UNLIMITED SUSTAINABILITY

2018

SOCAR AQS

QUICK FACTS

6

Number of Fields

100+

Wells Drilled

1060

Employees

10+

Years in Service

5

Awards

OUR FLEET

We maintain shallow, mid and deepdrilling rigs that are capable and ready

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MESSAGE FROM GENERAL DIRECTOR

"Sustainable development stands on three pillars: economic growth, environmental protection and human progress. At SOCAR AQS we aim to design our operations the way that will positively contribute to the growth of the economy, while minimizing environmental harm and supporting the development of human capital".

I am proud to report that SOCAR AQS has made substantial achievements in 2018 which has solidified our foundation for the successes of our company in the years to come. Since our inception in 2007, SOCAR AQS has developed innovative technologies, enhanced our knowledge, and established programs to safely and efficiently operate in varied conditions while minimizing our impact to the environment. As a result of our people and programs we completed the year with zero fatalities and environmental releases while enhancing our occupational health and safety performance for our employees, contractors and clients.

We analyse our project data, distilling the best practices that protect our people, deliver exceptional service to our customers, and minimize our impact on the environment and local communities. Our technology and business process have also improved resulting in new achievements for our drilling and well construction work and setting new records including drilling the 6810-meter Umid-16 well without any wellbore instabilities resulting in the deepest well in the history of SOCAR to date. We have also improved our service capabilities and performance, as indicated on the Bulla-113 well, a 9 5/8" casing was successfully run at a single stage to the depth of 5620 meters and cemented without incident.

Due to our sustainability efforts and our improved performance we have expanded our services beyond the country's borders, completing the first overseas well construction project in the history of independent Azerbaijan. This was an extremely complex international gas well drilling project in Bangladesh, which was successfully delivered to the Operator.

Continuing our international expansion, we have our first customer in Ukraine on provision of drilling engineering consultancy services and have already completed the first stage of the engagement. One of the largest achievements for our company and country was the establishment of "Turan Drilling and Engineering" - our joint venture with KCA DEUTAG of the UK. "Turan Drilling and Engineering" has opened a new chapter for SOCAR AQS and will enable us to join new projects and deliver drilling and well construction services for the leading international operators.

Increasing efficiency of our operations and improving our planning, supply chain and overall process management capabilities are needed for growing our business and strengthening our competitive position. To improve productivity of our operations, we plan to expand our cooperation with the world's leading scientific and educational institutions and increase our investments in new technologies including digitalization of our processes.

Our sustainability report provides additional updates and an overview of our approach, we are excited about the future. We continue to be Service & Solution Oriented, Data Driven and Performance Focused and remain committed to responsibly fulfilling our role in the world's energy needs. With this report I am also pleased to confirm SOCAR AQS's continuing support of ten principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-corruption.

With this report I am also pleased to confirm SOCAR AQS's continuing support of ten principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-corruption.

Sincerely,
Ramin Isayev
General Director, SOCAR AQS

[1] GRI 102-14, 102-23, 102-24

1. ABOUT THE REPORT

1.1. Report Profile

The objective of this sustainability report is to provide our stakeholders with better insights on how we conduct our operations.

This is SOCAR AQS's first sustainability report. This material references Disclosures[3] 1O2-1 - 102-13 Organizational Profile, Disclosures 102-14 – 102-15 Strategy, Disclosures 102-16 – 102-17 Ethics and Integrity, Disclosures 102-20 – 102-33 Governance, Disclosures 102-40 - 102-44 Stakeholder Engagement, Disclosures 102-46 – 102-56 Reporting Practice from GRI 102 – General Disclosures, 2016; Disclosures 103-1 – 103-3 from GRI 103 Management Approach, 2016; Disclosures 201-3, 201-4 from GRI 201 – Economic Performance, 2016; Disclosures 202-1 and 202-2 from GRI 202 Market Presence, 2016; Disclosures 203-1 and 203-2 from GRI 203 – Indirect Economic Impacts, 2016; Disclosure 204-1 from GRI 204 – Procurement Practices, 2016; Disclosures 205 – 2 and 205 -3 from GRI 205 - Anti-corruption, 2016; Disclosure 206-1 from GRI 206 - Anti-competitive behaviour, 2016; Disclosures 302-1 302-3, 302-4 from GRI 302 – Energy, 2016; Disclosures 303-1 - 303-3 from GRI 303 – Water, 2016; Disclosures 305-1, 305-4, 305-5, 305-7 from GRI 305 – Emissions, 2016; Disclosures 306-1 – 306-5 from GRI 306 – Effluents and Waste, 2016; Disclosure 307-1 from GRI 307 – Environmental Compliance, 2016; Disclosures 401-1 and GRI 401-3 from GRI 401 – Employment, 2016; Disclosure 402-1 from GRI 402 – Labour/Management Relations, 2016;Disclosures 403 – 1, GRI 403-2.A and GRI 403-2.B from GRI 403 – Occupational Health and Safety, 2016; Disclosures 404-1 and 404-2 from GRI 404 Training and Education, 2016; Disclosures 405-1 and 405-2 from GRI 405 – Diversity and Equal Opportunity, 2016; Disclosure 406-1 from GRI 406 – Non-discrimination, 2016; Disclosure 407-1 from GRI 407 – Freedom of association and collective bargaining, 2016; Disclosure 408-1 from GRI 408 – Child Labour, 2016; Disclosure 409-1 from GRI 409 – Forced and Compulsory Labour, 2016; Disclosures 412-2 and 412-3 from GRI 412 Human Rights Assessment, 2016, Disclosures 413-1 and 413-2 from GRI 413 – Local Communities, 2016; Disclosures 414-1 and 414-2 from GRI 414 – Supplier Social Assessment, 2016; Disclosure 416-2 from GRI 416 – Customer Health and Safety; Disclosure 418-1 from GRI 418 – Customer Privacy, 2016; Disclosure 419-1 from GRI 419 – Socio-economic compliance, 2016.

This report covers the period from 2016 to 2018 and some events from 2019 and is also used as a tool to communicate economic, social and environmental impact caused by our business operations, which will be published annually.

The report is divided into eleven sections and provides information about our operations, sustainability initiatives, governance, ethics and compliance, supply chain, human resources, engagement with communities, health and safety management system, environmental stewardship, service quality and well integrity, technology and innovation, and about our future programs.

1.2. Materiality Analysis

To identify the list of the topics that are material to our operations, we conduct materiality analysis and the stakeholder engagement is an essential part of our materiality analysis. However, as this is our first Sustainability Report, we will not only cover the topics that are material for us, but also provide information about other areas of our operations and strategy in much broader context.

[2] For the GRI-Referenced Service, GRI Services reviewed that the report clearly references all GRI Standards and disclosures used.
[3] GRI 102-1, 102-50, 102-51, 102-52, 102-54

Table 1. Our Stakeholders

INTEREST GROUP		ENGAGEMENT METHOD	VALUE GENERATED
Internal	Employees	Trainings Internal recruitment Development programs Events	Career development opportunities Competency development programs Equal Opportunities
	Partners	Consultations Trainings Workshops	Industry best practices
External	Customers	DWOP (Drilling well on paper) events Meetings Daily, monthly, semi-annual and annual reports	Mutual trust and transparency
	Suppliers and contractors	DWOP (Drilling well on paper) events Contractor assessment Daily, monthly and post-job reports Planning meetings On-site visits	Quality assurance Compliance with standards Respect of human and labour rights in supply chains
	Shareholders	Shareholder meetings Financial reports Sustainability report	Shareholder value Transparency
	Industry peers	Collaboration through IADC (International Association of Drilling Contractors), AmCham (American Chamber of Commerce), IACET PNG (International Association for Continuing Education and Training Petroleum and Natural Gas Advisory Board), etc.	Synergies
	Academia	Internships SPE and IADC Student Chapters Joint initiatives with leading universities	Hands-on experience Employment opportunities
	Government entities	Regular reporting Public Meetings	Mutual trust and transparency
	Local Communities and NGOs	Community development programs Charity activities Sponsorship Social media	Support to local community development
	Media	Press releases Interviews	Communication with stakeholders Communication of major activities

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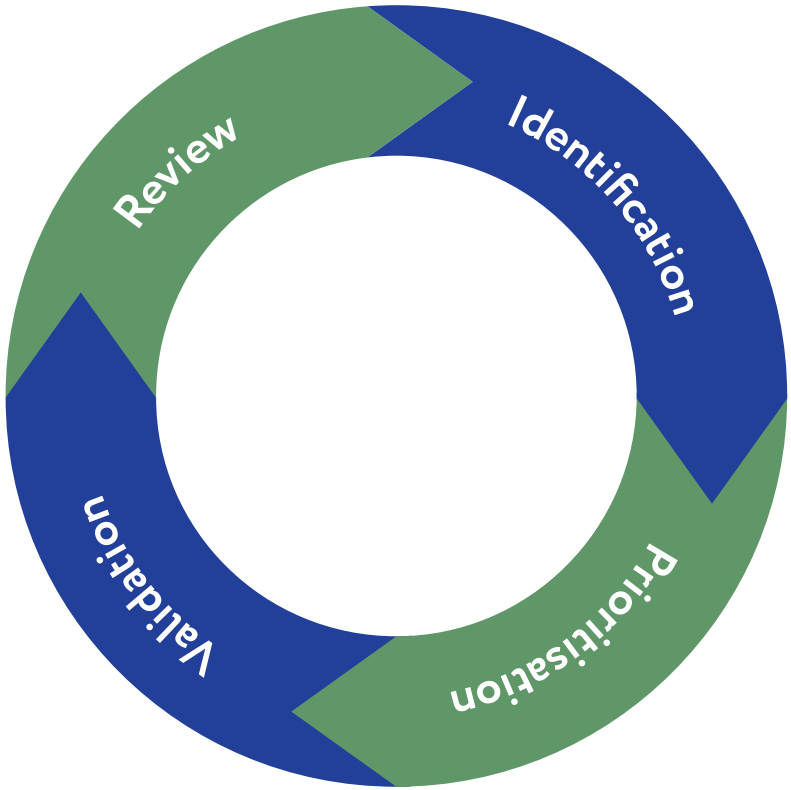
[4] GRI 102-1, 102-40, 102-42, 102-43

IN ORDER TO DEFINE MATERIAL TOPICS, THE FOLLOWING STEPS WERE TAKEN:



1. Identification: issues that are relevant to SOCAR AQS and its stakeholders were identified by consulting different sources, review of the main company policy and guidelines, stakeholder engagement, media reports, and global sustainability initiatives.

2. Prioritisation: Stakeholder consultations were held to identify the topics deemed most important and relevant.

3. Validation: After discussion, Management decided to focus and report on the issues illustrated in materiality matrix.

As a result of a thorough analysis, the material topics shown in Figure 1 were identified.

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[5] GRI 102-29

Figure 1: Materiality Matrix

Economic

1. Payments to governments
2. Carbon abatement and offsetting
3. Tendering processes
4. Local employment

Environmental

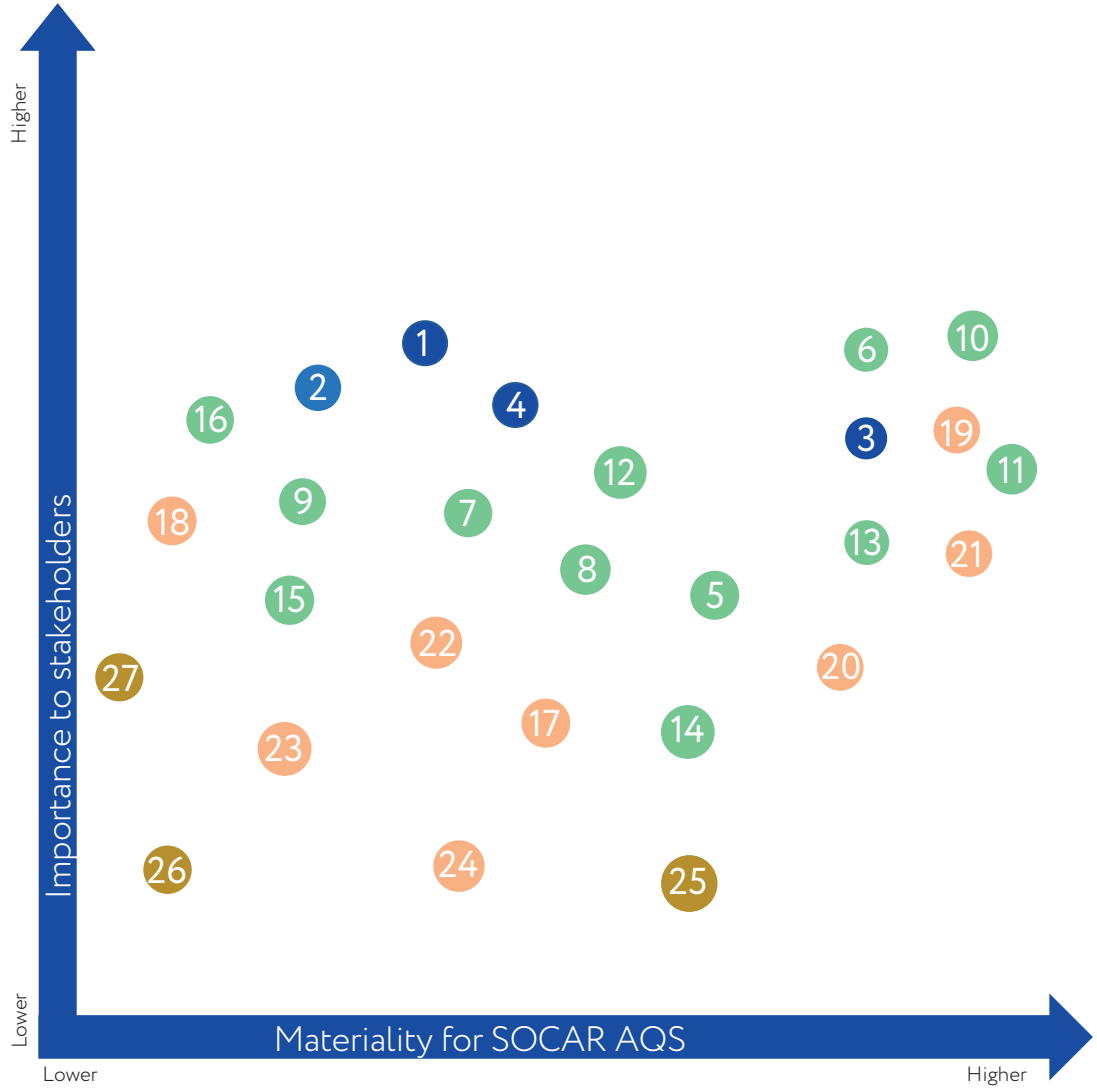
5. Energy efficiency of end products
6. Energy efficiency of operations
7. Water management
8. Water withdrawal
9. Biodiversity and ecosystem services (BES) impact management
10. Emissions to air GHG emissions
11. Drilling waste
12. Leakages
13. Oil/gas spills
14. Spills
15. Water pollution
16. Fires and explosions

Social

17. Diversity and equal opportunity
18. Labour management relations
19. Occupational health and safety management
20. Occupational health and safety risks
21. Training and development
22. Impacts on local communities
23. Corruption
24. Process safety

Other

25. Corporate governance
26. Emergency management system
27. Land use management and conflict of use



[6] GRI 102-29

Table 2 explains the materiality aspect of each of the topic that is chosen as the most important for SOCAR AQS

Table 2: Material Topics

Material Topic	Materiality aspect for SOCAR AQS	Boundaries of material topics
Emissions to air	We understand the existing pressure to reduce the impact of our operations on global warming, as a big proportion of global GHG emissions come from the oil and gas industry. Thus, continuous monitoring and capturing the emissions to air, including greenhouse gas emissions will have a positive contribution to reach zero carbon future.	Company Employees Shareholders Community The Government
Energy efficiency of our operations	We acknowledge that our operations are energy-intensive and have direct impact on environment and risks associated with it. Therefore, we are currently working on a new strategy of energy consumption and becoming more energy-efficient.	Company Employees Shareholders Community The Government
Oil and gas spills	Oil pollution has a major negative impact on the whole eco-system.	Company Employees Shareholders Community The Government
Waste Management	We understand that our drilling operations create a huge volume of drilling waste. As the drilling waste also contains chemical additives and hydrocarbons, we acknowledge a negative impact that a bad waste management strategy might have on vegetation, flora and fauna, and water bodies if released into environment in an uncontrolled way.	Company Employees Shareholders Community The Government
Occupational Health and Safety Management	Safety is the number one priority for us, and the general wellbeing of our employees is of paramount importance. We constantly train our employees on health and safety issues and will continue doing so with improved quality.	Company Employees Shareholders Community
Training and development of employees	We understand that our success depends on our people, therefore, training and development of employees is an essential task for SOCAR AQS.	Company Employees Community
Tendering processes	Fair and transparent tendering processes are important for us to ensure sustainability in our supply chains.	Company Employees Shareholders Community Suppliers and contractors

[7] GRI 102-21, 102-42, 102-43, 102- 44, 102-46, 102-47, 103-1

2. COMPANY PROFILE

SOCAR AQS LLC is an integrated drilling and well services management company established in 2007 as a result of a joint venture of two experienced and committed companies of Azerbaijan Republic in Oil and Gas industry. SOCAR AQS draws its strength from nearly 170 years of accumulated industrial oil well drilling experience of Azerbaijan and application of cutting-edge drilling technologies and approaches. Currently the company is involved in delivering national (headquarters located in Baku, Azerbaijan) and international projects and determined and capable to successfully perform all its obligations towards its clients. Unlike other Drilling Contractors, we have advanced capabilities and offer our clients a wide range of Services helping us achieve our position as a Turn Key Service Supply Organization providing management oversight on both the Drilling Operation and Well Services in the following areas:

– Well design and planning;
– Drilling of oil and gas wells;
– Drilling of directionally devated wells;
– Drilling of horizontal wells;
– Well completion;
– Well workover;
– Sidetracking;
– Drilling of multilateral wells;
– Casing running;
– BOP and Wellhead repairing and testing services

SOCAR AQS has maintained mutually beneficial relations with world leading companies in the region for years. During 2012-2015 SOCAR AQS successfully participated in BP -led Enterprise Development Program. The most recent and prominent example of SOCAR AQS leadership in the drilling industry is demonstrated by the re-inauguration of IADC Caspian Chapter in Azerbaijan, an initiative which SOCAR AQS pioneered in December 2017. Our partnership with all members of the drilling community in IADC is aimed at developing and strengthening the bonds between the drilling contractors and operators for a more developed drilling industry and creating a vibrant network of drilling community where joint measures are taken to resolve issues concerning the entire industry. SOCAR AQS believes that the collective efforts of major drilling contractors, operators and service companies shall advance interests of the drilling community, and trigger innovations in the years to come.

