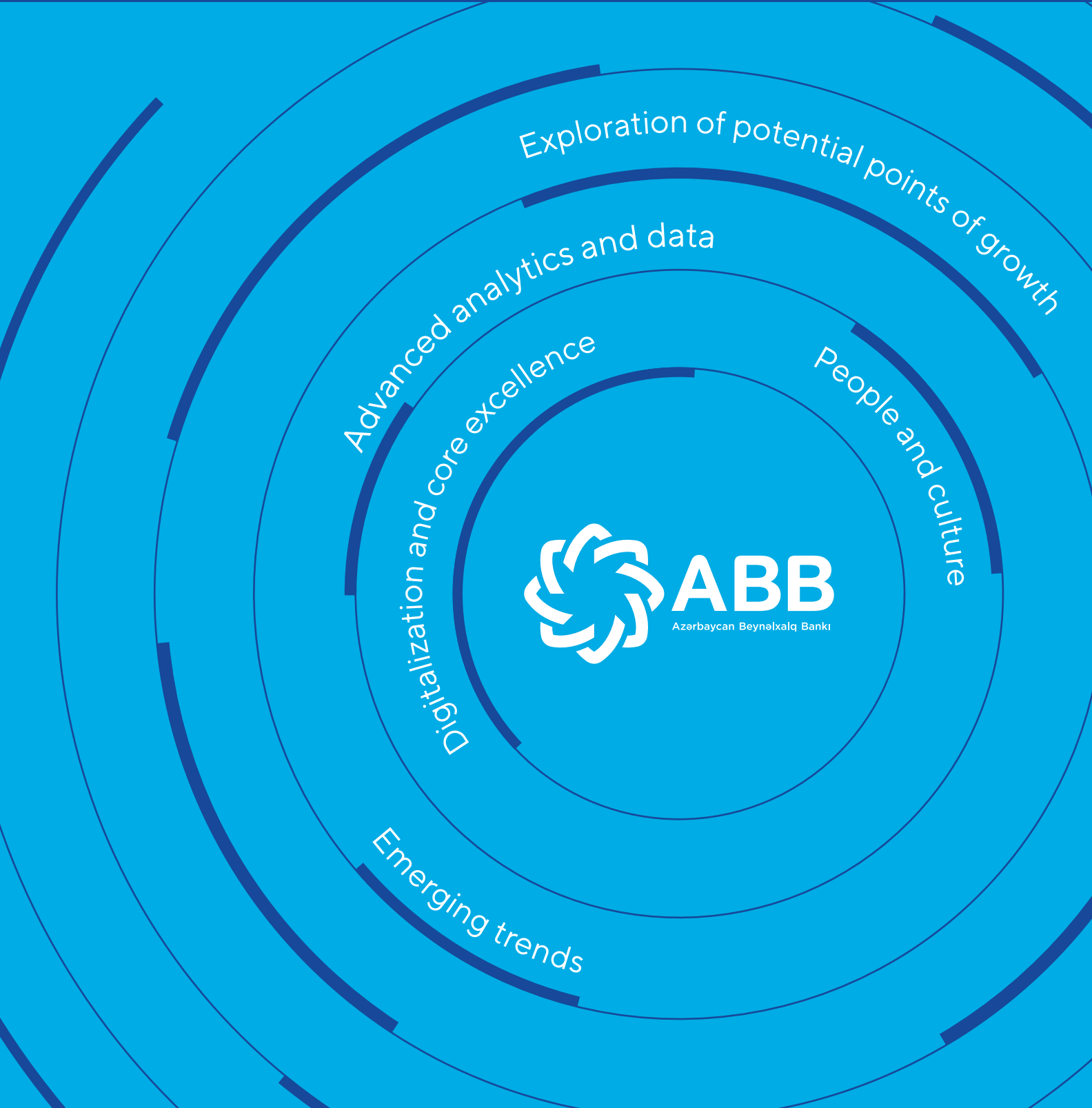


ABB SUSTAINABILITY REPORT 2022



Sustainability
Report 2022

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CEO LETTER

1.



Abbas
Ibrahimov

CEO/
Chairman of the
Management
Board

Dear Shareholders, Customers and all Stakeholders,

I am pleased to present the ABB Sustainability Report of 2022—a year of exceptional significance in our strategic journey. The culmination of ABB’s three-year development strategy (2020-2022) marks the closure of one chapter and heralds the commencement of an exciting new strategic era.

The past three years, including 2022, represent a chapter of profound transformation, firmly establishing the foundations of our future.

As a leading bank in Azerbaijan, with a dedicated team of nearly 3 100 employees today, we undertook several initiatives as part of our 2022 strategy. During this period, we

focused relentlessly on the quality of our services as well as accessibility of our products and services to diverse social groups and regions. We reshaped our service model for the corporate clients and strengthened relationships with our existing clientele.

Global and regional developments

The last few years were challenging for all industries across the globe. Macroeconomic policies designed to stem the negative impacts caused by COVID-19 crisis, climate anomalies and geopolitical instability gave rise to inflation in the economies, thus causing multiple direct and indirect impacts to the industries.

In line with its regulatory mandate, the Central Bank of the Republic of Azerbaijan initiated measures to maintain macroeconomic and financial stability, and to reduce inflationary pressures in the country in 2022. The government also introduced several reforms and support programs to stimulate the development of non-oil sector, and increase the share of the private

sector in the national economy. ABB's operations and strategic initiatives are fully aligned with the strategy of the government. We have observed a steady rise in SMEs within our corporate portfolio, with 24% growth in SMEs and 72% increase in individual entrepreneurs partnering with ABB since 2020.

The last couple of years have marked a significant turning point in Azerbaijan's modern history. The liberation of previously occupied regions and substantial investments in the revitalization of Karabakh and its neighboring areas have opened new horizons for businesses, both local and international. As a bank deeply committed to our nation's prosperity, we are excited to support and contribute to the development of this region.

Strategic initiatives and success

Despite global challenges and economic crisis, our bank maintained its resilience. The financial results that ABB Group demonstrated in 2022 prove our stable position. As of the end of 2022, we recorded a net profit of 288 782 thousand manat. We paid 78 884 thousand manats in income tax which is a manifestation of our contribution to the country's economic stability.

During the last three years, we embraced the Agile management system, creating 11 Agile areas within the bank and achieving significant results in Agile transformation. Our corporate governance system has evolved, and we have adapted to today's business requirements. Data technologies remain at the forefront of our priorities, fostering innovation across all aspects of our operations.

Our ABB Mobile banking application evolved into a dynamic gateway that adapts to evolving customer preferences, thereby enhancing financial inclusion. By the end of 2022, over 1,23 million customers had registered on our mobile application. Our corporate and SME clients witnessed a remarkable transformation in their banking experience, benefitting from a revamped internet banking platform and ABB Business mobile application. **As of 2022-year end, 91% of corporate transactions were seamlessly conducted through digital channels.**

In the frame of our transformation, we successfully launched the branch transformation project to harmonize our service outlets with our new brand identity. Over two years, we

redesigned 20 branches and added 2 new ones in 2022, enhancing our customer outreach. Our service model in branches is continually evolving to provide a superior banking experience.

By enhancing products for both corporate and retail customers and strengthening our market share in housing loans, we ensure the Bank's leading position in the above-mentioned segments. By the end of 2022, we increased our lending market share to 18%. By introducing cutting edge technologies and new offerings, we are also gradually increasing ABB's market share in non-cash payments.

Responsible approach

In 2022, we continued implementing different social support and sponsorship programs aimed at supporting education, empowering youth, and fostering community resilience.

Our Innovation Center is nurturing top talent in programming languages, backing entrepreneurs with their innovative concepts, and harnessing the full potential of emerging technologies.

We are proud to open opportunities for more than 50 startups since 2020, with 12 being selected in 2022.

As the management of ABB, we are dedicated to fostering a positive and healthy working environment for our employees. In 2022, we continued investing in various programs and opportunities that support both personal and professional development, enabling our team members to thrive and reach their fullest potential. In the reporting year, we started partnership with Koç University in Turkiye to offer Mini Executive MBA to selected ABB managers. In parallel, we continued our efforts to attracting and providing career opportunities for young talents and future leaders at ABB.

What is next?

Looking a head, our new 2023-2025 development strategy emphasizes market leadership, data-driven digital experiences, superior customer-centricity, and becoming the preferred employer in the financial sector. Speed and excellence will be our performance criteria driving us forward.

In parallel with other customer segments, we see an immense potential in building strong and long-

lasting relationships with the youth. We will work further to introduce new products and services tailored for the needs of young customers. This reflects our goal of being a modern and forward-thinking bank.

We remain dedicated to expanding our 'beyond banking' offerings. Our commitment extends beyond traditional financial services, encompassing initiatives that promote financial literacy, support community development, and contribute to a sustainable future.

Global surge in sustainable finance, mirroring a wider trend toward greater decarbonization of economies and the urgency to combat climate change present certain opportunities for our bank. We plan to play a more active role in redirecting the finance to more sustainable and green projects, particularly aimed at climate change mitigation and adaptation. Recognizing both opportunities and risks in sustainable agriculture and the region's energy transition, we plan to integrate sustainable finance into our strategic decision-making.

Our commitment to responsible business practices, coupled with our long-term perspective, underpins our belief that these efforts are pivotal in achieving our strategic goals.

This Sustainability Report 2022 is a snapshot of our journey, achievements, and vision. I invite you to dive in and explore our performance and dedication to excellence.

As ABB steps into new era, I want to express my deep gratitude to everyone who's been part of our journey. Your hard work and unwavering support have been the driving force behind our success.

Thank you for your trust in ABB. Let's embrace the opportunities that lie ahead and continue making a positive impact on our communities.

Sincerely,

Abbas Ibrahimov.

ABOUT US



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2. About us

ABB stands as a prominent institution in the South Caucasus banking landscape, with a substantial legacy that underscores its pivotal influence on Azerbaijan's financial sector. Established in 1992 as a joint-

stock bank, following the country's independence from the Soviet Union, the Bank emerged as a key player in the nation's economic development.

Today, ABB continues to be a leading financial institution in the country. By focusing on efficiency, customer satisfaction, and technological advancement, it strives to contribute to the economic growth and prosperity of Azerbaijan, while solidifying its position as a reliable and competitive player in the global banking arena.



Full Name:

The Open Joint Stock Company "The International Bank of Azerbaijan"



Date of Registration:

January 10, 1992



Bank's license:

February 01, 1992, License No. 06/06-224 by the Central Bank of the Republic of Azerbaijan



Website:

www.abb-bank.az



Registered Address:

67 Nizami St., Baku AZ1005, Azerbaijan



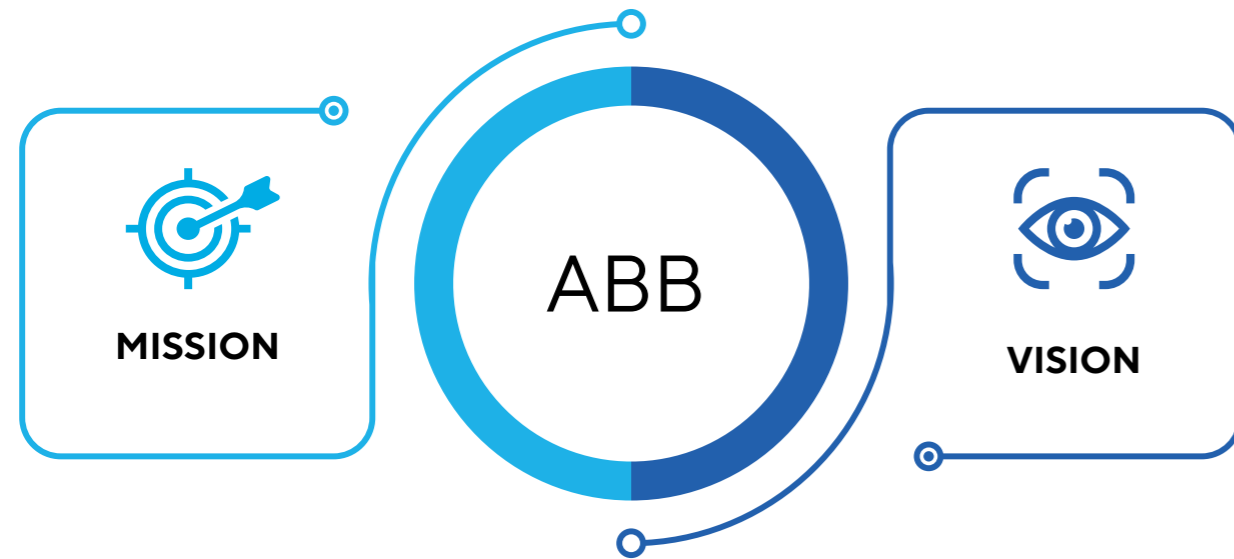
Membership in professional associations, unions, exchange and payment systems:

- Azerbaijan Banks Association
- Baku Stock Exchange
- MasterCard International
- VISA International
- American Express®
- Union Pay
- SWIFT
- Reuters information system
- Bloomberg information system
- National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan
- Azerbaijan-American Chamber of Commerce
- Israel-Azerbaijan Chamber of Commerce
- Caspian European Club

2.1. ABB at a glance



2.2. Our mission and vision



As a modern universal financial group, we are committed to serve financial needs of our customers by:

1. Making financial services accessible and affordable
2. Bringing advanced experience and innovation
3. Strengthening our communities by supporting businesses and human capital
4. Contributing to the development and integration of the Azerbaijani economy to the world

We are aspired to be a leading universal financial group in the South Caucasus by:

1. Delivering the unmatched customer experience to our customers
2. Being the most desired employer for talents and professionals
3. Achieving the richest returns to our shareholders
4. Pursuing the highest standards of corporate governance
5. Building the strongest ecosystem of partnerships for a digital future

2.3. Our purpose and values

Our purpose is to be a reliable partner in the modern financial world

2.3.1. Our values

 Courageous Integrity	<ul style="list-style-type: none"> • Make accountability to our stakeholders as a noble responsibility • Operate with transparency and prudence in everything we do 	<ul style="list-style-type: none"> • Act honorably in delivering promises and commitments • Make reputation and ethics a high priority for our actions
 Customer Commitment	<ul style="list-style-type: none"> • Empathize with customers to understand their needs and offer them tailored experiences • Facilitating the growth of our customer base by offering them more value and expertise 	<ul style="list-style-type: none"> • Strive to understand customer needs by establishing candid relationships • Be ahead of emerging customer needs for better service
 Curious Leaders	<ul style="list-style-type: none"> • Foster collaborative teamwork to unlock each other's potential • Appreciate responsible individuals and celebrate merits 	<ul style="list-style-type: none"> • Create an inspiring, and agile environment to attract and develop best talents • Develop ambitious leaders to better carry on our mission
 Execution Excellence	<ul style="list-style-type: none"> • Chase perfection in delivering our brand promises • Apply persistence and continuous improvements for the highest standards 	<ul style="list-style-type: none"> • Exercise well-thought decisions and act timely • Be meticulous in execution of everything we do
 Entrepreneurial Spirit	<ul style="list-style-type: none"> • Unlock new opportunities by using state-of-the art innovation • Embrace creativity and experimentation to develop best-in-class products 	<ul style="list-style-type: none"> • Partner with relevant stakeholders for better results • Challenge the status quo and encourage entrepreneurship at all levels
 Effective Frugality	<ul style="list-style-type: none"> • Make the best use of the available resources to create more value for customers • Take calculated risks to benefit from emerging opportunities 	<ul style="list-style-type: none"> • Promote efficiency and productivity in every aspect of the business • Get inspired by constraints and turn them into an advantage
 Responsible Citizenship	<ul style="list-style-type: none"> • Act responsibly in serving the wider interest of our communities • Contribute to the development of our communities 	<ul style="list-style-type: none"> • Develop a highly skilled mobile workforce for our communities • Think and act for a long-term future despite short-term challenges

2.4. Awards

Table 1. Awards breakdown by years

Years	Our main nominations (2019-2022)	Provided by
2019	The international payment system MasterCard awarded the ABB in two categories; highest increase rate of the quantity of Debit MasterCard cards and highest increase rate of the quantity of Platinum cards	MasterCard
	The ABB Tech Academy project won an award from the International Labor Organization and the National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan (ASK)	ILO and the National Confederation of Entrepreneurs
	The best bank of the year	"Euromoney" magazine
	The corporate social responsibility project "Kitabi Dinlə" has been awarded the International CSR Excellence Award	International CSR Excellence Award
2020	The Best Bank in Azerbaijan	"Global Finance" magazine
2021	"Corporate Social Responsibility", "Most Active Financial Literacy Support", "Most Active Education Support", "ABA Member for Measures to Increase Financial Access to Small and Medium Businesses", "ABA Member Distinguished for Measures to Promote Cashless Payments", "Innovative e-banking projects" awards	Association of Banks of Azerbaijan for the numerous projects
	One of the 20 best banks in the CIS and the Caucasus region	SME Banking Club
	Award for the implementation of contactless payment by bank cards in railway transport for the first time in the country and for the cooperation on the application of payment rings based on NFC technology	VISA
	Best Financial Innovation Labs" ABB Innovation Center is in the list of the best centers for financial innovation	"Global Finance" magazine
	"The Bank of the Year" Awarded for the ability to adapt quickly to a rapidly changing business environment during the pandemic and maintaining a healthy financial situation	"The Banker" magazine

Years	Our main nominations (2019-2022)	Provided by
2022	"The Best Bank of the Year" Awarded for ABB's efforts in strengthening its capital position, embracing digital banking advancements, implementing successful re-branding initiatives, and undertaking projects to train young IT professionals	"The Banker" magazine
	"The Best Bank of the Year" Selected as one of the best banks in Asia and the Pacific region	"Global Finance" magazine

2.5. Ownership structure

Authorised capital of ABB as per 31.12.2022 is 1,225,648 thousand AZN.

As per authorised capital structure in 31 December 2022, The Republic of Azerbaijan Government is the majority shareholder of ABB, while 3% of shares being owned by individuals.

Table 2. List of main shareholders of ABB

Shareholder	Amount, in thousands of Azerbaijan manats	Share, %
Republic of Azerbaijan	1,181,121	96.37
Aqrarkredit CJSC	2,815	0.23
Entities	4,255	0.35
Individuals	37,456	3.05

ABB's subsidiaries:

ABB Invest

In 2020, the bank established a new subsidiary, an investment company under the name "ABB-Invest Investment Company" CJSC (ABB-Invest). In 2020 ABB-Invest obtained license on provision of investment services from government body overseeing capital markets and shortly after became a member of Baku Stock Exchange and National Depository Center, a local central securities depository and clearing house. In January, 2021 the investment firm obtained a membership of AFBIA, a local association of professional participants of the capital market and commenced its activities in full scale.

