

ESG Report 2023



PUBLIC VERSION





SOCAR
Trading
ESG Report
2023

This document represents the publicly available version of SOCAR Trading's ESG Report 2023 and may not include all reported information. For access to the full version of the ESG report or additional information, please contact us at sustainability@socartrading.com



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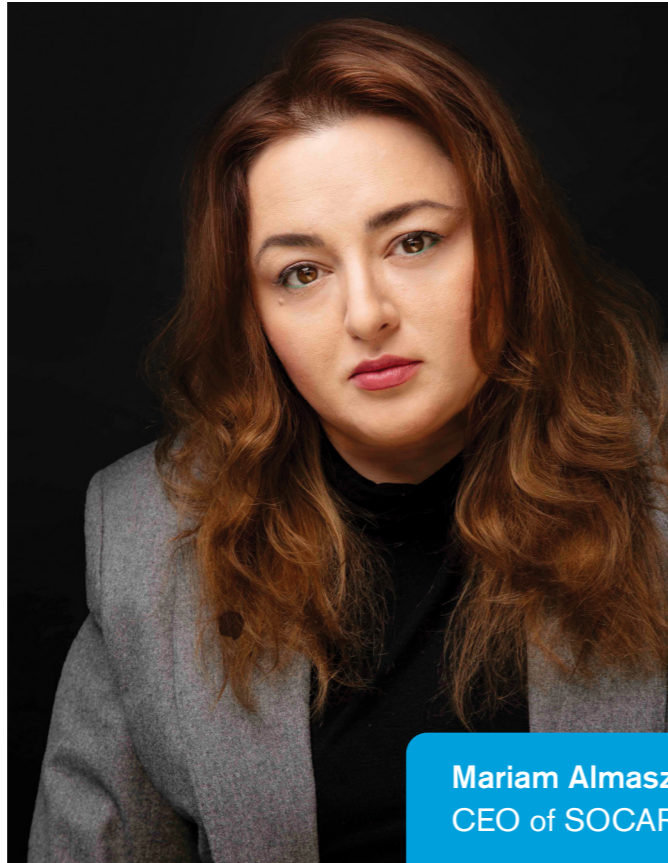
LIST OF ACRONYMS AND ABBREVIATIONS

Abbreviation	Definition
ADEME	French Environment and Energy Management Agency
AIS	Automatic Identification System
AML	Anti-money Laundering
BoD	Board of Directors
CDO	Chief Development Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CI	Carbon Intensive
CLCO	Chief Legal and Compliance Officer
COO	Chief Operating Officer
CRO	Chief Risk Officer
COP	Conference of the Parties
CRRO	Climate-related Risks and Opportunities
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CTO	Chief Trading Officer
DMA	Double Materiality Assessment
DOA	Delegation of Authority
EF	Emission Factor
EEOI	Energy Efficiency Operational Indicator
ERM	Enterprise Risk Management
ESG ¹	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
ETRM	Energy Trading and Risk Management
ETS	Emissions Trading System
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GWP	Global Warming Potential
HSE	Health, Safety and Environment
HSEC	Health, Safety, Environment and Communities
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information

¹ Throughout the Report, ESG and sustainability performance may be used interchangeably.

Abbreviation	Definition
IFRS S2	Climate-related Disclosures
IMO	International Maritime Organization
IPCC	Intergovernmental Panel on Climate Change
IETA	International Emissions Trading Association
ICGN	International Corporate Governance Network
KPI	Key Performance Indicator
KYC	Know Your Counterparty
LCDS	Low Carbon Development Strategy
LDAR	Leak detection and repair
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MEPC	Marine Environment Protection Committee
mmt	Million metric ton
MRV	Measurement, Reporting and Verification
MtM	Mark to Market
Mtoe	Metric ton equivalent
NGO	Non-governmental Organization
NOC	National Oil Company
NZE	Net Zero Emissions
OKR	Objectives and Key Results
P&L	Profit and Loss
RCF	Revolving Credit Facility
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
RICS	Royal Institution of Chartered Surveyors
SDGs	Sustainable Development Goals
SASB	Sustainability Accounting Standards Board
SCC	Sea Cargo Charter
SOCAR	State Oil Company of the Azerbaijan Republic
SPP	Stockage des Produits Pétroliers
TAP	Trans-Adriatic Pipeline
TSO	Transmission System Operator
TCFD	Task Force on Climate-related Financial Disclosures
VaR	Value at Risk
WISTA	Women's International Shipping and Trading Association

1

Statement
from the
CEO

Mariam Almaszade
CEO of SOCAR Trading

“Dear stakeholders,

I am pleased to present you SOCAR Trading's third ESG report, outlining its past achievements, as well as demonstrating our commitments to sustainable development. For the second consecutive year, we have engaged EY to provide external assurance for our ESG Report 2023 to enhance accountability and credibility of information disclosed to our stakeholders.

As the company continues its journey towards sustainable growth and innovation, I am equally delighted to share with you the strides we have made over the past year. Our strategic initiatives not only reinforce our commitment to operational excellence but also highlight our dedication to integrating ESG principles into every aspect of our business. This year, we have broadened our cross-functional efforts to ensure sustainability is incorporated into different branches of our operations. During the reporting year, we initiated comprehensive efforts to understand ESG requirements and identify the necessary steps to navigate the expanding regulatory landscape. We engaged several consultants to understand a roadmap, focusing on preparing for the forthcoming Corporate Sustainability Reporting Directive (CSRD).

Over the past year, SOCAR Trading with its gas expansion efforts is now operational across 14 countries in Eastern and Western Europe.

This expansion strengthens our market presence and allows us to better serve our diverse customer base. In addition, our Houston office showcased successful trades on both spot and term markets, illustrating our capability to adapt and thrive in diverse trading environments.

In the past year, we supplied approximately 52.84 million metric tons of crude oil, refined products, LNG, and natural gas. In 2023, the share of transitional commodities in our trading portfolio remained stable at 10%. Moreover, LNG volumes increased by almost 80%. This underscores our ongoing commitment to providing energy security to the markets we serve. Our ability to maintain and expand our operations during such turbulent times is a testament to our resilience and dedication to supporting global energy needs.

Expanding our relationships with our stakeholders has been crucial, especially with the international banks, which has been a key focus of ours. These partnerships are essential for supporting our global operations and facilitating our expansion into new markets. They also play a crucial role in advancing our ESG initiatives around RCF-linked KPIs.

We were actively exploring carbon project opportunities in Azerbaijan. Our goal is to leverage our expertise and position SOCAR Trading as a project developer, capable of creating added value through our established Carbon Trading Desk. In line with that and our dedication to giving back to the communities we operate in, we have successfully executed three CSR projects with positive biodiversity impact in Azerbaijan.

Our commitment to sustainability is further evidenced by the growth of our sustainability team. This team plays a crucial role in driving our ESG initiatives and has also played a pivotal role to our recently achieved ESG Rating by EcoVadis, independent third-party company. As of January 2024, we ranked in the top 19% among our industry peers assessed by EcoVadis. The score reflects our ongoing efforts to integrate ESG considerations into our core operations and demonstrates our leadership in adopting responsible business practices.

SOCAR Trading employs over 200 people and more than 35 nationalities across its five trading locations. Our goal is to maintain a diverse work environment and further enhance robust people management

practices, encompassing employee health and wellbeing, remuneration, professional development, talent attraction, youth development, equal opportunities, addressing employee grievances, and upholding human rights.

We are committed to continuing this journey and are grateful for your continued support and partnership as we advance towards a sustainable future.”

Mariam Almaszade,
CEO of SOCAR Trading

COP29

2024 United Nations Framework Convention on Climate Change, Conference of Parties (UNFCCC, COP)

The Conference of the Parties (COP) serves as the formal meeting of the United Nations Framework Convention on Climate Change (UNFCCC) parties and is held annually, with the Presidency rotating between the five recognized UN regions.

In December 2023, Azerbaijan has been announced as the host of the 29th Conference of the Parties (COP29). The conference will be held in Baku from 11 to 22 November 2024.



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About This Report

SOCAR Trading presents its third ESG Report outlining its aspirations and commitments as well as key achievements with respect to material ESG topics associated with its performance.



Reporting Standards

This Report was prepared in accordance with Global Reporting Initiative (GRI) Standards, - the most widely used global sustainability reporting standards as well as best-practice international sustainability frameworks, such as:

- Sustainable Development Goals (SDGs)
- Recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) guidelines



Adjustments

We have made several important adjustments in our ESG Report for 2023 to enhance the accuracy and clarity of our disclosures. The specific adjustments are as follows:

- In our ESG report for 2022, we highlighted a shipping impact that was 21% below the 2022 target. With new information available to us, the revised figure now stands at approximately 20% below the target. For more details, please see section 5.3.
- To effectively implement an ESG aspect of our strategy and enable the tracking of progress, we have updated our table with both qualitative and quantitative targets. These targets can be found in **Table 1**, located on page 29.
- To ensure the accuracy of the disclosed indicators, as well as clarity for our stakeholders, we have included explanatory notes throughout the Report for indicators that have undergone any adjustments or changes in calculation methodology, in comparison with the previous Report.



Reporting boundaries

The information disclosed in this Report covers the period of 01.01.2023 – 31.12.2023 with the most significant events associated with SOCAR Trading's ESG performance in earlier years also being discussed. There are no differences between the reporting periods of our financial and sustainability reporting.

The entities covered by the sustainability reporting include our main trading offices with the most material impacts, as listed below, if not indicated otherwise:

- SOCAR Trading SA (Geneva)
- SOCAR Trading (UK) Limited (London)

- SOCAR Trading Singapore Pte., Ltd. (Singapore)
- SOCAR Trading (North America) LLC (Houston)
- SOCAR Trading Middle East DMCC (Dubai)
- SOCAR Trading Gas & Power SARL (Luxembourg)

As part of standard reporting procedures, the CEO of SOCAR Trading is responsible for the ultimate review and approval of the current Report. All material restatements to information for previous reporting years are indicated in the respective sections. Specific notes are provided to highlight assumptions and cases of expert judgment used for data compilation.

The GRI Context Index as well as TCFD summary table presenting the status of each material topic and recommended disclosures can be found at the end of the Report on pages 112-123 and 103 respectively. The Independent Practitioner's Assurance Report provided by EY can be found on page 124 of the current Report.

Forward-looking statements

The following report includes forward-looking statements. Forward-looking statements describe the vision of the future presented by the Company based on its current or initial understanding of the organization's progress and capacity to reach its targets. SOCAR Trading expects report users to understand the natural limitation of these statements and, as such, cannot be held accountable for any kind of damage arising from the reliance of report users on these statements.

We welcome feedback and any questions that can arise regarding the information disclosed in this Report. We encourage you to address your feedback to the following point of contact:

sustainability@socartrading.com



Chovqan, a traditional Karabakh horse-riding game

Chovqan is a traditional horse-riding game played on a flat, grassy field by two competing teams of players mounted on Karabakh horses. Each team has five riders, with two fullbacks and three forwards. The game starts at the centre of the field and players use wooden mallets to try to drive a small leather or wooden ball into their opponents' goal. The game is interspersed with instrumental folk music called janghi. Chovqan players traditionally wear large astrakhan hats, long tight-fitting coats with a high waist, and special trousers, socks and shoes. People of all ages come to watch this traditional game and to support their teams. Chovqan is linked to the perception of the horse as an integral part of everyday life.



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About SOCAR Trading

3.1 SOCAR Trading at a glance

SOCAR Trading is a global commodity trading organization, which was established in 2007 as a marketing arm of the State Oil Company of Azerbaijan Republic (SOCAR).

Initially, SOCAR Trading was founded with the mandate to market crude oil from the Azeri-Chirag-Guneshli (ACG) and surrounding fields. Today, SOCAR Trading is a global commodity trader headquartered in Geneva, with more than 200 employees in five trading offices spanning across Europe, Asia, Middle East and America.

Through the years, SOCAR Trading have developed a variety of business relationships, particularly with state-owned entities, and steadily diversified its trading portfolio to include different types of commodities, spanning various hydrocarbon-based products, such as Crude Oil, Light and Middle distillates, LNG, LPG, Natural Gas as well as environmental products.

Our signature product, Azeri crude, is traded predominantly through the Baku-Tbilisi-Ceyhan pipeline (BTC) from Ceyhan, Türkiye and the Western Route Export Pipeline (WREP) from Supsa, Georgia. SOCAR Trading trades various crude oil grades as well as a variety of petroleum products globally through its' network of trading offices. In the East from Singapore we continue building business relationships with our valuable partners in Asia. SOCAR Trading also develops important business bonds in several locations in the Middle East and Africa from its Dubai office. Our trading activity in the North and South America is managed from the US office respectively.

We continue combining our trading activities with continuous investment in physical infrastructure assets to generate sustainable trading flows.



Total volume of crude oil and refined products traded	
2023	46.49 mmt
2022	48.57 mmt
2021	45.57 mmt

Total volume of commodities traded	
2023	51.69 mmt
2022	53.45 mmt
2021	48.08 mmt

Total number of counterparties	
2023	253
2022	246
2021	214

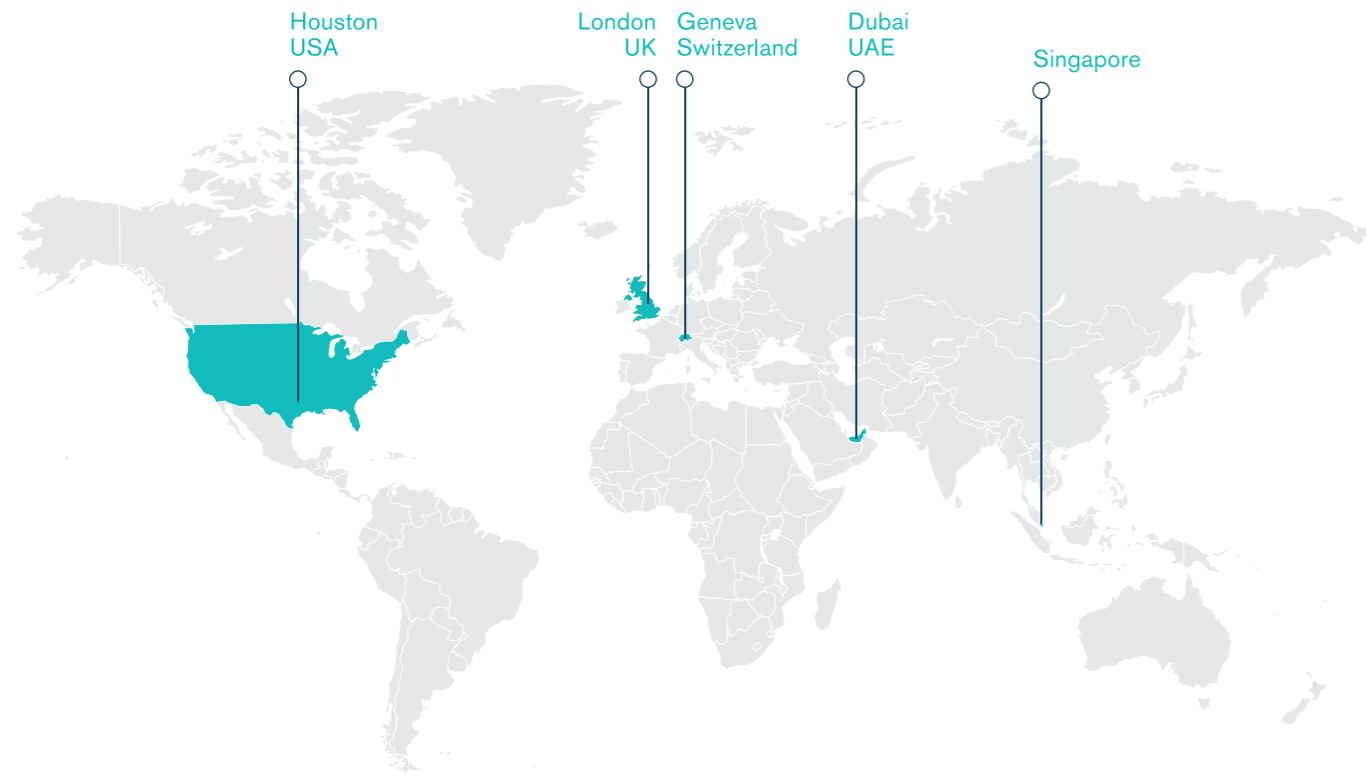
Total volume of LNG/Natural gas traded	
2023	5.21 mmt
2022	4.88 mmt
2021	2.52 mmt

Total GHG emissions in metric tons of CO2 eq. ²	
2023	908 162
2022	1 280 054
2021	955 839

Total number of employees worldwide	
2023	214
2022	215
2021	185

² Total GHG emissions include Scope 1, 2, Scope 3 (Capital goods, Fuel and energy related activities, Business Travel, Employee commuting, Upstream leased assets & Investments). For more details, please refer to the page 42.

Figure 1. SOCAR Trading offices around the globe

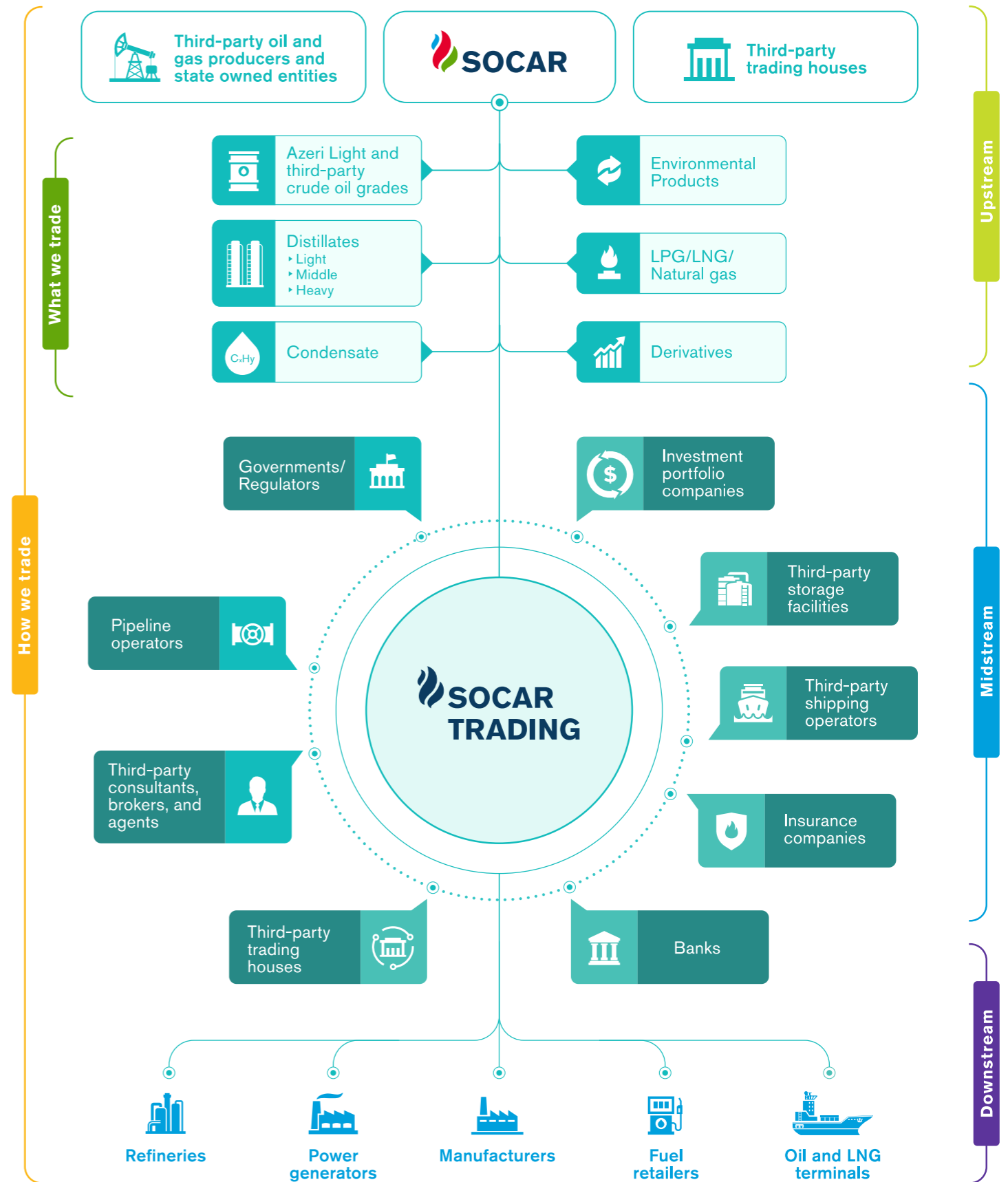


Total number of employees per offices:

111	Geneva	25	London	54	Dubai	8	Houston	16	Singapore
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3.2 The value chain





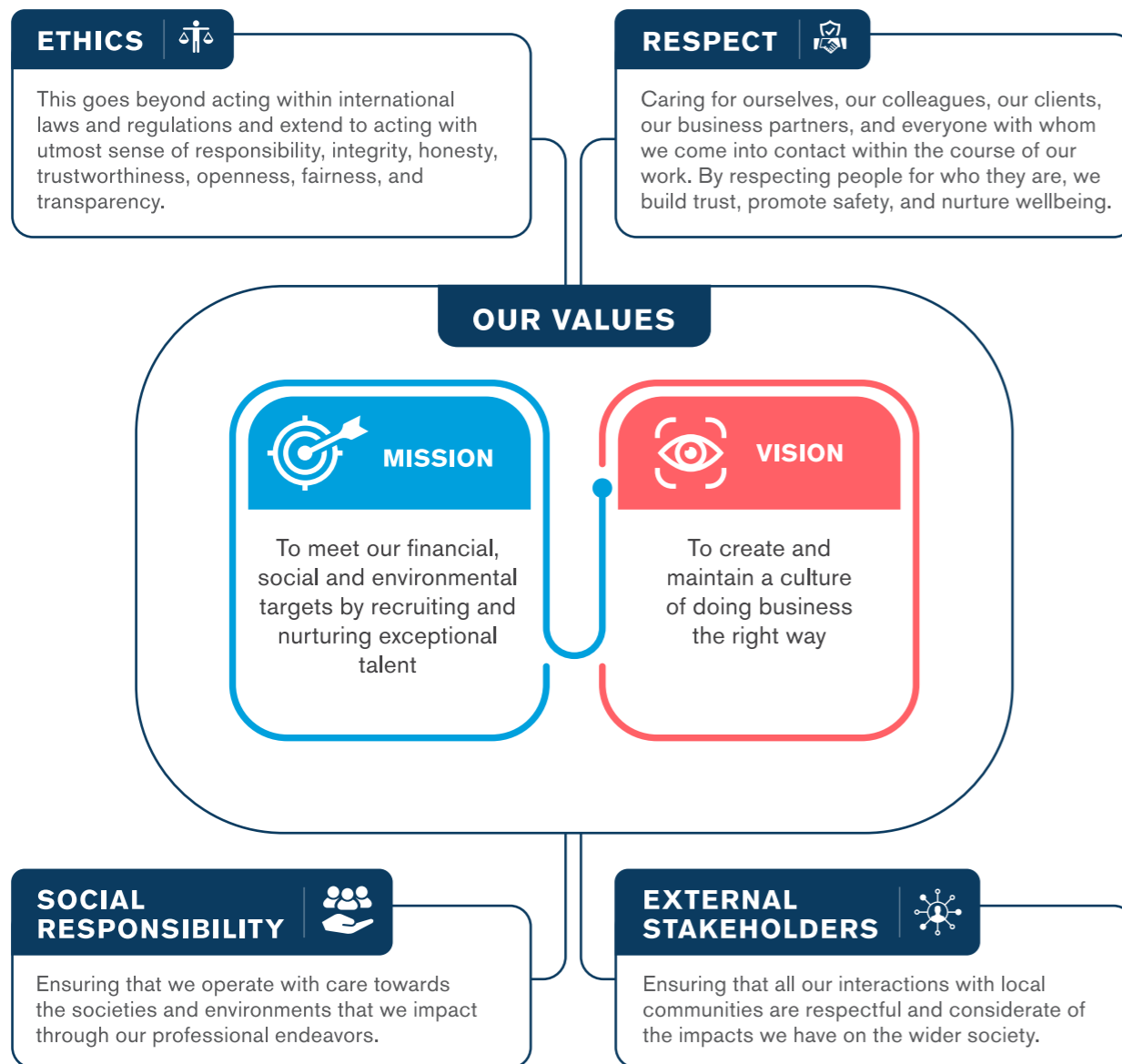
As an ambitious commodity trading organization, we are aligning our future aspirations and targets with our overarching purpose and sustainability framework.

Mariam Almaszade
CEO of SOCAR Trading

3.3 Mission, vision and values

We are inspired by the idea that our everyday actions allow us to bring energy security to where it is needed the most. We are committed to enhancing positive and reducing negative impacts on our stakeholders by integrating our responsible business approach into all our operations and strategic objectives. **Our mission, vision, and values shape our strategic trajectory and are an indispensable part of our organizational identity.**

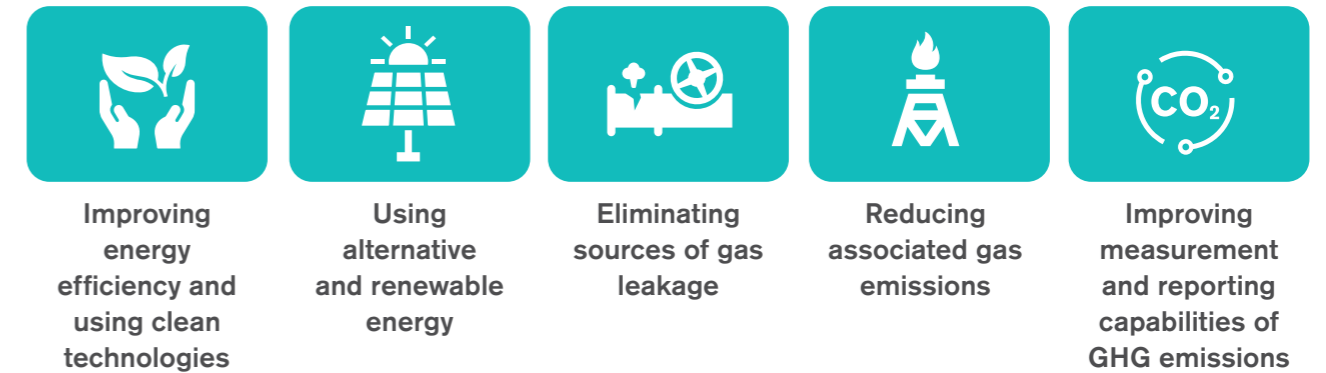
Figure 2. SOCAR Trading's mission, vision and values



3.4 SOCAR Decarbonization Strategy

In 2021, our parent company, SOCAR, endorsed its “**Low Carbon Development Strategy (LCDS) 2030**,” outlining its vision and objectives in developing a low carbon future and cutting its carbon intensity and direct as well as indirect emissions.