SOCAR AQS has participated in many forums and competitions and has been announced in 2015 as the "company of the year" for successful implementation of modern technologies, through a contest organized by BP. This is a conspicuous example of the compliance of our processes to International Drilling Standards. SOCAR AQS and KCA Deutag established Turan Drilling & Engineering Company LLC joint venture in July 2018, which targets existing and future opportunities in the offshore and onshore Caspian drilling and engineering market. The business of the Company is to provide drilling operations, maintenance, and engineering services for onshore and offshore oil and gas platforms in the Offshore Caspian, Turkey (Black Sea Offshore), Kyrgyzstan, Tajikistan, Mongolia, Uzbekistan.

Our sustainability focus aligns SOCAR AQS Guiding Principles for Sustainability with our Shared Values, which are built on the solid foundation of our Code of Conduct. As we integrate a sustainable future into our commitment to deliver long-term stakeholder value, we will protect our employees, the environment, while positively impacting the communities and society at large, creating a safe, reliable and efficient future. We hold ourselves accountable and measure our success against our Sustainability Goals.

[8] GRI 102-2, 102-3, 102-12, 102-13

2.1. Major Events of Corporate History

Table 3: Milestones of corporate history

Date	Milestone
19.12.2007	Registration of the company
12.02.2008	First drilling contract
06.03.2008	First well commenced (G13)
29.03.2008	CEO appointed
01.04.2008	Start of implementation of ISO
01.05.2008	Start of operations on Gunashli 13 Platform
18.07.2008	First petrol
01.10.2008	Start of operations on Gunashli 11 Platform
01.11.2008	First time slim hole drilling in Azerbaijan
01.05.2009	IADC member
01.08.2009	Umid rig up and commencement
01.12.2009	ISO certified for Integrated Management Systems
01.12.2009	Launch of website
01.12.2009	Strategic decision for upgrading and modernization the infrastructure and technologies
01.02.2010	Start of operations at BITS
01.10.2010	First strategy workshop
01.01.2011	SOCAR company of the year
01.01.2011	First successful operation on rotary rig
01.02.2011	First core samples taken from Gala in Azerbaijan
01.03.2011	First safety induction videos
01.06.2011	First mud transfer
01.05.2012	Start of using the first cementing complex on platform
01.05.2012	The first employee handbook and HSE instructions published
01.03.2013	Bahar Project
01.04.2013	Modernization of power generation system on platform 13
01.06.2013	First summer internship program
01.09.2013	First horizontal well
01.11.2013	SAP B1 implementation
01.02.2014	Start of operations at West Absheron platform
01.02.2014	The first safety booklets issued
01.02.2014	Umid rig maintenance contract
01.06.2014	Bulla Contract
01.02.2014	Umid 14 drilling contract
01.05.2015	The first competency project EDTP IHRDC
11.05.2015	Memorandum signed with Baku Higher Oil School
01.09.2015	The first student scholarship program
01.08.2015	First well in West Absheron
01.01.2016	Umid base
01.02.2016	Recruitment of the first expat
01.03.2016	Launch of Gunashli 7
01.04.2016	Energy newspaper: the 1st edition
02.05.2016	Bulla 6 Commissioning
01.10.2016	First overseas exhibition in Kuwait
01.12.2016	Completion of Umid 14 well (the first Hp well)
01.02.2016	First international tender in Georgia
01.04.2017	IADC Caspian Chapter
17.05.2017	API certification
01.09.2017	Establishment of SOCAR AQS International
01.09.2017	Establishment of SOCAR AQS Drilling School
01.09.2017	Partnership with Wollam Petroleum Advisory Group
25.02.2018	Memorandum signed with Bangladesh Oil Exploration and Production Company
01.03.2018	MDT, XPT, VSP geographical measurements: first time in SOCAR history
01.03.2018	IWCF Certification
01.07.2018	Summer Internship Program
26.07.2018	BAPEX Project
26.07.2018	Turan Joint Venture
01.08.2018	The heaviest casing string in Caspian
01.08.2018	MIT Global Start-up Lab
01.09.2018	IACET certification
01.10.2018	First drilling advisory service for Ukraine
01.10.2018	Dynamic workshop design project

2.2. OUR OPERATIONS

SOCAR AQS has been successfully operating in the Republic of Azerbaijan for more than 10 years and in the Republic of Bangladesh from 2017. We are a highly experienced drilling contractor, having over 100 successful wells drilled. In addition to becoming a world known Drilling Contractor, we have expanded our technical capabilities and management as a Turn Key Service Supply Organization. This also includes our Engineering, Compliance Obligations, and Operational Excellence Consultancy and Advisory services to our clients. Our Technology department works closely with Operators for both the Well and Service Design, taking into account the Operator, operational and environmental well data, service execution planning and risk related to the service execution.

We have demonstrated this ability with well optimization for casing, trajectory, mud and cement design. We utilize the Service Execution Cycle (detailed later) to ensure optimization of each phase of service while mitigating risks. We don't just talk about reducing NPT, our team drives the process of eliminating it from our operations. Our wells portfolio includes some of the most complex wells drilled to date in the world with depths and pressures in excess of 6,000m and 15,000psi, respectively. SOCAR AQS has recently successfully managed the drilling of one of the most challenging wells in the world, Umid-16. The well was delivered on time, under budget, with full technical integrity and with superb production rates. More recently, SOCAR AQS also completed another HP well, Bulla-78, again with full well technical integrity and record production rates.

[9] GRI 102-4, 102-6, 102-7

Currently, SOCAR AQS operates 6 rigs on 5 platforms, plus a drilling rig in Bangladesh. Our target is to double the number of rigs by 2020, by expanding our operations locally and internationally. Altogether the international operations and the increasing local drilling demand in Azerbaijan has a paramount importance to lead to our vision of becoming a low risk "International Turn Key Service Supply Organization". Below is a brief on the current field and platforms that we operate:

Bulla Deniz

The Bulla Deniz field is situated in the Azerbaijan waters of the Caspian Sea, 10 km to the South-East of Khara-Zira island and 55 km to the South-West of the northern edge of the Baku Archipelago.

Exploration of three reservoir structures on Bulla Deniz commenced with Reservoir Horizon VII in 1973, Reservoir Horizon V in 1974 and Reservoir Horizon VIII in 1982. These were all identified as oil-gas bearing formations with high potential of produce.

An exploration well with a total depth of 5900 m commenced in May 2016 by SOCAR-AQS has been delivered to client in October 2017. Currently, we are about to complete drilling operations of well 113 with a targeted depth of 6200 m and start drilling of a new well with a 6050 m target depth.

Guneshli 11

41 wells have been drilled and completed in Guneshli 11 platform. It is planned to drill 2 more production wells and execute 6 sidetracks operations in the platform.

West Absheron

The West Absheron field is located to the North-West of the Absheron archipelago and North of the Absheron Peninsula of the Caspian Sea, 65 km from Baku City.

West Absheron was discovered

in 1958 and the area is characterized by harsh climatic and meteorological conditions.

The oil and gas saturation of the structure is associated with Kirmaky and Lower Kirmaky layers of pay zone which commenced production in 1996.

SOCAR-AQS commenced turnkey drilling operations on the West Absheron 20 platform in March 2015. 10 wells have been successfully completed to date and delivered to client. Currently, we commence drilling operations on a newly established West Absheron 10 platform: 4 wells have been successfully completed and 6 more wells are planned to be drilled.

Gunashli 7

The Guneshli field is located in the Caspian Sea Absheron Archipelago, 120 km to the East of Baku city and 12 km to the South-East of the Oil Rocks.

Water depth in the field varies from 80 m (North-West) to 300 m (South-East).

The field's major oil and gas reservoirs have been producing since 1980.

Since April 2016, SOCAR-AQS started drilling operations on the platform # 7 in Guneshli Field.

SOCAR-AQS has commenced the well construction works from the new platform, with 2 drilling rigs of different types. To date, 1 gas well and 15 oil wells have been drilled and 12 more gas and oil wells are planned to be drilled from the platform.

Umid

The high pressure Umid offshore gas condensate field is situated 44 km to the South-East of Khara-Zira island and 70 km to the South of Baku city.

The Umid exploration field boundary stretches from the Caspian Sea coastline in an East and South-East direction with low then high angle inclination.

Deep Exploration Drilling on Umid field commenced in 1977.

There have been 11 exploration Wells drilled in the period from 1977 to 2011.

SOCAR AQS drilled two high pressure wells - a production well to a 6352 m depth and the latest exploration well to a depth of 6810 m, which is the deepest well in SOCAR history.

Bangladesh

In July 2017, SOCAR AQS became the winner of a turnkey tender announced by Bangladesh Petroleum Exploration and Production Company Limited (BAPEX). We have successfully completed drilling and completion operations of the first well and are currently preparing to commence the second well.

3. SUSTAINABILITY APPROACH AT SOCAR AQS

At SOCAR AQS, we are continuously working towards becoming a more sustainable company. We understand that long-term success of the company can only be ensured if economic, environmental and social impacts of our operations are taken into account and efforts to positively contribute in each of those pillars are made.

Having employees and management committed to sustainable development is another factor ensuring the company success in this field. The most recent example of our sustainability ambitions is leadership commitment to support ten universally accepted principles of the United Nations Global Compact in areas of human and labour rights, environment, anti-corruption, and sustainable development goals. Our action plan in the field of sustainability that we intend to realize in 2019, translate our sustainability efforts into tangible goals.

3.1. Sustainable Development Management Structure

At SOCAR AQS, the issues of sustainability matter are integrated into annual action plans that are being developed for each department in the company. Each action plan has clear set of expectations and Key Performance Indicators put forward, which are regularly being discussed on Weekly Management Meetings, monthly, quarterly and annual reports submitted by each department to the General Director. Therefore, each department is responsible for managing and reporting on materiality issues that are relevant for them. Our Integrated Management Systems department is the major driver of sustainability initiatives throughout the Company. In addition to the main responsibilities, this unit leads strategic projects, mainly the ones on application of international certification programs.

It is also a direct responsibility of each employee to ensure the safety, quality and sustainability of their day-to-day activities. To raise awareness on their responsibilities and overall understanding of the importance of sustainable development, we train our employees on major sustainability issues and provide with an access to the United Nations Global Compact Learning Academy, which provides different learning tools on sustainability challenges and opportunities.

[10] GRI 102-13, 102-20, 102-26, 102-30, 102-31, 102-32, 102-41, 103-2, 103-3

3.2. OUR VISION, MISSION, VALUES, STRATEGY & GUIDING PRINCIPLES

Our vision defines our overarching aspirations of what we hope to achieve as a company, while our mission statement answers the question of who we are and what we do.

VISION

To become a modern international company providing integrated drilling and well services, by expanding scope of services and geography of operations.

MISSION

To restore Azerbaijan's historically leading role in modern world drilling industry

SOCAR AQS is a value-based company and our value pillars include:

SAFETY: At the core of our organizational culture stands Safety, which we define as doing things right the first time, even when no one is watching. We believe that all incidents and accidents are preventable, and it is perfectly possible to live and work every moment of our professional and personal lives without incident.

QUALITY: Dedication to excellence is our prime mission. We are committed to providing the highest degree of quality in every product, solution, service and endeavor or our company while meeting the industry's highest quality standards.

INTEGRITY: Ethics and integrity are the foundation of our company and the guiding principles for all of our operations.

NOVELTY: We welcome innovations and strive to apply the best in industry practices every time.

FRUGALITY: To be frugal we pay a special attention for careful management of our resources.

TENACITY: As a company open to new challenges, we take each opportunity as a learning experience and overcome any obstacle that we face on our way to achieve our goals.

UNITY: We value each individual in our company. We are one team.

CUSTOMER CENTRICITY: We understand that our customers are the reason of our success in business and strive to deliver the highest standard of quality.

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[11] GRI 102-16

By accomplishing the above, we will be the premier, innovative global provider of rig-based offshore drilling well construction services that delivers safe, reliable energy in a sustainable way. While protecting and improving the environment and social well-being of the communities where we live and operate.

3.3. Strategy

- Enable sustainable economic growth through gained efficiencies, safety, reliability and environmental performance while improving our supply chain performance.
- Provide world class services and solutions for our client's biggest challenges that efficiently utilize our resources.
- Innovate and develop new technology providing a sustainable pathway for safe, reliable and efficient performance, while minimizing economic, social and environmental risks.

Enablers of Sustainability:

Service & Solution-Oriented: Exceed the expectations of stakeholders and be viewed as the Service Supply Organization of choice by our employees, customers, and the communities where we live and work.

Data-Driven: Sustainable Innovative Technology Solutions are dependent upon the quality of our data that impacts our customer, operating performance and the environment. Digitalization and integration will greatly improve services and solutions we offer to our customers.

Performance Focused: Consistently improve our service quality, product reliability, employee safety and environmental stewardship through comprehensive service planning, risk mitigation, well designs, contingency planning, control of our critical suppliers, service execution, and service performance validation and measurement, while focusing on minimal use of resources (water, fuel and materials).

3.4. STRATEGIC INITIATIVES

CUSTOMER ALIGNMENT

We will actively support our customers in the delivery of their business objectives, and be recognized as their choice for a service and solution provider.

PERFORMANCE OPTIMIZATION

We continuously optimize our work methods, technology, processes and our organization to maximize margins and returns.

OPERATE WITH DISTINCTION

We will be recognized and rewarded by Industry for consistently delivering the safest and most efficient offshore well services and solutions

INVEST IN OUR FUTURE

We attract, develop and retain the industry's best workforce, and operate, maintain, upgrade and renew the industry's most efficient fleet of offshore rigs and service-related products.

SOCAR AQS remains Service and Solution Orientated, Data Driven and Performance Focused in our pursuit of excellence. We continue to push past perceived boundaries and redefine customer relationships and continue to deliver industry leading services and solutions to our clients. We constantly monitor and analyze our data which is used to drive performance improvements through safer, more reliable and efficient operations. Through the introduction of the industry's leading service performance model, the Service Execution Cycle, we continually optimize our performance and lead the industry with our entrepreneurship spirit helping our customers solve their biggest challenges and meet their business objectives.

3.5. SOCAR AQS KEY PRIORITY AREAS

Within the scope of Strategy Deployment Project commenced from 2018, there are 5 directions that we have prioritized as the key areas for SOCAR AQS for the next few years.

1. Align organizational structure to strategic intent

2.Competency Development

3.Smart technological investment

4.QHSSE

5.Diversified sustainable growth

3.6. CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

Aligning with U.N. Goals

In November 2018, SOCAR AQS became the participant of the United Nations Global Compact – the largest corporate responsibility initiative in the world and committed to align its operations and strategies with ten universally accepted principles in the areas of human and labor rights, environment and anti-corruption. In parallel, we joined Reporting on SDGs Action Platform to take actions in support of UN sustainable development goals and Decent Work in Global Supply Chains Action Platform, to ensure decent working conditions in our supply chains.

U.N. GOALS	SOCAR AQS ALIGNMENT
	Support the cause to eliminate poverty through community development by employing people through our community and global partners and ensuring decent working conditions.
	Champion community partners devoted to providing basic human needs.
	Develop disaster, emergency and contingency plans to ensure efficient response efforts. Promote health and wellness in global organization and through our supply chain.
	Promote education programs with community partners, continue with our industry leading internship programs. Offer our employees high quality accredited training through approved suppliers that enhance their lives. Encourage employees to volunteer and/or mentor participating students.
	Develop women in leadership programs. Support community partner programs that empower and educate women and girls in order to alleviate poverty. Continue with the negotiations for collaboration with Women Social Entrepreneurship organization, where SOCAR AQS will provide financial support for the projects to be implemented in this sphere.
	Continue our efforts for improved water quality by reducing pollution, eliminating, dumping and minimizing release of hazardous chemicals and materials and increase recycling.

[12] GRI 102-12, 102-13

Create efficient energy source through innovation of rigs and drilling systems that reduces energy consumption and emissions.

Support youth employment, including employment of people with disabilities, entrepreneurship and innovations. As a participant of the Decent Work in Global Supply Chains Action Platform of the United Nations Global Compact, we will continue to protect labor rights and promote safe and secure working environments for all our workers.

Engage in innovative partnerships and continue to invest in innovation & technology. Maintain our core business of contract drilling services. Support community partners and suppliers that restore natural infrastructure.

Develop local employees globally. Support and promote global trade agreements. Empower employees and promote economic inclusion of all regardless of sex, race or ethnicity.

Support Azerbaijan and other community projects where we live and work. Support community and supplier partners devoted to restoration of natural infrastructure.

Continue efforts to achieve environmentally sound management of chemicals and all wastes, reduce their release to air in order to minimize their negative impacts on human health and the environment.

Deliver efficient, safe and reliable offshore operations to our customers through innovation, maintenance of our equipment and reducing emissions on our rigs.

Deliver efficient, safe and reliable offshore operations to our customers through innovation, maintenance of our equipment and eliminating environmental releases that impact marine life and water quality.

Deliver efficient, safe and reliable onshore operations including Bulla base that configures service-related products for our offshore operations. Through planning, innovation and maintenance of our equipment eliminate environmental releases that impact fauna, wildlife and air quality.

Uphold our Code of business conduct, anti-corruption and bribery policies across global locations.

Engage with strategic partners and educate our supplier to support sustainable development.

PRIORITIZED SDGs AND SPECIFIC ORGANIZATIONAL TARGETS

Although contributing to all SDGs in order to make a positive impact on the communities we operate is our overarching aspiration, considering the material topics that are most important for SOCAR AQS and taking the nature and scale of our operations, we prioritized some of them by setting a target to achieve by 2030 and linking to GRI requirements.

In 2018, we started a new Strategy Deployment Project at SOCAR AQS, where we selected 5 key priority areas for our company: aligning organizational structure with strategic intent, competency development, smart technological investment, QHSSE, and sustainable diversified growth. Our responsibility focus areas and targets are also aligned with the 5 key priority areas. Table 4 provides detailed information on this.

