SOCAR

2024 ANNUAL REPORT

The availability of the significant oil and gas reserves in Azerbaijan is the fortune of our people and the major factor in the development of the country for the welfare of the people and their present and future.

Heydar Aliyev
National Leader of the Azerbaijani people

One of our biggest successes is that the revenues obtained from the oil industry were channeled into the well-being of our people, the implementation of infrastructure projects and the development of our country.

Ilham Aliyev
President of the Republic of Azerbaijan

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I. SUPERVISORY BOARD OF SOCAR

Mikayil Jabbarov
Chairman of SOCAR
Supervisory Board

Anar Akhundov
Member of SOCAR
Supervisory Board

Azer Bayramov
Member of SOCAR
Supervisory Board

Emin Huseynov
Member of SOCAR
Supervisory Board

Elnur Soltanov
Member of SOCAR
Supervisory Board

Israfil Mammadov
Member of SOCAR
Supervisory Board

Ruslan Alikhanov
Member of SOCAR
Supervisory Board

MANAGEMENT OF SOCAR

Rovshan Najaf
President of SOCAR

Anar Mammadov
Vice President

Arzu Javadova
Vice President

Babak Huseynov
Vice President

Elshad Nasirov
Vice President

Afgan Isayev
Vice President

Fuad Musayev
Vice President

Ismayil Zargarli
Vice President

Kanan Najafov
Vice President

Zaur Gurbanov
Vice President

Ziba Mustafayeva
Vice President

II. ORGANISATIONAL STRUCTURE OF SOCAR

At the date of 31.01.2025 the organisational structure of SOCAR is as follows:

- "Azneft" PU
- "Azerigas" PU
- "Azerikimya" PU
- Geophysics and Geology Department
- Heydar Aliyev Oil Refinery
- Oil & Gas Construction Trust
- Heydar Aliyev Baku Deepwater Jackets Plant
- Marketing and Economical Operations Department
- Complex Drilling Works Trust
- Security Department
- Gas Export Department
- Information Technologies and Communications Department
- Social Development Department
- Carbamide Plant
- Oil & Gas Research and Design Institute
- Gas Processing Plant
- Oil Pipelines Department
- Transportation Department
- Methanol Plant
- Baku Higher Oil School
- Department for Improvement of Working Condition Standards
- Industrial Security Department
- Training, Education and Certification Department
- Journal of Azerbaijan Oil Industry

III. MISSION, VISION AND VALUES OF SOCAR

MISSION of SOCAR is to contribute to sustainable development and energy security at the local, regional and international levels by improving its rich oil and gas operations experience with state-of-the-art technology and competencies, ***VISION*** is to become a leading energy company by developing its operations through energy transition, innovation and digitalization, ***VALUES*** - ***to ensure the safety*** of its employees, society, the environment and future generations, to work at all levels within the company and with its partners to achieve goals and objectives as ***the entire team***, to be responsible for the successful outcome of every step taken towards the implementation of its corporate mission, vision and strategy, and ***to develop continuously*** by learning and applying best practices in order to achieve ***accountability*** and flawless results, and to approach society, the environment and its employees with ***sensitivity*** and ***care***.

IV. EXPLORATION OF NATURAL RESOURCES

1. Preparation of processes:

Preparation of processes to ensure the management of exploration and exploration, exploration and evaluation projects, and the preparation of reserves and resources in accordance with international standards.

The process of managing exploration and exploration projects, the process of managing exploration and evaluation projects and the process of calculating reserves were prepared with the participation of a group of specialists from the SOCAR Head Office, the Strategic Exploration Group, "Azneft" PU, Geophysics and Geology Department (GGD), and the geological service of the Oil & Gas Research and Design Institute (OGRDI) and were discussed with the participation of experts in 2024 and approved by the Vice president of SOCAR for the relevant field. Work is ongoing to prepare resources in accordance with international standards.

2. Geological and geophysical surveys:

Conducting exploration and geophysical surveys at sea, in the transition zone and on land, and mining geophysical surveys in wells.

Geophysical and engineering-geological works were carried out by the GGD in the sea and on land areas during 2024.

2.1. Exploration and geophysical works: During the year, the "Exploration and Geophysics" Production Department of the State Geophysical Institute carried out two-dimensional (2D) seismic surveys of 1416.8 linear km (lane kilometer) (28336 physical points - f.n.) using the total depth point (tdp) method, 106.7 lane kilometer (1778 f.n.) geological profiling - wave breaking surveys at 889 stations using the test wave method to study geological profiling of the section, 457.4 linear km (4574 f.n.) gravimetric surveys, and 457.4 lane kilometer (4574 f.n.) magnetometric surveys.

2D seismic exploration works: According to order of "Azneft" PU, the "Kashfiyyatgeofizika" Production Department carried out two-dimensional seismic exploration works in the Caspian - Guba oil and gas region (NGR) and its adjacent northern transit (sea-land transition) zone of 420.6 lane kilometer (8412 f.n.), in the southern transit zone covering Gil adasi - Sara-deniz fields of 550.1 lane kilometer (11002 f.n.), and on land - along regional profiles in Mughan monocline of 446.1 lane kilometer (8922 f.n.).

Geological profiling - Wave breaking works: According to order of "Azneft" PU, the "Kashfiyyatgeofizika" PD studied geological profiling by the method of broken waves in the volume of 106.7 lane kilometer (1778 f.n.) at 889 stops along regional profiles in Mughan monocline.

Gravimagnetometric works: According to order of "Azneft" PU, gravimetric and magnetometric research works were carried out in Mughan monocline in the volume of 457.4 lane kilometer (4574 f.n.).

Processing and interpretation works: In total, 1695.9 lane kilometer of 2D seismic, 103.4 square kilometer of 3D seismic, and 457.4 square kilometer of gravimagnetometric data were processed, and 1644.3 lane kilometer of 2D seismic, 103.4 square kilometer of 3D seismic, and 457.4 square kilometer of gravimagnetometric data were interpreted.

Processing works: According to order of "Azneft" PU, 103.4 square kilometer of 3D seismic data were reprocessed on the topic "Reprocessing and interpretation of the results of 3D (three-dimensional) seismic exploration conducted in Gazanbulag-Ziyadkhan area in 2014". 2D seismic data of 887.6 lane kilometer in Gil adasi - Sara-deniz area, 335 lane kilometer in the Caspian Sea - Guba and the adjacent northern transit zone, 446.1 lane kilometer in Mughan monocline, and gravimagnetometric data of 457.4 lane kilometer were processed. 2D seismic data of 27.2 lane kilometer obtained in Neftchala field according to order of "Neftchala Operating Company" Ltd. were processed.

Interpretation works: 103.4 square kilometer of 3D seismic data were interpreted on the topic "Reprocessing and interpretation of the results of 3D (three-dimensional) seismic exploration work conducted in Gazanbulag-Ziyadkhan area in 2014", 921 lane kilometer of Gil adasi - Sara-deniz area, 250 lane kilometer of 2D seismic data in the Caspian Sea - Guba and the northern transit zone adjacent to it, 446.1 lane kilometer of 2D seismic data in Mughan monocline, and 457.4 lane kilometer of gravimagnetometric data were interpreted. 27.2 lane kilometer of 2D seismic data obtained from the Neftchala field were interpreted according to order of "Neftchala Operating Company" Ltd. The final report on the topic "Reprocessing and interpretation of 3D seismic data for the purpose of assessing the oil and gas exploration targets of Zardab-Shikbagi-Gishlag area" was defended in 2024 at the Scientific and Technical Council of the Geophysics and Geology Department and submitted to the customer.

The following geological results were obtained based on the geophysical exploration works carried out:

- As a result of reprocessing and interpretation in Zardab-Shikbagi-Gishlag area, the tectonics of the area were clarified, structural maps were compiled for 5 levels - Cretaceous, Middle Eocene, Upper Eocene, Lower Maykop, corresponding to the seismic horizons of the Maykop surface, and a three-dimensional model of the area was built. The dip directions and geological structures of Zardab, Shikhbagi and Gishlag structures were clarified according to these sediments, and the complexity of the structures with faults in the extensional direction was once again confirmed. Seismic attributes were calculated based on the dynamic parameters of the seismic wave field, seismic attribute maps were constructed on the relevant surfaces, and based on their results, the distribution area of layers with collector properties was studied. The sedimentation conditions of the field were studied, and oil and gas exploration targets were assessed.

In 2024, the "Exploration Geophysics" Production Department scanned 69 reports, 991 maps and appendices, 287 operator sheets, 570 time sections in PDF format for the corporate database, the coordinates of 716 time sections were converted to WGS-84 format, 102 maps and 725 raw shots were digitized.

Table IV.1

	Types of work	Unit of measurement	Scope of work
1.	Seismic exploration: offshore and transit zones		
1.1.	Caspian Sea-Guba and its adjacent northern transit (sea-land) zone 2D - TDP	lane kilometer	420.6
1.2.	Gil adasi - Sara-deniz 2D - TDP	lane kilometer	550.1
2.	Seismic exploration: onshore		
2.1.	Mughan monoclinic 2D - TDP	lane kilometer	446.1
2.2.	Mughan monocline Geological Profiling - Wave Breaking	lane kilometer	106.7
3.	Gravimagnetometry:		
3.1.	Mughan monoclinic gravimetry	lane kilometer	457.4
3.2.	Mughan monoclinic magnetometry	lane kilometer	457.4
4.	Processing works:		
4.1.	2D seismic - (Mughan monocline)	lane kilometer	446.1
4.2.	2D seismic - (Gil adasi - Sara-deniz)	lane kilometer	887.6
4.3.	2D seismic - (Caspian - Guba)	lane kilometer	335
4.4.	2D seismic - (Neftchala oilfield)	lane kilometer	27.2
4.5.	3D seismic - (Gazanbulag - Ziyadkhan)	square kilometer	103.4
4.6.	Gravimetric exploration - (Mughan monocline)	lane kilometer	457.4
4.7.	Magnetic exploration - (Mughan monocline)		457.4
5.	Interpretation work:		
5.1.	2D seismic - (Mughan monocline)	lane kilometer	446.1
5.2.	2D seismic - (Gil adasi - Sara-deniz)	lane kilometer	921
5.3.	2D seismic - (Caspian - Guba)	lane kilometer	250
5.4.	2D seismic - (Neftchala oilfield)	lane kilometer	27.2
5.5.	3D seismic - (Gazanbulag - Ziyadkhan)	square kilometer	103.4
5.6.	Gravimetric exploration - (Mughan monocline)	lane kilometer	457.4
5.7.	Magnetic exploration - (Mughan monocline)	lane kilometer	457.4

2.2. Mining geophysical survey works:

During 2024, the "Mining Geophysics Production Department" of the State Oil and Gas Development Institute will carry out well geophysical surveys, geophysical control of field development, perforation-throwing, gas logging and geological-technological control works on oil and gas wells being drilled and operated, based on the orders of SOCAR departments and organisations ("Azneft" PU, "Complex Drilling Works" Trust), joint ventures and operating companies working in Azerbaijan (SOCAR AQS LLC, Bahar Energy OC, "Gulf Drilling Supply FZE", "AzGerneft LLC", "Balakhany OC", "Surakhany Oil OC", "H.Z.Taghiyev OC", "Salyan Oil OC", IODICO LLC, "ETSN and Geological Exploration Service"), "DH Oil Service Construction JSC", "Oil Star LLC", "UBOC", "Elkhan-96" Production and Commercial Company at sea in 14 offshore (Bahar, Bulla-deniz, Chilov-deniz, Darwin Bank, Alat-deniz) wells. Sea, Duvanny-deniz, 8 March, Umid-1, Gunashli, Garbi Absheron, Gum-deniz, Neft Dashlary, Palchig Pilpilesi and Pirallahy) and onshore in 26 areas (Balakhany, Surakhany, Garachukhur, Bibiheybat, South Kurovdag, Central Kurovdag, North Kurovdag, Muradkhanly, Gala, Galmaz, Garadagh, Lokbatan, Gushkhana, Zagli-Zeyva, Amirkhanly, Puta Ramana ya Buzovna Mashtagha Sahasi, Kursangi, Neftchala, Tartar, Shubani, Dash Veyselli village of Jabrayil region, Shelli village of Agdam region and Aghi village

of Zangilan region).

The number of orders fulfilled was 5398. Out of these works, 2987 orders (76 wells) were performed in open wells, and 2411 orders (900 wells) were performed in casing wells. The total number of orders for logging work was 4584 (in 561 wells). The number of measured logging diagrams was 13198.

814 orders for perforation work were carried out in 635 wells, 129861 holes were drilled in the layers. Based on the complex well-logging testing (WLT) works carried out during 2024, 3511 layers were evaluated, of which 1853 layers were evaluated as oil-gas of industrial importance, 186 layers as uncertain and 1472 layers as water. Perforation work was carried out in 108 layers out of the 3511 evaluated layers.

During the test work of 108 layers assessed as oil-gas, oil was obtained from 94 layers, gas from 8 layers, and oil-water mixture from 6 layers. Complex geophysical survey works were carried out in 53 wells that were completed after drilling. The construction of 30 wells was completed and handed over to the OGPD. 1128 orders were executed in 478 wells in 2024 in order to control the development of deposits using geophysical methods.

In the reporting year, 43 wells - (Gunashli 27, 233a, 341a, Neft Dashlary 2497, 2088, 2498, 2499, 2503, 1813a, 1898a, 2581a, 2586a, Bibiheybat 3471, 3472, 3473, 3476, Bulla-deniz 91,118, Buzovna-Mashtagha 1392, Amirkhanly 1900, 1901, 1902, 1903, Pirallahy 1239, 1240, 1259, 1260, 1263, 1264, 1278, 1280, 1289, 1290, 1291, Gala 1252, Galmaz 659, Garadagh 609, West Absheron 161,163, 164, Zagli-Zeyva 1869, 1870, 1871) geological and technological control of drilling and gas logging, as well as in 32 wells – (Bibiheybat 3471, 3472, 3473, 3476, Amirkhanly 1900, 1901, 1902, 1903, Neft Dashlary 2088, 2494, 2498, 2499, 1813a, 1898a, 2581a, 2586a, Pirallahy 1239, 1240, 1259, 1260, 1263, 1264, 1278, 1280, 1289, 1290, 1291, Sedan 1888, 1889, 1890, Zagli-Zeyva 1870, 1871) drilling time logging (LWD/MWD) was performed.

In 2024, in order to control the development of deposits by geophysical methods, pulse-neutron-neutron logging (PNNL) was carried out in 19 wells (19 orders) in the Gunashli, 8 March, Darwin Bank, Pirallahy, Galmaz, Garadagh, Bibiheybat areas, Carbon-oxygen+PNN in 14 wells (14 orders) in the Gunashli, Neft Dashlary, Alat-deniz, Duvanny-deniz, Pirallahy, Garadagh, Galmaz, Surakhany, Bibiheybat areas, and 4NK research was carried out in 44 wells (44 orders) in the Gunashli, Pirallahy, Neft Dashlary, Chilov, Palchig Pilpilesi, Alat-deniz, Bulla deniz, Duvanny-deniz, Bibiheybat areas.

In 2024, the Mining Geophysics Production Department converted more than 13,320 logging curves from 2,967 wells into PDF format for the Corporate database, and digitized 94,443 inclinometer points (2,199 PDFs) and 12,523,133 meters of logging curves for inclinometer measurement work in 863 wells.

2.3. Complex engineering-geological works:

The activities of the Complex Engineering Survey Production Unit consist of the following areas: Engineering-geological drilling, bathymetry (hydrography), sonar planning (determination of seabed communication lines and other external objects), multibeam 3D planning, taking rock samples and determining their complex physical and mechanical properties, as well as visual study of the technical condition of various communication lines, thematic works, etc. The works were mainly carried out under contracts concluded with

"Azneft" PU, the Oil & Gas Construction Trust and other organisations.

During 2024, 112 km of sonar planning and 112 km of bathymetry were carried out by Complex Engineering Survey Production Unit in accordance with the project. In addition, reports on 2 thematic topics were prepared and submitted to the customer.

At the same time, 7456.271 km of sonar planning, 1166.2 km of bathymetry, 7066.502 km of multibeam 3D planning and 30 seabed rock sampling were carried out under the contract in the reporting period.

Total: 7568.271 km of sonar planning, 1278.2 km of bathymetry, 7066.502 km of multibeam 3D planning and 30 seabed rock sampling were carried out under Complex Engineering Survey Production Unit.

During the reporting period, the geological exploration expedition completed final reports on the topics of "Analysis and generalization of geological-geophysical, drilling and other research works carried out in the Lower Kura Depression (Northern, North-Eastern slope)" and "Operational assessment of oil, gas, condensate reserve growth" in accordance with the calendar plan.

At the same time, the physical and mechanical properties of 615 rock samples taken during engineering-geological drilling were studied at the Central Engineering Geological Laboratory of the Complex Engineering Survey Production Unit. In addition, according to order of various organisations, the wells were transferred from the design state to the nature, from the nature to the plan, their exact location was determined, and navigation support was provided.

During 2024, 117 reports and 214 maps and 1217 graphs related to these reports were additionally brought to the electronic version and placed in the corporate database.

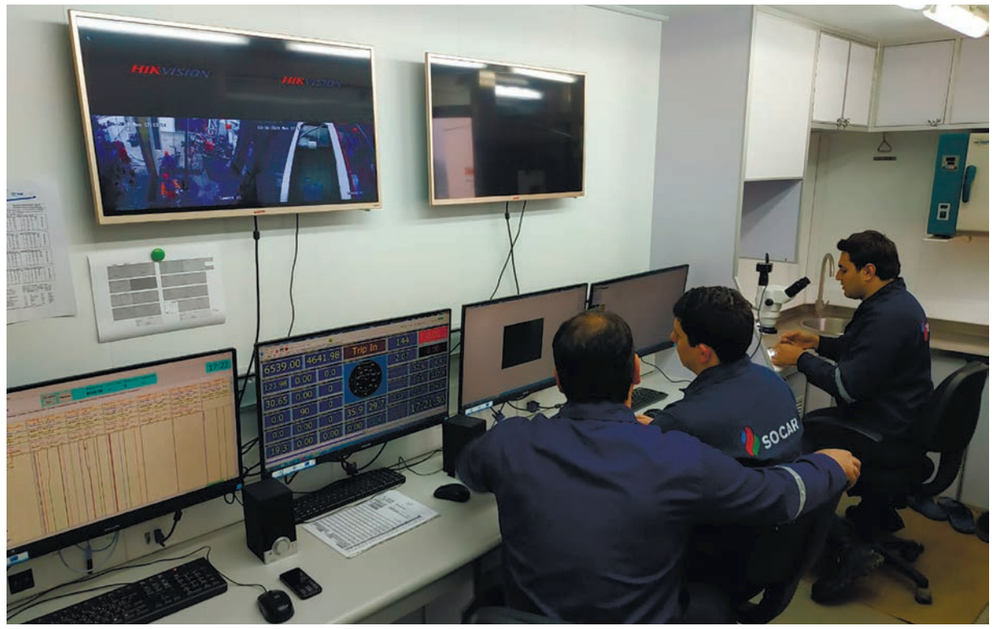

Figure IV.1. Offshore engineering survey works

3. Assessment of hydrocarbon potential in Azerbaijan

3.1. Basin exploration, prioritization of structures, determination of exploration directions.

These works were carried out by the Geological-Geophysical Works Management Department and the Strategic Exploration Group (SEG).

- In order to investigate the Lower Kura Basin, assess its hydrocarbon potential, and determine future exploration and exploration works, in accordance with the Prospecting and Exploration Projects Management Process" (PEPMP), at the Decision Gate (Decision Gate), existing geological-geophysical, oil and gas data related to the DG-1 basin were collected, a list of missing data and requirements was compiled, possible KH systems and productive complexes were identified, and a data assessment report was prepared. The report was discussed, the DG-1 stage was adopted. It was decided to continue the project (DG-2, DG-3 stages) in accordance with the PEPMP;

- In connection with the implementation of the Lower Kura Basin Exploration Project, the existing geological-geophysical, well data on the "Padar", "Babazanan", "Shorsulu", "Khidirli-Bandovan" structures located in the basin and the reports compiled so far on the basin were summarized and collected in a single database in the form of a "passport";

- 110 structures with estimated C3 category resources were explored and 3 priority directions were determined. In Priority I, structures that are ready for exploration drilling in accordance with the PEPMP were selected and a production forecast for the republic until 2035 was given in the event that exploration wells were drilled in these structures. An action plan for 2024-2032 was prepared for structures in Priority I and II;

- In order to investigate the southern part of the South Caspian basin, assess the hydrocarbon potential, and determine future exploration and exploration works, in accordance with the PEPMP, at the DG-1 stage, existing geological-geophysical, oil and gas data related to the basin were collected, a list of missing data and requirements was compiled, possible KH systems and productive complexes were identified, and a data assessment report was prepared. The report was discussed, the DG-1 stage was adopted. It was decided to continue the project (DG-2, DG-3 stages) in accordance with the PEPMP;

- In order to assess the geology, tectonics, and hydrocarbon potential of future exploration and exploration works and the field on the southwestern side of the South Caspian basin, the previously drilled and unsuccessful "Kurdashi" KD-1X, "Yanan Tava" YTX1a, and "Talysh-deniz" TD1Xbis wells were analyzed;

- Geological-geophysical study of Mesozoic sediments of the Naftalan field and assessment of resources and risks were initiated. Geological-geophysical

well data on “Naftalan” and neighboring structures were collected, seismic data were analyzed, and petrophysical analysis of data on drilled wells was finalized. It was decided to include “Naftalan” field in the exploration portfolio and continue work on drilling an exploration well;

- An assessment of the exploration targets of oil and gas basins in the onshore areas of Azerbaijan was carried out;

- An assessment of the gas reserves of the shallow layers of the “Mashal” structure with high hydrocarbon potential, the “Goshadash” structure and the “Oguz” prospective areas was carried out.

The hydrocarbon potential of the Subsuite layers in the Absheron gas-condensate field was reassessed and SOCAR’s technical and economic position on this issue was shared with the current operating company (JOCAP) and Total.

3.2. Exploration drilling works. In 2024, SOCAR conducted exploration drilling in 1 well with a volume of 2297 m. Exploration drilling by SOCAR was conducted in one area - in exploration well No. 92 in the Bulla-deniz field.

- **Bulla-deniz field exploration well No. 92 (FOP No. 18)**. The Bulla-deniz field is located in the northern part of Baku archipelago, 10 km southeast of the “Khara-Zira” island and 55 km southwest of Baku city. Exploration well No. 92 drilled in the Bulla-deniz field was designed vertically to a depth of 6050 m in order to determine and assess the geological structure of the IV tectonic block of the structure, the lithofacies structure of the Kyrmakialti formation of the Productive Strata, and the oil and gas content. The drilling of the well started on 03.11.2023. During 2024, 2297 m of drilling work was carried out. Drilling was stopped due to the expectation of drilling fluid, inclined drilling equipment and 14” pipe. The well was drilled to a depth of 2600 m in 2025.

- In 2024, as a result of exploration geophysical works carried out by SOCAR at the expense of its own internal resources, the tectonic and geological structure of the fields was clarified.

Organisational Actions

- In order to attract high-potential graduates to SOCAR, information seminars were held at universities on the activities of the exploration segment, and 9 interns who successfully passed staged interviews acquired practical knowledge in the fields of geology and geophysics at the SQG.

- In addition to the geological and geophysical team, high-level specialists were recruited to implement the Exploration Program;

- Priority work directions for 2024 with the newly created Performance Management System, which ensures clear specification of goals, Key Performance Indicators (KPIs), consideration of feedback, comprehensive performance assessment and employee development determined.

4. Field evaluation.

Evaluation of exploration objects in existing fields.

These works were carried out by the Field Appraisal and Reserve Management Division of the Prospecting & Exploration and Field Appraisal Department of SOCAR Head Office.

- The calculation of geological, technical and economic hydrocarbon reserves for the main 25 fields of Azerbaijan was organised by DeGolyer, the results of the report were checked, amendments were made and the final report was approved;

- The Balance Sheet of hydrocarbon reserves and resources of fields in Azerbaijan in the form of 6GR submitted to the Central Commission on “Oil and Gas Field Reserves” was checked and approved after amendments. A short report was prepared for the management based on the Balance Sheet of Approved Reserves;

- In order to improve the processes related to the calculation of reserves and bring them into line with the international system, a document entitled “Reserves Calculation, Discussion and Approval Process” was developed, discussed and approved;

- SOCAR’s new policy on reserve evaluation was reflected and PRMS/SPE standards, the document “Reserves Policy for Evaluation of Hydrocarbon Resources in accordance with the SPE/PRMS System” was approved and sent to the places for implementation;

- The document “Exploration and Evaluation Project Management Process” was drafted, approved and entered into force, which will ensure the process of evaluating deposits in accordance with international standards;

- The new reports of reserves of the “Chilov” and “Garbi Absheron” fields, compiled by the National Oil and Gas Regulatory Commission, were reviewed by the SOCAR Central Commission on “Reserves of Oil and Gas Fields”, after the amendments, the report was approved and new reserves were taken into the balance;

- The exploration targets of C2 category reserves in “Bulla-deniz”, “Chilov”, “Palchig Pilpilesi”, “8 March”, “Garbi Absheron” fields were reviewed, risks and uncertainties were assessed and proposals were made for appropriate adjustments to the reserves;

- An interim report on the work was prepared to clarify the structure of “Zardab” field, to determine uncertainties and to assess exploration targets. Regional schematic maps of the Upper Cretaceous, Eocene and Maykop sediments of “Zardab”, “Shikbagi” and “Muradkhanly” structures were compiled using 3D seismic data. The work is ongoing;

- Work is ongoing to clarify the structure of “Tersdeller” field and to assess its exploration targets based on 2D seismic exploration data. Currently, geological and development data are being collected, systematized and analyzed;

- The working group reviewed

reports on the geological, technical and economic reserves of “Bahar” and “Qum-deniz” fields, which are included in the contract area of Bahar Energy OC, and the department made comments and suggestions. Currently, work is underway to build geological models of the fields;

- Inquiries received by relevant departments and divisions of SOCAR are regularly answered based on new assessments;

- As a result of re-evaluation of deposits and return of wells to exploration facilities, the replacement of hydrocarbon reserves in the fields of the “Azneft” PU in 2024 amounted to 77.4%. The increase in reserves amounted to 8.4 million tons of oil equivalent.

5. Data base.

Collection of deposits, structures and other topographic data in a single database

The organisation, implementation and direct control of geodesy, hydrography, cartography, topography, aerial photography, surveying and cadastral works (land plots given to SOCAR for permanent use and reclaimed), coordination of SOCAR’s Geoinformation database (GeoDataBase) and control over these works were carried out by the Geodesy, Hydrography and Exploration Data Quality Control Department of the Exploration and Field Evaluation Department of Head Office of SOCAR.

- The work on entering information on residual hydrocarbon reserves of deposits (Bulla-deniz), development maps, coordinates of newly drilled (designed), existing and abandoned wells, communication lines and facilities into the GeoDataBase is ongoing;

- The routes of oil and gas pipelines belonging to the Oil Pipelines Department, Gas Export Department, H.Aliyev Oil Refinery, and medium and high-pressure gas pipelines belonging to the “Azerigas” PU are being clarified and the information is being added to the existing GeoDataBase;

- Work is ongoing to examine the information on the land plots mentioned in the balance of the entities included in the structure of SOCAR that are not related to the main field of activity (used and unused) (stadiums, recreational facilities, subsidiary agricultural farms, land, buildings, etc.) in order to transfer them to the relevant state agencies and ministries in a centralized manner through the State Service for Property Issues under the Ministry of Economy of the Republic of Azerbaijan;

- Work is ongoing to add the structures of oil and gas fields located in the Republic of Azerbaijan and their seismic profiles to the GeoDataBase (1340 profiles were added to the GeoDataBase in 2024);

- The work on the creation of new and existing GeoDataBases and monitoring the compliance and integrity of the entered data with the accepted data standards, the preparation of processes for the periodic entry and updating of data from SOCAR’s structural divisions into the GeoDataBase, and the

quality control of this data is ongoing;

- The geological map of the oil and gas fields (Binagadi) was digitized, the boundaries of residual hydrocarbon reserves were determined, and geodetic plans of the field were prepared (a total of 7 fields, 28 horizons);

- The structural maps available in the GGD geological fund were georeferenced and vector data were added to the GeoDataBase (a total of 4 fields, 27 horizons);

- Maps of privately owned land plots in the Shamakhi-Gobustan regions were brought to coordinates and submitted to Caspian Geophysical;

- Within the framework of the Memorandum signed on March 28, 2018 between the Ministry of Energy of the Republic of Azerbaijan and the Ministry of Oil of the Islamic Republic of Iran on the joint operation of the relevant blocks in the Caspian Sea - Block 1 - “Araz, Alov, Sharg” located in the Azerbaijani sector and Block 2 - “D-46, D-47, D-48, D-49” located in the Iranian sector - through SOCAR and NIOC, the department prepared a reference and maps on the legal status of the “Araz-Alov-Sharg” block and the Caspian Sea;

- Maps were prepared and submitted for the Agreement concluded between SOCAR and “Uzbekneftegaz” JSC of the Republic of Uzbekistan on the Karakalpak investment block;

- The discussion of the “Set of Requirements” and the Order-Project “Regarding flights to be carried out by drones at facilities used by SOCAR, as well as in the protection zones of oil and gas pipelines and other infrastructure facilities established by law” and the prepared “Regarding flights to be carried out by drones at facilities used by SOCAR, as well as in the protection zones established by law of oil and gas pipelines and other infrastructure facilities” continued in the presence of relevant segment heads;

- In connection with the implementation of the Decree No. 2181 of the President of the Republic of Azerbaijan dated 14.06.2023 “On additional actions regarding the issuance of permits for the operation of certain non-residential construction facilities”, access permissions were obtained for 3 employees of the department to the Portal created by the Ministry of Emergency Situations of the Republic of Azerbaijan in order to ensure inter-agency electronic document circulation and business processes, and responses to requests received from entrepreneurs started. In 2024, 8,500 requests were responded to;

- The department received 3000 letters from legal entities and individuals;

- Information on the areas mentioned in the applications and complaints received by citizens to SOCAR is added to the GeoDataBase;

- Participated in the meetings of the High-Level Working Group on Caspian Sea Issues held in Baku, Tehran and Astana. More than 50 variants of maps were prepared;

- Administrative maps of main oil and gas pipelines, automobile and railways, etc. in Azerbaijan were prepared and submitted to "Caspian Geophysical";

- 616 documents (orders, decisions, acts) on land plots allocated to legal entities and individuals by Baku City Executive Power were processed and added to the GeoDataBase.

6. Cooperation with partners.

Continuation of work with existing partners and acquisition of new cooperation.

- In accordance with the relevant paragraphs of the "Roadmap" signed between SOCAR and "Uzbekneftegaz" JSC of the Republic of Uzbekistan, all information on the proposed investment area was analyzed, resources and risks were initially assessed, and proposals for a detailed study of the area were prepared and submitted to the management;

- In connection with the implementation of paragraph 2.4 of the Roadmap signed between SOCAR and KazMunayGaz JSC of the Republic of Kazakhstan dated June 22, 2023, all information on the proposed investment area was analyzed, resources and risks were initially assessed, and proposals for a detailed study of the area were prepared and submitted to the management;

- Exploration projects in Bulgaria and Iraq were evaluated and proposals were made to the SOCAR management for investment decisions;

- Details of the exploration program planned to be implemented in the Israeli offshore area were agreed with partner companies (NewMed and bp), and a list of potential contractors was prepared;

- Datarooms aimed at attracting investors to participate in the Exploration Program were completed in the first half of 2024. In total, about 30 companies were invited to participate in the data rooms, and 12 companies analyzed the exploration and exploration projects submitted during 2024 within the data rooms. As a logical result of this, memoranda of understanding were signed with the Hungarian company MOL on "Shamakhi-Gobustan" and with the bp company on the "Ashrafi-Dan Ulduzu-Aypara" (ADUA) exploration and exploration areas;

- The main commercial terms of the Production Sharing Agreements for the ADUA and Shamakhi-Gobustan projects were prepared;

- As a subcontractor, bp participated in the processing of seismic data for the important ACG OBN (Ocean Bottom Nodes – multi-component seismometer survey work on the seabed) project.

- The first phase of the MegaMerge project (seismic data processing) with the bp company was completed.

V. DEVELOPMENT AND PRODUCTION OPERATIONS

- 1. The works carried out on the development area.

- Significant work was done on modeling in 2024. In particular, the 3D geological-hydrodynamic model of the "Gunashli" field was updated, the actual production data and the production data of the hydrodynamic model were identified (history match), thereby reducing uncertainties in the model. More accurate information was obtained about the geological characteristics of the reservoir (field), the distribution of oil and gas, and the production potential. In the process of modeling the field, future production strategies were developed based on new data. The updated hydrodynamic model became one of the main tools in making short and long-term decisions (conducting geological actions, analyzing the forecast of the location of new wells to be drilled, etc.). Building a model of the field also helps to explore the possibility of applying secondary impact methods (water injection). A feasibility study was conducted and a pilot project was implemented to increase production using the water injection method. Water injection wells were commissioned to maintain pressure in the fields and optimize oil recovery. A significant increase in production was observed at the initial stage of the project, which confirmed the effectiveness of the method. Thus, in 2024, the water injection project was intensively developed at the "Gunashli" field. Currently, 11 water injection wells are operating at "Gunashli" field, 5 of which were converted from production wells to water injection wells or returned to a new horizon during 2024. At the beginning of the year, the potential volume of water injection was 4200 m^3/day, and 2700 m^3/day for wells. At the end of the year, with the installation of new pumps, the potential volume of water injection was increased to 8400 m^3/day, and 3800 m^3/day for wells. During the year, 61,665 tons of oil were recovered from water injection. It is planned to increase the injection volume by connecting new wells to water injection from 2025.