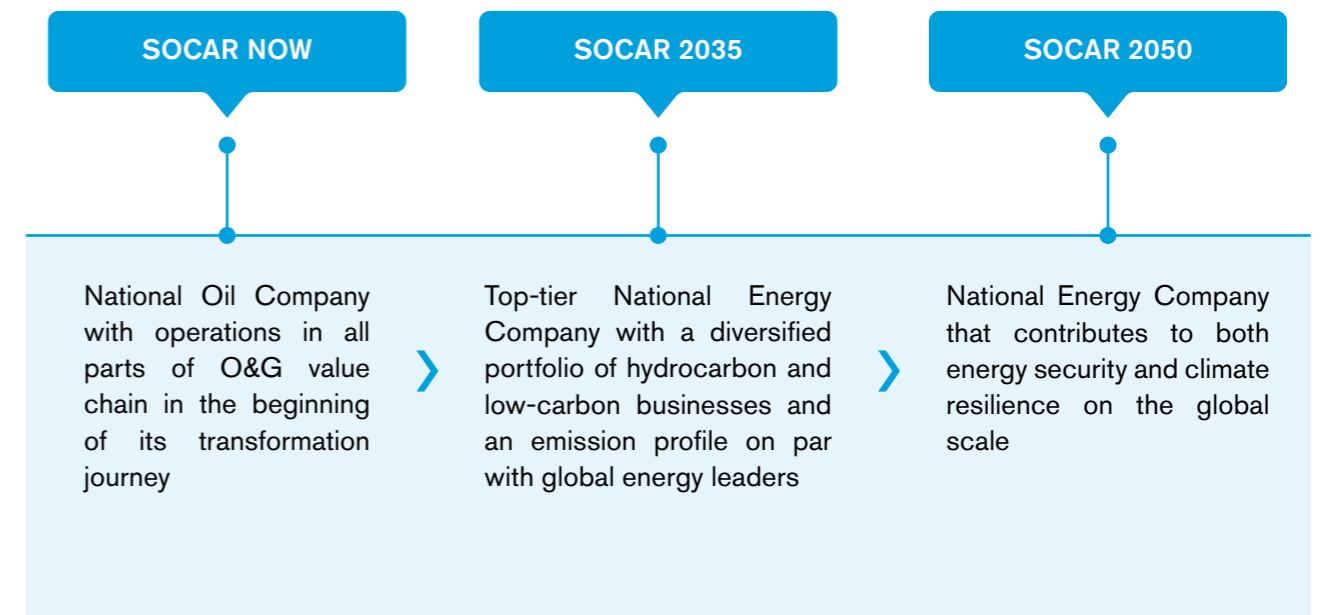
SOCAR's Low Carbon Development Strategy focuses mainly on the following mitigation actions:



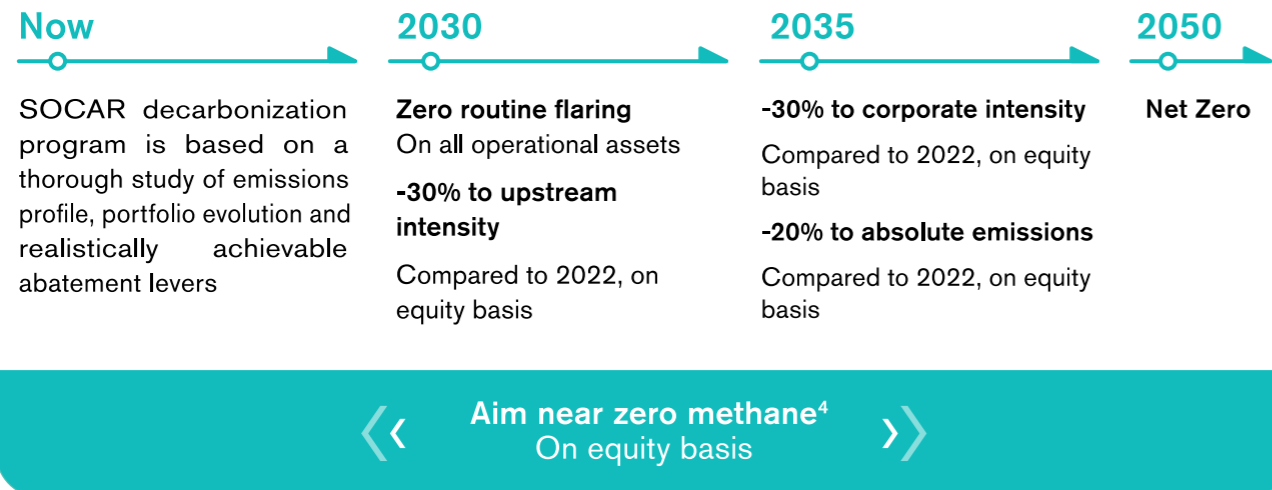
In December 2023, during COP28 in Dubai, the COP28 Presidency and the Kingdom of Saudi Arabia unveiled the Oil and Gas Decarbonization Charter (OGDC), a global industry initiative aimed at accelerating climate action within the oil and gas sectors. Fifty national and international oil and gas companies, including SOCAR, signed onto the OGDC.

At the same time, SOCAR announced its new decarbonization strategy with a new vision to transform SOCAR into National Energy Company providing affordable, secure and sustainable energy.

Figure 3. Transformation of SOCAR



SOCAR decarbonization program addresses emission growth to directionally reach Net Zero by 2050³



To reach its decarbonization goals, SOCAR leverages internal enablers, such as core decarbonization, new business launch and organizational transformation.

Decarbonization of the core



SOCAR has already launched a full-scale decarbonization program for its operations across all key geographies.

Organizational transformation



Change in the company's operational model and DNA to support ambition: new procedures, tools and organizational units aimed at decarbonization and growing new businesses.

New businesses

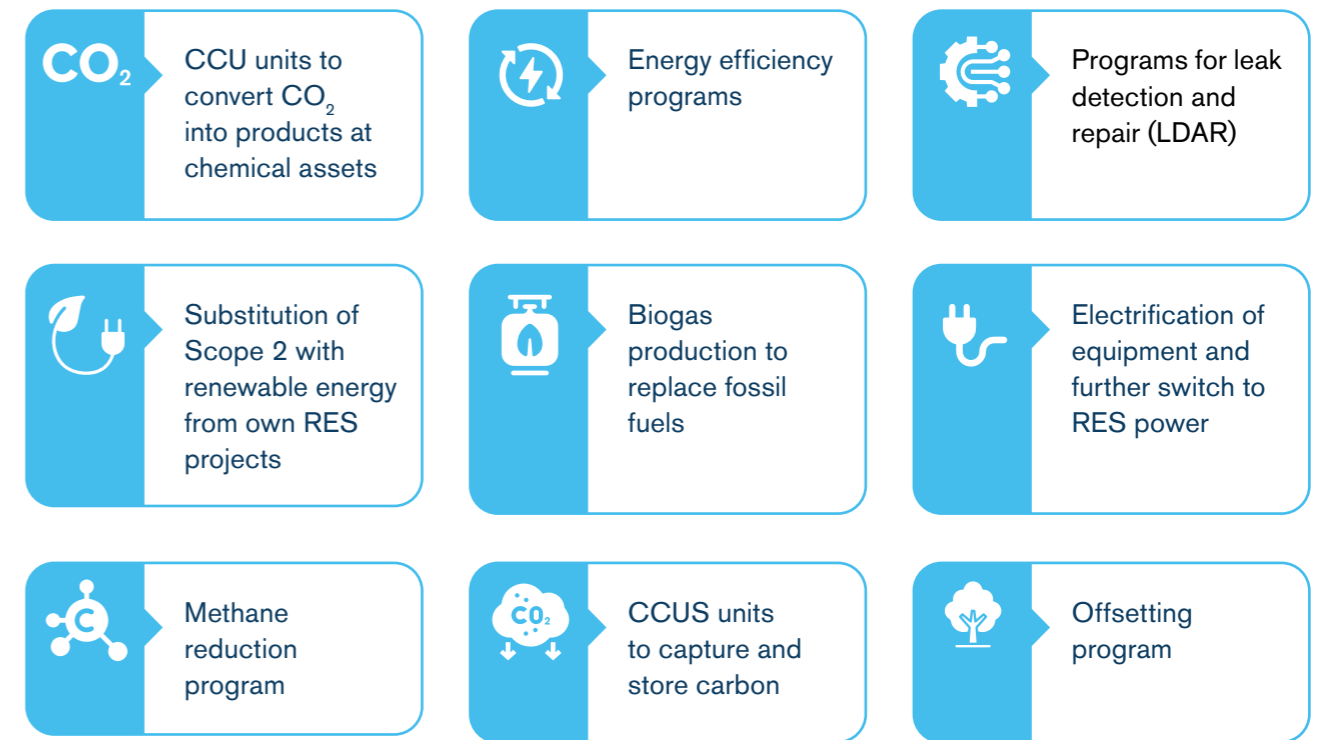


New business lines in partnerships with global leading companies include renewables (solar and wind), green hydrogen, and new technologies to support the development of specific territories in Azerbaijan.

³ The target is based on Scope 1 and 2 GHG emissions.

⁴ The target is set to be achieved by 2035 and applies to SOCAR's Upstream facilities.

SOCAR aims to decarbonize the core of its operations through a series of levers, summarized below, across all segments and geographies:





Kelaghayi, making and wearing women's silk headscarves

Rooted in traditions found along the Great Silk Road, the art of Kelaghayi is concentrated in two locations in Azerbaijan: the city of Sheki and the Basgal settlement. Kelaghayi making consists of several stages: fabric weaving, dyeing and woodblock decoration. Weavers choose thin silk threads from sericulture producers and weave fabrics on looms and then boil and dry them to make square-shaped cloths. Using vegetable substances, masters then dye the cloths various colours and decorate them with patterns using wooden stamps, covered with solutions made from rosin, paraffin and solid oil. The colours of headscarves have symbolic meanings and are often tied to specific social occasions, such as weddings, mourning ceremonies, daily activities and celebrations. The traditional practice of making and wearing headscarves is an expression of cultural identity and religious traditions and a symbol of social cohesion, reinforcing the role of women and strengthening the cultural unity of Azerbaijani society.



4

ESG management at SOCAR Trading

ESG progress

2023 was an important year for ESG initiatives at SOCAR Trading. We expanded our cross-functional ESG Working groups that operate under the guidance of the ESG team. ESG working groups are composed of ESG champions across most of our functional units, continued their efforts to ensure that sustainability principles are incorporated into each branch of our operations.

Based on the internally developed ESG KPIs, a total of 22 counterparties, including two of the investment portfolio companies, underwent an ESG assessment as per our updated Sustainable Procurement and Supply Chain Policy. As part of our efforts to better understand our material impacts and learn about the expectations of internal and external stakeholders, we conducted a survey, having contacted 20 most material trading and non-trading counterparties, as well as our employees.

In the reporting year, we engaged in a proactive dialog with selective capital providers and our assurance service provider to understand their expectations and requirements. In light of the upcoming Corporate Sustainability Reporting Directive (CSRD) compliance requirements, we have undertaken a comprehensive review of our existing ESG practices and conducted a gap analysis. As part of this process, we are working to develop double materiality assessment that is essential first step towards CSRD compliance and close gaps by ensuring alignment with the European Sustainability Reporting Standards (ESRS).

CSR projects was a key focus for the team in 2023. We have initiated three CSR projects with a positive impact on the biodiversity in Azerbaijan. Please refer to section 6.4 for more information.

We have initiated a process of adding KPIs to our credit facility. The KPIs are linked to an ESG Rating and decarbonization of our shipping operations. In the second half of 2023, we received our first ESG rating score from EcoVadis, an independent ESG Rating company. As of January 2024, we stand in the top 19% among industry peers assessed by EcoVadis.

Three Sustainability Committee meetings have been held during the reporting year. The Committee oversees SOCAR Trading's ESG Strategy and ensures that sustainability remains fully integrated into our corporate culture as well as major operations and decisions.

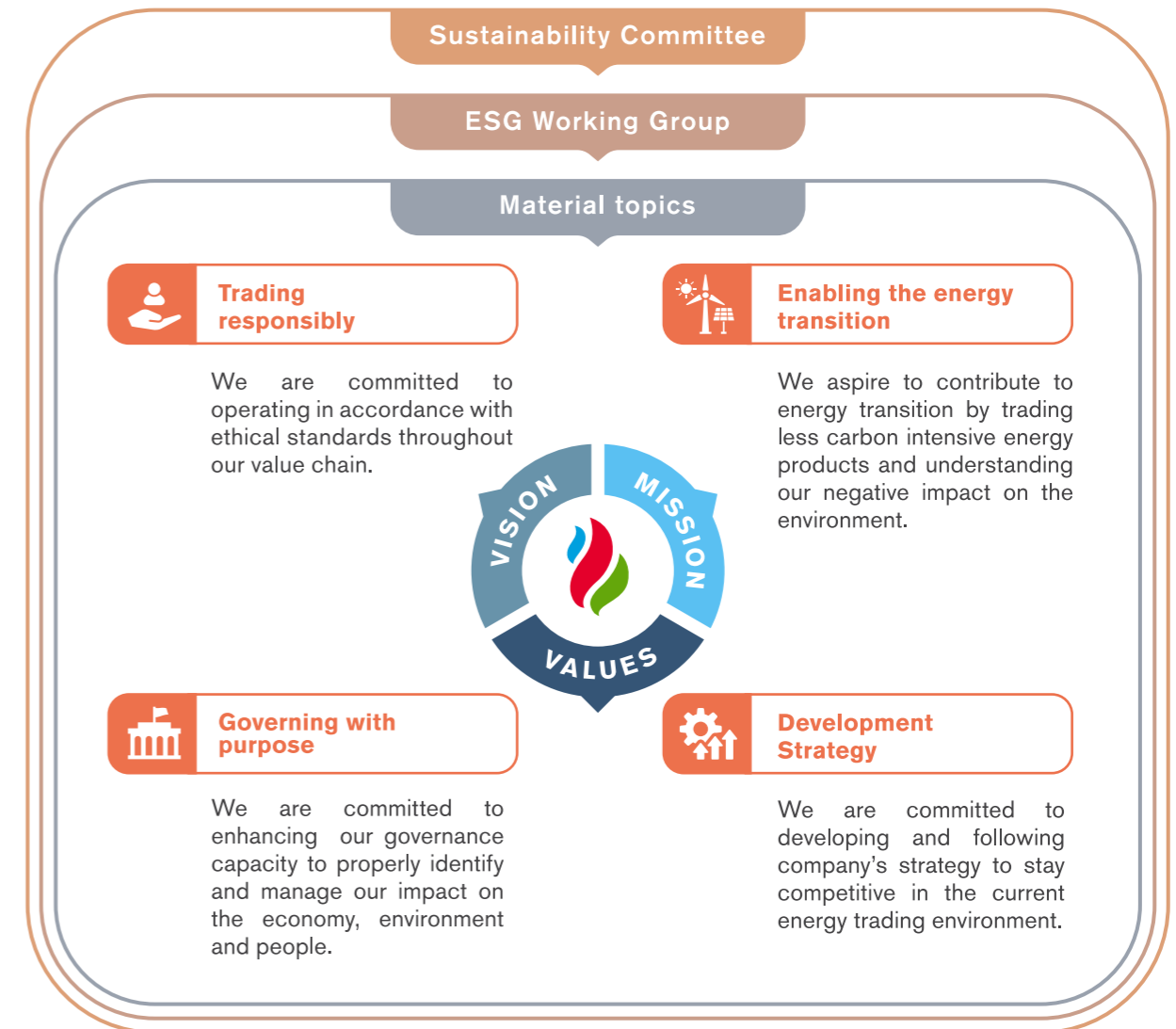
During the sustainability committee meetings in 2023, discussions revolved around crucial topics such as GHG emissions reduction initiatives, improvements around direct data capture and ESG reporting for shipping activities, the development of automation for ESG data reporting via our ESG data management tool. Three CSR projects in Azerbaijan have been discussed and approved by the Committee.



We intend to become a sustainability-driven organization with a diversified portfolio of energy commodities that not only brings energy security but also does so in line with the overarching goals and targets of the energy transition.

While trying to achieve our strategic goals, we intend to act responsibly in all our business engagements throughout the value chain.

Figure 4. SOCAR Trading's ESG framework



For more details on the ESG Governance Framework within SOCAR Trading, please see section 8.1 of the present document.

4.1 Newly developed and revised policies governing our ESG approach across value chains

We have also made significant steps to integrate ESG agenda into our operations by developing and updating several policies in the reporting year.

Stakeholder Engagement

We have introduced a dedicated policy focused on stakeholder engagement. This policy establishes the framework for identifying, interacting with, and responding to stakeholders, emphasizing transparency, ethics, and mutually beneficial relationships across the organization's operational boundary.

Human Rights Policy

In 2023, we revised our HSEC policy to outline our commitments to human rights. Policy focuses on our approach to identifying, assessing and addressing potential human rights impacts by providing remedy.

In 2023, we revamped our approach by starting to develop a stand-alone Human Rights policy. Progress will be shared in the next ESG Report.

Cybersecurity

We have also initiated the development of a comprehensive Cybersecurity policy. This document aims to enhance the organization's resilience against evolving cyber threats, ensuring the protection of sensitive data, business continuity, and maintaining the trust of stakeholders.

ESG Data Management Guidance

Through active engagement with capital providers, we developed an in-house ESG data management tool to calculate greenhouse gas emissions and manage ESG-related data effectively. To streamline data collection processes, we developed guidance for our admin teams across our offices. This detailed guidance delineates the intricacies of the data collection process, ensuring seamless implementation and adherence to ESG standards.

4.2 ESG strategic objectives and targets

In 2023, we have reviewed main pillars of our ESG Strategy and reconsidered key ESG objectives as part of our strategic commitment to advance our ESG competence and contribute to global goals. **To ensure that our operations and aspirations envisage ESG principles, we have updated our strategic KPIs and targets. Figure 5** outlines our strategic objectives in relation to ESG initiatives while **Table 1** includes specific targets associated with such objectives.

We are proud to mention that in the reporting year, we managed to achieve most of the goals listed in the **Table 1**.

Figure 5: SOCAR Trading's ESG Strategy

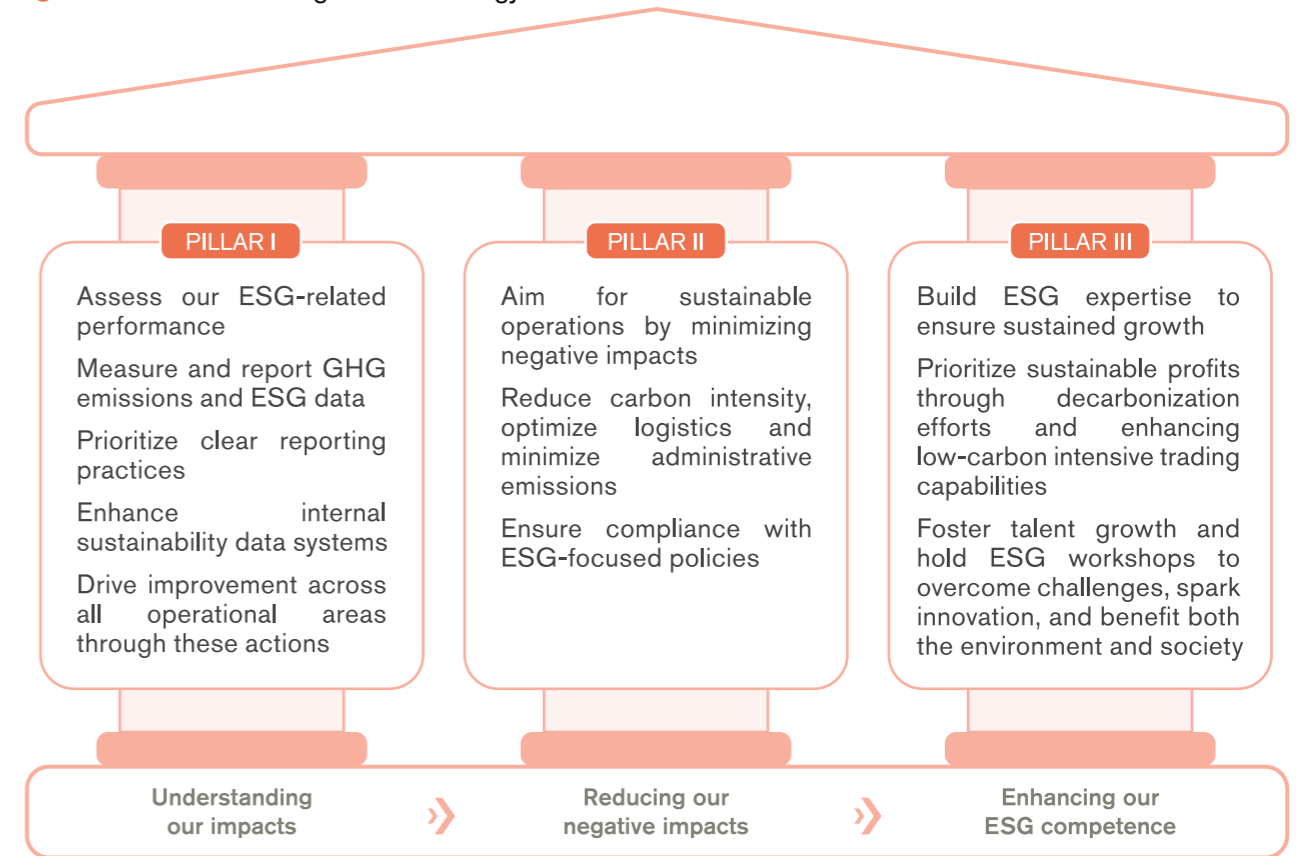


Figure 6: SOCAR Trading's ESG strategy

Pillar I:

Understanding our impacts

These actions are intended to lay the foundation of our management approach of SOCAR Trading's most significant impacts on the economy, environment and people.



Assess our ESG-related performance

By establishing a basis for measuring our sustainability performance we are enabling appropriate target setting and reporting capabilities.

Our goals

- Continuously measure and report GHG emissions
- Ensure regular application of a GHG calculation tool for accurate and consistent measurements and reporting
- Continuously collect ESG related data (such as HR statistics and policy breaches) to understand performance



Report regularly on ESG-related performance

By maintaining an annual reporting practice, we are establishing accountability and building the appropriate framework for transparent and continuous reporting of our ESG performance.

Our goals

- Regularly disclose information about our most significant impacts in an annual ESG Report
- Regularly enhance our reporting practice
- Regularly improve our internal systems for consolidating sustainability-related data



Enhance ESG governance

By improving ESG governance of SOCAR Trading and our investment companies, we strengthen our capacity to identify and manage our most significant impacts on the economy, environment and people.

Our goals

- Hold regular Sustainability Committee meetings
- Perform an external assurance of ESG reporting
- Develop, review and follow ESG-focused policies and processes
- Ensure company's compliance with ESG-related policies
- Ensure regular ESG data reporting by non-controlled investment companies
- Hold regular sessions on ESG subjects tailored to specific functions

Pillar II: These actions are intended to demonstrate our commitment to reduce our most significant negative impacts on the environment, society and stakeholders.

<p>Reduce carbon-intensity of the trading portfolio</p> <p>By measuring and tracking lifecycle carbon intensity of the physical commodities we trade, we can understand our negative impacts better and take definitive actions to reduce them.</p> <p>Our goals</p> <ul style="list-style-type: none"> Continue increasing traded volumes of transitional commodities (i.e., LNG, natural gas, LPG) in the portfolio Develop a calculation tool to estimate lifecycle emission intensity of the traded commodity Support SOCAR Group and sister companies on the decarbonization projects to reduce CI of system molecules 	<p>Reduce our administrative emissions</p> <p>By setting reduction targets and implementing relevant initiatives, we intend to reduce our Scope 1 and Scope 2 emissions.</p> <p>Our goals</p> <ul style="list-style-type: none"> Electrify vehicle fleet Ensure efficient use of electricity and other resources at trading offices Procure renewable energy or emission abatement certificate at trading offices 	<p>Optimise logistics to reduce carbon intensity of the chartering activity</p> <p>By chartering modern, environmentally friendly vessels and optimizing logistics we intend to reduce the environmental impacts of our shipping operations.</p> <p>Our goals</p> <ul style="list-style-type: none"> Employ analytical tools and improve the skills of our employees for better logistics management Incentivise employees to reduce carbon intensity of the chartering activity Ensure alignment of own chartering operations with IMO carbon intensity targets 	<p>Manage operational, legal and regulatory risks</p> <p>By implementing and enforcing ESG focused policies and procedures, monitoring regulatory environment and evaluating ESG impact, we manage key risks.</p> <p>Our goals</p> <ul style="list-style-type: none"> Continuously assess ESG related risks across trading transactions and investment companies Ensure continuous implementation and enforcement of key ESG focused policies on health and safety, human rights, sustainable procurement
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Pillar III: These actions are intended to develop our market expertise and analytical capability, provide commercial know-how, upscale positive impacts and enable us to contribute to the energy transition.

<p>Sustainable earnings from core business</p> <p>By improving our ESG performance and achieving our ESG objectives, we contribute to sustainable profitability.</p> <p>Our goals</p> <ul style="list-style-type: none"> Support SOCAR Group companies on the projects to reduce CI of system molecules we trade Reduce negative impacts and upscale positive impacts across the value chain 	<p>Increase activity in transitional commodity trading</p> <p>By leveraging our existing trading know-how, we intend to increase the share of transitional commodities in the trading portfolio, with a particular focus on LNG and natural gas.</p> <p>Our goals</p> <ul style="list-style-type: none"> Expand the gas value chain in Europe Increase our LNG trading volumes 	<p>Develop zero and low carbon trading capabilities</p> <p>Since 2021, we have been developing our environmental product trading capabilities. We are now active on both compliance and voluntary carbon markets and are developing carbon projects in our core markets.</p> <p>Our goals</p> <ul style="list-style-type: none"> Increase traded volumes of environmental products at both compliance and voluntary markets Develop carbon reduction, removal and avoidance projects 	<p>Attract and develop talent</p> <p>By engaging and providing development opportunities to our employees and contractors, our key stakeholder group, we create suitable environment to attract and retain top quality talent.</p> <p>Our goals</p> <ul style="list-style-type: none"> Identify and address training needs of the employees Hold regular function/subject specific sessions on the ESG matters
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During the reporting year, we have taken further steps to bolster our business practices by establishing a distinct and well-defined ESG targets and monitoring our progress towards achieving them. The targets have been classified into three categories (environmental, social, and governance) and presented in the **Table 1**. Each target is aligned with our overarching ESG objectives mentioned in the preceding figure.

Table 1. ESG KPIs

✔ Achieved |
 ✔ Partially achieved |
 🔄 Ongoing |
 ✘ Not Achieved

Pillar	Environment	Initial Target Year	Status	New Target/Achievement Year	Status	Reference in Report
II	Reduce Scope 1 and 2 emissions by 30% by 2025 ⁵	2025	✔	2023	✔	Section 5.2
I	Implement standard ESG data measurement and reporting tool across SOCAR Trading	2023	✔	-	-	Section 7.4
I	Develop an automated calculation tool to estimate lifecycle emission intensity of the traded commodities	2023	✔	2025	🔄	Progress will be shared in the upcoming ESG reports
I	Update chartering agreements to enable reporting on fuel consumptions directly from the ship master	2022	✔	2023	✔	Section 5.3
II	Ensure alignment of carbon intensity of chartering operations with IMO targets ⁶	Continuous	✔	-	-	Section 5.3
III	Implement at least one (CSR or commercial) project with positive biodiversity impact	2024	✔	2025	🔄	Section 6.4

Pillar	Social	Target Year	Status	New Target/Achievement Year	Status	Reference in Report
I	Zero incidents of grievances about labor practices	Continuous	✔	-	-	Section 6.1.4
I	Zero incidents of discrimination	Continuous	✔	-	-	Section 6.1.1
I	Zero incidents resulting in injury	Continuous	✔	-	-	Section 6.1.6
III	Implement at least two CSR projects	Continuous	✔	-	-	Section 6.1.3
I	Zero incidents of human rights violation (i.e., modern slavery practice)	Continuous	✔	-	-	Section 6.1.3

⁵ The target is based on a 2019 baseline and is related to Scope 1 and Scope 2 emissions assuming that no new assets will come under operational control.

⁶ IMO target is based on the decarbonization trajectory target as defined by Sea Cargo Charter (SCC), which is aligned with the 2018 IMO GHG Strategy's absolute target of a 50% reduction in absolute shipping GHG emissions by 2050 compared to the 2008 baseline. When calculating EEOI, voyages over data accuracy of which we had the highest degree of confidence were covered by calculations, representing more than 90% of total GHG emissions from chartering activity. Voyages in the Caspian region were excluded from the carbon intensity calculations due to a limited direct and AIS data, as well as limited choice over fleet availability.

✔ Achieved |
 ✔ Partially achieved |
 🔄 Ongoing |
 ✘ Not Achieved

Pillar	Governance	Target Year	Status	New Target Year	Status	Reference
III	Undergo second ESG rating assessment by independent third-party company ⁷	2024	🔄	-	-	Progress will be shared in the upcoming ESG reports
I	Complete double materiality assessment	2025	🔄	-	-	Section 4.3
I	Create stand-alone page on SOCAR Trading website dedicated to Sustainability matters	2024	🔄	-	-	Progress will be shared in the upcoming ESG reports
I	Ensure water and electricity consumption reporting by offices is available	2022	✔	2023	✔	Section 5.4
I	Zero reported incidents of corruption	Continuous	✔	-	-	Section 7.2
I	Zero reported incidents of money laundering	Continuous	✔	-	-	Section 7.2
I	Zero reported instances of trading with sanctioned authorities	Continuous	✔	-	-	Section 7.2
I	Zero reported instances of market abuse	Continuous	✔	-	-	Section 7.2
I	Produce stand-alone Environmental, Human Rights and Cybersecurity policies	2024	🔄	-	-	Progress will be shared in the upcoming ESG reports
I	Define and document in a policy format the process of identifying and engaging with stakeholders	2023	✔	-	-	Progress will be shared in the upcoming ESG reports
I	Develop stand alone Sustainability Code of Conduct	2024	🔄	-	-	Progress will be shared in the upcoming ESG reports
I	Further enhancement of ERM framework to include additional climate-related risks	2023	✔	2024	🔄	Progress will be shared in the upcoming ESG reports

4.3 Defining what matters

We recognize that the process of 'defining what matters' is essential for aligning our ESG Strategy. Our ESG materiality assessment prioritizes SOCAR Trading's most significant impacts on the economy, environment, and people, including human rights.

