands-on experience. 	<ul style="list-style-type: none"> • Internship programs; • Joint initiatives with leading universities.
 Local communities and NGOs	<ul style="list-style-type: none"> • Compliance with requirements, creating and securing workplaces, charity and sponsorship activity; • Increasing the level of energy- and resource-use efficiency in production; • Mitigating emissions into the environment; • Training and education. 	<ul style="list-style-type: none"> • Receiving of inquiries made in oral, written or electronic form; • Socio-economic partnership; • Expert support; • Public events sponsorship.
 Media	<ul style="list-style-type: none"> • Transparency and integrity; • Timely disclosure of information on aspects important to stakeholders. 	<ul style="list-style-type: none"> • Information disclosure on the official website; • Issuing press releases; • Responding to inquiries.

Corporate Governance

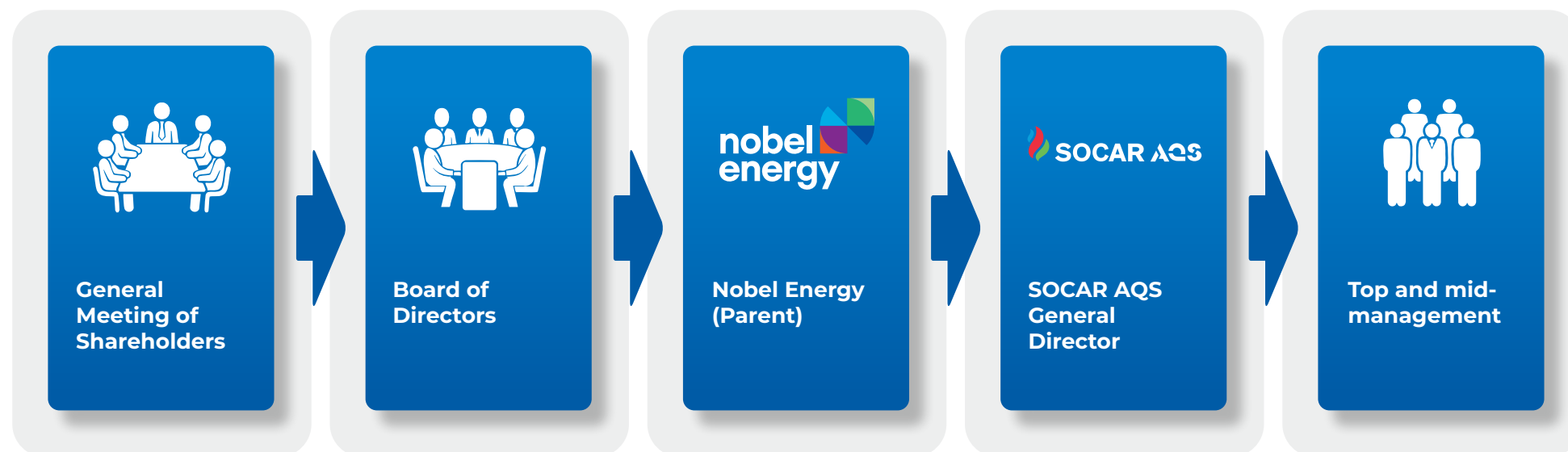
The corporate governance system of the Company is a set of processes aimed at governing and controlling the Company's activities, as well as a system of relationships between shareholders, the Management Board, and stakeholders. This system ensures the effective organisation of the Company's activities, upgrade, technical and technological re-equipment of operational facilities, development and expansion of in-house expertise and export drilling services to international markets.

Our BOD is composed of skilled individuals from shareholder companies and independent non-executive members, with passions and commitment to sustainable development of the Company and the industry. The Board periodically reviews and evaluates the director competencies and the skills of its members.

The competences of the Company's management bodies are delineated and specified in the Charter

of the Company and internal documents. The parent company is Nobel Energy while the other shareholders are SOCAR and Absheron Qazma LLC.

Governance Structure of the Company





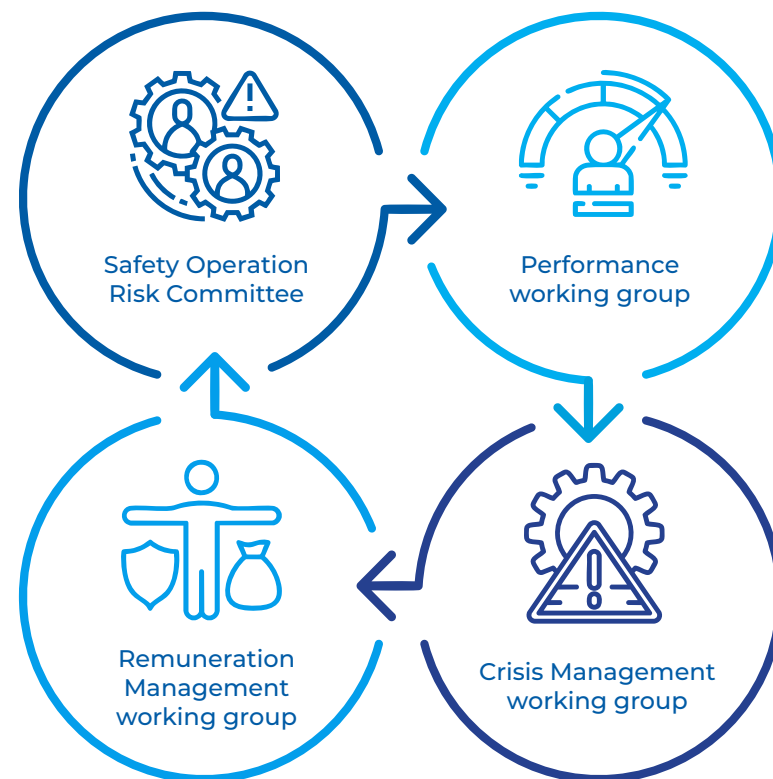
Committees and working groups

Committees and Working Groups under the Supervisory Board which were organised for ensuring that sustainable development initiatives are effectively integrated into the company's operations and strategic planning.

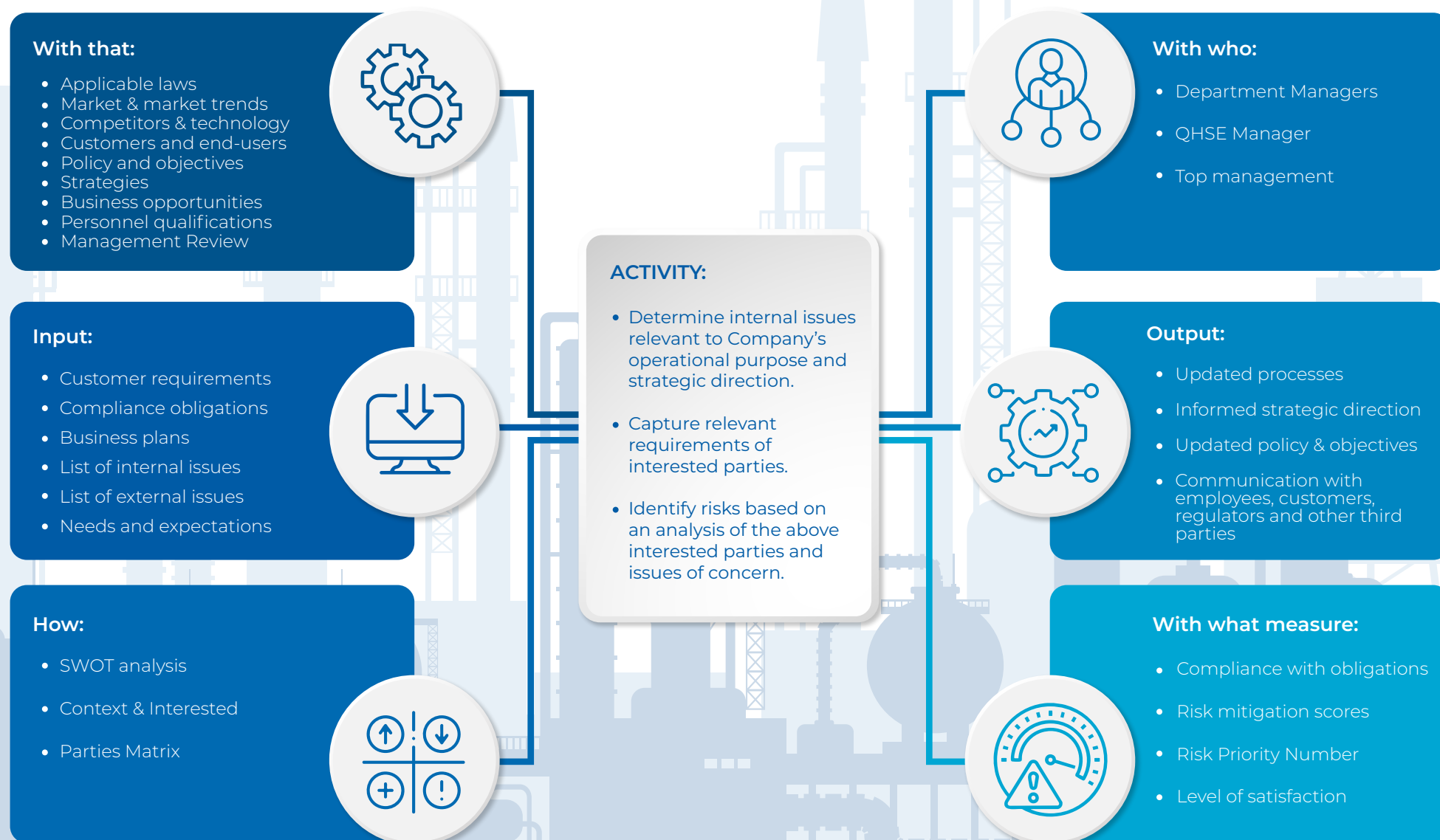
Safety Operation Risk Committee oversees the company's health, safety, and environmental (HSE) policies, practices, and performance. This committee monitors compliance with HSE regulations, identifies areas for improvement, and promotes a culture of safety and environmental stewardship.

In addition to that, one of the aims of the committee is to manage the risks and opportunities by determining the internal and external issues, interested parties and their needs and expectations, relevant to Company's strategic direction that may affect ability to achieve the intended result.

The process is underpinned by the traditional SWOT analysis methodology, which provides a proven and useful tool for identifying and analyzing the strengths, weaknesses, opportunities, and threats applicable to the environment in which our organization operates.



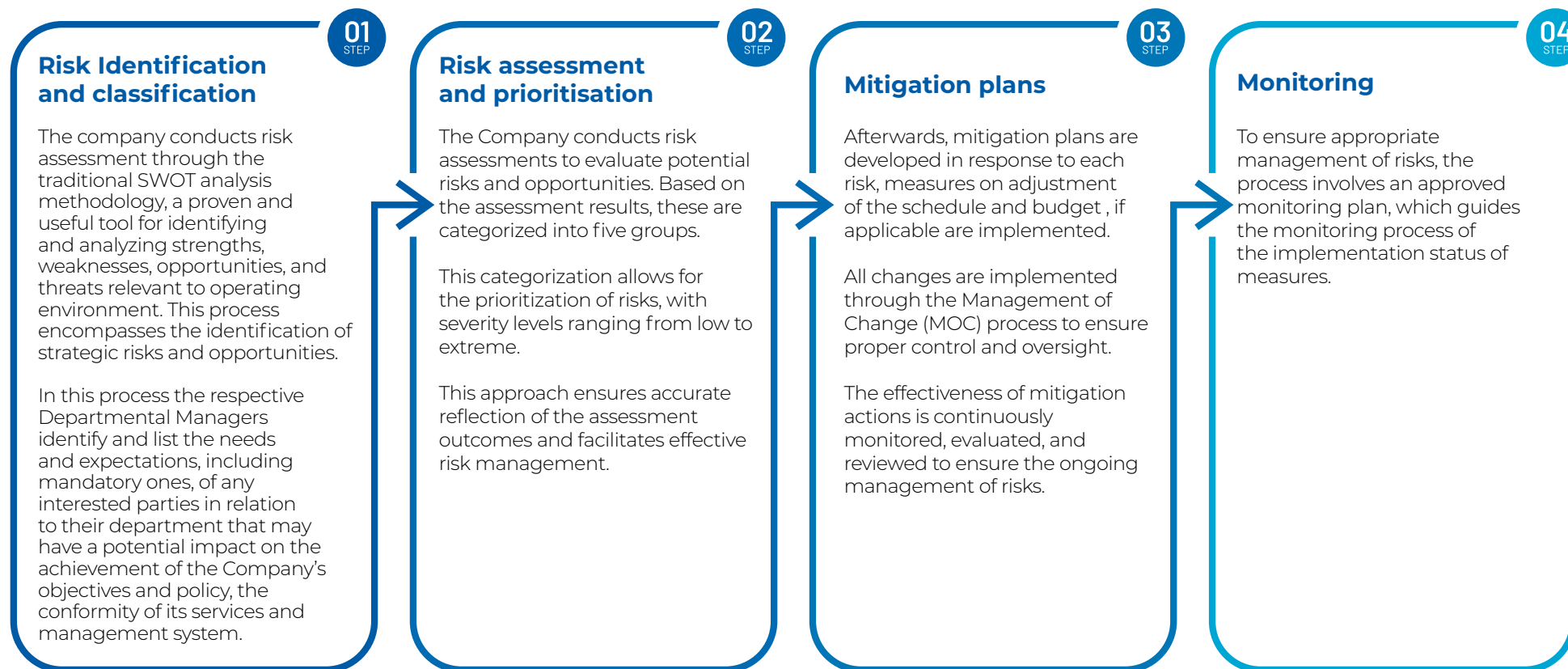
The depiction of the process flow is as follows:



Our risk management process is in line with the following requirements:

ISO 9001:2015 Quality Management Systems
 ISO 14001:2015 Environmental management systems
 ISO 45001:2018 Occupational health and safety management systems
 API Spec Q2.

Risk management process flow includes the followings steps:



Performance working group containing representatives from maintenance and operation functions, plays a pivotal role in optimizing operational efficiency, enhancing equipment reliability, and ensuring the overall performance excellence of the Company.