- Another success in the field of modeling is the updating of the geological model of the "Neft Dashlary" field based on the interpretation of the seismic work carried out. 3D seismic data was collected and processed for an accurate analysis of the structural features of the field. More complete information was obtained on the separation of productive objects within the field and the boundaries of reservoirs (horizons). This, in turn, will give impetus to the calculation of reserves and the development of a dynamic model in the coming years.

- The oil produced from the "Gunashli" field accounts for 60% of the production of "Azneft" PU. For this reason, a decision was made to conduct intensive research work in 2024 in order to study the field at a high level and properly implement the development plan. A cooperation agreement was signed with Halliburton and a 2024 research plan was developed (PBU (Pressure Build-Up), PLT (Production Logging Tool), ILT (Injection Logging Tool), etc.). These test works aimed to clarify the flow indicators of the wells, pressure regimes and productivity characteristics of the layers. The data obtained from the measurement works, in particular the results related to the productivity of the layers and oil and gas flow, were widely used to improve the modeling of the fields. These results made the model more accurate and reliable, as well as to optimize future production

strategies. Based on the research plan, work was carried out with the mentioned company on 4 wells during 2024.

- 2. The works carried out on the drilling area.

- During 2024, 70970 m of drilling work was carried out by drilling organisations, including 68673 m of development drilling and 2297 m of exploration drilling. The construction of 47 wells was completed and handed over to the customer.

- A total of 20,740 m of drilling was carried out in offshore areas, of which 18,443 m was development drilling and 2,297 m was exploration drilling. During 2024, 11 wells completed with offshore construction were delivered to the customer.

- 50,230 m of development drilling was carried out in onshore areas, and no exploration drilling was carried out. During 2024, 36 wells completed with onshore construction were delivered to the customer.

- During 2024, drilling was carried out offshore in the "Bulla-deniz", "Gunashli", "Neft Dashlary", "Garbi Absheron" fields, and onshore in the "Pirallahy", "Bibiheybat", "Garadagh", "Galmaz", "Zagli-Zeyva", "Amirkhanly" and "Sedan" fields. Out of these, only development (well No. 118) and exploration (well No. 92) drilling was carried out in the "Bulla-deniz" field, and only development drilling was carried out in the remaining fields.

- "Complex Drilling Works" Trust carried out 44,177 m of drilling work, all of which was development drilling. No exploration drilling work was carried out on the "Complex Drilling Works" Trust in 2024. The construction of 41 wells was completed and handed over to the customer by the Trust. It also handed over 23 wells on the "Neft Dashlary-Gunashli" Production Department, 15 wells on the "Absheron" Production Department, and 3 wells on the "Sahil" Production Department. All of the wells delivered were production wells.

Figure V.1. *During drilling operation*

"SOCAR-AQS" LLC carried out 9546 m of production drilling and 2297 m of exploration drilling during 2024.

During 2024, 2000 m of drilling was carried out by the "Gulf-Drilling" FZE drilling company. Since exploration drilling was not planned during the year, all of the drilling passes obtained are attributed to production drilling. 2 wells that were completed with construction were completed and handed over to the customer.

During the reporting period, 10750 m of drilling was carried out by the Azerbaijani drilling company "Glolynx". Since exploration drilling was not planned during the year, all of the drilling passes obtained are attributed to production drilling. 4 wells which were completed with construction were drilled and handed over to the customer.

During 2024, 4497 m of drilling work was carried out by the "DH" company within the framework of the Gas Storage Expansion Project. Since exploration drilling was not planned during the year, all of the drilling passes obtained fell into the share of development drilling. There were no wells completed during 2024.

"SOCAR AQS" LLC continued drilling in wells No. 118 from FOP No. 6 and wells No. 92 from FOP No. 18 in "Bulla-deniz" field during 2024. Drilling of 1 side-hole well (233a) from FOP No. 8 was started in "Gunashli" field. Drilling work was also continued in well No. 27 from FOP No. 7, the drilling of which was started in 2023.

Side drill hole No. 341a which was started to be drilled in 2023 in "Gunashli" field by the Complex Drilling Works Trust in DOP No.10, was drilled and delivered in 2024.

The drilling of 8 wells was started in "Neft Dashlary" field and 8 wells were drilled and delivered. Out of these, 2 side drill holes (2581a and 2586a) were drilled and delivered in field No. 2585, 3 side drill holes (2122a, 1898a and 1813a) from FOP No. 1887, 2 wells (2498 and 2499) were drilled and delivered in site No. 2387, and 1 well (2497) from at TP1954. Drilling works were continued on wells No. 2503 drilled from FOP No. 2387 and wells No. 2088 drilled from platform No. 1646.

Drilling of 3 wells (161, 163 and 164) from FOP No. 20 in the "Garbi Absheron" field started, and 2 wells (161 and 163) were drilled and delivered. Drilling work was continued on well No. 164. In the "Pirallahy" field, drilling of 10 wells (1239, 1240, 1280, 1259, 1260, 1290, 1291, 1263, 1264, 1289) was started and 12 wells (1237, 1278, 1279, 1238, 1239, 1240, 1280, 1259, 1260, 1263, 1290, 1291) were completed and put into operation.

In the "Sedan" field, drilling of 3 wells (1888, 1889, 1890) was started, and 4 wells (1878, 1888, 1889 and 1890) were drilled and put into operation.

In "Zagli-Zeyva" field, drilling of 2 wells (1870 and 1871) was started, and 2 wells (1869 and 1870) were drilled and put into operation. Drilling work is ongoing in well No. 1871.

In "Amirkhanly" field, drilling of 3 wells (1901, 1902, 1903) was started by Complex Drilling Works Trust and 4 wells

(1900, 1901, 1902, 1903) were drilled and put into operation. Drilling work was continued in well No. 1903.

Drilling of 8 wells (side drill holes 3435a, 3285a, 3145a, 3465a, 3264a and wells 3471, 3472, 3473) started in "Bibiheybat" field, and 8 wells (side drill holes 3162a, 1211a, 3435a, 3176a, 3145a and wells 3476, 3471, 3472) were commissioned.

The drilling of 6 wells (3474, 3754, 3735, 3481, 3475, 3483) was started in 2024 in the Bibiheybat field by the Glolynx company, and 4 wells (3474, 3754, 3735, 3481) were put into operation. Drilling work is ongoing in well No. 3483.

The drilling of 1 well (658) was started in Galmaz field by Gulf Drilling FZE company in 2024, and 2 wells (657 and 658) were put into operation.

As part of Gas Storage Expansion Project, the DH company started drilling 1 well (659) in Galmaz field and completed the drilling work in 2024. Also, drilling of 1 well (609) was started in Garadagh field and drilling operations were completed.

During the reporting period, the modernization of technical means used in drilling operations and the application of new and progressive technologies continued. The use of modern cleaning devices for high-quality cleaning of drilling fluid was more widely applied. In order to achieve high technical and economic indicators in drilling, the use of modern Drillmec, Bentech, ZJ-30, ZJ-40, ZJ-50 and ZJ-70 drilling rigs continued.

The use of new types of drilling rigs in drilling deep wells creates conditions for the application of new equipment and technology, telemetric systems, as well as new types of drilling fluids, which in turn leads to the prevention of a number of accidents and complications and the achievement of high drilling speeds, better quality and lower cost of wells.

In addition, weekly and monthly reports on drilled wells are carried out by specialists of the "Drilling Engineering and Operations" Department of "Azneft" PU Performance reports are being compiled, project deviation reports, accidents, complications and lessons learned are being analyzed and collected, and joint studies are being carried out with drilling contractors to minimize such risks in the next wells.

A number of successes were achieved by the newly established Drilling, Completion and Well Intervention Department of SOCAR Head Office. Thus, as in a number of international companies, a special approach to well completion was started. Completion specialists are investigating field completion methods, using corrosion inhibitors and selecting suitable saline solutions for perforation work.

SOCAR purchased and started implementing the "WellView" software for the purpose of digitalizing drilling data This project, which was launched for the first time in SOCAR's history, is of great importance in terms of accountability and the perfection of future design work. The Department developed a Unified Daily Report Form for the drilling area and all drilling contractors were able to transfer data through this unified form. The

project group established under the order No. 4-2/3-1И-105/2023 dated August 02, 2023 continued "Drilling Transformation" and internationally experienced specialists were involved in this assignment in order to improve the management of processes of Drilling, Completion and Well Intervention Areas, to solve problems arising from the processes, and to ensure efficiency and flexibility in operations.

At the same time, in accordance with the requirement to use technical rules in accordance with world standards in the application of internal regulatory documents used in the preparation of working projects, project estimate documents and work programs, the Drilling, Completion and Well Intervention Department started updating the Unified Technical Rules in accordance with modern world standards, writing Technical Practices, as well as updating the Well Construction Design Process (WCDP) applied at SOCAR.

The application of the SAP PS software module adapted to WCDP ensures the complete and transparent implementation of all documentation required during the design and drilling of wells.

In accordance with SOCAR's international cooperation policy, on September 17, 2024, a positive response was given to the request for assistance in preventing an accident that could result in human casualties due to a repeated leak of hydrogen sulfide gas during the completion of well No. 604 of the «Mustaqillik-25» field in the Baysunsk region of the Republic of Uzbekistan, and relevant specialists from SOCAR's Industrial Safety Department, SOCAR Upstream Operations Management LLC (SUOM) and «Umid-Babek Operating Company» (UBOC) were sent to the city of Termez, Republic of Uzbekistan.

In order to promote SOCAR internationally, our company, for the first time in its history, took on the "Gold" sponsorship of the "IADC Drilling Caspian 2025" Conference and Exhibition" event of this organisation, which would be held in Baku in 2025, with the International Association of Drilling Contractors (IADC) and formalized this commitment with a contract in 2024. This important event, which would bring together industry leaders to discuss the changing market conditions for the Caspian region, operational difficulties, drilling efficiency, safety and technical service challenges, and share experiences, includes scientific and technical presentations by experts from different countries of the world on drilling automation and examples of advanced technological achievements. The presentations of 3 experts at this conference were selected by the organising commission and their speeches agreed.

3. Oil and gas production

In 2024, 29 million tons of oil and 50.4 bcm of gas were produced in the country. Compared to 2023 oil production was 1.1 million tons less, and gas production was 2.1 bcm more.

In 2024, 7.5 thousand tons of oil (including condensate) and 7.7 bcm of gas were produced from the oil and gas fields operated by SOCAR.

Oil production by SOCAR

Table V.1, thousand tons

	2024				2023	2024/2023 difference
	Forecast	Actual	(+;-)	%	Actual	+;-
SOCAR	7756.7	7485.6	-271.1	96.5	7736.2	-250.6
"Azneft" PU	6206.0	5992.6	-213.4	96.6	6254.2	-261.5
OC/JV	1550.7	1493	-57.7	96.3	1482	11

In 2024, 7485.6 thousand tons of oil were produced from the fields operated by SOCAR.

In 2024, 16820.4 thousand tons of oil were produced from the "ACG" field, 4168.1 thousand tons from the "Shah Deniz" field, and 572.2 thousand tons of condensate were produced from the "Absheron" field.

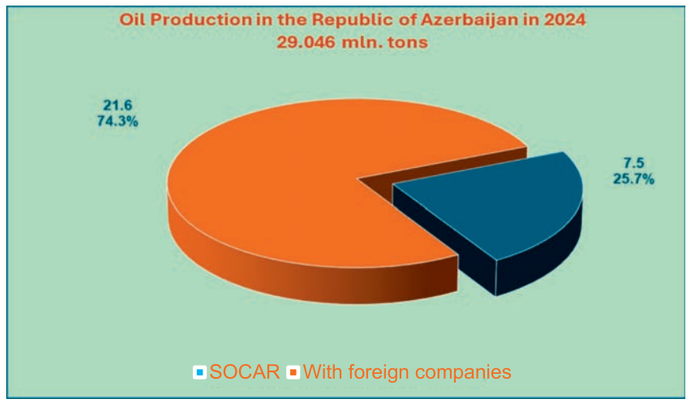

Diagram V.1. Oil production in the Republic in 2024

Gas production by SOCAR

Table V.2, million m³

	2024				2023	2024/2023 difference
	Forecast	Actual	(+;-)	%	Forecast	Actual
SOCAR	8510.1	7718.1	-792	90.7	8390.7	-672.7
"Azneft" PU	5716.3	5362.7	-353.6	93.8	6021.5	-658.8
OC/JV	2793.8	2355.4	-438.4	84.3	2369.2	-13.8

Gas production by SOCAR in 2024 was 7718.1 mln. m³.

In 2024, 13409.1 mln. m³ was produced from the "ACG" field, 27772.9 mln. m³ from "Shah Deniz" field, and 1527.9 mln. m³ of gas was produced from "Absheron" field.

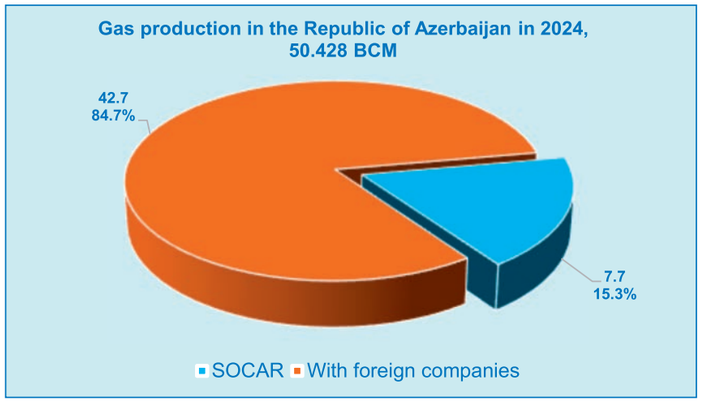

Diagram V.2. Gas production in the Republic in 2024

97.3% of the oil produced in 2024 fell on the share of temporary well stock, 1.3% on new wells, and 1.4% on wells taken from the non-operating stock:

Table V.3

	Total oil production, ths. tons	Including:					
		On the temporary fund wells		On the inoperative fund wells		On new wells	
		Production, ths. tons	Share in total production, %	Production, ths.tons	Share in total production, %	Production, ths.tons	Share in total production, %
SOCAR	7485.6	7280.2	97.3	103.1	1.4	102.3	1.4
"Azneft" PU	5992	5874.2	98.0	78.7	1.3	39.1	0.7
OC/JV	1493.6	1406	94.1	24.4	1.6	63.2	4.2

*0.63 thousand tons of condensate received from the Gas Storage Operation Enterprise

19.5% of the total oil production fell on the share of the fountain, 52.4% on the gas lift, and 28.1% on the share of the deep pumping method:

Table V.4

	Total oil production, ths. tons	Including:					
		Blowout		Gas lift (air-lift)		Borehole pumps and swabbing	
		Production (ths. tons)	Share in total production,%	Production (ths. tons)	Share in total production, %	Production (ths. tons)	Share in total production, %
SOCAR	7485.6	1464.2	19.5	3921.7	52.4	2099.7	28.1
Azneft" PU	5992	1177.4	19.7	3872.5	64.6	942.1	15.7
OC/JV	1493.6	286.1	19.2	49.2	3.3	1157.6	77.5

*0.63 thousand tons of condensate received from the Gas Storage Operation Enterprise

As of 01.01.2025, the well stock of SOCAR is shown in the following table:

The well stock in operation amounted to 7610 wells (including 129 gas wells), the operating well stock amounted to 5715 wells (including 83 gas wells):

Table V.5

	Operating well stock		Development well stock		Non-operating well stock		Well development after drilling	
	01.01.2024	01.01.2025	01.01.2024	01.01.2025	01.01.2024	01.01.2025	01.01.2024	01.01.2025
SOCAR	7751	7610	5867	5715	1861	1884	23	11
"Azneft" PU	3019	3101	2579	2633	432	464	8	4
OC / JV	4732	4509	3288	3082	1429	1420	15	7
UGS	174	175	161	165	13	10	0	0

*UGS – Underground Gas Storage

4. The works carried out on the production area

During 2024, additional research was conducted in order to involve promising areas in terms of extraction of residual oil and gas reserves in intensive development, and the infrastructure was expanded by designing and constructing new hydrotechnical facilities. Complex actions were developed and implemented in the field of oil and gas production.

During 2024, 4164 technical and 488 geological actions were carried out in the "Azneft" PU, and as a result, 77 thousand tons of oil were extracted from technical actions, and 10 thousand tons of oil from geological actions 349.2 thousand tons of oil were produced. In general, in order to optimize oil and gas production processes technologically and economically, scientific research, design and construction works were expanded, modern equipment and technologies were tested and applied in production.

In particular, positive results were obtained from the application of various designs of deep pumps, chemical compositions, nanotechnologies, new repair and maintenance equipment, and these works are being successfully continued.

VI. NATURAL GAS SUPPLY AND GASIFICATION WORKS

Gas Export Department and "Azerigas" PU of SOCAR carried out a number of works in 2024 on the effective management of natural gas volumes, transmission to the energy corridor through transportation systems and gasification works in accordance with the requirements of national legislation and international standards.

By Gas Export Department:

The works carried out in the direction of gas reception and transportation during 2024.

- In accordance with the Resolution No. 513 of the Cabinet of Ministers of the Republic of Azerbaijan dated December 28, 2020, the organisation of the purchase of natural gas from producers, transportation, and sale of gas to domestic distributors and consumers in the domestic market from January 1, 2021 was entrusted to "AzerKontract" Joint Stock Company ("AzerKontract" JSC).
- In order to fulfill the duties arising from the decision, a service agreement No. SOCAR20220003102002013 7X00006 was concluded between Gas Export Department of SOCAR and "AzerKontract" JSC dated 30.12.2020. According to the subject of the agreement, Gas Export Department undertook to provide "AzerKontract" JSC with the services of Transportation, Organisation of Delivery and Organisation of Gas Storage. Based on the concluded agreement, Gas Export Department ensured the transfer of all gas volumes received from the Operating Companies, OGPDs, AGTS and AIOC to "Azerigas" PU, "Azerenergy" JSC, and to LNG storage facilities within the country in accordance with the terms of the agreement.
- Also, in accordance with the Resolution No. 513 of the Cabinet of Ministers of the Republic of Azerbaijan dated December 28, 2020, the export of gas to the Republic of Georgia was entrusted to "Azneft" PU. For this reason, on February 5, 2021, an agreement on the "Natural Gas Commission" was signed between "Azneft" PU and Gas Export Department for the transportation of gas outside the country, to the Republic of Georgia, and this agreement is being implemented by Gas Export Department.
- It implemented the obligations arising from the "Gas Purchase and Sale" Agreement signed between Turkmenistan and SOCAR on December 24, 2021.
- The execution of the purchase and sale agreement signed between the GII and "Azerenergy" JSC on the volumes of gas used in electricity intended for export on September 01, 2023 was carried out by the Gas Export Department.
- An agreement on the share of gas was signed between "SOCAR-ABSHERON" (JOCAP) and SOCAR on July 06, 2018. The execution of the rights and obligations of this agreement was entrusted to the Gas Export Department in accordance with SOCAR's order No. 14-2/3-1I-39/2023.
- The execution of the gas purchase and share agreement signed between "Umid Babek Operating Company" and

SOCAR dated July 24, 2024 was carried out by the Gas Export Department.

- Also, the export of natural gas to the Republic of Georgia in accordance with the agreement on the "Natural Gas Commission" and the implementation of export operations to Europe and the Republic of Turkey in accordance with several purchase and sale and SWAP agreements concluded between SOCAR and international organisations (SOCAR-Trading, BOTAŞ, SOCAR Energy) are carried out by the Gas Export Department.

- In accordance with paragraph 3.2 of the Order No. 323 of the President of the Republic of Azerbaijan dated October 17, 2024, the rights and obligations of "Azercontract" JSC under contracts for the purchase of natural gas from gas producers in the domestic market of the Republic of Azerbaijan, its transportation, and sale to domestic distributors and consumers were transferred to SOCAR and its affiliated entities as of 01.12.2024.

- As of 01.12.2024, the operatorship of SOCAR under all purchase and sale contracts for the purchase of natural gas from gas producers in the domestic market of the Republic of Azerbaijan, its transportation, and sale to domestic distributors and consumers was entrusted to the Gas Export Department.

- During 2024, Gas Export Department sold a total of 19886.7 mln. m^3 of natural gas was received and 19815.9 mln. m^3 of gas was transported to consumers.

- Gas Export Department operates 4.1 thousand km of main and branch gas pipelines, 27 gas distribution stations (GPS), 447 distribution and 12 import-export (at the Western, Northern, Southern border points) metering points, as well as the high-pressure technological part of 72 GPS under the "Azerigas" PU.

The works carried out in accordance with the capital investment and overhaul programs of fixed assets.

➢ **During 2024, works were carried out on the following facilities in accordance with the capital investment program of fixed assets:**

1. Phased reconstruction of the gas transportation system by SOCAR within the framework of the "State Program on the Great Return to the Liberated Territories of the Republic of Azerbaijan" approved by the Order No. 3587 of the President of the Republic of Azerbaijan dated November 16, 2022.

1.1. On Lachin direction - Construction of the "Horadiz-Lachin" gas pipeline and the "Jabrail GDS", "Zangilan GDS", "Minjivan GDS", "Gubadli GDS" and "Lachin GDS" gas pipeline branches with the installation of GDSs on them" on the object:

- The "Jabrail GDS" branch - 10.8 km, "Minjivan GDS" branch - 18.9 km, "Gubadli GDS" branch - 14.1 km and "Zangilan GDS" branch - 7.5 km gas pipelines separated from the commissioned "Horadiz-Lachin" main gas pipeline were laid, tested and connected to the existing system;

- The construction of "Lachin GDS" is under completion;

- The construction of "Minjivan", "Jabrail" and "Zangilan GDS" was continued.

1.2. On Shusha direction - "Big On the object "Construction of the Bahmanli-Shusha" main gas pipeline, the branches of the "Fuzuli" and "Agoglan (Hadrut)" gas pipelines branching off from that pipeline, as well as the "Shusha", "Fuzuli" and "Agoglan" gas distribution stations to be installed on the pipeline and branches":

- The "Fuzuli GPS" branch branching off from the commissioned "Boyuk Bahmanli - Shusha" main gas pipeline - 0.4 km and the "Agoglan GDS" branch - 22.1 km gas pipelines were laid, tested and connected to the existing system;

- The construction of "Fuzuli GPS" is under completion;

- Construction work is continuing at "Shusha" and "Agoglan GDS".

1.3. On Agdam direction - on the object "Construction of the "Azadgaragoyunlu - Agdam" gas pipeline and the "Agdam GDS" gas pipeline branch with the installation of a GDS on it":

- Construction works on the "Agdam GDS" installed on the commissioned "Azadgaragoyunlu-Agdam" main gas pipeline are under completion.

1.4. On Kalbajar direction - on the object "Construction of the "Agdam-Kalbajar" gas pipeline and the "Kalbajar Gas Distribution Station" (GDS) gas pipeline branch with the installation of a GDS on it":

- The "Agdam-Kalbajar" main gas pipeline L=124.1 km was laid, tested and connected to the existing system;

- Construction works were continued on Kalbajar GDS.

- "Kalbajar - Istisu" main gas pipeline L=27.2 km was laid, tested and connected to the existing system.

- Construction work was continued at "Istisu Gas Regulatory Station".

- "Agdam - Askeran" main gas pipeline L=18.7 km was laid, tested and connected to the existing system.

Figure VI.1. Laying of Agdam-Kalbajar gas pipeline

2. The construction of a 71 km long gas pipeline with a diameter of 1020 mm on the object "Reconstruction of the 0-210th km of Gazimammad - Gazakh (1st line) main gas pipeline" (section 0÷71st km, V complex) was completed and connected to the existing system. The newly laid gas pipeline section was connected to the existing gas pipeline ("Gazimammad-Gazakh I line" main gas pipeline) and also connected to the "Gazimammad-Gazakh II line" main gas pipeline.

3. For the 1st stage of the "Establishment of a SCADA system in the gas transportation network" project:

- In order to carry out feasibility studies and conceptual architecture works for the SCADA system, an assessment of the existing SCADA system in the gas transportation system of the Gas Export Department was carried out, a gap analysis was carried out in the existing SCADA system, alternatives were prepared and solutions were evaluated, a conceptual design was prepared, an Assessment report and an Improvement Road map were drawn up, the scope of work, budget and schedule of the Improvement Roadmap were prepared;
- For the purpose of preparation for preliminary design (PRE-FEED), the Project scope of work was drawn up, the Project objectives and results were determined, a plan reflecting the Project work schedule was prepared, a technical scheme of the process was drawn up, Initial P&ID drawings (pipelines and instrumentation diagrams; process overview of all important equipment, pipelines and instruments) were prepared, a preliminary plot plan of the site architecture was drawn up, a list of major equipment was prepared, risk mitigation plans were drawn up and an Economic Assessment Report was drawn up.

4. A 40 km long pipeline was laid on the "Construction of a new Ø720 mm main gas pipeline between Garadagh GDS and Digah GDS for reliable gas supply to Baku city" facility. Works were ongoing.

5. Tender competitions were held for the purchase of equipment envisaged in the 1st stage of the project on the "Reconstruction of Hajigabul Compressor Station (CS)" facility and the equipment was purchased. 9 (nine) AVOs existing in the KS underwent instrumental-diagnostic examination and hydraulic testing, reinforced concrete foundations for Turbo Compressor Units (TCU) were prepared. The construction of the control building and other parts is being continued by the "Oil & Gas Construction" Trust. The equipment envisaged in the 2nd stage is in the procurement stage based on the approval of the SOCAR Head Office.

3 (three) TCUs envisaged in the project were delivered to the Republic in the last months of 2024 under the contract concluded with the "LLAMREI DMCC" company. Currently, the work on installing the TCUs on site is ongoing.

6. A 3.7 km 720x12 mm pipeline was laid on the reconstruction facility of the 1st line main gas pipeline "Garadagh - Underground gas storage (UGS) branch". The work was ongoing.

➢ **During 2024, work was carried out on the following facilities in accordance with the capital repair program of fixed assets:**

1. A 2200 p/m Ø1020 mm pipeline was laid and connected to the existing system on the facility "Capital repair of 218-225th km section of Gazimammad - Gazakh (1st line) main gas pipeline".

2. A 1753 p/m Ø720 mm pipeline was laid and connected to the existing system on the facility "Capital repair of the 0-41st km section of the Garadagh GDS - Digah GDS main gas pipeline". Work is ongoing.

3. A 3361 p/m Ø720 mm pipeline was laid and connected to the existing system on the facility "Capital repair of sections of the Garadagh - Gazimammad main gas pipeline". Work is ongoing.

4. 1283 p/m Ø1220 mm pipeline was laid under the object "Major repair of sections 24.0-25.3 km, 71-72 km, 72.5-73 km, 74-75.8 km of the Altıagach - Agsu main gas pipeline and concrete reinforcement works at the 58.2-58.6 km section". The work is ongoing.

5. 2438 p/m Ø1020 mm pipeline was laid, tested and connected to the existing system under the object "Major repair of the Ø1020 mm inlet duct of Hajigabul KS".

6. 1717 p/m Ø1068 mm pipeline was laid on the object "Major repair of sections of the Astara - Qazimammad main gas pipeline (main line) to ensure safe operation at a pressure of 2.5 MPa". The work is ongoing.

The works carried out by "Azerigas" PU in the field of gas supply in 2024 (as of 01.01.2025)

Table VI.1

№	Action	Indicator
1.	Total number of subscribers using natural gas,	2,655,103
	including:	
	- residential subscribers	2,609,783
	- non-residential subscribers	45.320
2.	Number of newly registered subscribers in the reporting year,	81.104
	including:	
	- residential subscribers	78.268
	- non-population subscribers	2.836
3.	Volume of gas consumed, billion m^3,	7.561
	including:	
	- in Baku city	3.504
	- in the regions	4.057
4.	Newly laid gas pipelines (km),	355.95
	- including in regions	343.54
5.	Gas pipeline overhauled (km),	346.1
	- including in regions	263.3
6.	Gasification level in the republic (in percent),	96.51
	- including in the regions	94.49
7.	Number of settlements gasified during the year,	37
	including:	
	- gasification completed	18
	- gasification in progress	19
8.	Number of new residential areas gasified during the year,	42
	including:	
	- gasification completed	24
	- gasification in progress	18

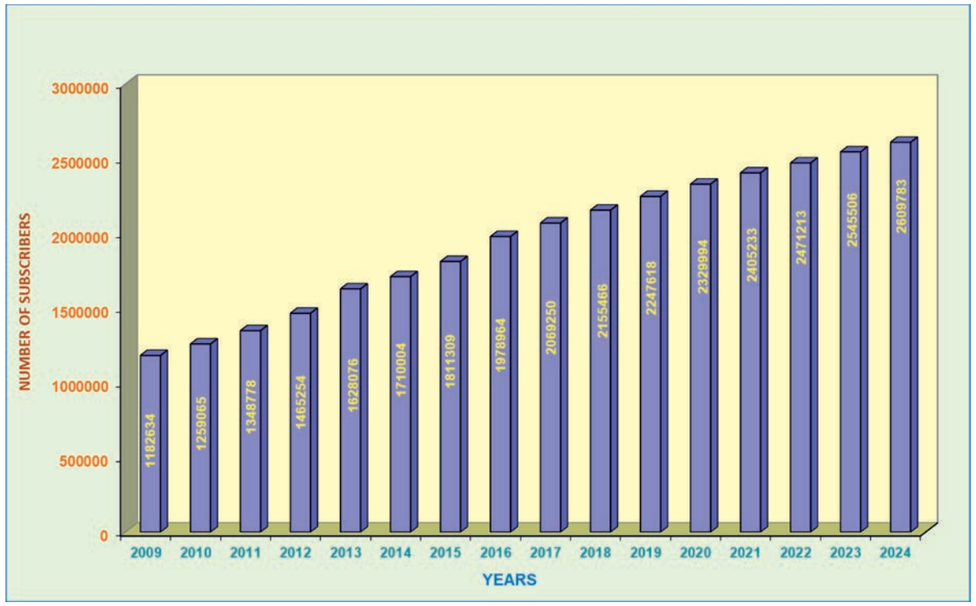

Diagram VI.1. *Total number of residential subscribers supplied with gas in the Republic*

The works carried out by the "Azerigas" PU in 2024 in connection with the implementation of the "1st State Program on the Great Return to the Liberated Territories of the Republic of Azerbaijan".

Currently, construction of underground gas pipelines is ongoing in the Khudafarin settlement of the Jabrayil region. 25.9 km of the settlement's gas pipeline was laid. 91% of the work was completed.

11,425 meters of polyethylene underground gas pipeline were laid for the laying of the gas pipeline in the Zar village of the Kalbajar region. The work was completed 100%.

730 meters of steel pipes were laid for the gasification of the "Istisu" mineral water plant in the Kalbajar region. The work was completed 100%.

3,336 meters of polyethylene pipes were welded for the gasification of the "Istisu" Treatment and Recreation Complex in the Kalbajar region. The work was completed 97%.

In the village of Hasanriz, Aghdara district, 10,972 meters of steel and 5,220 meters of polyethylene carrier gas pipelines were laid for the construction of internal distribution gas pipelines, and internal gas lines and gas meters of 90 private houses were installed. The work was completed 100%.

In the city of Khankendi, 53.5 km of intra-city gas pipelines were tested for tightness by air by the "Azerigas" PU. Gas meters were installed in 340 apartments

in 18 buildings. Natural gas was supplied to 819 apartments in 31 buildings in Khankendi. The first gas supply was made on 17.10.2024. Gas lines of 15 buildings (up to the meter) were checked for tightness and strength.

In the village of Ballyja, Khojaly district, 2.3 km of gas lines of various diameters were repaired, and 3 km of gas lines of various diameters going to the village were checked for tightness and strength. As of 13.12.2024, 49 subscribers were provided with natural gas.

Residential areas supplied with gas

Table VI.2

	District	Settlements	Date
1.	Shusha	Shusha city (to the boiler room of 23 residential buildings)	Mə ch, 2024
2.	Lə hin	Sus villg e	August, 2024
3.	Khojaly	Khojaly city	June, 2024
4.		Bə lyja villg e	December, 2024
5.	Jə rayil	Jə rayil city	September, 2024
6	Khankendi	Khankendi city	November, 2024

VII. REFINERY AND PROCESSING OF OIL, GAS AND PETROCHEMICALS

Oil refinery. In 2024, 5803.4 thousand tons of crude oil were refined at the Heydar Aliyev Refinery (OR) of the State Oil Company of Azerbaijan Republic (SOCAR). Of this, 1248.5 thousand tons of gasoline, 589.2 thousand tons of jet fuel, 2060.6 thousand tons of diesel fuel, 178.2 thousand tons of liquefied gases, 265.0 thousand tons of bitumen, 12.2 thousand tons of lubricants, 183.3 thousand tons of coke and other products were produced. As a result of the actions taken during the reporting year, the depth of oil refining was 97.5%. (Table VII.1).