⁷ With a goal to improve the ESG score by 5 points compared to the initial ESG score obtained in 2023, which serves as a baseline.

The impact materiality assessment of SOCAR Trading is based on the recommendations of GRI Standards. To understand SOCAR Trading's ESG context, including its activities, business relationships and stakeholders, as well as to determine and assess the significance of impacts and prioritize material topics, GRI guidance proposes a process of broad consultation to reach stakeholder consensus on the topics.

Our annual ESG materiality assessment process involves various components, such as internal and external stakeholder surveys (including employees and business partners), interviews with the C-suite, review of internal policies and strategies, benchmarking against peer companies, consultation with GRI Sector Standards as well as analysis of media resources. Further details on each step are provided below:

Subsequent event:

Double Materiality Assessment

Considering the emerging CSRD reporting requirements and their potential impact on SOCAR Trading's assets in the EU region, we will undertake performing a double materiality assessment (DMA) for our next ESG reports. The DMA integrates both financial and non-financial ESG factors inherent in our business operations and linked with ESG-related risks and opportunities that may affect our financial performance. To fulfill this aspiration, we initiated consultation sessions with reputable advisory firms in 2024 while developing the current ESG report.



Stakeholder Surveys

To receive a more in-depth understanding of our material impacts and learn about the expectations of internal and external stakeholders, we launched a survey created based on best-practice guidelines and international sustainability standards. The significance of the impacts was determined based on scale from 1 (lowest) to 5 (highest). Based on professional judgment, we assigned greater weight to responses from external stakeholders, as 1 to 3 compared to internal stakeholders.



Interviews

We conducted interviews with department heads and C-suite to ensure the alignment of material topics with their most relevant perspectives on material ESG topics at SOCAR Trading.



Media Review

An external analysis of our media presence and company image revealed key topics raised by the wider public regarding our activities.



Peer Benchmarking

An external analysis of major players in the commodity trading sector was conducted. The material topics commonly associated with peer companies were noted and evaluated against the common operations and value chains of peers. The relevance of material topics was evaluated and assessed against our own value chain.



Policy Review

An external analysis of our ESG policies was conducted to evaluate their contents and identify key ESG topics they address.






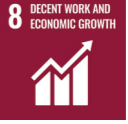


Ensuring Compliance with Industry Standards


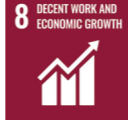
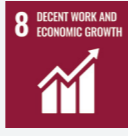
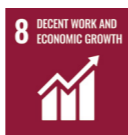


GRI Sector Standard for Oil and Gas 2021 and SASB's "materiality map" have deepened our comprehension of the most applicable material impacts associated with oil and gas commodity trading organizations.

Based on the results of performed procedures, we developed a materiality table (see **Table 2**) that describes the priority level of each material topic and our impact on it. This qualitative approach enables us to focus our efforts and resources with greater precision, as we work diligently to advance our ESG objectives.

Table 2. Material topics and prioritized SDGs

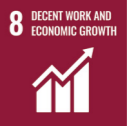

Topic	ESG Strategy Pillar	Description of our impact	Priority	Link to SDG	Reference
Environmental	II	We understand the significant role of energy efficiency and are continuously exploring innovative solutions to enhance our energy conservation efforts. As part of SOCAR's LCDS and a new Decarbonization Strategy, we are committed to improving energy efficiency in our operations by accelerating the adoption of cleaner technologies and the use of renewable sources of energy.	Very high ★★★★★	 	Section 5.4 of the Report
	II	We recognize that water is a valuable and finite resource that is essential for life on our planet. In 2023, we ensured that all of our offices appropriately report on their water consumption, allowing us to identify areas where we can improve our water usage and reduce negative environmental impact.	Moderate ★★★		Section 5.4 of the Report
	III	As part of our commitment to advancing the global effort to combat climate change and accelerate the energy transition, we have taken proactive steps. These include participating in carbon markets and enhancing the global capacity to supply relatively low-carbon energy and environmental products. We remain dedicated to our efforts in pursuing carbon trading, as well as carbon removal and avoidance projects through our Carbon Desk.	High ★★★★		Section 5.3 of the Report
	II	In our commitment to sustainable consumption and effective waste management, we encourage our employees to reduce paper usage. At our Geneva office, we sort electronic waste such as e-batteries and outdated IT equipment, which is then recycled through a non-profit waste management organization.	Moderate ★★★		Section 5.4 of the Report

Topic	ESG Strategy Pillar	Description of our impact	Priority	Link to SDG	Reference
Environmental	II	In 2023, we continued to assess our greenhouse gas emissions through our improved emissions calculation tool. Our unwavering commitment to reducing our carbon footprint remains at the forefront of our efforts. Having significantly reduced our Scope 2 emissions (calculated using market-based approach), in 2023, we achieved a target of a 30% reduction in our Scope 1 and Scope 2 emissions by 2025 compared to 2019.	Very high ★★★★★		Section 5.2 of the Report
	III	We embed equal opportunities, diversity, and inclusion into our corporate culture. Our Equal Opportunities and Diversity Policy applies to everyone, including employees, workers, agency workers, contractors, as well as volunteers, and prohibits discrimination based on race, religion, ethnicity, nationality, age, gender, sexual orientation, disability, or other particulars protected by law.	Very high ★★★★★	 	Section 6.1.1 of the Report
Social	III	We consistently support and encourage our employees to enhance their knowledge and skills through both internal training sessions and external professional development opportunities. Our aim is to equip our employees with the necessary tools to excel in their roles and contribute positively to our operational excellence. In 2023, we continued to provide personalized digital and in-person learning opportunities tailored to individual needs, development plans, and relevance to the industry or subject matter.	High ★★★★		Section 6.1.2 of the Report
	II	Ensuring the health and safety of our workforce is a must for any business. To demonstrate our commitment, in 2023, we held several events aimed at employee's well-being and updated our Health, Safety, Environment, and Communities (HSEC) policy.	High ★★★★	 	Section 6.1.6 of the Report

	Topic	ESG Strategy Pillar	Description of our impact	Priority	Link to SDG	Reference
Social	Human rights	II	We strive to achieve our trading objectives without any human rights violations in our value chain. In 2023, we updated our HSEC policy to include specific commitments and internal processes related to human rights provisions. During the same year, we initiated the development of a dedicated Human Rights policy.	Very high ★★★★★	 	Section 6.1.3 of the Report Section 4.1 of the Report
	Talent attraction and retention	III	We place a high value on attracting and retaining top talent. We are dedicated to creating a work environment that prioritizes professional growth and employee well-being. In 2023, we continued to provide favorable workplace conditions, supported the development of local talent, and offered diverse opportunities for young professionals to advance their careers.	High ★★★★		Section 6.1.2 of the Report
	Local suppliers	II	In 2023, we continued to prioritize sourcing from local suppliers in each office's country of operation. This approach constitutes a significant portion of our procurement expenses, and we believe it is essential for supporting local economies and strengthening the local workforce.	High ★★★★		Section 6.2 of the Report
	Community engagement	II	During the reporting period, we have implemented three CSR projects with positive social and environmental impact: Caspian Beach Clean-up, Sturgeon fish release into the Caspian Sea, and tree planting event. All initiatives underwent the project selection process provided in our CSR policy.	High ★★★★		Section 6.3 of the Report
Governance	Anti-competitive behavior	I	At SOCAR Trading, we are dedicated to fostering fair competition. To achieve this goal, we have established robust monitoring and risk assessment protocols to oversee and regulate any potential anti-competitive practices. Our commitment extends to compliance with the EU's Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) No 1227/2011. Additionally, we continually evaluate our impact on market integrity through our Market Abuse Policy and REMIT Inside Information and Anti-Market Abuse Policy.	Moderate ★★★		Section 7.2 of the Report

	Topic	ESG Strategy Pillar	Description of our impact	Priority	Link to SDG	Reference
Governance	Responsible supply chain	I	We recognize the importance of maintaining a responsible supply chain. In 2023, we rolled out our Sustainable Procurement and Supply Chain Policy to strengthen our oversight and address ESG risks within our operations. During the reporting period, SOCAR Trading evaluated the ESG performance of its top twenty trading and financial counterparties using internally developed Key Performance Indicators (KPIs).	High ★★★★		Section 4.1 of the Report
	Anti-bribery and corruption	I	At SOCAR Trading, we recognize the critical importance of anti-bribery and anti-corruption measures. These practices ensure legal compliance, protect reputation, promote fair competition, and effectively manage ESG risks. To achieve these goals, we have implemented a comprehensive Anti-Bribery and Corruption Policy that adheres to international legal standards. In 2023, we had zero corruption incidents or related grievances.	Very high ★★★★★		Section 7.5 of the Report
	ESG integration into governance	I	At SOCAR Trading we recognize the importance of incorporating ESG factors in governance to attract responsible investors, enhance our reputation, and create long-term value. To achieve this goal, we have implemented several measures, including setting specific KPIs and targets for ESG performance, establishing a dedicated Sustainability Committee, integrating ESG factors into our decision-making processes, engaging with stakeholders, and providing transparent disclosure of our ESG performance.	Very high ★★★★★		Section 7 of the Report
	Compliance	I	We prioritize compliance practices, including adherence to international declarations, conventions, national, and local regulations. To assess the compliance of potential counterparties with laws, regulations and SOCAR Trading's criteria, we monitor compliance risk assessments through KYC controls which include ESG-related section since 2022.	Very high ★★★★★		Section 7.5 of the Report
	Grievance mechanisms	I	We understand the importance of grievance mechanisms for both internal and external stakeholders. Therefore, we are committed to implementing efficient procedures to promptly address and resolve complaints and grievances concerning various issues, including labor practices, human rights, and other relevant topics. Our Grievance procedure is described in Employee Handbooks.	Moderate ★★★		Section 6.1.4 of the Report

Topic	ESG Strategy Pillar	Description of our impact	Priority	Link to SDG	Reference
Governance	ESG strategy	We prioritize our ESG strategy, aiming to conduct profitable business operations while responsibly serving both society and the environment. In 2023, we reviewed the key pillars of our ESG Strategy and reevaluated our core ESG objectives, demonstrating our strategic commitment to enhancing our ESG proficiency and contributing to global goals. We made significant progress integrating ESG into our corporate strategies, long-term objectives and targets, with the objective of improving our sustainability performance and becoming a socially and environmentally responsible corporate entity.	Very high ★★★★★		Section 4.2 of the Report
	Business development	At SOCAR Trading, we understand that business development plays a crucial role in our growth. It drives innovation, effective risk management, and helps us maintain a competitive edge. We are constantly committed to expanding our operations, exploring new markets, enhancing existing offerings, and fostering new partnerships.	Very high ★★★★★		Section 3.4 of the Report
	Sustainability risk management	We have integrated risks associated with negative ESG impact implied from SOCAR Trading's own or its third-parties' performance into our risk management framework. We will continue to prioritize ESG considerations and work towards mitigating any risks associated with our operations.	High ★★★★		Section 7.6 of the Report
Stakeholder engagement and accountability	At SOCAR Trading, we regularly engage with a diverse group of stakeholders to keep them informed and collect feedback. This is our third annual ESG Report, and the second year in which we have engaged a third-party assurance provider to enhance credibility and accountability of the disclosed information. In 2023, we developed a new Stakeholder Engagement Policy which outlines our approach to building constructive relationships with our stakeholders.	Very high ★★★★★		Section 6.5 of the Report	

Topic	ESG Strategy Pillar	Description of our impact	Priority	Link to SDG	Reference
Governance	Remuneration practices	We highly value our employees' contributions towards achieving long-term and sustainable business success. Therefore, we offer market-competitive benefit packages that are tailored to meet the country-specific needs and government regulations. Our employee benefits package encompasses both financial rewards and non-monetary incentives.	Moderate ★★★		Section 6.1.5 of the Report
	Tax transparency	We acknowledge the vital role of tax transparency in effective financial management, ensuring compliance and fostering trust with stakeholders. SOCAR Trading's Tax Strategy is designed to ensure that the company meets its tax obligations and manages associated risks in compliance with all relevant laws and regulations.	High ★★★★		Section 6.2 of the Report



Novruz

New Year is often a time when people wish for prosperity and new beginnings. March 21 marks the start of the year in Azerbaijan as well as other countries in the region, like Iran, Turkiye and Central Asia. In Azerbaijan, it is referred to as Novruz, meaning 'new day' when a variety of rituals, ceremonies and other cultural events take place for a period of about two weeks. An important tradition practised during this time is the gathering around 'the Table', decorated with objects that symbolize purity, brightness, livelihood and wealth, to enjoy a special meal with loved ones. New clothes are worn and visits made to relatives, particularly the elderly and neighbours. Gifts are exchanged, especially for children, featuring objects made by artisans. There are also street performances of music and dance, public rituals involving water and fire, traditional sports and the making of handicrafts. These practices support cultural diversity and tolerance and contribute to building community solidarity and peace. They are transmitted from older to younger generations through observation and participation.



5

The "E"

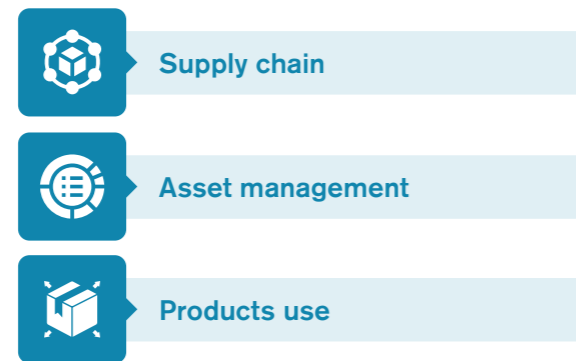
5.1 Our approach to environmental management

In the wake of decarbonization requirements and the drive for net-zero, we are developing and implementing new initiatives to decrease our direct and indirect impacts. In parallel, we are looking forward to expanding our environmental product trading capabilities.

Being an asset-light commodity trading company, we are not directly involved in upstream production, refining or shipping. Thus, our direct environmental impacts are lower than those generated by our peers directly involved in mining, oil and gas production, refining, shipping, and energy generation. Nevertheless, we acknowledge the indirect environmental impacts inherent in our value chain.

On a strategic level, our priorities with respect to the environment are centered around three pillars:

Figure 7. Three pillars shaping SOCAR Trading's environmental approach



We identified the following key directions guiding our environmental initiatives and performance:

Figure 8. Key directions of SOCAR Trading's environmental initiatives

- Understand and reduce our corporate carbon footprint (For more details, please see section 5.2)
- Increase traded volume of transitional energy commodities (For more details, please see section 5.2)
- Reduce the carbon intensity of shipping operations (For more details, please see section 5.3)



Develop trading capabilities around environmental products (For more details, please see section 5.3 below)



Invest in carbon avoidance and removal projects (For more details, please see section 5.3 below)

5.2 Our corporate carbon footprint



Our progress in focus: Status update on Scope 1 and 2 reduction target

At SOCAR Trading, we have set a target to reduce our Scope 1 and 2 emissions by 30%⁸ by 2025, using 2019 figures as our baseline⁹. In 2019, our Scope 1 and 2 emissions were recorded at 202 tCO₂e. By 2022, we made progress, reducing our emissions to 185 tCO₂e, which represented a reduction of approximately 11% from the baseline. Continuing this trend, in 2023, our emissions further decreased to 155 tCO₂e, reflecting a reduction of about 26% from the 2019 baseline.

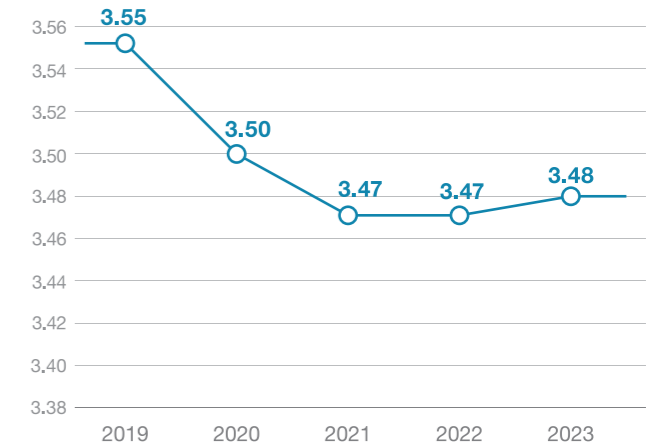
Additionally, after procuring country specific renewable energy certificates for our Houston and Dubai offices, our Scope 1 and 2 emissions¹⁰ for 2023 were effectively reduced to 63 tCO₂e. This adjustment signifies an overall reduction of approximately 70% compared to our 2019 baseline.

We remain committed to our target and will continue to follow our developed action plan, reporting our progress in the coming years.

Our approach goes beyond simply measuring and reporting – it is about holistic understanding and evaluation of major impacts and definitive actions aimed at rapid mitigation.

In 2023, the overall carbon intensity of our trading portfolio remained around the same range as in the previous two years.

Figure 9. Lifecycle carbon intensity of SOCAR Trading's trading portfolio (tCO₂e/Mtoe)



5.2.1 Our approach to assessing our corporate carbon footprint

Our approach towards measurement of our GHG emissions is based on the GHG inventory method outlined in the **GHG Protocol standards**. In accordance with these standards, we first identified major sources of GHG emissions associated with our operations by scope (see **Figure 10**). GHG inventory reporting includes carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) gases.

Scope 1 emissions are direct emissions associated with company-controlled assets. We apply the "operational" control approach, meaning that we report emissions from operations over which we have control. Our Scope 1 emissions are limited to those associated with the company's own vehicles.

Scope 2 emissions are indirect emissions associated with electricity consumption at SOCAR Trading offices.

With no operational assets under our control, our Scope 1 and Scope 2 emissions and associated impacts are low, making it less than 1% of the total footprint in 2023.

Our **Scope 3** emissions include other activities associated with the value chain (see **Figure 10**) and make up the majority of our GHG emissions. Due to materiality, we focus our efforts on the categories associated with our **chartering activity and non-controlled investments**. We recognize that these are the areas, over which we have the most influence and are constantly evaluating possible emission reduction targets and the measures to reduce the negative impacts caused by our operations.

⁸ The target is based on a 2019 baseline and is related to Scope 1 and Scope 2 emissions assuming that no new assets will come under operational control.

⁹ In 2022, we revised our 2019 Scope 1 and 2 figures following a limited assurance process. As a result, Scope 1 figure for 2019 stands at 21 tCO₂e and Scope 2 at 188 tCO₂e.

¹⁰ The calculations were performed using a market-based approach.

Figure 10. GHG emission sources of SOCAR Trading

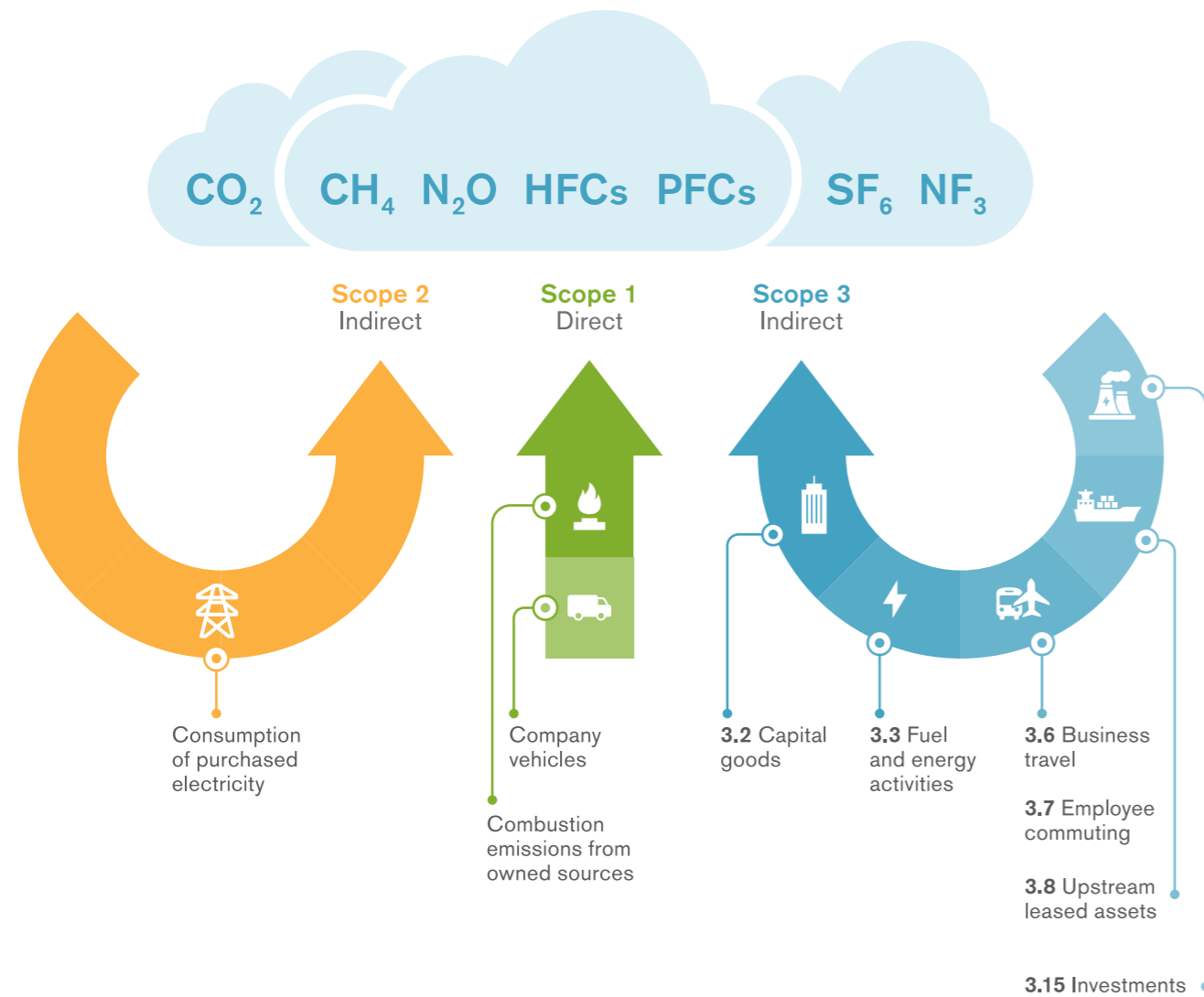


Table 3. GHG emissions by scopes, tCO2e

Direct (Scope 1) GHG emissions	2021	2022	2023	2023 adjustment	2023
GHG direct emissions, metric tons of CO2 eq.	20	23	30	-	30
Energy indirect (Scope 2) GHG emissions	2021	2022	2023	2023 adjustment	2023
GHG indirect emissions caused by the electricity consumption, metric tons of CO2 eq.	189	162	125 ¹¹	(92) ¹²	33 ¹³

¹¹ Scope 2 emissions calculated using location-based approach.

¹² Difference between Scope 2 emissions calculated using location - and market-based approaches.

¹³ Scope 2 emissions were calculated using the market-based approach. In case of unavailability of residual mix emission factors (EFs), location-based EFs were applied. For the Dubai and Houston offices, Renewable Energy Certificates (I-REC / RECs) have been procured, covering 100% of their emissions.

Indirect (Scope 3) GHG emissions	2021	2022	2023	2023 adjustment	2023
GHG other indirect emissions, metric tons of CO2 eq., from the following sources:					
3.2 Capital goods	127	103	139	-	139
3.3 Fuel and energy related activities	65	62	51	-	51
3.6 Business travel	299	0 ¹⁴	466	(466) ¹⁵	-
3.7 Employee commuting	64	0 ¹⁶	79	(79) ¹⁷	-
3.8 Upstream leased assets	543 169	892 629	570 345	-	570 345
3.15 Investments	411 906	387 075	337 564	-	337 564
Total	955 839	1 280 054	908 799		908 162

Compared to 2022, our 2023 GHG emissions decreased by 29% due to a 36% reduction in shipping emissions.

Offsetting Initiatives

Our progress in focus

In 2023, we offset our GHG emissions from employee commuting and business travel with nature-based carbon credits certified by the Verra Carbon Standard (VCS).

Scope 2 Emissions

Our progress in focus

In 2023, we procured country specific renewable energy certificates for our Houston and Dubai offices. As the result, our 2 emissions calculated using market-based approach for 2023 were effectively reduced to 63 tCO2e.

Table 4. Our approach to measuring our carbon footprint

Category	What is covered?	Sources of primary data	Sources of secondary data	Main observations
Scope 1	Emissions that are associated with SOCAR Trading's own vehicles and combustion sources.	<ul style="list-style-type: none"> Liters of fuel consumed according to the bills 	<ul style="list-style-type: none"> For fuel combustion, we used the ADEME Base Carbone EFs. 	Although immaterial compared to the other scopes, these emissions are under our direct control.
Scope 2	Emissions that are associated with purchased electricity calculated using location- and market-based (takes into account country specific renewable energy certificates) approaches.	<ul style="list-style-type: none"> Electricity consumption from the bills, and amount of electricity calculated as calibration from the contractual office area 	For the electric grid carbon intensity, we used the IEA values for each country, except US, where US EPA for Texas EF was applied.	These emissions are immaterial but represent up to 90% of Scope 1 and 2 emissions. In 2023, a 23% YoY decrease was observed for Scope 2 GHG emissions due to improved energy efficiency in our offices.

¹⁴ In 2022, we offset our GHG emissions arising from Business travel (429 tCO2eq).

¹⁵ In 2023, we offset our GHG emissions arising from Business travels (466 tCO2eq).

¹⁶ In 2022, we offset our GHG emissions arising from Commuting (83 tCO2eq).

¹⁷ In 2023, we offset our GHG emissions arising from Commuting (79 tCO2eq).

Category	What is covered?	Sources of primary data	Sources of secondary data	Main observations
Scope 3.2 – Capital goods	Emissions that are associated with cradle-to-gate emissions of purchased capital goods (i.e., emissions from the amortization of office building construction, hardware)	<ul style="list-style-type: none"> Number of IT equipment units owned Square meters of space rented by SOCAR Trading for office needs 	For capital goods, we used the ADEME Base Carbone EFs for purchased goods (i.e. IT equipment) buildings and IT equipment.	These emissions are immaterial compared to the other Scope 3 categories.
Scope 3.3 – Fuel and energy-related activities not included in Scope 1 and Scope 2	Emissions that are associated with upstream emissions of purchased fuels and electricity.	<ul style="list-style-type: none"> Electricity consumption Liters of fuel consumed 	For fuel-related activities not included in Scope 1, we used EFs from ADEME. For energy related activities, not included in Scope 2, we used IEA methodology.	These emissions are immaterial compared to the other Scope 3 categories and are directly linked to Scope 1 and 2 emissions.
Scope 3.6 – Business travel	Emissions that are associated with the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses and passenger cars.	<ul style="list-style-type: none"> Average distance traveled in an aircraft Paid fare for business-related flights Average distance traveled in a train Average distance traveled in a rented car Rental period for leased cars Expenses associated with hotel stays 	For business travel, we used the EFs from ADEME Base Carbone for transportation and hotels whenever the travel agency/ company did not provide specific EFs.	These emissions increased relative to previous two years as business related travelling picked up following a period impacted by pandemic induced travelling restrictions. In 2024, we have fully offset our GHG emissions arising from employee commuting in 2023.
Scope 3.7 – Employee commuting	Emissions that are associated with the transportation of employees between their homes and their worksites.	<ul style="list-style-type: none"> Number of days employees spent on site Average distance traveled, by mode of transport based on a survey 	For commuting, we used the EFs from ADEME Base Carbone for each mode of transport.	These emissions are immaterial compared to the other Scope 3 categories. In 2024, we have fully offset our GHG emissions arising from employee commuting in 2023.