Remuneration Management working group reviews and draws up recommendations for the Board of Director when making decisions on people development, promotion and remuneration.

Crisis Management working group plays a critical role in ensuring the Company's readiness to effectively respond to crises and emergencies, protect its people and assets, and maintain business continuity in the face of adversity.

Internal Audit

The Company developed an internal audit process which refers to the systematic examination and evaluation of its practices, policies, and performance to ensure alignment with sustainability goals, regulatory requirements, and stakeholder expectations and to strengthen its governance framework, mitigate risks, and enhance overall performance.

Conducting internal audits in accordance with **ISO 9001:2015, ISO 14001:2015, ISO 45001:2018** standards and **API SPEC Q2** requirements involves following a structured approach to assess the effectiveness of the organization's quality management, environmental management, and occupational health and safety management systems, respectively.

Safe Operation Risk Community (SORC) meetings serve as a platform to discuss audit findings, including NCRs (Non-Corrective Reports) and

Opportunities for Improvement, and to develop remediation plans based on the findings of internal audits. Additionally, the results of audits are communicated via email to relevant stakeholders.

The Company employs Integrated Management System (IMS), which meets the requirements of **ISO 9001:2015, ISO 14001:2015, ISO 45001:2018**, and **API SPEC Q2** International Standards and includes provision of integrated offshore and onshore oil and gas drilling and well services.

An IMS integrates multiple management systems, such as quality management, environmental management, and occupational health and safety management, into a single cohesive framework.



Environmental Management System:

1.

- Procedures for identifying and assessing environmental impacts associated with drilling activities.
- Increasing efficiency of the energy consumption and minimizing environmental pollution and complying with environmental regulations.
- Ensuring implementation of waste reduction, recycling and disposal.
- To promote environmentally responsible practices and establish and implement environmental KPIs.

Quality Management System

2.

- Documented quality policies and objectives aligned with organizational goals.
- Procedures for ensuring compliance with international quality standards throughout drilling operations.
- Continuous improvement processes to enhance drilling efficiency, reduce errors, and meet customer requirements.

Training and Competence Development:

3.

- Training programs to ensure that employees possess the necessary skills, knowledge, and competencies to perform their roles effectively and safely.

Occupational Health and Safety Management System:

4.

- Safety policies and procedures to ensure the health and well-being of employees, contractors, and visitors.
- Hazard identification and risk assessment processes to mitigate workplace hazards associated with drilling operations.
- Incident reporting and investigation protocols to address accidents, injuries, and near-misses promptly and prevent recurrence.

Compliance Management:

5.

- Procedures to monitor and ensure compliance with applicable laws, regulations, and industry standards governing drilling operations, including those related to safety, environmental protection, and labour practices.
- Regular audits and reviews to verify adherence to compliance requirements and identify areas for improvement.

Business Ethics and Compliance

Supporting the legal mechanism is one of the major and significant constituents of the Company, which requires strict adherence to internal standards of corporate ethics and a responsible approach, both on the part of the Leadership and on the part of the Company's employees.

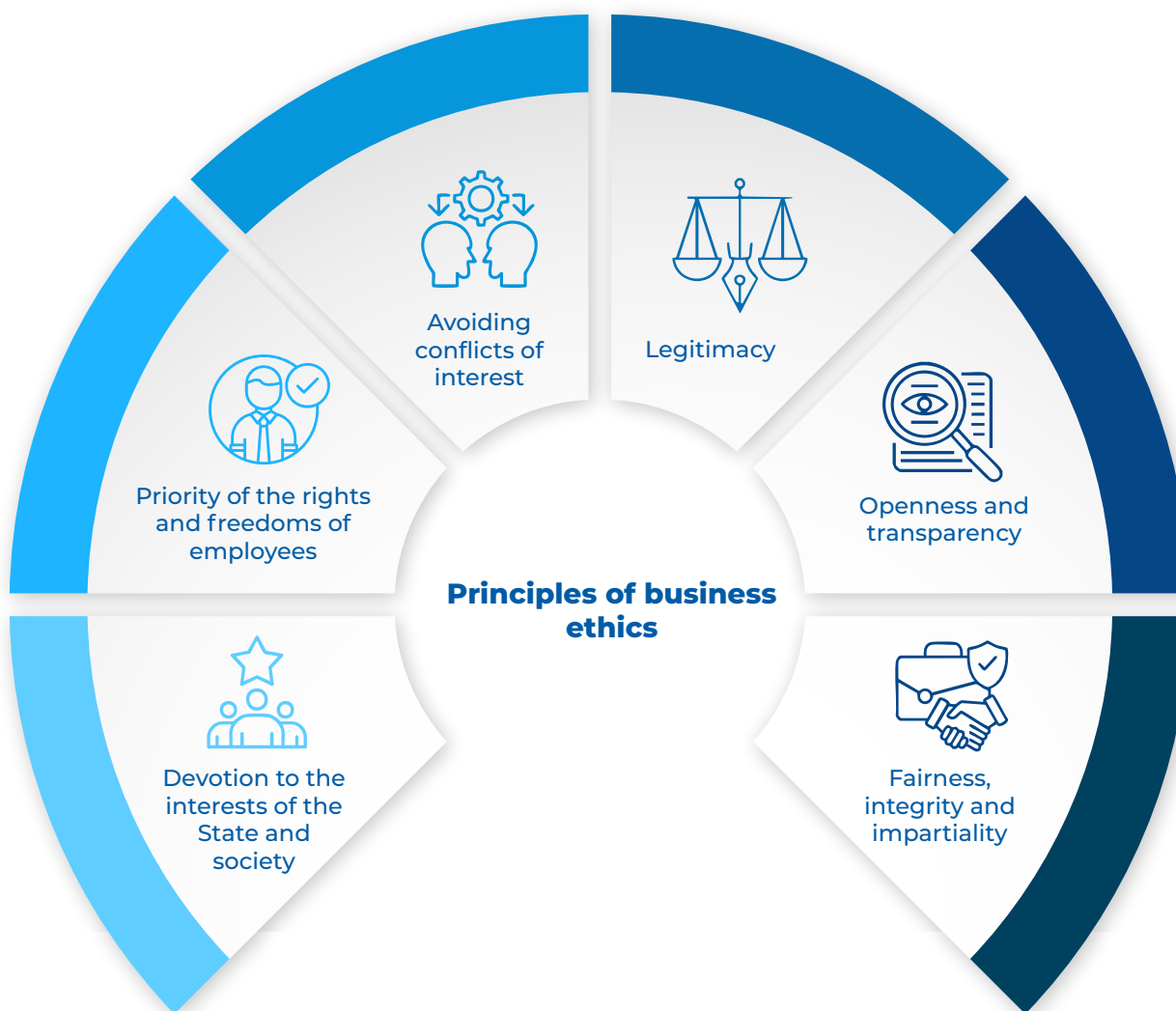
The current **Code of Conduct and Business Ethics** (The Code) of the Company has been designed by the Parent in accordance with UK and Azerbaijani laws, as well as the best global practices in the rules of business ethics and conduct.

According to the Code, responsibility for compliance with the principles and rules of internal conduct and internal regulations applies not only to all subdivisions of the Company, but also to all interested parties, including contractors, consultants, service providers.

The Company has defined its own principles of business ethics, which are mandatory for all employees, regardless of official powers. They are equally important and have high priority for the Company.

Upon hiring, a new employee is introduced to the norms and principles of business conduct as part of the mandatory training for employees organised by the HR Department.

During the reporting period an annual training session on ethics and compliance was conducted for all employees. This training initiative aimed to ensure that all staff members are equipped with the necessary knowledge and understanding of ethical standards and compliance requirements relevant to their roles within the organization.



The format of these sessions varies depending on the audience:

- For office employees: Online training sessions are conducted which can be accessed remotely, allowing office employees to participate conveniently.
- For platform workers brochures containing information about the Code are provided. Platform workers are required to read the brochures and sign a document indicating their understanding of the policies.



Onboarding new employees:

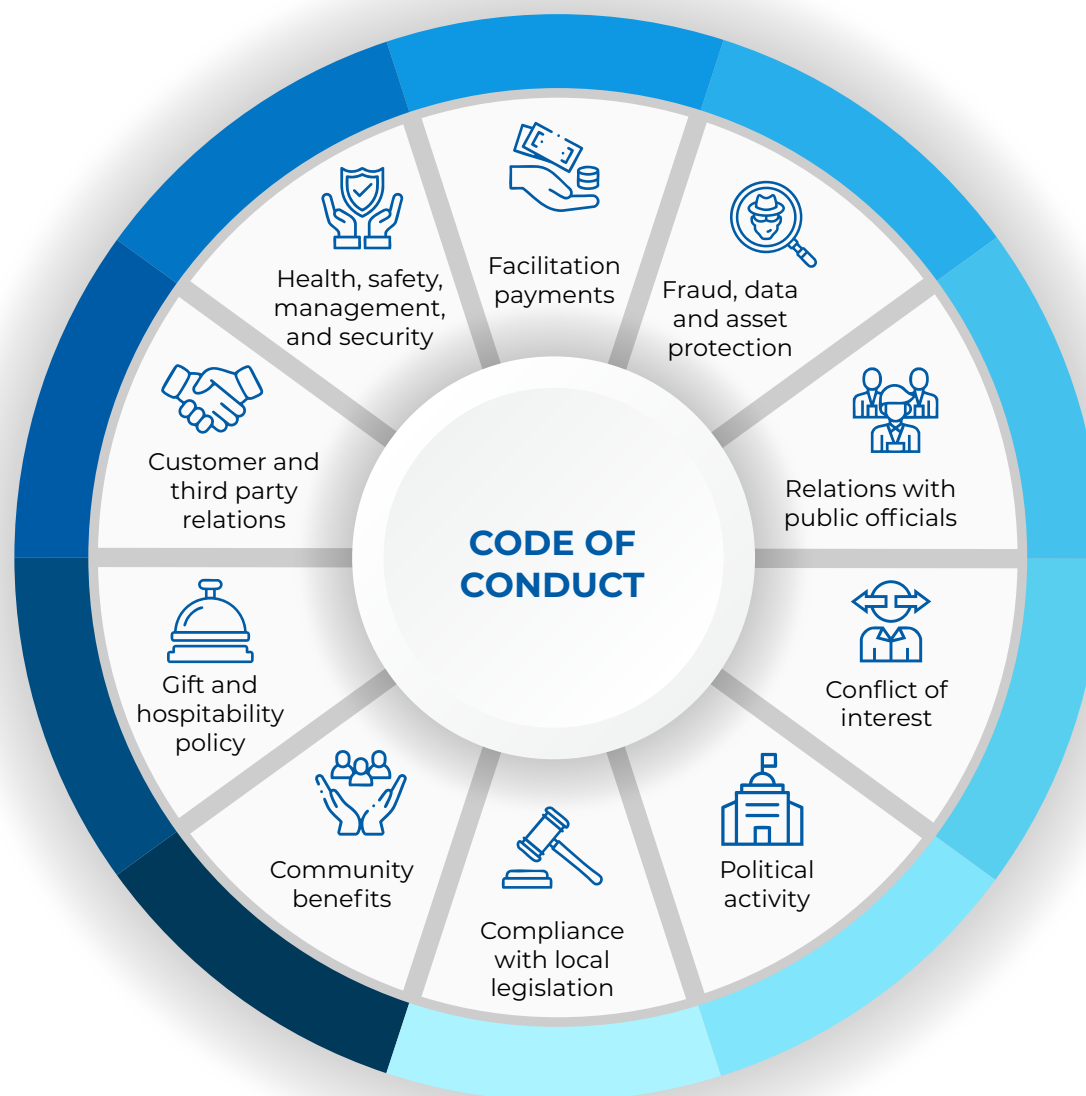
Newly hired staff members are provided with essential information about the company's ethical policies, compliance regulations and expected conduct. This helps integrate new hires into the organizational culture and set clear expectations from the outset.



Annual refresher for existing employees:

By revisiting key concepts and updates in ethics and compliance standards, this refresher training ensured that employees remained up-to-date with any changes or developments in relevant policies and regulations.

Overall, the annual ethics and compliance training conducted through the online tool demonstrates the Company's commitment to fostering a culture of integrity, transparency, and regulatory compliance among its workforce. By investing in ongoing education and awareness initiatives, the Company ensures that its employees are well-equipped to uphold the highest ethical standards and fulfil their responsibilities effectively.



Conflict of interests

To ensure optimal effectiveness in our operations and safeguard shareholders' interests, our Company places significant emphasis on preventing conflicts of interest. We've implemented a system where employees in specific positions must disclose potential conflicts or confirm their absence through a formal declaration.

Should any personal interests clash with those of **SOCAR AQ3**, employees, including managers, are required to promptly inform the compliance officer. Employees are also expected to avoid engaging in competing business activities or investment projects with the Company. All staff members are expected to perform their duties with the company's priorities foremost, ensuring personal interests do not influence their decisions.

Employees are prohibited from holding property or financial interests in competitors of the Company and must abstain from participating in decision-making if they have a personal stake in any transactions. Additionally, any scenarios involving the exchange or acceptance of gifts, services, or other benefits that could lead to a conflict of interest should be meticulously avoided.