Oil refining and oil product production in 2023-2024

Table VII.1, thousand tons

	2024			2023	Regarding to 2023, %
	Forecast	Actual	Regarding the forecat,%		
Oil refinery	6,500.000	5,803.369	89.3	6,290.230	92.3
Mixture of petroleum prod. (Absorbent)		1,646			
Total - raw materials	6,500.000	5,805.015	89.3	6,290.230	92.3
Production of commercial petroleum products					
Car gasolines	1,509.073	1,248.452	82.7	1,464.351	85.3
Hydrotreated gasoline (for chemistry)	313.203	191.272	61.1	267.728	71.4
Total gasoline:	1,822.276	1,439.724	79.0	1,732.079	83.1
Jet fuel	550,261	589,160	107,1	594,129	99,2
Diesel fuel	2,355.632	2,060.584	87.5	2,311.381	89.1
Light-colored products	4,728.169	4,089.468	86.5	4,637.589	88.2
Liquefied gas	317.285	178.244	56.2	237.644	75.0
Petroleum coke	226.649	183.341	80.9	231.663	79.1
Petroleum bitumen	307.080	264.952	86.3	277.816	95.4
Lubricating oils	27.904	12.178	43.6	8.916	136.6
Heating oil	28.490	26.672	93.6	-4.739	
Purified dry gas (for chemistry)	59.217	39.150	66.1	46.287	84.6
Light sputum	262.466	214.698	81.8	296.103	72.5
Hydrotreated light sputum	2.860	3.175	111.0	4.427	71.7
Atmospheric gasoil fraction	146.541	122.397	83.5	174.149	70.3
Vacuum gasoil	123.452	197.401	159.9	59.420	332.2
TOTAL production of commercial petroleum products:	6,232.313	5,331.791	85.6	5,980.369	89.2

89.1% of oil products sold during the year were directed to the domestic market, and the remaining 10.9% were exported.

Taking into account the dependence of oil product production on the loading of raw materials into technological units operated at the refinery, these data are reviewed in Table VII.2.

Information on the loading of raw materials into technological units at the ORP

Table VII.2, thousand tons

Units	2024	2023	
	Actual	Actual	%
Preprocessing unit (No.21)	3,899.085	4,604.845	84.7
Preprocessing unit (No.202)	933.844	1,089.913	85.7
Preprocessing unit (No.305)	1,025.063	814.973	125.8
Total preprocessing	5,857.992	6,509.731	90.0
Catalytic reformer (No.31)	562.407	702.170	80.1
Isomerisation (No. 34)	86.353		
Delayed coking unit (No.43)	996.338	1,261.996	78.9
Catalytic cracking unit (No.55)	1,346.413	1,777.482	75.7
Hydrotreating unit (No. 51)	591.982	1,454.904	40.7
Diesel fuel hydrotreating unit (No. 32)	1,954.141	1,301.167	150.2
Naptha hydrotreating (No.35)	288.923		
Methyl tert-butyl ether (MTBE) (No.56)	56.408		
Amino-cleaning (No.45)	110.497		
Mercaptan oxidation (MEROX) (No.57)	112.270		
Bitumen production (No. 401)	231.502	205.993	112.4
New bitumen production (No. 23)	34.452	73.009	47.2
Total bitumen production:	265.954	279.002	95.3
Hydrotreating unit (No. 501)	154.932	298.012	52.0
Acid-base contact cleaning (No. 103)	23.598	12.265	192.4
TOTAL:	13,582.854	13,596.729	99.9

Information on the percentage of output of target products in technological units, which is one of the indicators characterizing the efficient processing of raw materials at the plant and the consumption of raw materials for target products, is reviewed in Table VII.3.

Information on the percentage of output of target products in technological units (%)

Table VII.3

Units	2024			2023	
	Forecast	Actual	Difference	Actual	Difference
Preprocessing unit-6 (No.21)	49.6	56.5	6.9	56.1	0.4
Preprocessing unit-2 (No.202)	41.1	44.8	3.7	39.7	5.1
Preprocessing unit-2 (No.305)	41.1	44.4	3.3	41.8	2.6
Primary processing of oil - total	47.9	52.5	4.6	51.6	0.9
Catalytic reformer (No.31)	89.0	88.9	-0.1	88.3	0.6
Delayed coking unit (No.43)	65.8	68.1	2.3	69.2	-1.1
Hydrotreating unit (No. 51)	99.6	98.3	-1.3	97.8	0.5
Hydrotreating unit (No. 32)	99.7	97.2	-2.5		97.2
Catalytic cracking unit (No.55)	61.1	62.6	1.5	62.0	0.6
Bitumen production	99.5	99.6	0.1	99.6	0

On losses of oil and oil products. The design and regulatory documents of each technological unit operated at the oil refining complex indicate information on the loss rates arising during that process. Therefore, losses at the plant are formed depending on the loss norms provided for in the regulations at the processing facilities and the volume of processed raw materials. As a result of the actions taken at the plant, losses of oil and oil products at the Heydar Aliyev Refinery in 2024 were 28.8 thousand tons or 20.9% lower than the amount expected by the norms for the actually processed raw materials.

On the consumption of catalysts and reagents. Various catalysts and reagents are used in the technological facilities operated at the plant for the normal operation of each process in accordance with the regulations. In the reporting year, 6.6 thousand tons of various catalysts and reagents were saved at the oil refinery.

On the consumption of fuel and energy resources. Taking into account the special importance of the consumption of fuel and energy resources in the formation of costs related to the production of petroleum products, information on their consumption in the reporting year was reviewed (Table VII.4).

On fuel, heat and electricity consumption at the oil refining complex in 2024

Table VII.4

Indicators	Unit of measurement	Consumption on norm	Actual consumption	Savings (-) surplus consumption (+)
Fuel	tfe *	6,508.10	633.666	- 17144
Electrical power	ths. kW/h	577.263	494.865	- 82.398
Thermal power	Gcal	1,224.303	1,103.974	- 120.329

* tfe – ton of equivalent fuel (1 tefuel = 7000 Mcal)

Analysis of data on fuel and energy resource consumption shows that all types of energy resources were used economically. As a result of various organisational and technical actions taken to reduce energy resources at the oil refinery, 17.1 thousand tons of conventional fuel were saved as technological fuel, 82.4 million kWh of electricity and 120.3 thousand Gcal of thermal energy.

Production of petrochemical products. ***"Azerkimya" Production Unit*** completed 2024 with the following technical and economic indicators compared to 2023 (Table VII.5).

Table VII.5

Description of products	Unit of measurement	2024			2023	
		Forecast	Actual	%	Actual	%
Raw material	Tons	666,885.0	455,802.9	68.3	591,409.9	77.1
Polyethylene	Tons	90,412.0	49,238.1	54.5	81,642.94	60.3
Ethylene	Tons	184,782.0	129,250.3	69.9	165,631.29	78.0
Propylene	Tons	164,641.0	121,428.0	73.8	153,055.0	79.3
Butane-butylene fraction	Tons	0	201.0	-	7 948.0	2.53
Liquid pyrolysis resin	Tons	124,567.0	81,588.0	65.5	114,811.0	71.1
Hard pyrolysis resin	Tons	28,863.0	37,899.2	131.3	34,280.15	110.6
Pure IPS	Tons	0	0	0	760.43	0

In 2024, "Azerkimya" PU processed 455.8 thousand tons of petrochemical raw materials and produced 129.2 thousand tons of ethylene, 121.4 thousand tons of propylene and 119.5 thousand tons of other valuable pyrolysis products. The actual yield of olefins in the EP-300 pyrolysis unit was 55.0%. The amount of polyethylene produced during the year was 49.2 thousand tons.

Information on fuel, heat and electricity used in "Azerkimya" PU in 2024 is shown in the table below (Table VII.6).

Fuel, thermal and electricity consumption at "Azerikimya" PU

Table VII.6

	Energy resources	Unit of measurement	Consumption on norm	Actual consumption	(-savings) (+surplus consumption
1.	Total for fuel, including: natural gas methane-hydrogen fraction	tfe	189354 11631 177723	187871 10148 177723	- 1483 - 1483 -
2.	Electrical power	Ths. kW/h	156632	154271	-2361
3.	Thermal power	Gcal	1390645	1593024	202379
4.	Technical water - Jeyranbatan	Ths. m^3	3349	3003	-346

In 2024, 46% of the petrochemical products produced at "Azerikimya" PU were directed to the domestic market, and 53% were exported.

The ***Methanol Plant*** produced 516.5 thousand tons of methanol products in 2024. During the reporting period, 502 thousand tons of methanol products were sold, of which 476 thousand tons (94.8%) were exported, and 26.0 thousand tons (5.2%) were sold to the domestic market (Table VII.7). The main export destinations were Turkey, Romania, Italy, Slovenia, Israel, Spain, and the Netherlands.

Table VII.7

Description of products	Unit of measurement	2024			2023	
		Forecast	Actual	%	Actual	%
Crude gas	Ths. m^3	520000	555257	106.8	535930	103.6
Methanol production	Tons	476159	516511	108.5	494590	104.4
Consignment for sale, total	Tons	495000	501736	101.4	516950	97.1
Including, for domestic market	Tons	21000	25611	122.0	15379	166.5
For export	Tons	474000	476125	100.5	501571	94.9

Figure VII.1. Methanol Plant

During the reporting period, 652.3 thousand tons of urea products were produced at the ***Carbamide Plant***. 633.1 thousand tons of urea products were sold, of which 63.3 thousand tons (10.0%) were sold on the domestic market, and 569.8 thousand tons (90.0%) were exported (Table VII.8). The main export destinations were Romania, Turkey, Ukraine, Brazil, Spain, Italy and Bulgaria.

Table VII.8

Description of products	Unit of measurement	2024			2023	
		Forecast	Actual	%	Actual	%
Crude gas	Ths. m^3	385000	412981	107.3	353996	76.7
Carbamide production	Tons	550000	652339	118.6	453582	82.5
Consignment for sale, total	Tons	550000	633089	115.1	467024	84.9
Including, for domestic market	Tons	150000	63257	42.2	101296	67.5
For export	Tons	400000	569832	142.5	365728	91.4

SOCAR Polymer LLC produced 124.2 thousand tons of polypropylene products and 72.5 thousand tons of high-density polyethylene products in 2024. 98.9% of the products were exported, and 1.1% were sold on the domestic market (Table VII.9). The main export destinations were the markets of Russia, Turkey and Belarus. In total, polymer products were exported to 5 countries.

Table VII.9

Indicators	Unit measurement	2024			2023	
		Forecast	Actual	%	Actual	%
High-Density Polyethylene (HDP)						
Crude ethylene	Tons	88.445	70.990	80.3	79.299	96.4
Producing of HDP	Tons	86.130	72.471	84.1	81.124	96.6
Consignment for sale, total	Tons	91.521	77.575	90.1	74.902	89.2
Including, for domestic market	Tons	1.800	723.0	40.1	343	4.1
For export	Tons	89.721	76.852	85.7	74.559	98.6
Polypropylene						
Crude propylene	Tons	174.444	120.403	69.0	153.146	126.4
Crude ethylene	Tons	8.084	6.150	76.1	4.232	54.4
Total crude	Tons	182.528	126.553	69.3	157.378	122.0
Producing of propylene	Tons	170.904	124.229	72.7	153.026	122.5
Consignment for sale, total:	Tons	179.994	128.283	75.1	180.432	144.4
Including, for domestic market	Tons	9.420	1.491	15.8	5.969	47.8
For export	Tons	170.574	126.792	74.3	174.463	155.1

Figure VII.2. SOCAR Polymer Plant

Gas processing and products obtained from gas processing. The main indicators of natural gas processing and production of finished products at the Gas Processing Plant in 2024 were as follows (Table VII.10).

Information on natural gas processing and production of finished products at the Gas Processing Plant in 2024

Table VII.10

Product	Unit of measurement	2024			2023	
		Forecast	Actual	%	Actual	%
Crude natural gas	mln. m^3	3503.02	3377.53	96.4	3506.84	100.1
Purified dry gas	mln. m^3	3437.42	3326.66	96.8	3457.22	100.6
Producing technical butane	Ths. tons	9.54	12.19	127.8	11.23	98.5
Producing of gasoline (naphta)	Ths. tons	21.23	26.03	122.6	24.80	119.5

The data shows that in the reporting year, the plant actually processed 3377.5 million m^3 of natural gas, meeting the forecast indicators by 96.4%. This indicator was 100.1% in 2023. During 2024, the plant produced 12.2 thousand tons of technical butane and 26.0 thousand tons of gas gasoline, along with 3326.7 million m^3 of purified natural gas.

The entire volume of produced gas gasoline was supplied to SOCAR's "Azerikimya" PU as raw material, and the entire volume of technical butane was delivered to SOCAR's Marketing and Economic Operations Department (MEOD).

VIII. PRIME COST

SOCAR, one of the country's largest companies, produces and sells oil, gas, oil and gas products and petrochemicals. Taking into account the specific weight of the costs incurred for the production of crude oil in the composition of the costs incurred for the production of oil products, an analysis of the cost of oil and natural gas was conducted for SOCAR's oil and gas production departments.

In 2024, the cost of production of 1 ton of oil amounted to 160.51 manat, an increase of 16.91 manat or 11.8% compared to the corresponding period of the previous year.

The actual costs incurred for oil production by the company are given in the table below.

Table VIII.1

Cost items	Unit of measurement	2024	Share	2023	Share
Material costs	Ths. manat	32476	3.1	32988	3.4
Fuel costs	-"-	2826	0.3	2718	0.3
Electricity costs	-"-	7911	0.8	7025	0.7
Salary expenses	-"-	164432	15.7	152247	15.6
Social insurance and expenses of pension fund	-"-	36714	3.5	34511	3.5
Depreciation of fixed assets	-"-	213866	20.4	184447	18.9
Maintenance costs for fixed assets	-"-	144318	13.8	149057	15.3
Transportation expenses	-"-	126791	12.1	111308	11.4
Security expenses	-"-	25802	2.5	29042	3.0
Mine tax	-"-	66203	6.3	69136	7.1
Other taxes	-"-	48032	4.6	46613	4.8
Other services	-"-	137487	13.1	122939	12.6
Other costs	-"-	40935	3.9	32183	3.3
Total production expenses	-"-	1047793	100.0	974214	100.0
Spent expenses for the commercial product	-"-	945145		898945	
Commercial product	tons	5888458		6259942	
Cost price of per ton oil	manat	160.51		143.60	
Administrative costs of OGPDs	Ths. manat	74650		73512	
Other non-production costs	Ths. manat	9162		10483	
Assessment of change of internal turnover and residuals	Ths. manat	18 836		-8 726	

The share of material costs in the total production costs incurred by the company for oil production is 3.1%, fuel costs 0.3%, electricity costs 0.8%, salary costs 15.7%, social insurance contributions 3.5%, depreciation of fixed assets 20.4%, costs for repair and maintenance of fixed assets 13.8%, transportation costs 12.1%, security costs 2.5%, mining tax 6.3%, other taxes 4.6%, costs for other services 13.1%, and other costs 3.9%.

In 2023, the actual production cost of 1000 m^3 of gas was 80.25 manat, which is an increase of 4.22 manat or 5.5% compared to the previous year.

The actual costs incurred for gas production by the company are given in the table below.

Table VIII.2

Cost items	Unit of measurement	2024	Share	2023	Share
Materials costs	Ths.manat	10541	2.6	12360	2.8
Fuel costs	-"-	1181	0.3	1428	0.3
Electricity costs	-"-	1483	0.4	1680	0.4
Salary expenses	-"-	53009	13.0	55963	12.6
Social insurance and expenses of pension fund	-"-	12368	3.0	12876	2.9
Depreciation of fixed assets	-"-	69271	17.0	63197	14.3
Maintenance costs for fixed assets	-"-	54562	13.4	69403	15.7
Transportation expenses	-"-	53379	13.1	54091	12.2
Security expenses	-"-	9341	2.3	12284	2.8
Mine tax	-"-	66110	16.2	74645	16.8
Other taxes	-"-	16464	4.0	16851	3.8
Other services	-"-	49614	12.2	55494	12.5
Other costs	-"-	9945	2.4	13047	2.9
Total production expenses	-"-	407268	100.0	443319	100.0
Spent expenses for the commercial product	-"-	374461		40 071	
Commercial product	Ths.m^3	4666322		5367060	
Cost price of 1000 m^3 gas	manat	80.25		76.03	
Administrative costs of OGPDs	Ths. manat	27634		29642	
Assessment of change of internal turnover and residuals	Ths.manat	5173		5606	

The share of material costs in the total costs of gas production for the company is 2.6%, fuel costs 0.3%, electricity costs 0.4%, salary costs 13.0%, social insurance contributions 3.0%, depreciation of fixed assets 17.0%, costs of repair and maintenance of fixed assets 13.4%, transportation costs 13.1%, security costs 2.3%, mining tax 16.2%, other taxes 4.0%, costs for other services 12.2%, and other costs 2.4%.

In addition to the costs of gas production, purchase from "Azercontract" JSC and import, the actual cost of 1000 m^3 of gas sold by SOCAR in 2024, taking into account the

costs of gas processing, storage, transportation and distribution, was 176.82 manat. The table below provides a comparison of the cost of a commodity unit (excluding mining tax).

Table VIII.3

	Production prime cost of total output (without mine tax), in Manat		In comparison with 2023	
	2024	2023	%	+,-
1. Oil, 1 ton	149.27	132.56	12.6	16.71
2. Gas,1000 m^3	66.08	62.12	6.4	3.96

As can be seen from the table, the cost of oil and gas for the Company increased. The increase in the cost of oil compared to the previous year was due to an increase in fuel costs, electricity costs, wages and social insurance costs, depreciation costs of fixed assets, transportation costs, other taxes, costs for other services and other costs. Thus, fuel costs increased by 108 thousand manat (4.0%), electricity costs by 886 thousand manat (12.6%), salary costs by 12,185 thousand manat (8.0%), social insurance costs by 2,203 thousand manat (6.4%), depreciation costs of fixed assets by 29,419 thousand manat (15.9%), transportation costs by 15,483 thousand manat (13.9%), other taxes by 1,419 thousand manat (3.0%), expenses on other services by 14,548 thousand manat (11.8%) and other expenses by 8,752 thousand manat (27.2%).

The increase in the cost of gas was mainly due to the decrease in commercial gas production compared to the previous year. Commercial gas production was 700,738 thousand m^3 or 13.1% less than the previous year.

Figure VIII.1. SOCAR gas station

IX. MECHANICS AND ENERGETICS

During 2024, new projects were implemented in the Mechanical, Energy and Production Process Automation Departments of the Technical Maintenance, Reliability and Integrity Department in SOCAR's business units for exploration, development, production storage, transportation and distribution of oil and gas fields, and raw material processing, and technical maintenance, overhaul, testing and adjustment, metrological inspection, etc. services were performed on mechanical machinery and mechanisms, energy installations and equipment, instrumentation devices, as well as other installations and equipment in accordance with the requirements of relevant regulatory documents. The initiatives were implemented in the direction of «Optimization of Maintenance Activities» to increase the efficiency of activities and optimize costs. Over the past period, a systematic approach to equipment maintenance and repair work was provided, an electronic statistical database on repairs was created, and a system for analyzing and researching the causes of equipment and their parts failure was created and launched. Systematic shortcomings and contradictions in the planning and organisation of repair work were eliminated. The improvements in work organisation, elimination of downtime, and improvement efforts were implemented successfully.

Mechanical activities.

On "Azneft" PU.

Overhaul of oilfield equipment:

Under the contracts concluded between the winning contractors of the competitions held with "Azneft" PU, overhaul works were carried out on 41 units of oilfield equipment of various brands (amount: 593,597.00 manat excluding VAT).

Defectoscopy of welded joints:

- Under the contract concluded between "Azneft" PU and "Oil & Gas Construction" Trust, defectoscopy works were carried out on the barbets of 23 cranes on the balance of "28 May" and "Neft Dashlary" OGPDs (amount: 90,470.70 manat excluding VAT).

Technical maintenance of platform cranes:

Based on the contract concluded between "Azneft" PU and "Olerni Servis" LLC, technical maintenance was provided to "HAK" brand platform cranes on the balance of "28 May" and "Neft Dashlary" OGPDs (amount: 194,778.00 manat excluding VAT).

Defectoscopy of oilfield equipment:

- Based on the contract concluded between "Azneft" PU and "Caspian Engineering Solutions" LLC, 4588 units of various brands of oilfield equipment were defectoscopy tested in structural organisations (amount: 376,232.00 manat excluding VAT).

- Based on the contract concluded between "Azneft" PU and the structures of the Ministry of Emergency Situations of the Republic of Azerbaijan, defectoscopy and technical inspection of 236 technological equipment and devices of various brands that expired their service life and are operated at the GSOE are planned to be carried out and an expert opinion is issued (50% advance payment, 313,900.00 manat excluding VAT).

Testing of towers and booms:

According to the contract concluded between "Azneft" PU and the structures of the Ministry of Emergency Situations of the Republic of Azerbaijan, testing of towers, booms and hoists of various brands was carried out in structural organisations (amount: 273,500.00 manat excluding VAT).

Equipment expertise and restoration of technical passports:

Based on the contracts concluded between "Azneft" PU and the Azerbaijan State Scientific Research Institute of Labor Protection and Safety Techniques of the Ministry of Emergency Situations of the Republic of Azerbaijan, expertise of various brands of oil and gas equipment was carried out and provided with a safety certificate (amount: 655,300.00 manat excluding VAT).

Repair and testing of propane cylinders:

Based on the contract concluded between "Azneft" PU and "Meishet Maye Gaz" CJSC, a total of: 129 propane cylinders were repaired and tested by structural organisations (amount: 4,526.91 manat excluding VAT).

Repair and testing of oxygen cylinders:

Based on the contract concluded between "Azneft" PU and "Oil & Gas Construction" Trust, 267 oxygen cylinders were repaired and tested by structural organisations (amount: 9,619.64 manat excluding VAT).

Helium cylinder repair and testing:

A total of 209 40-liter helium cylinders were repaired and tested by the Diving Service based on the contract concluded between "Azneft" PU and "Chinar Servis" LLC (amount: 13,961.00 manat excluding VAT).

Fire extinguisher cylinder repair and refilling:

A total of 241 fire extinguisher cylinder repair and refilling works were carried out by structural organisations based on the contract concluded between "Azneft" PU and "Fire Group" LLC (amount: 3,555.29 manat excluding VAT).

Registration of lifeboats to be installed or requiring periodic inspection in the Russian Maritime Register of Shipping in Azerbaijan:

Based on the agreement concluded between "Azneft" PU and "Russian Maritime Register of Shipping in the Republic of Azerbaijan" LLC, registration of 2 lifeboats in the Russian Maritime Register of Shipping was carried out (amount: 7,040.13 manat excluding VAT).

Figure IX.1. Lifeboat testing

Services of the Diving Service in the field of 200-meter Mobile Deep Diving Complex:

Based on the agreement concluded between "Azneft" PU and "ARS Engineering LTD", annual inspection of the fire extinguishing system and fire extinguishing cylinders of 200-meter mobile deep diving complex (MDDC-200) was carried out (amount: 1,412.00 manat excluding VAT).

Execution of Planned Preventive Maintenance (PPM) in the SAP PM module:

In January-December 2024, 23,864 jobs were planned and 23,416 jobs were performed according to the PPM schedule for "Azneft" PU. 448 jobs were not performed due to other important work (change in technological regime, removal of equipment, transfer of equipment to another department, etc.).

In order to fulfill the tasks on oil and gas production, delivery and other indicators in 2024, and to stabilize and increase their level, periodic maintenance, repair and adjustment works on equipment were widely performed in the mechanical departments of individual structural organisations to increase the reliability of oil and gas equipment.

Automation of production processes.

At "28 May" OGPD:

- Installation and adjustment of instrumentation and automation means at the 3 and 4-line oil-accounting junction in 13B park under the object "Installation of an economic accounting oil reporting junction in the area of reprocessing and delivery of Dubandi oil" have been completed;
- Wells No. 341 in DOP10 and No. 312 in DOP13 were connected to a new remote automatic control station (RACS) and adjusted and put into operation;
- DSS-712 flow meters installed on wells No. 85 on platform No. 5; 59 and 56 on platform No. 11; 89, 97, 273 on platform No. 15 were replaced with electronic devices and their parameters were transferred to the computer;
- Due to the pressure increase in the RACS, safety valves were installed on the impulse lines in DOP14;
- In DOP4, 20" low-pressure gas line was provided to the "Araz" terminal;
- A stand was created for checking Coriolis and Turboquants in the workshop;
- A laboratory was created for checking manometers collected from the fields after repair;
- 284 pilot valves installed in the discharge lines of the wells on the platforms were checked and installed;
- Safety valves inside the RACS on platforms No. 2, 8, 7, 14 and 15 were checked. Work is ongoing.

At "Neft Dashlary" OGPD:

- A 6-well automatic gas distribution unit (AGDU) was installed and adjusted in the platform No. 2387 and put into operation in automatic mode;
- 4 measuring nodes for gas measurement were installed and put into operation on the newly laid gas lines CS-BPS (compressor station - block pumping station), GSP-GTPP (gas storage point - gas-turbine thermal power station);
- Evacuation alarm systems were installed in the production areas 331, 418, 1779, 1637A, 1541A, COGP (central oil gathering point), CTP (commodity tank park);
- Control measuring devices were installed to monitor well parameters in connection with the application of smooth

control systems in 26 wells operating with sucker road pump (SRN);

- 10 wi-fi routers were installed and put into operation in the dormitories of the department for the purpose of connecting employees to the Internet;
- A pressure laboratory was created in the APP (automation of production processes) and Instrumentation area and documentation work for accreditation was started.

At "Absheronneft" OGPD:

- New modern monitors were installed for operational control of parameters in oil heating furnaces and archiving of data;
- Electronic gas meters at commodity and internal gas-measuring junctions (GMJs) were calibrated, diaphragms were periodically checked and replaced;
- In connection with digitalization, 3 wells in platform No. 20 were connected to the system and are monitored and controlled remotely;
- 763 measuring devices and 1600 manometers were periodically checked by "AzeTEST Experimental Testing Center" LLC and "Optimum Metrology Service" LLC.

At N.Narimanov OGPD:

- Instrumentation devices were installed and adjusted in the technological block of the object "Construction of FOP No. 18 for drilling 1 exploration and 4 production wells in the Bulla-deniz field";
- The testing laboratory was accredited. The documents for the accreditation of the newly created calibration laboratory in the APP and INSTRUMENTATION areas were submitted to the accreditation center.
- 2-well hydraulic control station at FOP No. 122 was replaced with 3-well control station.

At A.Amirov OGPD:

- During 2024, 3432 works were performed on PPM and 349 works on SAP PM;
- During the year, 24658 dynamograms (726 adjustments) were performed on the "NUR" system at the OGPF No. 1, 30328 dynamograms (1161 regulation), and 7448 dynamograms (405 regulations) were issued for OGPS No. 5.

At "Bibiheybatneft" OGPD:

- 3974 technical maintenances were planned for 2024 under PHT, of which 3974 were performed (100%);
- In OGPF No. 1, 2, 3 and 4, a total of 45 wells that were not drilled were fully assembled with automatic means and connected to the Sabis system.

At "Siyazanneft" OGPD:

- Technical maintenance was provided to 18 sets of Hydraulic Weight Indicators used in the capital and underground repair of wells. Technical maintenance was provided to exemplary manometers used in measuring gas, oil, air, and pressure in production areas;
- Technical maintenance was provided to 2 UDU-10 type level gauges operated in the oil storage reservoirs of the Complex Oil Preparation and Transportation Area service was provided.

At Experimental Production Enterprise for Repair and Rent of Submersible Unit:

In the mechanical assembly area of the Experimental Production Enterprise for Repair and Rent of Submersible Unit, work was carried out under the service contract No. 385/XM/2023 between "Azneft" PU and "Smart Technologies Solutions" CJSC on 18.09.2023 for the provision of technical and software support services

to CNC program-controlled lathes, milling machines, drilling machines and other mechanical processing machines manufactured by the German KAAST company. Testing and adjustment and service work on the electronic control system of 1 program-controlled lathe IVL-25 type, 1 CNC 650 type, 1 CNC 700 type, 1 CNC 2P5.5 type were performed, adjusted and put into operation.

Energy activities.

At "28 May" OGPD:

Under the project for the overhaul of electrical supply at DOP 5, 6/0.4 kV/1000 kVA transformers were installed at the 6 kV substation at DOP No. 5. The works on laying cable routes and cables, and installing equipment at 6 kV distribution facilities are ongoing.

In connection with the change in the development method at the "Chilov" field of the "28 May" OGPD, 17 piles were driven and 12 supports were installed at the facility where the reconstruction of the power supply system was completed between fields 85-123 of the "Chilov" field. 17 piles were driven and 13 supports were installed between fields 86-95.

At "Neft Dashlary" OGPD:

Within the scope of the project "Expansion of the Gas Turbine Generator Plant for the Installation of 2 Additional Gas Turbine Generators of the "Neft Dashlary" OGPD", Taurus-70 gas turbine sets GT-100.170 and GT-100.180 were installed and put into operation at the "Neft Dashlary" OGPD;

In 2024, a Taurus-70 gas turbine engine and a gearbox (reducer) were installed in 1 gas turbine generator set (GT-100.110) at the "Neft Dashlary" OGPD;

A switchgear building was constructed at the scope of the installation and commissioning of 2 6/0.4 kV TM-1600 kVA power transformers at the "Neft Dashlary" OGPD. Cableways were installed. Lighting works were carried out;

34 Construction and installation works on the commissioning facility of the 6/0.4 kV Distribution Unit (DU) were completed. The Working and State Acceptance Commissions were held.

At N.Narimanov OGPD:

The equipment was installed under the project "Reconstruction of the energy system at the pier and trestle pier, Khara-Zira, "8 March" fields", and the work on laying and connecting cable lines is ongoing;

The energy system was reconstructed and put into operation under the project "Creation of a technological system by expanding the Alat-deniz field 7/41 FOP";

The construction works of the DU-OCP building are being carried out under the project "Reconstruction of 6/0.4 kV distribution units DU-8, DU-OCP, DU-30";

The electrical installation works of the 6 kV DU at the electronic control module 441 (ECM) were completed, and the facility was put into operation.

At "Absheronneft" OGPD:

In the "Darvin field" fed by the grid voltage at sea, 7 high-voltage 0.4 kV and 6 kV submarine cables between the FOPs were overhauled and put into operation by the cable repair team (DU4 – FOP 735, FOP 620 – FOP 660, FOP 620 – FOP 600, DU 6 – FOP 1120, FOP 735 –500, TP 562 – FOP 6, FOP1100-890, DU2 – FOP 740) during 2024.

6/0.4 kV substation No. 26 was equipped with modern equipment and put into operation.

At "Bibiheybatneft" OGPD:

According to the project "Reconstruction of distribution facilities No. 21 and 43 of "Bibiheybatneft" OGPD", the building of

6/0.4 kV substation No. 21 was constructed, high (6 kV) and low (0.4 kV) voltage electrical equipment and relay-protection equipment meeting modern standards were installed and adjusted. Two 6 kV cable lines No. 1 and 2 were laid between 6/0.4 kV substation No. 21 and 35/6 kV substation No. 102 of "Azerishig" JSC. Substation No. 21 was put into operation.

At A.Amirov OGPD:

321A and 65A Distribution Units were built as part of the completion of the project "Reconstruction of electrical supply No. 2 and 3" of the A.Amirov OGPD.

In the "Muradkhanly" service area of the OGPD No. 4, a new line was laid between 43 supports to transfer the water-borne part of the existing 6 kV ATEL, which supplies wells No. 67, 75, 63 and 58 with electricity, to the dry area, 1 KRN-type line separator was installed to connect the newly laid line with the existing lines, and the line in an emergency condition was removed from the scheme.

Figure IX.1. *Preventive works in transformer point*

At "Siyazanneft" OGPD:

Design and estimate documents were prepared for the reconstruction of the Sadan 6 kV s Distribution Units. Equipment is in the process of being ordered.

At Gas Storage Operation Enterprise:

Works on the project "Adjusting the temperature in the building where 6 900 kVA UPSs are located in Galmaz GSS" were completed.

Works on the project "Reconstruction works at the "Alat" 110/35/6 kV substation" were started, 10% of the work was completed, and work on the project is ongoing.

At Experimental Production Enterprise for Repair and Rent of Submersible Unit

35 electric motors ranging from 0.5-100 kW, which were provided by external enterprises, were overhauled at the Experimental Production Enterprise for Repair and Rent of Submersible Unit.

X. CAPITAL INVESTMENT

In 2024, actual capital (fixed assets) investments in SOCAR amounted to 1,989,288.1 thousand manat, including 206,882.9 thousand manat for drilling, 1,531,483.4 thousand manat for construction, 95,265.4 thousand manat for equipment that does not require installation, and 142,479.9 manat for geological exploration works.