ABB-Invest provides both main and ancillary investment services to its clients in the local and international capital markets. Main investment services provided by ABB-Invest include but are not limited to securities underwriting, brokerage and margin trading. The investment company facilitates provision of investment services such as safekeeping of securities, equity research and trustee services for issuers of covered bonds.

ABB Leasing

International Leasing CJSC has a history dating back to 1999, originating from its predecessor, Azerleasing. By 2002, the ABB took full ownership. In 2007, Azerleasing underwent a transformation, adopting the status of a Closed Joint Stock Company and was rebranded as International Leasing Company CJSC. Throughout its existence, the company has been a pioneer in introducing numerous innovations. It received recognition as the top leasing company of the year in both 2008 and 2013. Currently, it is experiencing rapid growth in the leasing sector, offering a diverse range of leasing products and steadily advancing towards its objectives. In 2022, ABB incorporated leasing products into its Corporate and SME division, aiming to encourage customer investments and deliver exceptional service.

AzeriCard

AzeriCard proudly stands as Azerbaijan's pioneering processing center. Its operational domain encompasses electronic payment system processing, card handling, mobile and internet banking services, card issuance, ATM monitoring, and beyond. It consistently achieves PCI DS certification on an annual basis and complies with all essential cybersecurity standards. A significant amount of local banks rely on the Center to manage their daily transactions and high-grade encrypted operations.

AzeriCard collaborates with industry leaders such as VISA, MasterCard, American Express, Diners Club, Union Pay, and JCB. Additionally, it holds the distinction of being the inaugural card processing center in Azerbaijan to provide its customers with NFC technology (Near Field Communication) payment solutions. This positioned AzeriCard as a pivotal leader in propelling the country towards a cashless payment system. The issuance of cards, along with ongoing maintenance and electronic transactions, constitute the primary sources of revenue for the company. In 2022, AzeriCard has started implementation of the new 3 years strategy that involves execution of various innovative fintech initiatives.

ABB Moscow

In 2002, ABB Moscow was founded as the first bank in Russia with 100% Azerbaijani ownership. Its primary focus includes interbank operations and providing services to both corporate and retail clients. Despite the Group's divestment of assets and liabilities in other countries, ABB Moscow maintained its presence in Russia. Following the reorganization, its legal status was updated to that of a limited liability company (LLC). ABB Moscow continues to serve its retail and corporate clients who were already engaged with the bank prior to its reorganization, ensuring they benefit from its extensive service offerings. Since 2021, ABB has actively worked on expanding its operations and continues to make substantial strides in this endeavor.

2.6. ABB's ratings

Table 3. Evaluation by renowned credit rating organizations

Moody's	16.04.2020	31.12.2021	09.09.2022
Long term deposit	B1	B1	Ba3
Short term deposit	NP	NP	NP
Baseline credit assessment	B3	B2	b1
Adjusted baseline credit assessment	B3	B2	B1
Long term counterparty risk rating	Ba3	Ba3	Ba2
Short term counterparty risk rating	NP	NP	NP
Outlook	Stable	Positive	Stable
Fitch	13.05.2020	31.12.2021	26.10.2022
Long term issuer default rating	B-	B	BB-
Short term issuer default rating	B	B	B
Viability rating	B-	B	bb-
Support rating	5	5	WD
Support rating floor	NF	NF	WD
Outlook	Stable	Stable	Stable

Moody's

ABB's Ba3 long-term deposit ratings are based on the bank's Baseline Credit Assessment of b1 and incorporate one notch of government uplift stemming from our assumption of a high likelihood of support from the Government of Azerbaijan Republic (Ba1 stable) in case of need. This assumption is based on ABB's 96.4% state ownership and the government's track record of providing financial support to the bank's deposit holders, as well as its dominant position as the largest bank in Azerbaijan with around 30% market share in terms of assets. ABB's b1 BCA is supported by the bank's strong capital adequacy metrics and highly liquid balance sheet with limited asset risk. Over the past few years, ABB reported consistently robust capital metrics.

Fitch

ABB's ratings are primarily influenced by its inherent creditworthiness, as indicated by its Viability rating (VR; bb-). The VR for ABB mirrors the bank's sturdy balance sheet, resulting in strong financial indicators. The VR also reflects the bank's strong domestic franchise, which benefits from its close ties with the state. At the end of 2022, gross loans made up just 24% of total assets, while non-loan exposures are mostly of at least 'BB+' credit quality. Such balance-sheet structure translates into superior resilience of ABB's asset quality, relative to domestic peers, as well as into high profitability ratios and solid capital and liquidity buffers.

ABOUT THE REPORT



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3.

3. About the report

The GRI 2021 Standards play a crucial role in guiding businesses to identify and report on financially material sustainability information. The GRI Standards focus on reflecting stakeholder expectations and sector impacts as well as provide guidance for companies to measure, manage, and transparently report their

sustainability performance. ABB presents its Sustainability Report 2022 (hereinafter "Report") which outlines the disclosures on the Bank's operations, commitment to responsible business practices, and material topics with reference to internationally accepted principles and best practices.

3.1. Report Profile

ABB recognizes the intrinsic link between sustainability and the creation of lasting value. As a result, this year, we have incorporated a comprehensive discussion of our sustainability commitments and sustainable business practices into our report, alongside our traditional reporting on operational and financial performance. Alongside the report's strong focus on our sustainability activities, it also furnishes information on our financial and non-financial performance, outlining our achievements from January 1, 2022, to December 31, 2022.

Regarding reporting boundaries, the financial information, encompassing aspects like deposit and loan portfolios, total securities holdings, etc., encompasses all operations of both the Bank and its significant subsidiaries (referred to as the Group), unless expressly stated otherwise. Non-financial disclosures, on the other hand, pertain solely to the activities of the Bank itself.

Financial metrics disclosed in this Report are aligned with the consolidated financial statements as per International Financial Reporting Standards (IFRS). Some additional economic disclosures are extracted from internal records of the Bank. We included these indicators

to provide a more comprehensive view of our economic results that can benefit our investors and shareholders.

For the ESG (Environmental, Social and Governance) disclosures, the Bank referred to and applied the following standards, guidelines, and frameworks to ensure that the Report covers all material topics and meets the expectations of its stakeholders:

GRI 2021 Standards

Sustainability Accounting Standards Board's (SASB) Provisional Standard for Commercial Banks

UN Sustainable Development Goals (SDG)

We plan to expand the scope of disclosures in the upcoming reports and add evolving sustainability-related requirements.

Active customer criteria

Retail Customers

- Completed a debit transaction in the last 3 months
- Outstanding balance of AZN 100+ in the last 1 month
- Customers with active credit less than 90 days past due

Business Customers

Large

- Turnover 100K+ AZN/USD/EUR/other CFX for a year

SME

- Turnover 100K+ AZN/USD/EUR/other CFX for a year

ABB Mobile Customers

- At least one transaction or payment in the reporting month (December 2022)

Internet Banking Customers

- Open account status

Forward looking statements

This Report incorporates an array of forward-looking statements, offering insight into the management's perspectives on the Bank's future aspirations, goals, beliefs, assumptions, and, notably, its robust sustainability agenda. These statements pertain to various aspects, including strategic development, operations, liquidity, achievements, and challenges. Additionally, it encompasses information about the organization's structure, governance, and key stakeholders, as well as the organization's mission, values, and strategies. We acknowledge that forward-looking statements made throughout this Report are subject to market and economic conditions, risks, regulatory environment, and other factors that may affect the implementation of our objectives.

Materiality analysis

Materiality analysis is a process used in various fields, including accounting, sustainability reporting, and risk management to identify and prioritize the most significant economic, environmental, and social impacts of an organization. It helps organizations determine which issues are material or relevant to their business and stakeholders. The GRI 2021 Standards, which provide guidelines for sustainability reporting, emphasize the importance of materiality analysis.

At ABB, we realize that the identification and analysis of the topics important for our internal and external stakeholders are essential for ensuring effectiveness of our operations. We regularly engage our stakeholders and ensure that their views are taken on board and reflected in our decision-making, strategy, and reporting. The Bank identifies the most important issues for stakeholders through its materiality process. This Report is structured around those material issues identified through the materiality analysis and based on multiple sources.

To assess the topic importance for our external stakeholders we researched the following sources:

- Media review and best practices analysis
- Analysis of industry trends and peer reports
- Analysis of universal and sector-specific frameworks, such as GRI, SASB, UNEP FI Principles, IFC recommendations and others

We also referred to internal sources to assess the materiality of the relevant topics for our internal stakeholders:

- Applicable policies and the 2020-2022 strategy of ABB
- Review of the internal processes and controls, products and services
- Interviews with the key personnel and executive management in critical departments and functional units

Based on the results of the materiality analysis, we identified **13** material topics as presented in Table 4.

Linking material topics with the Sustainable Development Goals (SDGs)

The SDGs are a set of 17 global goals adopted by the United Nations (UN) member states in 2015 as part of the 2030 Agenda for Sustainable Development.





We acknowledge our responsibilities as a leading state-owned bank in the country and strive to contribute to the Azerbaijani Government's commitment to comply with and achieve UN

SDGs. Below is the structural representation of the SDGs-related initiatives and campaigns implemented within the strategy of our Bank.


ABB's contribution to SDGs

Banks play a crucial role in contributing to the SDGs by aligning their activities and operations with the goals and working towards their achievement. Here are some ways in which ABB contributes to the SDGs:

Table 4. List of material topics

Material topics	Relevant SDGs	Our contribution
Digitalization and innovation	 	<p>Maintaining the rate of service accessibility and digitalization</p> <p>Expanding functionality of ABB Mobile for retail and corporate clients</p> <p>Streamlining the Internet banking service to provide legal entities and entrepreneurs with faster and easier access to the Bank's corporate services</p> <p>Continuous automation and optimization of services to decrease waiting and service time</p> <p>For more information, please refer to Section 6, 7 of the Report</p>
Financial inclusion	    	<p>Increasing accessibility to financial services through ABB Mobile</p> <p>Maintaining an extensive network of ATMs and terminals accessible in all regions of the country</p> <p>Partnering with government entities to provide training, capacity building and increase financial literacy of entrepreneurs</p> <p>Enabling affordable mortgages both with private and public financing options</p> <p>The detailed information is provided throughout the Report</p>

Material topics	Relevant SDGs	Our contribution
Financial and economic performance	   	<p>Driving the economic activity and entrepreneurship by creating and providing a diverse range of financing products tailored for emerging businesses.</p> <p>Expanding customer segmentation to offer personalized approach to various client groups.</p> <p>Ensuring customer satisfaction and loyalty while simultaneously growing the current client base increasing existing client base</p> <p>Maintaining steady and secure payment of dividends to shareholders</p> <p>For more information, please refer to Section 7 of the Report</p>
Risk management	 	<p>Executing an effective risk management system governed by risk management strategy and risk assessment policy</p> <p>Developing and introducing scoring and automated decision models for retail segment</p> <p>Regularly reviewing and updating the annual risk map</p> <p>For more information, please refer to Section 9 of the Report</p>
Learning and development	  	<p>Conducting training programs covering the essential and advanced areas for developing both hard and soft skills of our employees</p> <p>Launching of the new Training Center for capacity-building and talent development</p> <p>Empowering young talents through educational initiatives driven by ABB Tech Academy, encompassing programming and various other technology-related fields.</p> <p>For more information, please refer to Section 8 of the Report</p>

Material topics	Relevant SDGs	Our contribution
Fair and diverse employment	  	<p>Our Recruitment Policy fosters a fair process and diversity culture starting from hiring throughout the employment journey</p> <p>Ensuring diversity and equal opportunities through comprehensive set of internal policies and regulations</p> <p>Constant communication with employees to promptly identify and reduce emerging concerns</p> <p>Partnering with educational entities to ensure talent acquisition and talent nurturing</p> <p>For more information, please refer to Section 8 of the Report</p>
Stakeholder Engagement	 	<p>Regular engagement with our internal and external stakeholders through various communication channels</p> <p>Disclosing our annual performance and results to our major stakeholders and regulators through consistent and transparent reporting</p> <p>For more information, please refer to Section 9 of the Report</p>
Social and Community Investment	     	<p>Executing social projects aimed at both attracting young talents and creating employment opportunities for the youth</p> <p>Partnership with government agencies to improve living standards and social wellbeing of local communities</p> <p>Continuously broadening the reach and scope of our Corporate Social Responsibility (CSR) initiatives</p> <p>For more information, please refer to Section 8 of the Report</p>
Anti-corruption, anti-fraud and anti-money laundering	 	<p>Conducting consistent anti-corruption training in accordance with our Code of Ethics and Anti-corruption Policy.</p> <p>Bank's Internal Control Departments diligently oversee the anti-corruption processes.</p> <p>For more information, please refer to Section 9 of the Report</p>

Material topics	Relevant SDGs	Our contribution
Management and integration of ESG Criteria	    	<p>Advancing the integration of ESG considerations in our strategic decision-making process</p> <p>Promoting responsible resource consumption both within our organization and in our external interactions</p> <p>For more information, please refer to Section 8 of the Report</p>
Corporate Governance and Accountability	  	<p>Establishing a baseline of strong corporate values and strategic aspirations</p> <p>Enhancing our corporate governance system to ensure transparency, accountability, control, and effectiveness of our operations</p> <p>For more information, please refer to Section 9 of the Report</p>
Employee Wellbeing	 	<p>Prioritizing workplace safety and well-being, and advocating for a healthy lifestyle among employees</p> <p>For more information, please refer to Section 8 of the Report</p>
Customer Experience and Satisfaction	  	<p>Developing user-friendly solutions and applications to enhance accessibility for customers in our services ecosystem</p> <p>Implementing continuous automation and optimization of services to elevate the overall customer experience. For instance, introducing e-signatures not only saves valuable customer time but also contributes to environmental sustainability</p> <p>For more information, please refer to Section 7 of the Report</p>

MANAGEMENT ANALYSIS

Management analysis 28

4.

4. Management analysis

ABB holds the belief that delivering a comprehensive discussion and analysis of operational outcomes, coupled with transparent communication of discernible trends or uncertainties that may reasonably impact both short-term and long-term results, plays a pivotal

role in assisting potential investors and diverse stakeholder groups in comprehending the Bank's financial foundations. This also provides valuable insight into management's perspectives, convictions, and performance.

In recent times, the world has encountered a range of challenges, prominently marked by conflicts like the Russia-Ukraine war. These conflicts have sparked turbulence in the financial markets and amplified uncertainty surrounding global economic recovery. Concurrently, other risks have come to the forefront, including soaring commodity prices, heightening the potential for prolonged high inflation, the impacts of climate change, and the escalation of risks associated with stagflation and social unrest. The geopolitical situation also exerted a detrimental influence on global economic growth, leading to a slowdown to just 3.1 percent in 2022. Despite the severity of these issues on a global scale, the adverse effects on Azerbaijan's economy and potential GDP dynamics were not enduring or structurally detrimental. This achievement can be attributed to the timely and well-organized response by the Azerbaijani government, which paved the way for the resumption of economic growth in the country starting in 2022.

The Management foresees that the economy will grow at a moderate pace, with the real GDP base growth estimated to be around 2.7% in 2023, as predicted by reputable and well-known publications. Another contributing factor to the enhancement of the country's balance sheet is the higher oil prices, surpassing the initial projections outlined in the 2022 state budget. This rise in oil and gas revenues creates a positive buffer against any potential depreciation of the local currency in case of adverse shocks.

The banking sector in Azerbaijan is highly competitive, experiencing significant growth, and benefiting from an increasingly financially literate population, which promotes financial inclusion and enhances banks' profitability through economies of scale. Banks are modernizing their operations by investing heavily in improving their digital capabilities and ensuring robust cybersecurity. Alongside these advancements, banks are also enhancing their physical branch services to better cater to the immediate and medium-term needs of their customers. Aligned with the economic growth, the Management expects a steady increase in the national loan portfolio as well as asset size of banking industry. Recent regulatory measures enforcing stricter underwriting processes have improved corporate governance within the banking industry, mitigating potential systematic risks and inflation within their business models.

22% Banking industry of Azerbaijan saw a rise in its total asset size in 2022

47 billion AZN Total asset size of the banking industry in the national currency

35% bank assets to GDP ratio

The profitability and capital adequacy measures of the entire banking industry indicated a healthy state, and the Management foresees further stability in profitability and capital adequacy measures in the coming years under the base scenario. The Central Bank of Azerbaijan's disciplined inflation targeting policy, coupled with the government's enhanced and transparent budgetary approach, has furnished the Bank Management with improved guidance. This enables them to anchor their inflation expectations and preemptively address any unforeseen developments in pricing. In 2022, the Central Bank of Azerbaijan unveiled a comprehensive sustainable development roadmap report that outlines its strategic vision for the years from 2023 to 2026. The Sustainable Finance Roadmap (SFR) remains steadfast in its dual purpose: first, to guarantee the financial sector's sustainability by effectively addressing Environmental, Social, and Governance (ESG) risks, and second, to leverage green finance opportunities, with a particular focus on attracting green investments.

Financial Performance

In 2022, the Bank achieved remarkable progress compared to the previous year (2021) based on local GAAP standards. Notably, its net interest income saw a substantial improvement of 134 million AZN, reaching a total of 468 million AZN, exceeding the budgetary expectations. These positive developments indicate a strong financial performance and growth for the Bank during the mentioned period. In 2022, the Bank experienced a noteworthy boost in income due to its efforts to enhance service quality, elevate employee satisfaction, and embrace digitization. Thanks to these measures, the net income experienced a significant upturn of AZN 149 million compared to the previous year (2021) based on IFRS standards.

The Bank instituted substantial improvements in its underwriting policy and introduced an enhanced Customer Relationship Management

(CRM) model equipped with new functionalities tailored for retail, corporate, and SME business lines. Through investments in internet banking services and digital banking products, the Bank effectively expanded its customer base across all segments. It offered them convenient and user-friendly banking services. Moreover, the Bank prioritized the redesign of risk assessment, accounting, budgeting policies, and the audit function to align with evolving regulatory requirements and the ever-changing business landscape. These measures aimed to ensure compliance with new regulations and maintain efficiency in the face of a dynamic business environment. As a result, the Bank has strengthened its operations, improved customer experiences, and adapted to the challenges and opportunities of the modern banking landscape. In the future, the Management is dedicated to advancing the Bank's strategic objectives by consistently improving processes and organizational structures. Their primary focus lies in boosting the Bank's efficiency, innovating new products, and modernizing existing ones, with a steadfast emphasis on prioritizing both cybersecurity and customer satisfaction. These endeavors are geared towards yielding greater returns and fortifying the Bank's capacity for expansion.