Category	What is covered?	Sources of primary data	Sources of secondary data	Main observations
Scope 3.8 – Upstream leased assets	Emissions that are associated with the transportation of commodities we trade, where we are responsible for the arrangement and payment. The main contributors are: <ul style="list-style-type: none"> Our chartering activity Pipeline transportation 	<ul style="list-style-type: none"> Quantity of commodities traded Specifications of chartered vessels Liters of fuel consumed during shipping voyages. Manual estimates were based on voyage duration, distance, tonnage and observed emissions for ships within the same voyage segment 	For transportation emissions on upstream leased assets, we used EFs or fuel combustion from IMO MEPC.308(73) and GWP values from IPCC's 6th Assessment Report and FuelEU Maritime.	This category accounts for ~63% of total emissions in 2023. Around 88% of these emissions are from our chartering activity, with the rest associated with pipeline transportation.
Scope 3.15 – Investments	Emissions that are associated with any entity where SOCAR Trading has at least 5%, but not more than 50% interest. Entities included in the reporting: <ul style="list-style-type: none"> ElectroGas Malta (Scope 1)* Octogone Product Terminal in Benin (Scope 1, 2 and Scope 3.11) <p><i>* Since ElectroGas Malta is a power generating facility, Scope 2 emissions were deemed as immaterial.</i></p>	<ul style="list-style-type: none"> Direct emission data for ElectroGas Malta already calculated under existing regulations Quantity of commodities traded for Octogone SPP 	For Scope 3.11 of the investment portfolio companies, we used EFs from ADEME Base Carbone for each commodity type.	<p>The emissions included in SOCAR Trading's carbon footprint assessment are equal to the percentage of SOCAR Trading's ownership in its investments and account for c. 37% of total emissions in 2023.</p> <p>In cases when Scope 1 and 2 emissions of our non-controlled investments were found to be immaterial, Scope 3 category 11 (Use of sold products) emissions were considered.</p>

5.3 Shipping optimization

Globally, maritime transportation accounts for around 3% of GHG emissions. In 2018, the International Maritime Organization (IMO) adopted a strategy to reduce carbon emissions from the shipping industry by targeting:

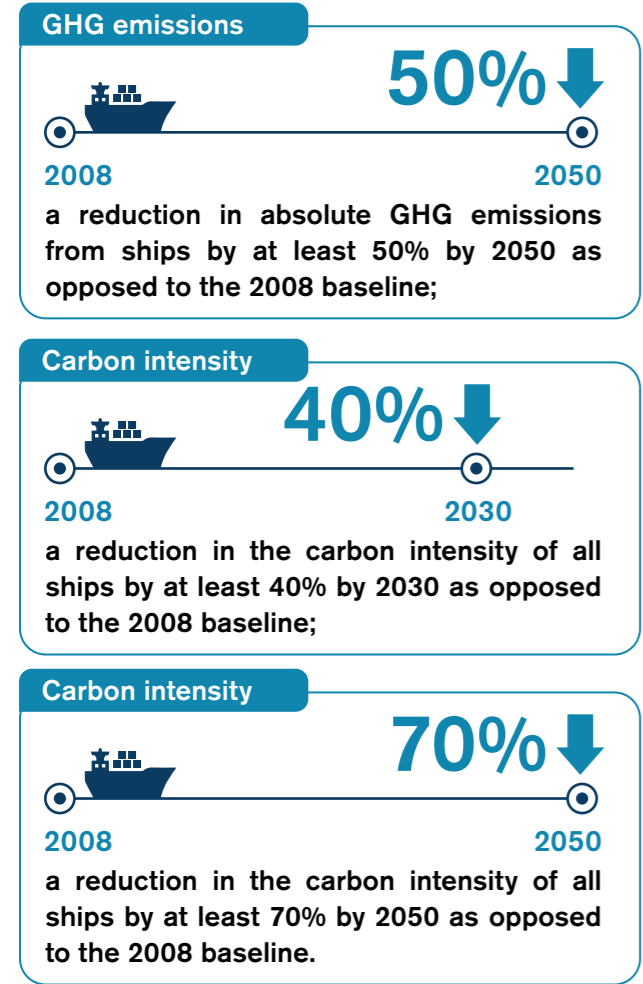
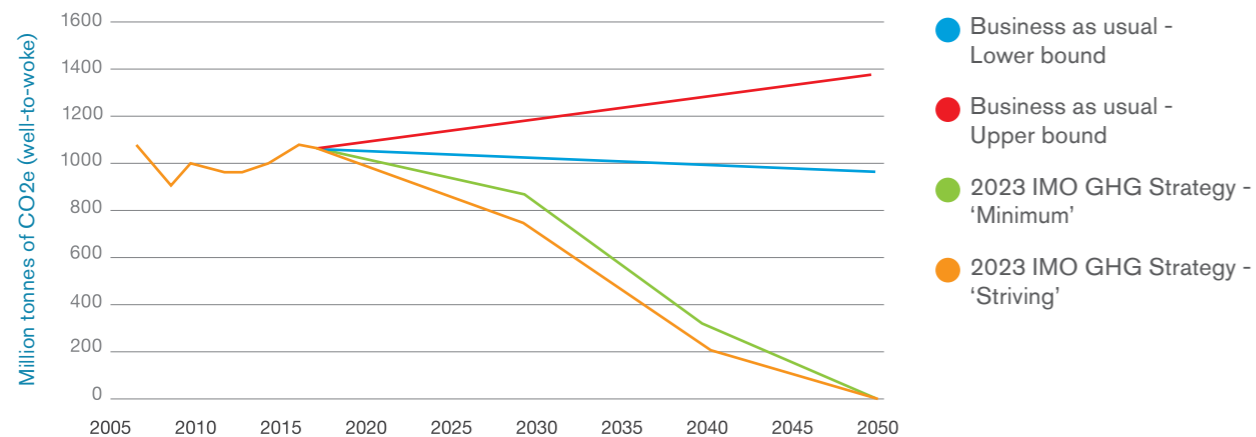


Figure 11. Global fleet's emissions targets and trajectories defined by the 2023 IMO GHG Strategy¹⁸ (million tonnes of well-to-wake CO₂e)¹⁹



¹⁸ Published by Sea Cargo Charter in 2024.

¹⁹The Committee adopted Resolution MEPC.376(80) containing the Marine Fuel life Cycle GHG Guidelines (LCA Guidelines) and agreed on a work program for further enhancement of the guidelines on specific areas via the existing correspondence group. Report submission planned for MEPC 81 (Spring 2024).

In 2023, IMO updated its strategy on the reduction of GHG emissions from ships. The new strategy incorporates "levels of ambition", such as:

- Strengthening energy efficiency design requirements of new ships to reduce carbon intensity;
- Reducing CO₂ emissions per transport work by at least 40% by 2030 compared to 2008 levels;
- Use of zero or near-zero GHG emissions technologies, fuels and/or energy sources to represent at least 5% (striving for 10%) of international shipping energy use by 2030;
- Reaching net-zero emissions from international shipping by or around 2050.

it also includes the following targets:

- reduction in absolute GHG emissions from ships by at least 20% (striving for 30%) by 2030 as opposed to the 2008 levels;
- a reduction in absolute GHG emissions from ships by at least 70% (striving for 80%) by 2040 as opposed to the 2008 levels.

Additionally, the 2023 IMO GHG Strategy specifies that shipping emissions should consider well-to-wake as opposed to tank-to-wake emissions.

In addition, the shipping industry will be included in the EU Emission Trading Scheme (EU ETS) starting from 2024, with a phase-in period ending in 2026. As part of this scheme, the shipowners will need to buy permits to cover 100% of their emissions for voyages between EU ports and 50% of emissions for voyages between EU and international ports.

One of our key ESG targets is the alignment of shipping activity performance with an appropriate decarbonization trajectory. We estimate Energy Efficiency Operational Indicator (EEOI) to measure our chartering activity performance. EEOI is based on a voyage performance in real operating environment as opposed to relying on a design specification metric. The metric is based on:

- GHG emissions over both ballast and laden legs;
- Actual distance travelled over laden leg;
- Amount of cargo transported over the given voyage.

When calculating EEOI, voyages over data accuracy of which we had the highest degree of confidence²⁰ were covered by calculations.

We use decarbonization trajectory target as defined by Sea Cargo Charter (SCC), which is aligned with IMO 2018 strategy absolute target of a 50% reduction in absolute shipping GHG emissions by 2050 as opposed to the 2008 baseline.

In our previous ESG Report, we detailed our shipping performance and highlighted an impact that was approximately 21% below the target for 2022.

Following a refinement in our approach to assessing shipping performance we have recalculated our shipping impact figure. As a result of this update, the revised shipping impact figure now stands at around 20% below the target for 2022.

It should be mentioned that SOCAR Trading is currently not a signatory to the SCC.

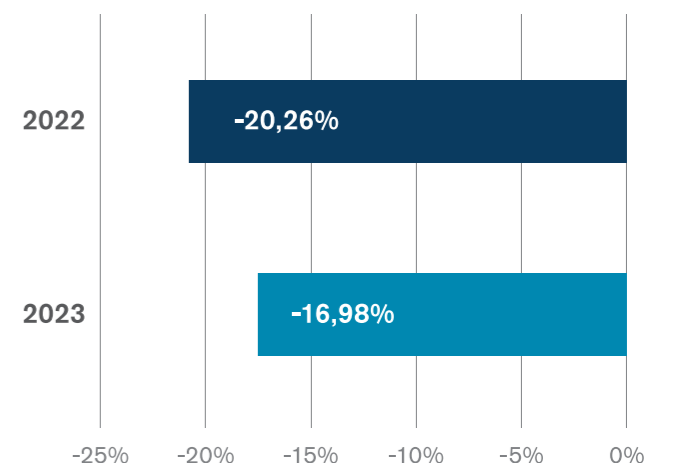
²⁰Representing around 90% of total GHG emissions from the chartering activity (voyages in the Caspian Sea excluded from the EEOI calculation due to a limited direct and AIS data, as well as reduced choice over fleet availability).

²¹Voyages in the Caspian Sea excluded from the calculations due to a limited direct and AIS data, as well as reduced choice over fleet availability.

In February 2024, SCC has published a new charter that includes updated decarbonisation trajectories that are aligned with IMO revised 2023 strategy.

There are two trajectories that are based on (1) minimum requirement of the 2023 IMO GHG Strategy with a 20% reduction in 2030, a 70% reduction in 2040 as opposed to the 2008 baseline leading to net zero by 2050; and (2) the higher level of ambition with a 30% reduction in 2030, an 80% reduction in 2040 as opposed to the 2008 baseline leading to net zero by 2050. We will report our performance against new SCC decarbonisation trajectories in the future reporting periods.

Figure 12. SOCAR Trading's performance on shipping activities' climate alignment²¹



Our progress in focus:

Incentivising staff to minimise environmental impact

Our Cost Allocation Policy incentivizes traders to use low-carbon intensity shipping options. The key metric we monitor and measure performance against is the alignment of a voyage carbon intensity as measured by EEOI with SCC decarbonization trajectory that is consistent with IMO 2050 absolute target as per its 2018 strategy. This initiative will help us to reduce our environmental impact and facilitate integration of ESG into behavior and mindset of our employees. In the reporting year, we for the first time applied the incentivization initiatives within our company.

As environmental regulations tighten, SOCAR Trading and most of our shipping partners will be strongly incentivized to reduce carbon footprint from the shipping activity. We are also responsible for prompting our counterparties to reconsider their operations to avoid the risks of non-compliance and operational disruption in the future. We hold regular communication with shipping and trading teams to discover potential opportunities for shipping optimization to ensure quality service to our clients and minimize the environmental impact of our activities.



Our progress in focus

Improving data accuracy²²

We continue working with our shipping and trading teams on:

1. Improvement of data collection and reporting by our operators and shipping specialists directly from the ship owners and technical managers related to fuel consumption and other variables used as input for our calculation tool;
2. Measurement and reporting of energy efficiency performance metrics for our chartering activity, i.e., Energy Efficiency Operational Indicator (EEOI), together with the alignment with IMO and Sea Cargo Charter (SCC) targets;
3. Initiatives designed to incentivize traders and operators to use less carbon-intensive ships;
4. Risk Management and incorporation of environmental compliance costs (i.e., carbon tax) in decision-making.

In the reporting year, we have successfully received direct reporting on CO₂ emissions data for 100% of total voyages conducted, with the exception of the voyages in the Caspian Sea, where direct CO₂ emissions data reporting has not been established. This comprehensive data acquisition has been facilitated by our updated charterparty agreements, mandating counterparties to provide fuel consumption data, including fuel type, volume consumption during ballast and laden legs, as well as loading and discharge operations. We also clarified the role of the parties in relation to the compliance requirements under EU ETS.

²² Although direct reporting for voyages in the Caspian Sea is not established, we estimate the emissions from activities in this region using an alternative approach due to data limitations and report them in our scope 3.8.



Our progress in focus:
ESG performance of most material counterparties

During the reported period, we implemented an ESG performance assessment of our 20 most material counterparties from trading, banking and admin areas, along with 2 investment companies, where we have 33% and 20% stake.

We developed Key Performance Indicators corresponding to the Environmental, Social, and Governance dimensions. These KPIs were crafted to reflect the specific areas of concern and opportunity within each ESG category. The assessment of each KPI is based on a three-score

system, where a score “3” represents the highest level, while “0” signifies non-compliance. We then monitor the overall score of the companies.

The assessment is conducted on a publicly available information which can take form of ESG/Sustainability reports. Counterparts, on which there is not enough information available, are asked to fill in internally developed ESG survey.

Our progress in focus:
IETA Membership

In 2024, we obtained a full membership status within the International Emissions Trading Association. IETA was established in 1999 to set up a functional international framework for trading in greenhouse gas emission reductions. As a member of IETA, we had the privilege to participate in significant global climate events. Key events such as the 2023 North American Climate Summit in New York and the 28th Conference of the Parties (COP28) in Dubai, where we engaged with global market leaders on the topics of advancing sustainable solutions and addressing climate change.



Our progress in focus
Carbon Trading Desk



Navigating the ever-evolving carbon markets, policies and emission trading schemes is imperative to trading global energy markets. Understanding compliance market operations, voluntary markets opportunities and their linkage is a strategic pillar of the Carbon Desk at SOCAR Trading.

In 2023, the Carbon team prepared for the maritime sector's inclusion in the EU's ETS by establishing required in-house trading exposure management processes. This involved collaboration across the legal, compliance, physical trading desks, IT systems, Middle Office position monitoring and Back Office reporting. This capability ensures efficient implementation of additional compliance requirements.

During the reporting year, the carbon desk also partnered with a Swiss based independent compliance and voluntary carbon specialist to enable shipowners to trade EU Allowances (EUAs) bilaterally via a platform, which currently focuses on Spot EUAs with plans to expand to more markets and carbon offset opportunities.

The team is also involved in developing carbon projects. The carbon desk has been involved in the management of Azerbaijan-based carbon projects and is exploring additional opportunities globally to build a pipeline of carbon credits, anticipating growing demand for high quality credits. The desk is particularly focused on the sourcing of carbon removal projects that meet future quality standards.

As the activities of the carbon desk expanded during 2023, the hire of a trading assistant was initiated in the reporting year who became a team member in Feb 2024 to assist with trading activities and related research and analysis of carbon markets.

The carbon desk's future plans continue to have the primary objective to focus on the requirements and compliance of the energy trading business whilst remaining opportunistic in the trading of the dynamic carbon markets.

Julie Noller
Carbon Trader

Carbon projects

We are working with our parent company and other stakeholders in Azerbaijan on the development of carbon removal and avoidance projects, with some of them having the potential to achieve a reduction of GHGs associated with our value chain. In the reporting year, we actively engaged on the development of two carbon projects:

a. An Upstream Emissions Reduction project based on Leak Detection and Repair methodology

b. A collaborative effort between AzerEnerji and SOCAR Trading, focusing on the issuance of the voluntary carbon market certificates for the selected small scale hydro-power plants in Azerbaijan.

5.4 Efficient use of natural resources

While managing the leased assets which we contract from the property owners, such as offices, we advocate resource efficiency in buildings. Such initiatives are especially relevant to our Swiss office. To conserve energy in the office, we follow the Geneva public authority recommendations. We minimized energy waste by promoting habits of the office light and electronic equipment shut down over off-hours. We also replaced single-use cutlery

with reusable in the office. The Swiss office also practices waste segregation with separate bins for paper, plastic, glass, and food waste. We motivate our employees to use soft copies of the documents to reduce the paper waste. To further support our sustainability efforts, all of our printers across all the trading entities are set to default to double-sided grayscale printing ensuring that we reduce paper consumption.

Our progress in focus:
Energy efficiency in our office areas



In the reporting year, our Singapore office has undergone major renovation during which LED system was installed leading to the decreased electricity consumption. When moving to a new office area in 2022, our London office selected an energy efficient building and has received a Gold SKA Rating provided by the Royal Institution of Chartered Surveyors (RICS).

In 2023, our Dubai office relocated to a new building area that has been awarded the highest LEED certification level, "Platinum", for

its sustainable business practices in water and energy efficiency, as well as indoor environmental quality. Our Geneva office continues its efforts to reduce energy and paper usage by maintain sustainable consumption practices. Moving forward, our STNA office will be key focus for improving energy efficiency in the upcoming years. We will focus our efforts on ensuring LED systems are installed and electronic equipment is shut down during non-working hours.

Figure 13. Electricity consumption at SOCAR Trading (2021-2023), MWh²³

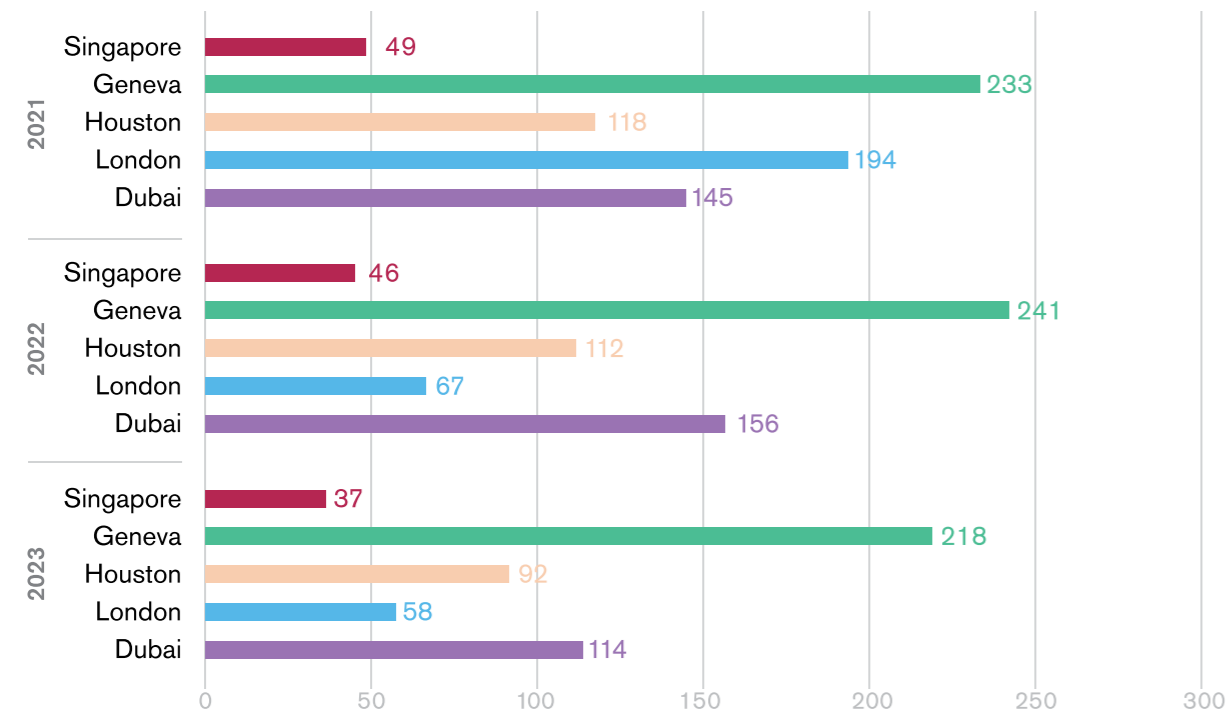


Table 5. Water consumption at SOCAR Trading offices, thousand liters²⁴

Water consumption	2021	2022	2023
Geneva	412	383	506
Houston	286	362	231
Dubai	156	261	257
Singapore	N/A	N/A	73
London	N/A	N/A	112
Total	854	1006	1178

Our progress in focus:
Water consumption reporting

In the reporting year, we performed more precise water consumption reporting by combining data from all five of our offices, including London and Singapore, which were partially or fully excluded last year due to a lack of data from building owners.

²³ Electricity consumption for all five trading offices is included, except cooling and heating figures of Singapore and Houston offices.

²⁴ Water consumption data is reported for all SOCAR Trading offices. Figures for our Singapore office were calculated based on average consumption per employee in three different locations (Geneva, London and Dubai). Furthermore, calculation for Dubai office is partially based on assumption due to limited bills availability.

The table below provides the fuel consumption figures for our company-owned cars in Geneva and Dubai offices.

Table 6. Fuel consumption at SOCAR Trading offices, liters

Fuel consumption	2021	2022	2023
Geneva (Gasoline)	1 380	1 442	1 483
Geneva (Diesel)	1 899	2 843	4 027
Dubai (Gasoline)	3 864	3 970	4 992
Total	7 143	8 255	10 502



Dede Qorqud, epic culture, folk tales and music

The epic culture, folk tales and music of Dede Qorqud/ Korkyt Ata/Dede Korkut are based on twelve heroic legends, stories and tales and thirteen traditional musical compositions shared and transmitted across the generations through oral expressions, performing arts, cultural codes and musical compositions. Dede Qorqud appears in each story as a legendary figure and wise individual, a sage of minstrels whose words, music and expressions of wisdom relate to traditions of birth, marriage and death. In the musical compositions, the main intonations are reproduced using a musical instrument called the Kobyz through the sounds of nature, and imitation soundscapes are characteristic of this medium (such as the imitation of a wolf's howl or a swan's note). The musical compositions are all interconnected by the epic stories that accompany them. The element encompasses social, cultural and moral values such as heroism, dialogue, physical and spiritual wellness and unity as well as respect for nature, and contains profound knowledge about the history and culture of Turkic-speaking communities. It is practised and sustained by the community concerned on a wide variety of occasions – from family events to national and international festivals – and is therefore well-rooted in society, serving as a connecting thread between generations.



6 The "S"

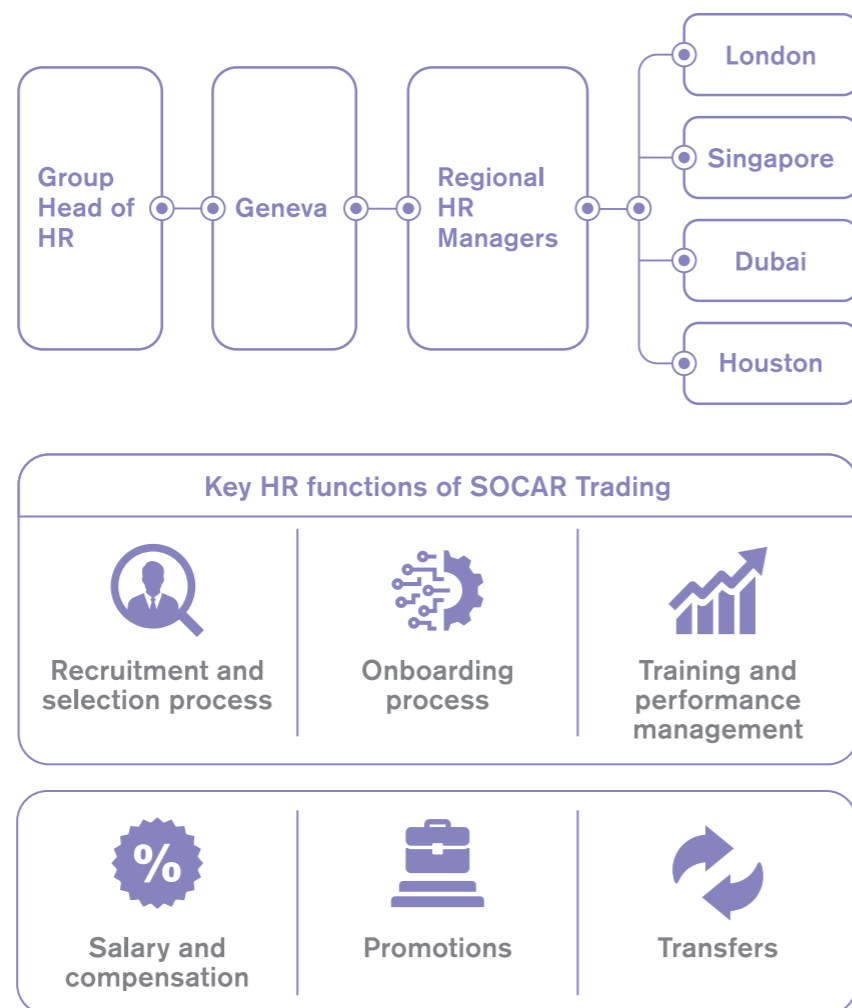
6.1 Our people

At SOCAR Trading, we are constantly looking for ways to enhance our employees' personal and professional abilities.

We believe that by contributing to the personal development of our employees, we invest in the Company's long-term success and sustainability. It is essential for us to act in a way befitting a responsible and attractive global employer. A core component of this is our ability to create a technologically sophisticated, healthy and safe working environment where our employees can fully achieve their potential.

SOCAR Trading maintains HR functions in all representative offices around the globe. The main HR management is based in the Head Office of the company in Geneva. Representative offices perform their key functions independently; however, all data are collected, provided and sent to the Head Office as part of a centralized global HR management system. Furthermore, we employ direct communication channels with all offices to promptly address any issues that may arise locally and globally.

Figure 14. Organizational structure of our HR management system



Part of the corporate strategy covering the HR management function involves strengthening reporting mechanisms, harmonizing variable compensation and bonuses, expanding the areas of operation and launching new product lines by supporting the C-level managers in charge of those functions.

We have developed a comprehensive **Employee Handbook** for each of our global offices. The Handbook provides general information and guidelines on SOCAR Trading policies, practices, procedures, ethical frameworks, expectations, standards, facilities, and benefits. Despite the general similarity between versions, some regions have slight differences in the content of the Handbook to comply with local employment regulations. We believe that these policies and regulations do assist our employees in the alignment of their performance with the values and principles of the Company.

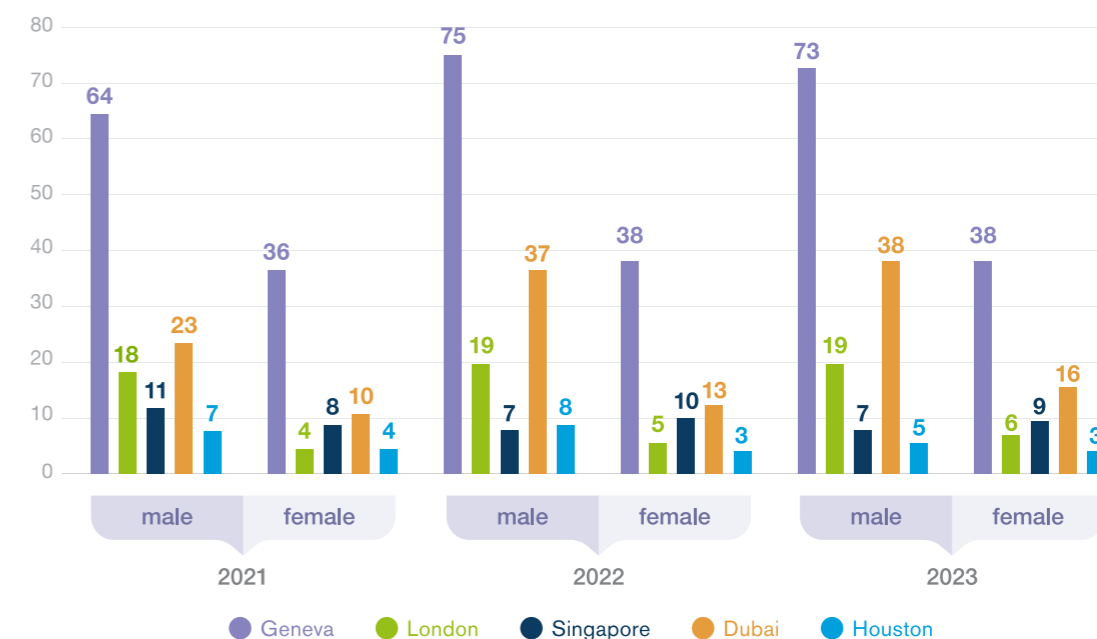
Personnel profile

Our progress in focus: HR data consolidation

In 2023, our IT and HR departments worked together to optimize inter-related processes. This transformation has improved the efficiency and accuracy of data collection for internal purposes and for ESG reporting. Furthermore, the integration of IT systems with HR-related data has resulted in a more effective management of employee accounts, ensuring a more streamlined and responsive handling of personnel information, enhancing our overall organizational management.