Main actual indicators included in the structure of capital (fixed assets) investments in 2024 as compared to 2023:

Table X.1, thousand manat

Indicators	2024	2023	%
Capital outlay	1,774,358.2	1,192,551.0	148.8
including:			
Drilling	206,882.9	201,993.4	102.4
- exploration	47,600.3	19,373.5	245.7
- operation	159,282.6	182619,9	87.2
Geological exploration works	142,479.9	148,937.7	95.7
Construction	1,531,483.4	1,337,393.5	114.5
Equipment not requiring assembly	95,265.4	70,519.9	135.1
Intangible Assets	13,176.5	15,513.7	84.9
Non-industrial construction	7,000.8	131.8	53.1 t*

**t – times*

Actual implementation of capital (fixed assets) investments in SOCAR's enterprises in 2024 as compared to 2023:

Table X.2, thousand manat

№	Name of enterprises	2024	2023	%
1	"Azneft" PU	574,052.7	618,943.0	92.7
2	"Azerigas" PU	54,569.0	59,271.4	92.1
3	"Azerikimya" PU	5,553/4	5,967.2	93.1
4	Heydar Aliyev Oil Refinery	957,960.9	565,370.6	169.4
5	Oil Pipelines Department	14,529.8	53,200.7	27.3
6	Marketing and Economical Operations Department	1,027.7	396.4	259.3
7	Geophysics and Geology Department	17,884.1	8,778.9	203.7
8	Social Development Department	8,841.8	285.3	31 t
9	Security Department	147.8	150.1	98.5
10	Gas Export Department	305,796.1	429,799.2	71.1

11	Information Technologies and Communications Department	8,127.1	16,339.1	49.7
12	Oil & Gas Construction Trust	3,384.2	3,534.1	95.8
13	Oil & Gas Research and Design Institute	1,574.6	1,736.7	90.7
14	Complex Drilling Works Trust	8,410.2	5,590.0	150.5
15	Transportation Department	6,880.6	202.7	33.9 t
16	Caban ide Plant	13,505.3	875.1	15.4 t
17	Maintenance Department of Head Office	4,782.3	787.3	6.1 t
18	Industrial Security Department	1,379.1	1,487.4	92.7
19	Baku Higher Oil School	740.5	559.3	132.4
20	Heydar Aliyev Baku Deepwater Jackets Plant	18.3	21.6	84.7
21	Methanol Plant	78.3	931.9	8.4
22	Training, Education and Certification Department	38.9	109.7	35.5
23	Journal of Azerbaijan Oil Industry	5.4	17.9	30.2
24	Department for Improvement of Working Condition Standards	0	2.6	

Indicators of delivery of fixed assets of SOCAR in 2024 as compared to 2023:

Table X.3, thousand manat

Indicators	2024	2023	%
Handover of fixed assets	2,482,469.6	994,925.0	249.5
including:			
- drilling	123,338.4	240,979.0	51.2
- construction	2,108,659.3	518,974.7	4.1 t
- equipment not requiring assembly	95,265.4	70,519.9	135.1
- geological exploration works	142,479.9	148,937.7	95.7
- intangible assets	12,726.6	15,513.7	82.0

As can be seen from the table, in 2024, the transfer of fixed assets for SOCAR was 2482469.6 thousand manat, which is 1,487,544.6 thousand manat more than in 2023. The transfer of fixed assets for drilling was 123,338.4 thousand manat, which is 117,640.6 thousand manat less than in 2023. The transfer of fixed assets for construction was 2,108,659.3 thousand manat, which is 1,589,684.6 thousand manat more than in 2023.

Indicators of delivery of fixed assets of SOCAR's enterprises in 2024:

Table X.4, thousand manat

№	Name of enterprises	2024	2023	%
1	"Azneft" PU	565,979.1	532,640.4	106.3
2	"Azerigas" PU	47,913.9	55,110.9	86.9
3	"Azerikimya" PU	12,628.3	186.5	67.7 t
4	Heydar Aliyev Oil Refinery	1,693,270.1	32,876.6	51.5 t

5	Oil Pipelines Department	474.2	35,194.9	1.4
6	Marketing and Economical Operations Department	1,043.2	396.4	263.2
7	Geophysics and Geology Department	17,833.9	8,630.2	206.6
8	Social Development Department	1,841.0	136.5	13.5 t
9	Security Department	147.8	150.1	98.5
10	Gas Export Department	103,909.7	297,715.5	34.9
11	Information Technologies and Communications Department	8,127.1	16,893.8	48.1
12	Oil & Gas Construction Trust	5,838.2	4,807.9	121.4
13	Oil & Gas Research and Design Institute	1,574.6	1,736.7	90.7
14	Complex Drilling Works Trust	8,410.2	5,568.0	151.0
15	Transportation Department	6,720.3	79.5	84.5 t
16	Ca bon ide Pla t	214.5	68.6	3.1 t
17	Maintenance Department of Head office	4,782.3	787.3	6.1 t
18	Industrial Security Department	890.3	412.4	215.9
19	Baku Higher Oil School	740.5	559.3	132.4
20	Heydar Aliyev Baku Deepwater Jackets Plant	18.3	21.6	84.7
21	Metha ol Pla t	67.8	914.9	7.4
22	Training, Education and Certification Department	38.9	16.5	235.8
23	Journal of Azerba ja Oil Industry	5.4	17.9	30.2
24	Department for Improvement of Working Condition Sta da ds	0	2.6	

SOCAR ca ried out ma or repa rs worth 195,654.05 thousa d ma at in 2024.

Figure X.1. Construction of jacket 2345 in "Neft Dashlary"

XI. OPERATIONAL PROCUREMENT AND SUPPLY

In a corda ce with SOCAR's orders dated Februa y 26, 2015, SOCAR/15-1000/01/SM-04-000023 No. "On the formation of a normative base for pricing in the field of capital construction based on the "Resource Method" method in SOCAR and the implementation of projects for the development a d regulation of reserves of supplies of SOCAR and making additions and an endments to SOCAR's order No. 190 dated December 29, 2011", as well as SOCAR/15-1000/16/Atr-27-000051 No. "On the implementation of the transition pla to the methodology for determining the estimated cost of construction, installation and commissioning works performed by the contra t method using the "Resource Method", more than 3,800 Material values were submitted for the formation of the "Question Book of Current Prices of Resource Indicators" (Materials used during construction, installation and commissioning) market prices were determined a d a e being updated regula ly.

In order to optimize unused warehouse bla a ces with a turnover of less tha one yea , 847 items worth 4,876,716.28 ma at were distributed to other SOCAR organisations in 2024, and 168 items worth 413,253.62 ma at of useless goods a d materia s that were completely unusa le were written off from the balance sheet. The operations of releasing materials remaining in excess of completed projects or tied to suspended operating expenses (OpEx) and transferring them to other projects were performed through the SAP system.

In a corda ce with the methodology for managing and regulating Supplies in SOCAR, wa ehouses were monitored ba ed on qua terly reports in order to ensure the ta geted use of the rema ning materia resources in the wa ehouses of the compa y's enterprises, to prevent the purchase of materia resources that create a surplus, a d to ensure the purcha e of the most necessa y materia resources in accordance with the allocated financial resources.

In a corda ce with the methodology for managing and regulating material a d technica resources, a a nua dema d wa prepa ed for the compa y's enterprises with a cura y such a the purpose, date of use, a d category of the materia s required to be purcha ed.

The new functionality, which was developed as a result of the joint activities of the working group established at the Head Office and the CIC's field specialists, wa successfully implemented in depa tments a d enterprises of SOCAR a of 01.12.2023. Currently, every employee with a cess to SAP ERP ha the opportunity to monitor the current status of a nua dema d a d obta n other necessa y information from the system.

The lists of Surplus Stock determined for SOCAR were grouped and submitted to the "Oil & Gas Research and Design" Institute with an official letter. The goal was to investigate the possibility of using residues of Surplus Stock in newly designed

and currently under construction facilities and to take necessary actions to achieve a positive result.

Meetings were held at SOCAR enterprises to discuss residues in the Surplus Stock category and a number of decisions were made and implemented, such as the removal of useless materials, the application of Surplus Stock to production, determining the relevance of OPs, the release of irrelevant OPs and their proposal to other departments if needed.

According to quarterly reports, the total balance of SOCAR's structural divisions as of 31.12.2023 was 1,197,491,632.51 manat. The balance as of 31.12.2024 was 816,655,906.50 manat. A decrease of 380,835,726.01 manat was observed. Including:

Table XI.1

No.	Name of enterprises	Stock balance as of 31.12.2023	Stock balance as of 31.12.2024
1.	Journal of Azerbaijan Oil Industry	0.00	0.00
2.	"Azerikimya" PU	73,426,732.05	127,054,820.77
3.	"Azerigas" PU	28,196,645.70	47,498,673.43
4.	"Azneft" PU	95,141,689.62	112,469,000.39
5.	Baku Higher Oil School	1,015,271.90	867,432.77
6.	Department for Improvement of Working Condition Standards	0.00	0.00
7.	Geophysics and Geology Department	3,790,172.76	16,634,263.68
8.	Heydar Aliyev Baku Deepwater Jackets Plant	849,694.36	828,824.13
9.	Information Technologies and Communications Department	20,337,833.63	22,636,077.11
10.	Carbamide Plant	35,746,832.24	37,687,694.64
11.	Complex Drilling Works Trust	106,086,481.59	106,663,845.81
12.	Marketing and Economical Operations Department	16,025,889.76	19,018,625.32
13.	Methanol Plant	34,780,874.97	33,944,440.68
14.	Heydar Aliyev Oil Refinery	689,384,618.30	142,953,518.91
15.	Oil Pipelines Department	2,338,435.77	3,329,188.97
16.	Oil & Gas Research and Design Institute	3,308,115.92	2,051,074.18
17.	Oil & Gas Construction Trust	64,272,193.46	60,247,392.29
18.	Transportation Department	6,876,522.58	4,960,868.23
19.	Gas Export Department	7,205,098.49	68,592,240.99
20.	Industrial Security Department	559,277.15	1,061,424.25
21.	Social Development Department	749,411.83	672,796.20
22.	Security Department	118,678.66	48,790.10
23.	Training, Education and Certification Department	185,883.86	184,702.64
24.	Maintenance Department of Head Office	7,095,277.91	7,250,211.01
TOTAL:		1,197,491,632.51	816,655,906.50

In 2024, material reserves to the extent of 1,002,157,636.03 manat were received. Including:

Table XI.2

No.	Name of enterprises	The amount of material stocks received during the year
1	Journal of Azerbaijan Oil Industry	130,840.73
2	"Azerikimya" PU	262,169,492.14
3	"Azerigas" PU	61,330,104.98
4	"Azneft" PU	199,383,195.81
5	Baku Higher Oil School	1,691,619.30
6	Department for Improvement of Working Condition Standards	93,907.64
7	Geophysics and Geology Department	41,704,070.61
8	Heydar Aliyev Baku Deepwater Jackets Plant	82,842.43
9	Information Technologies and Communications Department	44,910,498.88
10	Carbamide Plant	17,956,073.69
11	Complex Drilling Works Trust	38,732,988.47
12	Marketing and Economical Operations Department	476,822.17
13	Methanol Plant	1,815,582.35
14	Heydar Aliyev Oil Refinery	114,182,338.30
15	Oil Pipelines Department	2,752,642.14
16	Oil & Gas Research and Design Institute	3,054,388.21
17	Oil & Gas Construction Trust	95,466,544.30
18	Transportation Department	33,783,859.60
19	Gas Export Department	68,268,512.95
20	Industrial Security Department	1,106,959.59
21	Social Development Department	376,599.93
22	Security Department	327,721.89
23	Training, Education and Certification Department	191,680.04
24	Maintenance Department of Head Office	12,168,349.88
TOTAL:		1,002,157,636,03

The total amount of 20562 contracts entered into SAP ERP during 2024 is 725,174,268.13 manat.

The amount of goods and materials received (purchased from companies and external organisations) during 2024 is 712,038,930.0 manat.

Including:

1. For requirements until 2023 – 374,662,890 manat;
2. For requirements on 2023 – 164,216,000 manat;
3. For requirements on 2024 – 173,117,570 manat;
4. For requirements on 2025 – 42,470 manat;

The amount of revenue for 2024 is 1,002,157,636.03 manat and unused reserves are 172,269,354.13 manat.

Table XI.3

No.	Name of enterprises	Income within 12 months	Unused reserves
1.	Journal of Azerbaijan Oil Industry	130,840.73	0.00
2.	"Azerikimya" PU	262,169,492.14	33,393,153.23
3.	"Azerigas" PU	61,330,104.98	1,787,562.50
4.	"Azneft" PU	199,383,195.81	25,782,323.37
5.	Baku Higher Oil School	1,691,619.30	0.00
6.	Department for Improvement of Working Condition Standards	93,907.64	0.00
7.	Geophysics and Geology Department	41,704,070.61	663,460.07
8.	Heydar Aliyev Baku Deepwater Jackets Plant	82,842.43	806,914.66
9.	Information Technologies and Communications Department	44,910,498.88	1,639,280.10
10.	Carbamide Plant	17,956,073.69	4,384,574.40
11.	Complex Drilling Works Trust	38,732,988.47	72,575,019.70
12.	Marketing and Economical Operations Department	476,822.17	0.00
13.	Methanol Plant	1,815,582.35	485,538.88
14.	Heydar Aliyev Oil Refinery	114,182,338.30	11,763,993.28
15.	Oil Pipelines Department	2,752,642.14	499,632.89
16.	Oil & Gas Research and Design Institute	3,054,388.21	248,825.86
17.	Oil & Gas Construction Trust	95,466,544.30	13,571,200.84
18.	Transportation Department	33,783,859.60	772,767.97
19.	Gas Export Department	68,268,512.95	2,696,326.16
20.	Industrial Security Department	1,106,959.59	955.00
21.	Social Development Department	376,599.93	0.00
22.	Security Department	327,721.89	971.54
23.	Training, Education and Certification Department	191,680.04	20,077.57
24.	Maintenance Department of Head office	12,168,349.88	1,176,776.11
	TOTAL:	1,002,157,636.03	172,269,354.13

Compared to the beginning of 2024, an increase of 30,595,672.53 manat was observed in the Surplus Stock balance of SOCAR.

Table XI.4

No.	Name of enterprises	Surplus Stock Balance as of 31.12.2023	Surplus Stock Balance as of 31.12.2024
1.	Journal of Azerbaijan Oil Industry	130,840.73	0.00
2.	"Azerikimya" PU	262,169,492.14	33,393,153.23
3.	"Azerigas" PU	61,330,104.98	1,787,562.50
4.	"Azneft" PU	199,383,195.81	25,782,323.37
5.	Baku Higher Oil School	1,691,619.30	0.00
6.	Department for Improvement of Working Condition Standards	93,907.64	0.00
7.	Geophysics and Geology Department	41,704,070.61	663,460.07

8.	Heydar Aliyev Oil Refinery	82,842.43	806,914.66
9.	Information Technologies and Communications Department	44,910,498.88	1,639,280.10
10.	Carbamide Plant	17,956,073.69	4,384,574.40
11.	Complex Drilling Works Trust	38,732,988.47	72,575,019.70
12.	Marketing and Economical Operations Department	476,822.17	0.00
13.	Methanol Plant	1,815,582.35	485,538.88
14.	Heydar Aliyev Oil Refinery	114,182,338.30	11,763,993.28
15.	Oil Pipelines Department	2,752,642.14	499,632.89
16.	Oil & Gas Research and Design Institute	3,054,388.21	248,825.86
17.	Oil & Gas Construction Trust	95,466,544.30	13,571,200.84
18.	Transportation Department	33,783,859.60	772,767.97
19.	Gas Export Department	68,268,512.95	2,696,326.16
20.	Industrial Security Department	1,106,959.59	955.00
21.	Social Development Department	376,599.93	0.00
22.	Security Department	327,721.89	971.54
23.	Training, Education and Certification Department	191,680.04	20,077.57
24.	Maintenance Department of Head Office	12,168,349.88	1,176,776.11
	TOTAL:	141,673,681.60	172,269,354.13

Annual demand and execution.

Approval of annual demand. The submitted annual requirements were approved to the extent of 1,102,441,456.7 manat after extensive analysis in the Operational Procurement and Supply Department in coordination with experts in the field and relevant structural units of SOCAR.

Preparation of annual demands. The initial amount of the annual requirements for Supplies for 2024, submitted by structural organisations to the Head Office in September and October 2023 based on the application of the Operational Procurement and Supply Department of the Head Office, was 1,448,896,007.41 manat.

Letters on addition and replacement. During 2024, a total of 161 (176,839,446.96 manat) applications were received from structural organisations regarding addition and replacement to the annual requirement, 155 of which (161,786,983.03 manat) were implemented. The implementation of the others was suspended after the analysis, with the deficiencies identified in the feedback section being noted.

Execution of annual demand. The total value of material and technical resources purchased from external organisations for SOCAR, based on the demand for 2024, amounted to 173,117,574.18 manat.

Analysis of procurement letters. During 2024, a total of 663 letters were received from SOCAR structural organisations regarding the purchase of Supplies. After a comprehensive analysis of the orders, the execution of 10 letters was completely suspended, and the purchase of Supplies to the extent of approximately 5,660,705.97 manat was also considered inappropriate.

Supply plays an important role in maintaining stable oil and gas production at the State Oil Company of Azerbaijan Republic, in carrying out work in

construction, drilling, processing and other areas. Therefore, work is constantly being done to improve this area

For the effective management of annual demand for goods (works and services) formed in SOCAR structures, requirements are planned and approved in accordance with regulatory documents. In addition, in order to control the implementation of approved budgets and ensure the implementation of priority requirements, the institutions regularly apply to the Head Office and, in coordination with the relevant structural units, submit response letters to the institutions.

The purchase of modern, high-quality, high-standard equipment for SOCAR's needs was set as a priority issue for suppliers.

It should be noted that global oil and gas companies carry out their activities in the field of procurement on the basis of internal regulatory documents that reflect the most advanced international practice they adopted. In order to achieve the application of this practice in SOCAR, the experience of global oil and gas companies operating in Azerbaijan and the World Bank in the field of procurement regulation is being studied and actively improved through regulatory documents.

In accordance with modern standards and advanced international practice, work is being carried out to strengthen executive discipline and control through the digitalization of procedures, further increase transparency, efficiency and efficiency in organising procurements, enhance SOCAR's positive image in this area, minimize paper-based activities and document flow, and ensure integration with software applications applied in SOCAR in the future, including with electronic systems of central government organisations.

Within the framework of SOCAR's general digitalization project, analytical analyses are being conducted to improve and further increase efficiency in supply and procurement activities, which are one of the important business processes. Considering the start of the transition to the SAP S4HANA system this year, it is important to conduct analytical analyses in terms of analyzing procurement-related data, creating a single database, as well as implementing category management, and thereby creating synergy between individual enterprises within SOCAR and further developing procurement activities.

As part of SOCAR's digital transformation, in order to standardize and simplify procurement procedures across the company, in accordance with the SOCAR's set of normative documents on the organisation and management of procurement, as well as to increase the efficiency, transparency and accountability of procurement across all SOCAR entities, all procurement processes are carried out on the SOCAR e-Tender portal, including innovations implemented in the Procurement segment, initial assessment of suppliers, holding centralized procurement competitions and the electronic procurement platform project and the procurement process of goods, materials and equipment by categories.

Considering that market participants will have high support in increasing competition in specific procurement procedures and determining an efficient offer, as well as the fact that they are

international companies or are official representatives of such companies in our country, companies should apply to be included in Vendor List of SOCAR in order to be directly involved in the pre-qualification procedure by category.

A number of actions are being taken to ensure the sustainable development of procurement of SOCAR and minimizing the costs allocated to material resources, to ensure the economical and efficient use of allocated funds, as well as to improve the production and financial situation of SOCAR.

Applications for project goods that were transferred to the surplus stock category. The lists of Surplus Stock determined for SOCAR as a result of the annual reports for 2023 were grouped and submitted to the Vice-president of SOCAR for the relevant area by letter No. 14-2/3-11-4777/2024 dated 03.06.2024. The purpose was to investigate the possibility of using residues of surplus stock in newly designed and currently under construction facilities and to issue appropriate instructions to the Oil & Gas Research and Design Institute to achieve a positive result.

On the requirements for the purchase of Supplies and changes in annual demand. Changes in the demand approved by departments and enterprises during the year due to production necessity and some other reasons and the lack of SAP codes in applications for the purchase of Supplies and the absence of any official reference document in many cases led to serious misunderstandings, additional labor costs and prolongation of the implementation process. Taking this into account, a letter No. 14-2/3-11-6453/2024 dated 10.07.2024 was sent to departments and enterprises, in which a number of requirements (SAP codes, protocol, defect act, approved project documents, etc.) were noted in order to increase the efficiency and efficiency of work.

On entering and tracking annual demand into SAP ERP. Thanks to the new functionality developed as a result of the joint activities of the working group established at the Head Office and the field specialists of the CIC for the formation of annual demand for material and technical resources and for tracking the status of their procurement, the demands for 2024 were uploaded to SAP ERP, and thus the implementation of the annual demand was fully controlled. Currently, every employee with access to SAP ERP has the opportunity to monitor the current status of the annual demand and obtain other necessary information from the system.

Other actions. A number of meetings were held with the employees of the Normative Database Management Department in order to normalize the master data of materials and ensure a standard approach.

During the year, 847 items of materials worth 4,876,716.28 manat were transferred between structural organisations due to production needs in 195 letters. In addition, 168 items of materials worth 413,253.62 manat were deleted in 5 letters.

XII. SCIENCE, TECHNIQUE AND NANOTECHNOLOGIES

SOCAR, as the leading and world-renowned energy company in the region, plays a very important role in the country's economy. The company is engaged in the search, exploration and development of oil and gas fields located within the borders of Azerbaijan, offshore and onshore, the production, processing and transportation of oil, gas and gas condensate, the sale of oil and petrochemical products, gas in domestic and foreign markets, as well as the supply of natural gas to industry and the population in the country. In addition, SOCAR has the following goals: the implementation and effective management of "green energy", low-carbon and renewable energy projects in Azerbaijan and abroad, the expansion of cooperation opportunities with experienced international partners in this field, as well as support for decarbonization processes in oil and gas operations. To carry out all these activities, the company trains highly qualified engineers and workers who are able to solve new techniques and technologies, nano-technological issues and apply them to production, and as a result of their activities, its reputation in the world is constantly growing.

As of 01.01.2025, 1 of the specialists working at SOCAR is a full member and 2 are corresponding members of the Azerbaijan National Academy of Sciences (ANAS). 18 scientists and 208 people are working as doctors of philosophy in research aimed at solving the problems facing the oil industry and applying them to production, each of whom made exceptional contributions.

According to Memoranda signed between ANAS and the Azerbaijan National Aviation Academy (ANAA), "Science Fund" and "Scientific Progress Fund" of SOCAR operate respectively. The purpose of establishing these funds is to further develop fundamental and applied scientific research projects in the field of natural and technical sciences, scientific research related to the oil, gas and petrochemical industries in the country, stimulate the scientific activity of scientists and create additional creative opportunities for them.

It should be noted that in accordance with the Decree of the President of the Republic of Azerbaijan No. 1769 dated July 28, 2022 "On some actions to improve management in the field of science and education in the Republic of Azerbaijan", due to the transfer of scientific institutions with a precise, natural and technical profile, including those conducting research related to the development of the oil and gas industry, to the subordination of the Ministry of Science and Education of the Republic of Azerbaijan (MSE), in addition to the "Science Fund" established between SOCAR and ANAS, an analogous SOCAR "Science and Education Fund" of is expected to be established between SOCAR and MSE.

"Science Fund" of SOCAR held 7 project competitions so far. In 2023, 84 projects were submitted to the 7th competition for projects with a grant of 2.5 million manat to be financed by "Science Fund" of SOCAR, and an examination of those projects registered in accordance with the Foundation's Regulations and Competition Rules was organised. Several meetings of the Competition Commission (CC) were held

regarding the progress of the competition and its expertise. The results of the expertise were discussed in the Competition Commission and 35 projects that received a positive opinion were submitted by the CC to the Board of Directors of the Fund for approval pursuant to paragraph 3.4 of the Fund's Regulations, and 31 projects were approved by the Board of Directors of "Science Fund" of SOCAR. At the end of 2024, the projects were completed and the reports were submitted to SOCAR in the appropriate manner.

6 project competitions of the "Scientific Progress Fund" were held so far. In 2023, 28 projects were submitted to the 6th competition for projects provided for grant funds by "Scientific Progress Fund" of SOCAR. An expertise of the registered projects was organised in accordance with the Fund's Regulations and Competition Rules, the results were discussed in the Competition Commission, and 16 winning projects that received a positive opinion were approved by the Board of Directors of the Fund. Work on the projects continued in 2024.

"Oil & Gas Research and Design" Institute operates under SOCAR, which carries out scientific research and design-construction work on the development, development and improvement of oil and gas fields, drilling and operation of wells, petrochemicals and oil and gas processing, based on orders from SOCAR enterprises and external organisations. At the same time, SOCAR constantly cooperates with other scientific enterprises related to the oil, gas and chemical industries of the republic.

In 2024, the Oil & Gas Research and Design Institute carried out 32,069,466 thousand manat of work on scientific research and design-exploration-construction works, including (30,913,162 thousand manat for SOCAR enterprises + 1,156,304 thousand manat for foreign organisations) (Diagram XII.1).

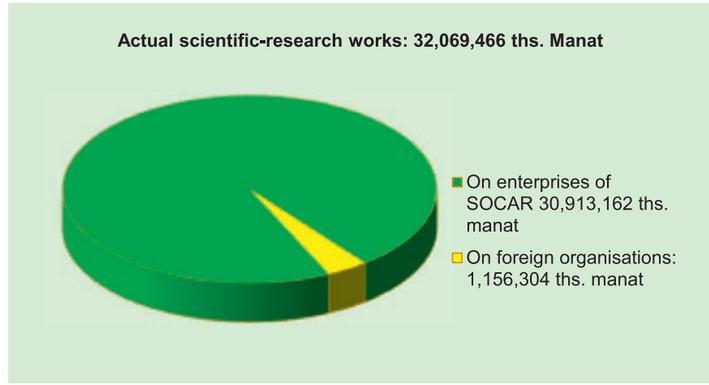

Diagram XII.1

In 2024, the Institute carried out actual work to the extent of 8,009,548 thousand manat on scientific research and 24,059,918 thousand manat on design, research and construction work (Diagram XII. 2).

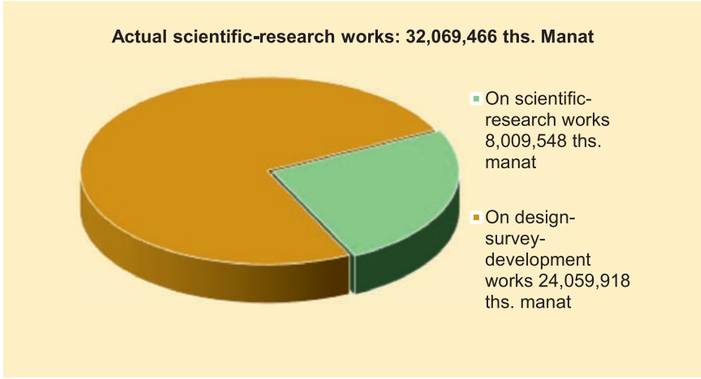

Diagram XII.2

In 2024, the Institute carried out research work on 102 topics worth 8,009,548 thousand manat (of which: 7,405,092 thousand manat on SOCAR enterprises + 604,456 thousand manat on foreign organisations) (Diagram XII.3).

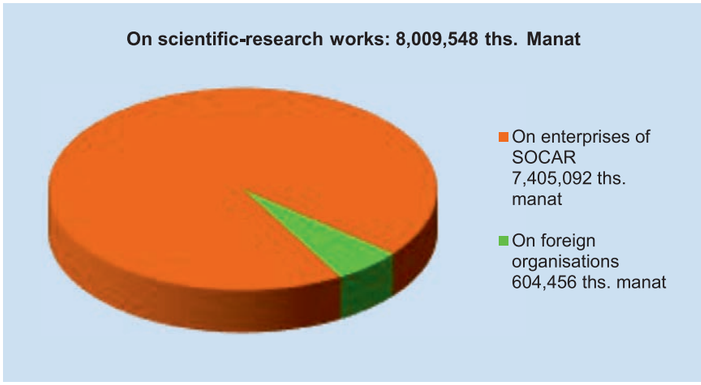

Diagram XII.3

REFERENCE on scientific research and experimental work carried out in 2024

Table XII.1

No.	Directions	Actual	Number of works (explanation)
1.	Geology	20	((7_{new} + $9_{transition}$) TP + 3 additional TP_{new}) "Azneft" PU + 1 foreign company
2.	Geophysics	13	((4_{new} +$7_{transition}$) TP + 1 additional TP_{new}) "Azneft" PU+ 1 TP - Company
3.	Production	48	((22_{new} + $6_{transition}$) TP + 5_{new} additional TP) "Azneft" PU, 8 Company ($4\ TP_{new}$ + 4 additional TP) + 7 foreign company
4.	Drilling	2	1_{new} additional TP Company + 1 foreign company (transitional)
5.	Corrosion	5	(1_{new} + $1_{transition}$) TP "Azneft" PU + 2_{new} additional TP "Azneft" PU + besides 1 TP- Company
6.	Patent, metrology, standard and other	2	1_{new} TP + besides 1 TP "Azneft" PU
7.	Collection and delivery	2	2_{new} TP – "Azneft" PU
8.	Modelling	10	((2_{new} +$6_{transition}$) TP) "Azneft" PU + $1_{transition}$ foreign company + 1 additional TP
TOTAL		102	((39_{new} +$29_{transition}$) TP + 13_{new} additional TP) "Azneft" PU (5_{new} TP + 6 additional TP) Company + ($10_{transition}$) foreign company

The works were carried out on 92 topics for SOCAR enterprises to the extent of 7405,092 thousand manat. Out of these, 81 topics for "Azneft" PU were carried out to the extent of 6269,974 thousand manat, and 11 topics for other SOCAR enterprises to the extent of 1135,118 thousand manat (Diagram XII.4).

The works were carried out on 10 topics for other enterprises not included in SOCAR to the extent of 604,456 thousand manat.

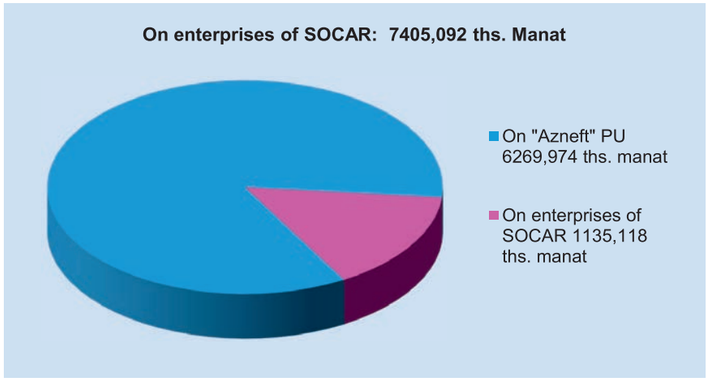

Diagram XII.4

Out of 11 implementation works planned to be carried out on the OGPDs of the Azneft PU in 2024, five were fully performed, and six were partially performed for certain reasons, with operations conducted in 157 wells and positive results achieved.

The works were carried out at the "Neft Dashlary", "Bibiheybatneft" and A. Amirov OGPDs to strengthen the wellbore zone, prevent the appearance of sand and water in aggressive environments, and apply the KD-2A-4 reagent against salt deposits. The selection and application of organic acids in accordance with the geological and lithological properties of the layers at the "Bibiheybatneft", "28 May", "Absheronneft", "Neft Dashlary" and "Siyazaneft" OGPDs, the application of a hydrostatic sand cleaning device at the "Absheronneft" and "Neft Dashlary" OGPDs, and the application of holding and

auxiliary tools used in the overhaul and current repair of wells at the "28 May" OGPDs were carried out.

Thus, a total of 32.9 thousand tons of additional oil were produced in the fields of the "Azneft" PU from the work carried out in the past 12 months of 2023 and 2024.

The works carried out in the field of nanotechnologies

Since 2013, Science, Technique and Nanotechnologies Department of the SOCAR Head Office was developing, researching and applying nanosystems to solve urgent problems in the oil and gas sector. The application of these technologies allows for increasing the oil recovery rate and making development processes more effective. Since the beginning of the application, 227 nanotechnological actions were implemented in 148 wells in the Oil and Gas Production Departments of the "Azneft" PU and in the Operating Companies operating within the framework of "Production Sharing", and more than 22,557 tons of additional oil were produced. The repair interval of wells in the application areas increased, the service life of downhole equipment and collectors was extended, and time and oil losses due to downtime were prevented. The economic efficiency of the actions amounted to 7,400,000 manat.

Nanosystems developed to combat complications in drilling were applied at separate intervals in 48 wells characterized by geological sections with anomalously low formation pressure. By adding nanosystems to the drilling fluid, the rheological indicators of the fluids improved, and expensive chemical reagents were significantly saved. As a result of the application, the stability of the well wall was maintained and contamination of productive strata was prevented, and the wells were brought to the design depth without accidents and complications.

In 2024, laboratory and scientific-analytical research was carried out in the Department to develop new nanosystems and improve existing technologies, and their application was carried out in production areas. For this purpose, metal nanoparticles of various sizes and modified multilayer carbon nanotubes (MMCN) modified in the water environment were produced based on the technologies developed by the Department, and nanosystems were developed based on them to prevent sand flow from the formation, increase the corrosion resistance of equipment, isolate edge and formation waters, and in other directions. Test-application work of the developed nanosystems was carried out in 12 wells and up to 50% additional oil was produced daily in the application areas, and the interrepair cycle (IC) was increased several times.

In the reporting year, in cooperation with the German company "Schlenk", cement stone with high physical and mechanical indicators and collector properties was created. Based on these indicators, the developed technology against sand from the formation was improved, and mining and testing work was carried out in the wells. As a result of the application, IC increased many times compared to previous years (Diagram XII.5) more than 65% additional oil was produced.