Table 4: SOCAR AQS Responsibility Focus Areas, Targets and Prioritized SGDs

SOCAR AQS RESPONSIBILITY FOCUS AREA	Target by 2030	Alignment with Key Priority Area	Relevant SDG target	GRI link
Economic				
Revenue				
Creating shareholder value	Comparable EBIT growth	1, 5	Target 8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries	201 - 1
	Comparable ROE		Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	401 - 1
	Current ratio>1.35		Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	
Corporate Governance				
Ensuring compliance and transparency	All SOCAR AQS employees to complete the Code of Conduct Training	1, 2	Target 12.1: Implement the 10-year framework of programmes on sustainable consumption and production, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries	
Sustainable Supply Chain				
Ensuring decent working conditions in supply chains	Supplier sustainability assessment: 100% critical suppliers and 80% non-critical suppliers	1, 4, 5	Target 8.7: Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms	408 - 1

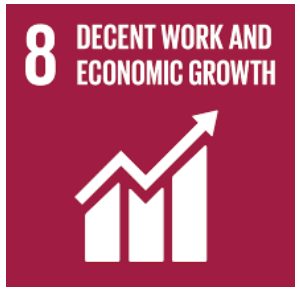


Table 4: SOCAR AQS responsibility focus areas, targets and prioritized SDGs

SOCAR AQS RESPONSIBILITY FOCUS AREA	Target by 2030	Alignment with Key Priority Area	Relevant SDG target	GRI link
Social				
Diversity and inclusion				
Ensure diversity and inclusive working environment	Achieve 90% favourable results on Employee Engagement Survey	1, 5	Target 4.5: By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations	404 -1
			Target 5.1: End all forms of discrimination against all women and girls everywhere	404 - 1, 405 - 1
			Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	
Community Engagement				
Contribute to the development of local communities	Continuous financial and organizational support for education, women empowerment	1, 2, 3, 5	Target 5.3: Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation	
	Sharing best practices with industry peers		Target 8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training	404 - 1
Learning and development				
Ensure continuous development of employees	Obtain OPITO accreditation for Banksman and Slinger training courses	1, 2, 3, 4, 5		
	Ensure 100% of SOCAR AQS employees are trained on sustainability awareness		Target 4.7: By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development	404 - 1
	Internal training hours increased by 20%		Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	404 - 1
Working conditions				
Ensure safe and healthy working environment and wellbeing of employees	0 fatalities	4, 5	Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	203-2
	Continuous improvement in safety		Target 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	305 - 1, 2, 3, 7
				403 - 2

Table 4: SOCAR AQS responsibility focus areas, targets and prioritized SDGs

SOCAR AQS RESPONSIBILITY FOCUS AREA	Target by 2030	Alignment with Key Priority Area	Relevant SDG target	GRI link
Environmental				
Climate				
Creating climate solutions	CO2 emissions reduced by 10%	3, 4, 5	Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	305 - 1
	Continuous energy consumption reduces		Target 8.4: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	302 - 1
Waste				
Promoting circular economy	Continuous reduce, reuse and recy-cling	3, 4, 5	Target 12.4: By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	306 - 1, 2, 4
			Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	306 - 2
Water				
Responsible water usage	Continuous waste water reduce	4, 5	Target 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all	
			Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	306 - 2

Future Outlook

To ensure a holistic approach on major sustainability issues we continue to further develop our sustainability management structure. We continuously seek opportunities, where we can collaborate with our industry peers to address sustainability challenges in order to create a positive impact for the stakeholders both locally and globally.

4. GOVERNANCE, ETHICS AND COMPLIANCE

4.1. Corporate Governance

The foundation of good corporate governance is the leadership provided by the Board of Directors ("Board") and the management of the Company. In furtherance of this commitment, SOCAR AQS's corporate governance is a set of rules and processes by which the company is directed and controlled and serves as a guideline for the Board of Directors.

SOCAR AQS's Board provides broad oversight of the management and governance of the Company. In 2018, our Board was comprised of 5 members with experience from SOCAR, Nobel Oil LTD, and Absheron Drilling LLC. The Board periodically reviews the Company's director criteria and the composition of the Board to evaluate profiles, skills, and experience. Nobel Oil Services UK is the indirect majority shareholder of SOCAR-AQS with 86.62% of the shares owned.

SOCAR AQS has also established committees to ensure governance meet the expectations of our interested parties and stakeholders in 2019. This includes an HSE Committee who reviews and discusses with management the status of key occupational health, safety and environmental issues. The committee also regularly evaluates the effectiveness of our internal policies, practices and performance related to HSE issues. Additionally, SOCAR AQS has standing Audit, Compensation, and Finance Committees to help support our sustainability goals and efforts.

[13]

[13] GRI 102-5, 102-18, 102-22, 102-23, 102-27

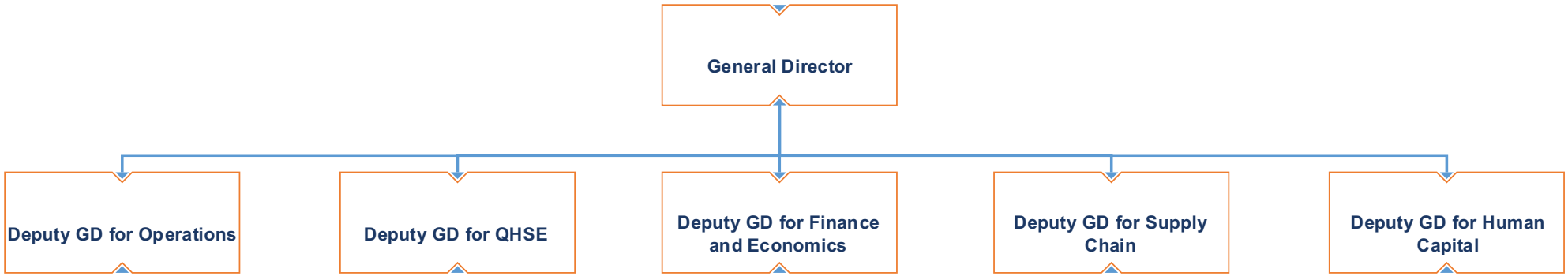
4.2. Governance Partnership

In 2017 we partnered with Wollam Groups, a premier and accredited training, compliance and engineering company. Wollam Groups sets dozens of industry committees leading the development of industry standards and specification put out by API, IADC and IACET. In addition, our partner has been called upon by the different Regulatory Groups, including the US Bureau of Safety & Environmental Enforcement (BSEE) to certify the regulators on the industry standards and specifications. Wollam led the development of the industry new standards following the 2010 BP Macondo Disaster in the Gulf of Mexico and has since been appointed to set on the Board of Directors for the International Association of Continuing Education & Training (IACET) and to Chair the Petroleum & Natural Gas Board for the development of training and competency requirements for the different services and service-related products utilized in our industry. Wollam Groups is the developer of the Service Execution Cycle, that has been deployed around the globe and has unique expertise in thousands of regulations, standards, specifications, codes and industry best practices. This critical supplier works with SOCAR AQS in the development of our people, processes, systems while ensuring governance and compliance to International requirements.

SOCAR AQS Leadership has established, documented, implemented, maintains and continuously improves upon the following areas, further enhancing Corporate Governance.

[14] GRI 102-12, 102-13

Table 5: Organizational Structure



4.3. Internal Control System

At SOCAR AQS internal control procedures are designed to ensure that our business operations are being realized in an ethical manner. To lodge transparency to our governance processes, we implemented SAP system for a wide range of our operational functions, project and system management. Within the "Digitalization and Automation" project we have already automatized our nonconformance processes and will also automatize the KPI tracking system with the use of Jira.

Internal Audit

We have an internal audit program that develops an annual audit schedule based upon process criticality, Key Result Indicators, and company risk, while ensuring compliance to the different ISO, API and other Industry standards and regulatory requirements that the company complies with. In 2018 all our auditors underwent accredited training against the industry management system standards. In 2019 they will complete the industry accredited technical training and competency program for lead auditors by our accredited training provider and governance partner. Our internal audits are supplemented by 3rd party assessments, as needed. As we deploy our 2019 Sustainability programs and controls, we will ensure the oversight and validation is a part of our internal audit program.

[15] GRI 102-17

4.4. Compliance and Integrity

At SOCAR AQS, we are committed to comply and integrate our activities with the requirements of national legislation, also striving to apply industry standards and best practices.

Code of Conduct

SOCAR AQS is committed to conducting business with the highest level of integrity in all aspects of our business and operations. Our Code of Conduct (our "Code") contains ethical guidelines for the way we expect our business to be conducted and is based on the legal requirements of the Republic of Azerbaijan and internationally accepted standards, including the ten principles of the United Nations Global Compact that are based on the UN's Universal Declaration of Human Rights, the International Organization's Conventions, the UN Convention against Corruption and the Rio Declaration on Environment and Development. The code reflects our values of safety, quality, integrity, novelty, frugality, tenacity, unity and customer centricity, and sets our expectations, commitments and requirements for ethical conduct. Our Code applies to all employees, directors and critical suppliers of SOCAR AQS. Any illegal or unethical action, or the appearance of such actions is unacceptable. Our Code is a condition of employment that requires all employees to report potential or actual Code violations to the General Director. SOCAR AQS maintains an open-door policy and will not tolerate any form of retaliation against any person who makes a report regarding an actual or potential violation of our Code. We provide our employees with general information about the Code of Conduct during induction trainings. In addition, awareness raising trainings are delivered on a regular basis.

Anti-corruption

At SOCAR AQS, we have zero tolerance for any bribery. The Anti-bribery policy of SOCAR AQS developed in line with the UK Bribery Act (2010) and the Company's Code of Conduct sets out the Company's key principles and requirements designed to:

—Support the Company's commitment to preventing bribery;

—Enhance the Company's bribery risk mitigation measures;

—Strengthen governance practices.

The policy also recognizes the International treaties such as the OECD Convention Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention against Corruption.

At SOCAR AQS, we ensure regular communication with our employees to prevent bribery and corruption, and conduct trainings on how to identify bribery and report on corruption.

SOCAR AQS maintains various important policies, procedures and processes that all employees and visitors must follow. These policies relate to workplace discrimination and harassment, drugs, alcohol, weapons and social media; and include the following:

Equal Employment, Anti-Discrimination, Harassment

SOCAR AQS provides equal opportunity in employment decisions. We observe the fair employment laws in the jurisdictions in which it operates and prohibits discrimination and harassment based on race, colour, sex, religion, national origin, age, marital status, sexual orientation, gender identity, disability or any other characteristic protected by the laws where we currently and intent to operate.

SOCAR AQS's employees, contractors and 3rd parties are required to report about suspected corrupt activity via the e-mail anti-corruption@socar-aqs.com. At SOCAR AQS, we ensure regular communication with our employees to prevent bribery and corruption, and conduct trainings on how to identify bribery and report on corruption.

At SOCAR AQS, all processes are implemented according to the Labor Code of the Republic of Azerbaijan aimed to protect worker rights. As an equal opportunity employer, we are committed to providing safe, inclusive and respectful workplace, which is free from discrimination and harassment. Every person can participate freely and equally in all areas of public life. Employees are free to address any issue directly or anonymously to *employeerelations@socar-aqs.com* or inform about any incidents orally.

16, 17

[16] GRI 102-17, 102-33, 205-2

[17] GRI 102-25

Conflicts of Interest

The way we conduct ourselves in our business dealings affects SOCAR AQS brand and trust that we have earned from our employees, customers, suppliers, shareholders and other interested parties. By avoiding conflicts of interest, we send a clear message about our integrity and our determination to do what's right. The conflict of interest is regulated by the Conflict of Interest policy of SOCAR AQS, which covers the systems to tackle the conflicts of interest in different functional areas.

Human Rights Management

Our commitment to our people includes respecting human rights by maintaining a workplace free of occupational health and safety hazards, ensuring fair employment practices and competitive terms and conditions of employment.

SOCAR AQS is a supporter of local employment and labour laws, human rights and is a strong opponent of any form of forced, involuntary or child labour, or human trafficking. At SOCAR AQS, we understand that our people are driving force of our success and we put them above everything. The Human Rights policy of SOCAR AQS is developed the way to ensure that our employees are aware of their fundamental rights to report on any potential or existing human rights concerns or violations directly or anonymously. Induction trainings are being provided for all employees at SOCAR AQS on human rights concerns.

Transparency

As a limited liability company, to the extent the law provides we ensure all the relevant information is publicly accessible. Moreover, we are continuously building reliable relations with different media partners to reach out our stakeholders.

Legal Compliance and Compliance Management

At SOCAR AQS we understand that compliance with all the applicable rules and regulations is essential to ensure sustainability of our activities.

As part of our commitment to sustainability, we pay special care for the environment and our people. Thus, obtaining all the licences and permits that allow us to design our operations in a lawful and effective way is of paramount importance for SOCAR AQS. In parallel with national legislation, we also ensure compliance with the internationally proclaimed and accepted declarations, as such United Nations Convention on Human Rights, standards accepted by International Labour Organisation and others.

Compliance Management

We understand that the compliance of our suppliers and contractors with national legislation and international standards is as important as the compliance of SOCAR AQS. Within the participatory status at the Decent Work in Global Supply Chains of the United Nations Global Compact, we focus on respecting human and labour rights and ensuring decent working conditions in our supply chains which meet international standards.

We also adhere to the guidelines and recommendations of the United Nations Global Compact, Reporting on Sustainable Development Goals and Decent Work in Global Supply Chains Action Platforms, and GRI. In May of 2019 SOCAR AQS representatives participated in the "Lab 1: Prioritizing SDGs to act and report on in a principled way" event in Amsterdam organized by the United Nations Global Compact and GRI. The aim of the event was to discuss major challenges and opportunities that companies are facing when reporting on sustainable development and with the sustainability ecosystem, in general.

We are also committed to take an active part in conferences, summits and roundtables of organizations, where we are presented either as a participant or as a member. In September 2019, our General Director will be attending the United Nations Global Compact Leaders Week that will be organized within the United Nations General Assembly, in New York.

SOCAR AQS is also planning to become a member of GRI Community by the end of Q2 of 2019.

Future outlook

We understand that compliance and ethics are an integral part of sustainable companies. At SOCAR AQS we do our best to comply with national legislation and international standards and best practices and will be putting more efforts to further improve our performance in compliance pillar of sustainable development.

[18] GRI 102-12, 102-15

5. SUPPLY CHAIN

Supply Chain Management

From November 2018, SOCAR AQS joined the Decent Work in Global Supply Chains Action Platform of the United Nations Global Compact and committed to ensure decent working conditions in its supply chains. This includes respecting human and labour rights, elimination of all forms of discrimination, adhering minimum age provisions of national labour laws and regulations, freedom of association and other Conventions and Recommendations of International Labour Organization. SOCAR AQS set a target to brief all its critical suppliers on sustainability issues, communicate its expectations on this and provide internal trainings for procurement function on labour and human rights considerations.

Several key sustainability efforts are driven within our Supply Chain starting with the selection of both local and preferred vendors for service-related products and services based on our philosophy of service quality while managing costs.

SOCAR AQS suppliers undergo a comprehensive evaluation process to ensure compliance with minimum safety and quality standards, as well as a demonstrated commitment to anti-bribery and anti-corruption in the countries of operation. When evaluating supplier commercial offerings, we make contract awards based on cost, with the understanding that quality products and equipment last longer and require less maintenance, ultimately reducing safety risks, waste and environmental impacts from inefficient design. The process of awarding supplier with the best value ensures that long-term shareholders benefit from more sustainable and value-creating sourcing decisions than they would realize from suppliers with an immediate and short-term focus.

Table 6: Number of suppliers for 2018

	2016	2017	2018
Number of local suppliers	243	267	241
Number of international suppliers	95	110	127
Percentage of procurement budget spent on local suppliers/ contractors	35%	45%	40%
Percentage of procurement budget spent on international suppliers/contractors	65%	55%	60%

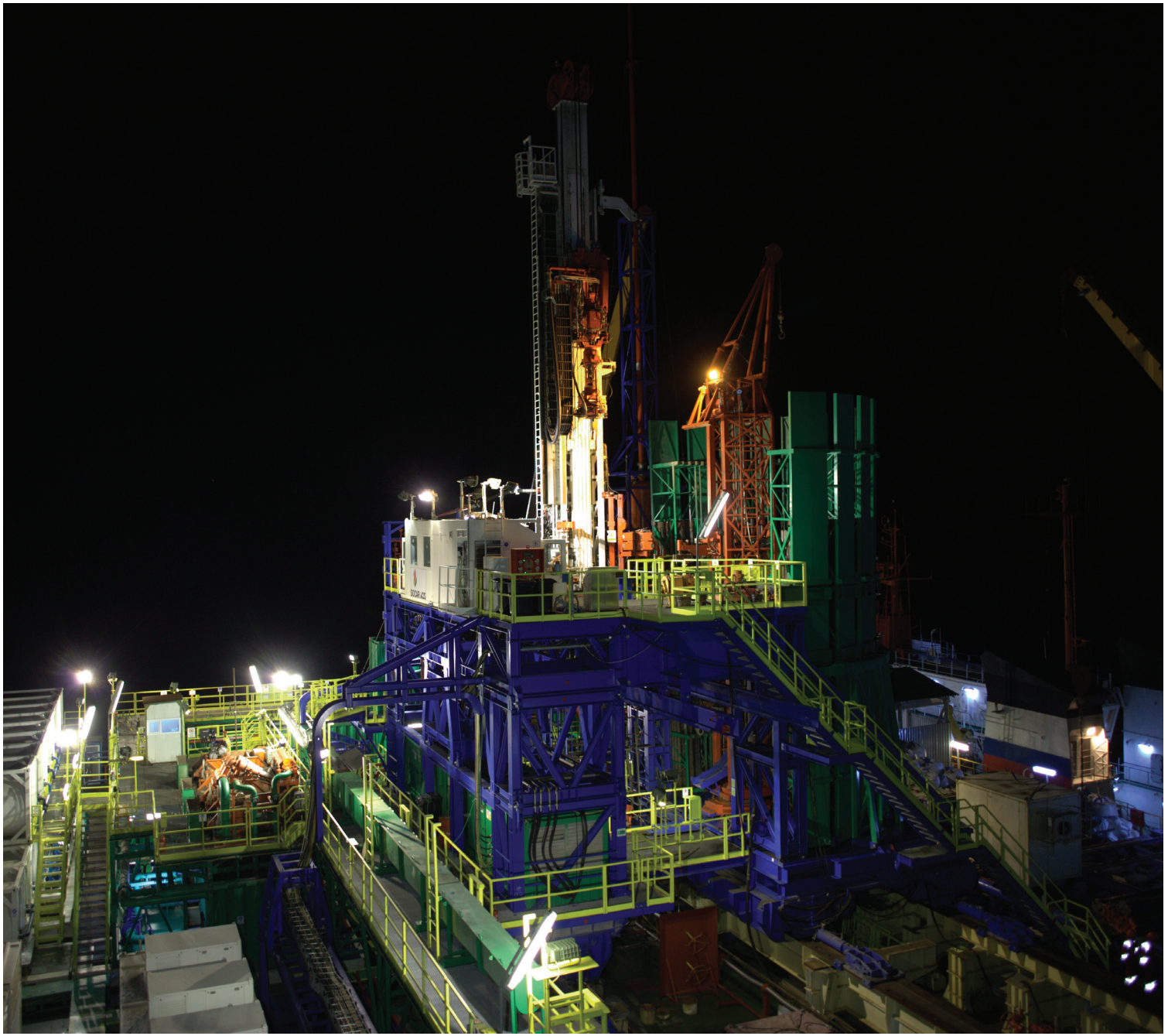
[19] GRI 102-9, 102-10, 204-1

Table7: Number of suppliers assessed for the quality and performance

Supplier category	2018	Notes
Non-Critical International Suppliers	100%	**All assessed as per** Non-Critical Supplier Initial Evaluation Form requirements and as per Purchasing Procedure Re-assessed as per Supplier Re-Evaluation Table;
Non-Critical Local Suppliers	100%	**All assessed as per** Non-Critical Supplier Initial Evaluation Form requirements and as per Purchasing Procedure Re-assessed as per Supplier Re-Evaluation Table;
Critical International Suppliers	100%	**All assessed** distantly, some of them assessed on their facilities (assessment of Critical Suppliers at their facilities are continuing), and as per Purchasing Procedure Re-assessed as per Supplier Re-Evaluation Table;
Critical Local Suppliers	100%	**All assessed** at their facilities, and as per Purchasing Procedure Re-assessed as per Supplier Re-Evaluation Table;