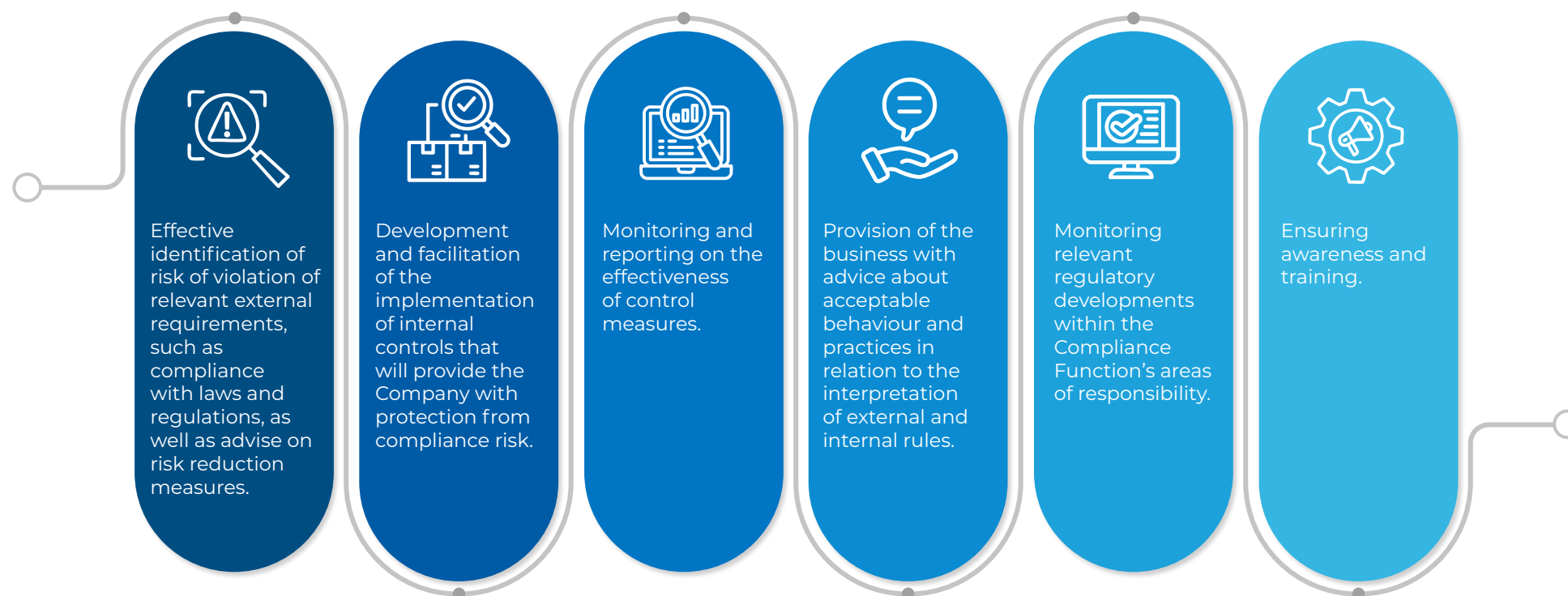
Anti-Corruption

One of the most essential principles of the Company's activities is the non-acceptance of corruption in all forms and manifestations. The Company adopted the Anti-Bribery Policy (ABP) designed by the Parent in accordance with the requirements of the anti-corruption legislation of the Republic of Azerbaijan and laws of the countries in which it operates, the Code of Business Ethics of the Company and also considers the requirements

of international conventions and standards. The Company encourages employees to lead business practices in a fair, transparent, and legally compliant manner. According to the ABP the Company's directors and employees may not make offer, authorize, or accept facilitation payments.

The ABP is intended to perform the following tasks: informing employees, as well as stakeholders about

measures to prevent corruption cases, responsible observance of the principles of the Policy, familiarisation and subsequent implementation of measures to mitigate the risks of corruption. According to the document, the key elements of the anti-corruption compliance system are as follows:



In addition, regarding the process for reporting the Company has its Concern Reporting (Duty to Report) Procedure. The purpose of this Procedure is

to support implementation of the whistleblowing and raising concern principles by providing the methodology for employees to report actual

or suspected cases of bribery, corruption or misconduct.

Anti-corruption measures



Due Diligence on Business Partners:

Conducting thorough due diligence on potential business partners, suppliers, contractors to ensure they adhere to anti-corruption laws and ethical standards. Contracts and agreements include anti-corruption clauses and require compliance with relevant laws.



Internal Control and Audits:

Establishing robust internal controls, monitoring mechanisms, and regular audits to detect and prevent instances of corruption. Implementing robust internal controls and oversight mechanisms helps detect and prevent corruption in all activities.



Training and Awareness Programs:

Helps educate employees about their responsibilities and ethical standards. Training covers topics such as bribery, kickbacks, and conflicts of interest. The Company ensures that all new employees have an induction training program.



Whistleblower Protection:

Establishing mechanisms to allow employees, contractors, and other stakeholders to report instances of corruption confidentially and without fear of retaliation. Whistleblower protection policies safeguards individuals who report violations from any adverse consequences.

Feedback Channels

The Company uses the Concern Reporting Procedure established by the Parent which purpose is to support implementation of the “Whistleblowing” and “Raising Concern” principles by providing the methodology for employees to report actual or suspected cases of bribery, corruption or misconduct. According to Concern Reporting (Duty to Report) Procedure actual or suspected violations are to be reported to the Ethics and Compliance Officer. Though all main functions are centralized and all responsibilities and duties are approved by the Parent, the implementation process is maintained by the Company.

When sending anonymous inquiries, full confidentiality is guaranteed, no sanctions against the inquiry and protection from prosecution are ensured. Based on the results of consideration of the inquiry, the responsible officer of the Compliance Department officially notifies the person making the inquiry of the outcomes of review.

The Ethics and Compliance Officer has the responsibility to investigate notifications concerning breaches and violation of internal policies, maintain a register of all cases or suspected cases raised and monitor the progress of any actions, prepare related reports and submit the reports to the CEO.

Information about communication channels and the principle of their operation is additionally brought to the attention of employees via mandatory awareness sessions, posting information on special stands of the Company by mailing via corporate e-mail.

Effective communication is integral to our sustainability strategy, and we have established multiple channels to ensure that every employee has the opportunity to voice concerns, offer suggestions, and ask questions directly. Our commitment to open dialogue is underscored by the following mechanisms:

- **Regular Meetings:** We hold departmental or team meetings on a consistent basis, providing an open forum for employees to raise concerns or inquire directly about various aspects of our operations. These meetings serve as a dedicated space for transparent communication and collaborative problem-solving.
- **Open Door Policy:** We advocate an open-door policy, ensuring that managers and HR are always accessible for confidential discussions. This approach encourages employees to bring forward issues or ideas in a supportive and private setting, fostering trust and mutual respect within our organization.
- **Safety Observation Card (SOC):** Employees are empowered to report unsafe conditions or behaviors through our Safety Observation Card system, which accommodates both hard copy submissions and digital entries. This mechanism not only facilitates reporting but also actively involves employees in identifying and implementing improvements, thus enhancing our safety culture.

Available Feedback Channels:



Hotline



Corporate emails



Concern Reporting form



Direct/anonymous inquiries to Line Managers/Compliance Department

Procurement Activities

The Procurement Department of the Company is responsible for the quality of procurement procedures and the implementation of a Procurement Policy.



Achieve Value for Money

The Company aims to establish a framework that ensures the acquisition of goods, services, and works at the best possible value for the company. This involves obtaining high-quality products and services at the most favorable prices, terms, and conditions.



Maintain High Standards of Integrity

The Company is committed to upholding high standards of probity, transparency, and accountability in all procurement activities. This includes conducting procurement processes with fairness, impartiality, and honesty, and avoiding conflicts of interest.



Efficient Resource Utilization

The company ensures that resources are utilized efficiently and effectively to support its corporate strategies, aims, and objectives. This involves optimizing resource allocation and minimizing wastage.



Provide Guidance and Business Rules

The Company provides detailed guidance, policies, and business rules on planning, sourcing, contracting, and transacting purchases, as well as the storage and disposal of goods procured by the company. This helps standardize and streamline procurement processes across the organization.



Ensure Compliance with Legislative Requirements

The Company aims to achieve compliance with relevant legislative requirements, including laws, regulations, and industry standards governing procurement activities. This involves staying informed about changes in legislation and ensuring that procurement practices align with legal obligations.

Our Guiding documents include the following:

- **ISO 9001:2015** Quality Management Systems;
- **ISO 14001:2015** Environmental management systems;
- **ISO 45001:2018** Occupational health and safety management;
- **API Spec Q2, 2nd Edition;**
- Company's Procurement Procedure;
- Vendor Validation Procedure;
- Company's Code of Conduct and Business Ethics;

The Company maintains a Code of Conduct that it distributes to our vendors to ensure ethical and responsible business practices throughout our supply chain.

In order to ensure the successful compliance and ethical delivery of projects, the Company establishes clear supplier selection criteria, conducts thorough due diligence on suppliers, establishes contractual agreements that include compliance and ethical requirements, monitors supplier performance, and maintains open communication and collaboration throughout the project lifecycle.

By prioritizing ethical sourcing and compliance throughout the supply chain, the Company mitigates risks, protects its reputation, and delivers successful projects that meet stakeholder expectations.

Thus, the Company's vendor selection process involves several steps to identify, evaluate, and ultimately choose suppliers that best meet the Company's needs and requirements.

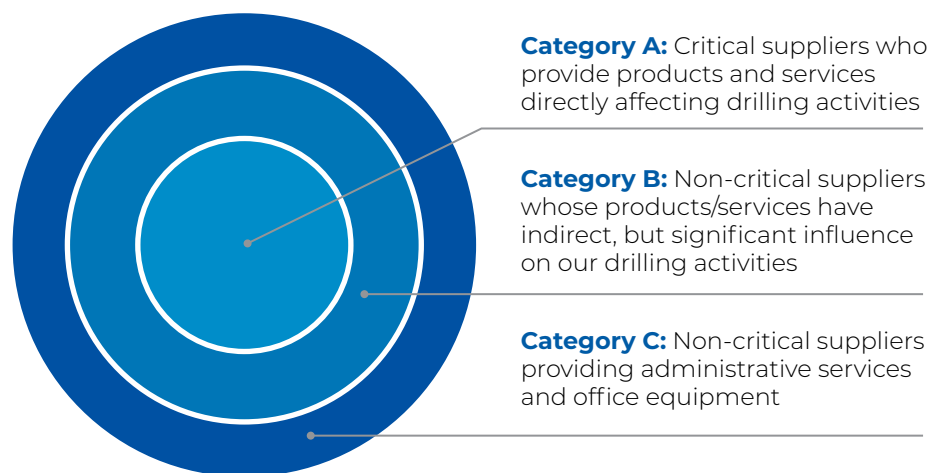


- **Business Requirement Definition**
- **Identify Needs:** The Company determines the goods or services required and establishes the specific criteria and objectives for selecting a vendor. This may involve assessing current suppliers, analysing market trends, and consulting with relevant stakeholders.
- **Vendor Identification:** The Company researches and identifies potential vendors considering various factors such as vendor reputation, experience, capabilities, and alignment with organizational goals.
- **Prequalification:** Prequalify potential vendors based on basic criteria such as financial stability, industry certifications, geographic location, and capacity to meet the organization's requirements.
- **Request for Proposal (RFP) or Quote (RFQ):** Develop and distribute RFPs or RFQs to prequalified vendors, outlining the organization's requirements, specifications, terms, and evaluation criteria. Request vendors to submit detailed proposals or quotes in response to the RFP/RFQ.
- **Proposal Evaluation:** The Company evaluates vendor proposals or quotes based on predefined criteria such as price, quality, delivery times, technical capabilities, past performance, and compliance with requirements.
- **Vendor Selection:** The Company selects the vendor(s) that best meet its needs and criteria, considering factors such as overall value proposition, alignment with Company's objectives, and risk considerations. The Company makes the selection decision based on the evaluation results and input from relevant stakeholders.
- **Due Diligence and Security Check:** By performing due diligence and security checks, the Company mitigates risks, protects sensitive information, and ensures that selected vendors are trustworthy, reliable, and compliant with relevant standards and regulations.
- **Negotiation and Contracting:** The Company initiates negotiations with the selected vendor(s) to finalize contract terms, pricing, deliverables, timelines, and other relevant details. The Company ensures that the contract reflects the agreed-upon terms and conditions and protects the Company's interests.

- **Vendor Onboarding:** Once the contract is finalized, the Company onboards the selected vendor(s) into its procurement system and establishes communication channels, performance metrics, and reporting mechanisms. The Company provides necessary training and support to ensure a smooth transition.
- **Performance Monitoring:** The Company reviews key suppliers' performance regularly, based against predefined metrics and KPIs. As a result of these regular monitoring procedures the performance review report is sent to Supplier representative to request comments and inputs.
- **Relationship Management:** The Company fosters positive and collaborative relationships with selected vendors through regular communication, feedback, supplier collaboration sessions in the form of workshops. It addresses any issues or concerns promptly and works together to continuously improve performance and achieve mutual success.

The Company uses a comprehensive procurement platform – Promena- that offers a range of solutions and services to streamline and optimize procurement processes for organizations. The platform provides e-sourcing tools for managing the entire sourcing process, including supplier selection, requests creation, bid evaluation, and supplier negotiation. It allows the Company to conduct sourcing events electronically, facilitating efficient and transparent procurement processes.

To maintain a structured management and communication approach with all vendors, the Company categorized them based on their level of impact on its operations:



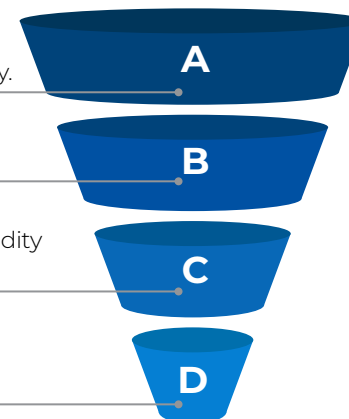
Potential critical suppliers (A category) undergo a specific risk-evaluation process, which investigates the quality, environmental and social aspects of the vendor through site visits by the team consisting of the members from the Quality, Procurement and requestor departments. By implementing a Supplier Performance Management System, the Company effectively monitors and manages supplier performance, drives accountability, and enhances the overall effectiveness and efficiency of its supply chain operations. Thus, the Company categorized suppliers into several groups based on their performance:

Suppliers with outstanding performance and reliability, consistently meeting or exceeding expectations in quality, timeliness, and service delivery.

Suppliers with poor performance, which were put on quarantine with a performance improvement plan.

Suppliers that did not pass Internal Security and Compliance screening (blocklisted Suppliers). The validity of blocklisting is checked every 12 months.

New Suppliers from the public search that have been pre-qualified and approved by Internal Security and Compliance Team.



The Company actively seeks to source goods, materials, and services from local suppliers. By prioritizing local suppliers, the Company can contribute to economic development, sustainability, and resilience while strengthening relationships with suppliers and communities.