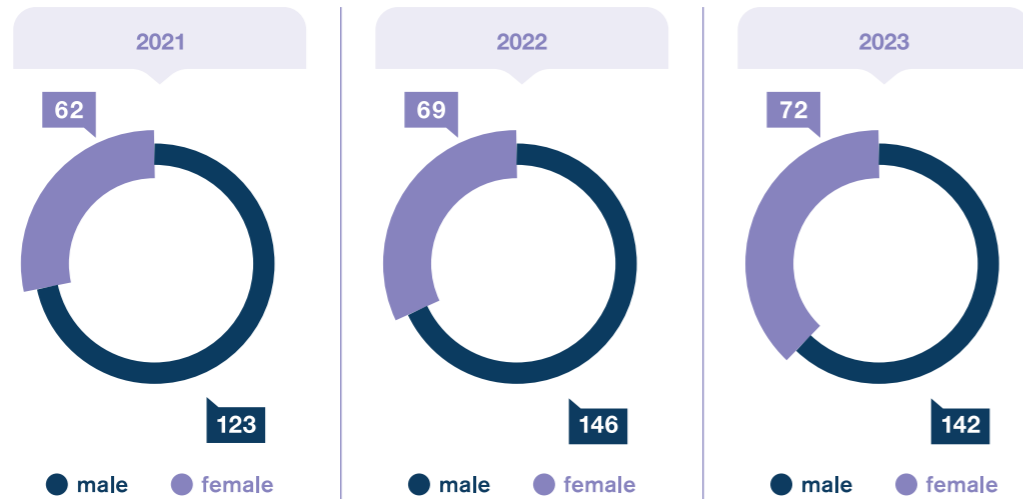
In 2023, our headcount remained stable, ending the year with a total of 214 employees. There were no significant changes in the gender ratio of our employees across all offices.

Figure 15. Number of employees in international representative offices, by gender



In 2023, the total workforce at SOCAR Trading was composed of 66% male and 34% female employees.

Figure 16. Total number of employees by gender



In 2023, 76% of the SOCAR Trading's employees fell within the age range between 30-50, 18% were over 50 and 6% were under the age of 30.

Figure 17. Total number of employees by age²⁵

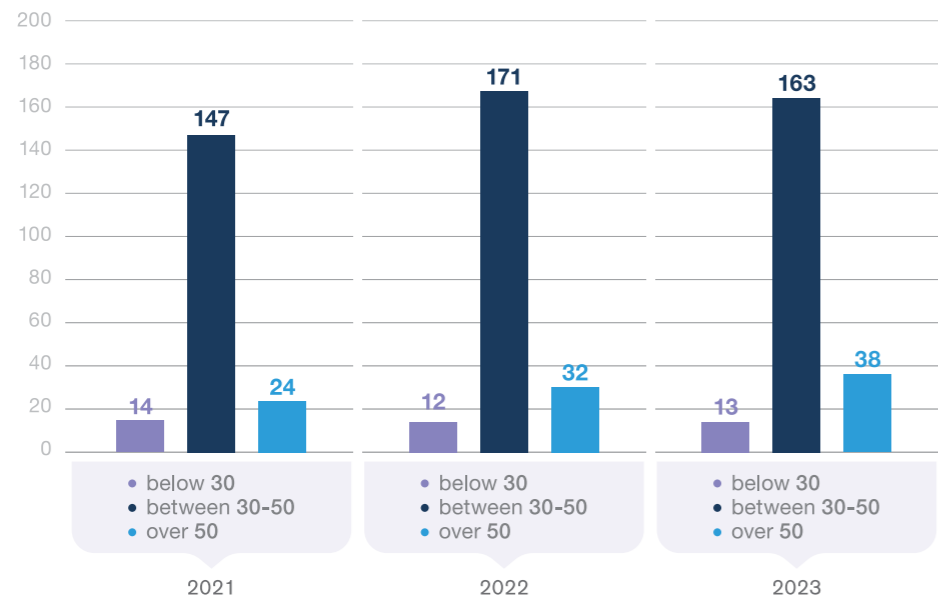
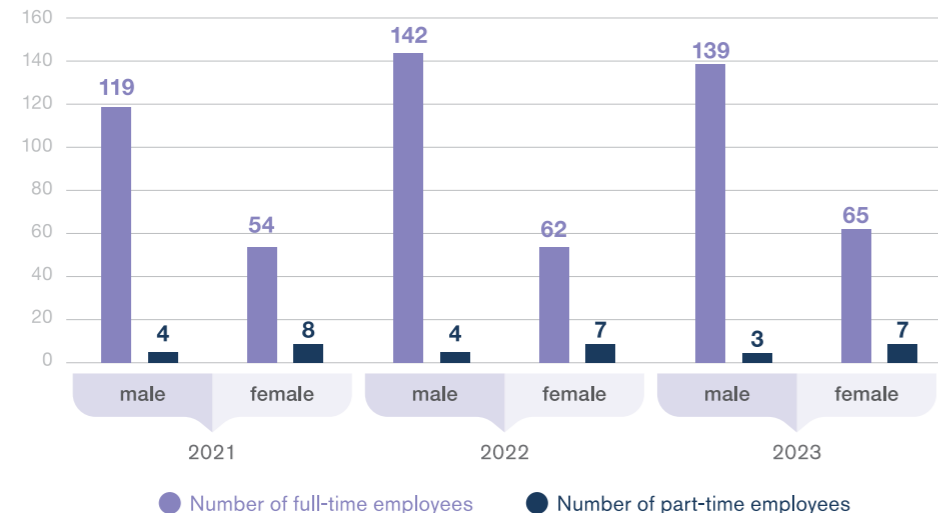
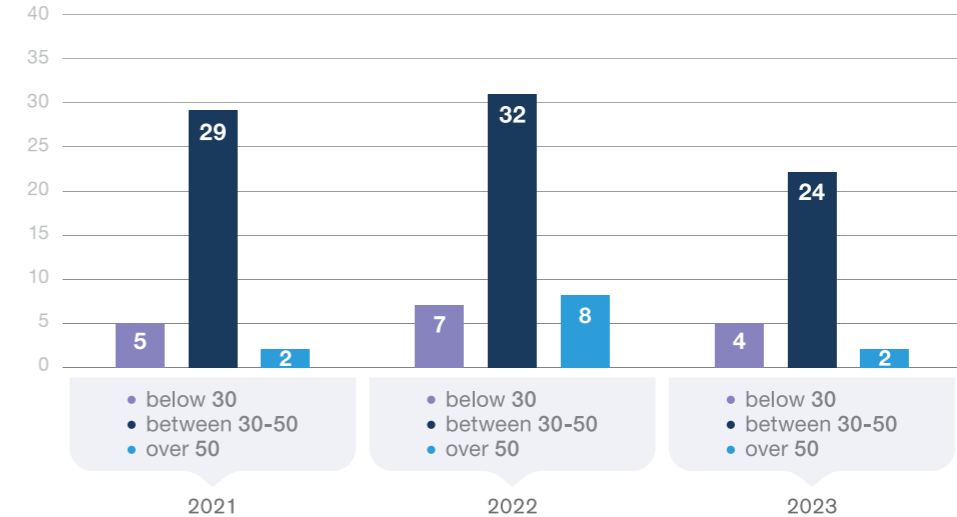


Figure 18. Total number of full-time and part-time employees by gender



²⁵ Adjustments were made to the total number of employees by age in 2022 compared to the previous reporting period to correct any discrepancies and provide the most accurate data possible.

Figure 19. Total number of hired employees by age



6.1.1 Equal opportunities, diversity and inclusion

At SOCAR Trading, equal opportunities, diversity, and inclusion are integral parts of our corporate culture. We are convinced that a diversified workforce and an open and appreciative corporate culture are important success factors in a globalized world. SOCAR Trading values diversity and is committed to promoting its values within the workplace by seeking to ensure that all individuals are treated with dignity and respect.

At the same time, we believe that diversity fosters employee engagement and development since it nurtures different ideas and approaches within the business. It contributes to business success by empowering leaders to maintain a workforce of the highest quality through targeted recruitment, retention, development and advancement of individuals from a diverse talent pool on the basis of merit.

Nationality distribution of SOCAR Trading's workforce:

Nationality distribution of SOCAR Trading's workforce:

- Australia
- Austria
- Azerbaijan
- Belgium
- Canada
- China
- Estonia
- France
- Germany
- Greece
- India
- Ireland
- Italy
- Japan
- Jordan
- Kosovo
- Kyrgyzstan
- Latvia
- Lithuania
- Malta
- Nepal
- Netherlands
- Norway
- Pakistan
- Philippines
- Portugal
- Romania
- Russia
- Singapore
- South Korea
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom
- USA
- Uzbekistan
- Venezuela
- Vietnam

To be aligned with these principles, we remain committed to our **Equal Opportunities and Diversity Policy**, which is applied to all employees, workers, agency workers, self-employed contractors and volunteers. SOCAR Trading does not tolerate any form of discrimination based on race, religion, ethnicity, nationality, age, gender, sexual orientation, disability or other reasons protected by law. This policy applies to all decisions relating to recruitment or employment, including job selection, work assignments, training, promotion, performance appraisal, career development, compensation and benefits, administration and conditions of employment.

Employees are expected to address all potential or actual cases of discrimination, harassment, or bullying within the Company through the grievance procedure described in Employee Handbook. All complaints are treated seriously and investigated promptly.

When an issue arises within the SOCAR Trading, the HR initiates a comprehensive investigative process to thoroughly examine the matter. Based on the conclusions drawn, appropriate actions are taken, such as internal transfers or disciplinary measures, as well as the implementation of training initiatives aimed at preventing future incidents. Moreover, an incident report is regularly submitted to senior management or the CEO for review and any further directives. **During the reporting period, we had zero incidents of complaints regarding discrimination or similar cases arising from employees in all locations.**

Table 7. Parental leave by gender²⁶

Parental leave by categories	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Total number of employees entitled to parental leave	115	56	146	69	140	69
Total number of employees that took parental leave	7	3	7	1	7	0
Total number of employees returned to work after parental leave	8	3	7	1	7	0
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	6	3	4	1	6	0

SOCAR Trading offers employees with disabilities an equal opportunity to succeed, learn and be compensated fairly. We do not tolerate discrimination against disabled employees and recognize our responsibility for taking reasonable actions to help avoid work practices that might place a disabled employee at a substantial disadvantage compared to other employees.

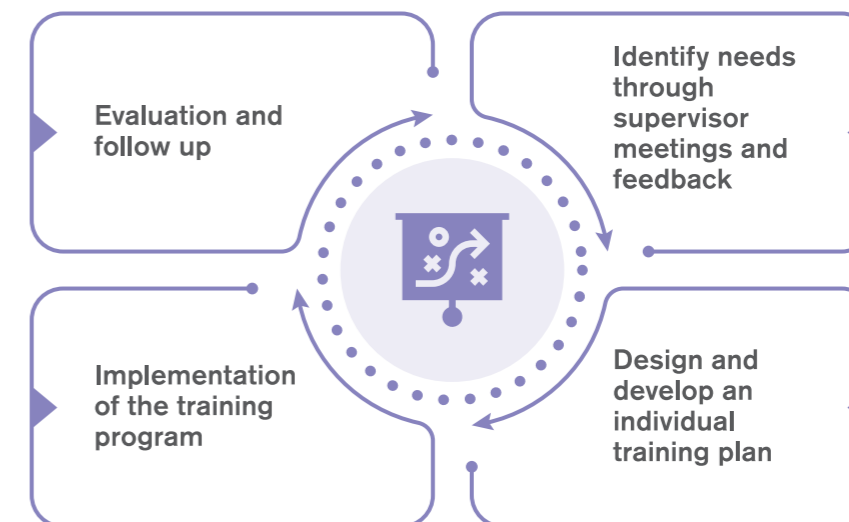
6.1.2 Employee training and development

We recognize that skilled employees lie at the centre of our long-term success as a company. Consequently, the education and promotion of employee capabilities across all representative offices are one of our core priorities. SOCAR Trading regularly supports and encourages employees to enhance their knowledge and skills through external professional development opportunities and internal training sessions. These measures aim to equip our employees with the relevant tools to engage in professional development and streamline positive contributions to SOCAR Trading’s operational excellence.

We provide both digital and in-person learning opportunities based on individual needs and relevance to each employee’s industry or subject matter expertise. Individual development plans are designed through regular meetings of employees and their respective supervisors. This makes it easier to define individual development measures that address both the company’s needs and each employee’s ambitions and potential. The Company will also cover the costs associated with an external course or certification that was approved by a supervisor.

²⁶ Adjustments were made to the total number of female employees who returned to work after parental leave in 2021 compared to the previous reporting period to correct any discrepancies and provide the most accurate data possible.

Figure 20. Individual training plan cycle

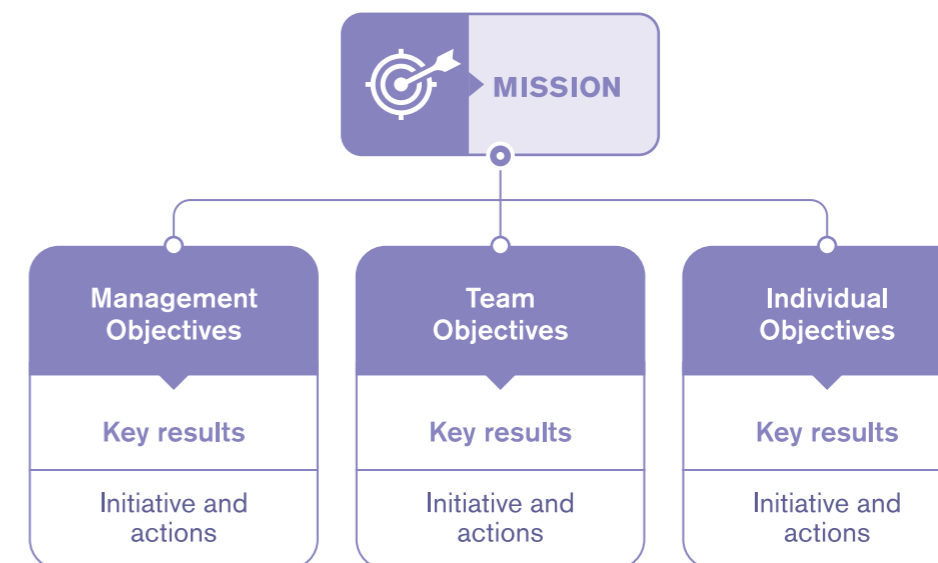


In addition to individual training plans, all employees are required to follow the mandatory annual training programs linked to KPIs, which are developed by the Compliance Department in association with HR. Department specific KPIs are set based on each employee’s position and function within a Company. Additionally, all new hires are required to complete a series of training sessions focused on risk management, IT, and compliance to ensure they adhere to company policies from the outset.

Furthermore, SOCAR Trading provides access to online training platforms for all employees that are aimed at their professional development and continuing education. For instance, we partnered with an online course provider, LinkedIn Learning, which has a wide collection of online courses taught by industry experts in various fields, including commodity trading.

The Company has also adopted an Objectives and Key Results (OKR) goal-setting system to ensure that our employees work in alignment with organizational priorities and personal ambitions. OKR is a goal-setting methodology that helps us set measurable goals in relation to employee performance and development. We aim to increase employee engagement in goal setting and support the company in achieving its ambitious goals.

Figure 21. The general structure of the OKR goal-setting system



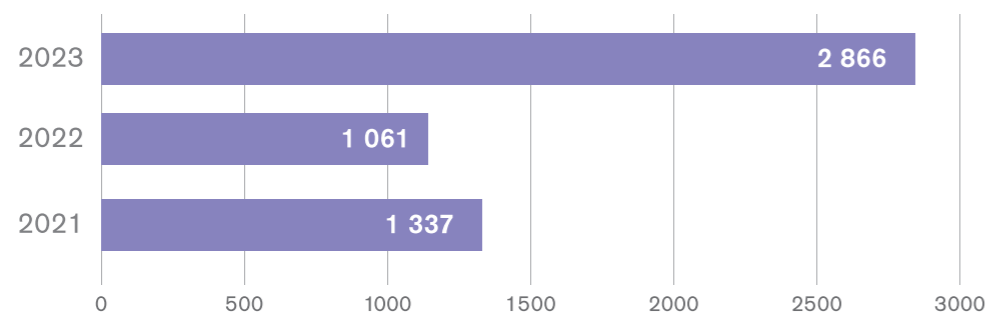
OKR is a simple, fast-cadence, bottom-up process that engages each team's perspective and creativity. Within this system, Executive Management and departmental objectives will be reviewed on a yearly basis. Individual objectives will be reviewed twice a year. The process will be facilitated by the HR department and individual line managers.

Table 8. Average hours of training provided to employees²⁷

Average training hours		2021	2022	2023
Average hours of training by employee categories	Executive	58	2	20
	Senior	7	2	7
	Mid-Career	5	7	14
	Junior	0	6	26
Average hours of training by gender	Male	7	5	13
	Female	8	5	15

We hold regular workshops with our trading, shipping, and support teams to better understand and manage ESG-related risks and to improve the accuracy and efficiency of our data collection and reporting. As part of these workshops, we are developing tools and measures to incentivize our employees to help the company achieve its ESG goals, such as reducing its carbon footprint and carbon intensity of the relevant operations.

Figure 22. Total hours of training provided to employees



In 2023, a wide range of learning programs were offered to employees to satisfy the evolving demands of the business landscape, e.g., specialist training, data management, security, language learning as well as the development of both soft and technical skills.

Youth development

SOCAR Trading provides internship opportunities for young professionals. In 2023, our Geneva office hosted eight interns and subsequently hired one standout candidate based on their exceptional performance during the internship.

Through the internship, we provide opportunities for young specialists to enhance their knowledge and become acquainted with the energy trading business from within, encompassing both its risks and opportunities. Internship programs offer participants valuable insight into the operations of different departments. Moreover, in 2023, SOCAR Trading provided a lecture to twenty students from the London Business School.

²⁷ Certain categories may differ from the previous reporting period due to variations in the applied calculations of average training hours. These adjustments were made to ensure the most accurate figures are reported.

6.1.3 Respect for human rights

Respect for the rights and dignity of every individual influenced by our business operations is an essential element of our values and culture. Recognizing suppliers as one of our main stakeholders, we are committed to upholding our values of respect and social responsibility in relation to our human rights impacts. Consequently, we strive to ensure that human rights are respected throughout our value chain.

We adhere to the following fundamental principles of human rights:

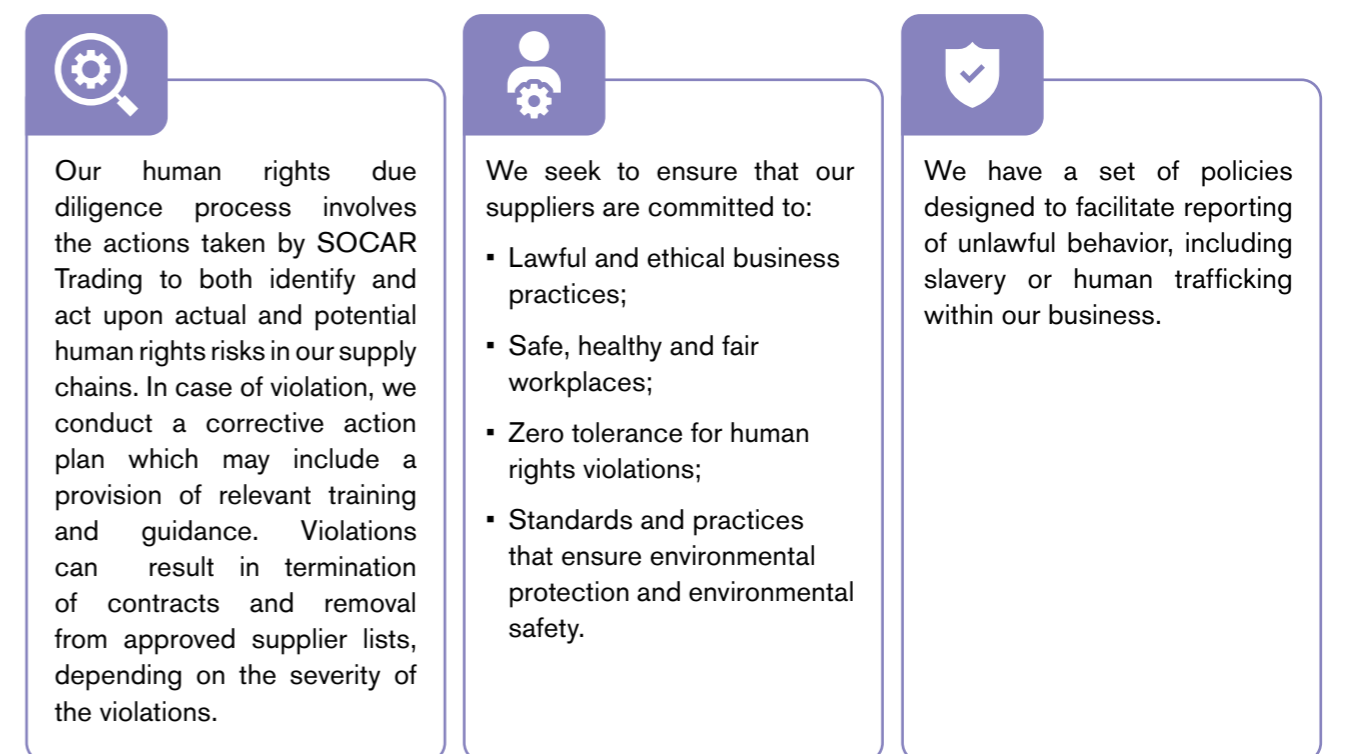
Figure 23. SOCAR Trading's principles of human rights



We are committed to opposing any form of forced, compulsory or trafficked labor, slavery or servitude through our **Modern Slavery Statement** and do not tolerate any violations within our business itself or in our supply chains. We expect our suppliers to be aligned with our human rights values, be committed to conducting business ethically and comply with all applicable laws and regulations. In 2023, we started working on a stand-alone Human Rights policy which covers our commitments with regards to the UN Guiding Principles on Business and Human Rights. The purpose of this policy is to establish clear guidelines and principles for SOCAR Trading's commitment to upholding fundamental human rights standards.

To ensure that suppliers conduct business with a high degree of integrity and in a socially and environmentally responsible manner, we have taken the following steps to assess and manage any risk of human rights violations in our supply chains:

Figure 24. SOCAR Trading's approach to managing human rights risks



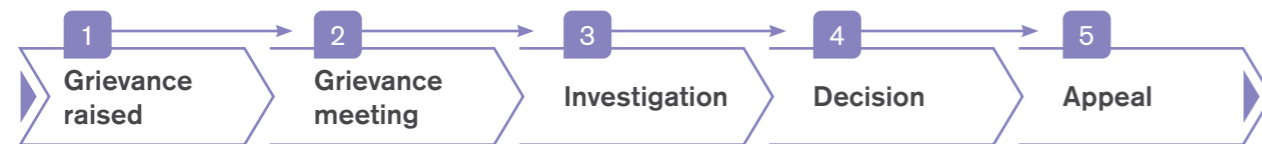
During the reporting period, no reports have been recorded from employees, the public, or law enforcement agencies to indicate that modern slavery practices have been identified at SOCAR Trading and its supply chains.

As part of our commitment to align with the UN Guiding Principles on Business and Human Rights, in 2023, we have updated our HSEC policy, which now outlines our approach to identifying, assessing and reporting potential human rights impacts. If a human rights violation is identified, we are committed to providing remediation to the affected party. Remediation can take various forms, including departmental transfer of respective employees, training on human rights and provisions to ensure the harm cannot recur.

6.1.4 Management of employee grievances

SOCAR Trading understands the value of receiving feedback and addressing employee concerns across the Company. If employees have a work-related issue, we encourage them to resolve the problem informally, for example, through direct discussions with their managers or the HR Department. However, in cases when employees do not feel that the issue can be resolved on an informal basis, there is a formal process through which the matter can be addressed to senior management.

Figure 25. Steps of the grievance procedure



Employees who initiate the grievance procedure will have the issue addressed as confidentially as possible. SOCAR Trading will protect all employees who have initiated a complaint under the grievance procedure or assisted in an investigation to resolve a complaint. We ensure that investigation is held in a just and transparent manner towards all parties involved.

There have been no incidents of grievances about labor practices received during the reporting period.

6.1.5 Fair remuneration

Recognizing and acknowledging our employees' contributions enables us to maintain our long-term and sustainable business success by providing market-competitive benefits based on country-specific needs and government requirements. While our benefit packages may differ depending on the region, they are all designed to attract top talent and foster long-term loyalty. Our remuneration system is maintained in accordance with the following principles and objectives:

Figure 26. SOCAR Trading's remuneration principles

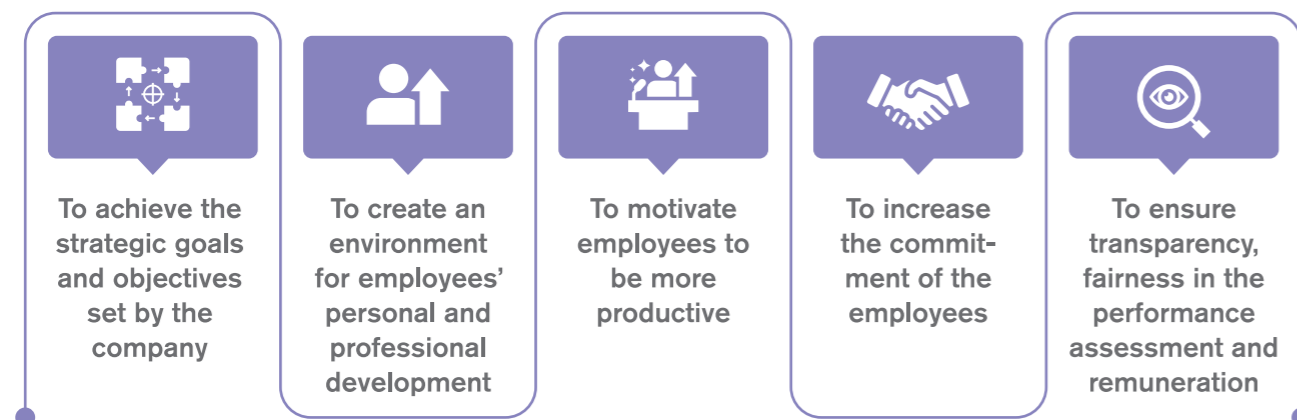
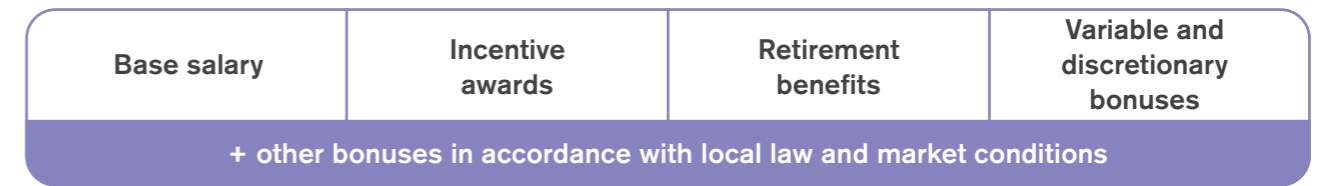



Figure 27. SOCAR Trading's remuneration types




The amount of the total compensation is identified based on the evaluation performed within the Company and is paid on an annual basis.

6.1.6 Employee safety and wellbeing


Promoting and establishing healthy lifestyles among our employees is an absolute priority. As such, we offer a number of services to aid employees listed below.



All offices conduct a Health and Safety Week for employees each year. Guest speakers and demonstrations were organised on subjects such as nutrition, first aid training, fitness classes, fire safety and help to cope with stress.



As a constant presence in our offices, fresh fruit is readily available and we partner with healthy food suppliers to encourage healthy eating with onsite vending machines. Bespoke reusable water bottles are available to every employee meaning less reliance on plastic water containers.



In our endeavor to support mental health, we offer dedicated anonymous counselling and therapy sessions, to any struggling employees for a professional independent expert. These are confidential sessions between the employee and counsellor. There is no HR or company involvement.

The company takes full responsibility for supporting our employees with the following health and safety concerns:

- ✓ Safe work practices and safe workplaces;
- ✓ Emergency procedures and first-aid facilities;
- ✓ Appropriate health and safety training and supervision;
- ✓ Adequate welfare facilities and a safe and healthy environment;
- ✓ Procedures for the safe use, handling, storage and disposal of hazardous substances;
- ✓ Consultation with employees on matters of health and safety;
- ✓ Regular risk assessment of workplaces and documented results.