[20] GRI 102-9, 102-10

Our vision is to conduct flawless execution of our operations and ending our jobs incident-free. This commitment is to our employees, customers and stakeholders, as well as to the communities in which we live and work. In order to deliver a safe, highly reliable, consistent and predictable global work environment, we have set core principles and values to meet the highest industry safety standards. Each of our projects, and work task are meticulously planned (step 2 Service Execution Cycle), risk assessed (step 3), designed (step 4) and executed (step 7) through a Service Operation & Quality Plan that clearly defines what must be done as well as the roles and responsibilities, guiding our teams to the safest and most efficient service execution. Through leadership, a disciplined approach and the application of the Service Execution Cycle and a number of safety tools with a focus on continuous improvement, will continue to further our commitment to occupational health and safety.



6. OUR PEOPLE

With an expanding footprint outside of Azerbaijan and aspiration to be a Global Service Supply Organization for the offshore drilling industry, SOCAR AQS has led many of our peers in innovation and technology, setting several drilling records while delivering world-class well construction efficiency to our customers. None of this would be possible without the talented men and women of SOCAR AQS. Our people are essential to the company's long-term growth and success. They deliver the innovative and diverse solutions our customers need.

Recruiting, retaining and developing the right people has always been one of our key focus areas, especially now, when the company is on the path of continuous growth, and steady flow of skilled and motivated personnel is essential for the long-term success of the organization. We value each employee and individual contribution while striving to ensure SOCAR AQS is a rewarding place to work. We encourage employees to seek training and education experiences that expand and enhance their knowledge, skills and abilities while uncovering new and innovative ideas. Talent development takes many forms at SOCAR AQS to include training sessions around critical topics, enrollment in offsite executive programs, accredited competency programs, individual mentoring and professional credentialing.

4,718

In-house Training Events

3,222

Professional Training Events

2,500

Technical Events

4

Workshops

Table 8: Total Training hours

	2016	2017	2018
Total internal training hours	4,094	8,140	12,964
Total external training hours	18,319	25,465	26,292
Total training hours	22,413	33,605	39,256

[21]

[21] GRI 404-1

IACET EXEMPLAR TRAINING ORGANIZATION OF THE YEAR

In 2018 SOCAR AQS was recognized by the International Association of Continuing Education & Training (IACET) as the Exemplar Training Organization of the Year. This distinguished award honors exemplary, results-oriented programs and projects that demonstrate cost-effective, significant, and relevant impact on the population served. SOCAR AQS will build upon this accomplishment and plan to further improve our training and competency programs in 2019.

6.1 HUMAN RIGHTS

We are committed to protecting and upholding human rights. Principles and procedures ensuring the right to employment, rest and work under safe and healthy conditions and to other basic human rights and freedoms as stipulated in Section Two of the Constitution of the Republic of Azerbaijan; Regulations governing the rights and obligations of employees and employers, including relevant national government bodies with respect to the execution, amendment, or termination of employment agreements and the protection of the rights of parties to these agreements, shall be defined pursuant to the principles of human rights and freedoms provided by the Labor Code of the Republic of Azerbaijan, the Constitution of the Republic of Azerbaijan and international treaties and agreements signed or supported by the Republic of Azerbaijan, conventions of the International Labor Organization and other international laws. Employment contracts and relationships are governed based on the Labor Code of the Republic of Azerbaijan.

Moreover, the company has relevant processes and procedures for managing risks and opportunities related to human rights. Besides, employees attend different events and are members of some committees/societies to learn from sector-wide business initiatives on human rights and consider a collective action approach with industry peers. There are also mechanisms for reporting potential concerns within the company directly to the General Director.

22

[22] GRI 102-13, 102-15, 402-1

6.2. HUMAN RESOURCES INDICATORS

Setting equal opportunities and no discrimination in the company are guided by internal processes and procedures based on Article 16 Unacceptability of Discrimination in Labor Relations.

6.3. DIVERSITY AND GLOBAL REPRESENTATION

As we transition from a National to an International Service Supply Organization we understand need and value of diversity and organizational global representation. We are proud to have a global crew with employees and leaders representing Azerbaijan, Romania, Bangladesh, Netherlands, Poland, Georgia, Croatia, Canada, India, Indonesia, Namibia, Russia, Ukraine, and Australia. Of the 1060 employees, 637 (60%) hold higher education diplomas, and 96, (nearly 10%) are female employees holding key and essential positions in the organization.

Figure 2 : Total number of employees

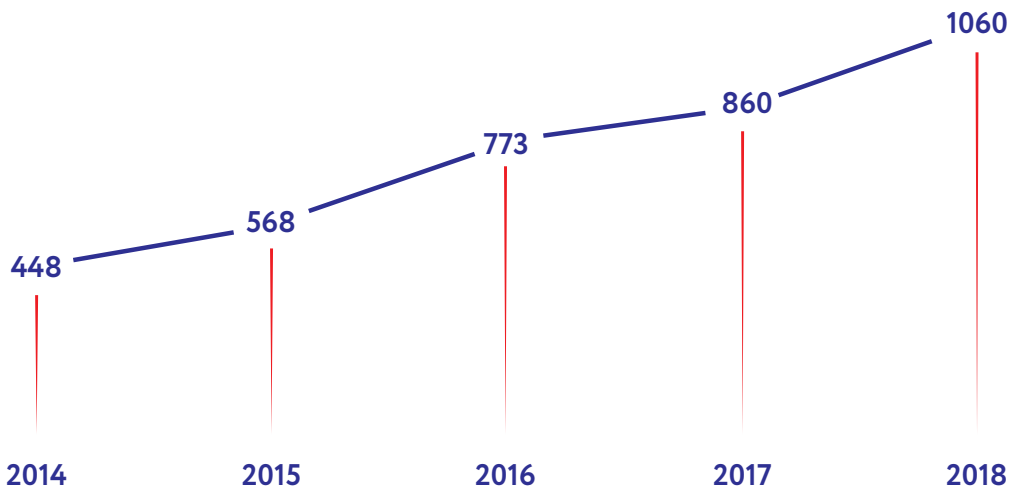


Table 9: Total number of employees by gender

Total number of employees	2016		2017		2018	
	Male	Female	Male	Female	Male	Female
Number of permanent employees	705	68	781	79	967	93
Number of temporary employees	0	0	0	0	0	0

Table 10: Number of disabled and internally displaced people

	2018
Disabled people	11
Internally displaced people	29

1,060

Employees

637

60% Higher Education

93

9% Female

14

Countries Represented

[23]

[23] GRI 102-15, 405-1

Table 11: Total number of employees by age

Total number of employees by age	2016			2017			2018		
	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Between 30-50	Below 30	Between 30-50	Over 50
Total number	230	393	150	243	448	169	325	551	184
Executive positions	9	55	28	9	58	30	12	73	32
Specialist positions	90	105	34	103	124	42	138	147	45
Technician positions	7	5	3	4	5	3	1	7	3
Other (workers)	124	228	85	127	261	94	174	324	104

Table 12: Number of hired and dismissed employees by age

Number of hired and dismissed employees by age	2016			2017			2018		
	Below 30	Between 30-50	Over 50	Below 30	Between 30-50	Between 30-50	Below 30	Between 30-50	Over 50
Number of hired employees by age	66	93	20	53	51	14	122	94	9
Number of dismissed employees by age	16	18	4	23	22	5	20	21	4

Table 13: Standard entry level wage compared to local minimum wage

Standard entry level wage by gender	2016			2017			2018		
	Local minimum wage	Entry level wage		Local minimum wage	Entry level wage		Local minimum wage	Entry level wage	
		Male	Famale		Male	Famale		Male	Famale
Ratios of standard entry level wage by gender compared to local minimum wage, AZN	105	400	400	116	941	941	130	941	941

24

[24] GRI 102-8, 102-15, 201-3, 202-1, 202-2, 401-1, 405-1

Table 14 : Parental leave indicators

Parental leave indicators	2016	2017	2018
Total number of employees that took parental leave	2	11	4
Total number of employees that were entitled to parental leave	3	12	5
Total number of employees that returned to work in the reporting period after parental leave ended	3	10	2
Total number of employees that returned to work in the reporting period after parental leave ended and were still employed for 12 months after their return to work	3	10	2
Return to work rate of employees that took parental leave	100%	100%	100%

Table 15 : Standard entry level wage by gender

	2016		2017		2018	
	Entry level wage		Entry level wage		Entry level wage	
	Male	Female	Male	Female	Male	Female
Standard entry level wage by gender	400	400	941	941	941	941

Table 16 : Employee turnover

	2016	2017	2018
Employee turnover rate	1%	1%	4.96%

[25]

[25] GRI 102-15, 401-1, 401-3, 405-2

6.4. EMPLOYEE DEVELOPMENT

Our company encourages its employees to participate in employee development activities. Our employees take skill enhancement or employee development activities seriously. It is of utmost importance for our employees to keep themselves abreast with the latest developments in the industry to survive the fierce competition. That is why we encourage employees to participate in conferences and seminars in line with their position and skill sets. Job rotation also helps employees to develop and enhance their skills. Encouraging learning culture makes our employees feel motivated to undergo various training and inculcate new learnings that give us a competitive advantage.

6.5. LEADERSHIP DEVELOPMENT

As a growing company, we are continuing to expand the capacity of individuals to perform in leadership roles within the organization. Each person newly employed to the company must continuously self-develop to become a master of their work and strive to improve their leadership skills. There are special program and tools applied in our company, aimed at optimizing the leadership skills of both of our managers and the young employees with outstanding creative and analytical thinking skills. Besides, as leadership development is thought to be key to business success, we encourage our talented leaders to pursue MBA degrees.

6.6. PERFORMANCE AND SUCCESION MANAGEMENT

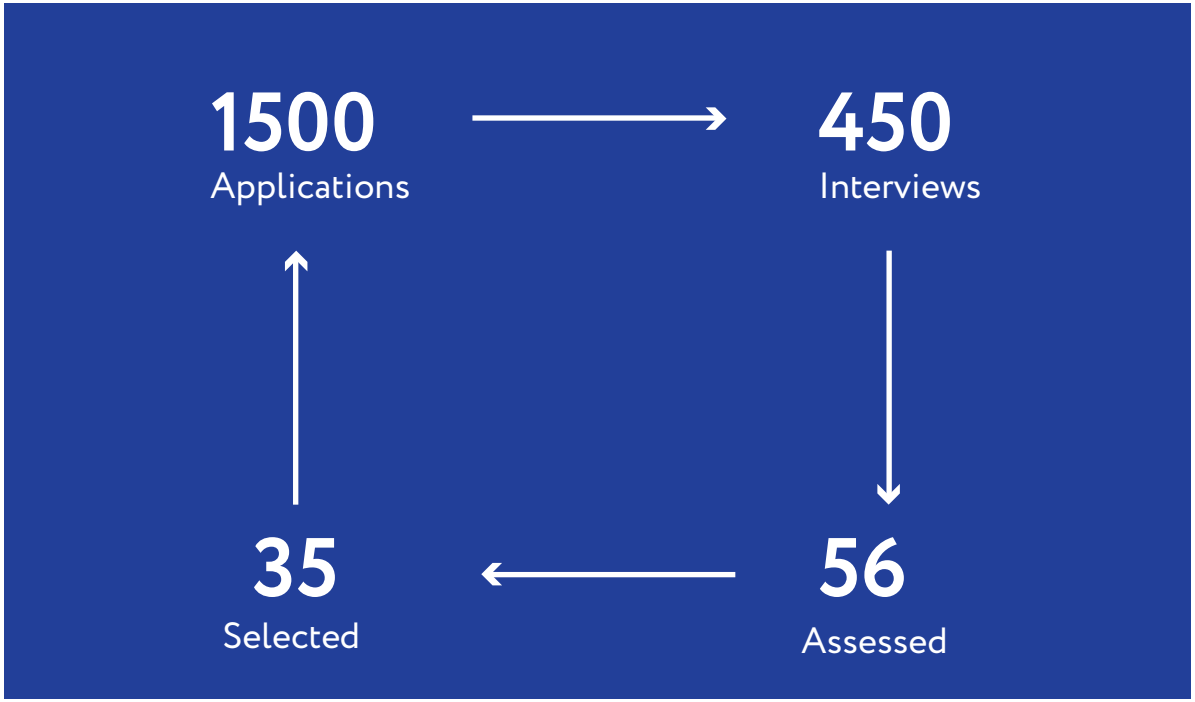
We offer individual development against role gaps and group development against organizational gaps, as well as role-specific or strategic build/buy strategies. Besides, we have a powerful and proven Performance Management process that gives an organization a clear understanding of its performance at every level and reveals if its succession planning is producing the leaders it needs.

It is a very effective system to improve alignment between leaders and strategy, and, ultimately, boost their prospects for long-term growth.

SOCAR AQS SUMMER INTERNSHIP PROGRAM

A critical element of sourcing new talent is the continuation of our Summer Internship program. This occurred between 2nd of July and 2nd of September 2018, 35 students from 10 leading universities of Azerbaijan and overseas were offered an internship opportunity to gain practical experience in 16 different departments of SOCAR AQS.

Within the internship period, students took part in various projects, completed complex tasks and visited our offshore platforms. In the end of the program, students were assessed by their mentors and 19 interns who demonstrated superior performance received employment offers at SOCAR AQS and are now a part of our team.



Future Outlook

We understand that our people are the driving force of our success. Continuous development and increasing employee engagement and satisfaction is of utmost importance for us. Therefore, as one of the key priority areas we have identified within the Strategy Deployment Project is the Competency Development of our employees. This will include an increase in number and quality of trainings and design of new development programs, support youth employment through our internship programs and joint initiatives with the leading universities of Azerbaijan and overseas.

7. COMMUNITY & STAKEHOLDERS

At SOCAR AQS we always aim to build strong relationships with the society that will help us to have a positive contribution to the development of the communities we operate in. Different projects were realized throughout the year in support of the country's innovation ecosystem, entrepreneurship, youth employment, digitalization and automation.

26, 27

[26] GRI 102-15, 404-2
[27] GRI 413-1

Below is a summary of sponsorship projects of SOCAR AQS for the period of January 2018 – April, 2019.

Table 17: Community Engagement Projects

Project Name				
IADC Quarterly Meetings	3 Meetings	Rig Automation & Digitalization	Women in Industry Youth Development	In-Kind Sponsorship
MIT Global Startup Labs	Entrepreneurship Workshop	Hosting & Mentorship	Local Innovation University Collaboration	Monetary & In-Kind Sponsorship
BHOS Students Technical	PNG Industry Support	Digital Technology	Student Development Engineering Support	In-Kind Sponsorship
Summer Internship Program	30 Interns	Hosting & Mentorship	Youth Development Young Professionals	In-Kind Sponsorship
IADC Digitalization/ Automation	Industry Event	Rig Automation & Digitalization	Professional Collaboration	In-Kind Sponsorship
Student Volunteer Program	3 Participants	Professional Development	Youth Development	In-Kind Sponsorship
SPE/IADC Conference	Technical Briefings	113 Companies	Industry & Country Support	Gold Sponsorship 13,000 EUR
TOM BAKU	Global Disability Movement	113 Companies	Disabled & Community Support	In-Kind Sponsorship
IACET PNG Symposium	150 Professionals	Accreditation	Industry Training & Competencies	In-Kind Sponsorship
IADC Conference Breakfast	200 Professionals	20 Companies	Industry, Government & Country Collaboration	Monetary & in-Kind Sponsorship
ADA University Career Week	1500 College Students	113 Companies	Education Support Youth Development	General Sponsorship 15,000 AZN
Elderly Support	Novruz Holiday	Khoncha for Families	Elderly & Community Support	In-Kind Sponsorship
IACET PNG Board	5 Regions	Exemplar Award	Industry Training & Competencies	Board Member
IADC Caspian Conference	200 Professionals	20 Companies	Industry, Government & Country Collaboration	Diamond Sponsor 25,000 USD
Global Influencer Day	Social Media Influencers	Digital Technology	Support Country Initiatives & Development	Gold Sponsorship 5,000 USD

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[28] GRI 102-12, 102-15, 203-1, 203-2, 413-1

8. HEALTH AND SAFETY MANAGEMENT SYSTEM

Our Occupational Health and Safety Management System (HSMS) is Certified to ISO 45001 and is integrated into our Management System.

The organization uses an independent Hygienist assessor to audit the site welfare conditions to international industrial hygiene standards. We also conduct Health Risk Assessment (HRA), which is a systematic approach to gathering information from the workplace and individuals that determines health risk factors, planned interventions.