Supply chain indicators	2021	2022	2023
Total number of suppliers	553	237	290
Number of local suppliers *	438	205	244
Number of international suppliers	115	32	46
Percentage of the procurement budget that is spent on local suppliers (%)	Not disclosed	72	66
Percentage of the procurement budget that is spent on international suppliers (%)	Not disclosed	28	34

Caring about Employees

Human Capital Management

The Company places a high value on its people and is committed to continuously enhancing working conditions, motivating employees and ensuring equal opportunities for professional growth.

Human Capital (HC) matters are overseen by the HC Department, which is responsible for the end-to-end management of the employee lifecycle — including recruitment, onboarding, training and development, performance management, total rewards and the nurturing of corporate culture.

We promote career growth through structured talents development programs, competitive and fair

rewards strategy, and targeted upskilling initiatives. The Company is committed to attracting and retaining competent professionals, investing in their development and fostering a safe and supportive working environment.

The Company fully complies with the Labor Code of the Republic of Azerbaijan and other relevant legislation. We strongly oppose all forms of forced or involuntary labor, child labor and human trafficking.

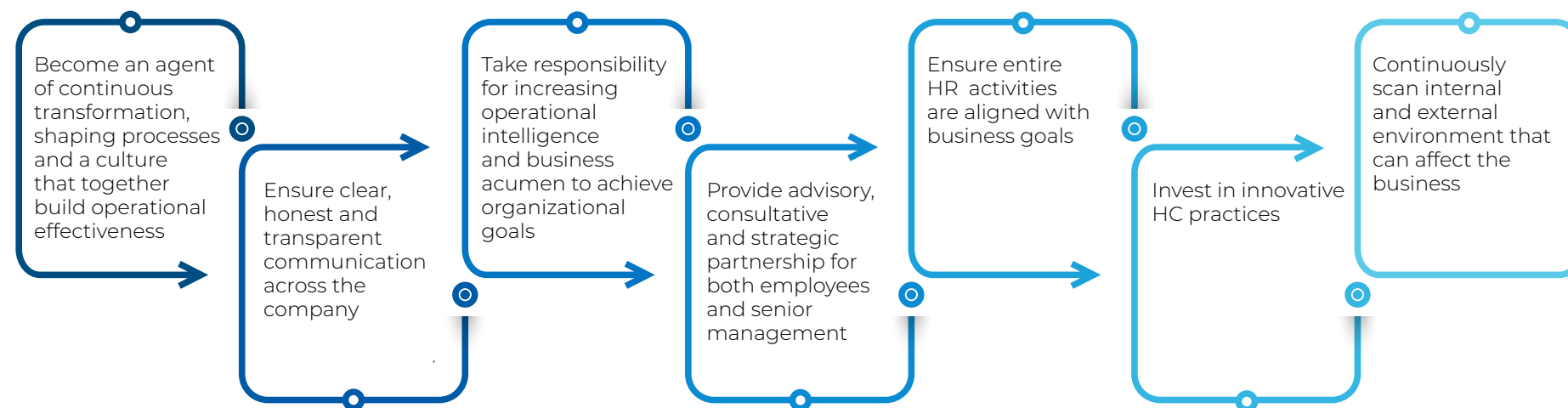
We are also committed to fostering a diverse and inclusive workplace where all individuals are treated with fairness, dignity and respect. Our approach to human capital actively promotes equity in access

to opportunities and decision-making across the organization.

Our Human Capital policies and practices are governed by the following key documents:

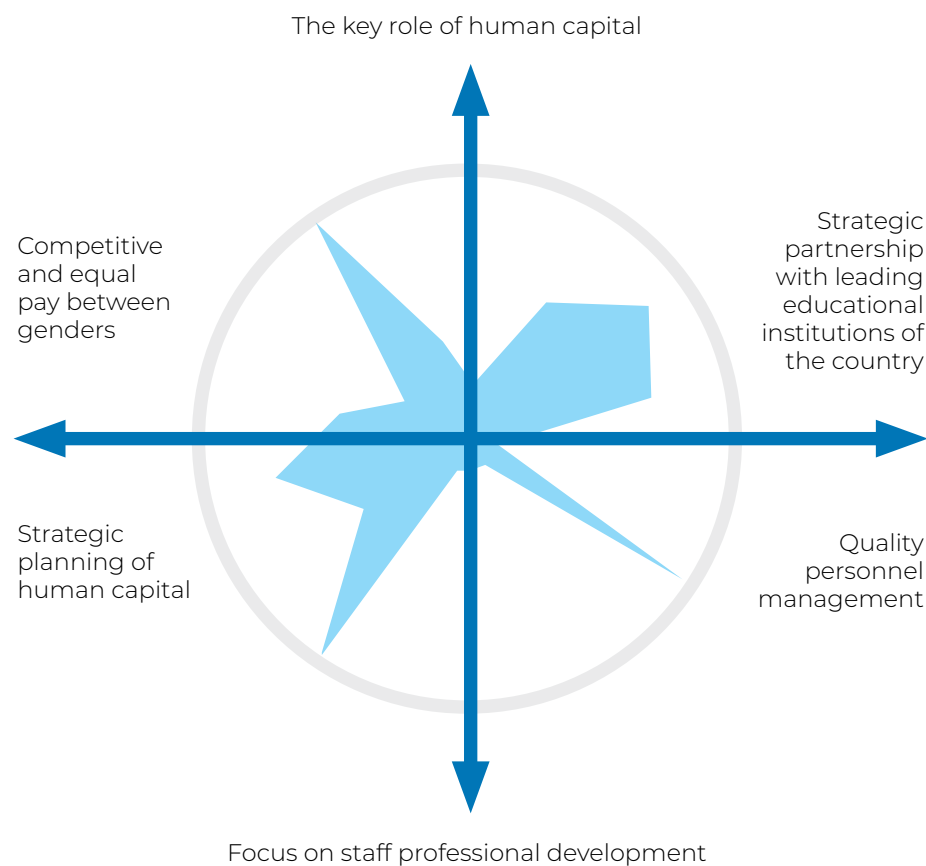
- Labor Code of the Republic of Azerbaijan
- Human Capital Mandate
- Annual Operational Plan
- Annual Training Matrix
- Human Capital Policy

HC Mandate Strategy:



The Company's HC had been drawn up in accordance with international standards. As a result, in 2022, to enhance fairness, accuracy, and transparency in evaluating individuals' performance a re-mapping grading system was implemented, new positions have been evaluated and included in the Grade Map and aligned with Group umbrella.

The HC Policy is built on the basis of the following principles:



We are committed to transparency and accuracy in our reporting process. Our methodology relies on direct calculations based on the actual headcount of employees at the end of the reporting period. We do not incorporate any significant assumptions in this respect.



Total number of employees by gender	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Total number of employees by employment contract						
Part-time employees	1	-	-	-		
Full-time employees	828	75	807	69	697	52
Total number of employees by employment type						
Permanent employees	191	15	183	12	419	19
Temporary employees	638	60	624	57	278	33
Total number of employees by employment position						
Senior management	23	3	12	2	12	3
Middle management	33	7	30	4	22	5
Technician position	524	23	608	5	537	4
Administrative position	250	41	158	58	126	40

Turnover indicators by gender	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Number of dismissed employees	187	32	68	19	173	27
Number of employees who left voluntarily	47	10	53	11	91	16
Number of hired employees	45	14	46	13	56	9
Employee turnover rate, by gender	22%	43%	8%	28%	25%	53%
Employee turnover rate	24.23%		9.93%		24.62%	

Staff Structure by Age Groups as of December 31, 2023

Employee indicators by age	2021			2022			2023		
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50
Number of hires	17	32	10	36	16	7	16	40	9
Number of dismissals	24	134	61	29	45	13	44	116	40

The Company's recruitment and staff selection policy does not consider age as a factor for hiring or advancing employees. The average age of employees is between 30-50 years old, since the majority of the Company's employees are male, working in the production department that involves excessive physical labour.

Social Climate among Personnel

In 2022, the Company engaged all employees in a company-wide employee engagement survey by attracting external leading experts.

This initiative acts as the cornerstone and principal element of our “voice of employee” strategy which helps to create channels and mechanisms for employees to express their opinions, concerns, and suggestions, and for the organization to listen, analyze, and act upon this feedback to drive improvements.

This fact demonstrates a commitment to fostering a culture of transparency, continuous improvement and employee satisfaction. The main aim was to analyse and evaluate the current company culture through comparisons against industry standards, identify opportunities for the next year, to measure workforce engagement, employee experience and employee perception of our strategic initiatives we implement in the Company.

The Company’s Sustainable Engagement Index was high - 87% in 2022 compared with an average of 77% from industry standards. We conducted culture analyses which involved assessing various aspects of organizational culture that impact employee satisfaction, motivation, and overall well-being.

The highest score was indicated in teamwork, core values and strategy and direction categories which reflect a positive organizational culture, effective leadership, and strong employee engagement - essential for driving performance, fostering employee satisfaction, and achieving organizational success.

Rate of employees recommending “SOCAR AQS” as a working place is higher in comparison with an industry standards. This positive reputation can be a valuable asset for the Company in attracting and retaining talent, fostering a strong company culture, and ultimately driving organizational success. An increase in the Working Conditions category reflects a positive shift in how employees perceive the physical aspects of their work environment, indicating that efforts to improve working conditions have been successful and are positively impacting employee satisfaction and engagement.

In 2023, a Focused Group made up of representatives from every department carefully reviewed all findings of the Engagement Survey. By gathering insights from different areas, the group ensured a well-rounded understanding of the key issues and opportunities. They then created a clear action plan to address

these findings, outlining specific steps for improving our sustainability practices across the organization. This plan provides a roadmap for taking effective action and continuously enhancing our sustainability performance moving forward.

Staff Social Support Policy

Labour relations in the Company are regulated under the Labour Code of the Republic of Azerbaijan, as well as in compliance with other local regulations. The Company assumes responsibility for ensuring compliance with labour rights, providing employees with benefits and guarantees provided for by labour legislation.

In accordance with the Labour Code of the Republic of Azerbaijan, each employee of the Company is provided with maternity or paternity leave to care for a child until the child’s attainment of the age of 3 years. As of December 31, 2023, out of 52 employees eligible for maternity/paternity leave in the reporting period, 7 (seven) took the leave.

Parental leave indicators by gender	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Total number of employees that were entitled to parental leave	-	74	-	53	-	52
Total number of employees that took parental leave	-	12	-	5	-	7
Total number of employees that returned to work in the reporting period after parental leave ended	-	8	-	1	-	4
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	-	5	-	1	-	2

Employees Social Benefits

Employee social benefits refer to non-monetary perks and services that are designed to support employees in various aspects of their lives. Here are some common examples of employee social benefits in the Company:



- Health Insurance
- Wellness Programs
- Different working hours regime
- Financial assistance is provided to employees who are veterans of wars

As part of the social protection of employees, to effectuate and maintain the wellbeing of employees, the Company provides "Push 30" health program, updating health insurance package, endowment insurance, gym memberships, flexible working regime based on employees' needs, training and development on wellbeing (workshops, seminars, and courses to enhance skills and career growth), paid and unpaid leaves for new parents, paid sick leaves and other benefits.

Moreover, the Company provided help and donations for war veterans and our employees who participated in the war.



A group of the Company's employees have been selected to participate in the 16th Baku Annual Summer Energy School organized by the Institute for Development and Diplomacy of ADA University. Baku Summer Energy School is a two-week certificate programme that brings together world-renowned academics, policy makers and experts to explore and gain insight into energy and environmental issues with a special focus on the Caspian region.



The Company employees successfully participate in SOCAR-2022 mini-football tournament, dedicated to Oilmen's Day. The total of 32 teams have participated in the tournament in 8 groups. The Company's team as a result of three games, took the 2nd place in the group and qualified for the 1/8 final round. The teams that have secured 1st, 2nd and 3rd places, and distinguished players were awarded cups, medals and various prizes.



The Company employees have presented technical papers based on our recent successful drilling campaigns in the Caspian Sea at the 9th Annual SPE Caspian Technical Conference in Kazakhstan. The SPE Annual Caspian Technical Conference is an annual event to bring together petroleum engineers from the Caspian oil and gas industry to address challenges, improve performance, and highlight new technologies and practices in global oil and gas exploration and production, and to share their knowledge and experience with community.

Employees Training and Development



HC function utilises LMS software solutions designed to manage, deliver, and track training and development programs efficiently. By implementing an LMS, a company can achieve several benefits:

 **2,209 training hours in 2023**



Remote Learning



Tracking and Analytics



Centralized Learning Platform



Cost-Efficient Training



Integration with HC Systems



Customised Learning Paths

Our selection and recruitment policy enables us to take action to raise employee awareness and culture and to fairly reward our employees. In line with our Recruitment Policy, the employee selection and further development of human capital in our Company has a direct impact on the ability of our enterprise to retain qualified specialists, which in turn improves our Company's performance.

One of the fundamental and goal-directed elements of the human capital policy is to develop employees' skills, invest in their training to enhance their level of knowledge, instil modern skills in managing oil and gas operations, technological and technical and economic management in the course of work, in accordance with international standards.

Personnel training and development activities are carried out on the basis of requirements of local legislation, main strategic corporate targets, individual employee needs and the requirements of the international standards.

Trainings statistics, 2023

Category	Trainings	Participants
Non-mandatory sessions	14	222
Mandatory sessions	10	140

Total Training hours	2021	2022	2023
Total training hours	4,173	4,219	2,209
Average hours of training per year per employee	4.62	4.82	2.74

The Company together with Baku Drilling School which was established in 2019 delivered number of trainings in accordance with ISO/API based Internal Requirements. As an initiative established by the Company, the school's primary focus is on delivering high-quality training and educational programs to professionals in the drilling industry. School's training programs such as advanced multi-functional simulator X1-platinum, IWCF and IADC accredited training programs equip and empower employees to execute their responsibilities effectively and safely.

Over the recent years, with the growing number of young people interested in the oil and gas sector, particular attention has been paid to creating professional opportunities for youth, support them in their effort to gain experience and build career. Therefore, the Company gives a significant emphasis on internship programs. Thus, 4 (four) interns successfully completed the program during 2023 acquiring new knowledge and skills on procurement and supply chain management, geology, and underground operations as well as drilling engineering.