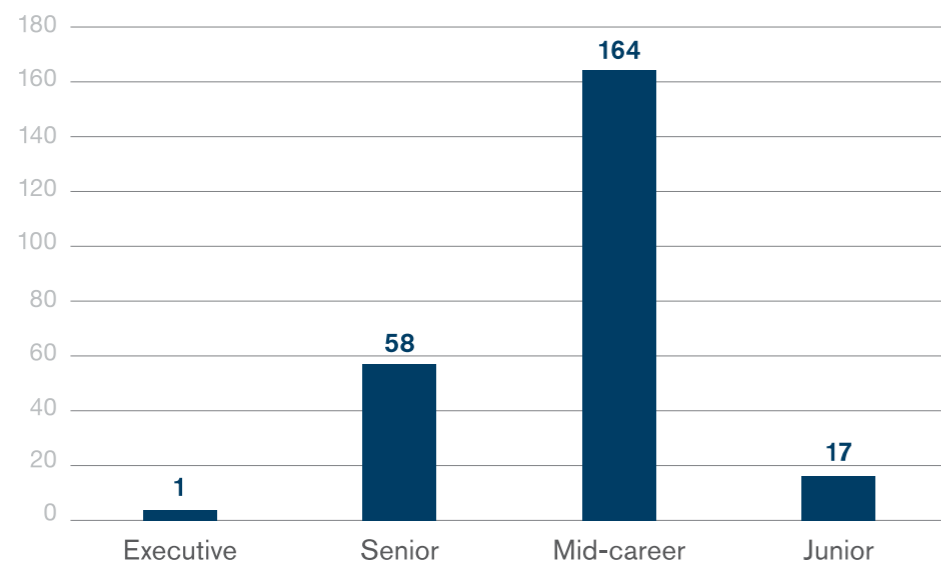
We strongly encourage our employees to notify their supervisors in case of any work-related matters which might present an actual or potential threat to their health or safety. In addition, employees should inform the HR department, management, and, if applicable, the emergency services, in case of an accident or illness. It is mandatory to report all incidents that occurred on Company premises, including minor injuries.

We believe that the efficiency of the OHS system primarily depends on the appropriate corporate culture and right tone from the top management. We have therefore increased the focus on relevant trainings and awareness raising programs among our employees over the last two years.

Table 9. Total number of OHS training provided to employees, by employee category

	2021	2022	2023
Total number of employees who received OHS training by employee category	98	89	87
Executive	0	1	1
Senior	28	20	20
Mid-career	61	58	60
Junior	9	10	6

Figure 28. Total hours of OHS training received by SOCAR Trading employees, in 2023, by categories



SOCAR Trading prioritizes the health of its employees and encourages them to remain active both at work and outside of the workplace, promoting a healthy lifestyle. As a part of our annual Health and Safety week, our employees participate in health-oriented exercises such as step challenge, which develops healthy habits, creates healthy competition, and increases motivation throughout the organization.

Finally, we have made further strives by running an annual team-based competition, The Step Challenge, encouraging employees to form teams and to collectively walk the most steps within a three-week timeframe. Regionally, offices support their employees' participation in various health initiatives, such as the "La Coupe de Noël", annual swimming competition in Geneva, the "Course de l'Escalade," an annual race in Geneva, or the Chase 5 km run in Singapore.



Our progress in focus:
"Couse de l'Escalade" marathon

During the reporting period, there were no work-related incidents resulting in employee injuries of any severity. We recognize the significance of reflecting on potential incidents and learning from them, thus contributing to the ongoing improvement of our safety measures.

"Couse de l'Escalade" is a family friendly running event held at the beginning of December in the old town of Geneva as part of Fête de l'Escalade that commemorates the victory of Geneva against Duke of Savoy in December 1602. To support this event, in 2023, we covered registration expenses for 23 employees and their family members participating in the marathon as a part of our CSR initiatives.

6.2 Our contribution to the local economies

Considering the global scale of our operations, our globalized supply chain includes large international companies with which we cooperate for maintaining our primary business activities. However, for administrative and office needs we engage with suppliers local to the country of each office's operations – such synergy both empowers local economies and strengthens the local workforce.

The majority of costs in Geneva are associated

with information technology (IT) and market data. The vendors for these services are not located in Switzerland. Consequently, any increase in these specific expenses affects the balance between local and foreign expenditures. Moreover, considering our diverse service needs and the relatively small amounts spent in the UK, Dubai, Houston, and Singapore, even minor changes can significantly impact the balance between domestic and foreign expenditures.

6.3 Our social responsibility

Along with providing favorable workplace conditions and contributing to the development of local talent, SOCAR Trading is looking to enhance its contribution to the social wellbeing of the communities in which it operates. We believe that engaging in social initiatives demonstrates our commitment to our values and reinforces our position as a responsible corporate citizen. At the same time, we strongly believe that our demonstrative adherence to improving the welfare of the people will enhance employee motivation within our organization and position us as the employer of choice.

In 2023, we remained dedicated to improving community engagement through the ongoing implementation and improvement of SOCAR Trading's CSR Strategy. This strategy serves as a roadmap for our commitment to social responsibility and is aimed at ensuring a structured alignment of SOCAR Trading's mission, vision and values statements with its future CSR initiatives. Our CSR strategy is built on three pillars focused on ethical and legal responsibilities, as well as business prosperity. The strategy outlines key principles for the CSR project selection process. We believe that by incorporating these principles, we can maximize our positive impact.

Figure 29. Core pillars of the CSR Strategy

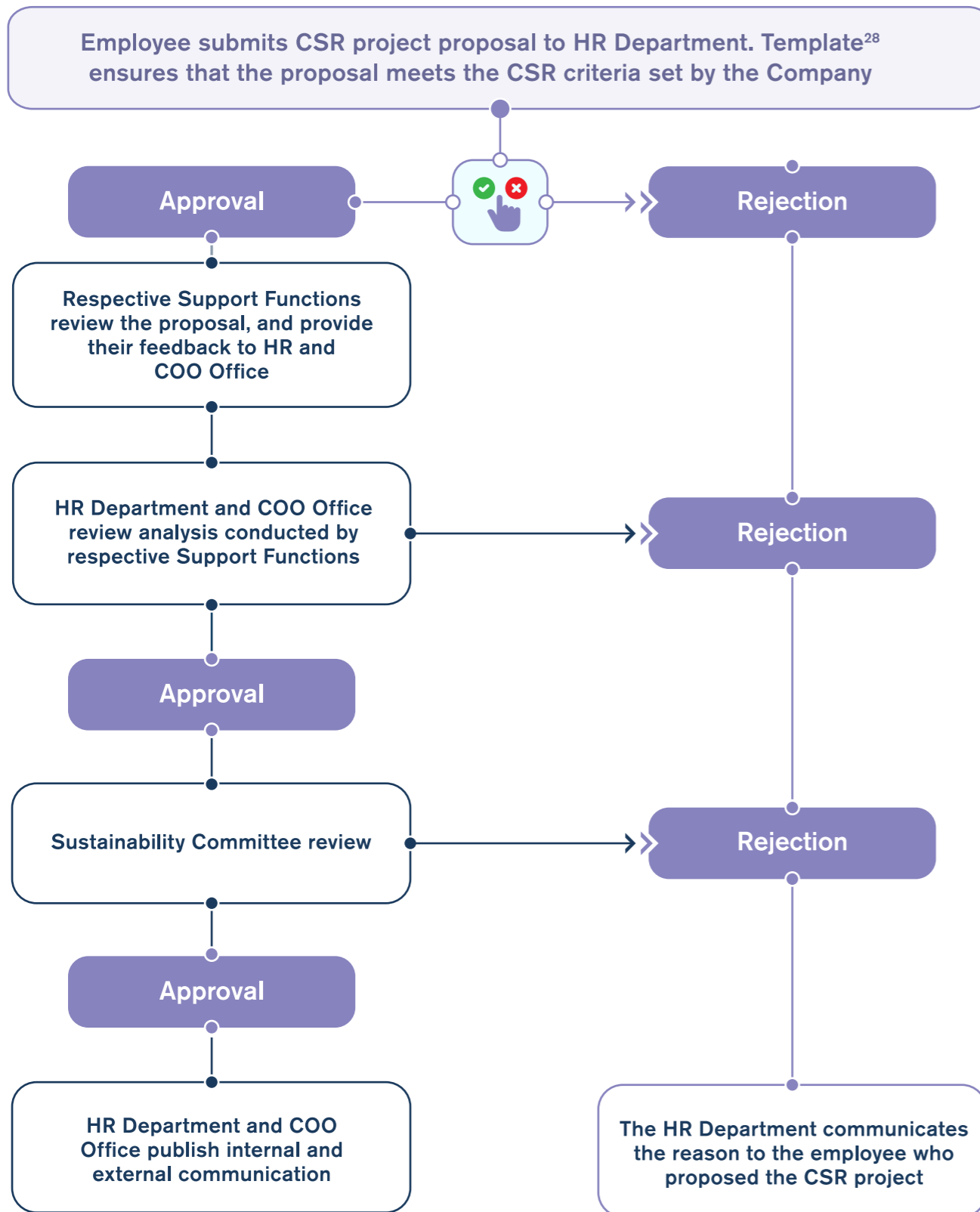


Our CSR expenditures encompass a wide range of areas, reflecting our commitment to making a positive impact in society. These areas include sports, healthcare, charity, cultural events, music sponsorship and CSR projects with a positive impact on biodiversity.

We introduced a CSR project selection process to promote transparency and identify any potential risks. Any SOCAR Trading employee can submit a CSR project proposal by simply completing the form through SOCAR Trading's intranet. The subsequent process is summarized below:



Figure 30. CSR Project selection process



²⁸ Employees who wish to propose a CSR project for implementation can submit their proposal through the internal website using the CSR Template or by answering the provided questions on the site.

6.4 CSR projects with positive biodiversity impact

During the reporting year, we have implemented three CSR projects in Azerbaijan with a positive biodiversity impact in the Caspian region.

Project I: Sturgeon fish release into the Caspian Sea

Case study: Conservation of sturgeon fish population in the Caspian Sea

Given the nature of our business and our impact on the environment, we recognise the importance to invest in biodiversity projects to mitigate the adverse effects of our activities. Given a significant share of oil and gas flows originating from the Caspian region in our trading portfolio, CSR project with a positive impact on biodiversity in the Caspian region has been our focus.

In the Caspian region, which hosts diverse marine biodiversity, there is a pressing need for such investments. Sturgeons, in particular, known for their significant ecological role in the Caspian Sea ecosystem, have encountered threats stemming from habitat destruction, overfishing, and illegal poaching. To restore sturgeon population in the Caspian sea, SOCAR Trading in a partnership with Lu-Mun Holding, released 25,000 fingerling fish back into their natural habitat. The conservation initiative took place at the mouth of the Kur River in Azerbaijan in July 2023.

Sturgeon fish release project proposal went through internal CSR project section process described in the **Figure 38**. The release was witnessed by CEO of Lu-Mun Holding LLC, representatives from SOCAR Trading, executive authorities of the Neftchala district where the release took place, our assurance service provider and the director of the Research Center for Fisheries and Aquaculture of the Ministry of Ecology and Natural Resources of the Azerbaijan Republic.

Besides positive biodiversity impact, the initiative also supports local communities reliant on the sturgeon population for their livelihoods, achieved via local production facilities that stimulate economic activity and create employment opportunities.



Project II: Planting trees initiative

Case study: Encouraging our employees to have healthier lifestyle by planting trees

Each year SOCAR Trading organises Health & Safety week during which we invite our employees to participate in health-oriented exercises. One of such events is a step challenge, where employees can compete against each other to see who can get the most steps during a set period.

In 2023, we linked our annual Step Challenge competition to a “Trees planting initiative” to encourage our people walk more and have a healthier lifestyle. The more distances were covered as a team, the more trees were planted.

For this project, SOCAR Trading cooperated with the Ministry of Ecology of Azerbaijan with 2378 trees being planted in the Absheron peninsula in Azerbaijan.



Project III: Caspian Beach Clean-up

Case study: Caspian Beach Clean-up

As a part of our commitment to implement CSR projects with a positive impact on the Caspian Sea biodiversity, SOCAR Trading co-sponsored a large-scale environmental initiative, “Protect the Caspian Sea!”, organised by the “EcoHub” environmental platform, supported by the Ministry of Ecology and Natural Resources of the Azerbaijan Republic, SOCAR and SOCAR Trading.

The “Protect the Caspian Sea!” movement aligns with the globally recognized International Coastal Cleanup Day. From September 1 to 16, 2023, volunteers covered several coastal areas, culminating at Bilgah beach in Baku. Over 1,000 volunteers participated, clearing an 11-hectare area and removing approximately 5 tons of waste.

In 2023, a cleanup initiative targeted eight distinct regions along Azerbaijan border of the Caspian Sea. These regions include: Baku, Khachmaz, Shabran, Siyazan, Sumgait, Neftchala, Lankaran, Astara.




6.5 Engaging with our stakeholders

Table 10. List of main stakeholder groups

Stakeholder group	Why we engage	How we engage	Outcome
 Governments and Regulators	<p>We regularly engage with governments and regulators to understand the regulatory frameworks of the countries we trade in and bring fair value to the international community with due consideration of various local contexts.</p>	<ul style="list-style-type: none"> Third-party agents Open dialogues with government officials Open dialogues with SOEs 	<ul style="list-style-type: none"> During the reporting year we held bi-weekly meetings dedicated to constantly evolving environmental compliance regulations. As a result, we developed in-house tools and database, to estimate our exposure to the EU ETS, ensuring a comprehensive understanding of our carbon footprint and compliance obligations.
 Suppliers and Customers	<p>We are regularly communicating with our suppliers, customers and shipping counterparties in order to understand and track our negative impacts across our value chain. We are working diligently to improve our management capability of material issues. Our HSEC and Sustainable Procurement and Supply Chain and policies are key to improving our oversight of crucial ESG risks associated with our operations.</p>	<ul style="list-style-type: none"> Open dialogues with crucial suppliers and customers 	<ul style="list-style-type: none"> In our commitment to understand and track our negative impacts across our supply chain, we have revised our HSEC policy which envisions now Human Rights provisions and developed a stand-alone Stakeholder Engagement policy. For more details, please refer to section 4.1. In the reporting year, we developed internal KPIs to assess ESG performance of our most material counterparties. The assessment is based on the publicly available information. In instances where there is no publicly available information, an internally developed ESG questionnaire is shared with stakeholders. In 2023, we conducted an assessment of twenty two counterparties, including two investment companies.
 People	<p>We communicate with the wider society to understand the overarching stakeholder expectations concerning our operations and improve our grip over our most significant impacts on various communities around the world.</p>	<ul style="list-style-type: none"> Senior management visits Communication with NGOs 	<ul style="list-style-type: none"> In the reporting year, we implemented three CSR projects with positive biodiversity impacts. For more details, please see section 6.4.

Stakeholder group	Why we engage	How we engage	Outcome
 <p>Capital providers</p>	<p>We depend on our capital providers, such as banks due to their ability to provide access to funding opportunities for SOCAR Trading. We are actively listening to the recommendations and requirements of investors in order to meet relevant expectations and contribute to the wider goals of the energy transition.</p>	<ul style="list-style-type: none"> Stakeholder surveys Open dialogues with banking representatives 	<ul style="list-style-type: none"> As a result of active engagement with capital providers, we have developed ESG tool which was designed to automatically calculate GHG emission and store ESG related informing. For more details please section 7.4 of the ESG Report. In the reporting year, we obtained first ESG rating score assigned to us by EcoVadis, an independent ESG rating company. For more details, please refer to section 7.2.
 <p>Insurance companies</p>	<p>We depend on the insurance companies, as they enable us to adequately execute our risk management framework through insurance contracts.</p>	<ul style="list-style-type: none"> Stakeholder surveys Open dialogues with insurance representatives 	<ul style="list-style-type: none"> Progress will be shared in the upcoming ESG Reports.
 <p>Employees and contractors</p>	<p>We depend on our employees and contractors to maintain the operational sustainability and financial health of our organization. Consequently, we are actively listening to our employees and contractors to understand and fulfill their needs. We employ dedicated channels to streamline our communication with these parties.</p>	<ul style="list-style-type: none"> Performance and feedback reviews Stakeholder surveys Employee events Grievance mechanisms Employee satisfaction surveys 	<ul style="list-style-type: none"> In the reporting year, we conducted several inter-departmental training sessions aimed at enhancing employees' comprehension of the business structure and enhancing operational efficiency. We updated agenda of the Health and Safety week in response to feedback received from our employees. In 2023, we performed a worldwide review of compensation, during which all employees received a cost of living adjustment to their compensations.
 <p>Media</p>	<p>We are committed to fair and timely disclosure of information. By building trust, we aspire to inform the audiences about important developments and maintain a healthy corporate image.</p>	<ul style="list-style-type: none"> Direct communication with media outlets Corporate website 	<ul style="list-style-type: none"> During the reporting year, we created a dedicated page for sustainability issues on our new SOCAR Trading website. It is to note that at the time of preparing the ESG Report 2023, the new SOCAR Trading website had not yet been launched.

Stakeholder group	Why we engage	How we engage	Outcome
 <p>Investment Portfolio</p>	<p>We are regularly communicating with our investment companies, where we have a minority stake and our investment partners to better understand their impact on the sustainability-related matters.</p>	<ul style="list-style-type: none"> Investment company board representation Open dialogues with investment companies ESG Questionnaire 	<ul style="list-style-type: none"> In 2023, we conducted an assessment of ESG performance of Investment companies based on a publicly available ESG information or internally developed ESG survey. For more details, please refer to section 5.3.

Nar Bayrami, traditional pomegranate festivity and culture

Nar Bayrami is an annual festival in October/November in Azerbaijan's Goychay region that celebrates the pomegranate and its traditional uses and symbolic meaning. Pomegranate culture is a set of practices, knowledge, traditions and skills related to the cultivation of the fruit, which is used not only in a range of culinary contexts, but is also referred to in crafts, decorative arts, myths, storytelling and other creative outlets. The element is linked to local agriculture and to the farmers and individuals in rural communities that grow and collect the fruit. These participants have an understanding of environmental characteristics and harvesting techniques. The fruit enjoys great visibility in society as both the pomegranate and Nar Bayrami perform a range of cultural and social functions – everything from its use in traditional meals to being cited in poetry. Symbolically, the pomegranate is associated with long-term productivity, abundance and is considered as a carrier of energy. Azerbaijani local legends viewed it as a symbol of love and passion, while religious people saw it as symbolizing eternity.



7

The "G"

7.1 Governance at SOCAR Trading

Our progress



Yashar Ismailov
Chief Financial Officer

We share with our financial partners a common vision that our actions today have profound implications for the future. We are engaging with our stakeholders to implement concrete actions and define KPIs to demonstrate SOCAR Trading's commitment in that respect. We are working extensively with our financing partners towards inclusion of the KPIs into our financing documentation. We are setting auditable targets which will be regularly measured and reported. This includes monitoring our indirect emissions and enhancing ESG governance, showcasing our dedication to improving our ESG impact.

We are actively integrating ESG considerations into our decision-making processes and financial strategies for responsible growth. For instance, we designed a Cost Allocation Policy to offer financial incentives for the front officers who prioritize less carbon-intensive chartering options. This, in our view, creates a virtuous framework in which financial considerations and ESG objectives are brought together.

SOCAR Trading is also adapting its financial strategy with a view to dedicate specific financial instruments to support our efforts in favour of a different product mix. Thanks to such efforts, our revenue mix is also gradually reflecting our ESG objectives towards less carbon intensive activities.

Further, we finance initiatives and projects with a positive sustainability impact, frequently sponsoring local initiatives or backing fund-raising events.

We recognize the importance of sustainability and ethical governance in driving value for our stakeholders and consistently integrate this long-term vision in our daily financing activities.

We believe that strong corporate governance underpins the long-term success of any organization.

By managing the interaction between multiple stakeholders, governance systems work to create operational synergies while ensuring integrity, transparency, and resilience. Good governance is the foundational element of sustainable growth, where it allows employees to flourish, societies to benefit, and nature to be preserved.

We thus employ a robust governance system, which is designed to continuously maintain and improve oversight over crucial operations. Our governance model relies on clearly defined lines of oversight established through relevant internal documentation. It is with the help of this documentation that we have standardized and streamlined our day-to-day activities to enable a more transparent and effective engagement of top management in company operations.

The governance structure of SOCAR Trading is composed of a Board of Directors (BoD), members

Our progress in focus:

Case Study: Efforts to enhance our governance capabilities

During the reporting period, we have undertaken extensive work to consolidate and standardize our policies and procedures, as well as develop step-by-step guidance for responsible ESG working groups on using ESG data management tool. This initiative is aimed at improving our operational efficiency and strengthening our control measures.

of senior management, and the committees that work closely together to maintain formal oversight of the company. The BoD is responsible for determining the overall strategy and maintaining communication with stakeholders. All policies and processes at SOCAR Trading are approved by the senior management members and uploaded into the internal system, which is accessible by all our employees. The responsibilities of governing bodies, performance evaluation schemes and governance principles are determined by respective company charters, articles of association and best-practice corporate governance principles outlined in ICGN Corporate Governance Principles.

Senior Management Evaluation

Our senior management team undergoes an assessment process based on Objectives and Key Results (OKRs). These OKRs encompass a broad spectrum of performance metrics, including specific ESG-related objectives. This framework allows us to quantitatively and qualitatively evaluate the contributions of our senior managers to the company's sustainability and social responsibility goals.

Board of Directors Oversight

The governance structure at SOCAR Trading includes oversight of ESG progress by our Board of Directors (BoD). Our CEO, who is also a member of the Board, plays a pivotal role in this process. At least twice a year, the CEO of SOCAR Trading presents the progress of our ESG framework to the BoD. Other Board members review and provide feedback on the presented ESG progress. This feedback mechanism ensures that the board's expertise and strategic guidance are leveraged to enhance our ESG strategies.

Besides regular meetings involving senior management, four management committees have been formed to manage crucial operational decisions within the company. These committees were created to maintain a closer oversight of the most important activities of SOCAR Trading:

Figure 31. Committees at SOCAR Trading



Investment Committee

The Investment Committee is responsible for the management and oversight of investment project lifecycles of major infrastructure projects of SOCAR Trading. It works closely with the business development function and other functional units to oversee that the process of project development is streamlined appropriately. Additionally, it is responsible for making investment decisions, subject to relevant regulations, including board approval. The investment project approval process is governed by relevant documentation, which provides step-by-step guidance on the process, and defines responsibilities and execution steps.

Members of the Committee: CEO, CTO, CFO, COO, CRO, CLCO and CDO.

Credit Risk Committee

The Credit Risk Committee is responsible for the management and oversight of credit risks at SOCAR Trading. It is engaged in the review and approval of credit lines to counterparties and works closely with the credit department to report credit exposures which arise from business transactions. The credit line approval process is governed by relevant documentation, which provides step-by-step guidance on the process, and defines responsibilities and execution steps.

Members of the Committee: CEO, CFO, CTO, COO, CRO, CLCO and Head of Credit.

Deal Committee

The Deal Committee is responsible for the management and oversight of new trading deals that fall outside of the scope of standard trading limits. It works closely with all functions to assess the risks of a new trading idea to determine if it is in line with SOCAR Trading’s objectives and capabilities. Additionally, it maintains oversight of the whole deal approval process. The involvement of the Deal Committee is governed by relevant documentation, which provides step-by-step guidance on the process, and defines responsibilities and execution steps.

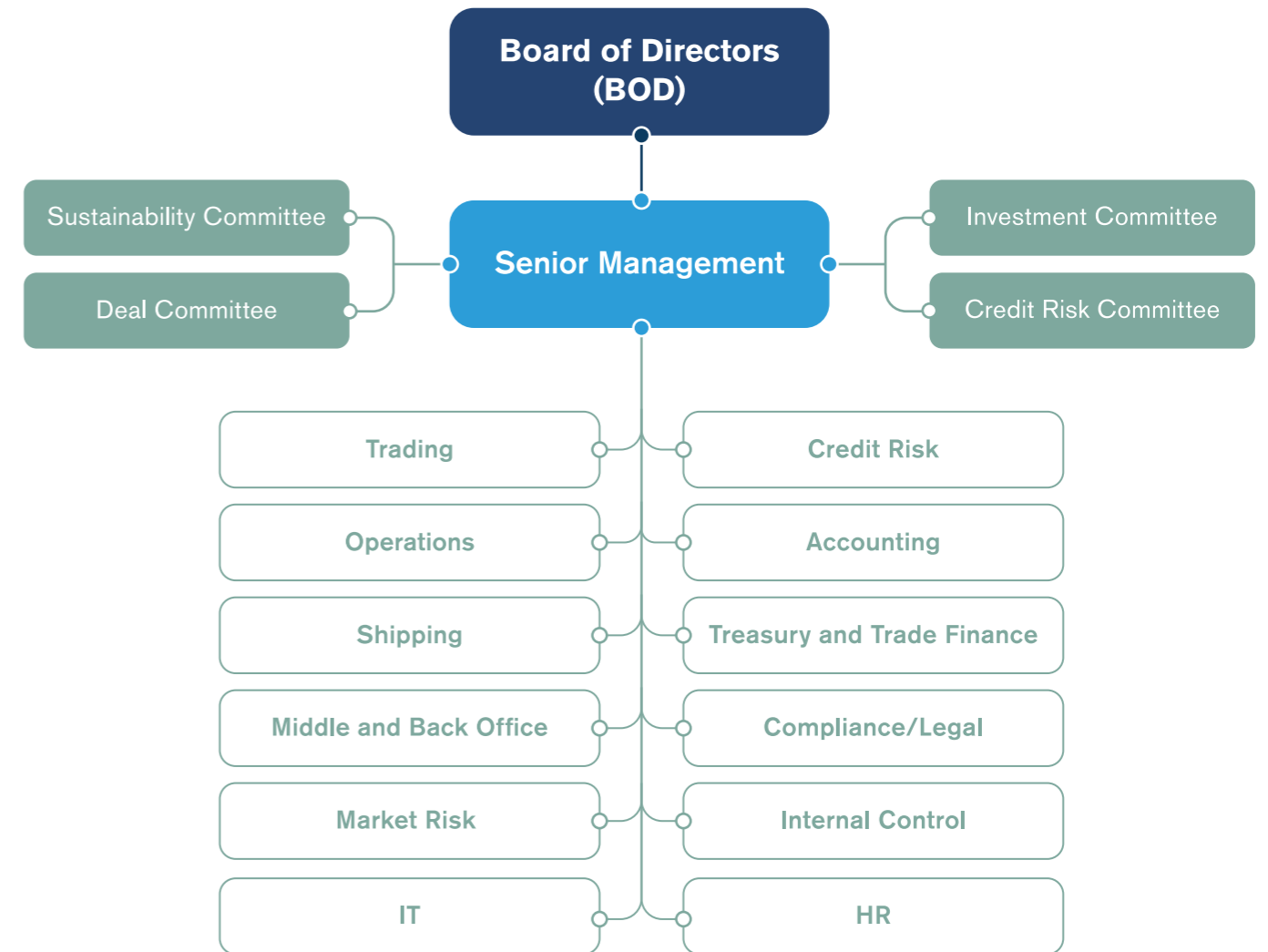
Members of the Committee: CEO, CTO, CFO, COO, CRO, and CLCO.

Sustainability Committee

The Sustainability Committee plays a crucial role in ensuring that SOCAR Trading is aligned with its ESG Strategy and is responsible for the management and oversight of ESG risks. The Committee works closely with the COO function and other functional units. Established in 2022, the Committee’s core objective is to foster a corporate culture that fully integrates sustainability principles, ensuring that it remains a key consideration in all aspects of SOCAR Trading’s operations. Throughout the reporting period, the Committee held three meetings.

Members of the Committee: CEO, CTO, CFO, COO, CRO, CLCO and CDO.

Figure 32. Governance structure of SOCAR Trading



Board of Directors

Rovshan Najaf
Chairman of the Board



About Rovshan Najaf

In 2007-2008 Rovshan Najaf completed the Master’s program in Economic Policy Management / International Energy Management and Policy at Columbia University. He holds a PhD in Economics, is the 3rd degree State Counsellor. In 2010-2018, he worked as the Deputy Executive Director and Executive Director of “Azerbaijan Investment Company” OJSC. He was later appointed as the Chairman of the Financial Monitoring Service of the Republic of Azerbaijan. Mr. Najaf continued his career as the First Deputy Minister of Economy after being appointed by the President of Azerbaijan in 2021. In 2022, he became the First Vice President and Acting President of the State Oil Company of the Republic of Azerbaijan by the Order issued by the President of Azerbaijan.

Elshad Nassirov

Board member



About Elshad Nassirov

Elshad Nassirov graduated from the Moscow State Institute of International Relations in 1982. He worked in various diplomatic positions for the USSR, including in the Afghanistan Embassy (1981–1982), in the Institute of Oriental Studies of the USSR Academy of Sciences (1982–1985), and in the Soviet Embassy in India (1989–1992). After Azerbaijan gained its independence, he worked in the Permanent Representative Office of Azerbaijan in the UN (1992–1995) and as administration division chief in the Ministry of Foreign Affairs from 1995–1997. From 1997–2003, he was a Chief of the Foreign Economic Operations Department, and from 2003–2005 a Chief of the Marketing and Operations Department of SOCAR. Elshad Nassirov was appointed Vice-President of SOCAR for Investments and Marketing in 2005 and awarded the Order of Glory in 2010.