Useful link and Resources:

- https://uploads.cbar.az/assets/FSR_2022%20annual_eng.pdf
Bank Assets to GDP ratio 35%
- <https://www.rand.org/blog/2023/03/consequences-of-the-war-in-ukraine-the-economic-fallout.html#:~:text=The%20war%20in%20Ukraine%20was,to%202.2%20percent%20in%202023.>
Slowdown in global economy in 2022 (3.1%)
- <https://bm.ge/en/news/imf-forecasts-3-growth-in-azerbajans-gdp-131538#:~:text=The%20Azerbaijani%20government%20predicts%20the,by%202.5%25%20compared%20to%202022.>
GDP growth rate forecast (2.7%)

OVERVIEW OF THE BANKING SECTOR IN AZERBAIJAN



Overview of the banking sector in Azerbaijan 32

5.

5. Overview of the banking sector in Azerbaijan

Figure 1. Key macroeconomic indicators

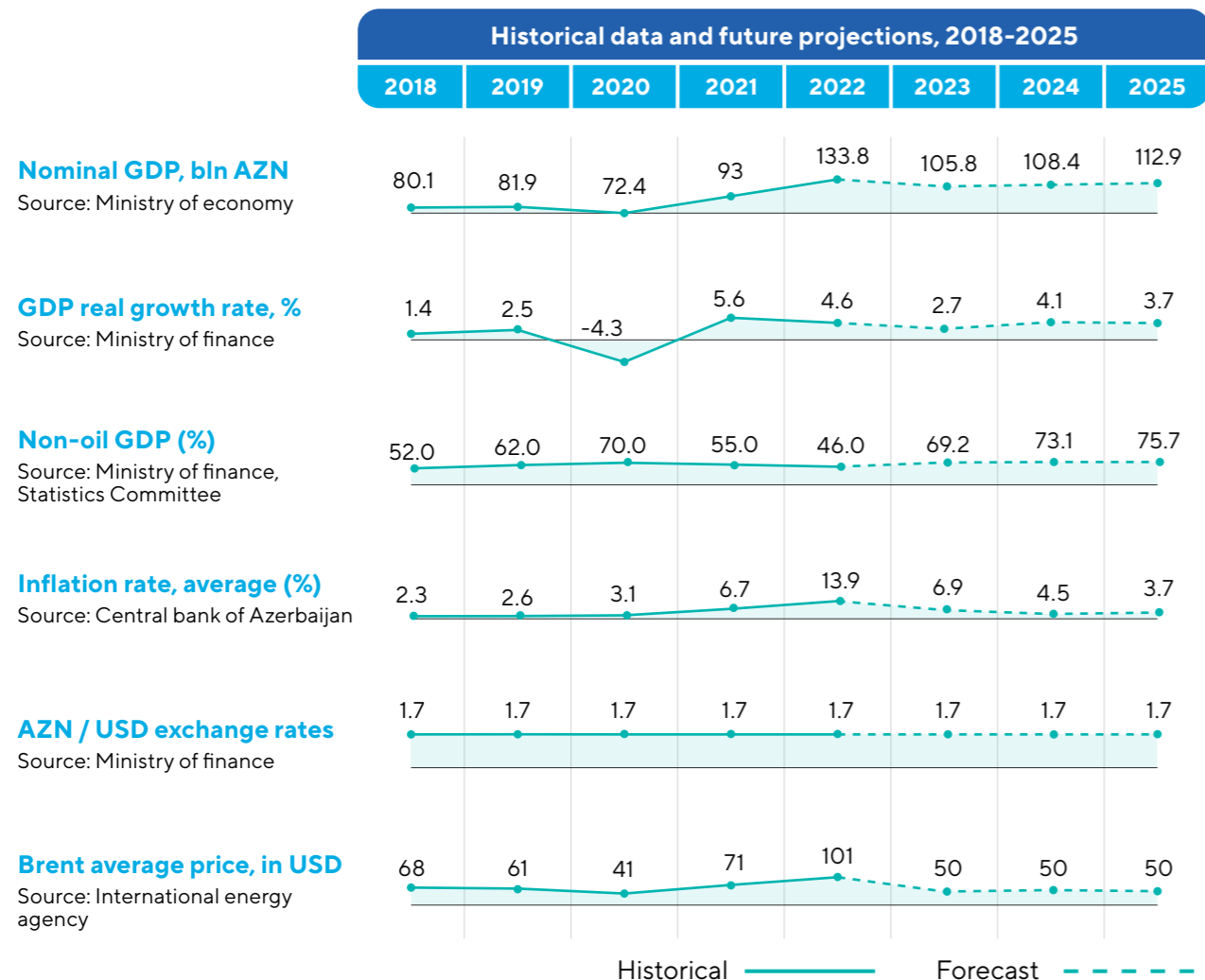


ABB is diligently monitoring worldwide and country-specific economic and financial trends to foresee potential risks arising from swiftly changing market conditions and economic shifts. This allows the Bank to proactively take necessary actions. We align our performance and strategy with financial and fiscal regulatory environment of Azerbaijan.

After the stabilisation phase (2016-2018) and the building of foundations for sustainable development (2019-2022), ABB has managed to achieve remarkable growth in profitability, operational efficiency, and financial stability.

In 2022, global geopolitical tensions, stock

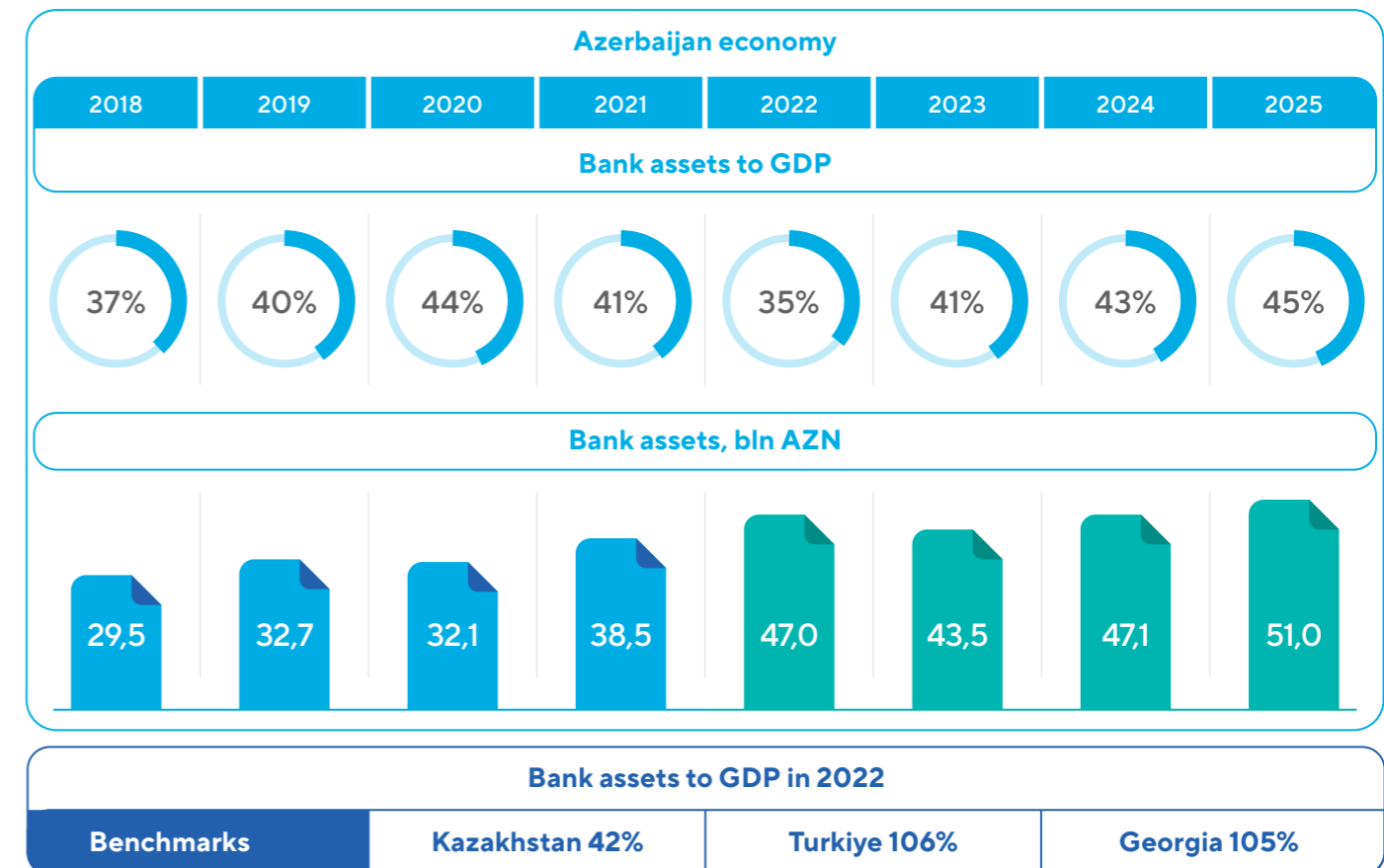
exchange fluctuations, steadfast tightening of monetary policies in leading countries and increasing inflation in trade partner countries affected Azerbaijan's inflation rate, averaging at 13.9% in 2022, predominantly driven by the upward trajectory of food prices. Nonetheless, the country showed economic resilience with GDP increasing by 4.6% in real terms to 133.8 billion AZN at current prices, with non-oil accounting for 46% of GDP and a 4.1% rise in GDP per capita (13.3 thousand AZN). In a step towards diversification, the government allocated an impressive 70.4% of total resources to primary capital for the non-oil sector, demonstrating a dedication to empower and revitalize various industries.

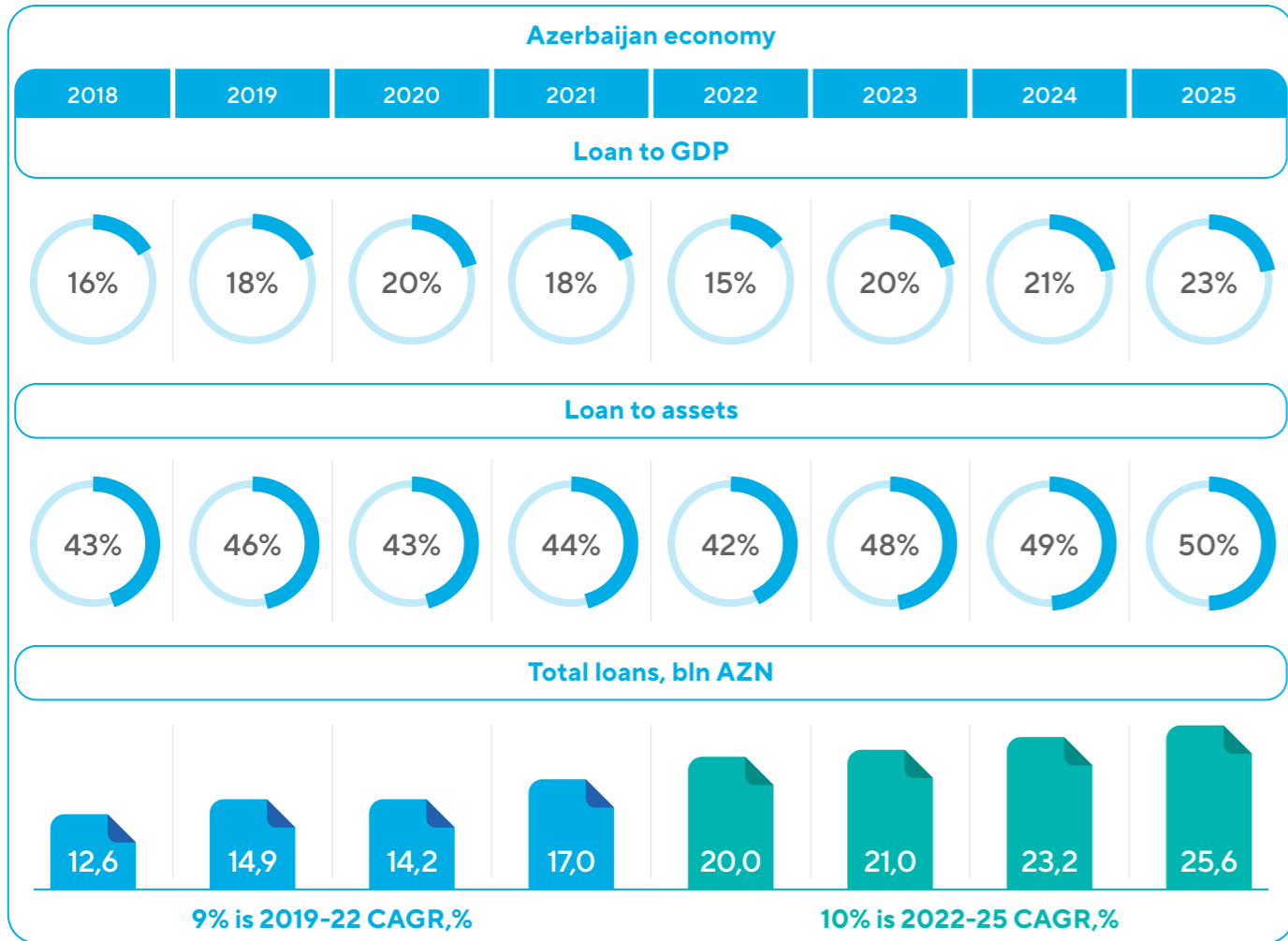
In 2022, Azerbaijani banks demonstrated resilience in the face of external shocks. Enhanced risk management and improved asset quality contributed to reduced credit risk, while macro-prudential adjustments offered additional support. Currency and liquidity risks were effectively managed. The Central Bank of Azerbaijan responded proactively by increasing the interest rate from 7.25% to 8.25% and establishing an upper threshold at 9.25%.

Macro-economic expectations for the upcoming years include:

- Real GDP is expected to increase on average 3-4% annually, while non-oil growth – 5-6%
Source: <https://e-qanun.az/framework/50013>
- Nominal GDP and GDP growth: 2022 nominal GDP increases to 133.8 bln AZN was driven by high oil prices and high inflation
Source: <https://uploads.cbar.az/assets/ca7a4b6c03edafd2d0219a937.pdf> CBAR FSR report
- During 2023-2025 the state expects oil price to be around 50 USD, annual and average annual base inflation was 14% and 11.7% respectively
Source: <https://uploads.cbar.az/assets/ca7a4b6c03edafd2d0219a937.pdf> CBAR FSR report
- Global inflation and recession: Inflation in the world's leading economies and subsequent spike in interest rates might dampen economies (higher imported inflation for Azerbaijan)
- Oil and gas price: Low oil and gas prices may put pressure on GDP and exchange rates
Source: [oil and gas prices, global inflation and Russia-Ukraine strategiya 2023-25](#)
- The conflict between Russia and Ukraine had an impact on worldwide energy and food prices.

Figure 2. Banking sector overview





Loan to GDP in 2022

Benchmarks	Kazakhstan 24%	Turkiye 53%	Georgia 74%
------------	----------------	-------------	-------------

In the dynamic financial landscape of Azerbaijan, commercial banks hold the dominant position, accounting for over 90% of total assets. As of 2022, there are 25 banks in operation, with 23 being privately owned and 2 state-owned, showcasing a vibrant and diverse sector. Notably, deposits serve as the primary source of funding for banks, making up 81.5% of total liabilities. Among these, legal entities own 66% of the deposits. Loans to customers constitute 42% of total assets, with an impressive 94% representing net loans. This stands as a testament to the sector's growth and progress, as total assets and liabilities experienced a remarkable surge of 22% and 24% respectively, compared to the figures in 2021.

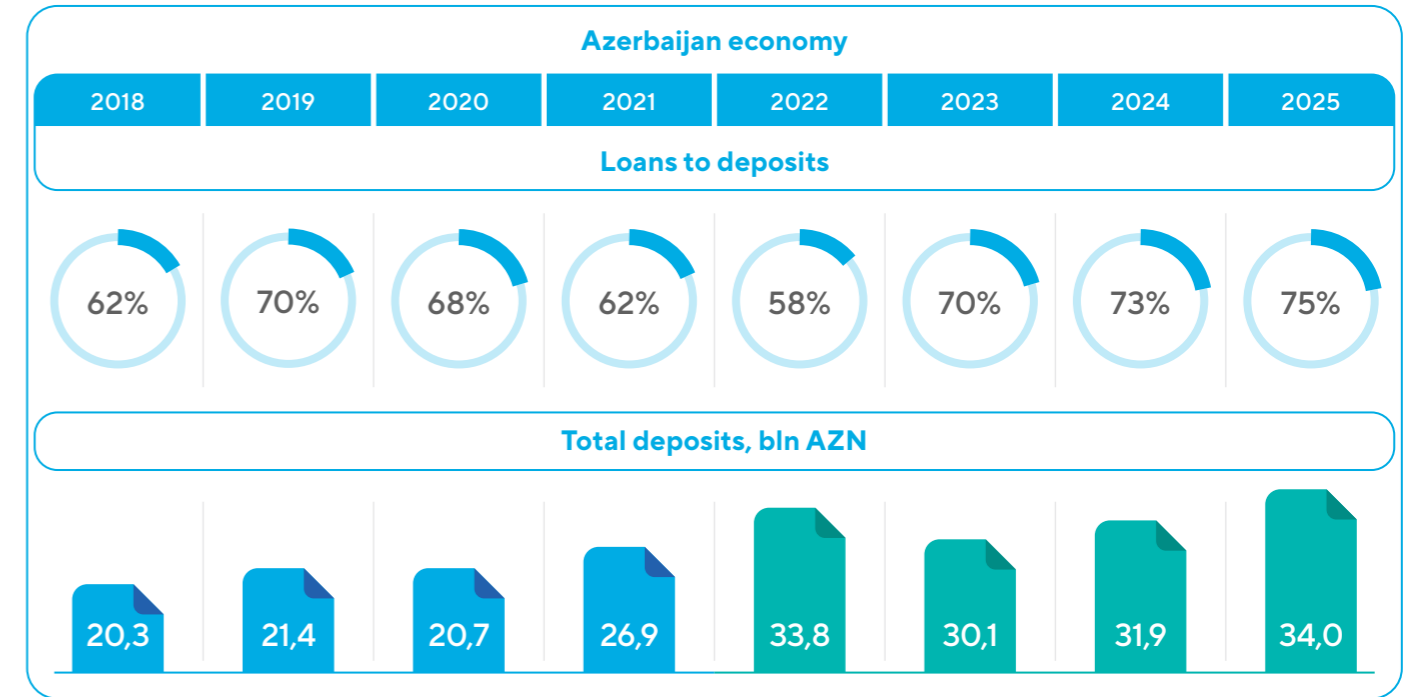
In the financial landscape of 2022, the banking system's resource base thrived, experiencing an impressive 25% surge in the deposit portfolio compared to the previous year, spanning all customer categories. Furthermore, banks

celebrated a remarkable 50% increase in net profit, reaching an astounding 916 million AZN.