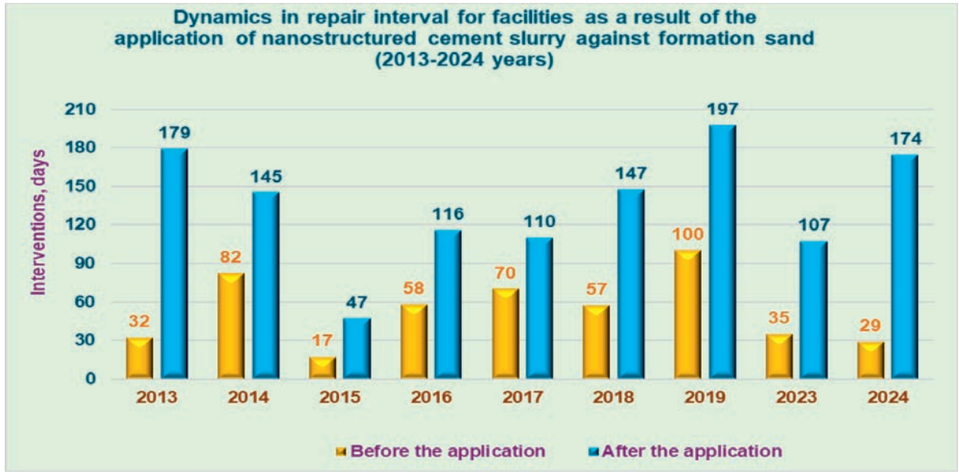

Diagram XII.5

Also, in order to increase the corrosion resistance of the fittings, research was conducted in the Department using nanoparticles, and nanostructured fittings that are more durable and resistant to aggressive environments were developed at the Experimental Production Enterprise for the Repair and Rent of Submersible Unit of the "Azneft" PU. These fittings, produced in various diameters, are successfully applied in OGPDs (Diagram XI.6).

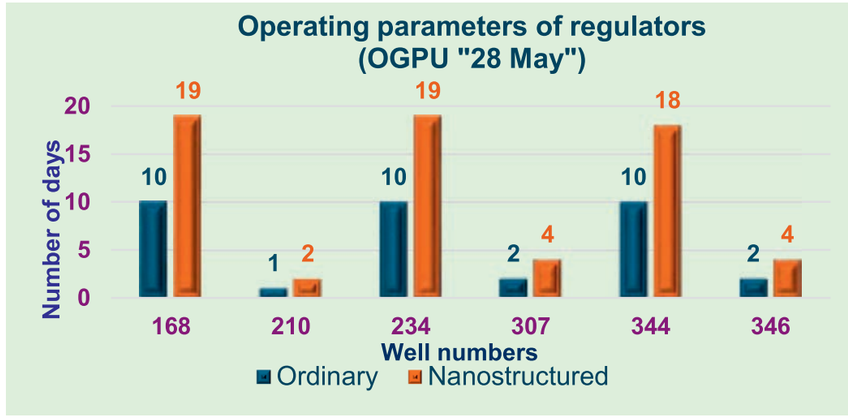

Diagram XII.6

In order to increase the corrosion resistance of metal products, the application of nanostructured protective coating technology developed by the

Department to production continued. During the assembly of equipment pa ts of electric submersible pumps lowered into production wells, the pins a d nuts connected to the protector-pump connection were polished with na ocoated pa nt a d the wells were put into operation. As a result of the application of nanocoated paint, the protective effect on metal structures increased by more than 3.7 times, the corrosion rate decreased by up to 6 times, and operational metal equipment was subjected to less wea a d tea by up to 4.3 times. IC in the applied wells was on average more than 120%.

In the reporting year, a project entitled "Application of MMCN in improving the quality of lubricating coolants (LC)" was also developed. Test-application work on the developed new type of LC wa ca ried out in the process of metal processing at the Experimental Production Enterprise for Repair and Rent of Submersible Unit of "Azneft" PU, and the results were positively evaluated. Thus, with the application of the MMCN-based nanosystem, the cooling efficiency of LCs significantly increased, and their resista ce to microorga isms increa ed by more than 44%. This creates conditions for reducing therma stress on the processed metal surfaces and extending the service life of the equipment used in production processes.

In 2024, a number of works were carried out in the Department in the field of establishing international relations and joint activities, and existing cooperation was developed. Within the framework of the Memora dum of Understa ding signed with the Karlsruhe Technical University of Germany, work continued on studying the effect of nanosystems on the collector properties of rocks, and nanosystems based on metal nanoparticles and carbon nanotubes developed by the Department were studied on modern equipment.

In cooperation with the Technical University of Freiberg (TUBAF) of Germany, joint research was conducted on the preparation of new nanocoatings a d other na ocomposites ba ed on MMCNs. Also, joint resea ch wa continued with the SOCAR Turkey R&D company on the topic of "Synthesis of new specific polymers by increasing the antibacterial and mechanical properties of polymers with ca bon na otubes and metal nanoparticles". The results showed that after the addition of modified multilayer carbon nanotubes, the mecha ica strength of the polymer increases significantly.

In addition, joint research was conducted within the framework of the established cooperation with the German companies "ENY-Mobility", "Carbon Network", "Carl Zeiss" and "Schlenk" in the direction of the development and application of new nanosystems in 2024, Istanbul Technical University in Turkey, Ufa State Oil Technical University in Russia and Kazakhstan-British Technical University. Projects related to the application of metal nanoparticles and carbon nanotubes in the production of "green" hydrogen were discussed with representatives of the German cluster "BalticNet-PlasmaTec", and a joint research program was developed. Initial experiments were carried out with the use of carbon nanotubes to improve the quality of materials used in the production of "green" hydrogen.

Figure XII.1. During research in nanolaboratory

Participation in exhibitions and conferences

Traditionally, SOCAR participated in international conferences, exhibitions, forums a d simila events held in Azerba ja a d va ious countries in 2024. The main purpose of participating in these events is to inform the international community ba out the events, successes and innovations that took place in SOCAR a d the oil a d ga industry in Azerba ja , to fa ilia ize themselves with new techniques a d technologies of led ing compa ies a d to esta lish conta ts, a d to achieve the application of innovative a d a d va ced technologies in oil a d ga operations of SOCAR.

SOCAR participated in the 26th International "Oil and Gas of Uzbekistan - OGU-2024" exhibition-conference held in Tashkent, the capital of the Republic of Uzbekistan, on May 14-16, 2024; the 29th Caspian Oil and Gas Exhibition-conference held within the framework of the "Baku Energy Forum" in Baku, on June 03-05; the 31st "Oil, Gas and Petrochemicals" forum-exhibition held in Kazan, the ca ita of the Republic of Tata sta , the Russian Federation, on August 26-28, 2024; and the "ADIPEC-2024" energy industry exhibition held in Abu Dhabi, the ca ita of the United Ara Emirates, on November 04-07.

On November 13-15, 2024, SOCAR specialists participated in the "Advanced Nanomaterials and Nanotechnologies" international exhibition-conference held in Rome, Ita y. The event featured a sta d showca ing SOCAR's na otechnologies, and panel discussions on the acquisition and application of new nanosystems ba ed on ca bon na otubes a d polymer na ocomposites.

Also, in 2024, SOCAR specia ists participated in a conference organised by the Russian company Gazprom in Moscow. At the conference, presentations were made on increasing the efficiency of development a d increa ing the oil recovery ratio by applying na otechnologies developed at SOCAR, and extensive exchanges of views were held on a ea of interest.

XIII. HUMAN CAPITAL AND INCLUSION

The personnel policy implemented at SOCAR is aimed at retaining the existing personnel of the Company, developing them, using human resources more efficiently, and at regulating labor relations in accordance with international standards, constantly changing needs in a market economy, and SOCAR's development strategy.

As of 01.01.2025, the actual number of employees at SOCAR is 48,069 people. Out of 48,069 people, 5,798 are managers, 8,471 are specialists, 729 are technical executives, and 33,071 are workers. Including 7,595 are women, and 17,805 have higher education. During this period, 123 people were awarded the "Honorary Oilman" badge and 284 people were awarded the "Honorary Order" of the State Oil Company of the Republic of Azerbaijan for their special services in the development of the oil industry at SOCAR and in connection with the "Oil Workers' Day". At the same time, on September 20, 2024, on the occasion of the "Oil Workers' Day", 1 person was awarded the "Honored Engineer", 4 people were awarded the "3rd degree" Labor Order, and 24 people were awarded the "Progress" medal, in accordance with the Decree of the President of the Republic of Azerbaijan dated September 20, 2024. The awarding of the title of "Labor Veteran" is carried out in accordance with the resolutions of the Cabinet of Ministers of the Republic of Azerbaijan No. 216 dated September 22, 1995 and No. 150 dated September 24, 1999. All documents received from enterprises in connection with the awarding of the title of "Labor Veteran" are checked again and formalized with the relevant orders of SOCAR. By 01.01.2025, 312 "Labor Veteran" cards were filled out, changed and presented to the applicants for the purpose of granting the title of "Labor Veteran" and changing the card.

In addition, as part of SOCAR's corporate value of care, appropriate actions were taken to provide psychological support to employees, trainings were organised for employees, and relevant sessions were organised at the Head Office. Educational events were held in this direction at SOCAR's enterprises and departments.

The families of SOCAR employees who were martyred in the Patriotic War were visited on New Year, Novruz, Kurban holidays and Victory Day, and they were constantly cared for and supported. In connection with the implementation of the "I State Program on the Great Return to the Liberated Territories of the Republic of Azerbaijan" approved by the Decree of the President of the Republic of Azerbaijan, the construction of a main network for gas supply to the liberated territories, the construction of a new main gas pipeline for gas supply and gas distribution stations, and the issuance of permission letters to those territories and permission notifications for employees to leave are being carried out by the relevant structure. Thus, during 2024, 316 letters were prepared and sent to the Ministry of Internal Affairs and the Cabinet of Ministers, and appropriate permits were obtained for about 6,000 employees on the portal for entry to the Liberated Territories. During 2024, 1,380 people were hired as a result of the competition, and

a total of 1,848 people were hired. From 01.01.2024 to 31.12.2024, 1417 vacancies were announced in the "Job opportunities at SOCAR" section of the "Career" section of the SOCAR website www.socar.az in the "Vacancies" section (www.socar.jobs) and the information provided by 30512 citizens who applied electronically for these vacancies was checked for compliance with the requirements of the vacancies, and 10695 of them were admitted to the next stage (test or interview stage). 1316 people participated in professional test exams (testing practical skills in labor professions), 2157 people participated in the interview stage, of which 983 people who successfully passed the competition were sent to SOCAR enterprises and organisations for employment, and 603 people were included in Human Resources database of SOCAR. Also, 397 people from Human Resources database of SOCAR were sent to enterprises and organisations of SOCAR for employment. In order to assess the opportunities arising from the current labor market demand and supply and increase the efficiency of business processes related to attracting personnel in this field, shorten the chain of employment decisions, form a flexible decision-making system in business units, strengthen the search and selection competence, and at the same time, empower business units and increase responsibility for quality and compliance parameters, the process of transferring employment authorities to enterprises continued in 2024. Accordiong to Order No. 14-2/3-1И-49/2024 dated 07.03.2024, the number of enterprises to which authorities were fully transferred was increased to 9. During the reporting period, 225 graduates of Training centers of the Training, Education and Certification Department were provided with jobs.

Figure XIII.1. *Young trainer in plant*

In order to ensure the employment of young people with higher education, 92 out of 114 people who successfully completed their internships within the framework of the "Young Talents Program" held in 2024 were provided with jobs at SOCAR enterprises, and it was not possible to formalize the employment relations of the other 22 young people due to personal reasons (military service, continuation of higher education, conclusion of an employment contract with another employer, etc.).

In addition, the "Young Talents Program" and "Working Student" internship programs planned for the following year were announced at the end of 2024, and as a result, 5820 applications were accepted and a preliminary selection process was carried out to involve them in the next stages of the competition.

During the reporting period, 14809 candidates were invited to test and case-based assessment exams for various competitions at SOCAR, of which 10429 participated in the exams.

A total of 9659 candidates were invited to take the test and case-based assessment exams for recruitment, of which 6287 participated in the exams.

As part of the student recruitment process for training centers, 1897 candidates were invited to take the test exams, of which 1468 participated in the exams.

As part of the "Young Talents Program", 1378 candidates were invited to take the test exams in various specialty groups, of which 994 participated in the exams.

1512 candidates were invited to take the test exams for the salary level, of which 1351 participated in the exams.

As part of the "Professional Competition" program, 351 candidates were invited to take the test exams, of which 325 participated in the exams.

As part of the internal vacancy recruitment process, 12 candidates were invited to take the test exams, of which 4 participated in the exams.

Since 2021, the "Competence Management" process was implemented in all structural enterprises of SOCAR. In 2024, a number of awareness-raising activities were carried out for managers in a number of enterprises to provide them with more detailed information about the assessment process and its implementation, assessment errors, behavioral competencies, critical tasks and their determination criteria, successors, criteria for candidacy for succession and their determination, and to achieve an objective assessment process.

A number of important activities were carried out in connection with the Leadership Competence Model during 2024. First, sessions were organised and communication was ensured for SOCAR enterprises-SOCAR Upstream Management International LLC, SOCAR Midstream Operations LLC, SOCAR Downstream Management LLC, Turkey, Georgia and Russia - on the established Leadership Competence Model. In addition, the basics of the model were also presented to the Human Resources (HR) teams of SOCAR Green LLC, SOCAR Upstream Operations Management, BOS Shelf and Azfen Joint Ventures. The order on the definition of additional tasks for the implementation of the Leadership Competency Model was approved and distributed to SOCAR Group enterprises. Along with the order, the behavioral competency assessment form, target and competency card, as well as the Leadership Competency Development Matrix were sent to the Human Resources services of the enterprises by e-mail, and the importance of performing work in accordance with these documents was specifically emphasized. Trainings were conducted for Human Resources teams and line managers of the enterprises included in the scope of application of the model, and competency-based selection trainings were organised for recruitment specialists of the head office and SOCAR structural enterprises. The formation of internal trainers from among human resources specialists was ensured, and updated interview forms in accordance with the Leadership Competency Model were prepared by the enterprises and shared as appropriate. In addition, an instruction manual on the Leadership Competency Model was prepared, all relevant meetings were attended regarding the integration of the model into psychometric tests, and criteria were determined. Also, the self-development recommendations of the approved Leadership Competency Model were revised, and the booklet was enriched with additional development methods and presented for use.

During the reporting period, the list of critical positions at SOCAR's enterprises was revised and new successors identified for these positions were involved in the training process. Thus, a total of 900 positions were identified as critical positions at SOCAR during 2024. Currently, 1,895 high-potential employees are being trained as successors for these positions.

Also, employees of structures included in Human Capital and Inclusion Segment of SOCAR were invited as evaluators to the "Yuksalish" competition held in accordance with the relevant Order of the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, and participated in trainings intended for evaluators, semi-final and final stages of the competition.

At the same time, 9354 other recruitment operations carried out in structural units directly subordinate to SOCAR were checked for compliance with the requirements of the legislation (Unified Tariff Classification Reference Book) and SOCAR's internal regulatory documents.

During 2024, the issues of changing the labor remuneration rate (WRT) of 2123 employees were considered at the meetings of the Tariff-Specialization (Qualification) Commissions at SOCAR's enterprises and organisations, and the claims of 702 of them were satisfied.

SOCAR was implementing unpaid internship programs for many years. Every year, SOCAR creates real conditions for students who are citizens of Azerbaijan and are studying in various higher education institutions of the Republic of Azerbaijan and foreign countries in the fields of Instrumentation and automation, ecology, energy, geological exploration, information and communication technologies, economics, chemical technology, mechanics, gas and oil mining, construction to undergo industrial internships. In 2024, 1,172 students studying within the country and abroad had the opportunity to undergo internships at SOCAR enterprises through the "Unpaid Production Internship" Program.

Figure XIII.2. Young trainers in practice

Certain work was done to bring the percentage of local personnel in oil and gas projects implemented in the country to the limits specified in the Production Sharing Agreements (PSA), and cooperation with relevant state agencies of the Republic of Azerbaijan was expanded towards nationalization and increasing the potential of local personnel. The number of national personnel involved in Azeri-Chirag-Gunashli, Shah Deniz and other large-scale projects was brought to the targets specified in the Production Sharing Agreements (PSA). In projects implemented by SOCAR jointly with foreign partners, work on nationalization of personnel, increasing the knowledge and skills of local personnel, and regulating the participation of foreign citizens in those projects was mutually continued. It should be noted that, based on the applications of companies operating within the framework of PSAs and other agreements, 885 work permit applications of foreign specialists were considered in 2024. Applications for work permits of foreign specialists were thoroughly examined and appropriate opinions were given, taking into account the necessity of their involvement in the activity, education and experience, the possibility of filling the positions they held at the expense of local labor resources, and the nature of the work performed. In addition, in 2024, 712 specialists applied to the relevant state bodies for permission to enter and exit the country.

A total of 3,793 applications were received during the year. Out of these, 3,008 were submitted in writing and 785 in electronic form. All electronic applications and 1,491 of the written applications (i.e. 49.57%) covered the topic of employment. Among the written applications received, the number of applications with the same content was 402. A total of 67 written

applications were resolved positively during the reporting period.

Applications from participants in the Karabakh war and families of martyrs also occupied a special place among the applicants, with a total of 747 written applications registered in this category. 1089 written applications were received by SOCAR employees, and 1919 written applications were received from other citizens.

A total of 392 applications were received within the framework of citizen receptions. 123 of them were related to SOCAR employees, and 269 were related to other citizens.

In addition, 4 service investigations were conducted during the year. These investigations were carried out in Gas Export Department, “A. Amirov” OGPD, “28 May” OGPD and the Technological Transportation Section No. 2 of Transportation Department .

The received written applications were responded to in accordance with the execution periods requiring investigation (30 working days) and not requiring investigation (15 working days), depending on the nature of the documents. During the year, 785 electronic applications and 2888 written applications were responded to on time, which is 96.84% of the total applications. The average indicator for the execution of applications was 13.8 working days.

In connection with the implementation of SOCAR’s Target Operating Model, the Corporate Management System and the Devolution of Authority and Responsibility (CMS and DoAR) normative documents were approved by the Supervisory Board of SOCAR in 2024. During 2024, the management systems of functional segments were expanded in SOCAR, decision-making steps in business processes were defined, and coordination with the management processes of business units started. In 2024, a management document covering the second and third level business processes on Human Resources Management was approved and implemented within SOCAR Group.

During the period, transformation activities were continued at many enterprises within the framework of the Target Operating Model, including the “Geology and Geophysics” Department, “NIPINeftegaz” LLC, “SOCAR Downstream Management” LLC. The integration of the newly established enterprise “SOCAR Green” LLC into the SOCAR Group also took place. The vertical transformation of “EKOL” LLC within the segment it belongs to continued.

In order to further improve SOCAR’s overall performance, working environment and employee well-being, an “Employee Engagement and Satisfaction” survey was conducted in 2024 to assess the level of employee satisfaction at SOCAR. In 2024, in accordance with the priority of increasing employee engagement and satisfaction determined within the framework of ESG (Environmental, Social and Governance) principles, this survey was launched. Within the framework of the ESG project, the survey was further improved, not only measuring employee engagement and satisfaction, but also adding the eNPS (Employee Net Promoter Score) question, along with criteria such as culture, ownership, diversity, equality and inclusion.

In 2024, a corporate culture survey was also conducted to support the implementation of SOCAR's Target Operating Model. 237 strategic managers from SOCAR Group participated in the survey. A comparative analysis was conducted with the results of the initial culture survey conducted in 2022 and the development dynamics in the targeted direction were determined. In the future, it is planned to expand the scope of the survey to include more respondents, as well as conduct additional surveys in order to consistently and regularly measure development.

In October 2024, SOCAR received the "BBB" ESG rating from the global provider of "Environmental, Social, Governance" - ESG indices, Morgan Stanley Capital International (MSCI). "BBB" ESG rating of SOCAR confirms its achievements and commitments in the areas of carbon emissions, waste management, human capital management, public relations, biodiversity, health and safety, governance and transparency. SOCAR, in particular, showed a result of 7.5 points on a 10-point system in the Social (S) component, which reflects the positive trend of our company's activities in areas such as human capital management, public relations and health and safety.

Also, in accordance with the requirements of MSCI, SOCAR implemented improvements such as leadership succession planning and continuous efforts to facilitate professional communication as part of the company's personnel policy, and disclosed these innovations to the public, including the rating agency in question.

One of the main tasks facing SOCAR is to organise training and education at the level of international standards in the preparation, retraining and improvement of the level of professionalism of highly qualified specialists and workers for the oil industry. In this regard, 23,901 training needs identified for SOCAR in 2024 were met, of which 15,396 were for occupational health and safety, 6,157 for technical skills, 428 for IT skills, 1,732 for behavioral and management skills, and 188 for language skills. 21,189 of the participants participated in trainings conducted by SOCAR's Training, Education and Certification Department, and 2,712 by external organisations. 50% of those involved in the trainings (12,009 people) are employees working in the labor category. The training hours per participant for SOCAR are 24.4, and the training hours per employee are 12.1.

Starting from September 2024, SOCAR Training Centers started training 487 students in 20 vocational specialties. Depending on the vocational direction, students are expected to graduate in April and July of next year.

82 people participated in the exams to assess the knowledge of children of SOCAR employees studying in secondary schools under the "German Summer Camp" program, and 25 students who scored the highest points were provided with participation in the program.

In 2024, 1 graduate who successfully completed his education at the University of Manchester in the United Kingdom within the framework of SOCAR's "Overseas Scholarship Program" (OSP) was provided with a job within SOCAR's structure. Also, in 2024, a total of 9 employees had the opportunity to get

higher education within the framework of OSP at leading universities in the world such as IE University, Glasgow University, Aberdeen University, etc. within the framework of SOCAR's Overseas Scholarship Program.

As every year, in 2024, the working conditions of the organisations included in the structure of SOCAR, as well as the employees working in these organisations, were taken into account. Thus, numerous applications received from enterprises and employees in this direction are reviewed and implemented accordingly. During the reporting period, the total accrued wages and other payments for SOCAR amounted to 1017.22 million manat, and the average monthly wage of employees was 1872.80 manat.

In connection with the implementation of the Order-Resolution of SOCAR and the Republican Committee of the Trade Union of Oil and Gas Industry Workers of Azerbaijan dated July 03, 2012 No. 81 and 14-29 on "Stimulating the release of surplus labor forces in connection with the implementation of actions to optimize the number of employees in SOCAR", relevant actions were regularly implemented in 2024 to optimize the number of employees at SOCAR enterprises and organisations.

According to reports on accrued wages and other payments equivalent to them for the entities included in the structure of SOCAR, the wage structure is examined, relevant proposals are prepared, and work is continued to optimize the number of employees and wage costs in order to increase the efficiency of activities in the entities included in the structure of SOCAR.

In accordance with the Resolution No. 137 of the Cabinet of Ministers of the Republic of Azerbaijan "On determining the minimum amount of increases (coefficients) ensuring high payment of wages to employees working in jobs with difficult and harmful working conditions and in workplaces that are not suitable for work due to climatic conditions", in accordance with paragraph 3.7.1 of "Regulations on payment of employees' labor at SOCAR No. 143 and 14-70a dated 08.10.2007, appropriate actions were taken to determine and formalize the list of workplaces with difficult climatic conditions and the increase coefficients for the tariff (position) salaries of employees determined by the applicable legislation.

Relevant methodological instructions were given to the executives regarding the correct application of the increases determined for the tariff (position) salaries of employees working in enterprises and organisations, including the increases determined for difficult and harmful production factors.

Improvements related to the organisation of labor, including the preparation of job standards. 526 units of job (occupational) standards for Specialized Oil-Mining Technical Departments No. 1 and 2 of SOCAR's "Azneft" PU, 65 units of Heydar Aliyev Baku Deepwater Jackets Plant, 1411 units of Transportation Department, 248 units of Social Development Department, 166 units of Baku Higher Oil School were prepared and added to SOCAR's job architecture. Thus, jobs in all organisations included in SOCAR's structure were provided with appropriate job (occupational) standards. At the same time, work is regularly carried out to update the standards, taking into

account staff and structural changes in the organisations where they are applied.

Within the framework of the "Improvement of the Rating System" project, which was launched in the reporting year, large-scale processes such as evaluating positions in SOCAR, reshaping job families, and updating the fundamentals of the reward system were implemented. The main stages of the project are expected to be completed in the first half of 2025 planned.

In order to ensure the effectiveness of SOCAR's employees' activities, as well as to align the activities of employees with strategic goals, individual targets were set for all engineering and maintenance staff in 2024 within the framework of the performance management system. For this purpose, 38 reconciliation sessions were organised for segments and enterprises during 2024 target setting period, and corporate HRMs of SOCAR were diversified for 22 enterprise managers. Reconciliation sessions were also held with strategic managers working at enterprises, ensuring the diversification of the enterprise's corporate HRMs to the staff. Individual targets were set for 14,174 management and specialist staff for 2024, and a mid-year (June-July) review of the targets was carried out. In parallel, a year-end performance assessment of 13,895 management and specialist staff for 2023 was carried out in the reporting period (January-April 2024). In accordance with SOCAR's order No. 14-2/3-1K-639/2024 dated November 28, 2024, "On performance-based annual remuneration for 2023", in 2024, for the first time, a performance-based annual remuneration process was launched at SOCAR and employees were rewarded based on the results of 2023. A total of 39,264 employees, including the labor team, along with other specialist and technical executive categories who successfully achieved their targets, were paid a bonus to the extent of 43,318.75 thousand manat. A similar payment for management category employees was made in the 1st quarter of 2025.

In accordance with the communication plan of the performance management process, in order to improve the performance management culture during 2024, SOCAR's management and specialist staff were regularly provided with informative communication materials reflecting the basic rules and principles of the Performance Management System. In addition, awareness training on "Coaching Performance Management" was conducted for 2,031 line managers. In order to implement direct support processes for line managers related to performance management at Head Office and structured enterprises of SOCAR, approximately 150 Performance experts and consultants were appointed, and their awareness was also conducted.

XIV. HEALTH AND SAFETY

SOCAR always focuses on ensuring that operations are carried out safely, reliably and in accordance with the requirements, prioritizing the lives and health of employees over production activities. The main goal is to carry out all work and operations in production without causing accidents, mishaps, occupational diseases and without harming the environment during the production process.

Organisation of work on health and safety

During 2024 reporting year, a number of important works were carried out in SOCAR's production areas to improve and improve working conditions, the tasks set for the implementation of the resulting actions were successfully implemented, and the implementation of the nomenclature action plan was ensured. For this purpose, actions were continued to bring production areas, buildings, and workplaces into line with the requirements of relevant regulations, and to prevent injuries, accidents, and occupational diseases in production processes. In total, 39,785,424 manat were spent on labor protection actions in SOCAR during 2024.

Safety costs of SOCAR for 2024

Table XIV.1, manat

NAME	2024
Labor protection and safety, including:	39,785,424.0
Nomenclature actions to improve working conditions	29,993,700.0
Special clothing, special footwear and other personal protective equipment	8,227,213.0
Other costs	1,564,511.0

In 2024 reporting year, in order to bring the work carried out in departments and enterprises of SOCAR up to date, work continued on developing norms, procedures and instructions on various topics and areas of work. Accordingly, an analysis of the current situation regarding SOCAR's HSE management system was conducted and a Strategy document aimed at improving the HSE management system was adopted. In addition, the Statement on Occupational Health and Safety, which reflects the main principles, was re-developed, approved and published on the Company's official website. During the reporting period, the "Instructions on Verbal Reporting of Incidents", "Behavior and Safety

Monitoring System (BSMS) Instructions", and "Regulation of Relations and Safety Procedure in Passenger Transportation" were also developed, completed and approved. The preparation/updating of documents to be applied at the corporate level, such as "Lifting Operations Procedure", "Permission Procedure for Work Execution", "Energy Systems Isolation Procedure", "Contractors' OHS Management Procedure", "OHS Accountability", "Norms for Providing Special Clothing and other PPE to SOCAR Employees", was initiated and continued.

Joint Projects with Other Companies

A number of joint projects were implemented with other oil and gas companies and organisations in 2024 in order to establish OHS activities at the level of current requirements.

Table XIV.2

NAME OF ORGANISATION	DESCRIPTION OF ACTION
International Association of Oil and Gas Producers (IOGP)	Within the framework of cooperation with the (IOGP), the best practices of the industry were reviewed and practices appropriate to the company's activities were applied.
"Uzbekneftegaz" JSC	An exchange of experience was organised between SOCAR and Uzbekneftegaz JSC, and mutual visits of representatives of both companies to production areas were organised, and the existing OHS management system in various segments was familiarized with.
"Tatneft" company	A Roadmap for cooperation was signed between SOCAR and Tatneft within the framework of the "Russia-Islamic World: KazanForum" event held in Kazan, Republic of Tatarstan, Russian Federation on May 14-19, 2024.
MSCI company	Necessary works were carried out in the OHS field to obtain a BBB initial rating for 2024 by MSCI, a leading international rating agency for ESG (Environmental, Social and Governance).

Within the framework of the cooperation, participation in a special meeting dedicated to the 50th anniversary of the IOGP was ensured in Dubai, United Arab Emirates, on May 8-9, 2024, in the presence of representatives of member organisations. Information on the general overview of 2024 was provided at the meeting and panel sessions were organised on various topics. The important role of technology in the field of health and safety, the application of digitalization and best practices in the field of safety were widely discussed.

On October 12-17, 2024, the IOGP Health Committee attended the meeting of the Bahrain Petroleum Company (Bapco) modernization project in Manama, Kingdom of Bahrain, and discussions were held on key health-related activities and challenges arising in organisations related to occupational health.

On October 28-30, 2024, an extraordinary general meeting dedicated

to the 50th anniversary of the organisation was held in London, United Kingdom, in the presence of representatives of IOGP member states. A delegation from SOCAR, a member of this organisation since 2018, also participated in the event, and within the framework of the event, exchanges of best practices in the field of HSE were held, and discussions were organised on the topics of energy transition and decarbonization.

Participation in the IOGP Process Safety Subcommittee meeting held in London, Great Britain, on October 12-17, 2024 was ensured.

Application of international management systems

Since 2022, an agreement was signed with representatives of international organisations selected on a competitive basis in the territory of the Republic of Azerbaijan regarding the application of international standards at SOCAR's enterprises, and the process was successfully continued in 2023 and 2024.

In 2024, a certification audit was conducted for three standards (ISO 9001, ISO 14001 and ISO 45001) in the Industrial Safety Department, one of SOCAR's subordinate organisations, and one standard (ISO 9001) in the Social Development Department, and certificates are expected to be presented to enterprises for the first time. In addition, work on the ISO 14001 standard was initiated and is currently ongoing at the Heydar Aliyev Baku Deepwater Jackets Plant. Thus, international standards (ISO 9001, ISO 14001, ISO 45001, ISO/IEC 17024, ISO/IEC 17025 and ISO/IEC 27001, TSE-ISO 10002, ISO 50001, ISO 29990, ISO 39001) are being applied or are expected to be applied in 36 subordinate organisations of SOCAR, including the management apparatus and structural units of the "Azneft" PU.

In the reporting year, certification audits were conducted to renew the standards of the "Oil & Gas Research and Design" Institute, and preparatory work was carried out for audits to renew certificates in the "Azerigas" PU, the Transportation Department, the Department for Development of Labor Condition Standards and Training, Education and Certification Department. In addition, verification audits were conducted in other enterprises and the authenticity of existing certificates was confirmed.

Employee education

During the reporting period, a number of comprehensive actions were taken to bring the work carried out in the field of health and labor protection in SOCAR's departments and enterprises up to date. For this purpose, informative posters on various topics were prepared by the Head Office's Health and Safety Department every month and distributed to all enterprises within the structure of SOCAR.

4 comprehensive seminars and cooperation meetings were organised during 2024:

Seminars:

On 23.02.2024, as a continuation of various thematic events and meetings regularly held by the Head Office's Health and Safety (H&S) Department, a hybrid-format seminar on "Lifting Operations" was held at the "SOCAR Tower" with

the participation of H&S specialists from SOCAR's departments and enterprises, as well as employees responsible for lifting operations.

On 20.05.2024, discussions were held on the topic of "Safety of Operations at Height" in the presence of OHS specialists.

On 08.08.2024, a reporting meeting was held with the participation of OHS managers of enterprises in the field of health and occupational safety on the results of the first half of 2024.

Cooperation meeting:

On 02.07.2024, a visit of HSE specialists from SOCAR Head Office, SUOM and "Azneft" PU to Sangachal terminal of bp was organised, and interesting seminars and experience exchange were held within the framework of the event.

Occupational safety trainings:

In 2024, courses on various topics were organised, with a total of 292410 training hours on occupational safety, and the participation of 13318 delegates was ensured.

Diagram XIV.1

Safety Actions

During 2024, substantial work was carried out and is currently ongoing in the field of implementing preventive actions to create healthy and safe working conditions at SOCAR enterprises, and to reconstruct production areas, buildings and workplaces in accordance with the requirements of modern standards. In order to ensure the safe operation of devices, equipment and mechanisms performing complex technological processes and to determine their suitability for operation, the vast majority of them underwent technical expertise and periodic testing was carried out. In order to alleviate human labor in technological processes and apply safe working methods, automatic control and measurement systems that meet modern requirements were installed and put into operation in many production areas.

Figure XIV.1. During safety trainings

Monitoring the state of working conditions

Regular attestation work is carried out at SOCAR's production areas to assess the safety of workplaces. During the reporting period, attestation was carried out at 2,077 workplaces in SOCAR's subordinate organisations, and as a result, it was found that harmful production factors exceeded the norm in 414 workplaces. In addition, industrial and sanitary laboratories operating at 4 enterprises of the Company carried out measurements at 4411 workplaces.