Zaur Gurbanov

Board member



About Zaur Gurbanov

In 2000-2005, Zaur Gurbanov served in the Armed Forces of Azerbaijan and participated in peacekeeping missions outside the country. In 2010 he graduated from the Odlar Yurdu University with a Bachelor's Degree in Business Organisation and Administration, and in 2012, he graduated from Azerbaijan State University of Economics with a Master's Degree in finance. In 2005-2010, Zaur worked in various local and foreign companies. Between 2010 and 2020, he worked as a Senior Specialist, Manager and Director at EY. During these years, he participated in a number of trainings. Since 2020, he has held the position of Deputy CEO of Azerbaijan Investment Holding. On the 11th of August 2021, he was appointed Vice President of SOCAR by the Order issued by the President of the Republic of Azerbaijan. In 2021-2022, he held the positions of a member of the Supervisory Board of Azerbaijan Caspian Shipping CJSC, Azerbaijan Airlines CJSC and Baku Metropolitan CJSC in accordance with the orders of the Azerbaijani President.

Farrukh Gasimov

Board member



About Farrukh Gasimov

Farrukh Gasimov graduated with a Law Degree from Baku State University in 1981 and received a doctorate from the Moscow Public Studies and Law Institute in 1985. He joined SOCAR HQ in 2006 as a deputy Head of Legal to provide legal support and expertise with a focus on overseas business projects and cross-border transactions. Prior to joining SOCAR Farrukh served as a Deputy Chief of the Department of Legislation and Legal Expertise at the Administration of the President of Azerbaijan (1991-1992), head of legal at PwC (1998-1999) and KPMG (1999-2001) teams based in Baku, Associate at Baku office of Baker Botts LLP, leading international law firm. Farrukh has a long experience in lecturing in high school and held a chair of legal sciences at the Institute of Political and Social Sciences in Baku, Azerbaijan. Farrukh was awarded the "Progress" medal in 2013 and a title the "Honored Lawyer of Azerbaijan" in 2017. He is admitted to legal practice in Azerbaijan. Farrukh is a member of the Board of Directors in several SOCAR subsidiaries.

Executive Director



Mariam Almaszade, CEO

Member of the Board of Directors and Senior Management

CEO

About Mariam Almaszade

Mariam Almaszade joined SOCAR Trading in 2018. As Chief Executive Officer and Member of the Board of Directors, she is responsible for ensuring the efficiency of the company's activities, the qualities of its operations and the cost-effective management of its resources.

Before joining SOCAR Trading, Mariam was the Head of Legal, Audit, and Compliance at MADDUX SA, in Geneva and then was ultimately appointed to the position of CEO. She began her career in the legal domain, working with UN organizations and NGOs in Geneva, Switzerland and Baku, Azerbaijan. Before Maddox, she was at several law firms specializing in the energy and commodity trading sectors in Geneva.

7.2 First ESG Rating score

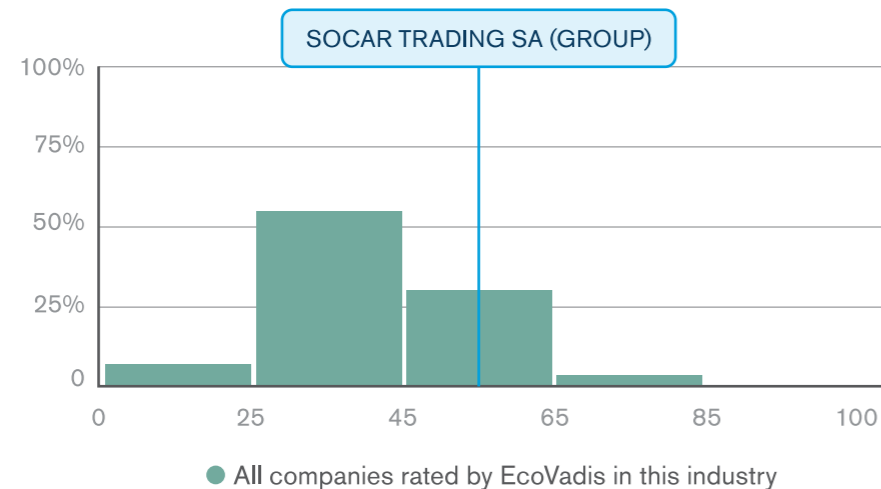
In the reporting period, SOCAR Trading underwent an inaugural evaluation of its ESG performance, as assessed by EcoVadis—an independent Sustainability Rating Company. We received a score of 56 out of 100 (figure 42). This places SOCAR Trading in the 65th percentile within the EcoVadis Universe, indicating a performance level higher than or equal to 65% of the 100,000+ companies assessed by EcoVadis. As of January 2024, we stand in the top 19% among industry peers assessed by EcoVadis. The scoring process encompassed four key areas:

- Environment
- Labour & Human Rights
- Ethics
- Sustainable Procurement

Consequently, SOCAR Trading has analyzed the evaluation results to understand its strengths and areas for improvement, leading to the development of a corrective action plan.

We set a target to improve our score by at least 5 points in each of the upcoming ESG ratings in 2024 and 2025. This endeavour involves adhering to EcoVadis team recommendations and implementing the corrective action plan to further enhance our environmental, social, and governance practices.

Figure 33. SOCAR Trading's ESG rating score



7.3 Embedded KPIs into revolving credit facility

SOCAR Trading is actively working on developing Key Performance Indicators (KPIs) to be embedded into its Revolving Credit Facility (RCF). Two key KPIs has been selected to incentivize the company to enhance its environment and social impact. The KPIs are linked to (1) our chartering activity, the biggest source of our reported GHG emissions and (2) an ESG rating.

The first KPI is linked to the EEOI metric, described in Section 5.3. The target that is being discussed is more ambitious than the decarbonization trajectory target as defined by Sea Cargo Charter (SCC), which is aligned with IMO absolute target defined in its 2018 strategy. By improving our performance related to the shipping operations, we aim to accelerate decarbonization of our operations.

The second KPI is linked to an improvement in the ESG rating. At the time of publication of ESG rating score, according to the first assessment done by EcoVadis in 2023, SOCAR Trading is already in the top 19%



among industry peers rated by EcoVadis within our industry. We aim to improve our rating further and are committed to enhancing our ESG governance and reducing our negative impacts on the environment and society by following recommendations of EcoVadis and based on the feedback we have received from our stakeholders.

7.4 ESG data management

Our progress in focus:

Case Study: Enhancing ESG management at SOCAR Trading based on stakeholder engagement

Engaging Stakeholders

In the reporting year, SOCAR Trading engaged in a proactive dialog with capital providers and assurance service provider to understand their expectations and requirements. Through a series of discussions, we have agreed that SOCAR Trading needs a comprehensive ESG management solution that will optimize data collection, automate GHG emissions calculations, increase transparency, provide a robust reporting framework and facilitate assurance process of our annual ESG Report.

In-House Solution

Based on the feedback received, we have been actively working on building an IT solution in house which could:

- Store ESG related data;
- Estimate GHG footprint based on the entered information;
- Analyse obtained results in the form of user-friendly reports; and
- Facilitate assurance process of ESG data.

Cross-Functional Collaboration

ESG data management tool that we have developed is based on a cross functional approach, which involves several ESG working groups - Emissions (please see figure 44) and Shipping emissions teams - which are composed of representatives from all five trading offices to ensure that all the data is documented and reported.

How it works

As a first step, we invite responsible people to enter raw data related to their offices in the fixed

template. This includes input data for our reported Scope 1, 2 and 3 GHG emissions.

As a second step, based on the entered Emissions Factors and information, our tool automatically estimates GHG emissions in accordance with GHG protocol. We then present obtained results in the form of Power BI reports internally with visuals and graphs that help to analyse our performance.

As a third step, we invite responsible ESG working groups to upload supporting documents into "Documents" section to facilitate assurance process for the ESG Reports and to store all data in one place.

As a final step, before the assurance process, our ESG team verifies entered information, ensures that all the supporting documentation is uploaded and updates Emission factors, if required.

Additional Features

To facilitate the data collection process and reporting of the quantitative information in section "S" and "G" of the present Report, we have developed dedicated sections in our tool for Legal & Compliance and OHS, where we invite responsible employees to enter information which we then display both in our tool and in an annual ESG report.

If the input is incorrect, SOCAR Trading ESG data management tool notifies ESG team and flags a potential error.

The ESG management tool at SOCAR Trading has been designed to be easily updated and to include additional reporting sections, if needed.



7.5 Compliance and responsible business management

Our progress



Movsum Muslumzada
Global Head of IT

In alignment with our organization's commitment to Environmental, Social, and Governance (ESG) principles, the Information Technology (IT) department has played an important role in advancing ESG efforts, showcasing our achievements and roadmap for further integrating ESG values into our technological practices.

By transitioning entirely to cloud-based compute and storage resources, we have significantly reduced the carbon footprint associated with our digital operations. This shift not only enhances operational efficiency and scalability but also aligns with our environmental objectives by minimizing the need for energy-intensive data centres.

We have minimized paper usage through the implementation of electronic signatures and approval processes. This initiative conserves resources and streamlines workflows, contributing to both environmental sustainability and operational efficiency.

Ensuring that all IT tools are accessible to every employee, IT has democratized remote work capabilities, fostering flexibility. This approach promotes work-life balance and contributes to environmental goals by reducing commuting-related emissions.

Our IT infrastructure is designed to facilitate nearly all work and support tasks electronically. This capability is crucial for maintaining business continuity, especially in unprecedented times, while also supporting our environmental goals by reducing the need for physical presence and resources.

Our approach to engaging in everyday activities is inseparable from our ethical standards and overarching responsibility in front of the economy, society, and environment. Our adherence to these principles rests on our **core values** that are guiding us to create and maintain a culture of **doing business the right way**. To mainstream the values and principles of responsible business management into our day-to-day operations, we built a **Code of Business Conduct and Ethics** – an ethical roadmap, guiding our employees through the

complicated landscape of rights and wrongs. We expect all our employees to familiarize themselves with the Code and adhere to its principles at all times. Our senior employees are responsible for leading by example and promoting our blueprints of integrity in everything that we do.

SOCAR Trading strives to continuously inform its stakeholders about emerging laws, regulations and principles of responsible business conduct. The required communication to **employees** is delivered

through internal training to ensure every newcomer is informed about the procedures and policies of SOCAR Trading. Policies for ensuring responsible business conduct are managed by the legal and compliance functions of SOCAR Trading, and issues related to non-compliance with policies and procedures are encouraged to be addressed to senior representatives of these functions. The CEO appointed the Chief Legal and Compliance Officer (CLCO) to lead the legal and compliance functions at SOCAR Trading and oversee the management of organizational impacts in that domain. During the reporting year, there were no instances of non-compliance with international laws and regulations.

Figure 34. SOCAR Trading's instruments for ensuring responsible business management

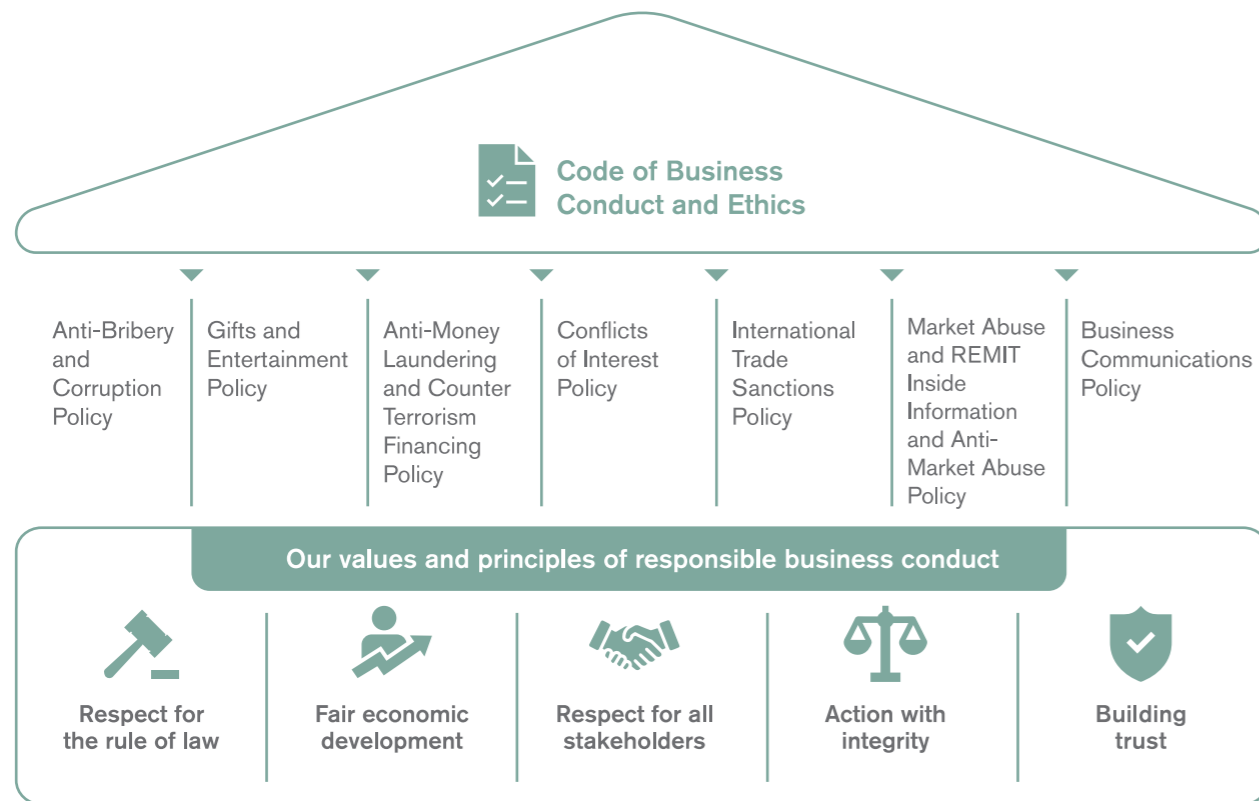


Table 11. Policies governing responsible business conduct at SOCAR Trading

Policies	Description
Anti-Bribery and Corruption Policy	SOCAR Trading does not tolerate corruption and expects its employees and business partners, including contractors, third-party consultants, and agents to abide by this principle. Clauses on intolerance towards anti-corruption are contained in the Code of Conduct and managed by a dedicated Anti-bribery and Corruption Policy . This policy was built upon the UK Bribery Act 2010, The U.S. Foreign Corrupt Practices Act, and the OECD Anti-Bribery Convention. During the reporting year, no incidents of corruption were reported.
Gifts and Entertainment Policy	In support of the anti-bribery policy, the Gifts and Entertainment Policy outlines the rules and procedures related to the process of building a constructive relationship with counterparties through gifting activities. The policy is aimed at monitoring that entertainment and gifting activities do not impact the impartiality of SOCAR Trading's employees and counterparties.

Policies	Description
Anti-Money Laundering and Counter Terrorism Financing Policy	To mitigate the risks of engaging with counterparties involved in money laundering and terrorism financing, SOCAR Trading developed an AML & TF Policy . The policy aims to prevent SOCAR Trading employees from being involved in or facilitating potential money laundering operations of counterparties. We expect both our employees and business partners, including contractors, third-party consultants, and agents to follow this policy. SOCAR Trading implements a variety of procedures in order to identify and prevent instances, such as appropriate documentation practices, rigid KYC controls, group-wide AML risk analyses and the implementation of other supporting policies. The policy was built upon the Terrorism Act 2000 and Proceeds of Crime Act 2007. During the reporting year, there were no instances of money laundering detected at SOCAR Trading.
Conflict of Interest Policy	SOCAR Trading is committed to ensuring that conflicts of interest arising within the organization are managed in a timely manner. In order to facilitate this process, we developed a Conflicts of Interest and Personal Account Dealing Policy . This policy is designed to ensure that the choices our employees make in the workplace are not against SOCAR Trading's objectives and interests. Our employees are encouraged to assist in the identification of potential conflicts of interest by reporting relevant inquiries directly to the compliance team, which will help determine if the conflict exists. This policy applies to all SOCAR Trading's employees and its counterparties.
International Trade Sanctions Policy	In the current international trading landscapes, reducing regulatory risks associated with sanctioned parties is essential to maintain our activities globally. The International Trade Sanctions and Anti-Boycott Policy was developed to outline the procedures required to avoid these risks. With the guidance of this policy, SOCAR Trading performs careful due diligence checks during KYC procedures in order to spot counterparties mentioned in international sanctions lists. SOCAR Trading relies on official sources of information such as The Office of Foreign Assets Control (OFAC) of the U.S. Department of Treasury. This policy is applicable to all SOCAR Trading employees, subsidiaries, affiliates, joint ventures, and contractors acting on behalf of SOCAR Trading. During the reporting period, there were no instances of fines and bans imposed on SOCAR Trading as a result of trading with sanctioned authorities.
Market Abuse and REMIT Inside Information and Anti-Market Abuse Policy	We believe that fair competition is a foundational element of a sustainable economy and have created relevant processes to protect against both intended and unintended instances of market abuse. We comply with Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and are regularly assessing our impact on market integrity. Under our Market Abuse Policy and REMIT Inside Information and Anti Market Abuse Policy , SOCAR Trading outlines its obligation to publish information that can be regarded as insider information before making trading decisions and defines the term with practical examples. These policies are applicable to every employee of SOCAR Trading. There were no instances of market-abuse allegations against SOCAR Trading (including instances associated with price gouging, price fixing, or price manipulation) during the reporting period.
Business Communications Policy	The Business Communications Policy outlines the rules and procedures related to the business communications between SOCAR Trading employees and its counterparties. It accentuates the importance of coherent, professional, timely, and truthful information exchange.

We understand that the effectiveness of the implementation of our policies depends on our pledge to integrate relevant ideas into our company culture. We go the extra mile to teach our principles through dedicated training sessions conducted by SOCAR Trading for all employees. We have drafted relevant plans to expand the scope of these training sessions in the future.

Table 12. Percentage of employees who received anti-corruption training

Anti-corruption training	2021	2022	2023
Top management	100%	100%	100%
Other employees	95%	96%	90%

We are regularly assessing our operations for risks related to corruption as part of our commitment to embed our policy commitments into our operations. In 2023 we have conducted a comprehensive due diligence exercise, as a result of which all business lines were quantitatively assessed for corruption risks. The scope of our exercise is due to increase as we expand our ESG competence and strengthen our grip over material impacts related to compliance.

Table 13. Total number and percentage of operations assessed for risks related to corruption

	2021		2022		2023	
	percentage	scope	percentage	scope	percentage	scope
Anti-corruption risk assessment	100%	By Business Line, all business lines covered	100%	By Business Line, all business lines covered	100%	By Business Line, all business lines covered

We are carefully monitoring that our activities are consistently in line with applicable laws and regulations as part of our compliance management functions. Timely screening of new counterparties and vessels has allowed us to avoid possible legal actions in the last three years and preserve our reputation as a trusted trader. To monitor shipping compliance, we are using a shipping compliance software designed to optimize the efficiency of KYC checks associated with chartering activities.

Table 14. Total number of shipping compliance checks

	2021	2022	2023
Number of new vessels that were screened for compliance violations	154	179	216
Total number of authorized vessels	3 327	2 412	2 783

Table 15. Total number of KYC checks

	2021	2022	2023
Number of new business partners that were screened for compliance violations	225	123	109
Total number of authorized business partners	2 676	2 511	2 434

Whistleblower and incident escalation mechanisms

To ensure that we are always aware of possible breaches of the Code, we created a dedicated channel for receiving and analyzing these breaches. The existence of this channel is regularly communicated to all employees and is mentioned in the Code of Conduct. To establish a formal basis for analyzing and communicating incidents of questionable behavior to senior management, we created a **Whistleblower Policy**, which outlines the reporting procedure in detail. This makes reporting incidents more accessible and makes it more likely for our employees to report instances of non-compliance by giving them the security to do so. Our documented **Incident Escalation Procedure** supports this process by supplementing the Whistleblower Policy and other grievance mechanisms in promoting transparency across all SOCAR Trading branches.

Our engagement with third-party agents

We recognize the elevated risks of corruption emerging from our relationships with third-party agents. In order to mitigate these risks, we are following a formally approved **Contracts with Third-party Agents** procedure. As per this procedure, SOCAR Trading is obligated to maintain more rigorous oversight of third-party agents if the terms of the deal meet specific criteria. These measures may include expanded KYC checks, mandatory compliance training sessions, higher frequency reporting, and stricter contract clauses.

7.6 Risk management

As a commodity trading organization, we face a multitude of risks through our everyday trading activities. As a result, each and every action we take with our counterparties must be managed in a comprehensive and dynamic system in order to ensure the financial success of our business and guarantee adherence to our values. For this purpose, we built a comprehensive risk management framework that governs this process by integrating all major functional units of our organization into this process. Together, these functions work in unison to assist in the assessment and identification of risks throughout the deal flow.

SOCAR Trading is a centralized commodity trading company that is using its global presence for effective identification of risks through its risk management framework. To implement this framework, we use an internal **Energy Trading and Risk Management (ETRM) system** coupled with a variety of analytical tools to regularly measure our performance and risk exposure through daily Value at Risk (VaR), position and Profit and Loss (P&L) reporting. By consulting our daily risk exposure calculations, we monitor if our risk limits are being approached; consequently, this approach informs our next course of action.

Figure 35. Key risks managed at SOCAR Trading





Financing and Liquidity risks

Risks associated with the commodity trading business being unable to finance its operations and meet its short-term debt obligations.



Regulatory risks

Risks associated with changing regulatory landscapes, such as changes to legal and taxation laws.



Operational risks

Risks associated with losses caused by flawed or failed processes and policies, policy breaches, operational incidents, such as oil spill, inadequate insurance coverage, rogue trader or logistical (i.e., pipeline) failure.



ESG risks

Risks associated with negative environmental, social or governance impact implied from SOCAR Trading's own or its third-parties' performance.



Cyber risks

Risks associated with hardware and software failures such as cyber theft of sensitive data, malicious attack, viruses or human errors.



Political/Economic Event risks

Risks associated with political instability, economic crisis, pandemic outbreaks and natural disasters.



The Art of Azerbaijani Ashiqs

The art of Azerbaijani Ashiqs combines poetry, storytelling, dance and vocal and instrumental music into a traditional performance art that stands as a symbol of Azerbaijani culture. Characterized by the accompaniment of the saz, a stringed musical instrument, the classical repertoire includes 200 songs, 150 literary-musical compositions known as dastans, nearly 2,000 poems in different traditional poetic forms and numerous stories. The regional variations may include other musical instruments, but all are united by a common national language and artistic history. Ashiqs take part in weddings, friendly parties and festive events throughout the Caucasus and appear on concert stages, radio and television, sometimes synthesizing classical melodies with contemporary ones as they continue to recreate their repertoire. Their art is considered an emblem of national identity and the guardian of Azerbaijani language, literature, and music.



8

Alignment with TCFD's recommendations

We believe that our climate change disclosures aligned with the recommendations of the G20 Financial Stability Board's TCFD, serve as a testament to the work we have already undertaken in this area. Moreover, TCFD framework is used as a guidance for enhancing our strategy and governance structure to consider climate-related risks and opportunities and ensure long-term value for all our major stakeholders.

We tried to enhance our positive impacts by strengthening climate change governance, integration of climate change issues into our corporate vision and strategy, considering major climate change risks and opportunities within our risk management framework, and most importantly, working to formulate respective KPIs and targets. While there is significant work that we need to accomplish, we are scheduling specific tasks for the upcoming periods. For instance, we will develop and test climate-related scenarios to ensure the resilience of our strategy. Nonetheless, we believe the steps we have taken will serve as a firm foundation for our further growth.



Table 16. TCFD summary table

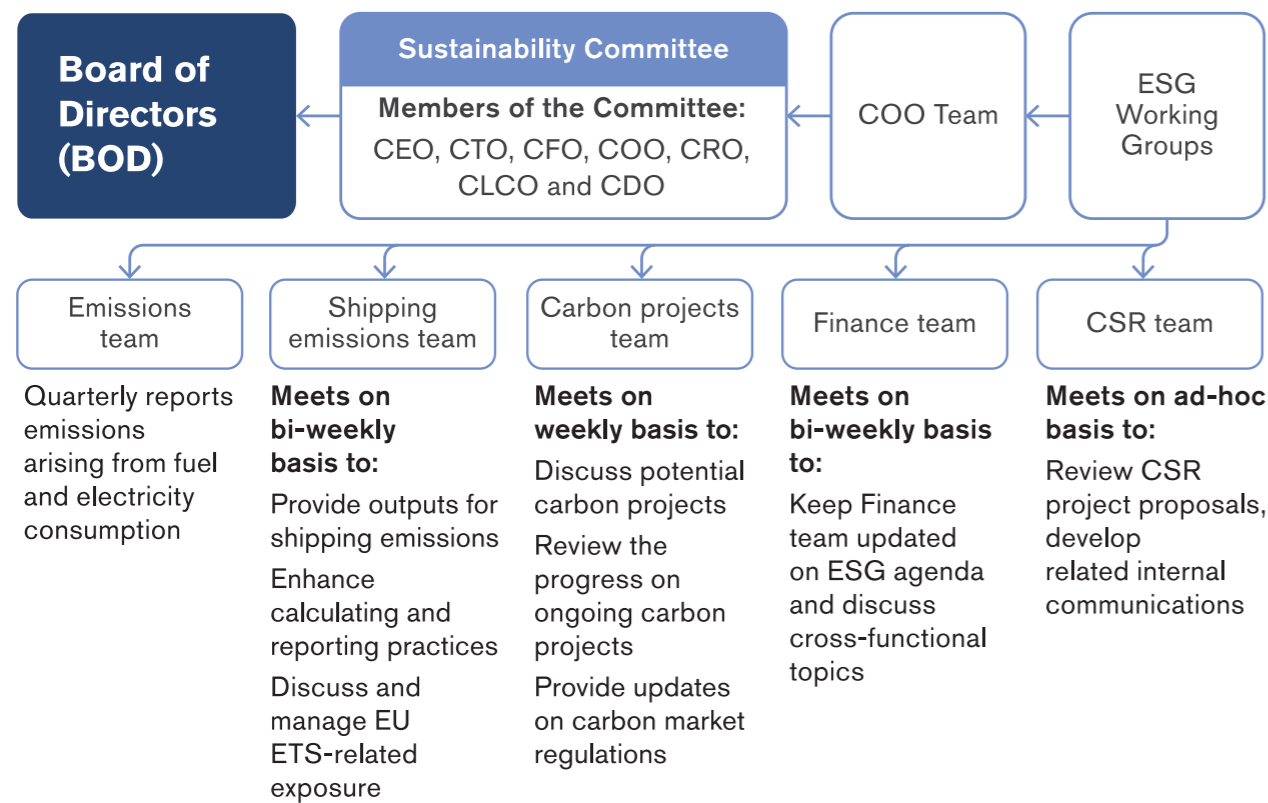
TCFD recommendation	Disclosure	Reference
Governance		
a. Describe the Board's oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> ESG management at SOCAR Trading Governance 	4 8.1
b. Describe management's role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> ESG management at SOCAR Trading Risk management Governance Climate risk management 	4 7.6 8.1 8.3
Strategy		
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	<ul style="list-style-type: none"> ESG strategic objectives and targets Strategy Metrics and targets 	4.2 8.2 8.4
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<ul style="list-style-type: none"> Strategy 	8.2
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> Our approach to environmental management Strategy 	5.1 8.2
Risk management		
a. Describe the organisation's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> Risk management Climate risk management 	7.6 8.3
b. Describe the organisation's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> Policies governing our ESG approach across value chains Risk management Climate risk management 	4.1 7.6 8.3
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<ul style="list-style-type: none"> Risk management Climate risk management 	7.6 8.3
Metrics and targets		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> ESG strategic objectives and targets Metrics and targets 	4.2 8.4
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<ul style="list-style-type: none"> Our corporate carbon footprint Metrics and targets 	5.2 8.4
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> ESG strategic objectives and targets Our corporate carbon footprint Metrics and targets 	4.2 5.2 8.4

8.1 Governance

There are four committees at SOCAR Trading that work closely together to maintain formal oversight of the company. Overall, management of the climate change risks and opportunities is monitored at the Sustainability Committee level and is overseen by the Board while operational aspects are managed by ESG Working Groups coordinated by COO. Our ESG working groups are built on the cross-functional approach which enables us to closely monitor, assess and manage climate-related risks and opportunities in different areas of our business (for more details, please refer to Section 4 of our ESG Report). During the reporting period we had five ESG working groups as can be seen in Figure 44 below.