The year 2022 also saw noteworthy changes in the capital adequacy ratio, which increased by 0.2 points, reaching an impressive 19.3%. This figure stands at twice the minimum prudential requirements, showcasing a strong financial position.

The year 2022 witnessed dynamics in the capital adequacy ratio, increasing by 0.2 points to reach an impressive 19.3%, which stands at twice the minimum prudential requirements.

In September 2022, the Central Bank of Azerbaijan initiated a strategic shift in monetary policy to align interest rates with inflation, aiming to improve liquidity management, interest rate responsiveness, lending practices, and market competitiveness for a thriving financial landscape.



Loans to deposits in 2022

Benchmarks	Kazakhstan 122%	Turkiye 71%	Georgia 108%
------------	-----------------	-------------	--------------

Source (for Azerbaijan): Central Bank. Projections for 2022-2025 years are expert-based and in line with Social development strategy 2022-2026

Source (for Kazakhstan, Turkiye, Georgia): Central Banks of the respective countries

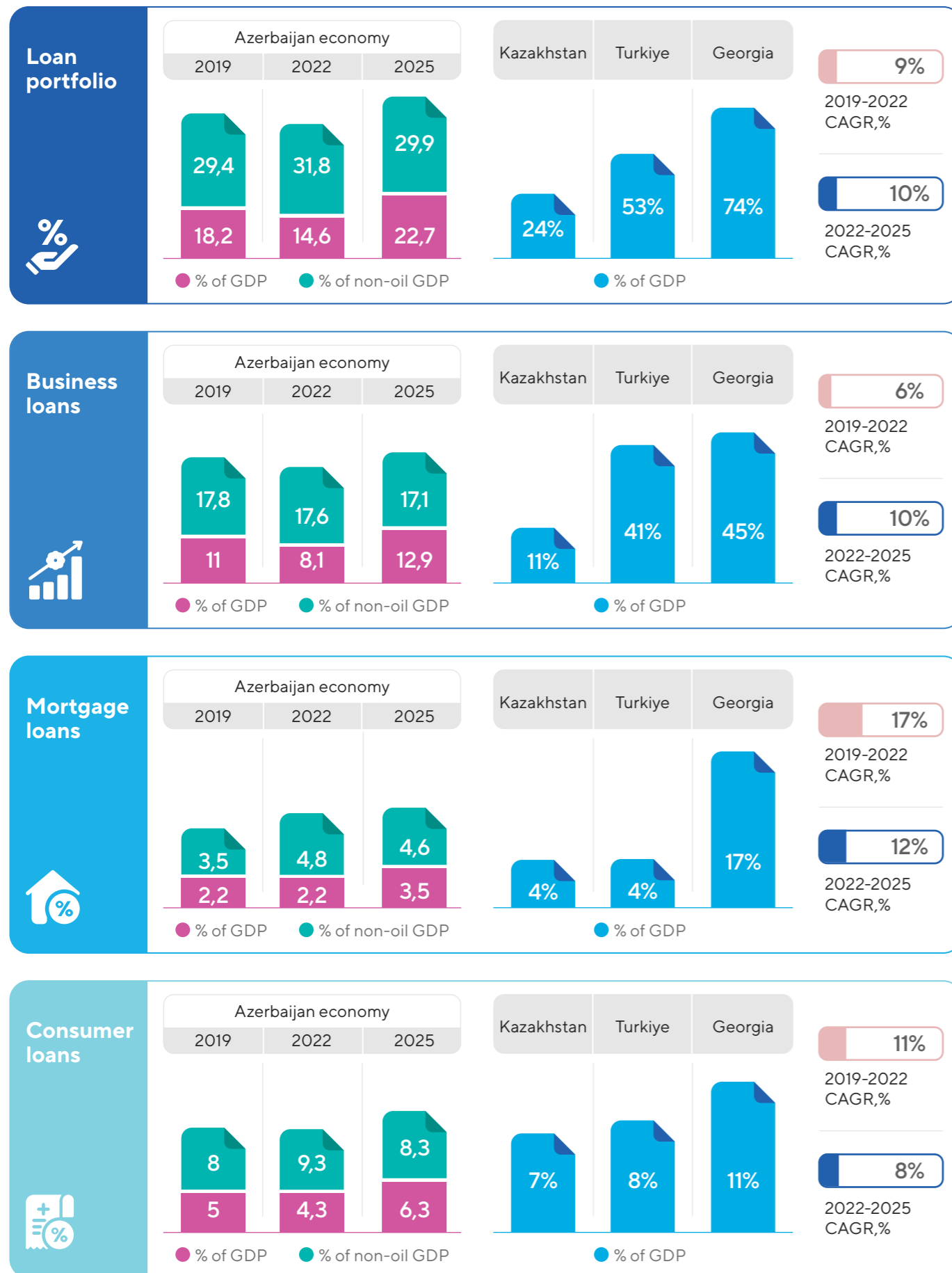
Recently, the Central Bank unveiled the 2023-2026 Sustainable Development Roadmap, aligning with the UN's Sustainable Development Goals. This forward-thinking blueprint empowers the financial sector to take a pivotal role in driving the country's sustainable growth. The Roadmap's primary objective is to promote sustainable finance, including the enhancement of financing opportunities for micro, small, and medium enterprises.

In 2022, lending to micro, small, and medium enterprises saw an impressive surge of 28%, reaching a noteworthy total of 5.7 billion AZN.

More than half of the business portfolio consisted of loans to MSMEs, thanks to the relaxation of standards for this sector. The substantial growth was catalyzed by both softened lending conditions and Azerbaijan's Socioeconomic Development Strategy for 2022-2026. While international financial institutions previously played a prominent role, 2022 witnessed a noteworthy shift, as local banks stepped up, driving lending by an impressive 35% with 5 bln AZN from their own resources.



Figure 3. Portfolio



Source: Central Banks of respective countries. Projections for 2022-2025 years are expert-based

In 2022, Azerbaijan’s financial sector enjoyed stability and resilience, showcasing the effectiveness of strategic measures implemented by the regulator and government. The banking sector demonstrated strong performance, surpassing liquidity norms and achieving soaring profitability. Especially, despite inflationary pressures, well-devised policy measures led to positive enhancements in the quality of the lending portfolio. Throughout the year, there was a notable surge in business loans, marking an 11.4% increase equivalent to a rise of 1.1 billion AZN compared to the previous year. Consumer loans also saw a substantial uptick, rising by 27.3% (1.2 billion AZN), while mortgage loans experienced a growth of 24.3% (584 million AZN). This collective progress resulted in an impressive overall increase of 17.6%, culminating in a total loan portfolio of 19.6 billion AZN.

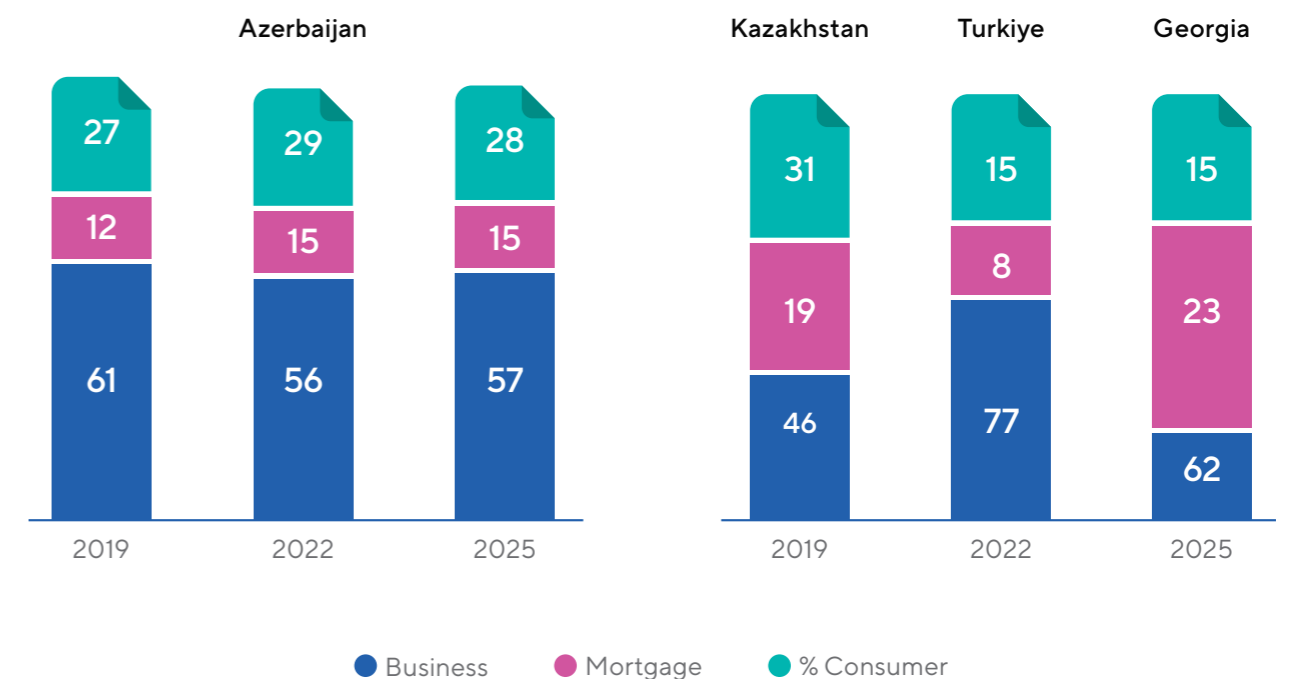
Subsequent events

In its commitment to driving sustainable development, the Central Bank of Azerbaijan takes bold steps to strengthen the financial sector’s role. Introducing the Sustainable Finance Roadmap (SFR), it aims to safeguard the sector from ESG risks while embracing green finance

opportunities and attracting green investments. Through a well-defined Action Plan, the SFR aligns the financial sector with sustainable development goals, setting a visionary course towards a greener and more resilient future.

As a prominent bank in Azerbaijan, ABB recognizes its duty to align with these national priorities. This encompasses the synchronization of its strategic vision and objectives with the overarching national goals. **Just recently, ABB has prepared an initial iteration of the Bank’s ESG Strategy. This strategy effectively aligns national and global ESG targets with the Bank’s framework, illustrating a steadfast dedication to environmental, social, and governance principles.** This forward-looking approach promises more effective implementation of ESG objectives, paving the way for a sustainable and impactful future. This strategy focuses on exploring fresh business opportunities connected to ESG principles, implementing de-carbonisation policies, fostering employee development programs, and ensuring compliance.

Figure 4. Allocation of Loan Portfolio



WE ARE DYNAMIC

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6. We are dynamic

6.1. Our Transformation journey

6.1.1 Transformation

In recent years, technology has revolutionised the banking sector, prompting clients' expectations for 24/7 global banking. To adapt to this evolving landscape and the rise of disruptive digital finance, banks must embrace constant innovation.

Technology's rapid advancement and accessibility empower start-ups and tech firms to offer novel, competitive products and services. Banks must reinvent themselves to thrive in this dynamic era.

The ability to anticipate and swiftly adapt to rapidly changing market demands is a vital catalyst for driving long-term sustainable development. In 2019, ABB made a momentous announcement, signaling its commitment to restructuring and transformation. The achievements under the previous ABB's Development Strategy, encompassing five aspirations for 2020-2022, established a robust foundation for our forthcoming ventures aligned with the new 2023-2025 Development Strategy. As part of this transformative journey, ABB embraced the integration of agile methodology in 2020, with a focus on bolstering operational efficiency, nurturing a culture of continuous learning, and promoting improvement.

Background

As a leading bank in the region, we embrace our role as catalysts of positive change, aiming to enhance the well-being and prosperity of our communities. By fortifying ABB's reputation as a reliable partner, skilled at navigating the rapidly changing economic and social landscape, we strive to create lasting value for all stakeholders.

In June 2019, our transformative journey began with the establishment of the Transformation Office and the approval of our visionary Development Strategy for 2020-2022 by the Supervisory Board of the Bank.

We are thrilled to announce, as of the conclusion of 2022, our objectives set forth in the 2020-2022 Development Strategy have been remarkably realized, attaining an impressive success rate of 99.7%. The reporting year was characterized by a comprehensive transformation across the entire bank, with the Agile Office and the Data Technologies Department operating at full capacity. This transformation has led to data-driven decision-making and the implementation of an innovative business model, bolstered by substantial contributions from AA & Data other advanced technologies.

2022 achievements

The vision set forth in the 2020-2022 Development Strategy materialized in 2022, leading to the evolution of retail and corporate digital channels, a groundbreaking business customer service model, modernized core technology, and the remarkable achievements of ABB digital lab. This significant journey culminated in 30% of transactions being conducted cashlessly and 18% of consumer loans being powered digitally, paving the way for a new era of banking excellence.

Over the past period we heavily invested in further improvements to our ABB Mobile application:

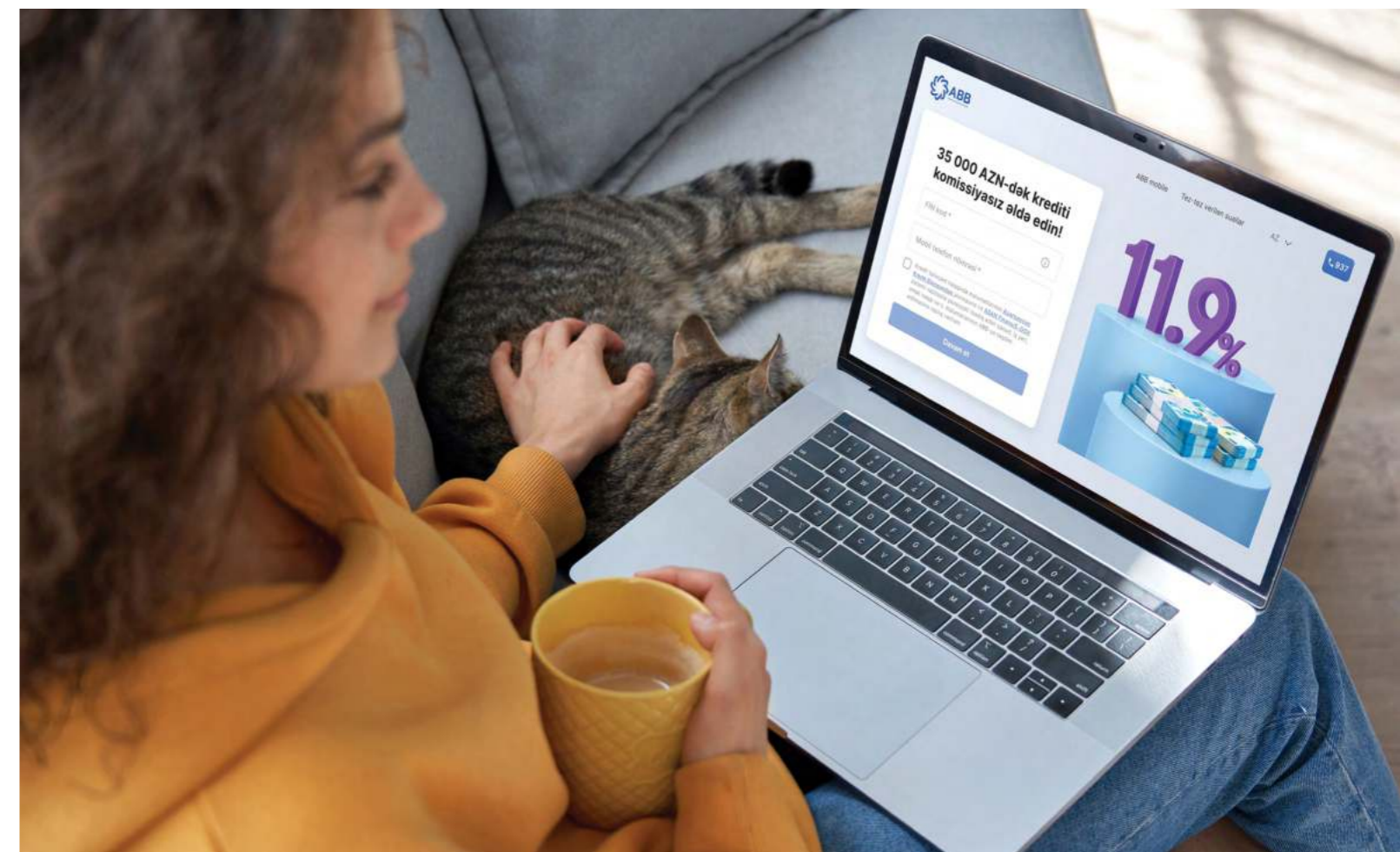
- All improvement initiatives were executed autonomously by ABB's in-house professional teams. The removal of third-party involvement in the administration of ABB Mobile enables greater control and agility in addressing emerging issues. This project demonstrated the effectiveness and customer-centric nature of the Agile approach.
- To ensure continuous enhancements and uphold customer satisfaction, we consistently gather feedback from our customers through

concise surveys distributed to ABB Mobile users. Our ABB Mobile application, accessible on both Android and IOS platforms, facilitates smoother and swifter execution of routine account management tasks. This includes features like money transfers, loan applications and repayments, utility payments, tuition fee payments, and more.

- **With remarkable success, the number of active ABB Mobile users has now exceeded half a million, reaching approximately 530,000 users, approaching our targeted goal.** Furthermore, almost one million individuals are using our services through mobile interactions.

2023-2025 Development Strategy

In our 2023-2025 strategy, we prioritize market leadership, data-driven digital experiences, customer-centricity, and becoming a preferred employer in the financial sector. Speed and excellence are our key performance criteria. To realize this vision, we'll be aiming to accelerate digitization, enhance customer focus, and leverage AA & Data for innovation.



6.1.2. Agile in action



Background

An essential milestone in our Transformation Program involves the integration of an “agile” approach across all facets of the Bank. Operating within a highly dynamic and demanding market requires a constant stream of innovative solutions. To meet customer demands and accelerate product and service delivery, ABB initiated the initial stages of Agile framework implementation in 2020.

The adoption of Agile principles empowers ABB to embrace a transparent, data-driven approach that emphasizes continuous planning, learning, improvement, inter-team collaboration, and early delivery. Furthermore, by cultivating an Agile environment, our goal is to transition towards a culture of autonomy that fosters faster and more effective decision-making at both the organizational and team levels.

Our primary focus areas in the Agile transformation encompass the Agile Maturity Program, Agile Empowerment Program, and Cultural Agile Transformation. Through these initiatives, ABB aims to empower agile leadership and cultivate a dynamic and interactive work environment.

In 2019, our Agile transformation journey commenced, involving the implementation of changes within the Digital Factory and across all IT functions. We successfully developed the new “ABB Mobile” application and launched the core IT transformation towards the end of 2020. As we approach the final phase of this transformation, our ultimate goal is to fully integrate the Agile methodology at a broader organizational level.