During the reporting period, in order to check the state of working conditions and minimize production risks, the Occupational Health and Safety Department (OHS) of SOCAR Head Office and the permanent occupational safety commissions (OSCs) of its enterprises conducted monitoring at production facilities within the framework of the "Self-assessment" process, achieved the implementation of substantial work to bring workplaces where deficiencies were detected to a safe state, and production areas that did not meet safety requirements were brought into line with the requirements or eliminated. Thus, within the framework of the "self-assessment" process, monitoring was conducted at 8 subordinate enterprises of SOCAR (Oil

Pipelines Department, Heydar Aliyev Oil Refinery, Training, Education and Certification Department, “Oil & Gas Construction” Trust, Transportation Department, “Azerikimya” Production Unit, “Oil & Gas Research and Design” Institute, Carbamide Plant), positive aspects of the enterprises were noted, inconsistencies were identified (a total of 199 defects), opportunities for improvement were indicated, and recommendations were made. In addition, in September-October, on the eve of COP-29 held in our country, the OHS Department conducted extraordinary monitoring at 10 enterprises (“Azneft” Production Unit, Oil Pipelines Department, Geophysics and Geology Department, Gas Export Department, “Oil & Gas Construction” Trust, Heydar Aliyev Oil Refinery, “Azerigas” Production Unit, Methanol Plant, Gas Processing Plant) based on relevant checklists to ensure fire safety, preventive actions were identified and the implementation status of these actions was taken under control.

657 inspections were carried out on the state of working conditions at workplaces by the Permanent Commissions established for subordinate organisations of SOCAR. As a result of the inspections, 8520 deficiencies out of 10179 deficiencies detected in SOCAR were completely eliminated. At the same time, as a result of 5333 inspections conducted by the OHS services of SOCAR’s subordinate organisations, out of 23906 deficiencies detected in SOCAR, 21605 deficiencies were completely eliminated, and necessary actions were taken to eliminate the others, including repeated deficiencies found during both inspections. During 2024, 479 engineering and technical workers were disciplined by orders of departments and enterprises for violating safety regulations. Out of these, 367 were reprimanded, 60 were given a severe reprimand with a final warning, 49 had their salaries reduced, and 3 were dismissed. The number of employees awarded in the field of labor protection was 373. In addition, in order to further strengthen the safety culture among SOCAR employees, it is planned to organise the “Safety Leader” competition on a regular basis every year, which includes identifying and evaluating employees who distinguished themselves in OHS activities. In the competition held in 2024, candidates were evaluated based on the criteria set for the WHO, and 37 of them were selected as winners of the competition and awarded.

Control over third-party companies

The focus is always on ensuring that the activities of third-party (contractor) companies are conducted in accordance with SOCAR’s principles and values. SOCAR’s main requirements for third-party companies include health, safety and risk management in the areas. The activities of joint and joint ventures operating as contracting organisations working on a contractual basis at enterprises were regularly monitored in the field of occupational safety. When several organisations, including external organisations (contractors) work on a contractual basis, a responsible person is appointed to provide general management and control over their activities. Thus, vehicles that do not meet safety requirements are not allowed to enter fire and explosion hazardous production areas, the availability of certificates for the work performed, the technical condition of the lifting and other equipment, mechanisms and tools used, and their timely inspection are monitored, and at the same time, the performance of work in accordance with the requirements of safety regulations, the wearing of special clothing by employees of all organisations and the use of necessary protective equipment are monitored, and interaction with them is ensured when necessary. Joint Ventures and Operating Companies submit monthly reports to the Company regarding industrial injuries, and based on these reports, the status of industrial injuries was analyzed and assessed.

Occupational Accidents

Despite the actions taken, a total of 30 accidents occurred during 2024. The relevant state authorities were duly informed about all the incidents, 25 incidents were investigated and concluded in accordance with the requirements of the applicable legislation, and the investigation of other incidents was continued. Appropriate actions were taken at the enterprises to determine the causes of the incidents as a result of the investigation and to take preventive actions, as well as to improve working conditions and increase awareness-raising actions, lessons learned from the incidents were distributed to relevant parties, and the implementation of the actions identified as a result of the internal investigation was monitored. Among the reasons for the increase in the number of accidents compared to previous years was the encouragement of timely and systematic reporting by employees of all incidents occurring in production areas at various levels as a result of recent awareness-raising and other technical and organisational actions, and as a result, the formation of an organisational environment that supports the development of a reporting culture at the corporate level in the Company. The development of a reporting culture led to a more than 5-fold increase in the number of reported pickpocketing incidents, which allowed the investigation of these pickpocketing incidents and the identification and implementation of regulatory and preventive actions to prevent a number of serious incidents in advance.

Number of accidents by areas of activity of SOCAR in Azerbaijan for 2024

Table XIV.3

Enterprises of SOCAR	Number of accidents
"Azneft" PU	5
"Azerikimya" PU	4
"Azerigas" PU	2
Transportation Department	3
Heydar Aliyev Oil Refinery	4
Oil & Gas Construction Trust	5
Security Department	3
Complex Drilling Works Trust	3
Geophysics and Geology Department	1
TOTAL	30

Activity indicators in Safety of SOCAR for 2024

Table XIV.4

Activity indicators in Safety of SOCAR	2024
Total number of occupational accidents	30
Total number of employees injured	29
Number of occupational diseases	0
Number of working days lost due to work-related injuries	1093
Average number of employees	48340
Total hours worked	83157402
Work-related injury rate (per 200,000 hours worked)	0.07
Lost work-day rate (per 200,000 hours worked)	2.64
Accident frequency rate (number of incidents per 1,000 employees)	0.62
Accident severity rate (number of days lost per incident)	39.17

XV. QUALITY ASSURANCE AND CONTROL

Our goal is to organise quality assurance and control in accordance with the requirements of international standards, to explore the possibility of applying new trends in the field of quality, to create control mechanisms in accordance with quality assurance requirements and to continuously develop the methodological base.

Creation of e-Tender platform

In order to digitize the "procurement" and "pre-qualification" process at SOCAR, as well as to start its implementation, an e-Tender platform was created. The preparation of pre-qualification questionnaires and questions related to the process was organised. In order to form the Approved Suppliers List (TSL) of SOCAR, 436 pre-qualification competitions were organised, suppliers were evaluated and other relevant activities were carried out. Regular meetings were organised with representatives of "Smart Solutions Group" LLC in order to provide proposals for improving the pre-qualification module on the e-Tender platform.

Participation of quality specialists in various procurement tenders organised centrally by SOCAR Head Office was ensured.

Support for local production

The implementation of the support program for local producers was launched and meetings were held with 59 local producer companies during 2024. In order to identify producers, the activities of 99 residents operating within the Economic Zones (7 industrial parks, 3 industrial districts) were analyzed, and meetings were held with most of them, which are manufacturers of products that meet SOCAR's needs. In order to continue the Program in 2025, an application was addressed to the Ministry of Economy to obtain information about other local producers.

Employee education

A lot of work was done recently by the Quality Assurance and Quality Control (QAQC) Department of the Head Office to integrate SOCAR's management systems into internationally accepted best practices.

In the field of quality, activities are also being carried out in SOCAR's subordinate organisations to improve the professionalism of personnel, as well as training and development. For this purpose, posters on various topics related to quality are prepared every month with the initiative and direct participation of the Department and shared with all SOCAR enterprises.

For the first time, a Quality Week event was organised at SOCAR with the participation of invited guests from business units and external organisations. Every year, "World Quality Week" is celebrated on a large scale based on various topics.

Risk governance

SOCAR has a risk governance framework with dedicated risk management functions in place which are Risk Owners (first line), Risk Management and other Oversight functions (second line) and Independent Audit Function (third line).

SOCAR has risk management processes and strategies to promote an effective risk culture. We review our company's risk exposure at least yearly.

We have strategies in place to promote an effective risk culture throughout the organization including regular risk management education for management, focused training throughout the organization on risk management principles, incorporation of risk criteria in the development of products and services and financial incentives which incorporate risk management metrics.

One of the emerging strategic risks identified is the declining oil prices and diminishing margin in production revenues. This risk arises from several factors: political tendencies that push oil prices downward, increased capital expenditures (CAPEX) required to exploit new oil and gas fields, and rising CAPEX to maintain existing traditional fields. The impact of this trend is first, the decline in oil prices directly threatens the core revenue sources of the company. Second, the increased need for both operational expenditures (OPEX) and CAPEX raises the base cost structure for business lines, putting further pressure on profitability. To mitigate this risk, the company is pursuing a strategy focused on portfolio optimization and diversification as a way to stabilize and expand revenue sources. Additionally, measures have been established to improve CAPEX efficiency.

Another key emerging risk falls under regulatory and compliance: the strict regulatory requirements on environmental issues. This includes tighter environmental regulations at both local and global levels that impact the existing operations. The primary impact of this risk is the potential reputational and operational damage caused by non-compliance, including threats to the company's license to operate. To mitigate this, SOCAR is ensuring its operations are strictly aligned with its strategic carbon emission goals, and is placing significant emphasis on the successful implementation of its green energy projects.

Project assessment audits

It is always in the spotlight that the activities of third-party (contractor) companies are established in accordance with SOCAR's principles and values. In this regard, quality audits were carried out in SOCAR subordinate entities to assess the effectiveness of major repair, construction and reconstruction projects carried out by contractors, both onshore and offshore. Thus, 11 quality audits were organised at 6 enterprises, including 2 internal and 6 external contractor organisations.

Improvement of the methodological base

A set of relevant normative documents was prepared in order to improve the procurement process at SOCAR and bring it into line with modern requirements. In order to improve the processes of SOCAR activities, the "7 Quality Tools" manual was prepared and approved. For the new process of "pre-qualification", the "Instructions on Organisation and Management of Pre-qualification" and "Instructions for Suppliers Participating in Pre-qualification Competitions" were prepared.

In general, the OHS (Occupational Health and Safety) and Quality Statements for SOCAR were updated and approved.

"State Program for 2023-2025 on Adapting the National Standardization System to International Requirements"

Relevant work was carried out on 4 (four) items in the Action Plan of the State Program, where SOCAR is identified as a joint participant. Thus, the attitude towards 3 (three) draft national technical regulations sent for approval was expressed, meetings dedicated to discussing the work done towards the implementation of 2024 Action Plan of the Working Group were attended, the list of reference standards of technical regulations relevant to SOCAR's activities was analyzed in the appropriate manner, a number of additions and substitutions were proposed to ensure the compliance of the standards mentioned in the list of referenced standards with international standards, and a list of representatives to be represented as members in the technical committees of the public legal entity "Azerbaijan Standardization Institute" was presented.

Cooperation

In 2024, SOCAR held meetings with SOCAR Turkey to exchange experience in order to increase competitiveness in the domestic and foreign markets, based on the quality factor, as well as the requirements of local and international standards, and to ensure continuous improvement of the quality of products (services, works), related processes (including the management system), production methods and staff skills.

A number of meetings were organised and activities were implemented between SOCAR and CQI (Chartered Quality Institute) towards corporate membership.

Digitalization

A number of activities were carried out in 2024 with the initiative of digitalizing quality processes in some modules at SOCAR. A strategy for digitalizing e-IMS processes and an architecture document for 6 modules were prepared.

Various meetings were organised with the Caspian Innovation Center (CIC) and a number of vendor organisations to discuss technical requirements in the direction of digitalizing e-IMS processes.

With increasing digitalization, cybersecurity risks are becoming a focal question. Executive level responsibility for overseeing information security issues is maintained by Chief Technology Officer with clear responsibility for information security.

XVI. ENERGY TRANSITION, ENVIRONMENT AND DECARBONIZATION

As from 2023, SOCAR embarked on a significant transformation process to become a National Energy Company, a sustainable energy supplier. SOCAR, which is at the beginning of the transformation process and operates as a National Oil Company, aims to become a leading National Energy Company contributing to global energy security and having a "Net Zero Emissions" profile by 2050. To achieve these goals, the decarbonization program launched for SOCAR covers 9 main areas of activity.

- Implementation of carbon capture and utilization facilities to convert CO_2 gases into recycled products at chemical industry facilities;
- Implementation of energy efficiency programs;
- Elimination of flaring in the "Downstream" segment;
- Reduction of "Scope 2" emissions through renewable energy sources;
- Production of biogas to replace hydrocarbon fuels;
- Electrification of equipment;
- Implementation of methane reduction program / leak detection and repair programs (LDAR);
- Implementation of carbon capture, utilization and storage (CCUS) technologies;
- Implementation of carbon offset programs.

To support these activities, as well as to ensure the effective management of environmental management, decarbonization and energy transition projects at SOCAR, the "Energy Transition, Environment and Decarbonization" segment ("ETED") was established. In addition, SOCAR established "SOCAR Green" LLC ("SOCAR Green") in March 2024 to manage low-carbon and green businesses. This subsidiary will play an important role in reducing SOCAR's overall carbon footprint and managing low-carbon and green business projects.

Scope of activities of SOCAR Green includes the development and management of clean and sustainable energy projects such as solar, wind and geothermal energy, green hydrogen, carbon capture, utilization and storage, energy efficiency and energy storage. SOCAR Green plays an important role not only in implementing green initiatives, but also in supporting the decarbonization of SOCAR's core oil and gas operations. To this end, SOCAR Green cooperates with leading energy companies to diversify its activities and implement the listed projects.

Collection of environmental regulatory documents

SOCAR carries out its activities on the basis of international conventions to which the Republic of Azerbaijan is a party, existing legislative acts, state programs on environmental protection, regulatory legal frameworks and the company's corporate policy.

In this direction, SOCAR has the following corporate documents:

- Environmental Policy;
- Statement on Environmental Protection Goals of SOCAR;
- Statement on Biodiversity Protection of SOCAR;
- SOCAR and the plan to reduce fugitive emissions in projects in which SOCAR participates;
- 2021-2030: Low-carbon development strategy;
- Corporate Strategy of SOCAR until 2035, section "Energy Transition, Environment and Decarbonization";
- 2024-2025 Environmental Monitoring Program;
- Decarbonization Plan of SOCAR until 2028.

Activities within the framework of international initiatives of which SOCAR is a member

SOCAR closely cooperates with a number of international initiatives and organisations in the field of global energy transition, environmental protection and decarbonization. These partnerships further strengthen SOCAR's role in solving sustainable development and climate problems on a global scale.

➢ **Cooperation with OGDC**

SOCAR is one of the co-founders of the "Oil & Gas Decarbonization Charter (OGDC)" proposed during COP28 and is one of 12 companies represented on the Steering Committee of the charter. In this regard, SOCAR plays an important role in the management of the charter. "OGDC" is an important charter with more than 50 leading oil and gas companies as members on a global scale to accelerate activities to prevent the effects of climate change.

On May 16, 2024, a meeting of the Steering Committee of the "OGDC" Charter was held. During the meeting, SOCAR was elected as the Chairman of the Steering Committee of the "OGDC" based on the opinion of the co-founders and members of the said Charter.

On June 4, 2024, an international event on "Shaping the Industry's Path to Net Zero and Realizing the Ambitions of OGDC" was held in Baku, organised by "OGDC" and supported by SOCAR.

➢ **Cooperation within the framework of the "OGMP 2.0" initiative**

SOCAR, demonstrating its intention to reduce methane emissions globally and its commitment to the decarbonization targets it announced in this direction, joined the Oil & Gas Methane Partnership (OGMP 2.0) in 2024.

The goal of "OGMP2.0" is to obtain comprehensive data on methane emissions, promote emission reduction activities, and conduct transparent reporting by applying best practices.

➢ **Implementation of the "AGMR" initiative within the framework of the "MGP"**

Within the framework of the Methane Guiding Principles (MGP) initiative, SOCAR, together with bp, is implementing the "Advancing Global Methane Reduction" (AGMR) initiative as leading industry leaders in Azerbaijan. The aim of the initiative is to promote methane emissions measurement, reporting, and reduction activities for oil and gas operators operating in Azerbaijan by bp and SOCAR, to improve their knowledge and skills in this area, as well as to support the application of the best available technologies. Within the framework of the mentioned initiative, field trips were organised for a group of oil and gas operators' representatives to the "Neft Dashlary" OGPD on April 17, 2024, and to the Sangachal terminal on April 18, 2024, in order to share best practices in the field of emissions reduction and to get acquainted with the projects on site. Within the framework of the project, an international conference was held on April 23, 2024, at SOCAR's Eco-Park, jointly organised by bp and SOCAR.

➢ **Obtaining an "Environmental, Social and Governance" (ESG) rating**

SOCAR, which attaches special importance to improving the

environmental, social policy and management framework in its activities, achieved a significant achievement in 2024 in the "E" (environmental) component by obtaining the "ESG" (Environmental, Social and Governance) rating. As a result of the work done, in cooperation with the leading international rating agency "MSCI", in 2024 SOCAR was assessed with 7.0 points in the environmental ("E") component of "ESG" and received an initial BBB[1] rating in the overall assessment. This result is higher than the average environmental indicator for the oil and gas industry (5.4).

➢ The works carried out in cooperation with "IOGP"

SOCAR was cooperating with "The International Association of Oil & Gas Producers" (IOGP) since 2018. As a member of "IOGP", SOCAR's annual environmental performance indicators (EPI) are collected and analyzed every year, and the results are included in the reports of "IOGP". "IOGP" management structure is organised into various subcommittees. SOCAR is a member of the following:

- Low Carbon Operational Efficiency Committee (LCOE);
- Carbon Capture, and Storage Committee (CCS);
- Environment Committee.

Every year, meetings of the organisation's subcommittees are held in the presence of representatives of "IOGP" member companies, and SOCAR is actively represented in these meetings. A representative of SOCAR participated in the meeting of the organisation's subcommittee held in London in 2024.

Initiatives within the framework of the "Climate and Sustainability - LightHouse" program

SOCAR launched the two-year "Climate and Sustainability - LightHouse" program in 2023 in cooperation with an international consulting company to implement decarbonization initiatives in the oil and gas operations process, and its implementation is currently ongoing.

The program covers the following main areas:

- Development of the decarbonization program and team;
- Creation of GHG reporting for "Scope 1" and "Scope 2" for entities within the SOCAR structure;
- Creation of the "Methane AI" platform;
- Creation of a leakage management program;
- Creation of a water resource management program;
- Provision of support for climate ratings;
- Creation of a waste management program;
- Exploration of low-carbon business opportunities.

➢ "Caspian AI Institute" project

In cooperation with an international consulting firm, the Caspian AI Institute project was established to provide energy transition and decarbonization solutions in SOCAR's operations. The tools created as a result of the implementation of the project will provide real-time emissions tracking, water use monitoring, greenhouse gas inventorying, and effective management of environmental activities, in addition to energy transition solutions.

➢ "Methane AI" platform

Within the framework of the "Caspian AI Institute" project, the "Methane AI" management platform based on artificial intelligence was successfully created to assess the current state of methane emissions at production sites, map their sources, create a digital monitoring tool and establish new emission reporting procedures. The "Methane AI" platform will facilitate the process of collecting data on methane emissions within the specified parameters and provide comprehensive information on emission volumes in operational areas. In addition to the above, the mentioned platform will contribute to the effective analysis of emission indicators obtained through the application of drone and satellite technologies without the human factor, to the automation of the reporting system within the framework of international initiatives of which SOCAR is a member (for example, reporting within the framework of the OGMP2.0 initiative), as well as to the improvement of technical maintenance programs for the normal operation of equipment and facilities with emission factors.

➢ Satellite-based measurements of emissions in cooperation with "OGCI" and "GHGSAT"

During the reporting year, satellite-based measurements of methane emissions were conducted in 7 SOCAR operating areas in cooperation with the "Oil and Gas Climate Initiative" (OGCI) and "GHGSAT" ("Greenhouse Gas Satellite") organisations and results were obtained. This comprehensive approach played an important role in more accurately measuring, determining the volume and eliminating methane emissions.

➢ Drone-based measurements in cooperation with "TotalEnergies"

In 2024, SOCAR, in cooperation with "TotalEnergies", carried out methane emission measurement operations using drone-based "AUSEA" ("Airborne Ultralight Spectrometer for Environmental Applications") technology. "AUSEA" consists of small-sized dual sensors mounted on a drone that can detect methane emissions and also determine their source. The technology installed on this drone allows measurements on emission sources that are difficult to detect and provides highly accurate results. Studies in this area were carried out at the Caspian Sea operations of TotalEnergies and at SOCAR's production sites.

➢ Cooperation with Italgas to identify leaks

In order to accelerate the reduction of methane emissions, SOCAR is implementing a pilot project with Italgas to identify and monitor leaks in the gas distribution network of "Azerigas" Production Unit using Picarro technology. Within the framework of the project, SOCAR uses a special vehicle equipped with Picarro intelligent technology to monitor methane leaks. This technology will allow for continuous and efficient detection of methane leaks, as well as taking operational actions to eliminate them.

➢ Emission measurements in "Neft Dashlary" OGPD

SOCAR carried out large-scale measurement studies in Neft Dashlary in 2024 always focusing on eliminating emission sources. During the research, emission sources that were previously impossible to inventory were identified, the volumes of emissions from these sources were assessed, and actions were taken to prevent them. Instrumental measuring devices, as well as satellite and drone technologies, were used in a comprehensive manner during the measurements. It should be noted that as a continuation of this process, it is planned to continue in 2025 on "Upstream" and "Midstream" assets of SOCAR.

➢ Reduction of "Upstream" emissions - UER Project

Relevant studies were conducted to continue the project of certification and sale of reduced emission volumes in the "Upstream"

[1] *MSCI rating criteria*

segment at the expense of SOCAR's internal resources, a strategy was defined, and projects of this type were implemented.

For the implementation of the project, initial monitoring was conducted at the production areas of "Neft Dashlary" OGPD of the "Azneft" PU, sources with gas leaks (valves, flanges, pipe joints, etc.) were identified for inclusion in the project, and gas volumes for those sources were estimated. All necessary technical documents and reports were prepared for the project, and gas leaks were prevented by carrying out repair and restoration work on the detected leak sources. Currently, the project is being verified by representatives of an international audit company specializing in this field in accordance with the project implementation procedure.

Renewable energy projects

➢ **Collaboration with Masdar**

In 2024, during Baku Energy Week, Shareholders' Agreements were signed between Masdar of the United Arab Emirates and SOCAR Green, and Power Purchase Agreements, Transmission Grid Connection Agreements and Land Lease Agreements were signed between Masdar and the Government of the Republic of Azerbaijan for three renewable energy projects with a total investment capacity of 1,000 MW. These agreements include the construction of a 445 MW solar power plant (SPP) in Bilasuvar, a 315 MW solar power plant in Neftchala, and a 240 MW onshore wind power plant (OWP) in Absheron-Garadagh.

Within the framework of COP29, agreements were signed between SOCAR Green, Masdar company of the United Arab Emirates, the European Bank for Reconstruction and Development, the Asian Development Bank and the Asian Infrastructure Investment Bank on financing 445 MW Bilasuvar and 315 MW Neftchala solar power plant projects.

These projects serve the goal of increasing the share of renewable sources in Azerbaijan's electricity to 30% by 2030. The mentioned plants are expected to generate a total of 2.3 billion kWh of electricity annually, thereby saving about 500 million m³ of natural gas and reducing carbon emissions by about 1 million tons.

It should be noted that these projects are being implemented as the first phase of the Joint Development Agreement signed between SOCAR and Masdar in January 2023 for the implementation of onshore solar and wind power plants with a total investment capacity of 2 GW.

➢ **Cooperation with "bp" company**

SOCAR is cooperating with bp on "Shafag" Solar Power Plant (SPP) project. The "Shafag" SPP project will have an installed capacity of 240 MW and will cover an area of more than 800 hectares in the Jabrayil region. Another important feature of the project is that it will operate within the framework of the Virtual Power Transfer Mechanism. Through this mechanism, the electricity generated at the plant will be transmitted to the existing electricity grid, and the grid is expected to provide the Sangachal terminal with the same amount of energy. As a result, renewable energy sources will be used to meet the energy needs of the terminal.

On November 12, 2024, the groundbreaking ceremony of "Shafag" SPP project was held. Within the framework of the ceremony, an Investment Agreement and a Land Lease Agreement were signed between the Ministry of Energy of the Republic of Azerbaijan and "Shafag" (Jabrayil) Solar Limited Project Company on the project. This is the first SPP project with the largest foreign investment in the liberated territories of Azerbaijan.

It should be noted that in September 2023, SOCAR, the Azerbaijan Investment Company (AIC) and bp signed an Accession Agreement formalizing SOCAR and AIC's intention to participate in the "Shafag" project being implemented in the Jabrayil region.

➢ **Cooperation with Chinese companies**

SOCAR has close cooperation relations with Chinese companies on alternative and renewable energy projects. One of the projects implemented within the framework of this cooperation is the Fuzuli SPP project implemented in the Fuzuli region.

The Fuzuli SPP project will have a capacity of 160 MW and will cover an area of 482 hectares in the Fuzuli region. On November 14, 2024, an Implementation Agreement was signed between the Ministry of Energy of the Republic of Azerbaijan, "SOCAR Green" and "China Energy Overseas Investment" Co. Ltd. (CEECOIC) on the development of the said project. This agreement creates a legal framework for the project. In addition, a Joint Development Agreement was signed between "SOCAR Green" and "CEECOIC". This agreement defines the framework for cooperation in the field of development, financing, construction and operation of the solar power plant.

In addition, during COP29, SOCAR Green signed Memoranda of Understanding with China Datang Overseas Investment Co., Ltd and Powerchina Resources Limited on the joint development of renewable energy projects.

➢ **Offshore wind energy project**

On November 13, 2024, SOCAR Green, Masdar and ACWA Power signed a Memorandum of Understanding on cooperation in the production of 3.5 GW of wind energy in the Azerbaijani sector of the Caspian Sea. The cooperation includes the establishment of a working group, the signing of a Joint Development Agreement for the next stages of the project, and the conduct of preliminary feasibility studies.

➢ **Geothermal energy projects**

In order to diversify its portfolio of renewable energy projects, SOCAR Green launched studies to survey the potential of geothermal energy use in Azerbaijan in 2024. In order to conduct these studies, SOCAR Green is cooperating with Baker Hughes and SLB. As a result of the studies, a Cooperation Agreement with Baker Hughes and a Memorandum of Understanding with SLB were signed within the framework of COP29.

Within the framework of the Cooperation Agreement with Baker Hughes, the geothermal energy potential of Azerbaijan will be investigated, especially with a focus on the territories of Lankaran and Masalli regions. The agreement also includes geothermal surveys, cost estimates and mapping of geothermal gradients. Within the framework of the Memorandum of Understanding between SOCAR Green and SLB, the geothermal energy potential in Lachin and Kalbajar regions will be comprehensively assessed.

➢ **Investigation of low-carbon business opportunities**

SOCAR conducted extensive studies covering low-carbon business opportunities within the framework of cooperation with an international consulting company. Within the framework of this cooperation, various low-carbon initiatives were evaluated in the initial stage. The second stage envisages a detailed investigation of bio-products, including biochar, biogas and other sustainable solutions.

➢ **Cooperation on energy efficiency**

In the field of energy efficiency, SOCAR Green cooperates with the Azerbaijan State Water Resources Agency to increase energy

efficiency in the management of the country's water resources and expand the application of renewable energy projects. The cooperation includes conducting diagnostics on energy consumption in the efficient use of water resources, engaging technical consultants for specialized support, and developing a roadmap for the implementation of renewable energy initiatives.

Environmental management actions

SOCAR took important steps towards environmental protection and ensuring sustainable development. In this context, Statement on Environmental Protection Targets of SOCAR was approved by the relevant order of the SOCAR President and posted on SOCAR's official website for public access. The aforementioned Statement reflects SOCAR's principles such as transition to renewable energy, increasing energy efficiency, decarbonization, formation of an environmental management system, efficient management of resources, environmental protection, reduction of pollutant emissions and impacts on climate change, application of "green technologies", as well as development of transparent dialogue on the environment.

Figure XVI.1. Solar panels in Ecological Park

➢ **Environmental monitoring**

During the year, comprehensive environmental monitoring and operational monitoring were carried out in accordance with the environmental monitoring program.

Table XVI.1

Monitorings	Number of monitorings, I half of the year	Number of monitorings, II half of the year	Total
Enterprises of the "Azneft" PU, onshore	16	13	29
Enterprises of the "Azneft" PU, offshore	10	-	10
On other structural divisions of SOCAR	17	17	34
On other ecological monitorings	6	6	12
On the investigation of letters	4	7	11
TOTAL	53	43	96

In addition, the MENR conducted 10 state monitoring at SOCAR's enterprises and organisations. Within the framework of environmental monitoring, 2,739 water, soil, oil sludge, drilling sludge, gas and various types of samples were received by the Complex Research Laboratory during the year, 31,441 oil products, anion-cation, biogen determination, microbiological and hydrobiological studies and various physicochemical analyzes were conducted.

➢ **Environmental Management System (EMS)**

One of the main goals of the ETED segment is to improve the EMS in accordance with the ISO 14001:2015 standard. In this direction, within the framework of cooperation with an international consulting company, the environmental situation in all SOCAR assets was studied, the level of the management system in this area was assessed, and areas requiring improvement were identified. At the same time, a procedural document on the assessment of environmental aspects and impacts was developed and implemented for SOCAR. As a result of the process, a single register reflecting environmental aspects, impacts and risks across the company's departments and enterprises was created. Verification of the effectiveness of the significant aspects identified in this register and their control actions is planned as part of the internal audit program to be held in 2025.

These systems are verified through external audits, third-party certifications, and, where applicable, internal assessments to ensure alignment with recognized standards.

As of the reporting period, 90% of SOCAR Azerbaijan and SOCAR Türkiye's EMS coverage is verified through a wide range of certifications such as ISO 9001, ISO 14001, ISO 45001, etc. Third-party ISO 14001 certification is conducted by TÜV Austria. In particular, two assets in SOCAR structure have been audited under ISO 14001 by TÜV Austria, which corresponds to 6% of the SOCAR Azerbaijan and SOCAR Türkiye assets.

SOCAR Azerbaijan Internal reviews are conducted by SOCAR's headquarters specialists to monitor compliance and performance, though these assessments are not issued as formal certifications.

Table XVI.2

Internationa Sta da ds	Third Party verification by specialized companies
ISO 9001, ISO 14001, ISO 45001, ISO 27001, ISO 50001, ISO 17025, ISO 22301, TS ISO 10002, TS ISO31000, ISO 55001, ISCC, ISO 14064-1, ISO 56002, YYS, OKS Certificate	ISO 14001 ("TÜV Austria" Azerbaijan)
The certificates cover 90% of SOCAR assets in both Azerbaijan and Türkiye	The certificate covers 6% of SOCAR assets in Azerbaijan and Türkiye.

➢ **Environmental violations**

Environmental compliance is a key element of SOCAR's operational management, with continuous monitoring conducted to ensure adherence to applicable environmental regulations and standards. The table below provides an overview of fines and related payments imposed on Operating Companies and Joint Ventures for environmental violations during the years 2021–2024. The values are presented in AZN.

Table XVI.3

Operating Companies/JVs	2021	2022	2023	2024
"Azneft" PU				3993
"Azgerneft" LLC			2500	
"Azerikimya" PU			6000	
Bahar Energy Operating Company LTD			10500	
Heydar Aliyev Oil Refinery (HAOR)		9870		11000
Complex Drilling Works Trust				10000
Balakhani Operating Company LTD	11235	11235	3000	
Surakhani Oil Operation Company S.A.	10500	10000	13000	
Salyan Oil LTD			4000	
Transportation Department	10500			
Total	32235	31105	39000	24993

➢ Water management

In order to improve the water management process at SOCAR, a large-scale analysis of the management of water-related processes in assets throughout the value chain was carried out in cooperation with an international consulting company. The main analyses included initiatives to forecast water demand and assess the technical potential of water sources. As a continuation of these initiatives, a water management procedure based on a structured and centralized approach was developed within SOCAR in order to clearly define water management responsibilities and ensure efficient management of water resources. Based on this procedure, a water reporting tool was developed in accordance with local legislation and international reporting standards (GRI 303). Also, a centralized water management system was established at SOCAR within the framework of the "Climate and Sustainability-LightHouse" program.

The figures below present water consumption for the years 2021–2024 (million m^3), covering SOCAR Azerbaijan, SOCAR Türkiye, SOCAR Georgia, and SOCAR Ukraine.

Table XVI.4

Water withdrawal & consumption (mln. m^3)	2021	2022	2023	2024
Water withdrawal	81.83	82.00	81.19	78.23
Water consumption	81.83	82.00	81.19	74.98

➢ Oil spill management

In order to further improve SOCAR's oil spill management activities, prevent spills and identify potential risks in advance, a comprehensive diagnosis of the existing infrastructure was carried out at the initial stage within the framework of the "Climate and Sustainability-LightHouse" program. This process made it possible to assess the condition of pipelines, reservoirs and other such infrastructure elements, identify possible leakage risks and take appropriate actions in a timely manner. It should be noted that in order to ensure prompt and effective response actions against oil spills at enterprises, an "Oil Spill Management Plan" was developed and implemented.

➢ Climate risk assessment

With the involvement of an international consulting company, assessments were carried out in SOCAR's

departments and enterprises regarding the climate risks faced by enterprises as a result of climate change, their potential impacts, possible dangers, as well as the prevention of these risks.

➢ SOCAR's Climate-Related Scenario Analysis (Physical Risk)

SOCAR has analyzed climate-related physical risk assessment, employing qualitative and quantitative scenario analysis to evaluate potential impacts. This assessment leverages globally recognized IPCC scenarios to model future climate risks across its asset portfolio.

SOCAR selected three IPCC-based scenarios to assess physical risks:

1. SSP1-2.6 (Net Zero by 2070, <2°C);
2. SSP2-4.5 (Current Trend, <3°C);
3. SSP5-8.5 (No Action, >3°C).

➢ Data collection and reporting improvement

In 2024, a generalized reporting tool was developed at SOCAR to ensure effective collection of environmental data. This tool, adapted to the "GRI" reporting standards, reflects water, waste and carbon emission indicators to strengthen environmental monitoring processes. In the future, it is planned to integrate this tool into the "MRV" digital system. In addition, the ETED segment implemented the following initiatives for entities within the SOCAR structure in order to improve the elements of the existing environmental management system:

- Improving environmental reporting processes at all enterprises in line with the latest industry standards (especially focusing on the calculation of methane and other emissions).
- Implementing the Environmental Monitoring Program (EMP) for 2024-2025, increasing the efficiency of environmental monitoring activities and ensuring compliance with industry standards.