Our Fitness for Task (FFT) ensures that an individual is in a physical, mental, and emotional state which enables the person to perform essential tasks related to the work assignment in a manner which does not threaten the safety or health of oneself, co-workers, property, or the public at large.

FFT are utilized to gauge whether a person can safely perform essential job functions. Our employees are assessed for FFT by a reputable medical organization according to Ministry of Health resolution #46. We have deployed Alcohol & Illegal Substance Program to enhance safety performance while aligning to international best practices. Our Occupational Health & Safety Management System includes ongoing exposure monitoring and analysis for different occupational health hazards.

SOCAR AQS deploys several committees related to Quality, Health, Safety, Security and Environment (QHSSE) in 2018. Our Standing Working Committee is the most prominent and highest-level committee responsible to oversee and improve our HSE processes that ensures all personnel and our critical suppliers have a workplace that is free from recognized hazards and that comply with all regulatory requirements, standards, specifications and rules that SOCAR AQS claims compliance. At SOCAR AQS all potential risks and hazards associated with all the activities on drilling operations are identified and assessed by HSE department. Registered hazards are similar to those identified for typical drilling industry, as chemical handling and storage, electrical work, equipment / machine hazards, power sources, etc.

HSE leadership monitors existing system, procedures, and tools for improvement of safety performance; implement, communicate, adhere to best safety practices and standards, empower direct reports at all levels to take individual responsibility and action for safety, recognize and reward direct reports for exemplary safety behaviour through public praise and verbal acknowledgement, identify and correct unsafe acts and conditions and apply accountability, as appropriate.

Table 18 : Health and safety indicators

Health and safety indicators	2017	2018
Total number of fatalities	0	0
Total number of injuries, including	4	4
Total lost time injuries (LTI)	3	2
Number of days lost due to injury	49	57
Lost time injury rate (per 1,000,000 hours worked) I LTI * 1,000,000/manhours	2.19	1.35
Fatality rate (per 10,000 employees) I FTL * 10,000/ number of employees	0	0
Lost days rate (per 1,000,000 hours worked) I LTI * 1,000,000/ manhours	35.8	38.4
LTI frequency rate (per 1,000 employees) I LTI * 1000/ number of employees	3.5	1.9
Injury severity rate (number of working days lost due to injuries per each accident) I Lost days/ total recordable incidents	12.25	14.25

[29] GRI 403-2

8.1. 5-STAR SAFETY PROGRAM

The company has deployed a 5-Star Safety Program aimed at the creation of a stimulating environment for demonstrating exemplary behavior in personnel, by following health, safety and environmental regulations and industry best practices. Our program is designed to encourage active employee participation and compliance with the accepted behavioral regulations, labor and production discipline and ethic norms. The Service Execution Cycle along with our safety protocol ensures a safe and efficient operation of our services under strict safety conditions while increasing the sense of accountability and responsibility for all personnel. Lastly, we encourage active and participatory employee engagement through our incentive programs.

SOCAR AQS Behavior-Based Safety (BBS) Program is one of our newer programs that is based on the application of science of behavior change to real work (onshore/ offshore) safety problems and developed to enhance employee participation and employee wellbeing, and safety partnership between management, employees and subcontractors.

Our BBS focuses on what people do, analyses why they do it, and then applies a research-supported intervention strategy to improve what people do and goes way beyond regulatory compliance and ethic norms.

BBS may be applied to internalize hazard avoidance strategies or administrative controls including the continuous use of personal protective equipment (PPE) when on the rig site but is not used in preference to the implementation of reasonably practicable safety measures further up the hierarchy. It is not based on assumptions, personal feeling, or common sense but is built around scientific knowledge and performance results that includes all employees, from the General Director to the front-line workers and our suppliers. This program continues to be implemented in the company and has continuously improved our safety performance in the areas implemented.

Table 19 : Total Recordable Incident Rate

2016	2017	2018
0.76	0.58	0.52

[30] GRI 403-2

8.2 PROCESS SAFETY

Our process safety was designed to minimize onshore and offshore Process Safety Events (PSE) and includes PSE identification and mitigation. Should a PSE occur, our processes include classification, reporting, investigation, and corrective actions. All permanent (long term) and temporary (short term) corrective actions are managed and communicated through our Management of Change (MOC) process. We have many related procedures to include Incident Investigation and Root Causes Analysis; and Management of Change.

8.3 MANAGEMENT OF CHANGE

All non-conformances related to people, products or processes are handled in accordance with our certified non-conformance process. In addition, a Management of Change (MOC) is opened which requires us to assess the risk associated with the HSSE non-conformance, legal issues and their impacts on business, customers and any license/permit.

SOCAR AQS understands the importance of workplace safety and we have controls in place to ensure regulatory compliance. However, we understand that some controls are based on human interaction and human errors occur that could lead to a safety infraction. Should a safety infraction occur we utilize these events as an opportunity to improve our business and provide a safer, more productive workplace with our internal process for managing violations and citations. All safety infractions are managed through our MOC process to ensure we:

GAIN AN UNDERSTANDING

The first step is understanding the issued infraction/violation to avoid the same or similar issues in the future. This will involve a formal internal conference with management and potentially involve our 3rd party Advisory Company to obtain a more thorough understanding of the violations; learn more about the applicable rules; discuss corrective actions; and obtain answers to other questions.

NOTIFICATION

We use the MOC to notify our clients of the violation and the appropriate corrective actions that we are taking. Our process ensures notification upon a violation and communication has occurred at all relevant and required levels both internal and external to SOCAR AQS.

RISK BASED CORRECTIVE ACTION (RBCA)

The MOC will outline the specific corrective actions and communication to all concerned parties to ensure a safer workplace. Once corrective actions are identified we risk assess the corrective action to ensure that the actions are not going to create any additional risks. This is a part of our Certified Health and Safety Management System.

FUTURE OUTLOOK

Safety of our employees stands first amongst our values as a company. To further improve safety, we contracted one of the Industry top rated Consultancy companies who conducted an in-depth Occupational Health and Safety Assessment and jointly with SOCAR AQS management developed a 2019-2020 implementation plan to meet Industry leading Safety Performance Indicators.

[31] GRI 102-11

9. ENVIRONMENTAL STEWARDSHIP

We are profoundly aware of our critical role and responsibility in minimizing our environmental footprint and protecting the environment. Our environmental management policies are applicable to all rigs, offices and facilities, and are certified to the International ISO 14001 Standard. Our qualified teams ensure global compliance, support and guidance to embed the goal of zero environmental releases. The policies bring together tools designed to ensure all operations are managed in an environmentally responsible manner that drives continuous improvement. Through the Service Execution Cycle and its related controls and validation, we are preventing major spills and driving a culture that is self-reporting with increased awareness.

LOSS OF CONTAINMENT

Our focus on Service Execution has given our crews a greater awareness around the prevention of incidents and qualifying events that can lead to major spills. In 2018, SOCAR AQS did not have any reportable releases that would qualify as a spill. We remain focused on delivering our commitment of zero releases, throughout our service execution activities.

ENERGY CONSUMPTION

Energy consumption is significant to SOCAR AQS and our customers, not only from a cost perspective, but also as the main driver of environmental impact including greenhouse gas (GHG) emissions. In the offshore drilling industry, the customer is typically responsible for fuel used by the drilling rig while on contract and related emissions reporting. SOCAR AQS has worked with our manufacturers to design high-specification rigs and drilling units to deliver efficient well construction while reducing our customers' overall fuel consumption.

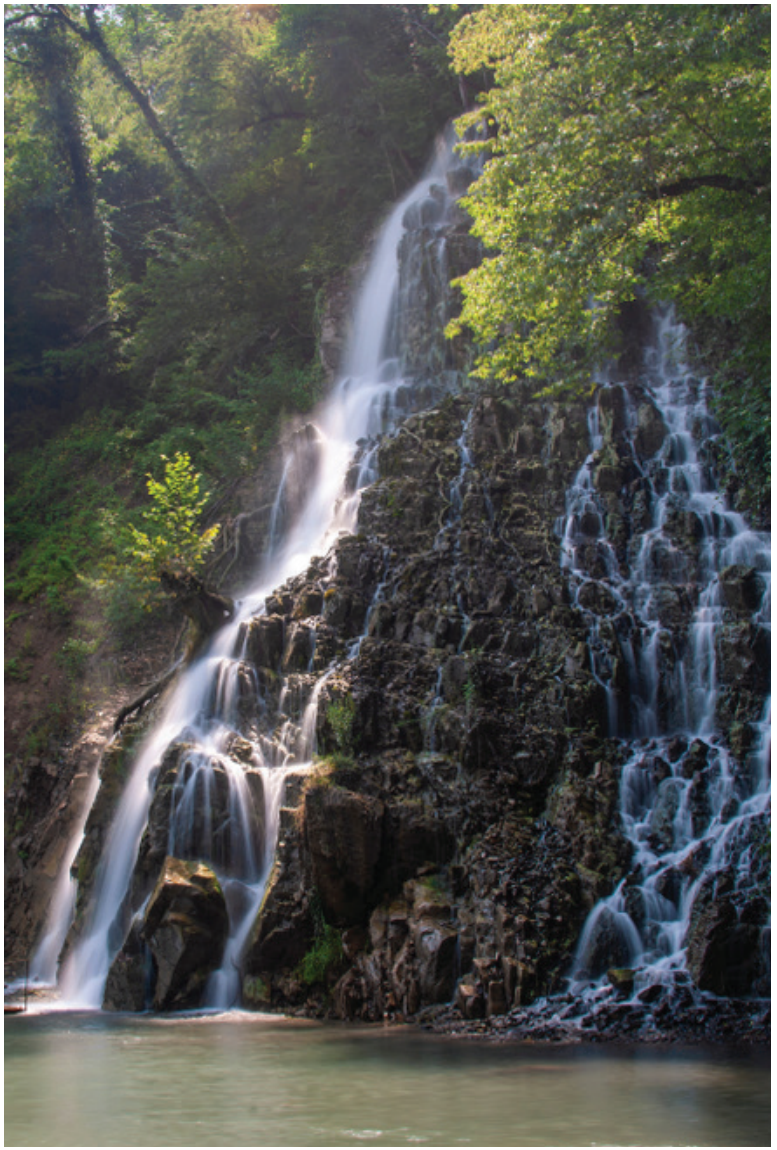
GREENHOUSE GASES (GHG)

The primary source of GHG emissions is diesel fuel consumption on our offshore drilling rigs.

Our GHG emissions has reduced when we compare operating hours, number of platforms and overall fuel consumption. These improvements are driven by the ability of our newer rigs to drill faster and more efficient wells.

Table 20 : Diesel consumption

	2016	2017	2018
Diesel consumption, tons	5252	7781	6316
Operating hours	75028	100974	90847



[32] GRI 102-11, 102-15, 302-1, 302-3, 302-4, 307-1

WATER USAGE AND WASTE MANAGEMENT

Other important topic of environmental performance for SOCAR AQS is our water usage and hazardous waste disposal. As with fuel, our customers typically supply and manage the water needed for operations and consumption on the rig, in addition to managing and disposing all waste generated during the drilling operations. For offshore drilling operations, most of our drilling rigs can make potable water for consumption, using desalination units. Our customers typically ship water for drilling operations to the drilling rigs. The management of produced water is regulated by the "Permit for water usage" and "Allowed sewage limit" projects of the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan.

As a preventive measure to save the water resources, we place posters and signs at our platforms, and will continue providing our employees with awareness raising trainings on responsible consumption. We periodically detect the leaks on pipelines by using the leak monitor techniques. Reverse osmosis system application installed purifies the sea water and produces fresh water. Used water will be directed to biological treatment units.

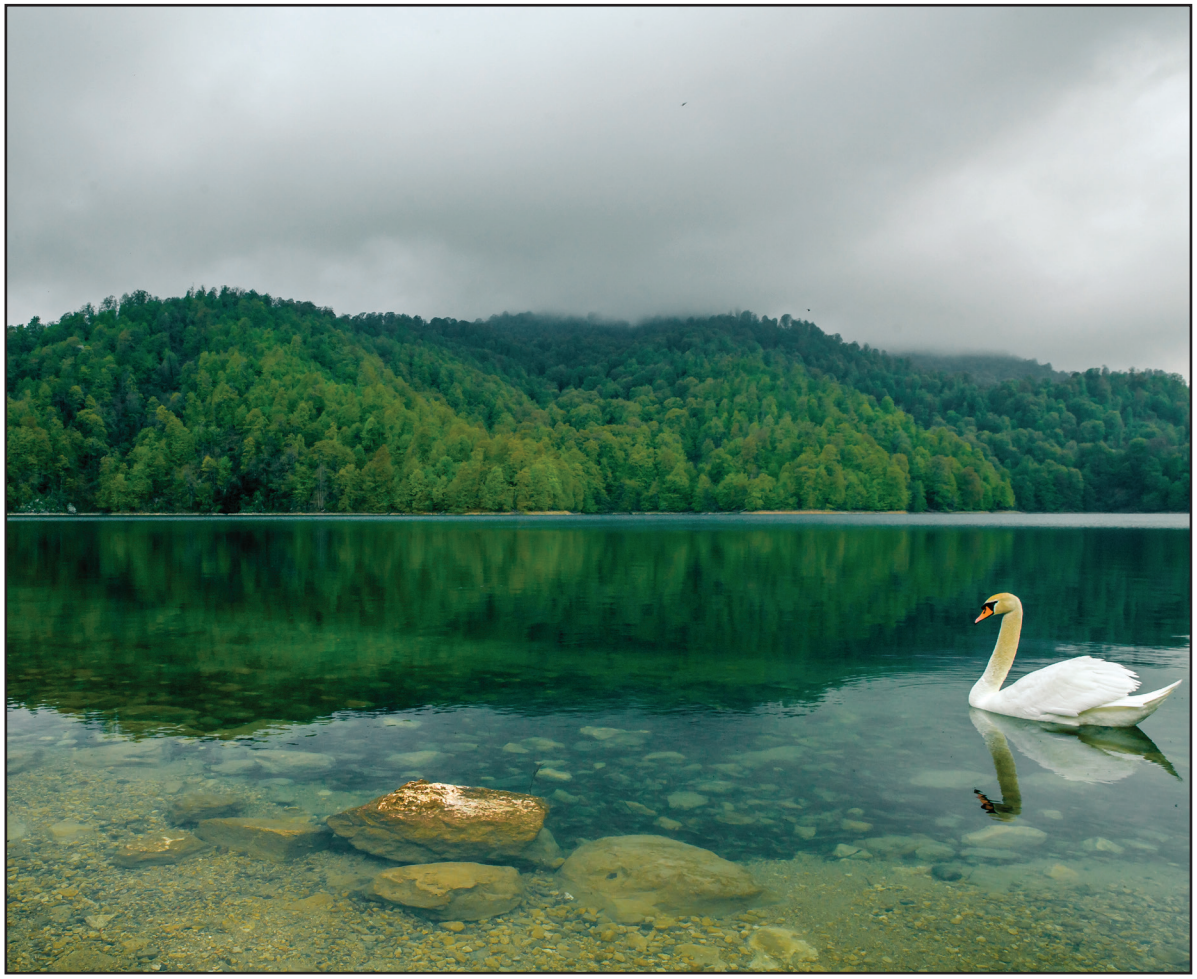


Table 21 : Water consumption

	2016	2017	2018
Water consumption, tons	22300	27300	35912
Employees	773	860	1060

Table 22 : Sewage water

	2016	2017	2018
Sewage water, tons	1244	1309	1548

[33]

[33] GRI 102-11, 102-15

9.1. ENVIRONMENTAL RISK MANAGEMENT

1. DEFINITION OF THE EMS SCOPE

Before we start dealing, we first define the scope of the job to include the specific Drilling Unit, location, and equipment listing during the Service Execution Planning (Step 2). All activities, services, and equipment related to our Drilling Unit and services, to include our subcontractors are taken into consideration when we identify environmental aspects and impacts.

2. IDENTIFICATION OF ENVIRONMENTAL ASPECTS

We divide our Environmental Aspects into direct and indirect. Direct environmental aspects are associated with activities, products, and services of our organization's services and products, over which we have direct management control (e.g., how you manage waste on your site). Indirect include our subcontractors' activities, which we take into consideration. We consider aspects such as emissions to air, releases to water and land, use of raw material, waste and natural resources, impacts on biodiversity, etc. When identifying environmental aspects, all parts of the service execution in the defined scope are considered.

3. EVALUATION OF SIGNIFICANT ENVIRONMENTAL ASPECTS

The purpose of the evaluation, done during the risk assessment (Step 3) of environmental aspects is focusing on what aspects matter the most, which are declared significant. Significant environmental aspects are the focus of our environmental management system. Depending on type, nature, and complexity of the service execution, there are many techniques available for conducting an evaluation to determine the significance of environmental aspects. In assessing the significance, we consider:

— potential to cause environmental harm

— size and frequency of the aspect

— importance to the stakeholders of the organization

— requirements of relevant environmental legislation

4. MANAGING SIGNIFICANT ENVIRONMENTAL ASPECTS

Every significant aspect is brought under control during our Service Design Phase (Step 4) by establishing one or more of the following controls: elimination, substitution, engineering or other administrative controls such as responsible person, training plan, or procedure/checklist. Level of control is always appropriate to the nature and risk of the significant aspect. Each of the above is a part of our everyday work routine and a part of our Service Execution Cycle.

An EMS can often be more complicated than needed. The key to our EMS is getting the environmental aspects right at the very beginning during our Contract & Compliance Obligation Review (Step 1). Identifying the environmental aspects saves time and enables us to achieve great benefits once our Aspects, Impacts and Controls are integrated into the Service Execution (Step 7).

The Environmental Management System (EMS) had been established and deployed since 2009 and is certified to the International ISO 14001 EMS Standard. SOCAR AQS Identification and evaluation of significant environmental aspects (activities, products or services that has or may have an impact on the environment), impacts and controls is a part of our Service Execution Cycle (Steps 2 through 4) planning, risk assessment and design. Our approach for managing our environmental aspects include:

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[34] GRI 102-11, 102-15

IMPLEMENTATION OF INTERNATIONAL AND LOCAL STANDARDS

The need for developing and documenting operating procedures arises from addressing the risks in the pre-operational, planning stage. Those operations that bear the significant risks in themselves and, therefore, require additional control measures to be applied to reduce the risks to the level controllable by the company, are documented in the form of work instruction / guidelines. These work instructions / guidelines are revised to remain valid after every re-assessment of the risks.