Our transition to Agile is spearheaded by the recently established Agile Office, comprised of enthusiastic and entrepreneurial professionals who serve as coaches and leaders for corporate

teams in adopting Agile practices. Additionally, we’ve established internal Change Agents who play a vital role in disseminating ABB’s transformational initiatives throughout the organization and to our key external stakeholders.



2022 achievements

In 2022, the Agile Office led a transformative journey guided by the following mission: “To fundamentally change ABB’s way of working by empowering people, employing an iterative approach to enhance delivery speed, and fostering transparency in results.” This effort centered on four key areas:



Operating model



Processes



Technology



People & Culture

The Agile Office has effectively transformed the delivery organization into a dynamic ‘tribe’ operating model, establishing chapters and cross-functional teams. To further embed the agile way of working across the entire organization, a well-crafted agile governance framework (“Playbook”) has been successfully designed. This playbook is based on global best practices and tailored to organizational needs. It encompasses key governance deliverables, including a set of agile ceremonies, new role cards for positions, rules for operating Tribes and Centers of Excellence (CoEs), performance management protocols, guidance for setting Objectives and Key Results (OKRs), and Agile metrics.



Project main deliverables

Inspired by the insights gleaned from the 2020-2022 Strategy, the agile transformation, in harmony with the upcoming strategic priorities, has yielded remarkable achievements. These include the establishment of:

17 delivery organization units with a total of 700 full-time equivalents (FTEs), structured into:

- 10 tribes
- 7 Center of Expertise (CoE)

A comprehensive Agile Governance Playbook encompassing:

- New operating model map and ground rules
- Organizational-level, Tribe level and Team level detailed ceremonies
- Over the 20 critical process development

Capability development programs:

- Agile leadership
- Scrum school
- Product owner school



Our benefits from Agile transformation:



Reduced time to market



Focus on customer orientation



Increased productivity



Higher quality of technical development



Enhanced coherence throughout the organization

6.1.3. Innovation center

The ABB Innovation Center is an open innovation initiative that cultivates the digital and online services of the Bank by partnering with startups driven by novel technology concepts, products, solutions, and services. The center is dedicated to nurturing Azerbaijan's startup ecosystem by providing mentorship programs and facilitating access to funding. Its primary goal is to establish strong connections between startups and ABB, fostering valuable collaborations and synergies.

In 2022, ABB extended support to a total of 25 startups in the pre-incubation stage and 12 in the incubation stage.

Major programs

The main programs under the Innovation Center include Hackathons, Incubation, Acceleration, Corporate Entrepreneurship, Open Banking, and capacity-building courses through its ABB Tech Academy. Additionally, the center collaborates with schools, universities, and related institutions to organize various community activities.



Startup Development

The initiatives executed by the ABB Innovation Center in 2022 included:

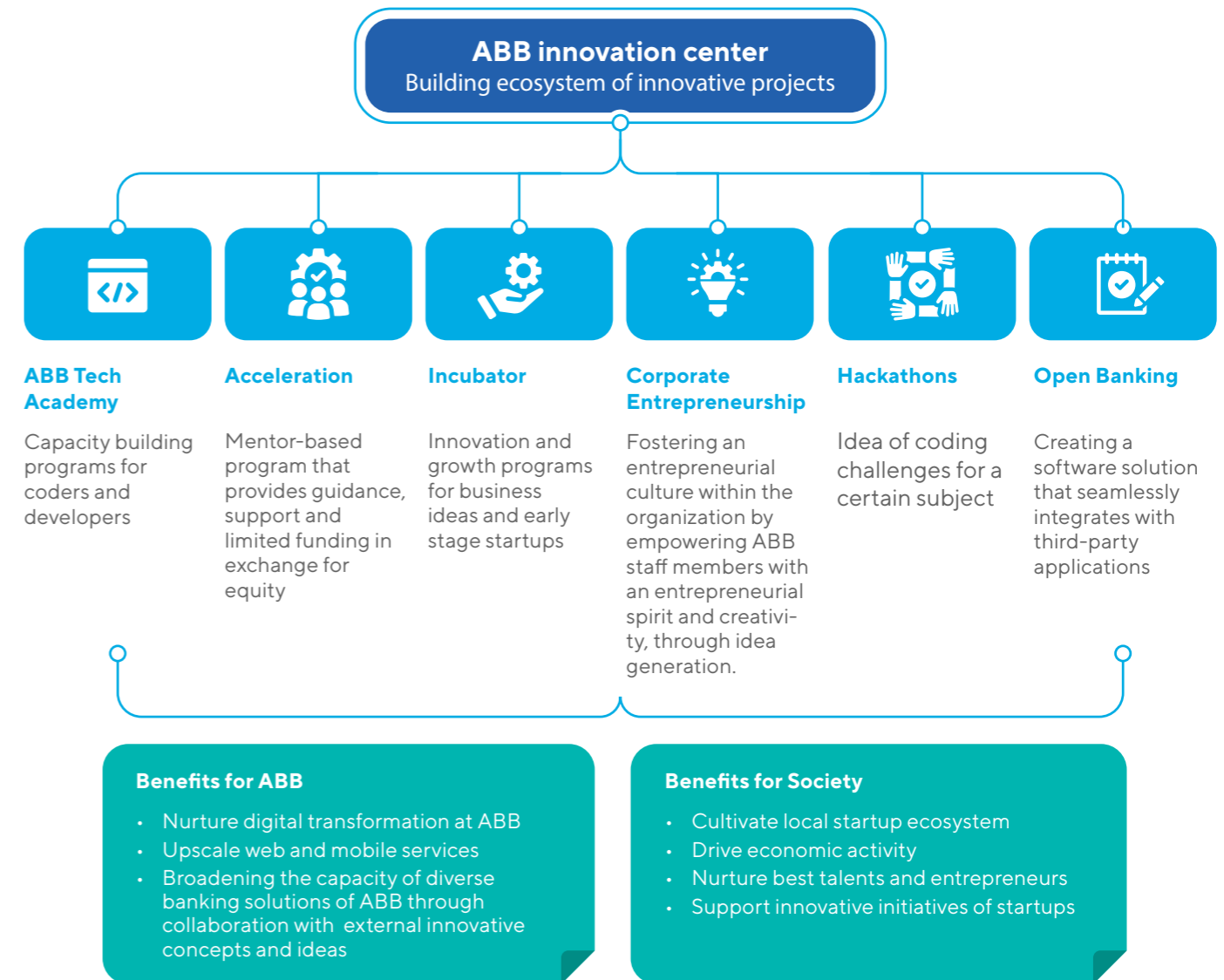
- **3rd ABB Hackathon Startup Challenge (2 days event):**
101+ Total applications / 50 selected idea
- **3rd Pre Incubation Program (6 weeks program):**
50+ total applications / 25 selected Startups
- **3rd Incubation Program (4 months program):**
85+ total applications / 60+ external applications / 10+ seasoned professionals/ 15 selected teams
- **Investor Club demo day events:**
171 members / 60+ active members / 22 Demo days held

The ABB Innovation Center has embarked on a rewarding startup journey, providing support to over 50 startups as they progressed from the initial idea stage to the Minimum Viable Product (MVP) phase. This productive process has resulted in the successful launch of 10 MVP products delivered to the market.

Startups

By the end of 2022, the program had successfully incubated the following startups:

1. TUTORLAB - edtech
2. KREPP - fintech
3. CHILL - ecommerce
4. HEPARD - SaaS solution
5. SCHOOLPLUS - edtech
6. TEZISH - hrtech
7. NJOOY - ecommerce
8. INFLUENCER.AZ - ecommerce
9. LINKDOMS - ecommerce
10. CASHCUT - fintech



6.2. Strategic aspirations and metrics 2023-2025

After successful implementation of the 2020-2022 strategy, ABB now enters a new phase of its development with the 2023-2025 strategy, where the central focus is on achieving digital excellence.

Through a comprehensive approach, ABB plans to enhance its mobile app with expanded functionalities, increase corporate transactions

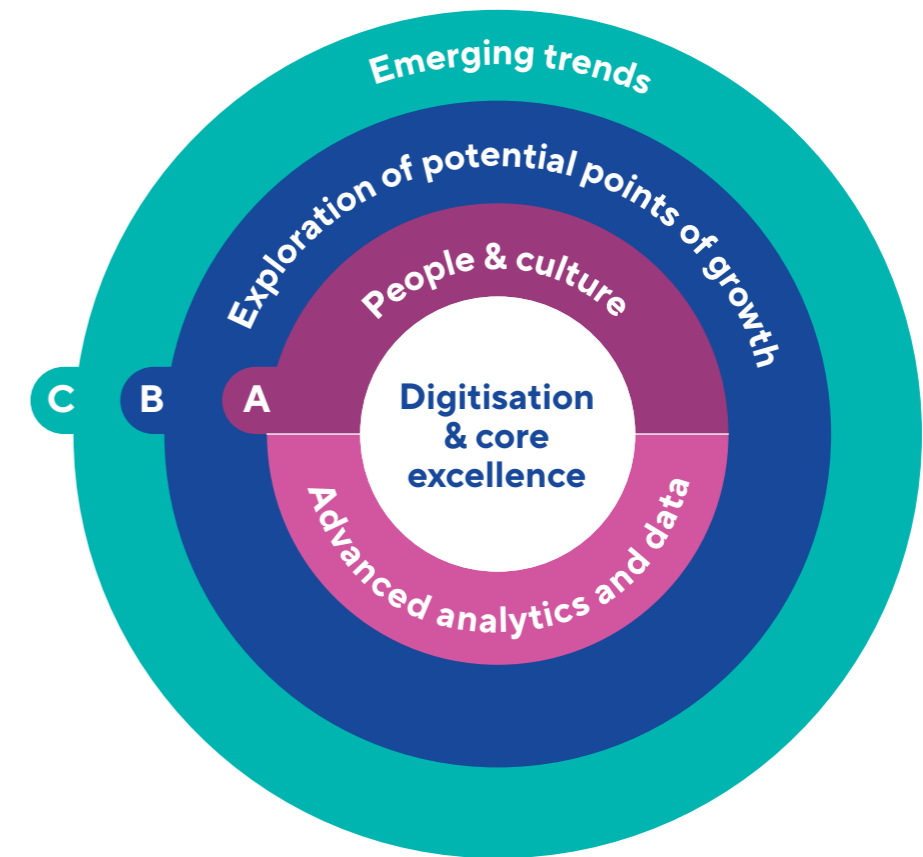
in digital channels, and prioritize customer-centric tools. In addition, one of the main goals is to develop data analytics tools and human capital, which will increase customer satisfaction. This ambitious plan sets the stage for a transformative future in the realm of banking and innovation.

In its 2023-2025 Development Strategy, ABB outlines the following targets:

Aspirations	Key initiatives
Market Leadership Across Segments	Develop automated lending and RM capabilities to grow Corporate / SME loan portfolio
	Revamp service model to accelerate business customer acquisition
	Increase consumer loan portfolio through lending and credit card journeys
	Grow non-cash payments business with new technologies and products
	Expand acquiring business through digital merchant solutions and services
	Modernize mortgage customer journeys with digital and enhanced service model
	Acquisition of new customer segments with specific value propositions
Data Driven Digital Experience	Grow the number of active & registered ABB mobile users by developing new value-added services
	Achieve best in class E2E digital experience
	Build cross-sell and up-sell engine to increase number of products (Retail) per customer
	Digitize Corporate and SME customer journeys
	Enhance IT and data capabilities
Key Initiatives - 16 Initiatives - 58	
Superior Customer Centricity	Improve customer experience in physical channels
	Build top of mind brand awareness
	Decrease time-to-money (Corporate & SME)
Employer of Choice in Financial Sector	Increase employee engagement
Milestones - 223 Initiative metrics - 62	

2023-2025 strategy: accelerated growth

ABB set ambitious targets for its 2025 strategy, which requires focus on several key themes to realize its full potential.



A Digitization & Core Excellence

16 key initiatives across businesses and enablers to digitize the organization and achieve operational excellence, enabled by:

- **Advanced analytics & Data drivers** to unlock opportunities across organisation with value-based initiatives
- **Enterprise-wide agile transformation** to decrease time to market and enhance customer orientation

B Exploration of potential points of growth

Building new/adjacent businesses with proven models and approaches

C Emerging trends

Experimentation with business ideas that have potential future business value

WE ARE CUSTOMER CENTRIC

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7.3. Branch optimization	51
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7.7. Retail clients	54
7.8. Business clients	58

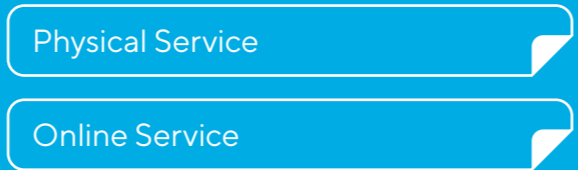
7.

7. We are customer centric

7.1. Development of sales distribution channels

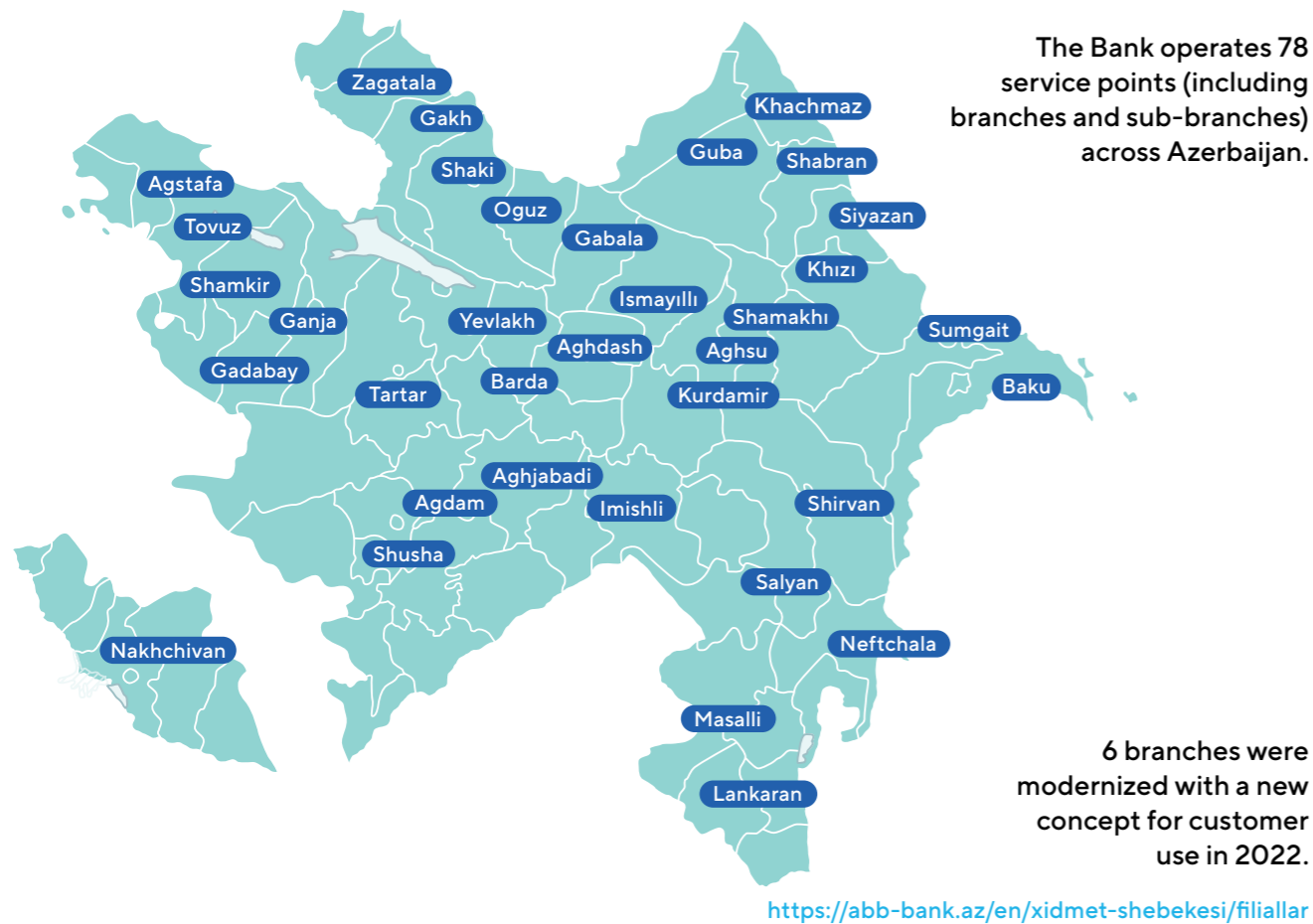
- As a commercial organization, we are continuously broadening our sales network and reevaluating the channels through which we promote our products and services. This allows us to establish stronger connections with both our existing and prospective clients.
- At ABB, we hold a firm belief that our products and services should be within reach for all customers. With this in mind, we are dedicated to enhancing accessibility at

ABB by ensuring straightforward access to our offerings. This way, both our current and potential customers can achieve financial success. Our sales network is structured into two distinct yet interrelated segments:



7.2. Service points

Figure 5. Locations of ABB Branches in Azerbaijan



7.3. Branch optimization

We've adopted a sales focused approach in our branches, implementing target-setting strategies.

Our branch specialists currently have sales-oriented targets, which contribute to the overall skillset enhancement of branch employees. Furthermore, we've implemented new state-of-the-art software in our branches to boost system efficiency. In 2022, 45 rural and 4 customer service points in Baku transitioned to the Universal model. As of now, there are 71 customer service points operating under this Universal model.

The Universal model involves branch employees specializing in both operational and credit functions to serve retail customers.

ABB streamlined its branch services by introducing new roles and consolidating existing ones, aiming to enhance the simplicity of the customer experience at the Bank. In the following figure, we provide details about these roles.

Sales and Service Operationist

Universal role selling the whole of retail products range (lending, deposits, cards, etc.) and performing all the service operations

Digital Navigator

Navigator helps customers during the transformation towards digitization

SME Relationship Managers

RMs serving dedicated SME customers, nurturing existing relationships (available only in selected branches)

Microlending Specialists

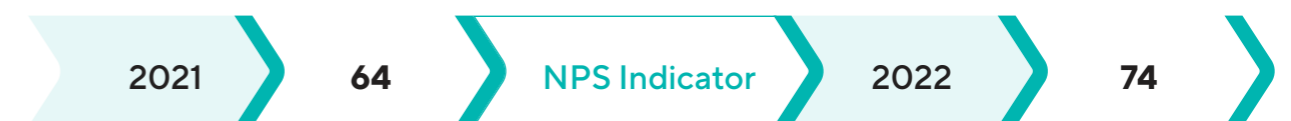
Microlending specialists are available in selected branches in regions with potential of ABB customers' being involved in business activity

7.4. Quality of services

One of our key responsibilities is to pinpoint and evaluate areas where we can enhance our internal processes. We're also dedicated to exploring innovative methods for operational advancement. In our operations during the reporting period, and in alignment with our 2023-2025 Development Strategy, we have prioritized the automation of our internal processes. This focus ensures sustained efficiency, reduces errors, enhances customer satisfaction, and speeds up decision-making.