In 2024, the document "SOCAR's program and targets in the field of decarbonization until 2028" was approved by the relevant order of the President of SOCAR. The document envisages the implementation of activities within the framework of mitigation actions to achieve long-term and short-term strategic goals aimed at reducing greenhouse gases in SOCAR's operating segments.

Environmental indicators

➢ Emission indicators

In 2024, a monthly environmental reporting system was implemented, covering the entities included in the structure of SOCAR and the projects in which the company participates. As a result of the implementation of the mentioned system, monthly environmental indicators were collected covering the "Upstream", "Midstream", "Downstream" segments, electricity and steam power generation, as well as other service areas.

The distribution of emissions by segments is as follows:

Direct emissions - (Scope 1):

- "Upstream" segment;[2]
- "Midstream" segment;[3]
- "Downstream" segment;[4]
- Other service areas of SOCAR.[5]

Indirect emissions – (Scope 2):

- Producers of electrical energy consumed by SOCAR.

[2] Direct emission sources for the "Upstream" segment: "Azneft" PU, "SOCAR Upstream Management" LLC, "Geophysics and Geology" Department, "Complex Drilling Works" Trust.

[3] Direct emission sources for the "Midstream" segment: Oil Pipelines Department, Gas Export Department, "Azerigas" PU.

[4] Direct emission sources for the "Downstream" segment:, "Azerikimya" PU, Heydar Aliyev Oil Refinery, Gas Processing Plant, Carbamide Plant, Methanol Plant, "SOCAR Polymer" LLC, "SOCAR Petroleum" CJSC.

[5] Other service areas of SOCAR and the main business segments are the organisations that provide IT, security, protection, construction, project, land transport, trade and sales services to the "Upstream", "Midstream" and "Downstream" segments.

Information on Emissions of Heat Effect Gases by SOCAR[6]

Table XVI.5

Indicators	2024
Total for enterprises within the structure of SOCAR (thousand tons CO_2 - eq.)	10,509.1
"Scope 1" (thousand tons CO_2 - eq.)	9,590.5
"Scope 2" (thousand tons CO_2 - eq.)	918.6

As can be seen from the table, there was an increase in the volume of total emissions of SOCAR in 2024 compared to previous years. The reason for this increase is the result of the implementation of advanced technologies such as drones and satellites in SOCAR's areas of activity in the reporting year, monitoring of sources where measurement work could not be carried out in previous years, as well as a more accurate inventory of potential emission sources. In this regard, the noted increase indicates the estimated emission volumes as a result of more accurate measurements carried out with the application of modern technological tools.

Emissions on Segments for 2024

Table XVI.6

Segments	Emission of Heat Effect Gases on "Scope 1" and "Scope 2" (ths. ton CO_2 eqv.)
"Upstream"	5,878.18
"Midstream"	793.26
"Downstream"	3,556.51
Other service areas of SOCAR	72.00
TOTAL	10,509.1

Emissions on enterprises of SOCAR for 2024

Table XVI.7

Enterprises of SOCAR	Emission of Heat Effect Gases of enterprises included in structure of SOCAR (ths. ton CO_2 eqv)		
	Scope 1	Scope 2	Total
"Azneft" PU	5,691.22	83.11	5,774.33
Complex Drilling Works Trust	13.8	6.8	20.6
Geophysics and Geology Department	0.17	0	0.17
"SOCAR Upstream Management International" LLC	41.41	41.67	83.08
Oil Pipelines Department	1.63	14.51	16.14
"Azerigas" PU	557.9	2.11	560.01
Gas Export Department	211.93	5.18	217.11
"Azerikimya" PU	308.71	317.32	626.03

Heydar Aliyev Oil Refinery	1,567.90	262.28	1,830.18
Gas Processing Plant	87.91	14.63	102.54
Carbamide Plant	590.87	89.45	680.32
Methanol Plant	454.78	19	473.77
"SOCAR Polymer" LLC	5.711	45.3	51.01
"SOCAR Petroleum" CJSC	0.065	1.78	1.85
Marketing and Economical Operations Department	0	0.28	0.28
Oil & Gas Research and Design Institute	0.54	0.65	1.19
Oil & Gas Construction Trust	0.002	2.24	2.24
Social Development Department	1.98	5.61	7.6
Transportation Department	52.32	1.08	53.4
Information Technologies and Communications Department	0.07	0.85	0.92
Training, Education and Certification Department	0.28	0.4	0.68
Security Department	0.001	0.09	0.09
Industrial Security Department	0.001	0.2	0.2
Heydar Aliyev Deepwater Jackets Plant	0	0.7	0.7
Baku Higher Oil School	0.002	0.26	0.26
EKOL Engineering Services CJSC	0.9	1.73	2.63
SOCAR Head Office	0	1.36	1.36
TOTAL	9,590.5	918.6	10,509.1

"Upstream" segment

Emissions from enterprises included in the "Upstream" segment for projects in which SOCAR took part:

Table XVI.8

Name of enterprise	Emission of Heat Effect Gases on "Scope 1" and "Scope 2" (ths. ton CO_2 eqv)
"Azneft" PU	5,774.33
"SOCAR Upstream Management International" LLC	83.08
Geophysics and Geology Department	0.17
Complex Drilling Works Trust	20.6
TOTAL	5,878.2

In order to measure SOCAR's corporate performance, a corporate EER of "CO_2 emission equivalent per 1 barrel of oil and gas production" was determined. The carbon intensity indicator for 2024 was determined only in the "Upstream" segment. The emission intensity indicators in the "Upstream" segment were as follows.

Table XVI.9

Segment	Emission of Heat Effect Gases on "Scope 1" and "Scope 2" (ths. ton CO_2 eqv)	Oil production (ths. ton)	Gas production (ths. m^3)	Oil & gas production (barel eqv)	Carbon intensity on "Upstream" segment (kg CO_2 eqv/bbl)
Upstream	5,878.2	7485.6	7718053.2	99755845	61.57

The actual carbon intensity indicator for the "Upstream" segment was estimated at 61.57 kg CO_2 eqv/barrel.

"Midstream" segment

Emissions on "Midstream" segment for 2024

Table XVI.10

Name of Enterprise	Emission of Heat Effect Gases on "Scope 1" and "Scope 2" (ths. ton CO_2 eqv)
Oil Pipelines Department	16.14
Gas Export Department	217.11
"Azerigas" PU	560.01
TOTAL	793.3

"Downstream" segment

The "Downstream" segment includes refining enterprises, oil and gas, and petrochemical product sales enterprises that are directly part of SOCAR's structure, as well as those established with the company's participation.

Emissions on "Downstream" segment for 2024

Table XVI.11

Name of Enterprise	Emission of Heat Effect Gases on "Scope 1" and "Scope 2" (ths. ton CO_2 eqv)
"Azerikimya" PU	626.03
Heydar Aliyev Oil Refinery	1,830.18
Gas Processing Plant	102.54
Carbamide Plant	680.32
Methanol Plant	473.77
"SOCAR Polymer" LLC	51.01
"SOCAR Petroleum" CJSC	1.85
TOTAL	3,765.7

Other service areas of SOCAR

Emissions on service areas for 2024

Table XVI.12

Name of Enterprise	Emission of Heat Effect Gases on "Scope 1" and "Scope 2" (ths. ton CO_2 eqv)
Oil & Gas Research and Design Institute	1.19
Oil & Gas Construction Trust	2.25
Social Development Department	7.6
Transportation Department	53.80
Information Technologies and Communications Department	0.92
Training, Education and Certification Department	0.68
Security Department	0.09
Industrial Security Department	0.2
Heydar Aliyev Baku Deepwater Jackets Plant	0.7
Baku Higher Oil School	0.26
EKOL Engineering Services CJSC	2.63
Marketing and Economical Operations Department	0.28
SOCAR Head Office	1.36
TOTAL	72.0

➢ **Waste management indicators**

SOCAR records the waste management process through the "Waste Management" module of the "SAP ERP" system.

Operator services are provided by "EKOL Engineering Services" CJSC at "Waste Management Center" (WMC) of SOCAR. WMC is a specialized center with access to modern infrastructure and resources for efficient and safe waste management. Within the framework of cooperation in the field of waste management, WMC received 29919.81 tons of drilling, 17007.3 tons of production cuttings and 2618.13 tons of production waste in 2024. 93% of plastic waste and 71% of paper waste received by WMC were processed and reused in relevant specialized enterprises.

Management of wastes by SOCAR, ths. ton

Table XVI.13

By enterprises included in the structure of SOCAR	2024	
	Hazardous waste	Non-hazardous waste
Waste generated	138.76	16.56
Waste reused	1.16	0
Waste transferred to external organisations	138.7	16.33
Waste transferred to the "Waste Management Center"	35.62	0.13
Waste neutralized or disposed of	0.01	0.23

➢ Efficient use of land and cleanup of contaminated areas

Since oil and oil products contain hazardous substances (chemicals, heavy metals, etc.), contaminated lands also pose a threat to human health. In addition, hydrocarbon gases entering the atmosphere through evaporation from contaminated areas cause acceleration of climate change. In this regard, the restoration of contaminated lands is of great importance in terms of protecting groundwater resources, improving the environment and protecting the ecosystem in general. In addition to the above, the restoration of contaminated lands and the creation of new infrastructure in these areas would have a positive impact on the efficient use of land, economic development, as well as the social sphere.

In order to recultivate oil-contaminated fields in areas of operation of SOCAR, within the framework of the "Concept for the Restoration of Areas Contaminated with Oil Products in the Republic of Azerbaijan", prepared jointly with an international consulting company in January-June 2024, studies were conducted to clean and restore 19 oil sludge storage facilities with an area of 252.5 ha and a volume of 5.7 million m³ of contamination. In 2024, SOCAR (including Operating Companies and Joint Ventures) rehabilitated 166.72 ha of land and cleaned it from oil and oil waste pollution.

➢ Biodiversity protection

One of the important steps in the field of environmental protection is the protection of biodiversity. In this regard, Declaration on the Protection of Biological Diversity of SOCAR was prepared and approved by the relevant order of the President of SOCAR and shared on SOCAR's official website to ensure public accessibility. The Declaration reflects issues such as ensuring SOCAR's compliance with standards related to biodiversity, assessing risks, strengthening relations with stakeholders, integrating biodiversity protection into SOCAR's operations, implementing preventive actions to monitor, mitigate and reduce

impacts, and protecting flora and fauna in the areas where we operate.

Continuous monitoring is carried out in order to study the potential impacts of all operations of SOCAR Group, including "Upstream", "Midstream", "Downstream" and other business segments of SOCAR, on local ecosystems, fauna and flora, as well as to assess the sustainability of ecosystems. During 2024, a total of 57,904 trees were planted and greening works were carried out in various SOCAR production areas on an area of 29.32 ha.

During the reporting period, an inventory of green areas existing in SOCAR's organisations was conducted, information on the condition of green areas was collected, their protection from pests, water consumption, as well as the implementation of phytosanitary and agrotechnical actions were examined. The requirements of regulatory documents in this direction apply to all production areas, as well as to suppliers and contractors in the operational chain.

In the areas of operation located in the Caspian Sea where a large part of oil and gas operations are carried out, the impacts of operations on the marine ecosystem are studied through continuous environmental monitoring, and the dynamics of environmental indicators are constantly monitored. Additionally, the "Eco Park" project serves SOCAR's goals of environmental education, advocacy, and biodiversity protection. The "Eco Park" is dedicated to the cultivation and propagation of endangered flora species in Azerbaijan.

Figure XVI.2. Protection of biodiversity in "Eco Park"

Participation of SOCAR in COP29

➢ **Support of SOCAR for the "Baku Climate Action Week" organised before COP29**

SOCAR, which is closely involved in the successful holding of COP29, organised a number of events together with its international partners both on the eve of the conference and during the conference. An example of the events organised before COP29 is the "Baku Climate Action Week" held with the support of SOCAR.

The "Baku Climate Action Week", which took place from September 30 to October 4, brought together international organisations, politicians, the private and public sectors, financial institutions, industry representatives, civil society and various stakeholders in the fight against climate change, aimed at promoting environmental protection activities and formulating climate initiatives. Within the framework of the "Baku Climate Action Week", supported by SOCAR, various events, meetings, presentations, conferences, round tables and exhibitions dedicated to climate change prevention, energy transition, green economy, renewable energy sources, low-carbon projects, environmental education and other such issues were held.

Two SOCAR events were organised within the framework of the "Baku Climate Action Week".

On September 30, 2024, an event titled "Accelerating the Energy Transition in the Oil and Gas Sector" was held within the framework of "Baku Climate Action Week". At the event, industry leaders and experts came together to discuss the achievements made by the oil and gas industry in the direction of decarbonization, the challenges ahead and expectations for the future.

On October 3, 2024, an International Conference on the results of the "AGMR" initiative was held at the "Dash Annals Museum" within the framework of the "Baku Climate Action Week".

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➢ **Participation and support of SOCAR in COP29**

As is known, the 29th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP29) was successfully organised in Baku on November 11-22, 2024. SOCAR, along with relevant institutions, provided its maximum support for the organisation and successful holding of this prestigious event.

As part of mutual cooperation with COP29, a large SOCAR pavilion was set up in the "Green Zone". Here, interactive information boards reflecting our company's energy transition, decarbonization, environmental protection, alternative and renewable energy projects were placed, and innovative technologies related to determining emissions were demonstrated. The pavilion also played an important role in introducing SOCAR's sensitive approach to environmental protection to the general public. In addition to the above, during COP29, with the direct organisation and support of SOCAR:

- "International climate finance under Article 6 for reducing methane emissions";
- "Accelerating decarbonization in the oil and gas industry";
- "SOCAR's progress in decarbonization: Challenges and Achievements";
- "OGMP 2.0 Initiative Leaders Forum";
- "Building infrastructure to achieve energy transition goals";
- "Sustainable Innovation Challenge supported by SOCAR" events were organised.

During COP29, SOCAR and its subsidiary "SOCAR Green" signed the following agreements with a number of international companies in order to expand cooperation on decarbonization, environmental protection and energy transition:

- Strategic Cooperation Agreement with "VEMA SA" and "Smart Sustainability Solutions" to explore methane emissions reduction and other decarbonization initiatives;
- Memorandum of Understanding with "Siemens Energy" and "Nobel Energy" on carbon capture, energy storage solutions and development of renewable energy infrastructure;
- Memorandum of Understanding with Esyasoft Holding Limited to explore the development opportunities of green technologies such as green hydrogen and carbon credit advisory, support for the integration of renewable energy systems, support for environmental impact assessment;
- Memorandum of Understanding with FAS Renewables to explore plans for medium-sized solar energy projects in the regions;
- Cooperation Agreement with the Asian Development Bank to provide technical assistance;
- Memorandum of Understanding with Capella Wind Coalition to establish a regional assembly center for wind turbine components and a service center to support the maintenance and development of sustainable energy infrastructure;
- Joint research agreement between Tree Energy Solutions Belgium (TES) and SOCAR to jointly explore the technical, economic and commercial feasibility of gas-to-electricity in Azerbaijan;
- Agreement between SOCAR and Italian company "Italgas" on cooperation in the areas of exchange of best practices and technologies to accelerate energy transition and digitalization, as well as decarbonization of infrastructure through gas leak detection using "Picarro" technology;
- "Strategic Agreement on Decarbonization" between SOCAR and Kazakh company "KazMunayGas" to implement decarbonization and low-carbon projects, expand activities in this area;
- Cooperation Agreement on Technical Assistance between SOCAR and "Asian Development Bank" ("ADB");
- Memorandum of Understanding between "SOCAR Green" and "Holcim Azerbaijan" to develop renewable energy solutions aimed at reducing the environmental

impact of industrial operations in Azerbaijan;

- Memorandum of Understanding between "SOCAR Green" and the Azerbaijan State Water Resources Agency to increase energy efficiency in the management of the country's water resources and expand the application of renewable energy projects.

The works carried out within the framework of the "Year of Solidarity for a Green World"

➢ **Activities of SOCAR under the "Action Plan"**

In connection with the declaration of 2024 as the "Year of Solidarity for a Green World" in Azerbaijan, SOCAR approved an internal "Action Plan" according to order No. 14-2/3-1И-62/2024 dated April 5, 2024. The activities mentioned in the above "Action Plan" are also aligned with the planned goals for the successful organisation of the COP29 Conference.

The Action Plan of SOCAR, which covers all segments of the oil and gas operations chain, mainly includes:

- Organising events within the framework of international initiatives to which SOCAR joined and jointly with the organisations of which it is a member;
- Creating a digital platform for emissions inventory and carrying out repair and reconstruction works on the existing infrastructure in order to reduce emissions;
- Implementing renewable energy projects;
- Carrying out improvement works in oil and gas fields, cleaning up contaminated areas;
- Raising public awareness;
- Organisation of public lectures, webinars, seminars, scientific conferences, competitions and implementation of other social projects;
- Organisation of trainings to improve the technical skills of our colleagues working in this field in cooperation with various international partners on decarbonization and management of renewable energy projects;
- Activities such as obtaining an Environment, Social and Governance (ESG) rating are envisaged.

In order to ensure accountability for the implementation of the tasks specified in the "Action Plan", the data submitted by the relevant implementers on a monthly basis was collected, analyzed, summarized and an annual report was prepared by the ETED segment.

➢ **Activities on the items for which SOCAR is identified as the operator, in the "Action Plan" approved according to order of the Head of the Administration of the President of the Republic of Azerbaijan**

- Within the framework of the "Year of Solidarity for a Green World", the "Action Plan" was approved according to order No. 24 of the Head of the Administration of the President of the Republic of Azerbaijan dated February 20, 2024.

In order to ensure reporting on the items for which SOCAR was identified as the operator in the aforementioned "Action Plan", surveys were sent to the company's enterprises and organisations and information was collected.

The information collected for each month was analyzed in the ETED segment, clarifications were made, and summarized and submitted to the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan in the form of a monthly report.

These reports mainly:

- Taking actions to implement the priority "Clean environment and green growth country", which is one of the national priorities for socio-economic development of Azerbaijan by 2030;
- Organising trainings on environmental protection and "green activities" for state bodies (institutions) and business representatives;
- Expanding the application of environmentally friendly "green" technologies;
- Transferring used paper to recycling facilities and promoting the economical use of electricity;
- Improving the activities aimed at

cleaning the coastal strip of the Caspian Sea section belonging to the Republic of Azerbaijan from oil, gas and other waste.

➢ **Improving the ecological condition of Baku Bay**

In preparation for the "COP29" event held in our country this year, repair, restoration and construction works were widely carried out at the production sites of SOCAR, operating companies and joint ventures. For this purpose, a number of projects were implemented to improve the ecological condition in Baku Bay and prevent formation and production waters from being discharged into the sea, and reports were submitted to the Cabinet of Ministers of the Republic of Azerbaijan once a month. Thus, during the reporting year

- SOCAR carried out work on cleaning Baku Bay and the coastal zone from submerged and semi-submerged waste that seriously harmed the appearance of the area;
- 4 hectares of oil-sludge contaminated area near "Baku Marriot Hotel Boulevard" in the eastern direction of "White City" Boulevard was cleaned and the area was landscaped;
- SOCAR completed fencing works on the oil-sludge storage tank and the "Kovsh" produced water storage tank (total perimeter 1500m) in the territory of "Bibiheybatneft" OGPD by June 29, 2024;
- As a result of actions taken jointly with relevant agencies, all water sources entering "Kovsh" and domestic wastewater flowing from surrounding residential areas were prevented. In addition, pipe laying works were carried out to transport groundwater formed in the territory of Baku Higher Oil School to the Lokbatan collector;
- Construction and installation works were carried out to prevent the discharge of produced water of "Balakhany Operating Company" Ltd. into the Hovsan canal, and facilities were installed in a number of areas. As a result of the work carried out, the direct transfer of produced water generated in the 3rd area of the 6th oil and gas field was ensured to the wells;
- As a result of the work carried out to prevent the discharge of produced water into the Hovsan canal by "AzGerneft" LLC and "Surakhany Oil Operating Company S.A.", the production water was fully pumped into the absorption wells;
- As a result of the actions taken, closed management of produced water was ensured at "Bahar Energy Operating Company" from November 1, 2024.

Figure XVI.3. *"Eco Park" wind power plants*

Emissions

In 2024, as a result of more accurate and precise measurements, it was identified that 201 thousand tons of methane had been vented. This updated figure is reflected in the SOCAR Sustainable Development Report (SDR) 2024 for the year 2024 only. To improve the accuracy of reporting, this volume was redistributed across previous years as assumption-based figures. Below figures cover SOCAR Azerbaijan, SOCAR Türkiye, and SOCAR Georgia.

The tables below present SOCAR's Scope 1&2 greenhouse gas emissions for 2020–2024, total absolute emissions, as well as corporate and scope-specific emissions intensities for the respective reporting periods.

Total absolute emissions

Table XVI.14

Total Absolute GHG emission ("Scope1&2") figures (ths. tons CO_2e-eqv)				
Year	Figure	Absolute Emissions	Scope 1	Scope 2
2020	Reported	11032.00	9555.10	1476.90
	Restated	12131.37	10654.47	
2021	Reported	11960.30	10702.80	1257.50
	Restated	12319.04	11061.54	
2022	Reported	12575.30	10994.80	1580.50
	Restated	14035.95	12455.45	
2023[1]	Reported	16307.14	11618.26	4688.88
	Restated	20341.10	15652.22	
2024	Reported	17890.60	13530.20	4360.40
	Restated	17890.60	13530.20	

[1] The increase in emissions in 2023 compared to 2022 is related to the expansion of SOCAR Georgia's scope of work.

Corporate intensity

Table XVI.15

Corporate GHG emissions intensity ("Scope 1&2") figures (ton CO_2e-eqv / ton of product)				
Year	Figure	Corporate emissions intensity	Scope 1 intensity	Scope 2 intensity
2020	Reported	0.44	0.38	0.059
	Restated	0.49	0.43	
2021	Reported	0.45	0.40	0.048
	Restated	0.47	0.42	
2022	Reported	0.44	0.39	0.056
	Restated	0.50	0.44	
2023	Reported	0.56	0.40	0.160
	Restated	0.70	0.53	
2024	Reported	0.71	0.53	0.180
	Restated			

Total Energy Consumption

The tables below present SOCAR's total energy consumption, as well as the breakdown between total renewable and non-renewable energy, for the years 2020–2024. Figures, expressed in megawatt-hours (MWh), provide a year-by-year record of energy use across SOCAR Azerbaijan, SOCAR Türkiye, SOCAR Georgia, SOCAR Romania, and SOCAR Ukraine.

Total energy consumption

Table XVI.16

Energy consumption breakdown (MWh)	2020	2021	2022	2023	2024
Total Energy Consumption	22156768	22348032	21757216	24397339	25452663
Total Renewable Energy Consumption [1]	735794	695043	723813	770773	812855
Total Non-Renewable Energy Consumption	21420973	21652989	21033404	23626566	24639807

[1] For SOCAR Group, renewable energy consumption figures represent the portion of renewable energy attributed to SOCAR from the national grid, which itself is sourced from various renewable sources. Self-generated renewable energy is reported solely for SOCAR Romania, where part of the subsidiary's overall renewable energy consumption is covered by internally generated renewable energy.

Renewable energy usage

SOCAR remains focused on improving energy efficiency and achieving a balanced use of renewable and non-renewable energy. The table below presents the breakdown of renewable and non-renewable energy by sources for the years 2020–2024. Figures, expressed in megawatt-hours (MWh), provide a year-by-year record across SOCAR Azerbaijan, SOCAR Türkiye, SOCAR Georgia, SOCAR Romania, and SOCAR Ukraine, reflecting the company's commitment to transparent disclosure.

Renewable energy breakdown

Table XVI.17

Renewable Energy Consumption Breakdown (MWh)	2020	2021	2022	2023	2024
Wind power	137632	162613	158490	160048	142657
Hydro power	449762	305526	323771	322161	336423
Solar power	60841	124685	141312	180114	237222
Others (renewable)	87559	102220	100240	108450	96553

Non-renewable energy breakdown

Table XVI.18

Non-Renewable Energy Consumption Breakdown (MWh)	2020	2021	2022	2023	2024
Gasoline	76587	81491	79399	76527	72715
Diesel	371903	374487	418865	370674	356724
Natural Gas	19264813	19545323	18887954	21403090	22606892
Others (non-renewable)	1707670	1651698	1647185	1776275	1603477

Energy intensity

The below tables present SOCAR's intensity for 2020–2024, expressed in megawatt-hours (MWh) per ton of products produced. Data is shown for total energy use, renewable and non-renewable energy, and further breakdown by specific energy sources such as solar, wind, hydro, oil, natural gas, and other sources.

Total energy intensity

Table XVI.19

Energy Intensity (MWh/Ton of product)	2020	2021	2022	2023	2024
Total Energy Intensity	0.89	0.84	0.77	0.83	1.00
Total Renewable Energy Intensity	0.03	0.03	0.03	0.03	0.03
Total Non-Renewable Energy Intensity	0.86	0.82	0.74	0.81	0.97

Energy intensity from renewable sources

Table XVI.20

Energy Intensity from renewable sources (MWh/Ton of product)	2020	2021	2022	2023	2024
Wind power	0.006	0.006	0.006	0.005	0.006
Hydro power	0.018	0.012	0.011	0.011	0.013
Solar power	0.002	0.005	0.005	0.006	0.009
Others (renewable)	0.004	0.004	0.004	0.004	0.004

Energy intensity from non-renewable sources

Table XVI.21

Energy Intensity from non-renewable sources (MWh/Ton of product)	2020	2021	2022	2023	2024
Oil	0.018	0.017	0.018	0.015	0.017
Natural Gas	0.770	0.740	0.660	0.730	0.890
Others (non-renewable)	0.069	0.062	0.058	0.061	0.063

XVII. MANAGEMENT OF TRANSPORTATION SERVICES

As of 01.01.2024, SOCAR enterprises had 4611 vehicles of various brands on their balance sheets. Out of these, 2063 were powered by gasoline, 2692 by diesel, 12 by electric, and 151 by trailers.

The list of vehicles and special equipment on the balance sheets of SOCAR's Transportation Department and "Azneft" PU by type (in units) is shown in Table XVII.1.

Table XVII.1

Name of entity	Car	Bus	Minibus	Truck	Special vehicle	Tractors	Trailer	Stationary	Total
On Transportation Department	1754	376	106	1048	312	432	140	6	4174
TTS 1	913	73	44	27	15	25	3	0	1100
TTS 2	295	54	14	236	69	63	9	2	742
TTS 4	250	97	26	314	110	139	38	3	977
TTS 6	296	152	22	471	118	205	90	1	1355
On "Azneft" PU	38	30	1	109	245	217	11	93	744
DSTE # 1	29	12	1	71	138	142	7	89	489
DSTE # 2	9	18	-	38	107	75	4	4	255
Total on SOCAR	1792	406	107	1157	557	649	151	99	4918

Thus, as a result of the targeted work carried out, spare parts were provided on time in order to maintain the technical condition of motor transport and special equipment, as a result of which the quality of their maintenance and repair work increased. As a result of the actions taken by customer organisations to reduce transport costs in connection with the application of new tariff rates, a decrease in orders was observed as a result of the efficient use of transport and special equipment, and during 12 months of 2024, the fleet utilization factor of motor transport and special equipment was 0.59 for the Transportation Department and 0.66 for the "Azneft" PU.

During the reporting period of 2024, 28 new motor transport and special equipment were purchased by SOCAR, 42 motor transport and special equipment were received from other organisations. During the reporting period, 10 motor transport and special equipment were

provided to other organisations, and 146 motor tra sport a d specia equipment were written off from the balance of the Transportation Department.

The number of motor vehicles a d specia equipment on SOCAR's ba a ce sheet a of 01.01.2025 by type is shown in the table below:

Table XVII.2

№	Type of vehicles	On Transportation Department, piece	On "Azneft" PU, piece	Tota , piece
1	Ca s	1750	38	1788
2	Buses a d minibuses	474	31	505
3	Special vehicles	312	245	557
4	Trucks	975	109	1084
5	Tra tors a d spesia equipments	431	223	654
6	Tra lers a d semitra lers	134	11	145
7	Stationary (power) aggregates	6	93	99
TOTAL:		4174	4082	750

During 2024, 146 vehicles were written off from the balance of the Transportation Department . The types of vehicles and special equipment written off are shown in the table below:

Table XVII.3

Type of vehicles	On Transportation Department, piece	On "Azneft" PU, piece	Tota , piece
Ca s	20	-	20
Pickaps	8	-	8
Buses	15	-	15
Trucks	76	-	76
Specia vehicles	11	-	11
Tra tors	10	-	10
Tra lers	6	-	6
Stationary (power) aggregates	0	-	0
TOTAL:	146	-	146

Currently, GPS navigation systems were insta led on 2,391 vehicles, including 1,197 pa senger ca s, 399 buses a d minibuses, 163 specia -purpose vehicles, 594 trucks and 38 tractors.

Table XVII.4

Type of vehicles	Written off from the balance of Transportation Department , piece	Written off from the balance of "Azneft" PU insta led, piece	TOTAL written off the ba a ce, piece
Ca s	1226	0	1226
Bus	404	0	404
Trucks	591	0	591
Specia vehicles	151	0	151
Tra tors	44	0	44
TOTAL:	2416	0	2416

The functionality and updating of the "Arvento" GPS navigation system was carried out by the Department's specialists and was entrusted to the Transportation Department for use. Thus, through this system, it is possible to obta n deta led information about where vehicles are located in the Republic, at what speed a d where they a e moving in terms of safety a d control, a d in short, b out the use of a y vehicle every day.

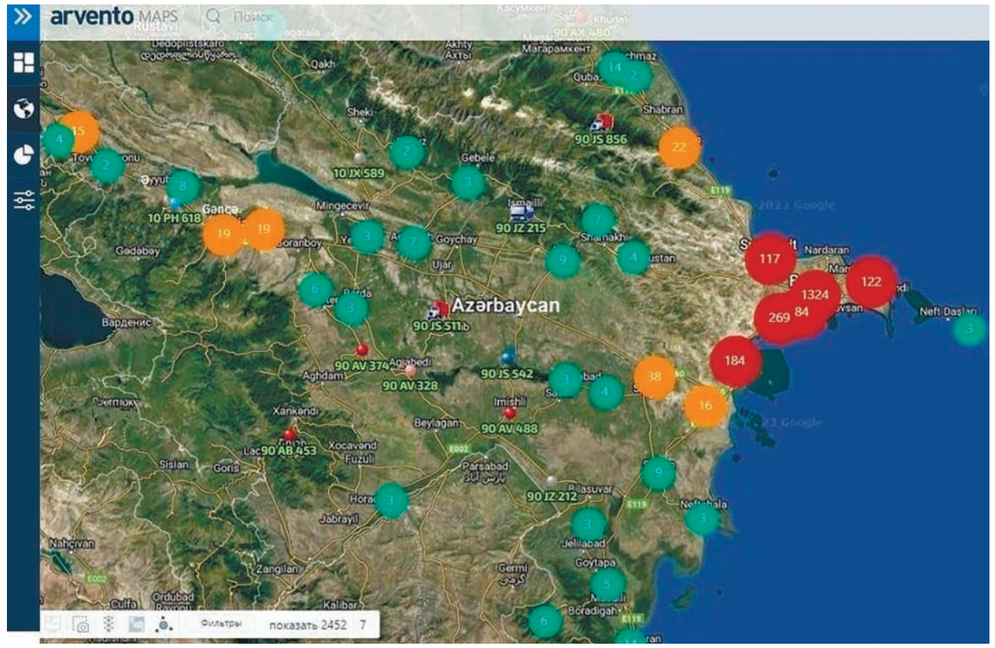

Figure XVII.1. Vehicle tracking with the "Arvento" GPS navigation system

Certain work was also done in the field of fuel and lubricants use in the reporting yea . Reports submitted by SOCAR depa tments a d enterprises on fuel use in 2024 were examined. As a result of the

actions taken, 1055,936 tons of gasoline and 7479,636 tons of diesel fuel were used less than the allocated fund during 12 months of 2024. Also, compared to 2023, gasoline consumption in 2024 decreased by 253,605 tons, and diesel fuel consumption by 1366,194 tons.

In the reporting year, while examining the use of equipment, transport and special equipment and fuel and lubricants on the balance of SOCAR departments and organisations by the management and specialists of the Department of Transport Services Management, certain recommendations were made to eliminate the identified shortcomings and deficiencies and brought to the attention of the enterprise management. The demand submitted by enterprises for the purchase of spare parts was also examined by the department's specialists and opinions and proposals were given for their purchase. In addition, as in previous years, this year, as well as in previous years, the applications and demands received from enterprises using vehicles and special equipment for the purchase of new vehicles and special equipment were thoroughly examined by us, and after a precise analysis of their technical indicators, proposals were made to the management for their purchase. This work is currently ongoing.

In order to increase the efficiency of equipment, special equipment, repair and transport vehicles, the following work was carried out in 2024.

The operation of vehicles and special equipment in use by departments and organisations in accordance with the regulations, their use for their intended purpose, mileage, movement on the route, and the efficient use of fuel and lubricants were monitored. Since May 2019, the approval of orders under the SAP PM module was transferred to the Transport Services Management Department. During the reporting period (2024) for the Transportation Department , the number of orders created and executed in the SAP PM module was 49606. Also, in 2024, the number of orders created from the plan in the SAP PM module was 6565. In order to effectively use special equipment and vehicles in the Transportation Department of SOCAR, the Technological Transportation Sections established by zones continue their activities. During the reporting period for "Azneft" PU, the number of orders created and executed in the SAP PM module was 10407.