In recent years, our employees participated in the following conferences and experience exchange events:



The 9th Annual Caspian Technical Conference in Kazakhstan



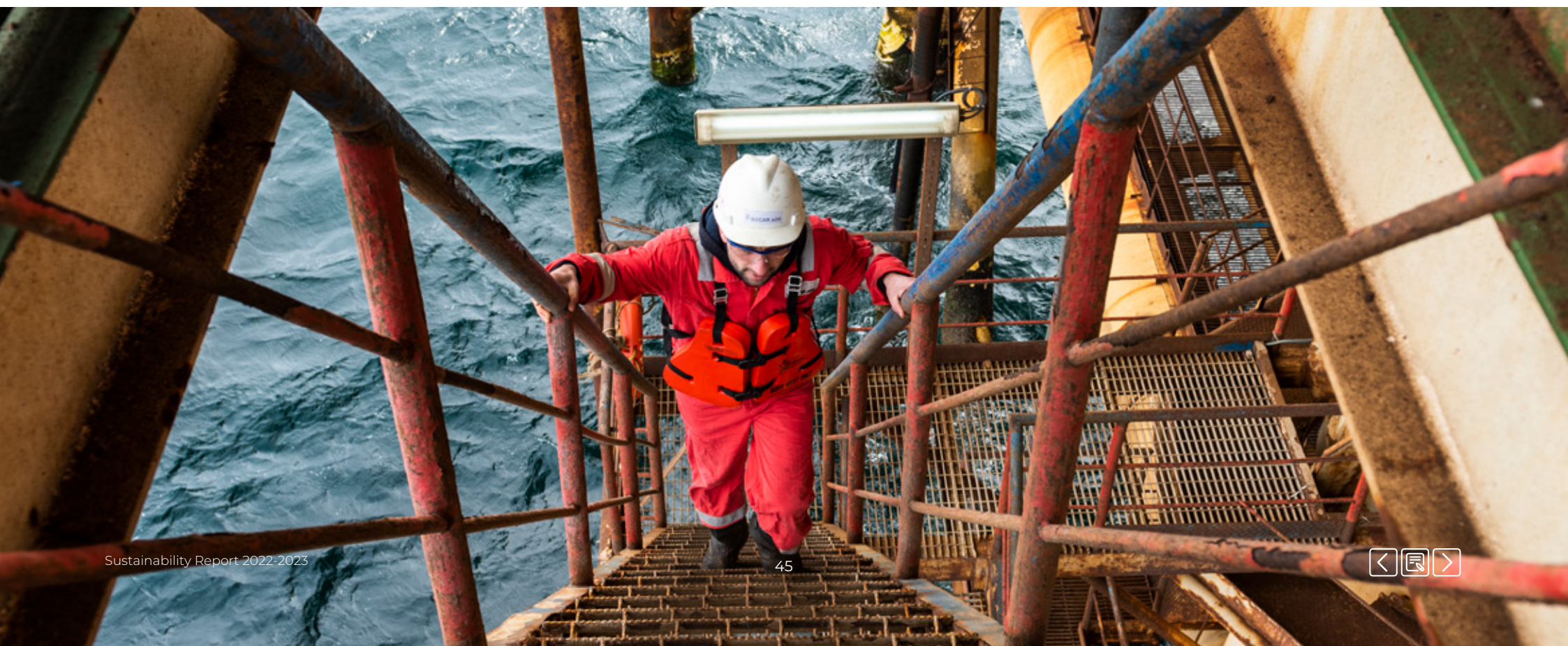
Azerbaijan, Georgia and Türkiye (AGT) Digital Technology showcasing event



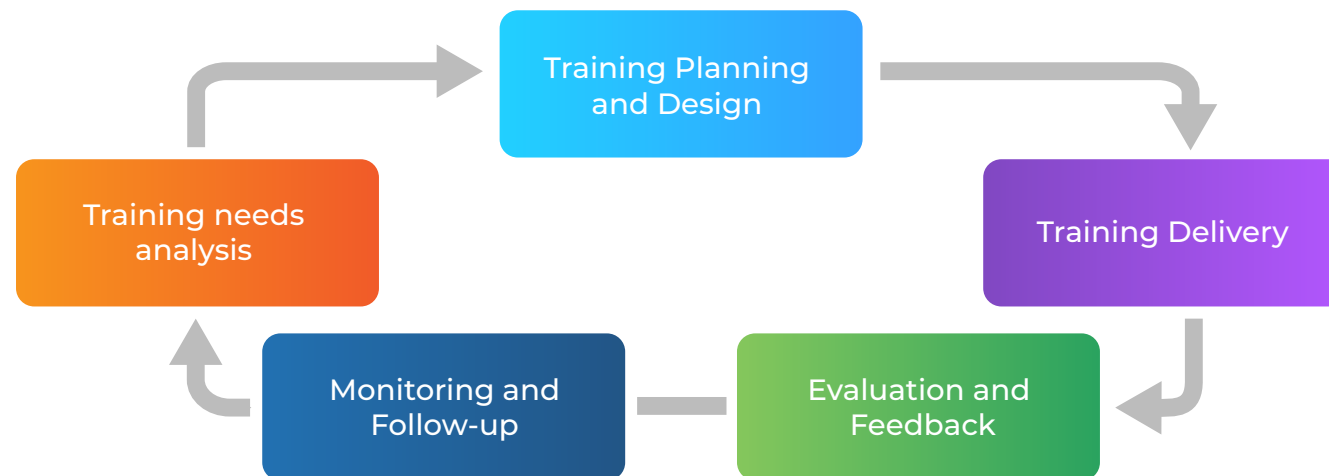
Offshore Technology Conference 2022 in Houston, Texas



III International Student Research and Science Conferences held in Baku



The Learning and Development process flow in the Company typically involves several stages aimed at identifying training needs, designing, and delivering relevant learning programs, and evaluating their effectiveness. Here is an overview of the process flow:



Training needs analysis	Training Planning and Design	Training Delivery	Evaluation and Feedback	Monitoring and Follow-up
<ul style="list-style-type: none"> Identify organizational goals and objectives Conduct a thorough assessment of employee skills, competencies, and performance gaps Gather feedback from managers, supervisors, and employees to determine training priorities and requirements 	<ul style="list-style-type: none"> Develop Mandatory training matrix. Analyse and categorize trainings based on risk factors, legislative requirements, international standards etc A training plan outlining learning objective, target audience, content, delivery methods, and evaluation criteria Design training programs tailored to address identified needs, using a mix of classroom instruction, e-learning modules, workshops, simulations, on-the-job training, and other learning methodologies Collaborate with subject matter experts and external training providers as needed to ensure content relevance and effectiveness 	<ul style="list-style-type: none"> Schedule and coordinate training sessions based on availability of participants and trainers Deliver training through various modalities, including in-person sessions, virtual classrooms, online courses, and self-paced learning modules Provide necessary resources, materials, and support to facilitate the learning process 	<ul style="list-style-type: none"> Assess participant engagement, satisfaction, and learning outcomes during and after training sessions Gather feedback from participants, trainers, and stakeholders to identify strengths, areas for improvement, and opportunities for future learning initiatives Use evaluation data to refine and enhance training programs and delivery methods 	<ul style="list-style-type: none"> Monitor employee performance and behavior changes following training to gauge its impact on individual and organizational performance Provide ongoing support, coaching, and reinforcement to help employees apply newly acquired knowledge and skills in their roles Track and measure key performance indicators related to training effectiveness, such as improved productivity, quality, and employee satisfaction

Knowledge management practices of the Company are being implemented across various functions, including Procurement, Finance, QHSE, Human Capital etc. These practices have been applied to each of the mentioned areas in the form of internationally recognised certifications:

Well Control and CompEx certifications for drilling and maintenance professionals are critical for professionals working in the oil and gas industry, particularly those involved in drilling, well operations, and electrical installations in hazardous environments



Certifications from the International Association of Drilling Contractors (IADC) and the American Petroleum Institute (API) for professionals looking to enhance their skills and expertise, will validate proficiency and competency in various aspects of drilling operations



CIMA - Chartered Institute of Management Accountants for finance professionals will enable to rely on knowledge management systems, financial models, and professional development resources to enhance their technical expertise and business acumen



CIPS - Chartered Institute of Procurement & Supply for procurement experts will provide opportunities to benefit from access to knowledge repositories, training programs, and networking opportunities to enhance their skills and stay updated on industry trends



SHCM - Society for Human Capital Management will enable HC professionals to utilize knowledge management platforms, learning management systems, and professional networks to stay updated on HC laws, regulations, and emerging trends



Diversity and Equal Opportunities for Employees



The Company does not tolerate gender discrimination and selects candidates based on their professional experience, qualifications and personal achievements.

The Company's HC Policy contains a number of anti-discrimination provisions:

- Fair treatment of all employees of the Company and personnel of contractors, based on respecting their dignity, without any discrimination;
- When hiring, no-discrimination on any of the possible grounds, including gender, age, race or nationality, religious beliefs, etc.

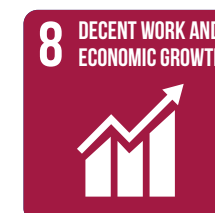
As of December 2023, the Company's headcount included 11 people with disabilities. The Company provides support to this group of employees with medical assessments, purchase of certain equipment such as hearing devices etc.

Number of employees by vulnerable groups	2021	2022	2023
Total number of employees, by vulnerable groups	53	42	21
People with disabilities	12	3	11
Internally displaced people	41	39	10

The proportion of women in the total number of employees as of 31 December 2023 is 6.794% (7.88% in 2022).

Compensation indicators by gender	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Minimum wage (for Azerbaijan)	250	250	300	300	345	345
Ratios of average standard entry level wage by gender compared to local minimum wage	5.78	5.82	3.2	3.2	2.9	2.9
Ratio of average basic male salary to average basic female salary	0.97		1		1	

SOCAR AQS is committed to fostering an environment that recognizes, rewards, and retains top talent through a comprehensive range of incentives. Our approach to employee compensation includes annual performance reviews, with salary modifications made at the discretion of the company.



The Remuneration Committee oversees these adjustments, ensuring they align with our grading system and strategic goals. Each year, following the completion of performance appraisals, we conduct our annual salary review process. Managers must ensure that salary increases are approved in accordance with established guidelines. Should the initial budget set in January require expansion, the Finance Department consults with the General Director to address and recommend solutions.

The Remuneration Committee plays a crucial role in administering our compensation strategy, regulating decision-making processes regarding annual increments, promotions, and bonus distributions. By undertaking regular reviews, the Committee ensures our remuneration practices adhere to our development strategy and reflect current labour market and financial conditions.

The gender composition of the Company's employees reflects the peculiarities of working in the oil and gas industry, where men comprise a large share of the

workforce. The gender imbalance is common in this sector, although working conditions are generally equal. The imbalance relates to the fact that hard physical labour is required, where women prefer not to be involved.

Diversity of governance bodies and employees	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Number of individuals within the Company's governance bodies, by gender	1	-	12	2	12	3
Percentage of individuals within the Company's governance bodies, by gender	100%	-	86%	14%	80%	20%

In our Company the amount of employee wages does not depend on the gender of the employee.

There are initiatives and strategies to ensure the sociocultural diversity of the workforce, as part of which the Company attracts, facilitates development, and promotes talented employees regardless of race, sexual orientation, religious beliefs, age, gender, or whether they have disabilities and other specific physical abilities.

In 2022 the Parent Company launched the Women Empowerment Programme (NEWEP) for its group of companies as part of its initiatives to help female employees reach their full potential and achieve further personal and professional growth.

Throughout an 8-week period, female employees were provided professional support in understanding their aspirations and development needs, and equipping them with the right tools to build and advance their career.



The Company's dual commitment to supporting local communities while also prioritizing diversity and inclusivity in its hiring practices reflects a proactive approach to addressing potential challenges and promoting a more equitable and representative workforce.

Local specialists are becoming the main workforce within the Company, thus affecting the national GDP and local economic factors. While this may potentially affect the level of diversity in terms of ethnical representation, we continue to find ways to attract people from different ethnic, religious, age, disability, and gender groups.

General indicators	2021	2022	2023
Proportion of senior management hired from the local community, %	88	85.7	-



Key Objectives of HC that were fully or partially implemented:

 <p>Development of Competency Assurance Program</p>	 <p>Design competency framework for entire company</p>	 <p>Ensure all positions have clear and measurable competencies</p>	 <p>Ensure all personnel is evaluated over the competencies</p>	 <p>Re-mapping Grading System</p>	 <p>Organisational structure is completed & approved</p>	 <p>New positions are re-evaluated (mid management, professionals and technical staff)</p>	 <p>All positions are in the grading system & aligned with the Group umbrella (top management and senior management)</p>
 <p>Ensure professional development to enable the effective operation of the organisation</p>	 <p>Mandatory and professional development training matrix is developed</p>	 <p>Mandatory and professional development trainings are met</p>	 <p>Development and leadership training for senior management</p>	 <p>Support the growth of transformation: attract, identify and develop talent across all areas</p>	 <p>Identify future workforce and talent requirements for effective and efficient mobilisation</p>	 <p>Support competency mapping by developing Behavioral & Technical based Question Bank</p>	 <p>Ensure strategic student programming: internship structuring</p>

Contributing to the Society

As we maintain our commitment to delivering services to our clients through consistent emphasis on quality and transparent communication, we also recognize that our responsibilities extend beyond client relations. We aim to foster strong connections with the communities where we operate, ensuring that our work approach aligns with the needs and requirements of our external stakeholders, including society.

Community engagement priority areas



Education



Environment



Health and
Safety



Social Services



National Values

SOCAR AQS held a field cleaning and tree planting campaign on the occasion of Oilmen's day. As part of the campaign, Socar AQS employees carried out cleaning and landscaping works in the territory of Umid and Bulla Production and Supply Bases (PSB) located on the Baku-Kazakh highway, and took care of the previously planted greenery. Our employees also planted new trees in the territory of Bulla PSB and provided them with agro-technical care. **SOCAR AQS** always pays great attention to environmental protection and will continue to regularly organize such environmental events.