In 2021, we introduced a registration system for

customer inquiries from diverse communication channels, aiming to gain a segmented understanding of our customers' perspectives on our products and services. Over these two years, we received a total of 4,692 client inquiries and feedbacks in 2021, and 7,907 in 2022. Each of these inquiries and feedbacks received thorough attention and investigation from the respective functional units. As a result, relevant improvements were implemented in our services to prevent similar occurrences in the future. The NPS score serves as our primary customer satisfaction metric.



As a bank we always try to meet our customers needs and demands. As a result of our continuous efforts, we could improve the NPS indicator by around 16% in one year.

+16% Increase in NPS from 2021

7.5. Digitalization of our services

In recent years, technology has fundamentally changed the way the banking industry operates. Clients expect access to banking services 24/7, regardless of their location. Certainly this changing consumer behavior requires constant innovation. Technology is becoming faster, less expensive, and more universal. As a result, banks need to reinvent themselves - since finance is becoming a digital industry that is prone to disruption. Startups and tech companies are increasingly in a position to compete - offering new, innovative products and services.

Google Pay

Since August 2022, ABB cardholders have had the option to make payments through Google Pay and Apple Pay, offering a convenient and secure payment solution. This method enables seamless contactless payments using any Android-based device.

ABB Mobile in a new shape

As a first step of our agile transformation, we started with redesigning our ABB Mobile application. [To identify areas for improvement,](#)

we initiated a thorough research process and analyzed major gaps along with key customer complaints. As a result, in 2022, the number of users of the ABB mobile application surpassed 1 million.

To ensure ongoing improvements and customer satisfaction, we regularly collect customer feedback through short surveys distributed to ABB Mobile users.

Our ABB Mobile application, available on both Android and iOS, facilitates efficient account management, including money transfers, loan applications, repayments, utility payments, tuition fees, and more, offering customers a seamless and speedy experience. Displayed below are the user dynamics of the application.

31.12.2020

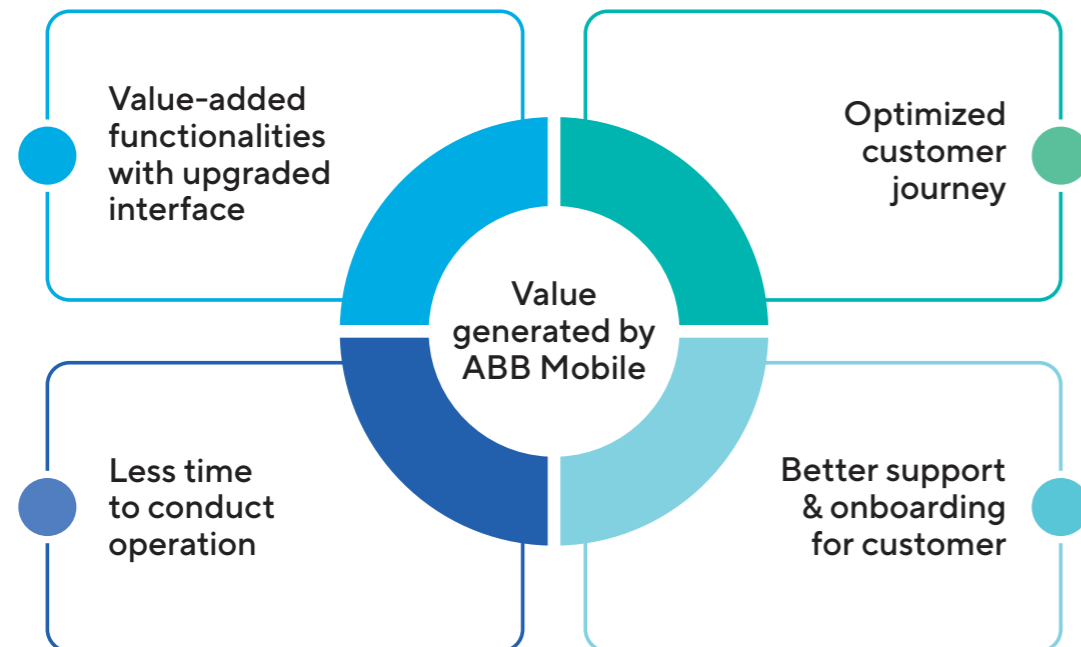
Active ABB Mobile users, thsd: **81**
Newly registered ABB mobile users, thsd: **236**

31.12.2021

Active ABB Mobile users, thsd: **367**
Newly registered ABB mobile users, thsd: **548**

31.12.2022

Active ABB Mobile users, thsd: **521**
Newly registered ABB mobile users, thsd: **448**



7.6. Development of new Internet Banking

To enhance and maintain excellent customer experiences for our business clients, ABB has introduced an upgraded Internet Banking (IB) platform with additional features and functionalities.

Our internet banking is redesigned for quicker customer navigation and now includes the following most frequent options and services:

+6K

Active Internet Banking Users

- cards
- loans
- payments
- transfers
- reports and statistics
- online support

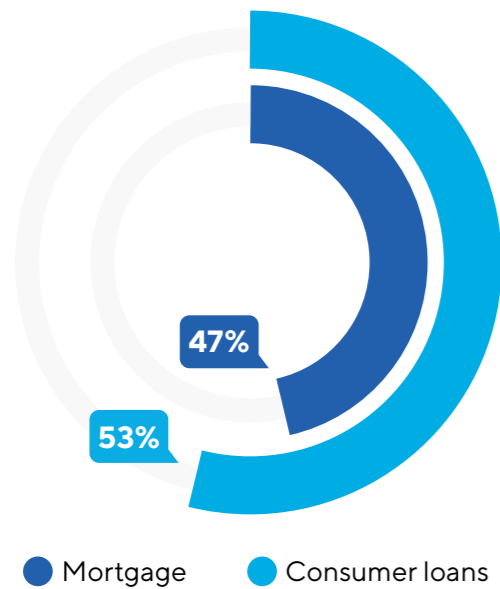
Description of updated service offerings

- › In our updated Internet Banking platform, business customers now have the option to request new cards, extend existing ones, and report lost salary and business cards. These procedures have been streamlined to ensure an improved customer experience.
- › Business customers have the ability to request tranches and access information regarding their loans and other financial liabilities.
- › With this new reporting and statistics feature, business customers can easily download and review data regarding their financial activity, reports, and the status of purchased products.
- › Business customers have the option to transfer salaries individually or in bulk. Both processes have been fine-tuned to guarantee an enhanced customer experience. Additionally, our business customers have access to FX conversions with both standard and individual tariffs.
- › The online support feature enables our business customers to easily reach out to our support team by sending a request through the online chat.
- › Various forms of inter-bank transfers encompass local and international transfers, tax payments, VAT transactions, and bulk transfers, each tailored to specific financial needs.

7.7. Retail clients

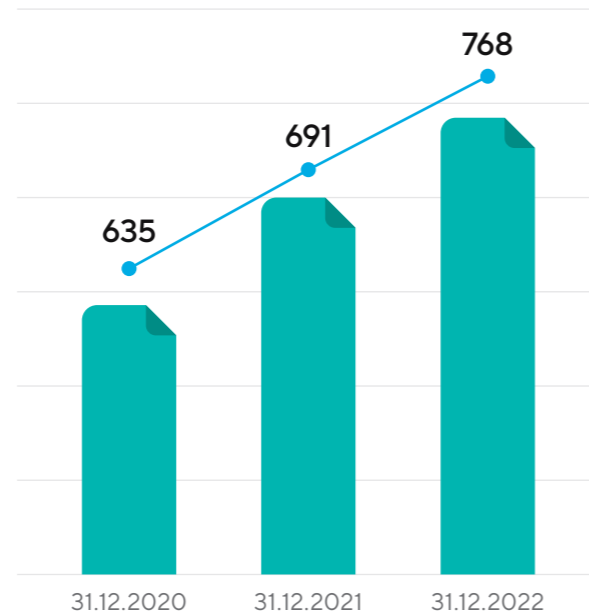
- ABB is a client-focused and data-driven organization that treasures the client relationship and delivers an effortless and recognizable experience. We aspire to satisfy fundamental client needs, while our retail banking provides a wide range of transparent banking products and high-quality services to individuals.
- In alignment with the Bank's strategic vision and direction, we concentrated on crafting tailored offers designed specifically for certain client groups.
- One of the main product categories in our retail portfolio is linked with retail lending. ABB offers several types of lending to its retail clients such as salary loan, pension loan, mortgage loan, credit card limit and so more.

Figure 6. Retail lending breakdown in 2022



- Our mortgage portfolio also demonstrated steady growth in the last three years as a result of an extended list of housing providers and developers we work with, beneficial terms we offer to different social groups, and increasing product variety. **By the end of 2022, the Bank's mortgage portfolio increased by 25% in comparison with the balance of 2021.**

Figure 7. Active retail customers, thsd



Main strategic achievements (2020-2022)

- Establishment of TamKart product
- Automated lending solution without human intervention
- Introducing non-salary lending
- Formation of telesales, direct sales and 7/24 call center
- CRM platform created in collaboration with an international vendor
- Introducing new features of ABB Mobile and new payment systems including NFC, Google Pay, and Apple Pay

- Loyalty program development with Fayda bonuses and VAT Refund projects
- Optimization of general and in-branch processes to decrease waiting time and time to cash
- New acquiring partners for network development
- ABB Miles and Azercell co-brand cards development
- Contactless payment project with Azerbaijan Railways

Loan products offered by ABB for Retail customers:

Mortgage loans

There are different types of Mortgage loans offered to the customers by ABB:

- Internal mortgage loans <https://abb-bank.az/en/ferdi/kreditler/daxili-ipoteka-krediti>
- Mortgage loans provided on the basis of cooperation with construction companies <https://abb-bank.az/en/ferdi/kreditler/ipoteka-kreditleri>
- Construction loans <https://abb-bank.az/en/ferdi/kreditler/ipoteka-kreditleri/tikinti-krediti>

Table 5. Dynamics of lending portfolio

Retail Products	2020	2021	2022
Total number of lending customers	271,252	361,169	451,167

Deposit products offered by ABB for Retail customers:

ABB's retail clients can open deposit accounts in accordance with one of the following program terms:

- "Classic" term deposit <https://abb-bank.az/en/ferdi/depozitler/klussik-emaneti>

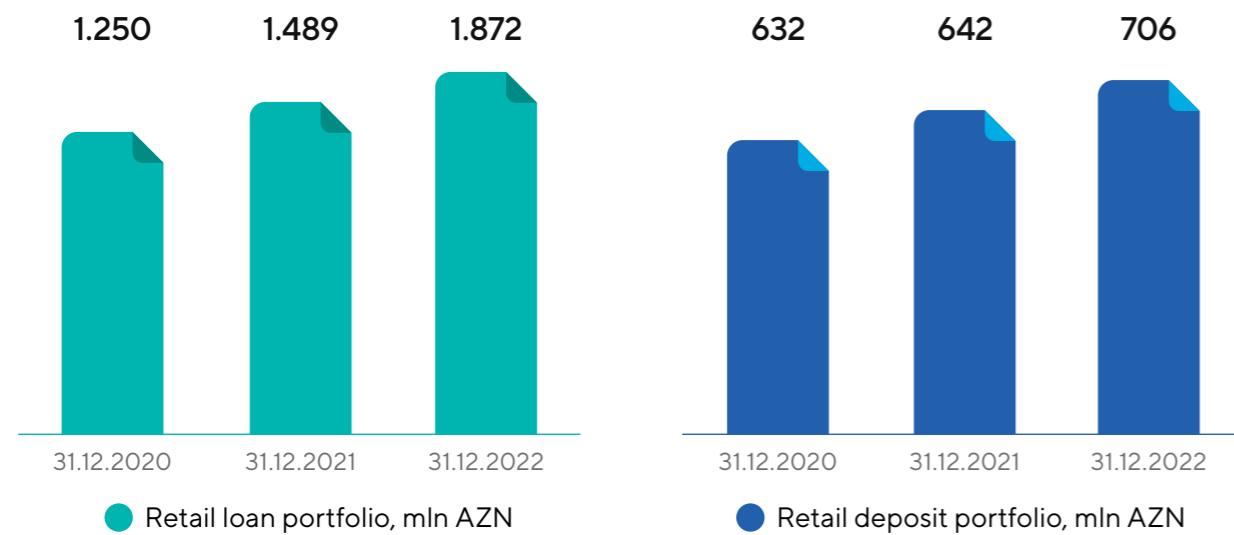
- Savings mortgage loans <https://abb-bank.az/en/ferdi/kreditler/emanetli-ipoteka-krediti>
- Mortgage loans with the resource of the MCGF <https://abb-bank.az/en/ferdi/kreditler/ipoteka-krediti>
- Affordable mortgage loans (MIDA) with the resource of the MCGF <https://abb-bank.az/en/ferdi/kreditler/mida-ipoteka-krediti>

Consumer loans

- Online loans <https://abb-bank.az/en/ferdi/tecili-kredit-sifarsi>
- Cash loans <https://abb-bank.az/en/ferdi/kreditler/nagd-kredit>
- Car loans <https://abb-bank.az/en/ferdi/kreditler/avtomobil-krediti>
- Credit limits for depositors <https://abb-bank.az/en/ferdi/kreditler/emanetci-kredit-limiti>
- Credit card limits <https://abb-bank.az/en/ferdi/kreditler/kart-uzre-kredit-limiti>
- Pension loans and Salary loans
- Refinancing loans

Additionally, ABB organizes credit campaigns for retail customers, providing attractive incentives to encourage the usage of credit products.

Figure 8. Sales portfolio for primary retail banking products



Cashless payments

ABB is at the forefront of extending the availability of cashless payments in the country through plastic cards which offer transparency, efficiency and convenience. Transitioning to cashless payments not only accelerates economic growth through swifter and more convenient transactions, but it also presents opportunities for time and cost savings. This is achieved by diminishing the need for manual counting and handling of physical cash.

TamKart (<https://tamkart.az/>)

TamKart made its debut in 2019 as the pioneer dual card in the local market, amalgamating debit and credit card functionalities along with installment options (extending up to 24 months). This innovation significantly increased consumer purchasing power. TamKart is currently available in four variations: Classic, Gold, Platinum or Premium, and can be either MasterCard or Visa. In the meantime, we

established an expansive partner network recognizing TamKart and kept on attracting new retail outlets to this network. Today, TamKart can be used in nearly 300 partner locations, from consumer electronics stores to clothing outlets. Additionally, it offers cashback at between 1%-40% in non-bank trade and service outlets (non-partners) as well as other benefits developed exclusively for the cardholders.

➤ We have recorded 518,553 active TamKart users in 2022.

➤ In 2022, we introduced TamGanc card tailored for our young customers.

ATM network of ABB

➤ In 2022, ABB operated 938 ATMs throughout Azerbaijan, 48% of which were in rural areas. The Bank offers ATMs equipped with contactless technology. (NFC technology applied to ATMs)

Figure 9. Total number of ATM's, classified by year

2020	2021	2022
858	932	938

➤ In 2020-2022 we registered a 26% increase in the POS availability which clearly reflected the increasing use of cashless payments.

Figure 10. Total number of POS's, classified by year

2020	2021	2022
9379	9377	12736

"Azercell" Co-brand card

(<https://abb-bank.az/az/ferdi/kartlar/azercell-co-brand-karti/azercell-co-brand>)

In partnership with the country's leading mobile operator, Azercell Telecom, ABB launched a special co-branded card for Azercell subscribers in December 2019 that can be issued in AZN, USD or EUR.

Student Card

ABB's Student card was introduced in September 2020 in partnership with the Academy of Public Administration under the President of Azerbaijan, Azerbaijan State Marine Academy, Baku branch of Moscow State University (MSU) named after MV Lomonosov. We are working to expand the list of universities whose students could benefit from this card.

QR Payment System

A contactless payment opportunity introduced by ABB in 2020 was VAT refund with QR code payment that ensures an optimized non-cash payment process through mobile phone numbers or email address.

QayğiCash Club

<https://abb-bank.az/en/ferdi/kesbek/qaygicash-klubu>

"QayğiCash" is the "CashBack" project implemented by the International Bank of Azerbaijan since 2018 to stimulate cashless payments in the country.

Collaboration with “Azerbaijan Railways”: Making payments for train tickets through NFC technology

“Azerbaijan Railways” CJSC, in collaboration with Visa, the Central Bank of the Republic of Azerbaijan, and ABB, collectively spearheaded the establishment of a contactless payment system for railway passenger fares using bank cards, marking a pioneering initiative in Azerbaijan.

Instant Payment System (IPS) by Central Bank

ABB Mobile underwent significant enhancements, driven by our continuous market analysis and meticulous documentation of customer requirements. The integration with the IPS introduced by CBAR offered our customers additional option to conduct transactions 24/7 to multiple local banks without interruptions and at a reduced cost.

7.8. Business clients

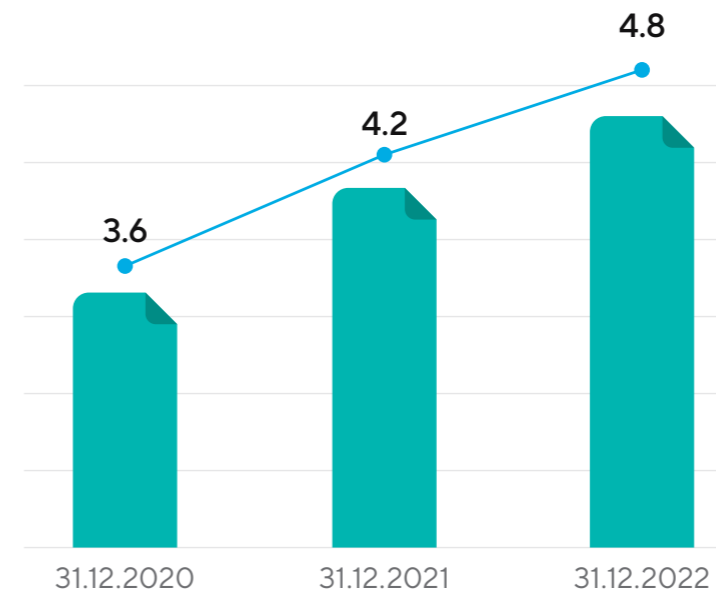
Since its establishment, ABB has stood as the largest bank in Azerbaijan, delivering high-quality services tailored to the corporate segment. We provide a diverse array of financial products and services to over 29 thousand corporate companies and SMEs, encompassing structured finance, fixed income, debt capital, and clearing solutions. **We also serve more than 93 thousand individual entrepreneurs helping them to grow their businesses sustainably.** We continuously emphasize the importance of long-lasting relationships with our corporate clients that are built on mutual benefits and partnership.