When new industry or regulatory standards are introduced in the operations, which require making changes in the documented procedures to match the new process, risks related to implementation of the new industry and regulatory standards are assessed before implementing the changes.

SOCAR AQS is an Azerbaijani National Company and have an in-depth understanding and knowledge of our national laws. In addition, we have a Certified ISO 9001, ISO 14001, ISO 45001 and API Q2 Management System and follow the Service Execution Cycle Recommended Practice (RP-SEC) that includes a process for identifying all legal, standards, specification and other requirements that are applicable to our operations and contracts during our Contract and Compliance Obligation Review (Step 1).

9.2. ENVIRONMENTAL MONITORING

Environmental monitoring program is the processes and activities that take place to characterize and monitor the quality of the environment. Environmental monitoring is used in the preparation of environmental impact assessments, as well as in many circumstances in which human activities carry a risk of harmful effects on the natural environment. All monitoring strategies and programs have reasons and justifications which are often designed to establish the status of an environment or to establish trends in environmental parameters. In all cases, the results of monitoring will be reviewed, analyzed statistically and published. The design of a monitoring program must therefore have regard to the final use of the data before monitoring starts.

Our environmental performance is tracked during our Service Performance Validation (Step 8) with our leading and lagging Indicators.

As the main sources of pollution in our facilities are diesel generators, filters are installed in their exhaust system. Furthermore, periodic maintenance of pollution sources enables to minimize the volume of air pollutants. As can be seen from the Table 23, volume of air pollutants is under the norms provided by the Ministry of Ecology and Natural Resources.

Table 23 : Air pollutants

	2016	2017	2018	Norm
CO, tons	166.4	246.5	207.8	252.6
NO2, tons	147.1	217.9	176.9	228.5
VOC, tons	2.1	3.1	2.5	3.7

35

[35] GRI 102-11, 102-15, 305-1, 305-4, 305-5, 305-7

9.3. WASTE MANAGEMENT

SOCAR AQS aims to properly manage waste generated as a result of its operations, prevent environmental pollution and sustain ecological balance. Waste management is complex system that involves collection, transportation, recycling, second-time usage or utilization (rational) of waste and control over entire process. Such systems are important to reduce negative impact of wastes on human health and environment.

FORMATION AND TRANSPORTATION OF DRILLING CUTTINGS

Drilling cutting formed during drilling process is shipped to BİTS port area by using special hermetic DCB containers that received international DNV certification. Here, full drilling cutting containers are loaded to trucks and transported to Waste Management Center of SOCAR.

Table 24 : Drilling Cuttings

	2016	2017	2018
Drilling cuttings,tons	3122	4596	8328

Drying method for drilling cuttings will be utilized in our facilities. This will reduce as the volume of drill cuttings as the waste that has to be transported and disposed and recover drilling fluids, providing significant cost savings, while improving environmental performance.

SORTING AND STORAGE OF WASTES

Wastes are grouped into certain color codes / groups depending on their safety features, possible impacts both on environment and working staff. Based on procedures wastes formed at workplaces are sorted depending on their characteristics. Paper, glass, plastic, non-ferrous metal, iron and other raw-materials that will be useful for recycling are selectively separated, this reduces total amount of wastes, form a cheap raw material base and save energy due to energy formed during waste recycling. Certain areas are chosen for waste collection and temporary storage in company.

Hazardous wastes are stored or packaged in special containers. Waste containers and packaging facilities are labeled with waste tags and color codes and name of waste is marked on them. Areas for waste collection and temporary storage are decided by field managers. Access for strangers is limited in these areas. Also, appropriate measures are taken for sorting and recycling of paper and plastic wastes formed in company. For this purpose, special sorting boxes are available on each floor of main office building and workplaces. Drying method for drilling cuttings will be utilized in our facilities. This will reduce as the volume of drill cuttings as the waste that has to be transported and disposed and recover drilling fluids, providing significant cost savings, while improving environmental performance.

Table 26 : Hazardous waste

	2016	2017	2018
Hazardous waste, m3	1097	1005	1250

Table 25 : General waste

	2016	2017	2018
General waste, m3	1287	1032	931

WASTE TRANSPORTATION

Waste transportation depending on waste types is carried out by special vehicles. So that, wastes formed during operation at offshore platforms are appropriately shipped to shore. After that, it is transported to related organizations with trucks for the purpose of utilization and recycling. Sorting boxes are available on each floor of main office building and workplaces.

Future Outlook

We understand the negative impact our business operations may have on the environment and will further work on reducing this impact to the maximum degree possible, by assessing the environmental impacts of our activities, improved monitoring and application of new technologies, and will continue providing awareness-raising trainings to our employees on environmental stewardship.

36

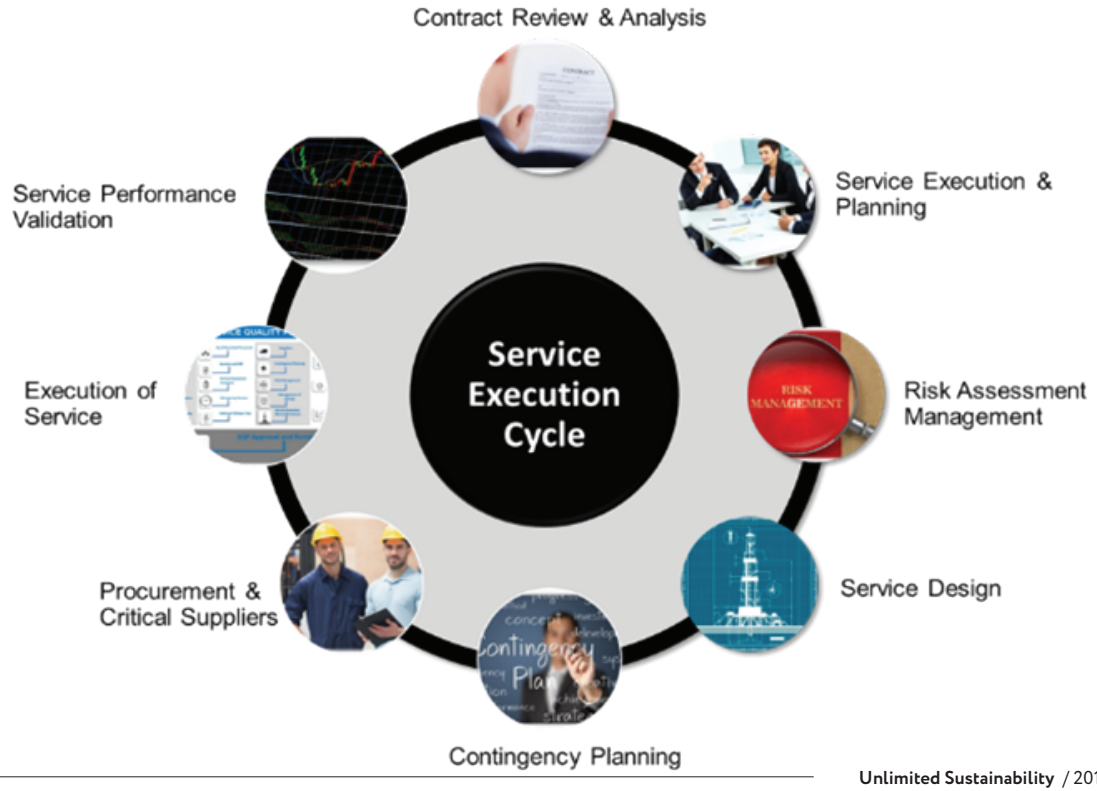
[36] GRI 306-1, 306-2, 306-4

10. SERVICE QUALITY & WELL INTEGRITY

Well integrity remains on the forefront of SOCAR AQS; the consequences of losing well integrity (and subsequent well control) have been graphically demonstrated to the world during the 2010 Macondo Disaster in the Gulf of Mexico. The executive summary released by BP in September following its own internal inquiry into the Macondo incident determined that the event was initiated by "a well integrity failure".This failure subsequently led to a chain of events that resulted in the overall catastrophic outcome.

The well integrity processes adopted by SOCAR AQS is integrated with the Service Execution Cycle (SEC) to form the basis of a generally acceptable well integrity management strategy for an offshore drilling contractor. By adhering to a well integrity policy derived from these general standards, SOCAR AQS is viewed as a socially acceptable, environmentally conscious, and respected member of the international oil and gas producing community.

Figure 3: Service Execution Cycle



THE EIGHT STEPS TO BE CONSIDERED FOR WELL INTEGRITY INCLUDE:

1. Contract & Compliance Obligation Review

A process where operational and environmental conditions for the well are obtained, as well as customer requirements and compliance obligation to both regulatory and industry standards, such as the Norwegian Petroleum Industry Standards – Norsok DO10, which defines well integrity for technical, operational and organizational solutions to reduce risk of uncontrolled releases.

2. Service Execution Planning

A process where we take the well information, contract requirements and compliance obligations into consideration and plan our project resources, including people, property, processes and any outsourced activities. As simplistic as this sounds, this is a critical 2nd step to ensure a safe and efficient operation.

Re-evaluating risks for acceptability

The team then re-evaluates the risks for which controls have been determined. The new risk level following controls are determined, and the team determines if the revised risk scores are as low as reasonably practicable or acceptable to SOCAR AQS and our clients.

Service execution risks comes in a variety of tangible and intangible forms over the course of the Service Execution Cycle. Some risk occurs during the ordinary course of business operations, while others are due to extraordinary circumstances that are not easily identified. Our process ensures that we have identified the real and potential risks as a strategic aspect of planning, design and service execution.

3. Risk Assessment

Following the planning phase, we utilize all information gained in the first two steps to risk assess the overall project and the identified services and service-related products. A few of the risks considered include financial, resource, contract, technology, schedule, project dependencies, competencies, operation risk, health & safety, environmental, project complexity, infrastructure, information security, partnerships and supplier, as well as force majeure risks. The project risks are evaluated as per bellow flowchart:

– Reviewing and updating Operational risk assessment form based on information derived from contract & compliance obligation review and planning phase;

– Including new risks and hazards into Operational risk assessment to properly evaluate the identified risk;

– Following operational guideline in order to eliminate/ mitigate and manage the identified risks.

4. Service Design

The service design is the activity of planning and organizing the deliverables, people, infrastructure, communication and service-related products of a service in order to improve its reliability and service quality while eliminating and or mitigating the identified risks (step 3) throughout the service execution. We follow a six-stage design process, including planning, inputs, outputs, verification, review/ approval and managing changes throughout the design phase. Our service designs involve a multi-disciplinary approach in order to clearly identify and set all the technical, functional and performance requirements. The process is managed by Geology with inputs from Drilling Engineering, Operations, Quality, HSE, Procurement, Contracts and Legal.

5. Contingencies

Our contingencies follow the design phase and address any risks that were not eliminated or mitigated to an acceptable level. Understanding that our service execution is only as reliable as our weakest links or vulnerabilities associated with our services, products and activities, we define contingencies in order to mitigate downtime and other risks should they be realized during the service execution.

6. Control over critical outsourced equipment and suppliers

Our service executions are dependent upon our critical suppliers' products and services; therefore we require that they deliver us products and services that meet any of the design technical, functional and/or performance requirements. We pass on critical information that is related to any outsourced service and require suppliers to provide us a "Supplier Quality" Plan that clearly demonstrates how they will execute and mitigate any risks associated with their services and service-related products. In addition the type and extent of suppliers controls is determined by the criticality, capability, capacity, compliance, competence and costs of the suppliers.

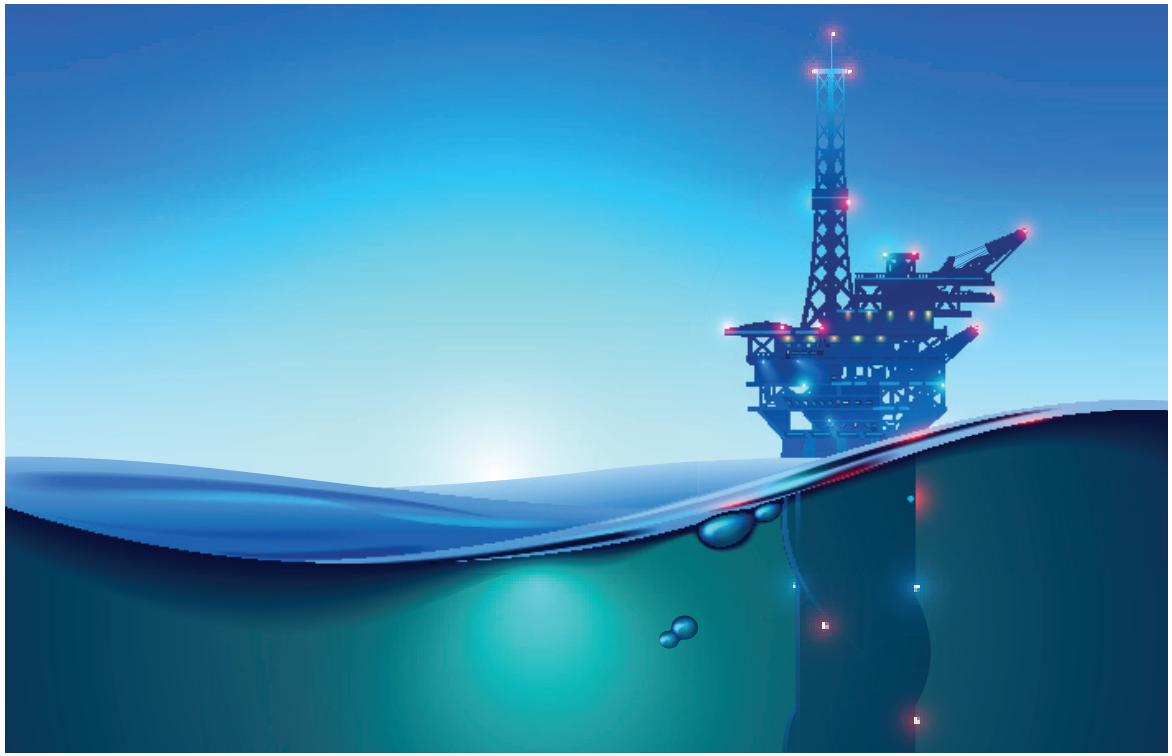
7. Service Execution (Operations)

We continuously strive for a flawless execution, and if the previous six steps were executed then we obtain all the information needed in order to deliver our projects on time and within budget while exceeding our customer expectations and without placing our people, processes, equipment or the environment at risk of loss. This is the most critical phase, as it is where all the performance will be realized, therefore we do not leave operations to chance, but instead we operate under a structured Service Quality Plan that controls all aspects of our operations.

8. Service Performance Validation

This is where we obtain critical data that drives all our decisions. Validation is done throughout the service execution, as well as each step of the Service Execution Cycle. When determined necessary we will do validations and gather data prior to, during and post execution. We celebrate our success and we learn from the data which continually improves our operation, service quality, product reliability, safety and environmental performance; or as we like to say, Our Service Execution!

The ability to implement effective well integrity management processes throughout each stage can vary significantly depending on the operational, environmental and risk associated with each well. The Service Execution Cycle, is the most robust operational integrity model in industry and allows us to manage all phases of the project to include the quality, health, safety and environmental aspects, impacts and controls.



11. TECHNOLOGY & INNOVATION

Our innovation efforts are focused on the key technology areas we can use to develop solutions that will deliver significant improvements and a sustainable future involving productivity, operational and well integrity and environmental stewardship.

Specifically, these are designed to:

- Digitalize and integrate information to provide a wide variety of digital solutions
- Improve service quality, operational efficiency and safety
- Enhance service-related product reliability, operational and well integrity
- Reduce customers' operating costs and environmental impacts
- Enable SOCAR AQS to maintain a competitive advantage

DATA DRIVEN

To facilitate informed and better decision making, we are developing and utilizing controls that connect data sources from across the organization, eliminating time-consuming manual manipulation. For example, during the service execution, we consistently validate our performance prior, during and post job as required. This data is evaluated in real time, which allows us to see actual equipment and service performance compared to costs, allowing us to identify methods to improve our services and service-related products. This approach of combining data is happening across our organization and helping teams make better, data-informed decisions that will result in improvements in productivity, service quality, reliability, safety and efficient use of our company's capital resources.

At SOCAR AQS, we understand that technology and innovation are one of the major principles of sustainability, combined with data driven decision we have successfully executed several "first's" in Azerbaijani drilling industry and pioneered a number of innovations:

– We have drilled the fastest Fasila wells in the Azerbaijani Caspian waters, usually delivering these wells within 35-40 days.

– We were the first among Azerbaijani drilling entities to initiate, drill and complete a horizontal well in Shallow Water portion of Guneshli field. The well had MD of 3,442 meters, maximum angle of 84 degrees. It was completed with Advanced Mesh Stand Alone Screen (Advanced Mesh SAS) and demonstrated a four-fold increase in productivity compared to offset wells drilled and completed in a conventional fashion.

– In 2018, The Client set a 167-day target for drilling and completing the well, utilizing the methods described above we broke yet another record by drilling and completing this well within 69 days.

– We drilled a number of wells to the Shallow Water Guneshli Deep Gas targets (NKP, PK and Qala productive layers) and took core samples from Deep Gas reservoirs with 100% success rate.

– SOCAR AQS also worked with SOCAR to find the best solution to increase productivity of West Absheron Oil Field wells by applying horizontal drilling and SAS completion technology. The result is 4-6 times increase in well productivity.

Achieving maximum efficiency in all our operations and minimizing cost while maintaining high standard of service quality and equipment reliability is one of our primary operational objectives. In order to continually research and identify ways and technologies for improving our operational efficiency, we have a separate Operational Efficiency Department. The role of this function is invaluable and integral for the sustainable long-term development of our company. Another organizational function for maximizing economic value of our operations is Technical Limit Department, which is primarily responsible for identifying problem areas in current operations, investigating root causes by using advanced software, and developing solutions to address root causes and improving efficiency of operations.

SOCAR AQS carries out and completes all maintenance, repairs and breakdowns under the guidelines of International Standards and Product Manufacturing and Maintenance Practices (PMMP). Our Preventive Maintenance and Inspection Test Programs (PMITP) is controlled and managed using the CMMS (Computerized Maintenance Management Systems) SAP PM. This is a system of both calendar and hourly based maintenance, tracking our corrective and preventive maintenance. As we gather preventive maintenance data through our identification and traceability controls, we will be able to establish predictive maintenance indicators on critical equipment at some point in the near future.