Our summer internship program enabled four students from different universities to acquire valuable practical experience in the drilling industry. **SOCAR AQS** is committed to developing young talent by providing opportunities for hands-on learning and industry insight. The interns displayed exceptional dedication, contributing meaningfully to projects with our team while applying their academic knowledge under the guidance of seasoned professionals.



At **SOCAR AQS**, we prioritize environmental protection throughout all operational stages to deliver drilling services with minimal impact. Our corporate goals include waste reduction and recycling, maintaining work environments that meet international standards, and effectively assessing and managing environmental aspects. Through these efforts, we demonstrate our dedication to sustainability and responsible resource management.



Occupational Safety and Health

Our QHSE team is comprised of the following divisions:

- Health and Safety
- Environmental Sustainability
- Quality Team

The team is dedicated to monitoring, identifying and addressing operational and community issues regarding matters of health and safety.

The head of the Company's Quality, Health, Safety, and Environment unit monitors the progress of activities specified in the roadmap and the annual plan, and provides updates at monthly management meetings.

Moreover, the division exercises control over the implementation of plans and measures to improve occupational safety, the state of safety in the workplace and compliance with industrial safety requirements and environmental regulations.

Our Guiding Documents:

In the Company, ensuring safe working conditions for both the Company's employees and workers of the contractors has always been the highest priority. The integrated Health and Safety (H&S) Management System is aimed at improving the working environment and developing personal responsibility.

The system covers planning, organisation, coordination and monitoring of all safety-related issues and taking measures for continuous improvement of safety KPIs. This HSE management

system is based on strict compliance with the Law on Occupational Safety and the requirements of the Labor code of the Republic of Azerbaijan.

The Company focuses on providing a safe working place with zero fatalities and zero injuries by complying with international safety standards and continuously improving its H&S Management System.

Key elements of H&S Management System



Local standards and Regulations



**ISO 45001:2018
"Occupational health and safety management"**



International API SPEC Q2 Standard



IADC reporting guidelines



Internal procedures on labor, human and ethics management

The occupational health and safety management system is evaluated as one of the key processes within the overall risk management framework. Risk management aims at prevention of injuries and occupational diseases at work, prevention or mitigation of the impact of harmful and hazardous production factors, including from accidents at hazardous production facilities, on employees, contractors, and other stakeholders.

All risks associated with each of the identified hazards are analysed, assessed and prioritised according to the need to eliminate or reduce the level of occupational risk.



Ensuring Health and Safety at Work



To cultivate a healthy work environment, it is essential to have a comprehensive understanding of each job role performed and the associated potential hazards. This knowledge enables the implementation of effective processes and standards

to mitigate risks and ensure the well-being of employees while on the job. We maintain strict requirements around personal protective equipment, task design, procedures, and equipment selection and maintenance to reduce risk and maintain a healthy environment.

The Company actively monitors the compliance with health and safety requirements in its operations.

The Company's Health, Safety, and Environment reporting system is meticulously designed to effectively track, document, and communicate HSE performance across all organizational levels. This framework ensures that incidents, near-misses, hazards, and environmental impacts are promptly reported, systematically investigated, and strategically utilized to enhance our safety and environmental protocols.

Integral components of the HSE system encompass:

- Safety Observation Cards (SOC), enabling real-time reporting of unsafe conditions and behaviors by employees;
- Comprehensive HSE inspections and audits;

- The Area Responsible Person initiative;
- Daily shift Toolbox Talks (TBT);
- An inclusive speak-up culture, encouraging personnel at all levels to openly report safety concerns, near-misses, or any potential threats to health, safety, or the environment.

Together, these mechanisms provide a robust foundation for transparency, informed decision-making, and continuous advancement in HSE performance.

Here are key aspects of our approach to health and safety:

Safety Procedures and Standards:

- The Company maintains robust safety procedures, standards, and protocols aligned with industry best practices and regulatory requirements.
- Employees are provided with clear guidelines, safe work practices, and standard operating procedures to follow during operations, ensuring consistent adherence to safety standards.
- The Company sets minimum maintenance and inspection requirements for equipment and processes to proactively manage equipment reliability, reduce the risk of equipment failures and downtime, enhance safety and environmental performance, and optimize operational efficiency.
- The Company fosters a strong safety culture

where safety is prioritized by all employees at every level. This includes promoting open communication, reporting of near misses and safety concerns, and actively engaging employees in safety initiatives and improvement efforts by organising focus groups etc.

Risk Assessments and Hazard Identification

- The Company strictly monitors compliance with sanitary and hygienic standards and requirements, as well as rational work and rest schedules for employees by following Fatigue Management Procedures. This procedure establishes guidelines for maximum allowable work hours and shift lengths to prevent excessive fatigue. The Company considers implementing rotation schedules, rest breaks, avoiding excessive overtime and maintaining workload balance as well as conducting regular fatigue risk assessments to identify and mitigate factors (task complexity, environmental conditions, and individual factors) contributing to fatigue in the workplace.
- The Company provides extensive training and competency development programs for its employees to ensure they have the necessary skills, knowledge, and awareness to perform their jobs safely. This includes training on safety procedures, hazard recognition, emergency response, and the proper use of personal protective equipment.

Incident Reporting and Investigation:

- The Company has robust incident reporting

and investigation procedures in place to ensure that all incidents, accidents, and near misses are promptly reported, investigated, and analysed to determine root causes and implement corrective actions to prevent recurrence.

Emergency Preparedness and Response:

- The Company maintains comprehensive emergency preparedness and response plans to effectively respond to any emergencies or incidents that may occur during drilling operations. This includes procedures for evacuations, medical emergencies, fire emergencies, and environmental spills.

Continuous Improvement:

- The Company is committed to continuous improvement in health and safety performance. This involves regularly reviewing and evaluating safety performance metrics, conducting safety audits and inspections, soliciting feedback from employees, and implementing lessons learned from incidents and near misses to enhance safety practices and procedures.

Leadership and Accountability:

- Leadership at the Company demonstrates visible commitment to health and safety by personally visiting platforms, by setting clear expectations, providing resources, and holding employees and contractors accountable for safety performance.
- Safety responsibilities are clearly defined at all levels of the organization, with managers and supervisors actively involved in promoting and enforcing safety standards.

Each platform has a first aid post with a medical professional to provide medical assistance. In accordance with government requirements and Oil and Gas UK (OGUK) guidelines and standards for the

medical examination of drilling staff, the Company's employees are provided with the mandatory medical services with accredited clinics and regular medical assessment to ensure they are physically and mentally fit to work in the demanding offshore environment.

These assessments include comprehensive medical examinations, vision and hearing tests, and assessments of fitness for specific job roles.

To mitigate the total number of recordable injuries among our direct employees, which was 4 this year, the company has implemented enhanced safety protocols, launched training programs, and increased oversight on adherence to safety standards, demonstrating our commitment to fostering a safe and healthy work environment.

Health and Safety Indicators	2021	2022	2023
Total number of fatalities, direct employees	-	-	-
Total number of recordable injuries, direct employees	2	-	4
Number of Lost Time Injuries, direct employees	1	-	-
Number of days lost due to incident	9	-	-
Lost time injury frequency rate, per 1,000,000 hours worked	0.1	-	-
Total number of hours worked, direct employees	1,934,162	1,511,258	1,263,987
Total recordable injury frequency rate, per 1,000,000 hours	0.2	-	3.16

Climate Change



Our Company is committed to enhancing its contribution to the fight against climate change and minimizing its negative impact on the environment. The company has identified specific areas of focus concerning the climate-related risk assessment:

- **Reducing Greenhouse Gas Emissions:** Implement measures to reduce harmful and greenhouse gas released into the environment such as investing in energy-efficient technologies, optimizing transportation and logistics.
- **Waste Reduction and Recycling:** Implement waste reduction strategies, such as waste minimization and recycling. Set waste reduction targets, establish recycling programs, and educate employees on proper waste management practices.
- **Implement measures to prevent loss of containment incidents and minimize their environmental impact** through procedures including spill reporting, training activities, regular inspections of equipment, infrastructure, and facilities, develop comprehensive maintenance programs to address any issues identified during inspections promptly, deploy advanced technologies.
- **Sustainable Supply Chain Management:** Work with suppliers and partners through screening our potential business partners on their environmental management procedures and compliance. Encourage suppliers to adopt sustainable practices.
- **Biodiversity conservation:** By leveraging noise and vibration reduction technologies and innovative engineering solutions within drilling operations, the Company can significantly minimize the disruptive environmental impacts

caused by these activities. The implementation of such advanced techniques allows for the attenuation of noise and vibration levels emanating from drilling equipment, which are known to have adverse effects on local ecosystems and wildlife habitats.

SPILLS	2021	2022	2023
Total Number of Significant Spills	-	-	-

Energy Consumption and Greenhouse Gas Emissions

Efficient use of energy is a crucial element of the system to tackle climate change. To enhance the organisation of the energy supply and energy consumption management system, the Company has implemented an energy management system that ensures the interaction between various functional subdivisions at all levels of management and regulates the main energy efficiency management processes.

We assume the significance of energy consumption in contributing to greenhouse gas emissions and environmental impact. Therefore, we collaborate with stakeholders and clients to adhere to international standards, best practices, and local legislative requirements for mitigating these effects.

The total fuel consumption within the organization from non-renewable sources includes the use of diesel and gasoline: Diesel is used in company transportation vehicles, in contractor companies' vehicles and in generators. Moreover, the organization consumes gasoline in its transportation vehicles.

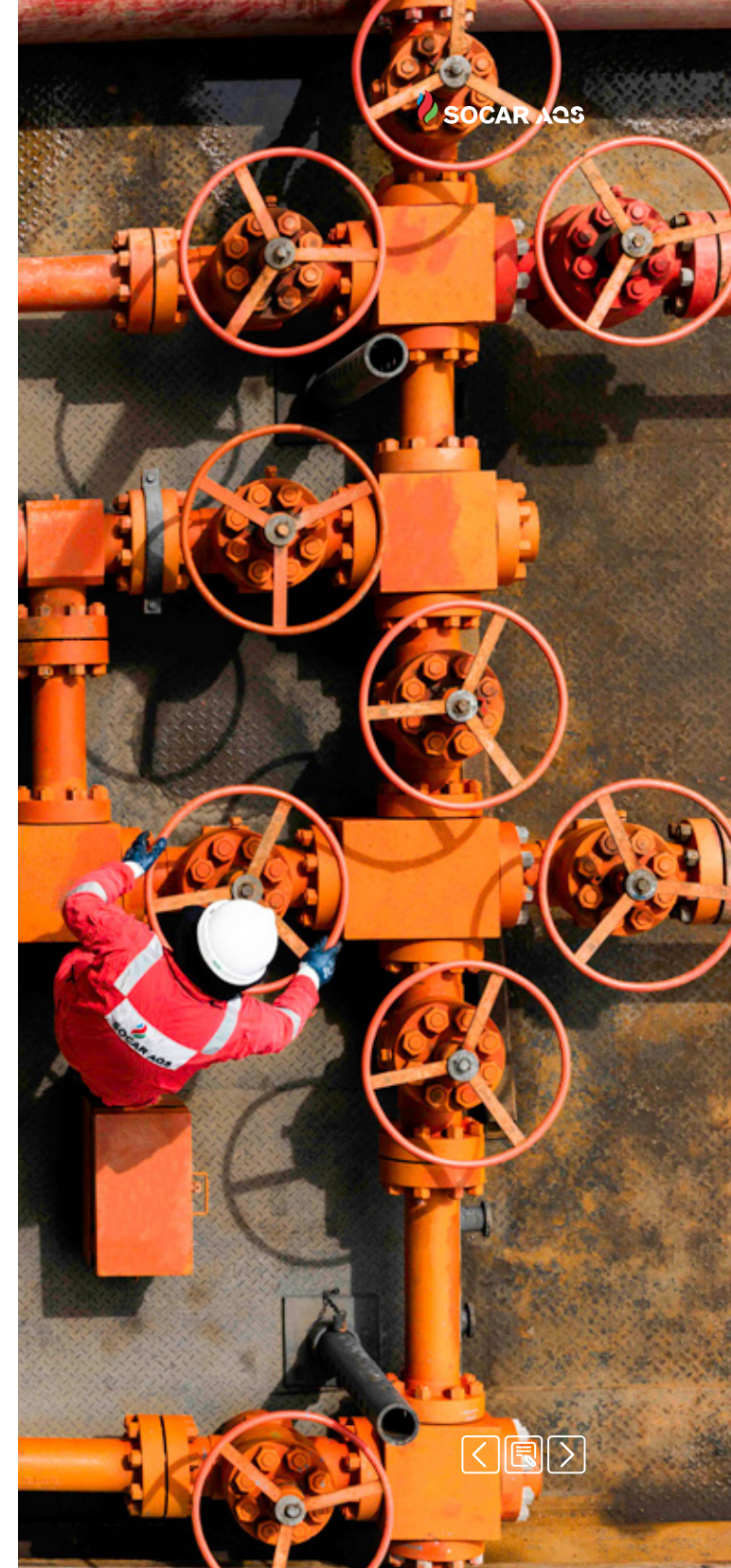
Diesel consumption and GHG emissions

	2021	2022	2023
Diesel Consumption, tons	3,180.68	3,399.1	2,820.05
Direct GHG emissions (Scope 1), tons CO ₂ e	10,034.3	10,453.65	8,277.70

Diesel consumption by our generators is the primary source of GHG emissions on our offshore drilling platforms, offices and warehouses.

The Company is targeting to reduce harmful Greenhouse Gas (GHG) released into the environment in the short and long run by the implementation of certain activities:

- By Investing in advanced technologies, the company can upgrade its equipment and processes to be more energy-efficient and environmentally friendly.
- To enhance fuel efficiency and reduce CO₂ emissions, it is planned to eliminate the use of backup generators during drilling operations, and optimization efforts are being successfully implemented.
- To control that the gases released into the atmosphere from the existing generators on the platforms are within the normative limits that can be released.
- To invest in electric vehicles, which will play a significant role in decreasing our carbon footprint.



Air Protection

The Company considers the issues of reducing pollutant emissions and ensuring air quality a high priority. The main impact that the Company has on the atmospheric air is related to pollutant emissions in the course of its activities. The Company has identified two major sources of GHG emissions, which are energy and diesel consumption by the generators used at our premises, including our offices, drilling platforms, and warehouses. Emissions during transportation are minor.