In line with our 2020-2022 Development Strategy, we have been focusing on the following:

- Increasing our corporate client base and portfolio;
- Possessing a competitive market share in financing SMEs;
- Maintaining average growth rates.



Figure 11. Total number of active corporate customers, thsd.



2020:
Large 1271
SME 1380
Individual/Micro 914

2021:
Large 1342
SME 1555
Individual/Micro 1291

2022:
Large 1521
SME 1712
Individual/Micro 1573

Main strategic achievements (2020-2022)

- Relationship Manager (RM) model was developed for both Corporate and SME business.
- Implementing the Moody’s analytics tool to enhance the quality of our financial analysis capabilities.
- Service approach was tailored with customer segmentation.
- Introducing the Middle Office function to enhance customer service by reducing time to cash.
- Introducing SME segmentation, offering 13 new products tailored to meet the specific needs of SME customers, including the provision of loans.
- Introduced remote account opening feature for corporate customers.
- This was facilitated by the newly launched SME department.
- Established the Entrepreneurs Club.
- Introducing a micro-lending service offering.
- Expanded the operations of regional branches.
- CRM platform created in collaboration with an international vendor.

ABB's Offerings to Corporate Clients

ABB offers an extensive range of corporate services designed to provide various forms of support for small and medium-sized enterprises as well as large organizations in carrying out their operations.

Figure 12. List of corporate offerings

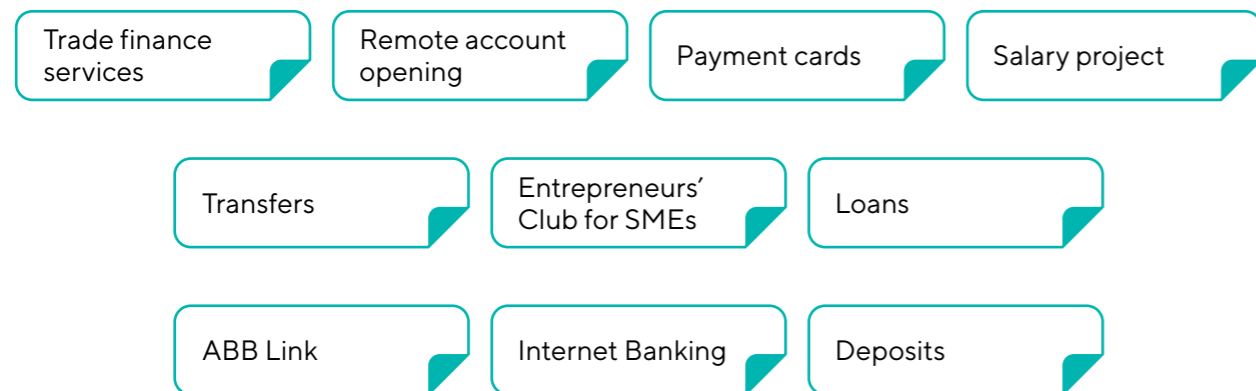


Figure 13. Corporate loan portfolio, mln AZN

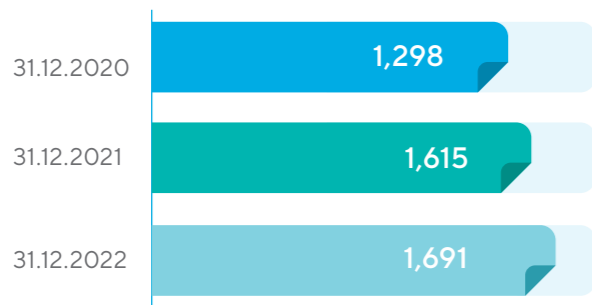


Figure 14. Corporate deposit portfolio, mln. AZN

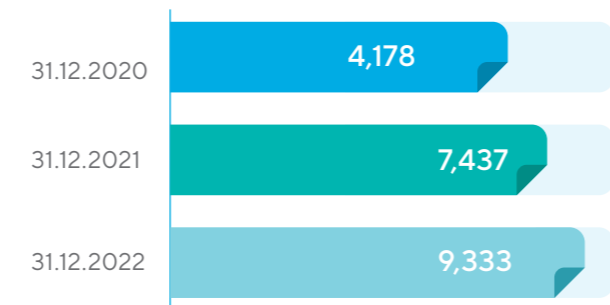
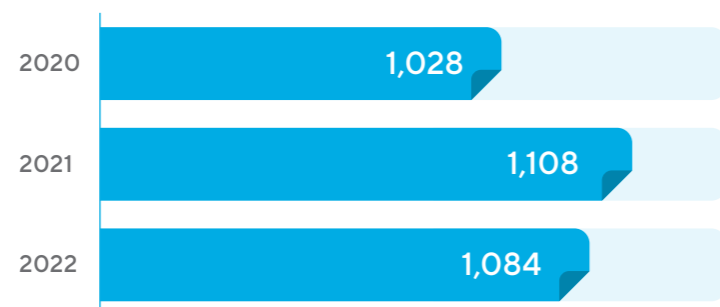


Figure 15. Trade Finance Portfolio, mln AZN



Products and Services for SMEs

ABB is unwavering in its commitment to nurturing the growth of SMEs and micro-enterprises, furnishing them with vital financial resources and support to fuel economic empowerment and innovation. We've streamlined the loan application process to its utmost simplicity, allowing eligible entrepreneurs to secure a loan from our Bank by simply completing an online application form on our website.

SMEs play a pivotal role in propelling Azerbaijan's economy, aligning with its strategic development towards economic diversification. As a public bank, ABB places strong emphasis on supporting SMEs, actively collaborating with state agencies to discern emerging SME trends and conduct market analysis, thus informing the launch of our SME products and services. Additionally, we afford our corporate clients the flexibility to select the structure and timetable of repayment within established limits.

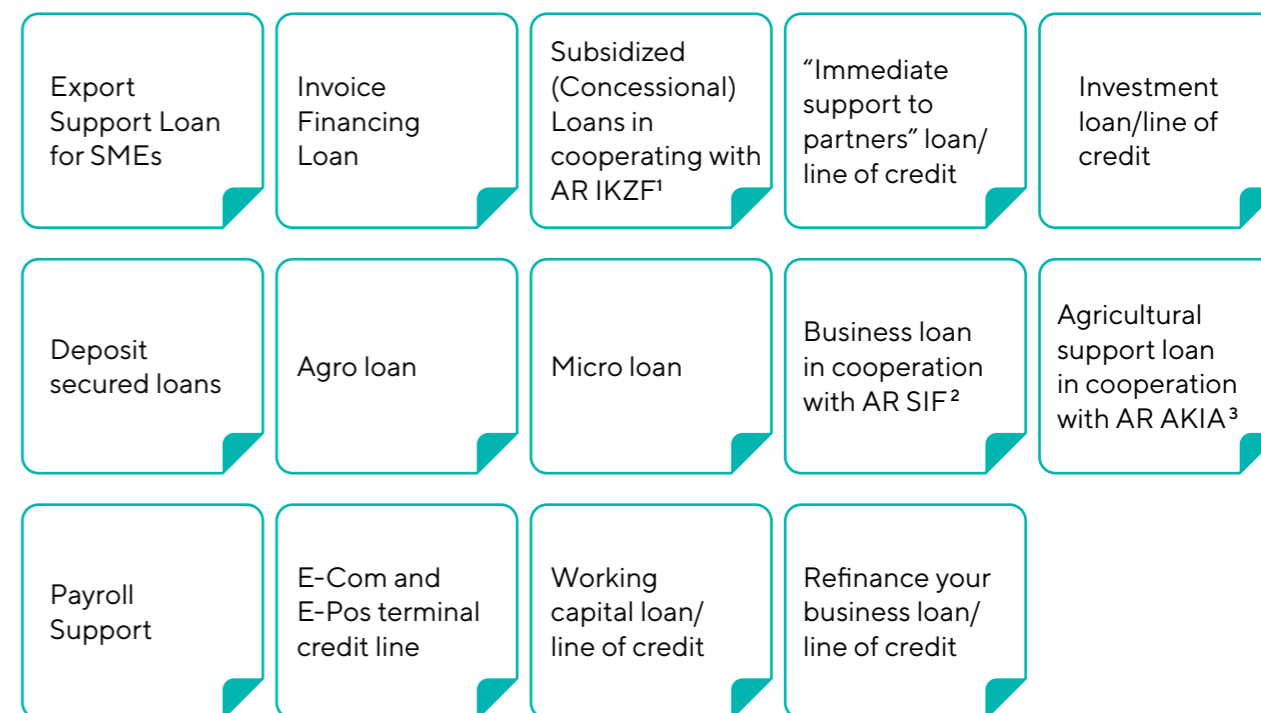
satisfaction, our newly launched Internet Banking platform presents an array of enhanced products, featuring five distinct SME bundle packages, each comprising over 20 complimentary services for our valued clients. To elevate service excellence, all customers are paired with dedicated Relationship Managers (RMs). Additionally, we have instituted comprehensive training programs designed to sharpen both technical and interpersonal skill of our customer representatives.

We entered the subsegment of microbusiness in 2020 and continued our expansion in this direction resulting in 2,500 microbusiness customers and their outstanding loan portfolio of over 19 mln AZN by the end of 2022.

<https://abb-bank.az/en/kicik-ve-orta-biznes>

In line with our commitment to customer

Figure 16. List of products and services for Corporate clients



¹ AR IKZF - MCGF (Mortgage and Credit Guarantee Fund of the Azerbaijan Republic)

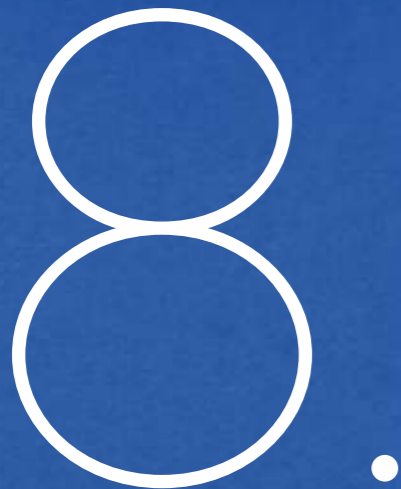
² AR SIF - EDF (Entrepreneurship Development Fund of the Republic of Azerbaijan)

³ AR AKIA - ACDA (Agricultural Credit and Development Agency)

WE ARE RESPONSIBLE



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8. We are responsible

8.1. Our approach to responsible finance

As sustainability concerns continue to rise, financial institutions must embrace responsible finance by redirecting capital flows towards impact financing and integrating ESG criteria into their loan and investment portfolios.

At ABB, we recognize that adopting responsible finance principles not only establishes us as a socially responsible entity but also enhances our ability to manage financial risks arising from sustainability challenges like climate change, resource depletion, and poverty. We firmly believe that this approach will yield greater social value and guide our beneficiaries and stakeholders in tackling social and environmental issues while seizing relevant opportunities.

Furthermore, we aim to align our operations with the commitments made by the Government of Azerbaijan towards the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. We also draw inspiration from international frameworks such as the Principles of Responsible Banking (PRB), Principles of Responsible Investment, and the Equator Principles. Even though ABB may not have officially adopted the PRB, we view these Principles as a substantial global framework. We recognize that supporting socially and environmentally responsible businesses can be a potent way to generate positive societal and environmental impacts in Azerbaijan and beyond.

In recent years, the Bank has shown a growing commitment to responsible finance initiatives, actively contributing to the socio-economic development of the country. We support the non-oil sector and service industries in Azerbaijan, providing financial solutions to local projects. With a strong vision of integrating sustainability across our operations, we embrace the following commitments:

ABB' commitments to responsible banking principles

1

Alignment

Aligning the business strategy with SDGs, Paris Agreement, relevant international and national frameworks to contribute to an individual's and society's needs.

4

Stakeholders

Proactively and responsibly consulting, engaging, and partnering with relevant stakeholders to achieve social goals.

2

Impact and target setting

Continuously increasing the positive impacts, reducing the negative impacts, and while managing the risks to people and environment. Setting and publishing objectives in such a way that the most significant of them can be achieved.

5

Governance and culture

Emphasizing effective governance and a culture of responsible banking.

3

Clients and customers

Working responsibly with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

6

Transparency and accountability

Actively integrating the principles of transparency and accountability into initiatives on increasing positive socio-economic effects.

In recent years, the Bank has shown a growing commitment to responsible finance initiatives, actively contributing to the socio-economic development of the country. We support the non-oil sector and service industries in Azerbaijan, providing financial solutions to local projects. With a strong vision of integrating sustainability across our operations, we aim to develop/improve performance in the following areas:

ABB's goals in environmental and social development

- Sustainable lending
- Green lending policies
- Accreditation by ESG related fund
- Financing energy efficiency projects

Paper consumption

- Digitalization of business processes
- A paperless employer

"Carbon footprint" (decrease of carbon emission)

- Reduction of direct emissions
- Reduction of indirect emissions

Gender representation for management

- Provide gender balance through leadership practices and decision making

ABB Tech alumni

- Organizing new educational programs
- Hosting educational events on related subjects
- Employee upskilling & re-skilling via ABB tech

Opportunities for sustainable finance development

As a state-owned Bank, ABB maintains close ties with public agencies and authorities responsible for setting strategic goals in specific economic sectors, such as the non-oil sector, food production, and agriculture. In alignment with the government's strategic development plan, ABB is dedicated to increasing its support for small and medium-sized enterprises (SMEs) and agricultural ventures, particularly in the regions. To achieve this, we diligently analyze and understand the needs of local farmers, offering them tailored and value-adding solutions that contribute to the growth of communities and the local economy.

ABB actively promotes commercial lending activities following the credit risk management process guidelines of international financial institutions like the EBRD, ADB, World Bank, and other multilateral development banks (MDBs).

To enhance our involvement in the agricultural sector, ABB is a member of the Agriculture Loan Evaluation System of the Agrarian Credit and Development Agency (ACDA), an entity under the Azerbaijani Ministry of Agriculture. This collaboration enables us to conduct more precise risk assessments, expedite loan processing, and facilitate streamlined access to financial products for farmers. To further extend this partnership and support agricultural entrepreneurship, ABB signed a Memorandum of Understanding with ABAD public legal entity and ACDA to jointly implement trilateral investment projects.

Responsible supply chain

When engaging with potential suppliers or vendors, we uphold key values of total compliance, respect, and integrity in our business relationships. The selection process for our suppliers and vendors is based on objective assessments, ensuring impartiality. Our main suppliers are involved in payment systems, cards and e-payment systems, IT services and equipment, and marketing.

The procurement of products and services for the Bank's functions is governed by our

Procurement Policy and the supplier/vendor Pre-Qualification Questionnaire (PPQ). The PPQ is a one-time questionnaire used to evaluate potential suppliers' ESG compliance and qualifications throughout the supply process. It requires the disclosure of quality, health, safety, and environmental management systems that are internally and externally verified (e.g., ISO standards). The Compliance Department of the Bank reviews completed PPQs. During communication with suppliers, our needs and expectations are expressed through a Request for Proposal (RFP) before collecting financial offers. Our contract templates include clauses concerning termination principles and penalties for suppliers/vendors.

Furthermore, the Bank is dedicated to fostering sustainable practices across its supply chains by promoting value chain best practices and communicating clear expectations for responsible business conduct.

8.2. Enhancing benefits to our employees

Efficiently managing resources, including both human and natural assets, is crucial for business success. Our long-term strategic decisions have consistently highlighted the significance of human resources, with substantial investments in talent acquisition, development, and retention. In today's ever-changing market and increased competition, it's vital to carefully and sustainably manage our workforce. Our workplace fosters an environment of respect, trust, and equal opportunities for all, supported by HR practices aligned with our core values and specific policies addressing various aspects of people management.

Our approach to people management

We believe that a committed and motivated workforce brings undeniable advantages. Importantly, there is a clear correlation between employee engagement and the delivery of superior customer service. As a responsible employer, we have diligently established a nurturing work environment, underpinned by principles of respect and trust, ensuring that equal opportunities are extended to all members of our esteemed workforce.

ABB is committed to continuous talent development and career growth. Our core values are reflected in the policies approved by the Board and based on our strategy and Code of Ethics, as well as other internal governance documents developed by the Human Resources Department, such as:

- Recruitment Policy
- Grading Policy
- New Employee Adaptation Policy
- Employee Dismissal Policy

Since the restructuring in 2018, we've witnessed a consistent increase in our employee count, a testament to ABB's reputation as a dependable employer. ABB's strategic development blueprint places a high premium on long-term operational excellence, while we are continuously engaged in enhancing our HR management system, encompassing aspects like performance assessment, learning and development, and equitable compensation. We conduct thorough analyses to comprehend the factors influencing an employee's decision to leave the Bank. Actively seeking their feedback allows us to enhance our working environment and conditions.

Recruitment

The hiring process at ABB adheres to a systematic framework, encompassing various stages as defined in the Board-approved Recruitment

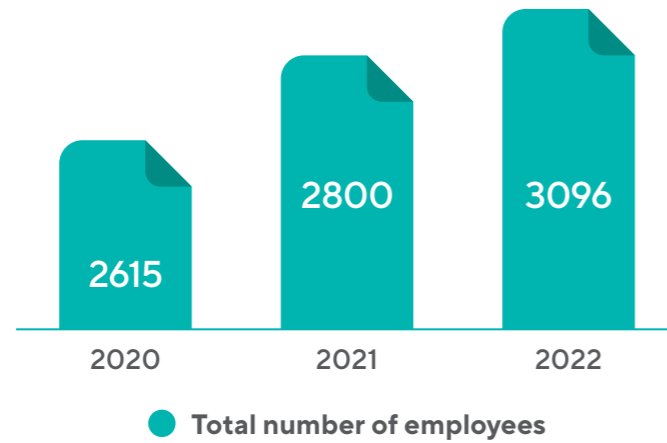
Policy. In early 2022, the Bank introduced a Human Resources platform, which featured the incorporation of a recruitment portal for job applications. This advancement notably elevated the recruitment procedure. As a result, a considerable number of candidates made use of the ABB career portal for online applications, benefiting from a smooth and user-friendly process. Following this, the Bank proceeded with the selection process and extended invitations to potential candidates for interviews.