While working under our PMITP all equipment is maintained to the same standards making no definition between equipment sets. This allows SOCAR AQS to prevail overall with very limited equipment NPT and high percentages of equipment uptime.

PERFORMANCE CULTURE

At SOCAR AQS, we drive performance through safety, service quality, service-related product reliability and operational efficiency. Our Key Result Indicators (KRI) remain – 100% uptime and an incident-free workplace. The measure of our success is reflected in our performance.

We operate within the Service Executing Cycle, consistently finding solutions to our customers` biggest challenges while enhancing productivity and profitability. Our rigorous planning (Step 2) results in increasingly safe and efficient execution (Step 7). Our comprehensive monitoring tools measure performance data and operations activities (Step 8) enabling us to focus on improving what we can measure.

While we are proud of how we have evolved, we realize there is much yet to do and accomplish. Our Service Execution Cycle was at its early deployment stages in 2018, and we will continue to improve the controls and performance through 2019, holding every manager accountable for full execution of their accountabilities and responsibilities.

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[37]GRI 404-2

12. FUTURE **PROGRAMS**

SOCAR AQS is a performance driven company with a focus on continual improvement. We are committed to helping our clients achieve their goals and solve their biggest challenges in a responsible manner, while minimizing our impact to the environment through established technology, systems and our business strategy.

Our sustainability focuses on areas that provide the biggest opportunities to our customers and stakeholders. As demonstrated over the past decade, SOCAR AQS continues to push our people, processes and technology to new heights and to achieve better and sustainable performance.

These bold Key Performance Indicators (KPI) focus on systemwide improvements, which ensure SOCAR AQS achieves expected results, also referred to as Key Results Indicators (KRI). To achieve our KRIs we remain Service Orientated, Date Driven and Performance Focused.

12.1. ZERO HARM – SAFETY FUTURE

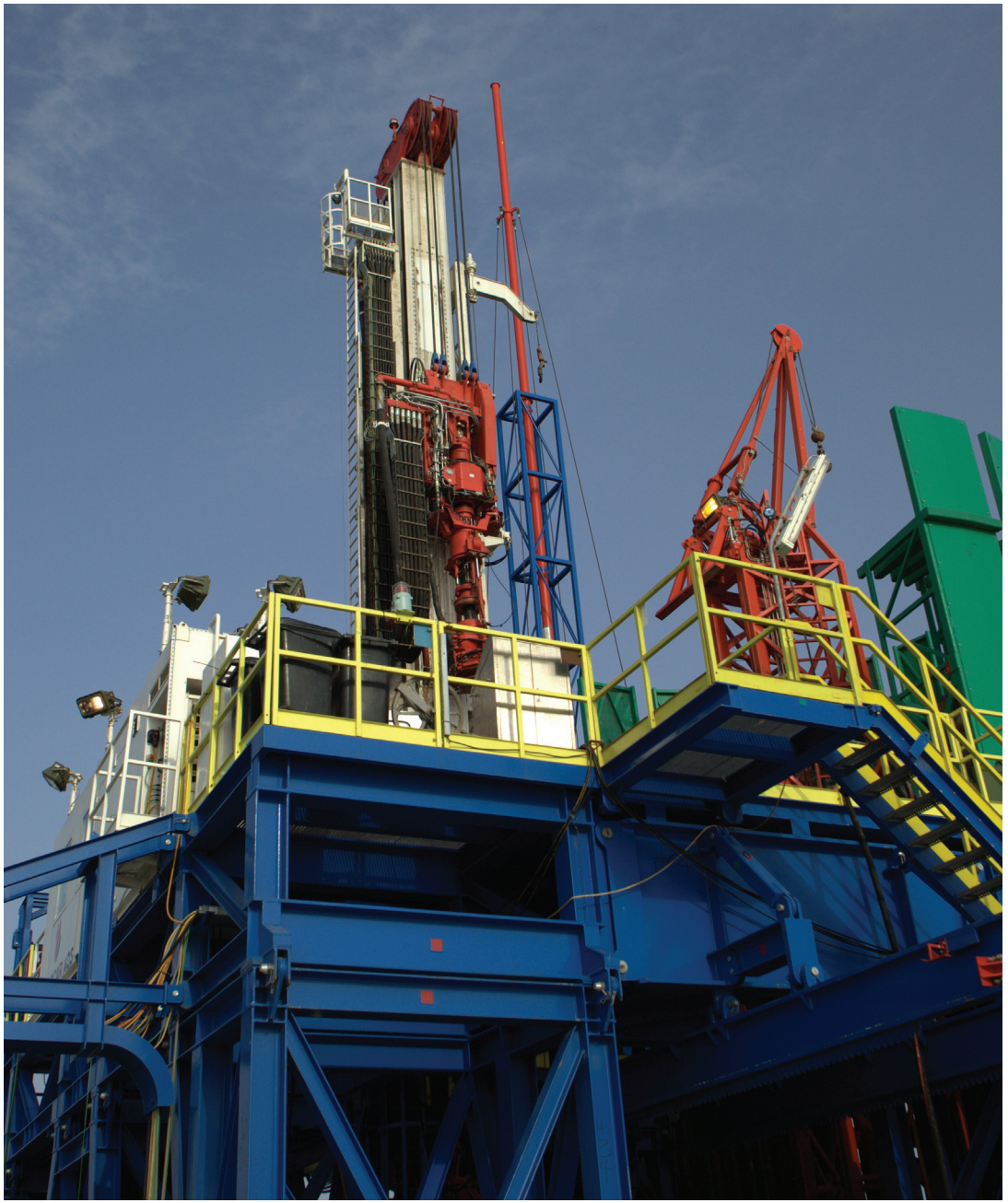
Our crews have continuously improved our occupational health and safety performance through systematic systems and following industry standards. We realize that in order to lead we need more than a certified management system that aligns to established standards, which is why we have set a path that will cause our crews to relentlessly pursue incident-free services through leadership and execution of world-class programs. Over the past decade we have achieved certification to the Industry highest management system standard, over the next five years we will implement the following industry leading programs, resulting in Zero Harm to our employees:

Leadership Standardized Work (LSW):

Complacency can and will compromise the safety and quality performance of any organization. Everyone can become complacent in their environment, and there are different levels of complacency. At higher management positions, complacency may be more latent. At the line personnel "trigger pullers" level, however, complacency can have catastrophic results. There is no such thing as self-sustainability, it requires ongoing effort. Organizations need to follow a disciplined process of on-going activity by all. Leader Standard Work is the system that provides a structure and routine for leaders. It sets standards for expected behaviors of leaders and drive accountability.

Self-Site Assessments (SSA):

The Self-Site Assessment are critical to ensure HSE controls have been deployed and maintained. This assessment is intended to self-declare a level of compliance against the controls established by the organization and helps the entire organization evaluate their overall safety compliance. Our SSA program will include our corporate, shore-base and offshore operations.



Safety, Quality, Delivery & Cost (SQDC) Measures:

Our past HSE leadership and program evaluations raised awareness about the current HSE procedures and processes, which are complex and do not fully support operations in the field (onshore and offshore environments). While we feel that the current Occupational Health and Safety Management System (OHSMS) should be maintained, we have an ongoing project to develop Rig Site Safety Manuals (RMM) that are simplistic, effective and designed to support operations. When done properly, once implemented, any employee should be able to stand in front of the SQDC and tell leadership the state of the business and the performance of their areas against objectives.

Rig Site Safety Management Program Manual (RMM):

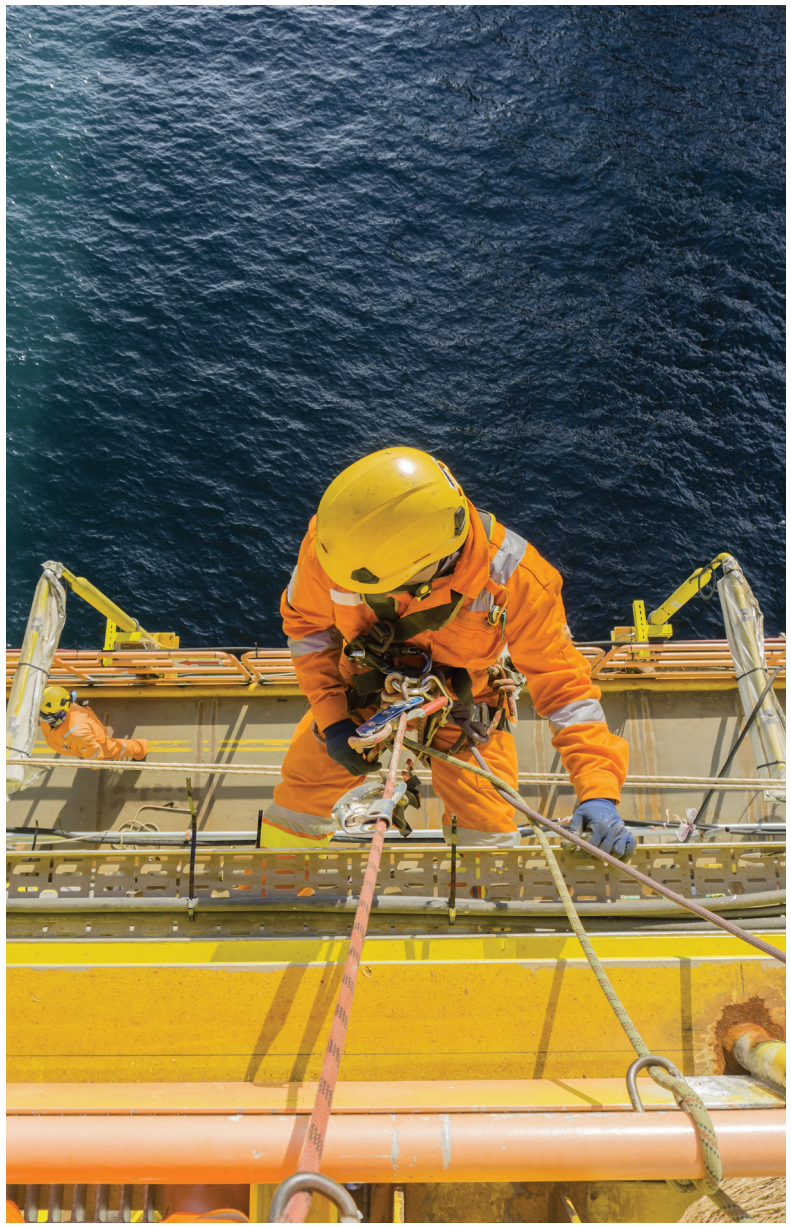
Our past HSE leadership and program evaluations raised awareness about the current HSE procedures and processes, which, while necessary, are complex, difficult for everyday execution and do not fully support operations in the field (onshore and offshore environments). While we feel that the current Occupational Health & Safety Management System (OHSMS) should be maintained, we have ongoing project to develop Rig Site Safety Management Program Manuals (RMM) that are simplistic, effective and designed to support operations.

Employee Representative Program (ERP):

The Employee Representative Program (ERP) not only helps us to develop our people but ensures we achieve that next level of safety performance. While many of the programs and controls are driven Top down, the ERP gets employees actively engaged and is driven Bottom Up. The program consists of having a percentage of our crews enrolled who undergo an Accredited HSE Certification program that has been designed for the Petroleum & Natural Gas Industry and our specific hazards.

Individual Responsibility & Accountability Program (IRA):

The Individual Responsibility & Accountability (IRA) Program is not a certification program but instead, a Behavior-Based Safety Program that holds each and every employee accountable for their own safety and actions. This program complements the ERP, while at a lower level, it is extremely effective by having every employee individually accountable for their work, work environment, hazard recognition, their behavior which eliminating unsafe acts and improving safety performance. It is an effortless way to see the contact rate between front-line management and employees and the engagement to eliminate hazards while improving service quality.



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[38] GRI 404-2

8S Excellence Program (8S)

The 8S program is a set of controls that will immediately improve the office areas, industrial work areas, and offshore platforms. The program minimizes hazards, improves efficiencies, reduces rework, and improves spend on unnecessary equipment, materials, and supplies. The focus areas include:

Sort: This S establishes a holding area and removes everything from a work area that is not needed or used.

Set: This S ensures there is an assigned place for everything, and everything is in its place.

Shine: This S is about documenting the process to ensure every similar area or job is done the same way. It takes little time once the processes are set to maintain and improves safety, service quality and employee morale and attitude.

Standardize: This is about documenting the process to ensure every similar area or job is done the same way. Consistency drives results while reducing risk and saving money.

Sustain: This S establishes maintenance controls and ensures the appropriate checklists are developed and ties into LSW, SSA, ERP, IRA, and SQDC. This ensures that once we get the controls and programs in place, the results are sustained, and results realized by the organization.

Safety: This S ensures that employee is aware of all safety factors and hazards with each and every task they take. This control aligns to the ISA program.

Service: This S ensures the employees are focused on Service Quality, they know their daily deliverables and are able to obtain them with the right controls.

Skilled: This S ensures employees and management have the required qualification, competencies, and skills needed to take on task. This program ties into the organizations. Competency Program is very effective in driving the competency throughout the organization, both onshore and offshore.

The 8S drives performance throughout the organization and delivers immediate results in occupational health and safety, service quality, workplace appearance, and employee efficiencies.

Offshore Service Execution Cycle (SEC)

While SOCAR AQS began general awareness training of the SEC in 2018, we will fully deploy those controls in 2019, while enhancing the offshore SEC to the rig site in an easy to understand and effective manner that will be embraced by operations due to its ease of use and results. The Offshore SEC takes place during the toolbox talks and pre-job meetings and includes the following:

—Step 1: DWOP

—Step 2: Daily Plan

—Step 3: Risk Assessment & Barrier Controls

—Step 4: Specific Work Processes for the day's activities

—Step 5: Contingency – Recovery Measures

—Step 6: Contractor Collaboration (Control)

—Step 7: Service Execution

—Step 8: Daily Validation

Initial implementation only focuses on a few of the steps, but once the processes are established each step takes less than 2 minutes and the entire thing can be done in 15 minutes on each crew change to ensure the organization is aligned and calibrated on the things that improve operations, safety, and well performance.

Contractor Safety & Service Quality Program (CSSP)

This program ensures contractors are responsible for both Service Quality and Safety performance. They are held accountable for their actions and results. The program includes their active participation in both the daily briefs as well as the following programs offshore (LSW, SSA, RMM, IRA, 8S and SEC). For elevated risk activities, contractor must obtain and work under a work permit.

The above 8 Core Programs will be deployed in 2019 to move us from good to great and will be refined through controls, competencies and performance realization over the next five years.

12.2. ZERO IMPACT ENVIRONMENTAL FUTURE

SOCAR AQS is committed to delivering a flawless service execution while reducing environmental impacts. We are aware of our environmental responsibilities which is why we have deployed the Service Execution Cycle (SEC) and industry best safety, equipment reliability and well integrity controls which will ensure we exercise responsible care for our operational environments minimizing our impacts on land, air, water and all living species who rely upon the worlds natural resources.

Loss of Containment Resulting in Spills

Our focus is clear – zero incidents or loss of containment to the sea. Our delivery on this commitment combines robust service execution controls, procedural discipline, and establishing the proper safety barriers through the Service Execution Cycle for our operations.

Water Usage

Establish baseline usage by the end of 2019, followed by 10% reduction in usage by 2020. This will require that we monitor, measure and analyze our water production capabilities and consumption for our drilling operation. Our initial focus will be on potable water usage in our drilling quarters as we strive to develop more efficient and cleaner ways to perform our operations.

Waste Generation

In 2018 we established controls to calculate our baseline data in 2019, so that we can set waste reduction goals for 2020 through effective controls. In 2019, we will employ more effective control in our drilling operations through the Service Execution Cycle which will identify opportunities to further reduce our solid/liquid waste impact to landfills by 2020.

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[39] GRI 305-5

12.3. JOURNEY TO SERVICE – QUALITY FUTURE

Our future innovation objectives are based on maturing key technology concepts currently in development within SOCAR AQS in digitalization and automation, equipment reliability and predictive maintenance and improving drilling performance to reduce the customer's cost per well. This will require a focus in the following areas:

Delivering Material Drilling Performance Improvements by 2020

SOCAR AQS has initiated technical assessments to establish baseline performance of drilling equipment. Enhancements in data capture, management and transmission will create opportunities for us to improve our analytics to drive performance improvements on our rigs.

Preventive Maintenance and Inspection Test Plans (PMITP)

In 2018 we trained personnel on PMITP and set up some of the base controls. In 2019 we will continue deploying health models across different systems and subsystems on our rigs. PMITP will help us estimate the remaining useful life of equipment and help optimize operational maintenance processes, allowing us to perform the right level of maintenance for the right equipment at the right time. This eliminates ineffective time-based maintenance and allows a more reliable level of resource planning and operational expense optimization, while increasing well integrity and the equipment on the platforms.

12.4. JOURNEY TO UPTIME – RELIABILITY FUTURE

In 2018 we focused on establishing systems and processes that would help capture different causes of downtime. While most of our competitors measure non-productive time (NPT) and downtime, both of which are reactive measures, we are establishing process controls to measure Uptime (proactive), which ensure customers deliver sustainable and reliable energy.

SOCAR AQS success is tied to the success of our customers by helping them solve their biggest challenges while reducing the operating cost per barrel which will result in more offshore activity and industry sustainability. Our crews are focused on delivering the safest, most efficient and most reliable service execution to our customers.

To achieve this, we are committed to driving continuous improvement through data analysis. In 2019 we will begin to measure everything associated with the service execution cycle and share the results across our fleet. Crews will validate the service and provide feedback on the materials, equipment, software and other resources they need to perform at optimal levels.