By integrating both environmental assessment processes and theoretical calculation methodologies into air quality management practices, the Company effectively identifies, assesses, and addresses air quality-related impacts in support of sustainable development goals. This approach helps to safeguard air quality, protect human health and ecosystems, and promote the long-term well-being of communities and the environment.

Air pollutants

	2021	2022	2023
CO (in tons)	0.83	0.75	0.63
NOx (in tons)	29.15	29.48	25.47
NMVOCs (in tons)	0.11	0.11	0.096
SOx (in tons)	65.21	66.33	57.44



Water Conservation

Topics of rational use of water resources and responsible water consumption are priority topics for the Company. We aim to reduce clean water consumption and minimise our impact on the ecosystem of the Republic of Azerbaijan.

The total water withdrawal is categorized by the sources of use as follows: drinking water, technical water, and produced water. Each source represents a critical component of our water management strategy, ensuring that we balance operational needs with our commitment to sustainable resource utilization.

Water required for consumption and administrative purposes, to our offices, warehouses and offshore platforms is provided from different sources. Main sources of the water withdrawn are third party water.

Company's water management tools encompass strategies, technologies, and approaches aimed at efficiently and sustainably managing water resources. These tools help monitor, analyze, and optimize water usage, mitigate risks, and ensure compliance with regulations and are as follows:



Compliance and Monitoring

- Monitoring of water usage, quality and providing valuable data for identifying trends, potential inefficiencies in water management processes and optimising water usage.
- Remaining fully compliant with the local legislation as well as international standards.



Water Conservation Practices

- Strategies to reduce water consumption and waste, such as fixing leaks.
- Water conservation practices aim to maximize efficiency and minimize unnecessary water use.



Water Recycling and Reuse Systems

- Advanced treatment technologies, such as Reverse Osmosis enable the purification of wastewater for safe reuse.

the strict compliance standards outlined in local regulations and international standards.

The treatment of wastewater before it is discharged back into the environment is done through a third-party service provider, Hovsan Aeration Station. Thus, the generated wastewater is collected and transported to the facilities of the third-party wastewater treatment provider by tanker trucks.

Water withdrawal

Water Indicators	2021	2022	2023
Water Withdrawal, tons	11,585	16,275	14,624

Collaborating with clients to use Reverse Osmosis (RO) systems for water purification is a proactive approach to ensuring environmental responsibility and sustainability in our operations.

The Company has implemented actions to ensure that all wastewater and operational discharges meet

Waste Management



The business activities of the Company are inevitably associated with the generation of waste. The Company established a Waste Management policy that enables it to optimise resource usage and minimise waste, reducing

its environmental impact. Its internal policy and procedures comply with the appropriate local legislations and international standards. Thus, the Company has implemented a systematic approach to waste management by applying a waste hierarchy that outlines expected operating practices and requirements necessary to optimize waste management practices, reduce environmental impact, and promote sustainability within the Company's operations.

The Company manages waste through prescriptive measures, including organising waste in labelled containers, maintaining waste storage areas and disposing of waste in accordance with local and all other applicable regulations. Utilisation of colour-coded categories is an efficient method to differentiate between different types of waste. Each colour characterizes the specifics of corresponding category of waste and its impact on the environment and people.

The Company regularly plans and implements activities to minimise waste at its own facilities, and transfers waste to licensed entities for the handling and disposal thereof. All types of waste are sealed during transportation in order to minimize losses and reduce environmental pollution both on offshore platforms and on shore. In turn, licensed

entities carry out waste management in accordance with the statutes of the Republic of Azerbaijan.

There are two main categories of waste generated in the course of our operations:

- **Hazardous waste** - this category includes waste that poses a significant or potential threat to public health or the environment. It has toxic, infectious, oxidizing or corrosive properties.
- **Non-hazardous waste** - this category includes types of waste that are not particularly hazardous and are generated as the result of the Company's administrative activities.

Waste generation by category

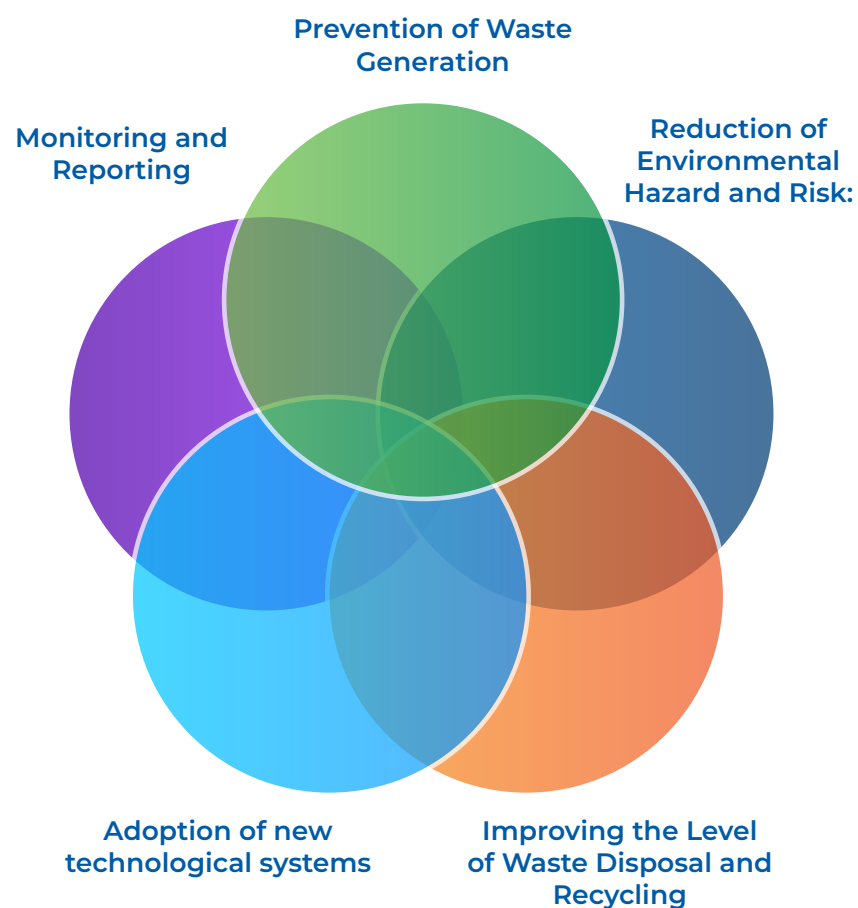
Waste Indicators	2021	2022	2023
Waste Materials, m ³			
Hazardous Waste Generated, excluding drilling cuttings	299	250	310
Non-hazardous waste	731	2,300	2,035

To manage waste in an environmentally sound manner, the Company evaluates its waste vendors and recyclers and only use those who are approved based on rigorous criteria in line with regulatory requirements.

Drilling cuttings

Category	2021	2022	2023
Drilling cuttings, in ton	7,188	2,986	2,475

Waste management approach



Prevention of Waste Generation:

- Identify sources and types of waste generation;
- Implement measures to reduce waste at the source, such as process optimization, product redesign, and material substitution;
- Promote sustainable consumption practices among employees and stakeholders;
- Provide awareness programs to educate employees on waste prevention techniques;
- Ensure that employees are adequately trained and engaged in waste management practices.

Reduction of Environmental Hazard and Risk:

- Conduct environmental aspect assessment to identify potential environmental impacts associated with waste management activities;
- Implement engineering controls and administrative measures to minimize environmental impacts, such as containment systems for hazardous waste storage and spill prevention measures;
- Develop emergency response plans and train personnel on proper procedures for handling hazardous materials and waste;
- Monitor environmental indicators regularly to detect and mitigate any adverse impacts resulting from waste management activities.

Improving the Level of Waste Disposal and Recycling:

- Invest in infrastructure for waste disposal and recycling.
- Implement waste segregation programs to facilitate efficient sorting and recycling of materials.
- Establish partnerships with recycling facilities and waste management companies to increase the recycling rate.

Adoption of new technological systems

- Invest in research and development to identify innovative waste management technologies and solutions.

Monitoring and Reporting:

- Constantly monitor waste indicators to improve the waste management system.
- Solicit feedback from stakeholders, conducting regular assessments of waste management processes, and implementing corrective actions as needed.

Appendix 1

Acronyms list

API	American Petroleum Institute	OHS	Occupational Health and Safety
GRI	Global Reporting Initiative	OHSAS	Occupational Health and Safety Assessment Series
SASB	Sustainability Accounting Standards Board	QHSE	Quality, Health, Safety, Environment
CAA	Competence Assurance Accreditation	TRIFR	Total Recordable Injury Frequency Rate
IADC	International Association of Drilling Contractors	SOC	Safety Observation Cards
IFRS	International Financial Reporting Standards	SORC	Safe Operation Risk Community
ISO	International Organization for Standardization	NCR	Non-Conformance Report
NGO	Non-Governmental Organization	H&S	Health and Safety
SAP	Systems, Applications, and Products in Data Processing	ICT	Information and Communication Technology
UN	United Nations	KPI	Key Performance Indicator
OGUK	Oil and Gas UK	ESG	Environmental, Social, Governance
CH ₄	Methane	SWOT	Strengths, Weaknesses, Opportunities, and Threats
CO	Carbon monoxide	ABP	Anti-Bribery Policy
CO ₂	Carbon dioxide	CEO	Chief Executive Officer
CO _{2e}	Carbon dioxide equivalent	HMI	Human Machine Interface
GHG	Greenhouse Gas	RFP, RFQ	Request for Proposal or Quote
HC	Hydrocarbons	BDS	Baku Drilling School
N ₂ O	Nitrous oxide	HC	Human Capital
NMVOC	Non-methane volatile organic compound	IMS	Integrated Management System
NO _x	Nitrogen oxide	LMS	Learning Management System
SO _x	Sulphur oxide	SDG	Sustainable Development Goals
RO	Reverse Osmosis	GAS	General Assembly of Shareholders
IWCF	The International Well Control Forum	GDP	Gross Domestic Product
IACET	International Accreditors for Continuing Education and Training	CIMA	Chartered Institute of Management Accountants
HP / HT	High-Pressure, High-Temperature	CIPD	Chartered Institute of Personnel and Development
HSE	Health, Safety, Environment	SHCM	Society for Human Capital Management
LTI	Lost Time Injury	NEWEP	Women Empowerment Programme