Repair work on vehicles in transport enterprises during the month is carried out through a computer program . In order to prevent downtime, vehicles that completed their work quickly all day long were organised to serve several customers in need. In order to prevent mashes, a route map of vehicles was drawn up for newly opened facilities, and its control was strengthened by employees of the Transport Services Management Department. Storage of vehicles in garages on Saturdays, Sundays and holidays was ensured, this work is currently ongoing. The "Corporate Taxi" system, implemented by SOCAR in order to ensure optimal use of passenger cars in Baku and the Absheron Peninsula, was successfully implemented in departments and organisations throughout 2024. All reports, proposals and opinions received by the Department of Transport Services Management were received via e-mail. Currently, priority is given to the use of

transport and special equipment that meet modern requirements for major and current repairs of oil wells, as well as drilling, repair and construction work in the oil industry, and convenient and safe delivery of cargo and employees to production areas. 13.4 percent of transport and special equipment on the balance of Transportation Department of SOCAR are up to 10 years old.

The specific weight of the total number of cars, special equipment, trailers and semi-trailers by age is presented in the tables below.

by Transportation Department

Table XVII.5

Operation period	Number of automobiles up to 01.01.2023, piece	Specific gravity in total number, %	Including									
			Number of trucks, piece	Specific gravity in total number, %	Number of passenger cars, piece	Specific gravity in total number, %	Number of pickups and waggons, piece	Specific gravity in total number, %	Number of buses, piece	Specific gravity in total number, %	Number of special-purpose cars, piece	Specific gravity in total number, %
Up to 5 years	166	4	73	7	37	3	14	3	20	4	13	4
From 5 to 10 years	211	5	75	8	46	4	29	6	17	4	21	7
10 years and more	3705	91	827	85	1177	93	447	91	437	92	278	89
TOTAL:	4082	100	975	100	1260	100	490	100	474	100	312	100

As can be seen from the table, 4% of vehicles are up to 5 years old, 5% are 5 to 10 years old, and 91% are over 10 years old.

by "Azneft" PU

Table XVII.6

Operation period	Number of automobiles up to 01.01.2023, piece	Specific gravity in total number, %	Including															
			Number of trucks, piece	Specific gravity in total number, %	Number of passenger cars, piece	Specific gravity in total number, %	Number of pickups and waggons, piece	Specific gravity in total number, %	Number of buses, piece	Specific gravity in total number, %	Number of special-purpose cars, piece	Specific gravity in total number, %	Number of Tractors, piece	Specific gravity in total number, %	Stationary (power) aggregates, piece	Specific gravity in total number, %	Trailers and semitrailers, piece	Specific gravity in total number, %
Up to 5 years	6	0.8											6	2.7				
From 5 to 10 years	173	23.1	19	17.4					3	9.7	46	18.8	69	30.9	34		2	18.2
10 years and more	571	76.1	90	82.6	38	100	25	100	28	90.3	199	81.2	148	66.4	59		9	81.8
TOTAL:	750	100	109		38	100	25	100	31	100	245	100	223	100	93		11	100

As can be seen from the table, 0.8% of vehicles are vehicles with an operating life of up to 5 years, 23.1% are vehicles with an operating life of 5 to 10 years, and 76.1% are vehicles with an operating life of over 10 years.

In order to ensure the comfortable and safe delivery of cargo and employees to production areas, SOCAR purchased and put into operation new buses and trucks that meet modern requirements.

In connection with the recent entry into operation of various new types of vehicles and equipment manufactured abroad, the application of fuel consumption standards approved by SOCAR was ensured.

In order to prevent traffic accidents, a relevant action plan was developed and implemented on site.

In addition to ground transport, the Department of Transport Services Management monitors orders for rail, sea and air transport, their working hours for orders, amounts to be paid for the services provided, and their efficiency.

For the use of sea transport, the efficient operation of ships and helicopters was ensured based on the Time Charter concluded between "Azneft" PU and "AXDG" CJSC, "CASPIAN MARINE SERVICES", "SEMAYA CO LTD" LLC and "NOVELTY Service" CJSC, and for air transport services, based on the contract concluded between "ASG Helicopter Services" LLC.

During 2024:

The safe, effective and efficient operation of sea and air transport vehicles at daily disposal was monitored;

It was ensured that idle times were not allowed, productive and unproductive times were determined, the reasons for idle times that occurred for certain reasons (due to the Customer or the Ship Owner, due to repairs or adverse weather conditions) were clarified, and appropriate actions were taken to reduce such cases, operational decisions were made regarding the operation of ships and helicopters, and appropriate actions were taken if additional ships and helicopters were needed during urgent work and in emergency situations;

Appropriate actions were taken to maximize the utilization of cargo decks of supply and crane ships, as well as the passenger capacity of helicopters (preparation of cargo manifests);

The "Maritime Transport Control System" program was created and started operating at the end of the year. Timely execution of all orders was ensured as soon as possible:

Annual report on Air transport services for 2023 and 2024

by "Azneft" PU

Table XVII.7a, ***manat***

DATE	«28 May» OGPD			«Neft Dashlary» OGPD			TOTAL		
	2023	2024	Difference	2023	2024	Difference	2023	2024	Difference
January	1628626	1539578	89048	164733	171106	-6373	1793358	1710684	82675
February	1353304	1466925	-113621	261655	95189	166466	1614959	1562114	52846
March	1230059	1461277	-231219	166518	157229	9289	1396577	1618507	-221930
April	1453197	1461277	-10816	143435	149595	-6160	1596632	1613608	-16975
May	1451002	1812767	-361765	179188	157938	21250	1630190	1970705	-340515
June	1740355	1539391	200964	230180	170749	59430	1970535	1710140	260395
July	1498166	1744378	-246212	206504	144601	61903	1704671	1888980	-184309
August	1559310	1643312	-84002	166623	180790	-14167	1725933	1824102	-98169
September	1636289	1500216	136073	134593	81403	53190	1770882	1581619	189263
October	1759724	1311673	448051	165316	101781	63534	1925040	1413455	511585
November	1458112	1840709	-382597	197728	29109	168619	1655840	1869818	-213978
December	1575372	2033582	-458211	181538	192372	-10833	1756910	2225954	-469044
Total	18343516	19357821	-1014305	2198010	1631862	566148	20541527	20989684	-448157

According to an additional agreement reached between the parties during 2024, tariff prices were increased by 15% since June.

by Complex Drilling Works Trust

Table XVII.7b

No.	Month	2023		2024		Number of passengers, 2024	(+;-)	
		Flight, hour	Amount, manat (excl. VAT)	Flight, hour	Amount, manat (excl. VAT)		Flight, hour	Amount, manat (excl. VAT)
1.	January	38.19	200862.15	34.02	182003.38	482	-4.17	-18858.77
2.	February	45.01	234542.17	41.85	224689.60	549	-3.16	-9852.57
3.	March	31.54	163807.62	41.74	223789.02	574	10.20	59981.40
4.	April	23.47	121410.31	17.73	94597.36	243	-5.74	-26812.95
5.	May	30.17	156391.49	20.13	107686.65	272	-10.04	-48704.84
6.	June	23.41	123300.43	6.95	63304.90	72	-16.46	-59995.53
7.	July	0.00	0.00	10.83	66831.82	127	10.83	66831.82
8.	August	0.00	0.00	6.85	41966.59	35	6.85	41966.59
9.	September	1.67	9034.45	6.78	77492.92	76	5.11	68458.47
10.	October	19.93	140478.61	5.62	34281.27	77	-14.31	-106197.34
11.	November	27.25	155759.18	4.47	27278.36	62	-22.78	-128480.82
12.	December	20.48	136784.38	8.73	53078.49	101	-11.75	-83705.89
	Total	261.12	1442370.79	205.70	1197000.36	2670	-55.42	-245370.43

As can be seen from the table, there was an increase in the use of air transport in 2024 compared to 2023 for the Complex Drilling Works Trust, which is explained by the increase in the volume of work on offshore platforms.

by Oil & Gas Construction Trust

Table XVII.7c

No.	Month	2023		2024		(+;-)	
		Flight, hour	Amount, ma at	Flight, hour	Amount, ma at	Flight, hour	Amount, ma at
1.	Ja ua y	53.24	348970.47	74.52	416752.39	21.28	67781.92
2.	Februa y	46.62	290052.94	75.74	420414.34	29.12	130361.40
3.	Ma ch	59.53	391069.28	70.95	378630.29	11.42	-12438.99
4.	April	59.57	309701.35	64.64	345534.61	5.07	35833.26
5.	May	63.92	353222.76	65.35	346786.90	1.43	-6435.86
6.	June	63.27	334331.54	67.10	371796.50	3.83	37464.96
7.	July	50.40	271768.23	63.85	387163.90	13.45	115395.67
8.	August	51.13	282086.90	76.25	405055.90	25.12	122969.00
9.	September	51.65	284437.10	61.31	331135.20	9.66	46698.10
10.	October	51.65	284437.10	75.56	398601.98	23.91	114164.88
11.	November	73.58	435489.42	77.31	471787.37	3.73	36297.95
12.	December	54.09	384262.62	85.59	520388.06	31.50	136125.44
Tota		678,65	3969829.71	858.17	4794047.44	179.53	824217.73

As can be seen from the tb le, there wa a increa e in the use of a r tra sport in 2024 compared to 2023 for Oil & Gas Construction Trust, which is explained by the increase in the volume of work on offshore platforms.

Annual report on maritime transport services for 2023 and 2024

Table XVII.8

Enterprises	2023	2024	2024	Difference from fa t	Difference from Pla
	Actua	Pla	Actua		
OGPD “28 May”	46274989	43057740	52784313	6509324	9726573
OGPD “Neft Dashlary”	45741536	43328640	49534291	3792755	6205651
OGPD “N.Narimanov”	32433298	37433328	31292627	-1140672	-6140702
OGPD “Absheronneft”	13061309	14391900	14851874	1790565	459974
Diving service	8642388	19838484	11768734	3126346	-8069750
Transportation Department	784713	989916	920663	135950	-69253
Total “Azneft” PU	146938233	159040008	161152502	14214269	2112494
Oil & Gas Construction Trust	44120245	41321448	39161031	-4959214	-2160418
Complex Drilling Works Trust	10459504	16134384	14527079	4067575	-1607305
Geophysics and Geology Department	4108451	3911256	5056161	947710	1144905
SOCAR AQS LLC	1120790	0	109445	-1011345	109445
Baku Steel Company	0		-668123	-668123	-668123
Total Contractor Organisations	59808990	61367088	58185592	-1623397	-3181496
TOTAL	206747223	220407096	219338094	12590872	-1069002

As ca be seen, a increa e in a tuba sea tra sport costs is observed compa ed to the previous period. This increase was caused by an increase in the tariff price of 2 fire protection vessels, supply vessels “Caspian Dream” and “Caspian Energy” that were not provided for in the pla a d were ordered under the contra t.

In order to organise the trip of SOCAR’s management team on Baku-Abu Dhabi-Baku route on May 30, 2024, a contract was signed between SOCAR and “ASG Business Aviation” LLC on May 29, 2024 for the provision of charter air transportation of pa sengers a d bg gg e for the a n ount of 144,480 ma at.

In order to organise the trip of SOCAR’s management team on Baku-Abu Dhabi-Baku route on May 30, 2024, a contract was signed between SOCAR and “ASG Business Aviation” LLC on May 29, 2024 for the provision of charter air transportation of pa sengers a d bg gg e for the a n ount of 144,480 ma at.

The use of the aforementioned service during 2024 is shown in the table below.

Table XVIII.9

No.	Month	Invoice No.	Amount ma at
1.	Ja ua y	0092 V	1428
2.	Februa y	0245 V	3451
3.	Ma ch	0406 V	4504.21
4.	April	513 V	3060
5.	May	614 V	11179.69
6.	June	820 V	5387.86
7.	July	987 V	7498.07
8.	August		
9.	September	1328 V	4360.84
10.	October	1444 V, 1445 P	5005.42
11.	November	1573 V, 1574 P	5836
12.	December	1757V	3740
For 2024			55451

Information on the railway infrastructure, railway lines and diesel locomotives is reflected in the tables below.

Information on diesel locomotives

Table XVII.10

Enterprises	Brand of diesel locomotive	Technical feasibility of diesel locomotive	Year of manufac-ture	Power	
				horse power	kWt
"Azerikimya" PU	TQM4A-1157	Technically feasible	01.03.1980	750	551.6
	TEM2U-9006	Technically feasible	01.01.1988	1200	882.6
	TEM2U-0259	Technically unfeasible subject to repair	01.03.1990	1200	882.6
	TEM4B-0475	Technically feasible	01.06.1991	750	551.6
	TEM4B-0723	Technically unfeasible subject to repair	01.05.1992	750	551.6
Heydar Aliyev Oil Refinery	TQM 23 B 1456	Unfit	1979	400	
	TQM-4A 2513	Unfit	1987	750	
	TQM 23B 2912	Fit	1983	400	
	TQK - 2	Fit	1978	250	
	TQM 23V 2247	Unfit	1990	450	
Oil & Gas Construction Trust	Teplovoz-TQM-23	Unfit	1989	400	294
	Teplovoz-TQK-23	Working	1984	400	294
"Azneft" PU	Teplovoz-TQM-23	Fit	01.11.1990	500	31.2
	Teplovoz-TQM 4A	Unfit for operation	01.01.1986		
	Teplovoz-TQM 4A	Unfit for operation	01.01.1987		
Complex Drilling Works Trust	TEM2YM	Fit	1989	882	1200

Information on railway lines

Table XVII.11

Enterprise	Area of location	Length (Total) (r.m)	Distance operated (r.m)	Useless distance
"Azerikimya" PU	"Azerikimya" PU	52200	49150	
"Azneft" PU	"Azneft" PU	4669	1369	3300
Oil & Gas Construction Trust	Oil & Gas Construction Trust	1257	1257	
Heydar Aliyev Oil Refinery	Heydar Aliyev Oil Refinery	22288.26	22288.26	
Complex Drilling Works Trust	Complex Drilling Works Trust	1000	1000	
Metanol Plant	Methanol Plant	4440.0	4440.0	

As can be seen from Table XVII.10, 5 diesel locomotives were written off the balance of the plant during the reporting period, 4 diesel locomotives were technically faulty, 2 diesel locomotives were unusable, and a total of 5 diesel locomotives were technically sound or usable.

As can be seen from Table XVII.11, the total length of railways at SOCAR enterprises is 85854.26 m^2, of which 82554.26 m^2 are in use, and the remaining 3300 m^2 are unusable.

In addition to the above, the Department of Transport Services Management was also engaged in daily current affairs and the implementation of relevant tasks of the SOCAR management.

In addition to the above-mentioned works, in 2020 and beyond, the following actions are planned to be taken to improve SOCAR's management in the field of transport, reduce transport costs and repair costs, optimize cargo and passenger transportation, maintain a high level of technical readiness of motor vehicles and special equipment, and save on fuel and lubricants:

- Continue connecting the GPS navigation system to motor vehicles and special equipment on SOCAR's balance, and in this regard, strengthen control over vehicle mileage and fuel consumption;
- Continue to write off Russian-made motor vehicles and special equipment whose operation is economically inefficient, and instead purchase new vehicles with low fuel consumption, including diesel-powered vehicles;
- Identify technically sound vehicles, but exceeding demand, whose operation is considered economically inefficient.

Figure XVII.2. Workover unit in operation

XVIII. SOCIAL ISSUES

Having guided by the principles of organisational culture and social responsibility within the framework of the "Corporate Strategy of SOCAR until 2035, SOCAR implements large-scale actions to improve the working conditions of its employees and strengthen social-labor relations, as well as to improve the social well-being of employees and their family members, including protecting their health and organising their recreation, as well as contributing to important socio-economic projects as a continuation of the successful social policy carried out in our Republic. At SOCAR, it is strictly prohibited to make any (either in cash or in kind) political donations, contributions, support or any social investments, charitable contributions, sponsorships to political parties as well as in connection with political activity to authorized representatives of political parties, candidates for political office, political movements, individual politicians or political activists, public officials or PEPs.

Strategic framework, management and coordination

Social Projects Division, established within the Protocol and Social Projects Management Department of the SOCAR Administration segment, prepared normative documents reflecting the challenges of the modern era and new realities, including the functions of the department and job descriptions of employees during 2024 in order to strengthen activities in the social sphere.

For the first time in the social sphere, accountability covering the entities included in the SOCAR Group was ensured, data on nutrition and social expenses in the entities was collected and analyzed, and a detailed reference was prepared. Also, this year, the work on the development of the Sectoral (tariff) Collective Agreement for 2024-2026 between SOCAR and the Republican Committee of the Trade Union of Oil and Gas Industry Workers of Azerbaijan was coordinated, and the Agreement was approved. Currently, the development of SOCAR's Social Partnership Strategy is continuing.

Work is being carried out to improve the catering service at the workplace at enterprises included in the SOCAR Group, as well as to analyze and clarify non-residential areas on the balance sheet of SOCAR, and it is planned to prepare relevant proposals and projects in accordance with the results of research and analysis.

In general, from January 2024 to the present, the Republican Committee of the Trade Union of Oil and Gas Industry Workers of Azerbaijan organised treatment for 3,894 people and vacation trips for 2,010 people at various recreation centers operating in the country. During the reporting period, voluntary medical insurance services were continued through "PASHA Life Insurance" in connection with the organisation of examination and treatment of SOCAR employees, and practical actions were taken to conclude a new corporate life insurance contract

in order to insure employees against the spreading critical and incurable diseases and to provide services in accordance with the requirements of the modern era

On the initiative of the SOCAR, food packages were provided to low-income citizens who are not employees of SOCAR, including families of martyrs, veterans of the Karabakh war, Chernobyl disabled people, employees disabled due to industrial accidents and occupational diseases and their families, as well as to public associations operating in the city of Sumgayit.

At the same time, the main areas of activity implemented by covering all structural organisations of SOCAR are as follows:

Main areas of activity

1. Social Development Program (2021-2025):

- The implementation of the program continued by covering all structural units of SOCAR.
- During 2024, 18 works envisaged within the framework of the program were completed, and the implementation of 43 works continued.
- Financial resources were allocated to improve the nutritional conditions of employees.
- Repair and reconstruction works were carried out in various social facilities, and control over the implementation of actions aimed at the well-being of employees was strengthened by making additions to the social security section.

2. Infrastructure improvement and monitoring:

- In 2024, the Monitoring Group, formed by the relevant orders of the President of SOCAR, conducted monitoring in 1593 production, administrative, social-household, sports and other buildings in 512 areas of 143 subdivisions of subordinate organisations of SOCAR.
- An action plan was prepared to eliminate 2,400 identified inconsistencies, of which 1,142 were completed and 723 are ongoing. The results obtained on these inconsistencies are being reviewed during the ongoing monitoring.
- In 2024, current repairs were carried out in 121 social facilities, major repairs were carried out in 51 facilities and 5 new social facilities were constructed in order to increase the functionality of social facilities in structural units of SOCAR.
- Necessary repair and construction works were carried out in the administrative buildings, dormitories, canteens and other auxiliary areas of "Azneft" PU, "Azerikimya" PU, "Azerigas" PU, Heydar Aliyev Oil Refinery, Oil & Gas Construction Trust, Complex Drilling Works Trust, Oil Pipelines Department, Gas Export Department, Geophysics and Geology Department, Transportation Department, Baku Higher Oil School and Training, Education and Certification Department.

In offshore conditions:

- Major repair works were consistently continued in the dormitory buildings of Neft Dashlary OGPD.
- The works on the liquidation of the emergency laundry and the construction of a new one at Neft Dashlary continued (the location was determined, a plan was prepared).
- Installation of new air conditioners and renewal of heating and cooling systems in 9 DOPs of 28 May OGPD started.
- Technical maintenance was provided to maintain the reverse osmosis devices that sweeten seawater in working

condition, and repair work was carried out and spare parts were provided.

- Drinking water tanks at sea and land facilities were cleaned and disinfected.

- Construction of 3 new drinking water tanks (2 units of 2000 tons and 1 unit of 1000 tons) continued within the framework of the reconstruction of the water system at "Neft Dashlary". One of these 2000-ton tanks was put into operation, and work on the second 2000-ton tank is under completion. Installation of a 1000-ton tank started.

- 1 new dormitory was built on Chilov Island of "28 May" OGPD to improve the housing and living conditions of employees, 1 dormitory was overhauled and equipped with necessary equipment, and repair work is ongoing on the next dormitory.

3. Social welfare of employees:

- **Financial assistance:** In accordance with the "Regulation on Financial Assistance to SOCAR Employees", financial assistance was provided to SOCAR employees, and assistance to the extent of 2.5 times the minimum wage was continued for the minor children of deceased employees (up to 18 years old, up to 23 years old if they are studying), and 5 times the minimum wage was paid to the children of employees who were martyrs of the Karabakh war.

- **Special care:** Social assistance was allocated to the Republican Committee of the Trade Union of Oil and Gas Industry Workers of Azerbaijan for the organisation of rest and treatment of oil workers in the "Guba Shahdag Truskavets Medical and Therapeutic Sanatorium", "Buzovna Sanatorium-Resort Rehabilitation Center", "Sehirli Naftalan» sanatorium, "Yeni Naftalan Hotel» sanatorium/Murov station, "Gashalty Health Hotel" sanatorium.

- **Cultural and mass events:** Events were held in structural organisations on the occasion of significant days, holiday gifts and cash prizes were given to employees. Events and intellectual tournaments were organised with the participation of students at BHOS.

4. Environment and improvement (within the framework of COP29):

- A new park was built on an area of 42 hectares in the Bibiheybat area

- Baku Bay and the coastal zone were cleaned of waste, sunken ships and metal structures.

- A 7-hectare oil-polluted area was cleaned on "White City" Boulevard.

- The facade of the administrative building of the Heydar Aliyev Refinery was renovated, the roof of the buildings in the tank park in the Boyukshor area of the plant was painted, the fence was repaired, and painting work is underway on equipment and main pipes.

- The administrative building of Information Technologies and Communications Department of SOCAR was repaired.

- Extensive improvement work was carried out in the areas where production areas are located, including Chilov Island and "Neft Dashlary".

- 30 tons of urea fertilizer were purchased and delivered to the relevant authorities to protect green areas in Sumgayit city.

- Electric fuel filling stations were also installed at SOCAR Tower within the framework of COP29.

5. Support for the development of sports:

- SOCAR owns Baku Olympic Stadium, as well as stadiums and gyms in a number of cities and regions (Shirvan, Neftchala, Pirallahy, Siyazan).

- In order to contribute to the development of sports in the country, sponsorship support was provided to football, judo, chess, shooting, etc. sports federations.

- Financial resources were allocated to the Association of Football Federations of Azerbaijan (AFFA) and the "Neftchi" Sports Club Public Union for sports events held in 2024.

- Sponsorship support was provided for the development of the "Sumgayit" Football Club.

6. Support for science and education:

- Social assistance was allocated to cover the education and living expenses of ethnic Azerbaijani students studying at ADA University and living in Georgia.

- Social assistance was allocated to strengthen the material and technical base of the Academician Zafira Aliyeva Lyceum.

- Social assistance was allocated to develop the infrastructure of the "Azerbaijan-British College" Educational Complex and to ensure that children of SOCAR employees get education on preferential terms.

- Sponsorship support was provided to the Azerbaijan State Oil and Industry University for holding an international conference on the topic "Unity of Earth Sciences and Environmental Problems: The Caspian Basin in Transition".

- Sponsorship support was provided to the Institute of Oil and Gas of the Ministry of Science and Education of the Republic of Azerbaijan for holding an international scientific and practical conference "Khoshbakht Yusifzadeh 1st Geological Lectures" on the topic "Oil and Gas Potential of the Caspian Sea and Geoecological Problems".

- Sponsorship support was provided to the Education Development Fund for holding the "Education Development Forum 2024" event.

- Sponsorship support was provided to the Society of Petroleum Engineers (SPE) to finance the participation of 10 students, graduates of the "Working Student" project of SOCAR's Young Talents Program, at the Student Development Summit within the framework of the Annual Caspian Technical Conference (CTCE) hosted by KMG in Atyrau, Kazakhstan in 2024.

- Grant assistance was provided to the "Partner for the Development of Science" Public Association to finance selected scientific research works under the SOCAR Thematic Plan within the framework of the "Cooperation Agreement" No. 306 dated 13.09.2012.

7. Business support:

- Sponsorship support was provided to "SABAH ACADEMY" LLC for holding "Baku Investment Day" event and financing startups within the framework of the "ClimateTech" project.

- Sponsorship support was provided for the organisation of the "Baku Marathon 2024" event.

- Sponsorship assistance was provided to support the "International Conference on Cyber Diplomacy".

- Sponsorship assistance was provided for the production of the documentary film "Oil Odyssey: The Contract of the Century through the Eyes of Thomas Goltz" on the occasion of the 30th anniversary of the signing of the "Contract of the Century".

- Hydrotreated vegetable oil (L HVO) a d diesel product purcha ed by SOCAR were delivered to the COP29 Operating Company in order to grant platinum sponsorship status in terms of bra d promotion and strengthening of SOCAR's business reputation.

- Sponsorship a sista ce wa provided to TEAS Press Publishing House LLC for the publication of 2-part book "Islamic Atlas" in a circulation of 1000 (thousand) copies, recommended for publication by the Scientific Council of the Institute of Manuscripts of ANAS.

8. International and community activities:

- Projects in the fields of training, education and ecology were implemented in the countries where SOCAR operates.

- The construction of the Buchansk polyclinic in Ukraine continued through SOCAR - Blago.

- The employees of Ca ba m ide Pla t held meetings with residents living in the surrounding a ea (ma nly interna ly displaced persons), and provided education on the plant's activities, compliance with environmenta requirements a d employment opportunities.

9. ESG rating:

- In cooperation with a consulting compa y, socia surveys were prepa ed a d a swered.

- The process of a signing a BBB rating to SOCAR on ESG was supported by the international rating agency MSCI.

- In order to obtain ratings from other international agencies, the "Social Sustainability Indicators" form was sent to structural units and information was collected in the p propriate ma ner.

Difficulties and solutions

Certain difficulties were noted during the implementation of social projects in 2024, and monitoring, evaluation procedures a d the gener control regime were strengthened in this direction. Work was carried out to develop SOCAR's "Social Inquiry Line" to promptly eliminate the identified inconsistencies, strengthen coordination between structural units for effective management of social expenses, a d improve the system for reviewing applications from employees.

SOCAR continues to take necessary actions to protect the existing human resources potential, improve social infra tructure, a d regulate socia a d la or relations in the face of the challenges of the modern era the increa ing importa ce of socia responsibility in the globa energy sector, digital transformation, and the application of new technologies.

At the same time, SOCAR, within the framework of its corporate social responsibility concept, not only increases its public reputation through various initiatives aimed at the well-being of socia ly vulnera le groups a d their integration into society, but also makes a significant contribution to the development of inclusiveness in our country.

Housing provision and improvement of living conditions

During 2024, 112 oil workers registered with SOCAR were provided with cooperative apartments, and 14 were provided with la d plots for the construction of individual residential houses in Buzovna settlement, thus completing the distribution of 335 land plots pla ned for that a ea Among those provided with p a tments is 1 young

specialist who completed his education and started working at the company within the framework of the SOCAR Scholarship Progra , a well a 9 employees who lived in an orphanage and received vocational tra ning at SOCAR a d were provided with jobs.

As part of the construction work carried out in the field of housing provision, two buildings with 252 apartments were put into operation in the 671-apartment residential complex, the construction of which was continued in Bibiheybat settlement by the "Neftchi" Housing and Construction Cooperative. On May 4, 2024, a event wa held to open the buildings and provide p a tment statements. The buildings in question were transferred to the balance of Baku City Executive Power in accordance with the relevant regulations.

At the same time, documentation work is underway on three residential buildings with 212 p a tments, the construction of which was completed in the sa m e a ea a d it is pla ned to put these p a tments into use by residents in the nea future. Currently, the process of distributing vacant apartments in the Bibiheybat residential complex is ongoing.

In order to ensure tra spa ency a d efficiency, an electronic housing portal wa la nched, which provides a cess to information about employees on the housing queue at SOCAR a d creates a ba is for public monitoring of housing issues. Through this porta , queueing, distribution and general information flow are regulated in a centralized and tra spa ent ma ner.

Activities in the field of organising protocols and events

During 2024, carried out a wide range of activities related to organising events and meetings with the participation of the SOCAR president, managing international receptions and meetings, as well as providing business trips a d visa support to employees. During this period, successful organisation of meetings and ceremonies of va ious formats was ensured ba ed on approaches reflecting the company's corporate culture a d protocol sta da ds.

In 2024, organised meetings and signing ceremonies with the participation of the SOCAR President within the framework of a number of international events in which SOCAR wa the ma n organiser or partner - the Southern Gas Corridor Advisory Council, the Green Energy Advisory Council, Baku Energy Week, the 30th anniversary of the "Contract of the Century" and COP-29.

The visits of SOCAR's international pa tners to the country were a so in focus. During the organisation of about 10 high-level visits during the yea , hotel reservations, CIP passes, meeting and fa ewell, escort, tra sport support a d coordination were carried out.

In order to support the participation of SOCAR employees in their foreign trips, visa support wa provided to more tha 120 employees. In this context, processes such as filling out visa applications, preparing and collecting documents, preparing visa invitation letters and paying for travel insura ce were ca ried out.

Within the framework of SOCAR's cooperation with the German company UNIPER, a summer ca p wa orga ised in Azerba ja for the children of the compa y's employees on August 4-18, 2024. Also, during the visit of the children

of SOCAR employees to Germany in June 2024, an employee of the Protocol Divison was represented in the accompanying delegation.

In addition, during the visit of the delegation of the Zarifa Aliyeva Irpen Humanitarian Lyceum of Ukraine to Azerbaijan on May 20-26, 2024, SOCAR provided reception, accompaniment, transportation and meals for the guests, and organised excursions. All these activities were carried out by the Protocol Division in coordination with the Ministry of Science and Education of the Republic of Azerbaijan.

Figure XVIII.1. *New residential complex constructed for oil engineers*

XIX. TERMS AND ACRONYMS

ACG	-	AZERI, CHIRAG AND GUNASHLI FIELDS
ACPDO	-	AREA OF COMPLETE PROCESSING AND DELIVERY OF OIL
AGDU	-	AUTOMATED GAS DISTRIBUTING UNIT
ATEL	-	AIR TRANSMISSION ELECTRICITY LINE
CESPS	-	COMPLEX ENGINEERING SURVEY PRODUCTION SECTION
CDWT	-	COMPLEX DRILLING WORKS TRUST
CSP	-	CONTINUOUS SEISMIC PROFILING
DOP	-	DEEPWATER OFFSHORE PLATFORM
DU	-	DISTRIBUTING UNIT
EPERRSU	-	EXPERIMENTAL PRODUCTION ENTERPRISE FOR REPAIR AND RENT OF SUBMERSIBLE UNITS
ETL	-	ELECTRICITY TRANSMISSION LINES
ETEAS	-	ENERGETICS AND ELECTRICAL EQUIPMENT AREA
FOP	-	FİXED OFFSHORE PLATFORM
GCP	-	GAS COLLECTION POINT
GED	-	GAS EXPORT DEPARTMENT
GCSA	-	GAS COMRESSOR SERVICE AREA
GDS	-	GAS DISTRIBUTING STATION
GDU	-	GAS DISTRIBUTING UNIT
GGD	-	GEOPHYSICS AND GEOLOGY DEPARTMENT
GCS	-	GAS COMPRESSOR STATION
GMA	-	GAS MAIN AREA
GOA	-	GAS OPERATION AREA
GPWBM	-	GEOLOGICAL PROFILING -WAVE BREAKING METHOD
GSOE	-	GAS STORAGE OPERATION ENTERPRISE
GTHPS	-	GAS TURBINE HEAT POWER STATION
HEG	-	HEAT EFFECT GASES
HRD	-	HUMAN RESOURCES DEPARTMENT
HSE	-	HEALTH, SAFETY AND ENVIRONMENT
HVEL	-	HIGH VOLTAGE ELECTRICITY LINE
HPGL and LPLL	-	HIGH PRESSURE GAS LINE AND LOW PRESSURE LIQUID LINE
INS	-	INSTRUMENTATION
IPO	-	INTEGRATED PROCESSING OF OIL
IPT	-	INDUCTIVE POWER TRANSDUCER
LOS	-	LINE OPERATION SERVICE

MPRB	-	MANPOWER RESERVE BASE
NCR	-	NON-CONFORMITY REPORTS
OCP	-	OIL COLLECTION POINT
ODA	-	OIL DELIVERY AREA
OGBA	-	OIL AND GAS-BEARING AREA
OGPD	-	OIL AND GAS PRODUCTION DEPARTMENT
OGDPGRA	-	OLD GAS DISTRIBUTING POINT OF GAS RETENTION AREA
OGCA	-	OIL & GAS COMPRESSOR AGGREGATE
OGCT	-	OIL & GAS CONSTRUCTION TRUST
PLC		PROGRAMMABLE LOGICAL CONTROLLER
PPR	-	PLANNED PREVENTIVE REPAIR
RAU	-	REPAIR & ASSEMBLY UNIT
REF	-	REFINERY
RGOU	-	REGIONAL GAS OPERATION UNIT
SA	-	SERVICE AREA
SOMTD	-	SPECIALIZED OIL-MINING TECHNICAL DEPARTMENT
UPS	-	UNINTERRUPTED POWER SOURCES
WWA	-	WELL WORKOVER AREA