Our high-level climate-related risks are identified through the ERM process where the management representatives are directly involved. CRO is a key person to coordinate the process and ensure that identified risks have an ultimate C-level owner to approve the risk level and mitigants. Members of **Sustainable Committee** play a vital role in identification of emerging trends, risks and opportunities as well as monitoring the implementation of adaptation and mitigation measures to ensure SOCAR Trading's operations are resilient in the long-term.

Figure 36. STSA's ESG governance structure



To align with the EU ETS shipping emissions regulations that came into effect in January 2024, we expanded our shipping emissions working group during the reporting year to include representatives from the Legal and Trading teams. One of the outcomes of the cross-functional collaboration is that we managed to build calculation model to estimate EU ETS exposure in house.

8.2 Strategy

It is undeniable that implications of global warming are serious for almost all sectors and regions across the globe. To ensure that our strategy addresses all applicable risks and opportunities brought by the climate change, we understand the essence of regular analysis and review of the trends, publications and research that would help us prioritize the relevant business development and financial planning initiatives.

The Sustainability Committee identified potential risks and opportunities in line with TCFD recommendations and conducted an assessment which involved analysing the probability of each risk and opportunity occurring, as well as the potential impact on the company's operations, finances and reputation (See the table below for details). During the literature review of existing scientific publications, we conclude that there is a high level of uncertainty about the climate change impacts in the regions of our presence. As a starting point, we initiated a high-level review of two scenario trajectories suggested by the IEA Global Energy and Climate Model (GEC) in 2022, i.e.:

Net Zero Emissions (NZE) by 2050 scenario – limiting global warming to 1.5°C;

Stated Policies scenario (STEPS) – global temperature exceeding 1.5°C in 2050 and reaching 2.6°C by 2100.

As a result, we divided potential impacts and opportunities vis-a-vis three different time frames:

Short-term - by 2025

In the short-term, we do not expect significant impacts on our operations and value chain. However, considering the mentioned scenarios, the regulatory and governmental action, as well as market demand will have a slightly different effect on our operations.

Mid-term - by 2030

In the mid-term, a higher degree of “ambition gap” between two scenarios is projected which in turn, will have greater impact on our business by requiring us and our business partners either to go beyond our pledges or stick to more conventional approach.

Long-term - by 2050

In the long-term, it is expected that the climate change can lead to severe damage to our operations in certain regions, including the upstream value chain if prompt actions are not taken by all parties today.

Table 17. Climate related risks and opportunities table

Transitional risks				
Material elements	Potential impacts	Management response	Time period	Likelihood
Policy and Legal				
<ul style="list-style-type: none"> Increased regulatory requirements on activities and traded products, such as carbon tax and cap and trade systems Changes in regulations or policies related to climate change 	<ul style="list-style-type: none"> Increased operational and compliance costs Increased costs and reduced revenue caused by fines and litigation Reputational damage 	<p>We keep a close eye on developments in areas such as climate change policy and regulations, carbon pricing, and emissions reporting by continuously monitoring the legal and regulatory landscapes at both local and international levels. Furthermore, we take proactive measures to ensure that we enhance our ESG reporting system to be prepared for mandatory reporting frameworks requirements. By closely monitoring these developments, we can anticipate changes that may affect our business and stay ahead of the curve. We work to ensure that our climate related impacts are managed effectively by regularly measuring, analysing and optimizing our performance results.</p>	<ul style="list-style-type: none"> Short Mid Long 	Very likely

Transitional risks				
Material elements	Potential impacts	Management response	Time period	Likelihood
Market				

<ul style="list-style-type: none"> Increasing demand for low-carbon alternatives Shifts in geopolitical situation 	<ul style="list-style-type: none"> Lower demand or lower prices for fossil fuels Expenditures in research and development, as well as in implementation of the energy transition initiatives 	<p>We understand that energy market is subject to a range of internal and external factors that can significantly affect the supply, demand and profitability of our trading activities. We recognize the growing demand for low-carbon commodities and are proactively taking steps to prepare for this transition. For instance, we are diversifying our energy portfolio by increasing the share of transitional commodities, such as LNG and natural gas, and constantly improving our risk management strategies to mitigate against price fluctuations and supply disruptions. Furthermore, we are considering the technologies that would allow to develop innovative environmental products and services tailored to the evolving needs of the energy market.</p>	<ul style="list-style-type: none"> Mid 	Likely
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Reputation				
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<ul style="list-style-type: none"> Stakeholders' greater emphasis on transparency of environmental performance Negative stakeholder feedback 	<ul style="list-style-type: none"> Negative impact on reputation and social license to operate in case of the failure to meet expectations Reduction in financing and capital attraction Reduced revenue due to refusal to cooperate 	<p>We are committed to ongoing communication and collaboration with a wide range of stakeholders, including policy makers, capital providers and business partners. We recognize that addressing climate change requires a coordinated effort and we are actively engaged in raising awareness of climate issues and advocating for investment in mitigation and adaptation projects in the regions of our presence. We ensure the transparency and reliability of ESG disclosure by engaging third-party verifier. In addition, we emphasize an importance of collaborating with business partners that share our vision and values.</p>	<ul style="list-style-type: none"> Mid Long 	Likely
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Physical risks				
Material elements	Potential impacts	Management response	Time period	Likelihood
Extreme weather events				

<ul style="list-style-type: none"> Natural disasters, including floods, heatwaves or storms can lead to damage of infrastructure and assets used for transportation and storage 	<ul style="list-style-type: none"> Higher costs from transport difficulties, supply chain interruptions Increasing capex Higher costs from negative impact on workforce Power outages due to heatwaves or freezing weather 	<p>We maintain appropriate insurance cover against all physical damage and losses during transit or intermediate storage or transport of commodities under our responsibility caused by natural disasters and adverse climatic conditions. In 2022, we developed an Incident Report Form for operators' team to document incidents occurred. Depending on the severity of the incident, it is immediately reported to Top Management, Head of Desk or relevant department. After this, an incident is reviewed in a smaller group to produce mitigation action plan. In 2023, a total of eight incidents were reported using the incident report form. Seven of these incidents have been resolved, leaving one still active. While the nature of these incidents varies, the majority are related to legal and insurance issues.</p>	<ul style="list-style-type: none"> Mid Long 	Likely
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Opportunities				
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Material elements	Potential impacts	Management response	Time period	Likelihood
Resource Efficiency				
<ul style="list-style-type: none"> Efficient consumption of resources Use of more efficient transportation modes 	<ul style="list-style-type: none"> Reduction of operational costs of offices 	<p>We raise awareness among our employees and shipping operators and provide incentives. In 2023, we applied incentivization initiatives for the first time, encouraging the use of less carbon-intensive vessels within our company.</p>	<ul style="list-style-type: none"> Short Mid 	Very likely

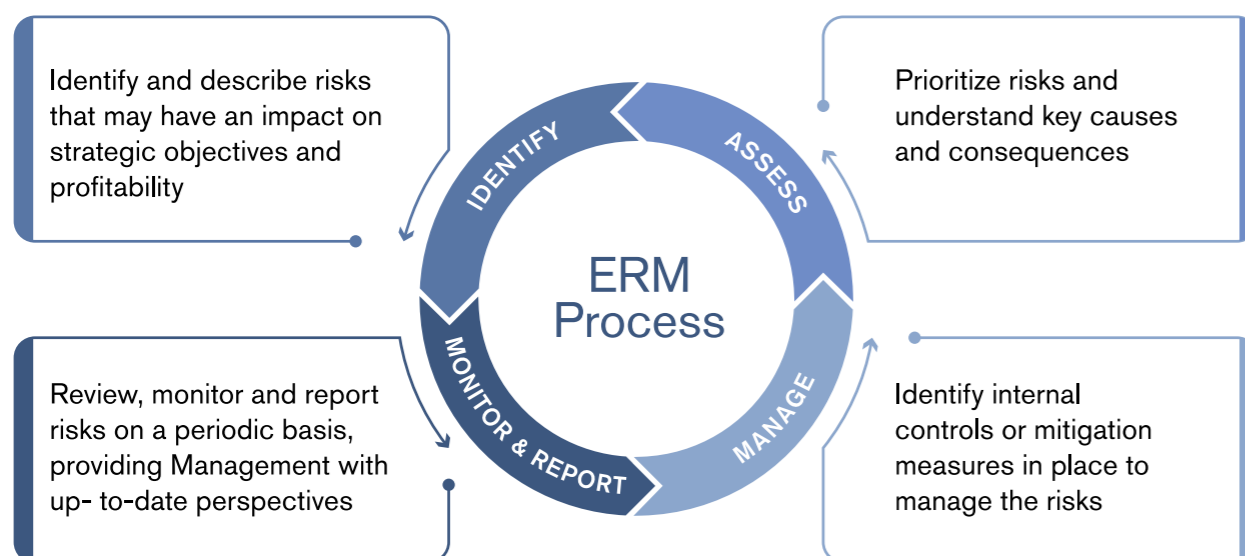
Opportunities				
Material elements	Potential impacts	Management response	Time period	Likelihood
Products and Services/Markets				
<ul style="list-style-type: none"> Development of low-carbon products and services and environmental solutions Ability to diversify business activities Shift in market needs Participation in carbon markets 	<ul style="list-style-type: none"> Increased revenue from growing decarbonization solutions due to rising demand for cleaner commodities Increased revenue from monetization of carbon offsets Increased capital availability by attracting investors 	<p>We invest to expand our presence in LPG, LNG and natural gas markets. We also aim to increase the share of cleaner commodities in our portfolio each year. As part of our strategic objectives, we are actively seeking opportunities to expand our presence in the US, Asian, and African markets.</p> <p>Our Carbon Desk is dedicated to actively engaging in developing carbon trading capabilities and emission avoidance and removal projects. We will continue to explore innovative solutions and practices that contribute to a low-carbon economy while delivering high-quality commodities to our customers.</p>	<ul style="list-style-type: none"> Short Mid Long 	Very likely

We have not yet quantified the impacts to our business, including P&L and balance sheet, under different scenarios and plan to conduct a deeper testing of different scenarios using relevant external and internal data sources in the upcoming periods.

8.3 Climate Risk Management

At SOCAR Trading, we apply a comprehensive approach that has Enterprise Risk Management (ERM) process at its core. The ERM depends on four steps during which all types of risks, including specific high-level climate-related ones, are identified.

Figure 37. ERM risk identification process



We plan to expand the existing ERM framework to include all applicable material climate risks.

Our updated KYC policy enables us to screen potential business partners on a number of ESG related impacts to avoid risks to our reputation and operations.

For more details on our risk management approach, please refer to Section 7.3.

We refer to TCFD recommendations in prioritising the specific set of **transition and physical risks and opportunities**. In particular, we consider the following objectives while performing the prioritisation exercise:

- Compliance with existing and emerging regulations;
- Increasing the efficient management of resources;
- Ensuring safe working conditions for our employees and operators;
- Expanding the portfolio of clean commodities;
- Managing the pollution and carbon footprint throughout the value chain;
- Meeting stakeholder expectations;
- Monetising on emerging opportunities while promoting climate change adaptation/mitigation project.

To be better protected from potential negative impacts associated with climate change and ensure long-term sustainability, we have incorporated ESG aspect into key risk management processes such as **Deal Committee procedure** and **Investment Project Lifecycle**. Both processes are designed to provide cross-functional risk assessment for either a new trading deal/high risk transaction or investment project proposal. As a part of the screening exercise, ESG impact assessment is held to ensure climate-related risks are not omitted.

8.4 Metrics and Targets

To keep the Board, management level and employees informed of the company's exposure to CRRO and accurately assess the performance. We have developed strategic KPIs and related qualitative and quantitative targets that could be found in **Section 4.2**.

We have already started to regularly measure, analyse and report on GHG emissions and lifecycle emissions intensity to understand the operations that may result in higher risks and started to design relevant optimisation measures to reduce the carbon footprint of our operations together with our partners. We identified that shipping operations contribute to a significant proportion of our impact to a climate change, so in the reporting year we have started designing the programs to increase the logistics efficiency, e.g., by incentivizing our traders and business partners, increasing control over counterparties' activities, aligning our shipping activities with IMO 2050 carbon intensity targets, etc. **(for more details, please refer to Section 5.3)**.

We calculate and disclose our Scope 1, 2 and 3 emissions in Section 5.2.1 and set reduction targets that could be found in Section 4.2, Table 1.

Yalli, traditional group dances

Yalli, traditional group dances, are dance expressions based exclusively on collective performances. Typically, yalli are performed in a circle, chain or line, and involve elements of games, pantomime (bird or other animal imitations), physical exercises and movements. The community of the yalli dances consists of practising dancers, who enact the dances either spontaneously or in a planned manner at various festivities and celebrations. Some variants of yalli bear a song-like character and are practised by both women and men.



9

GRI Content Index Table

Statement of use	SOCAR Trading has reported in accordance with the GRI Standards for the period 01.01.2023-31.12.2023 .
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI 11: Oil and Gas Sector 2021

GRI	Disclosure	Location	Page	Omission/note
General disclosures				
GRI 2: General Disclosures 2021	2-1 Organizational details	2. About this Report 3.1. SOCAR Trading at a glance	10-21	
	2-2 Entities included in the organization's sustainability reporting	2. About this Report	10-11	
	2-3 Reporting period, frequency, and contact point	2. About this Report	10-11	
	2-4 Restatements of information	2. About this Report	10-11	
	2-5 External assurance	Independent practitioner's Assurance Report	124	
	2-6 Activities, value chain and other business relationships	3.1. SOCAR Trading at a glance 3.2. The value chain 3.3. Mission, vision and values	14-18	
	2-7 Employees	6.1. Our people	58-63	
	2-8 Workers who are not employees			SOCAR Trading hires subcontractors for certain procedures. SOCAR Trading does not consolidate the number of its subcontractor employees.
	2-9 Governance structure and composition	7.1. Governance at SOCAR Trading	84-89	

GRI	Disclosure	Location	Page	Omission/note
GRI 2: General Disclosures 2021	2-10 Nomination and selection of the highest governance body			We believe that a well-constituted Board should include a diverse range of directors with the necessary knowledge, independence, competence, industry experience, and perspectives to foster effective discussion and objective decision-making in line with the company's mission, long-term strategy, and the interests of relevant stakeholders.
	2-11 Chair of the highest governance body	7.1. Governance at SOCAR Trading	84-89	
	2-12 Role of the highest governance body in overseeing the management of impacts	4. ESG management at SOCAR Trading 8.1. Governance	24-25 104	
	2-13 Delegation of responsibility for managing impacts	4. ESG management at SOCAR Trading	24-25 104	
	2-14 Role of the highest governance body in sustainability reporting	2. About this Report	10-11	
	2-15 Conflicts of interest	7.5. Compliance and responsible business management	93-97	
	2-16 Communication of critical concerns	6.1.4. Management of employee grievances	68-69	
	2-17 Collective knowledge of the highest governance body			The senior management is continuously improving their competence in the management of material sustainability issues through direct engagement in the development of major infrastructure projects, attendance in various international training sessions, and collaborations with industry peers.

GRI	Disclosure	Location	Page	Omission/note	
GRI 2: General Disclosures 2021	2-18 Evaluation of the performance of the highest governance body	7.1 Governance at SOCAR Trading	85		
	2-19 Remuneration policies	6.1.5. Fair remuneration	69		
	2-20 Process to determine remuneration	6.1.5. Fair remuneration 6.1. Our people	69 58-63		
	2-21 Annual total compensation ratio			This information is not disclosed as it is treated as confidential by SOCAR Trading.	
	2-22 Statement on sustainable development strategy	1. Statement from the CEO		6-7	
		4. ESG management at SOCAR Trading		104	
	2-23 Policy commitments	4.1. Policies governing our ESG approach across value chains		26	
		6.1.3. Respect for Human Rights		67-68	
		7.4. Compliance and responsible business management		93-97	
	2-24 Embedding policy commitments	4.1. Policies governing our ESG approach across value chains		40-41	
		6.1.3. Respect for Human Rights 7.4. Compliance and responsible business management		46-52 93-97	
	2-25 Processes to remediate negative impacts	5.1. Our approach to environmental management		40-41	
		5.3. Shipping optimization		46-52	
6.1.4. Management of employee grievances 7.4. Compliance and responsible business management			93-97		
2-26 Mechanisms for seeking advice and raising concerns	6.1.4. Management of employee grievances		68-69		
	6.5. Stakeholder engagement		79-81		
	7.4. Compliance and responsible business management		93-97		

GRI	Disclosure	Location	Page	Omission/note	
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations	7.5. Compliance and responsible business management	93-97	SOCAR Trading have not been subject to fines or monetary sanctions due to non-compliance with laws and regulations during the reporting period.	
	2-28 Membership associations			1) Membership in Women's International Shipping & Trading Association (WISTA) 2) Membership in International Emissions Trading Association (IETA) 3) Membership in SUISSÉNÉGOCE 4) Membership in Groupement des Entreprises Multinationales (GEM)	
	2-29 Approach to stakeholder engagement	6.5. Stakeholder engagement	79-81		
	2-30 Collective bargaining agreements	Not applicable		None of SOCAR Trading's employees are subject to collective bargaining agreements.	
	Material topics				
	GRI 3: Material Topics 2021	3-1 Process to determine material topics	4.3. Defining what matters	30-37	
3-2 List of material topics		4.3. Defining what matters	30-37		
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	6.2. Our contribution to the local economies	72-74		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	6.2. Our contribution to the local economies	72-74	This information is not disclosed as it is treated as confidential by SOCAR Trading, except information on payments to government by country.	
	201-2 Financial implications and other risks and opportunities due to climate change	8. Alignment with TCFD's recommendations	102-109		
	201-3 Defined benefit plan obligations and other retirement plans	6.1.5. Fair remuneration	69	SOCAR Trading operates retirement and pension plans that vary at the local level, based on legal and market requirements and practices.	

GRI	Disclosure	Location	Page	Omission/note
GRI 201: Economic Performance 2016	201-4 Financial assistance received from government	Not applicable		SOCAR Trading did not receive financial assistance from any government.
Market presence				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry-level wage by gender compared to local minimum wage			This information is not disclosed as it is treated as confidential by SOCAR Trading.
	202-2 Proportion of senior management hired from the local community			We are working on improving our internal human resources reporting to ensure that we provide even more comprehensive information in the upcoming periods.
Indirect economic impacts				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	6.4. CSR projects with positive biodiversity impact	77-78	
	203-2 Significant indirect economic impacts			Our operations contribute to the energy security of the regions in which we operate. We actively support decarbonization initiatives by collaborating with relevant market players, participating in associations, and increasing our investments in cleaner commodities and relevant projects. Additionally, we are enhancing the knowledge and skills of our employees through partnerships with various universities, which offer industry-specific education programs.
Procurement practices				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.2. Our contribution to the local economies	72-74	

GRI	Disclosure	Location	Page	Omission/note
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	6.2. Our contribution to the local economies	72-74	
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	7.5. Compliance and responsible business management	93-97	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	7.5. Compliance and responsible business management	93-97	
	205-2 Communication and training about anti-corruption policies and procedures	7.5. Compliance and responsible business management	93-97	
	205-3 Confirmed incidents of corruption and actions taken	7.5. Compliance and responsible business management	93-97	
Anti-competitive behavior				
GRI 3: Material Topics 2021	3-3 Management of material topics	7.5. Compliance and responsible business management	93-97	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	7.5. Compliance and responsible business management	93-97	
Tax				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.2. Our contribution to the local economies	72-74	
		6.5. Engaging with our stakeholders	79-81	
GRI 207: Tax 2019	207-1 Approach to tax	6.2. Our contribution to the local economies	72-74	SOCAR Trading's Tax Strategy and Tax Policy are not publicly available.

GRI	Disclosure	Location	Page	Omission/note
GRI 207: Tax 2019	207-2 Tax governance, control, and risk management			Our measures for an effective tax governance, control and risk management includes: <ul style="list-style-type: none"> ▪ Annual tax planning for each office based on OECD guidelines, ensuring that our tax practices align with global and local standards and regulations. ▪ Working sessions to adjust tax policies, allowing us to continuously improve and our approach to tax governance and risk management.
	207-3 Stakeholder engagement and management of concerns related to tax	6.2. Our contribution to the local economies 6.5. Engaging with our stakeholders	72-74 79-81	
	207-4 Country-by-country reporting	6.2. Our contribution to the local economies	72-74	
Energy				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4. Efficient use of natural resources	53-55	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	5.4. Efficient use of natural resources	53-55	
	302-2 Energy consumption outside of the organization			We adhere to the entities specified within the Report's boundaries and do not consolidate data regarding energy consumption outside of our organization.
	302-3 Energy intensity	5.2.1. Our approach to assessing our corporate carbon footprint	41-45	SOCAR Trading focus on lifecycle carbon intensity of the trading portfolio. Other forms of energy intensity might be not material.

GRI	Disclosure	Location	Page	Omission/note
GRI 302: Energy 2016	302-4 Reduction of energy consumption	5.4. Efficient use of natural resources	53-55	SOCAR Trading's energy consumption from direct operations is not significant. We still strive to increase the share of renewables in our energy usage.
	302-5 Reductions in energy requirements of products and services			Due to irrelevance to the business nature and portfolio of SOCAR Trading, this information is not disclosed.
Water and effluents				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4. Efficient use of natural resources	53-55	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	5.4. Efficient use of natural resources	53-55	
	303-2 Management of water discharge-related impacts			Not material.
	303-3 Water withdrawal			Not material.
	303-4 Water discharge			Not material.
	303-5 Water consumption	5.4. Efficient use of natural resources	53-55	
Emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.1. Our approach to environmental management 5.2. Our corporate carbon footprint	40-41	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	5.2.1. Our approach to assessing our corporate carbon footprint	41-45	
	305-2 Energy indirect (Scope 2) GHG emissions	5.2.1. Our approach to assessing our corporate carbon footprint	41-45	
	305-3 Other indirect (Scope 3) GHG emissions	5.2.1. Our approach to assessing our corporate carbon footprint	41-45	
	305-4 GHG emissions intensity	5.2.1. Our approach to assessing our corporate carbon footprint	41-45	

GRI	Disclosure	Location	Page	Omission/note
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	5.2.1. Our approach to assessing our corporate carbon footprint 5.3. Shipping optimization	41-52	
	305-6 Emissions of ozone-depleting substances (ODS)	Not applicable		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not applicable		We are committed to enhancing our emissions reporting to provide the most comprehensive and accurate information possible. In the upcoming periods, we will expand our reporting to include detailed information on different types of air emissions, allowing us to better track our progress towards reducing our environmental impact.
Waste				
GRI 3: Material Topics 2021	3-3 Management of material topics	5.4. Efficient use of natural resources	53-55	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	5.4. Efficient use of natural resources	53-55	
	306-2 Management of significant waste-related impacts			Not material.
	306-3 Waste generated			Not material.
	306-4 Waste diverted from disposal	5.4. Efficient use of natural resources	53-55	
	306-5 Waste directed to disposal			Not material.

GRI	Disclosure	Location	Page	Omission/note
Supplier environmental assessment				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	5.3. Shipping optimization	46-52	
	308-2 Negative environmental impacts in the supply chain and actions taken	5.3. Shipping optimization	46-52	
Employment				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.1. Our people	58-63	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	6.1. Our people	58-63	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees			We are committed to providing all our employees with the benefits they are entitled to under local legislation, regardless of their employment status (full-time, part-time or temporary).
	401-3 Parental leave	6.1.1. Equal opportunities, diversity and inclusion	63-65	
	Occupational health and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	6.1.6. Employee safety and wellbeing	70-72	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	6.1.6. Employee safety and wellbeing	70-72	
	403-2 Hazard identification, risk assessment, and incident investigation	6.1.6. Employee safety and wellbeing	70-72	
	403-3 Occupational health services	6.1.6. Employee safety and wellbeing	70-72	
	403-4 Worker participation, consultation, and communication on occupational health and safety	6.1.6. Employee safety and wellbeing	70-72	

GRI	Disclosure	Location	Page	Omission/note
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	6.1.6. Employee safety and wellbeing	70-72	We are upgrading our system to streamline the process of registering and reporting training hours. This improvement will enable us to better track employee training progress and ensure compliance with training requirements.
	403-6 Promotion of worker health	6.1.6. Employee safety and wellbeing	70-72	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.1.6. Employee safety and wellbeing 7.5. Compliance and responsible business management	70-72 93-97	
	403-8 Workers covered by an occupational health and safety management system			100% of the SOCAR Trading employees are covered by health prevention programs and activities.
	403-9 Work-related injuries	6.1.6. Employee safety and wellbeing	70-72	
	403-10 Work-related ill health	6.1.6. Employee safety and wellbeing	70-72	
Training and education				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.1.2. Employee training and development	67-68	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	6.1.2. Employee training and development	67-68	
	404-2 Programs for upgrading employee skills and transition assistance programs	6.1.2. Employee training and development	67-68	
	404-3 Percentage of employees receiving regular performance and career development reviews	6.1.2. Employee training and development	67-68	As part of our commitment to compliance and professional development, all employees are expected to complete the mandatory annual training programs.

GRI	Disclosure	Location	Page	Omission/note
Diversity and equal opportunity				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.1.1. Equal opportunities, diversity and inclusion	63-65	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	6.1.1. Equal opportunities, diversity and inclusion	63-65	
	405-2 Ratio of basic salary and remuneration of women to men			This information is not disclosed as it is treated as confidential by SOCAR Trading.
Non-discrimination				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.1.1. Equal opportunities, diversity and inclusion	63-65	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	6.1.1. Equal opportunities, diversity and inclusion	63-65	
Forced or compulsory labor				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.1.3. Respect for Human Rights	67-68	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	6.1.3. Respect for Human Rights	67-68	
Local communities				
GRI 3: Material Topics 2021	3-3 Management of material topics	6.3. Our social responsibility 6.4. CSR projects with positive biodiversity impact	74-78	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	6.3. Our social responsibility 6.4. CSR projects with positive biodiversity impact	74-78	
	413-2 Operations with significant actual and potential negative impacts on local communities	6.3. Our social responsibility 6.4. CSR projects with positive biodiversity impact	74-78	

Independent practitioner's assurance report

To the Management and Board of Directors of SOCAR Trading S.A.

Subject matter

We have been engaged by SOCAR Trading S.A. (hereinafter "STSA") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, (hereinafter the "Engagement"), over the ESG performance indicators (hereinafter "Subject Matter") disclosed in STSA's ESG Report 2023 (hereinafter "Report"), for the period from 1 January 2023 to 31 December 2023.

The Subject Matter consists from the following indicators only:

- ▶ Total number of employees by employment categories and gender.
- ▶ Hires and dismissals by gender.
- ▶ Total training hours by categories and gender.
- ▶ Total volume of commodities traded, including crude oil, natural gas, and LNG.
- ▶ Proportion of the procurement budget allocated to local and foreign suppliers.
- ▶ Total amounts spent on social donations and sponsorships.
- ▶ Amount of fuel consumed.
- ▶ Amount of water consumed.
- ▶ Amount of electricity consumed, including for heating and cooling.
- ▶ Greenhouse gas (GHG) emissions, including Scope 1, Scope 2, and Scope 3.
- ▶ Lifecycle carbon intensity per trading portfolio.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by STSA

In preparing the Subject Matter, applied the GRI Standards 2021 (hereinafter "GRI Standards"), and other non-financial reporting principles as set out in the "About this Report" section of the Report (hereinafter "the Criteria").

STSA's responsibilities

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

EY's responsibilities

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

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (hereinafter "ISAE 3000"). ISAE3000 require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

Our Independence and Quality Control

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

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

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

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

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

Our procedures included:

- ▶ Inquiries of the representatives of STSA's management and specialists responsible for its ESG policies, activities, performance and relevant reporting.
- ▶ Analysis of key documents related to STSA's ESG policies, activities, performance and relevant reporting.
- ▶ Obtaining understanding of the process used to prepare the information on ESG performance indicators of STSA.
- ▶ Benchmarking of the Report against ESG reports of selected international peers of STSA.
- ▶ Review of a selection of corporate and external publications on STSA's ESG policies, activities, events, and performance in the reporting period.
- ▶ Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report.
- ▶ Review of data samples regarding key ESG indicators for the reporting period to assess whether these data have been collected, prepared, collated and reported appropriately and
- ▶ Assessment of compliance of information and data disclosures in the Report with the requirements of the GRI Standards.

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

Conclusion

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

Ernst & Young Holdings (CIS) B.V.

9 July 2024

Baku, Azerbaijan



We value your feedback and welcome any questions you may have regarding the information provided in this Report. We encourage you to address your feedback to the following point of contact:

sustainability@socartrading.com