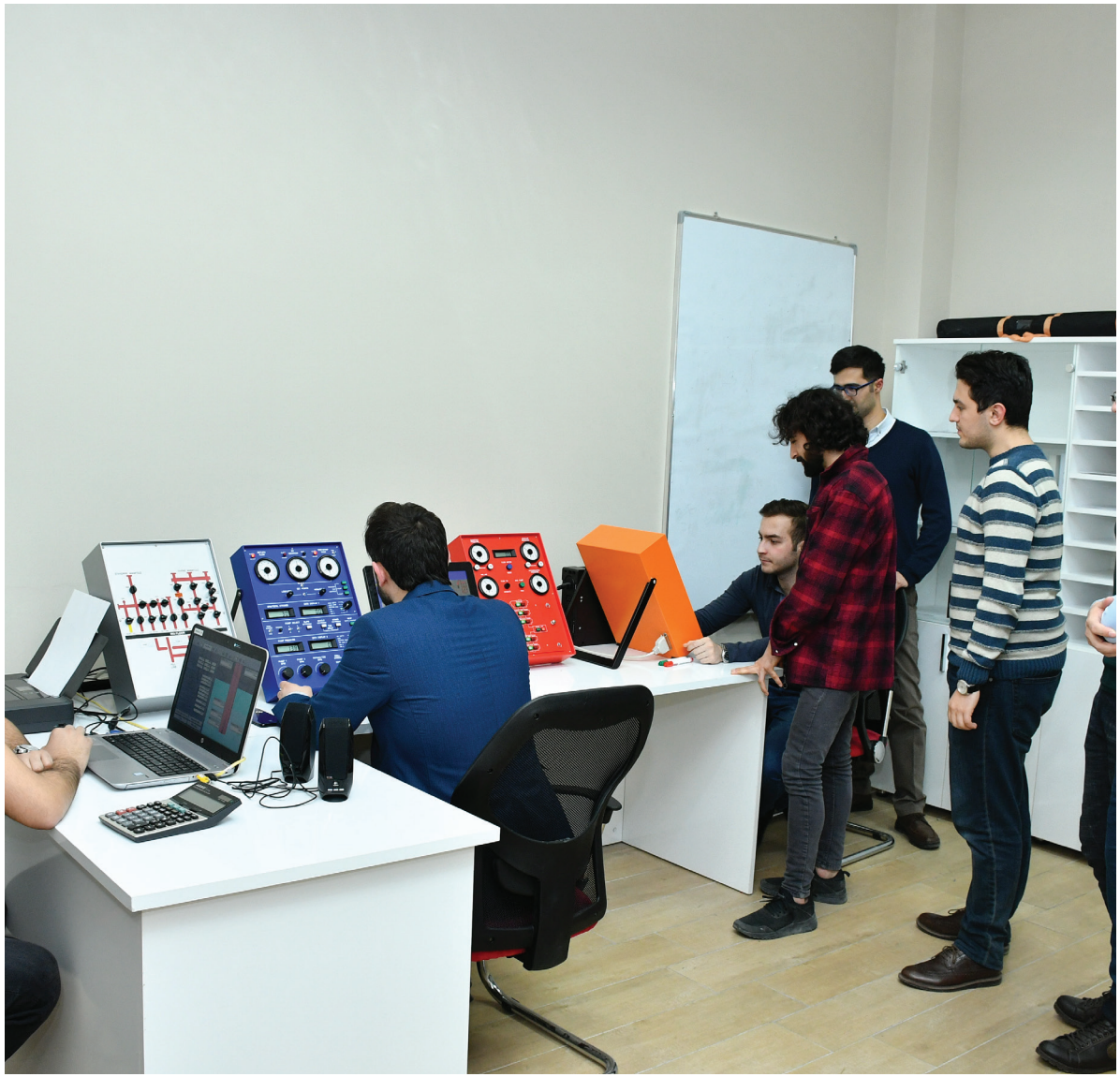
The Service Execution Cycle data will provide a greater understanding of deviations between specific operations, crews and drilling rigs. In addition to service performance, we are utilizing data to improve process operations and service-related product (equipment) performance. Our SQDC Dashboard will be deployed in 2019 to assist in our journey in pursuit of 100% uptime.

In 2018 we also set minimum requirement around our critical suppliers. We intend to improve these through robust supplier service designs and quality plans which will enable a better supplier collaboration which will allow our crews to work with the Original Equipment Manufacturer (OEM) to improve service and equipment reliability. Our increased controls on PMITP and suppliers will focus on reducing the out-of-service time required to identify, solve and implement corrective actions around failed equipment. We will be focused on implementing these collaborative arrangements and reporting on the outcomes for the 2019 Sustainability Report.

12.5. JOURNEY TO SUCCESS – OUR PEOPLE FUTURE

Our success is highly dependent upon our talented and competent men and women who deliver services and innovative solutions demanded by customers. Building knowledge, skills and experience for success is reliable on having a healthy and sustaining talent, developing future leaders in SOCAR AQS and within the industry and communities where we operate. Our world class internship program and the improvements in training and competency programs in 2018 is a giant step toward achieving this goal. In 2019 we will build upon this success by deploying our leadership and talent reviews to engage employees, so we understand their career ambitions and development goals. The information is reviewed by management to realize the potential and performance of their employees. Our 2019 leadership and talent reviews will identify areas where the company has talent depth; as well as areas that require us to invest to enhance our talent and people capabilities.

SOCAR AQS understands the importance of developing talent to support our current and future business needs, growth, and ensuring competencies in critical positions. In 2018 we achieved the IWCF accreditation to offer Well control certifications to our crews. These programs are standard courses with a fixed syllabus containing the minimum required competencies within our industry. To further enhance competencies and reduce risk, we will be enhancing the standard well control curriculum to include problem-solving skills of our crews in 2019. To do so, SOCAR AQS partnered with accredited Training provider in the Petroleum & Natural Gas Industry to deliver on our commitment to safe, reliable and efficient operations.



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[40] GRI 404-2

13. METHODS OF DATA COLLECTION AND REPORTING METHODOLOGIES

Environmental monitoring data complies with the reporting guidelines of the Global Reporting Initiative (GRI) Standards. The main source for environmental data collection is SOCAR AQS's internal reporting system.

All operation sites, including offshore platforms and bases are considered eligible for inclusion in environmental reporting. The scope of this Report covers the processes at SOCAR AQS between 2016 and 2018.

CO2, power and emissions

To report on power consumed and pollutants emitted to atmosphere, we follow the Energy and Emission Disclosure Standards of GRI.

The calculation of volumes of harmful substances emitted to atmosphere is done based on the regime of 32 diesel generators that operate regularly or at intervals.

Water

We follow the guidance of GRI Water Disclosure Standard for reporting on the volume of water utilized during the reporting period.

During the specified period, total water consumption is estimated as a sum of seawater volume utilized to cool power units and as utility on technological processes and water volume utilized for household purposes by staff and coastal facilities. Over the past 3 years, the amount of water utilized for household purposes increased in accordance with the increment on number of employees in company.

Drilling cuttings, general and hazardous waste

We follow the requirements of GRI Waste Disclosure Standards.

Company was engaged in drilling of oil and gas wells at platform (PLO) 7 in Gunashli field as well as platform 6 in Bulla sea field, platform 1 in Umid field and platform 20 in West Absheron field in 2016 - each platform operating with 1 drilling rig (total 4 rigs). Drilling operations in Umid field commenced in the 2nd half of 2016. When it comes to 2017, drilling was realized at PLO 7 with 2 drilling rigs, PLO 20 (only for 2 months), PLO 1 and PLO 6. During 2018, there was an increment on number of drilling rigs and wells, which also explains the rising volume of drilling cuttings from 2016 to 2018.

General wastes:

Employees have been provided with regular instructions related to proper waste management and encouraged to utilize less raw materials that generate more waste. As a result, the total volume of general waste has been gradually decreased from 2016 to 2018.

Dangerous wastes:

Chemical reagents sacks, protectors, greasy empty barrels form greatest part of dangerous waste. The volume of dangerous waste has increased in accordance with an increment on number of drilling wells and operations.

Health and safety

Our health and safety performance is in compliance with the requirements, recommendations and guidance of GRI Occupational Health and Safety (OHS) Disclosure Standards and the legislative requirements of the country.

Health and Safety data is collected at the site level and further consolidated at the Company level.

Social Indicators

Social performance indicators were collected referring to the 400 series of the GRI Standards.

Future outlook

We plan to continue issuing the reports on Sustainability on an annual basis and improve the quality of disclosed indicators as per GRI Core and Comprehensive Standards.

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ghuseynalizada@socar-aqs.com

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[41] GRI 102-53

14. GRI CONTENT INDEX

GRI STANDARDS AND INDICATORS	Notes	Disclosure status and page reference
GRI 102: GENERAL DISCLOSURES		
Organizational profile		
102-1 Name of the organization		Covered, pp. 6, 7
102-2 Activities, brands, products, and services		Covered, page 11
102-3 Location of headquarters		Covered, page 11
102-4 Location of operations		Covered, page 13
102-5 Ownership and legal form		Covered, page 28
102-6 Markets served		Covered, page 13
102-7 Scale of the organization		Covered, page 13
102-8 Information on employees and other workers		Covered, page 41
102-9 Supply chain		Covered, pp. 35-36
102-10 Significant changes to the organization and its supply chain		Covered, pp. 35-36
102-11 Precautionary Principle or approach		Covered, pp. 51-53, 55, 57
102-12 External initiatives		Covered, pp. 11, 21, 29, 34, 46
102-13 Membership of associations	We are the member of the International Drilling Association of Drilling Contractors, IACET PNG, and we hold participatory status in the United Nations Global Compact, Reporting on SDGs and Decent Work in Global Supply Chains Action Platforms	Covered, pp. 11, 16, 21, 29, 39

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[42] GRI 102-55

Strategy		
102-14 Statement from senior decision-maker		Covered, page 5
102-15 Key impacts, risks, and opportunities		Covered, pp. 34, 39–42, 45-46, 52-53, 55, 57
Ethics and integrity		
102-16 Values, principles, standards and norms of behaviour		Covered, page 17
102-17 Mechanisms for advice and concerns about ethics		Covered, pp. 31-32
Governance		
102-18 Governance structure		Covered, page 28
102-20 Executive-level responsibility for economic, environmental, and social topics		Covered, page 16
102-21 Consulting stakeholders on economic, environmental, and social topics		Covered, page 10
102-22 Composition of the highest governance body and its committees		Covered, page 28
102-23 Chair of the highest governance body		Covered, pp. 5, 28
102-24 Nominating and selecting the highest governance body	The General Director is appointed by the Board of Directors of the Parent Company.	Covered, page 5
102-25 Conflicts of interest		Covered, page 32
102-26 Role of the highest governance body in setting purpose, value, and strategy	The General Director and BoD of the parent company approve the organization's purpose, vision and mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	Covered, page 16
102-27 Collective knowledge of highest governance body		Covered, page 28
102-28 Evaluating the highest governance body's performance	The BoD of the parent company assesses SOCAR AQS's top management performance on a variety of issues, including environmental, social and economic performance, based on reports received by different departments.	Covered

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[43] GRI 102-55

102-29 Identifying and managing economic, environmental, and social impact		Covered, pp. 8, 9
102-30 Effectiveness of risk management processes		Covered, page 16
102-31 Review of economic, environmental, and social topics		Covered, page 16
102-32 Highest governance body's role in sustainability reporting	The General Director reviews and approves the organization's sustainability report and ensures that all material topics are covered.	Covered, page 16
102-33 Communicating critical concerns		Covered, page 32
Stakeholder engagement		
102-40 List of stakeholder groups		Covered, page 7
102-41 Collective bargaining agreements	As per the Labour Code, employers have the right to enter into and amend collective contracts, but according to our company policy we do not sign collective agreements.	Covered, page 16
102-42 Identifying and selecting stakeholders		Covered, pp. 7, 10
102-43 Approach to stakeholder engagement		Covered, pp. 7, 10
102-44 Key topics and concerns raised		Covered, page 10
Reporting practice		
102-46 Defining report content and topic Boundaries		Covered, page 10
102-47 List of material topics		Covered, page 10
102-48 Restatements of information	No restatements were made as this is the first Sustainable Development Report of the Company.	Covered
102-49 Changes in reporting	There are no significant changes as this is the first Sustainable Development Report of the Company.	Covered
102-50 Reporting period		Covered, page 6
102-51 Date of most recent report	This is SOCAR AQS's first sustainability report	Covered, page 6

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[44] GRI 102-55

102-52 Reporting cycle		Covered, page 6
102-53 Contact point for questions regarding the report		Covered, page 76
102-54 Claims of reporting in accordance with GRI Standards		Covered, page 6
102-55 GRI content index		Covered, pp. 77-85
102-56 External assurance	No external assurance provider was engaged as this is the first sustainability report. We will arrange third-party assurance for our next reports	Covered
GRI 103: MANAGEMENT APPROACH		
103-1 Explanation of the material topic and its Boundary		Covered, page 10
103-2 The management approach and its components		Covered, page 16
103-3 Evaluation of the management approach		Covered, page 16
GRI 201: ECONOMIC PERFORMANCE		
201-3 Defined benefit plan obligations and other retirement plans	Parental leave and retirement plans are applied according to the Labour Code of the Republic of Azerbaijan. Payments to the State Social Protection Fund (SSPF) are regulated by the Labour Code of the Republic of Azerbaijan. The Company pays SSPF a mandatory state social insurance fee of 22% of the labour payment fund.	Covered, page 41
201-4 Financial assistance received from the government	No financial assistance was received from the government during the reporting period.	Covered
GRI 202: MARKET PRESENCE		
202-1 Ratios of standard entry level wage by gender compared to local minimum wage		Covered, page 41
202-2 Proportion of senior management hired from the local community	All senior managers are currently hired from the local community	Covered, page 41

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[45] GRI 102-55

GRI 203: INDIRECT ECONOMIC IMPACTS		
203-1 Infrastructure investments and services supported		Covered, page 46
203-2 Significant indirect economic impacts	Our positive indirect impacts include supporting jobs, enhancing the knowledge and skills of our employees, and use of equipment and services from local suppliers.	Covered, page 46
GRI 204: PROCUREMENT PRACTICES		
204-1 Proportion of spending on local suppliers		Covered, page 35
GRI 205: ANTI-CORRUPTION		
205-2 Communication and training about anti-corruption policies and procedures		Covered, page 32
205-3 Confirmed incidents of corruption and actions taken	No such incidents occurred during the reporting period.	Covered
GRI 206: ANTI-COMPETITIVE BEHAVIOR		
206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No such incidents occurred during the reporting period.	Covered
302: ENERGY		
302-1 Energy consumption within the organization		Covered, page 52
302-3 Energy intensity		Covered, page 52
302-4 Reduction of energy consumption		Covered, page 52

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[46] GRI 102-55

GRI 303: WATER		
303-1 Water withdrawal by source	Water consumed by SOCAR AQS is mostly provided by our customer.	Covered
303-2 Water sources significantly affected by withdrawal of water	No water sources have been significantly affected by any withdrawal of water.	Covered
303-3 Water recycled and reused	No water is recycled or reused.	Covered
GRI 305: EMISSIONS		
305-1 Direct (Scope 1) GHG emissions		Covered, page 57
305-4 GHG emissions intensity		Covered, page 57
305-5 Reduction of GHG emissions	Zero Impact – Environmental Future Program also contains information on our GHG reduction ambitions (page 71)	Covered, page 57, 71
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Covered, page 57
GRI 306: EFFLUENTS AND WASTE		
306-1 Water discharge by quality and destination		Covered, page 58
306-2 Waste by type and disposal method		Covered, pp. 58
306-3 Significant spills	No significant spills were recorded during the reporting period.	Covered
306-4 Transport of hazardous waste		Covered, page 58
306-5 Water bodies affected by water discharges and/or runoff	No water bodies were affected by water discharges for various purposes of our operations during the reporting period.	Covered
GRI 307: ENVIRONMENTAL COMPLIANCE		
307-1 Non-compliance with environmental laws and regulations	We have not identified any non-compliance with environmental laws and/or regulations	Covered, page 50

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[47] GRI 102-55

GRI 401: EMPLOYMENT		
401-1 New employee hires and employee turnover		Covered, pp. 41-42
401-3 Parental leave		Covered, page 42
GRI 402: LABOR / MANAGEMENT RELATIONS		
402-1 Minimum notice periods regarding operational changes	We adhere to the Labour Code of the Republic of Azerbaijan.	Covered, page 39
GRI 403: OCCUPATIONAL HEALTH AND SAFETY		
403-1 Workers representation in formal joint management-worker health and safety committees		Covered
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	GRI 403-2. A and GRI 403-2.B covered in this report	Partially covered, pp. 48-49
GRI 404: TRAINING AND EDUCATION		
404-1 Average hours of training per year per employee	Total training hours data is provided in the report.	Covered, page 38, 42
404-2 Programs for upgrading employee skills and transition assistance programs		Covered, page 45, 66, 69, 74
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY		
405-1 Diversity of governance bodies and employees		Covered, pp. 40-41
405-2 Ratio of basic salary and remuneration of women to men		Covered, page 42

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[48] GRI 102-55

GRI 406: NON-DISCRIMINATION		
406-1 Incidents of discrimination and corrective actions taken	We did not identify any incidents of discrimination during the reporting period.	Covered
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations or suppliers in which the right to freedom of association and collective bargaining may be at risk were identified during the reporting period.	Covered
GRI 408: CHILD LABOR		
408-1 Operations and suppliers at significant risk for incidents of child labour	No incidents of child labour were identified during the reporting period.	Covered
GRI 409: FORCED OR COMPULSORY LABOR		
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	No operations or suppliers at significant risk of forced or compulsory labour were identified during the reporting period.	Covered
GRI 412: HUMAN RIGHTS ASSESSMENT		
412-2 Employee training on human rights policies or procedures	All our employees receive an induction on Human Rights	Covered
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No significant investment agreements subject to close human rights monitoring were signed during the reporting period.	Covered
GRI 413: LOCAL COMMUNITIES		
413-1 Operations with local community engagement, impact assessments, and development programs		Covered, pp. 45-46
413-2 Operations with significant actual and potential negative impacts on local communities	There were no operations with significant negative impacts on local communities during the reporting period.	Covered

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[49] GRI 102-55

GRI 414: SUPPLIER SOCIAL ASSESSMENT		
414-1 New suppliers that were screened using social criteria	All of our new suppliers are screened using social criteria covered in supplier contracts.	Covered
414-2 Negative social impacts in the supply chain and actions taken	We did not identify any negative social impacts in our supply chain during the reporting period.	Covered
GRI 416: CUSTOMER HEALTH AND SAFETY		
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	We have not identified any non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.	Covered
GRI 418: CUSTOMER PRIVACY		
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No breaches of customer privacy were identified during the reporting period	Covered
GRI 419: SOCIOECONOMIC COMPLIANCE		
419-1 Non-compliance with laws and regulations in the social and economic area	We have not identified any non-compliance with socio-economic laws and/or regulations.	Covered

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[50]GRI 102-55