Appendix 1

GRI Index

Statement of use		SOCAR AQS has reported in accordance with the GRI Standards for the period 1 January 2023-31 December 2023			
GRI 1 used		GRI 1: Foundation 2021			
Applicable GRI Sector Standard(s)		GRI 11: Oil and Gas Sector 2021			
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	About the Company	disclosed		
	2-2 Entities included in the organization's sustainability reporting	About the Report	disclosed		
	2-3 Reporting period, frequency and contact point	About the Report	disclosed		
	2-4 Restatements of information	About the Report	disclosed		
	2-5 External assurance	About the Report	disclosed		
	2-6 Activities, value chain and other business relationships	About the Company	Partially disclosed		
	2-7 Employees	Caring about employees	disclosed		
	2-8 Workers who are not employees		not disclosed	Not applicable	
	2-9 Governance structure and composition	Corporate Governance	disclosed	Confidentiality constraints	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
General disclosures					
GRI 2: General Disclosures 2021	2-10 Nomination and selection of the highest governance body	Corporate Governance	disclosed		The General Director is appointed by the Board of Directors of the Parent Company. Criteria used for nomination and selection of the highest governance body are independence, diversity, technical knowledge and ESG expertise.
	2-11 Chair of the highest governance body	Corporate Governance	disclosed		
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance	disclosed		Board of Directors approves the organization's purpose, vision and mission statements, strategies, policies, and goals related to economic, environmental, and social topics.
	2-13 Delegation of responsibility for managing impacts	Corporate governance	disclosed		
	2-14 Role of the highest governance body in sustainability reporting	Corporate governance	disclosed		
	2-15 Conflicts of interest	Business Ethics and Compliance	disclosed		
	2-16 Communication of critical concerns	Business Ethics and Compliance	disclosed		
	2-17 Collective knowledge of the highest governance body	Corporate governance	disclosed		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
General disclosures					
GRI 2: General Disclosures 2021	2-18 Evaluation of the performance of the highest governance body	Corporate governance	Partially disclosed		The BoD assesses SOCAR AQS's top management performance.
	2-19 Remuneration policies	Corporate Governance	not disclosed	Confidentiality constraints	Based on our planned strategy, individual and departmental Key Performance Indicators (KPIs) are established, and cascaded to individual scorecards. KPIs are set by SOCAR AQS and approved by Nobel Energy Management, as the ultimate parent company.
	2-20 Process to determine remuneration		disclosed		
	2-21 Annual total compensation ratio	N/A	not disclosed	Confidentiality constraints	The company adheres to a policy of confidentiality regarding total compensation ratios in order to protect employee privacy and safeguard competitive positioning within the industry.
	2-22 Statement on sustainable development strategy	Message from the General Manager	disclosed		
	2-23 Policy commitments	throughout the report	disclosed		
	2-24 Embedding policy commitments	throughout the report	disclosed		
	2-25 Processes to remediate negative impacts	Business Ethics and Compliance	disclosed		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
General disclosures					
GRI 2: General Disclosures 2021	2-26 Mechanisms for seeking advice and raising concerns	Business Ethics and Compliance	disclosed		
	2-27 Compliance with laws and regulations		not disclosed	Not applicable	The Company was in compliance with local laws and regulations and there were no instances of material non-compliance during the reporting period.
	2-28 Membership associations	About the Company	disclosed		
	2-29 Approach to stakeholder engagement	Stakeholder	disclosed		
	2-30 Collective bargaining agreements		not disclosed	Not applicable	At SOCAR AQS, employees are not covered by any collective agreements.
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability Management System (Material Topics)	disclosed		
	3-2 List of material topics	Sustainability Management System (Material Topics)	disclosed		
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Market presence					
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Diversity and Equal Opportunities for Employees	disclosed		
	202-2 Proportion of senior management hired from the local community	Diversity and Equal Opportunities for Employees	disclosed		
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Procurement Activities	disclosed		
Number of international supplier	Metric - Number of international suppliers	Procurement Activities	disclosed		
Percentage of procurement budget spent on international suppliers	Metric - Percentage of procurement budget spent on international suppliers	Procurement Activities	disclosed		
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Governance (Anti-Corruption)	disclosed		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Corporate Governance (Anti-Corruption)	disclosed		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Anti-corruption					
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Corporate Governance (Anti-Corruption)	disclosed		
	205-3 Confirmed incidents of corruption and actions taken	Corporate Governance (Anti-Corruption)	disclosed		No corruption behaviour related incidents occurred during the reporting period.
Anti-competitive behavior					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		not disclosed	Not applicable	No such anti-competitive behaviour related incidents occurred during the reporting period
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Consumption and Greenhouse Gas Emissions 56	disclosed		
	302-2 Energy consumption outside of the organization		not disclosed	Information unavailable/incomplete	We are actively working on expanding our data collection processes and developing systems to accurately capture this information.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Energy					
GRI 302: Energy 2016	302-3 Energy intensity		disclosed	Information unavailable/ incomplete	We are actively working on expanding our data collection processes and developing systems to accurately capture this information.
	302-4 Reduction of energy consumption	Energy Consumption and Greenhouse Gas Emissions 56	not disclosed		
	302-5 Reductions in energy requirements of products and services		not disclosed	Information unavailable/ incomplete	At this time, our company has not disclosed information regarding Disclosure 302-5, which relates to reductions in energy requirements of our products and services. This is due to challenges in gathering and verifying precise data on energy efficiency improvements across our product and service offerings. We are aware of the importance of this disclosure in showcasing our commitment to sustainability and innovation. As we work to improve our data collection and measurement capabilities, we are committed to addressing these gaps and aim to provide comprehensive reporting on energy requirement reductions in future reports, supporting transparency and accountability in our efforts to enhance product and service energy efficiency.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Conservation	disclosed		
	303-2 Management of water discharge-related impacts	Water Conservation	disclosed		During the reporting period, SOCAR AQS did not pass the limits imposed by local legislations for effluent water discharges or no water sources have been significantly affected by any withdrawal of water.
	303-3 Water withdrawal	Water Conservation	disclosed		
	303-4 Water discharge	Water Conservation	partially disclosed	Information unavailable/ incomplete	The Company disclosed its efforts in Water discharge, As a preventive measure, they constantly communicate and conduct field observations to check that water used is recycled or discharged in an appropriate way by the responsible third parties. The Company also ensures that international standards and local legislative requirements are followed through.
	303-5 Water consumption	Water Conservation	disclosed		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Energy Consumption and Greenhouse Gas Emissions	disclosed		
	305-2 Energy indirect (Scope 2) GHG emissions		not disclosed	Information unavailable/ incomplete	The company has not established yet the process for collecting the credible and complete data for Scope 2 emissions.
	305-3 Other indirect (Scope 3) GHG emissions		not disclosed	Information unavailable/ incomplete	The company does not have complete or sufficient data since it is facing challenges in collecting reliable data across its value chain.
	305-4 GHG emissions intensity		not disclosed	Information unavailable/ incomplete	The company has not established yet the process for collecting the credible and complete data.
	305-5 Reduction of GHG emissions	Energy Consumption and Greenhouse Gas Emissions	disclosed		
	305-6 Emissions of ozone-depleting substances (ODS)		not disclosed		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Air Protection	disclosed	Not applicable	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Spills					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 306: Effluents and Waste 2016	306-3 Significant spills	Climate Change	disclosed		
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management	disclosed		
	306-2 Management of significant waste-related impacts	Waste Management	disclosed		
	306-3 Waste generated	Waste Management	disclosed		
	306-4 Waste diverted from disposal		not disclosed	Not applicable	
	306-5 Waste directed to disposal	Waste Management	disclosed		
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Supplier environmental assessment					
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Procurement Activities	disclosed		
	308-2 Negative environmental impacts in the supply chain and actions taken	Procurement Activities	disclosed		
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Caring about Employees	disclosed		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Caring about Employees	disclosed		
	401-3 Parental leave	Caring about Employees	disclosed		
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Employee Training and Development	disclosed		We adhere to the Labor Code of the Republic of Azerbaijan.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Safety and Health	disclosed		
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Safety and Health	disclosed		
	403-3 Occupational health services	Occupational Safety and Health	disclosed		
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Safety and Health	disclosed		
	403-5 Worker training on occupational health and safety	Occupational Safety and Health	disclosed		
	403-6 Promotion of worker health	Occupational Safety and Health	disclosed		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety and Health	disclosed		
	403-8 Workers covered by an occupational health and safety management system	Occupational Safety and Health	disclosed		All employees and workers who are not employees, but whose work and/ or workplace is controlled by the organization, are covered by our H&S Management System. All sites are also covered by this system.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Occupational health and safety					
GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	Occupational Safety and Health	disclosed		
	403-10 Work-related ill health	Occupational Safety and Health	disclosed		There were no cases of health deterioration related to work during the reporting period.

Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Employee Training and Development	disclosed		
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee Training and Development	disclosed		
	404-3 Percentage of employees receiving regular performance and career development reviews	Employee Training and Development	disclosed		

Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Corporate Governance	partially disclosed	Confidentiality constraints	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Diversity and equal opportunity					
GRI 405: Diversity and Equal Opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	Diversity and Equal Opportunities for Employees	disclosed		
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Diversity and Equal Opportunities for Employees	disclosed		Anti-corruption, equal employment, anti-discrimination and harassment. We did not identify any incidents of discrimination during the reporting period.
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		not disclosed	Not applicable	No such cases were identified during the reporting period.
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Child labor					
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Caring about Employees	disclosed		
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Caring about Employees	disclosed		The Company has a Code of Conduct which reflects the prohibition of forced or compulsory labor. Regular trainings are provided to employees.
Rights of Indigenous Peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Caring about Employees	disclosed		No such incidents have been reported.
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Contributing to the society	disclosed		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Local communities					
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	Contributing to the society	disclosed		
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Procurement Activities	disclosed		All of our new suppliers are screened using social criteria covered in supplier contracts.
	414-2 Negative social impacts in the supply chain and actions taken	Procurement Activities	disclosed		We did not identify any negative social impacts in our supply chain during the reporting period
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Occupational Safety and Health	disclosed		There were no political contributions during the reporting period made by the Company.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Occupational Safety and Health	disclosed		We did not identify any non-compliance with regulations and/ or voluntary codes concerning the health and safety impacts of our operations and services during the reporting period.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			STATUS	REASON	EXPLANATION
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Throughout the Report	disclosed		No breaches of customer privacy were identified during the reporting period

Technology and Innovation					
Metric:	An evaluation of the company's long-term vision for technology and innovation, including how these are integrated into its overall strategy.	Innovations	disclosed		
Assessment:	Narrative detailing strategic goals, focus areas, and how innovation initiatives align with sustainability and business objectives.	Innovations	disclosed		

Topics in the applicable GRI Sector Standards determined as not material		
Topic		Explanation
GRI 11: Oil and Gas 2021		
Biodiversity	Not disclosed	Biodiversity and closure and rehabilitation have not been identified as material topics for our operations, as our drilling activities are conducted under the direction of asset owners who retain primary responsibility for site management and environmental restoration, and our limited and temporary site footprint results in minimal direct impact on ecosystems.
Closure and rehabilitation	Not disclosed	Biodiversity and closure and rehabilitation have not been identified as material topics for our operations, as our drilling activities are conducted under the direction of asset owners who retain primary responsibility for site management and environmental restoration, and our limited and temporary site footprint results in minimal direct impact on ecosystems.
Land and resource rights	Not disclosed	Land and resource rights are not considered material to our operations, as access and usage rights are secured and managed by the asset owners, and our role as a contracted drilling service provider does not involve direct engagement in land acquisition or long-term land use decisions.
Conflict and security	Not disclosed	Based on our current activities and operational scope, the topic of conflict and security is not applicable to our organization. We do not operate in regions characterized by significant conflict or require security personnel to manage conflict that poses risk to human rights.
Public policy	Not disclosed	Public policy advocacy is not applicable to our company at this time. Our operations and strategic focus do not require engagement in activities like lobbying or political contributions.

Independent Assurance Statement



Independent Practitioner's Limited Assurance Report on SOCAR AQS's Selected Sustainability Information

To the Management Board of SOCAR AQS LLC:

Limited assurance conclusion

We have conducted a limited assurance engagement on the selected sustainability information of SOCAR AQS LLC ("Company") as at 31 December 2022 and for the year then ended included in the SOCAR AQS Sustainability Report 2022-2023 and summarized in Annex 1 to this report (the "Selected sustainability information" and the "Sustainability Report" respectively).

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected sustainability information is not prepared, in all material respects, in accordance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI) (the "GRI Standards") and methodology and guidelines developed by the Company and disclosed in the Sustainability Report (together – the "Reporting Criteria").

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Practitioner's responsibilities section of our report.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Management 1, which requires the firm to 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.

Other matter

The comparative selected sustainability information of the Company as at 31 December 2022 and for the year then ended was not subject to an assurance engagement. Our opinion is not modified in respect of this matter.



Responsibilities for the selected sustainability information

Management of the Company is responsible for:

- the preparation of the Selected sustainability information in accordance with the Reporting Criteria;
- designing, implementing and maintaining such internal control as management determines is necessary to enable the preparation of the Selected sustainability information, in accordance with Reporting Criteria, that is free from material misstatement, whether due to fraud or error;
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Inherent limitations in preparing the Selected sustainability information

Under the GRI Standards there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organizations. The Selected sustainability information should therefore be read in conjunction with the methodology used by management as described in the Sustainability Report, and for which the Company is solely responsible.

Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the Selected sustainability information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Selected sustainability information.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- determine the suitability in the circumstances of the Company's use of Reporting Criteria as the basis for the preparation of the Selected sustainability information;
- perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the Company's internal control; and
- design and perform procedures responsive to where material misstatements are likely to arise in the Selected sustainability information. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the Selected sustainability information. The procedures 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.



The nature, timing and extent of procedures selected depend on professional judgement, including the identification of where material misstatements are likely to arise in the Selected sustainability information, whether due to fraud or error.

In conducting our limited assurance engagement, we:

- Obtained an understanding of the Company's reporting processes relevant to the preparation of its Selected sustainability information by:
 - making enquiries of the management of the Company responsible for sustainability reporting management and personnel;
 - conducting interviews of personnel responsible for the preparation of the Selected sustainability information and collection of underlying data.
- performed limited substantive testing on a selective basis of the Selected sustainability information to check that data had been appropriately measured, recorded, collated and reported; and.

Restriction on distribution and use

Our report has been prepared solely for the Management Board of the Company in accordance with the agreement between us, to assist the Management Board of the Company in reporting on the Company's sustainability performance.

Our report has been prepared solely for the Management Board of the Company in accordance with the agreement between us, to assist the Management Board of the Company in reporting on the Company's sustainability performance and activities and in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the selected sustainability information. The selected sustainability information therefore may not be suitable, and is not to be used, for any other purpose.

We permit this report to be disclosed in the Sustainability Report, which will be published on the Company's website.

The maintenance and integrity of the Company's website is the responsibility of Management Board of the Company; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported selected sustainability information when presented on the Company's website.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

PricewaterhouseCoopers Audit Azerbaijan LLC

11 July 2025

Baku, Azerbaijan

Independent Assurance Statement



Annex 1 to the Independent Limited Assurance Report on Selected Sustainability Information

The selected sustainability information for as at 31 December 2023 and for the year then ended disclosed in the Sustainability Report on the pages as specified in the table below and prepared in accordance with the GRI Standards and the methodology and guidelines developed by the Company and subject to limited assurance procedures are set out below:

Reference to GRI Standard	Reference to relevant disclosures/ Sector standard	Sustainability Report Reference	Selected Sustainability Information
GRI 2-7	2-7	Human Capital Management – Total number of employees, by gender, table	- Total number of employees by gender
GRI 2-7	2-7		- Number of permanent employees, by gender
GRI 2-7	2-7		- Number of temporary employees, by gender
GRI 204: Procurement Practices	204-1	Procurement Activities Section – Supply chain indicators table	- Number of local suppliers - Number of international suppliers - Percentage of procurement budget spent on local suppliers - Percentage of procurement budget spent on international suppliers
GRI 302: Energy	302-1	Energy Consumption and Greenhouse Gas Emissions – Diesel consumption and GHG emissions	- Diesel consumption, tons
GRI 303: Water and Effluents	303-3	Water Conservation – Water withdrawal table	- Water withdrawal, tons
GRI 305: Emissions	305-1	Energy Consumption and Greenhouse Gas Emissions – Diesel consumption and GHG emissions table	- Direct GHG emissions (Scope 1), tons CO ₂ e

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Reference to GRI Standard	Reference to relevant disclosures/ Sector standard	Sustainability Report Reference	Selected Sustainability Information
GRI 306: Waste	GRI 11.5.4	Climate Change – SPILLS table	- Number of oil spills
	GRI 11.5.4	Waste management – Drilling Cuttings table	- Amount of drilling cuttings, tons
		Waste management – Waste indicators table	- Hazardous waste generated, m3
GRI 401: Employment	401-1	Human Capital Management – Employee indicators, by age table	- Number of hired employees - Employee turnover rate - Number of employee turnover
GRI 202: Market Presence	202-1	Diversity and Equal Opportunities for Employees – Compensation indicators, by gender table	- Ratios of average standard entry level wage by gender compared to local minimum wage
GRI 403: Occupational Health and Safety	403-9	Ensuring Health and Safety at Work – Health and Safety indicators	- Total number of fatalities, direct employees - Total number of recordable injuries, direct employees - Number of lost time injuries, direct employees - Number of days lost due to incident - Lost time injury frequency rate, per 1,000,000 hours worked - Total number of hours worked, direct employees - Total recordable injury frequency rate, per 1,000,000 hours

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Contact person for suggestions:

We value the feedback and recommendations from our stakeholders and are open to any suggestions that will improve our Sustainability Report and performance.

Ulkar Abdullayeva - Head of PR and Communications

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