Link: <https://careers.abb-bank.az>



Employee dynamics at ABB

Figure 17. Employee dynamics at ABB



Employment data

Figure 18. Employment data

By age	2020	2021	2022
Under 30 years old	1089	994	1145
30-50 years old	1274	1525	1673
Over 50 years old	252	281	278

Total number of employees by region	2020	2021	2022
Baku and Absheron	1946	2178	2457
Regional offices and branches	669	622	639

Percentage of employees who are members of the trade union	2020	2021	2022
Employees covered by collective agreement	75%	71%	66%

Figure 19. The total number of employees hired classified by gender

Gender	2020		2021		2022	
	Men	Women	Men	Women	Men	Women
Total number of hired employees	427	228	310	201	361	275

Figure 20. The total number of employees hired classified by age

Range	2020			2021			2022		
	below 30	between 30-50	over 50	below 30	between 30-50	over 50	below 30	between 30-50	over 50
Total number of hired employees	410	236	9	364	140	7	454	173	9

Figure 21. Employee turnover rate

2020	2021	2022
8%	9.2%	9.8%

Employee development

Talent management and development constitute the core of our business model. We are committed to empowering our employees in their journey of self-improvement through an array of comprehensive training programs, providing unwavering support as they strive for

recognition and career advancement. In order to cultivate values of trust and loyalty within the Bank, we make an effort to appoint senior-level personnel from our existing internal candidate pool rather than seeking external hires.

“Executive Mini-MBA” program

In late 2022, ABB initiated a collaboration with Koç University, a highly esteemed institution of higher education in Turkey, to further the ongoing development of its managers. The Bank have introduced the “Executive Mini-MBA” program in conjunction with this globally renowned university. The program will be tailored to the specific needs of ABB managers, based on a specially designed curriculum. Twenty-one managers have successfully navigated through the selection stages of the program and earned the opportunity to study at Koç University.

During this period, managers will acquire practical expertise and skills in areas such as strategic marketing, strategic thinking and planning, finance for executives, digital transformation and technology trends, data-driven decision-making, effective negotiation, organizational behavior and corporate culture, as well as effective communication and constructive feedback. Over the course of the 6-month program, classes will be conducted by esteemed professors from Koç University in both Baku and Istanbul.

Since 2021, the Bank's HR team has been crafting annual training plans. The adoption of a Learning Management System (LMS) empowers employees to explore the catalog of available trainings and sign up for them through the ABB HR Portal.

As a result of enhanced internal training system and LMS implementation, more trainings and development programs were offered to our employees during the year 2022. We intend to sustain this positive trend in the coming years.

"Horizon" development program

The primary objective of the program is to elevate the professional skills of employees involved in customer service. To qualify for participation, employees initially undergo an IQ test. Probationary employees engage in internships across 13 departments and receive evaluation feedback from

an assigned mentor upon completion. In 2022, a total of 12 employees were selected to take part in this program.

The next program is expected to be organized by the end of 2023.

Figure 22. Total training hours per employee

Total training hours per employee	2020	2021	2022
Ratio: Per total number of employees	12	8	14

Employee engagement and communication

Our foremost emphasis lies in building resilient relationships with our employees, anchored in sincerity, mutual trust, and respect. We deeply appreciate their viewpoints, thus fostering a culture of ongoing open communication and seamless teamwork across teams and functions. Simultaneously, we prioritize long-term career growth and advancement by providing coaching and feedback to achieve developmental objectives.

It is necessary to establish an effective evaluation system in the organization in order to determine the goals and objectives of the performance, communicate them to the personnel, and evaluate the effectiveness correctly. The better this system is structured, the more productive and beneficial it becomes for the Bank.

"360 Performance Evaluation"

We utilize an undisclosed feedback system to gather input from individuals who interact with the employees. This system involves evaluating the employee's professionalism and various qualities by individuals of diverse status. The feedback is then presented to the employee in the form of a report, highlighting areas for self-development. The system serves multiple purposes, including enhancing employee performance, identifying training needs, and collecting data for career management, promotions, and salary adjustments. Additionally, the system is also applied to evaluate a leader's performance.

Currently, ABB applies this methodology for evaluating managerial level staff, fostering a culture of feedback within the organization.

Furthermore, we consistently implement a range of initiatives aimed at enhancing employee loyalty and motivation. **One notable example is the Outperformers initiative, which has been in effect since 2020.** In the 3rd and 4th quarter of 2022, 76 employees who demonstrated exceptional performance were recognized and rewarded.

Additionally, our Intranet platform serves as a valuable resource for fostering both professional and personal growth, offering insights into potential opportunities for employees informed about guideline changes, applicable laws, structural adjustments, and other internal matters. Moreover, it serves as a valuable resource for supporting professional and personal growth, providing insights into new opportunities both within and outside the Bank.



In the reporting period, ABB introduced another cutting-edge Digital platform tailored to various HR analytical needs. This system facilitates seamless collection and analysis of data from diverse sources, enabling a comprehensive and unified approach to human capital management. ABB's vision is to continually enhance the platform's capabilities to better cater to employees' needs and enhance organizational effectiveness. The platform streamlines procedures, enhances data accuracy, and empowers our HR professionals to make data-driven decisions that foster the growth and success of our workforce.

8.3. Fostering positive impacts to society

One of our most significant commitments lies in fostering positive impacts on society. Through responsible actions and initiatives, we aim to make a meaningful difference, creating a better and brighter future for all.

Management approach to CSR

To instill the culture of Corporate Social Responsibility (CSR) into our corporate values, we took a significant step by establishing our CSR policy in 2020. This policy has become an integral component of our long-term vision, highlighting our unwavering dedication to CSR principles. Our commitment to implementing CSR mechanisms arises from two core agendas of the Bank:

1. Creating, overseeing, and evaluating our social impact

We acknowledge the significance of obtaining the endorsement and involvement of top management in seamlessly integrating CSR awareness into the Bank's corporate culture.

2. Ensuring stakeholder engagement through best practices

ABB's CSR policy primarily focuses on stakeholder engagement in social issues, creating social value, and minimizing or avoiding any harmful effects on society. The principles underlying the Bank's CSR policy align with the requirements of the ISO 26000 standard, which include aspects such as transparency in reporting, adherence to ethics, upholding the rule of law, and respecting human rights. In addition to the social dimension, the CSR policy also emphasizes the evaluation of potential environmental impacts associated with partner businesses and clients as a key aspect of responsible financing.

ABB demonstrates its commitment to ESG compliance through the adoption of globally recognized standards, including:

- UN SDGs
- Other international standards on responsible finance and sustainable development (besides ISO 26000) and cutting edge ESG practices, e.g., UNEP PRI,
- GRI, SASB

Fostering new leaders and young talents

ABB actively recruits talented graduates and maintains close partnerships with local universities to offer them opportunities at a leading local bank. Our program includes knowledge-sharing sessions and Q&A sessions conducted by our experts and recruitment staff at various universities. We also organize career fairs in universities across Baku and other regions.

Entering its second year, ABB proudly serves as the primary sponsor for ADA's Employability Week, reaffirming its steadfast dedication to supporting employability programs and academic endeavors.

In its commitment to supporting aspiring professionals, ABB conducts an annual paid internship program. This initiative aims to attract exceptional talents from both local and international universities, with a focus on fields like banking, finance, taxation, business management, and corporate governance. **The 2022 Internship Program welcomed 14 interns, who engaged in a 6-month rotation across different departments at ABB.** Their performance during this period plays a crucial factor in determining potential subsequent employment within their respective departments.

Furthermore, our branch network actively participated in the development of over 100 candidates without prior experience in related fields, offering them a two-month internship program throughout 2022. Following this period, participants undergo a final examination to assess their suitability for potential employment within the organization.

Equal opportunities and diversity

At ABB, our robust Human Resources Policy and unwavering Code of Ethics explicitly forbid any kind of discrimination rooted in factors such as age, religious beliefs, gender, or racial/ethnic background. This steadfast commitment spreads through every department, with the HR

Department leading the efforts to seamlessly embed these principles into our recruitment and personnel selection procedures. Our foremost aim is to fulfill our staffing needs while upholding ethical norms in all facets of the employer-employee dynamic.

Table 6. ABB employee seniority, classified by gender

Gender	2020		2021		2022	
	Male	Female	Male	Female	Male	Female
Top management	9	2	9	2	9	2
Middle management	255	53	299	60	367	81
Other categories	1320	976	1382	1048	1460	1177

Recognizing the importance of promoting gender balance in the workplace, we are committed to empowering women for active participation at all decision-making levels. This commitment is underscored by our Code of Ethics and aligns with our dedication to the UN SDGs. In addition to increasing the number of female employees, we make efforts to support and retain female professionals after their return from parental leave, with a notable 62% of our female employees resuming work after maternity leave in 2022.

ABB strives to be the employer of choice for current and prospective employees by attracting and retaining top talent. Ensuring that our employees receive fair and competitive compensation, along with other comprehensive benefits, remains a steadfast priority for us. This commitment reflects our dedication to fostering a supportive and thriving work environment.

Promoting knowledge, culture, and literacy

As part of its corporate social responsibility initiative, ABB has extended its support to the publication of a new book titled "Interesting MBA - Executive's Desktop Book" by business trainer Elshan Badirkhanov. The book was officially introduced on February 14, 2022, in conjunction with "International Book Donation Day." Subsequently, ABB generously provided copies of the book to numerous individual institutions, universities, and central libraries throughout the country.

in various business institutions within the country, has meticulously crafted this book from a wealth of management expertise. Its content encompasses fundamental management principles, underscored by practical illustrations. Importantly, the book integrates experiences from internationally renowned business organizations and incorporates the wisdom of influential scholars in the field.

The author, leveraging his extensive experience



EY Entrepreneur of the Year competition

For three consecutive years, ABB has been offering financial backing to the “EY Entrepreneur of the Year” contest, demonstrating its dedication to nurturing entrepreneurship and business growth within the country. Notably, this competition is held in over 60 countries worldwide, and Azerbaijan is an enthusiastic participant. bp and partners,

The Small and Medium Business Development Agency, along with Ekvita company and AZPROMO, also played significant roles as partners in ensuring the success of this prestigious event.



“Towards Digital Journalism” program

The program hosted 28 media representatives who were eager to enhance their understanding of ICT, e-services, and digital solutions. These participants engaged in structured training sessions covering a range of topics, including journalism and ICT trends, electronic government projects, information security, artificial intelligence, blogging, social media, and startups. Furthermore, a representative from ABB delivered specialized training on financial technologies.



The central objective of the “Towards Digital Journalism” program is to equip media professionals with knowledge in digital solutions, electronic services, and related domains. This empowerment enables them to make effective contributions to the education of society and citizens.



Business literacy program

ABB initiated training programs for business community in various regions, including members of ABB's "Entrepreneurs Club". Notably, these training sessions took place in Sheki on May 13-14, 2022, and attracted approximately 40 participants from the Sheki-Zagatala economic district. The focus of these trainings was on e-commerce, enlightening participants about various online sales channels and digital business practices. Additionally, presentations on essential activities like public relations were also provided. The training not

only enhanced the participants' knowledge and skills but also facilitated opportunities for networking and establishing new partnerships.

Encouraged by the success of the training in Sheki, ABB plans to organize the "Entrepreneurs Club" trainings in a series across other economic zones as well. This endeavor seeks to empower regional entrepreneurs and bolster economic growth through the adoption of digital business practices and fostering meaningful collaborations.



"Teknofest" Festival in Azerbaijan

During the "Teknofest" Festival held in Azerbaijan from May 26 to 29, 2022, powered by Ministry of Digital Development and Transport of the Republic of Azerbaijan, ABB actively participated as a main partner. The Bank played a pivotal role in organizing the "TAKE OFF BAKU" startup summit, which was an integral part of the festival. The Bank facilitated the scouting of over 300 local and international startups, engaged leading international expert mentors and juries, and aided in attracting angel investors and venture capital funds from foreign countries. This substantial contribution significantly contributed

to the festival's success, fostering an environment of innovation and entrepreneurship.

Teknofest is an aerospace and technology festival held annually in Türkiye. It is one of the largest events of its kind in the country and is organized by the Turkey Technology Team Foundation (T3 Foundation) in coordination with various Turkish ministries and organizations. Teknofest aims to promote interest and engagement in technology and innovation among the youth of Turkey. The festival typically features a wide range of activities and competitions related to aerospace, robotics, artificial intelligence, and various other technological fields.



"Shusha Chess 2022"

From September 21 to 24, 2022, the "Shusha Chess 2022" international tournament was held in Shusha, which is regarded as Azerbaijan's cultural capital. The Ministry of Youth and Sports of the Republic of Azerbaijan, along with the Azerbaijan Chess Federation and the Shusha City State Reserve Department, were the esteemed organizers of this event. "Shusha Chess 2022," held under the main sponsorship of SOCAR, received support from both ABB and "Azerkhalcha."

of the renowned poetess and philanthropist, Khurshidbanu Natavan. The "Shusha Chess 2022" tournament featured competitions in two categories: male and female. In each category, ten skilled chess players took part in both rapid and blitz matches.

This significant chess competition marked the first international tournament held in Shusha after Azerbaijan's historic victory in the Patriotic War. It was dedicated to the 190th anniversary

ABB's sponsorship of the "Shusha Chess 2022" tournament is an integral part of the bank's commitment to corporate social responsibility across various domains. By supporting such initiatives, ABB aims to promote the popularity of physical and intellectual sports in Azerbaijan, encourage and nurture local talents, and contribute to the bright future of our society.



ABB Mathematics Competition

The ABB Mathematics Competition, initiated in partnership with the Ministry of Science and Education of the Republic of Azerbaijan, is designed to identify young individuals with exceptional talent in mathematics and cultivate their interest in information technologies, thus nurturing their growth in this field.

The competition was open to all 9th, 10th, and 11th-grade students enrolled in Azerbaijan. Selected candidates earn the chance to partake in a rigorous 10-day mathematics training program in Baku, having successfully navigated

through three stages of a demanding selection process.

The ABB Mathematics Competition aims to inspire and nurture young mathematical talents, fostering a bright future for these promising individuals in the field of mathematics and technology.

“Young Farmer” game

In 2022, the “Young Farmer” Nationwide Business Game project was launched with the partnership support of the ABB, the Ministry of Youth and Sports, and the Ministry of Agriculture of the Republic of Azerbaijan.. The primary goal of this initiative was to enhance the knowledge and skills of young individuals in the realm of agrarian business.

Throughout the course of the project, participants were involved in activities such as composing project proposals, attending instructional workshops, and making on-site visits to agricultural areas.

Startups support

The ABB Innovation Center launched its 3rd Incubation program, wherein 12 promising startups were selected. The selection process considered applications from both individuals and teams that participated in the 3rd ABB Regional Hackathon. This program was designed to provide crucial support and growth opportunities to early-stage startups, helping them gain access to the market.

Upon completion of the incubation program, the startups were presented with the chance to showcase their projects to local and foreign

investors, facilitating potential funding and collaboration opportunities. Successful startups from the incubation program have been transitioned to the acceleration stage of the ABB Innovation Center, propelling their progress even further.

These programs were organized in close strategic partnership with the Ministry of Digital Development and Transport of the Republic of Azerbaijan, showcasing the strong commitment of various stakeholders to foster innovation and drive digital development in the country.





Restoration of the historic road

Cultivating a path of cultural significance, guided by ambitious aspirations, we stride resolutely into the horizon of the future. Among the noteworthy accomplishments of this year, made possible through the steadfast backing of ABB, is the successful restoration of a significant thoroughfare.

Our efforts contributed to the rejuvenation of the venerable stone road that traverses from the heart of Shusha to the Cıdır plain. Under the banner of our initiative, "Cıdır Düzü Yolu," ABB has made a meaningful societal contribution to the reinvigoration of our cultural epicenter. This remarkable endeavor unfolded over the year of 2022.



Azerbaijan Boxing Championship

In accordance with our collaboration with the Azerbaijan Boxing Federation, ABB played a prominent role in the inaugural ceremony of the Azerbaijan Boxing Championship on October 18, 2022.

The inclusion of the children of martyrs in the



opening ceremony added a unique and deeply meaningful touch to the event.

We extend our sincere wishes for resounding triumphs to our dedicated athletes as they pursue victory.



New opportunities from ABB Tech Academy

The ABB Tech Academy, established by ABB, has introduced a range of new programs including "Product Ownership", "IT Business Analyst", "Backend Development", "Software Engineering" and "Machine Learning". These initiatives receive support from the Ministry of Digital Development and Transport of the Republic of Azerbaijan, along with bp and its affiliated partners. Exceptional applicants were

awarded scholarships for tuition-free education.

As of now, more than 300 individuals have successfully completed their studies at the ABB Tech Academy, spanning 13 different fields. Notably, approximately 75% of these graduates have gone on to secure positions within ABB and other prominent companies both in the country and abroad.



“Teknofest” festival in Samsun

ABB extended support to Azerbaijani citizens participating in the TEKNOFEST Aerospace and Technology Festival held in Samsun, Turkey on September 4, 2022.

As part of this partnership, certain services were facilitated for our citizens residing in Turkey through the coordination of the State Agency for Service to Citizens and Social Innovations under the President of the Republic of Azerbaijan

(“ASAN service”), with the backing of the State Committee for Work with Diaspora and financial assistance from ABB.

Since its inception in 2018, TEKNOFEST has aimed to create extensive opportunities for youth, students, schoolchildren, startups, and entrepreneurs.



8.4. Managing our impact on environment

We recognize the potential adverse effects that our operations and investments may have on depleting natural resources and contributing to climate change. Taking an initial step towards integrating environmental concerns into our operations, ABB has commenced the monitoring and measurement of its direct environmental impacts.

Moreover, for three consecutive years, ABB has taken proactive steps in reporting on its direct energy and water consumption, waste management, and carbon emissions, laying the foundation for forthcoming sustainability disclosures.

Looking ahead, we envision adopting a more comprehensive approach to reporting on resource consumption and considering indirect environmental impacts in our forthcoming reporting cycles.

To ensure the seamless integration of Environmental, Social, and Governance (ESG) considerations, we engage in substantial dialogues with our stakeholders. Our aim is to align our risk management process and portfolio with responsible practices, thereby reflecting our commitment to sustainable and responsible business practices.

Our approach to responsible consumption

ABB places great emphasis on expanding collaborations with major international financial institutions and recognizes the growing importance of responsibly managing ESG risks, particularly regarding climate change. Although the direct environmental impacts of the banking and finance sector may be relatively lower compared to energy-intensive industries like oil and gas or transportation, we acknowledge the significant indirect impacts we exert on various sectors and businesses financed through our loan portfolio. Our direct environmental impacts are closely tied to facility usage, waste generation, water and fuel consumption for employee transportation and business trips.

To achieve our environmental objectives, we actively seek ways to reduce resource consumption and enhance the energy efficiency of our premises, servers, IT infrastructure, and service points. This reduction in resource consumption not only aids in environmental protection but also contributes to waste reduction.

To promote resource-efficient practices, we encourage our employees to power down office

equipment when not in use and to turn off office lighting and air conditioning systems at the end of the workday.

Waste management

ABB is committed to reducing waste production and increasing recycling efforts. Investments in digitalization, mobile banking, and online services have helped decrease paper consumption by employees and customers. Electronic systems for receiving required documentation have lowered printing expenses and non-hazardous office waste. Separate waste bins for paper and plastic are installed at ABB offices, and waste is sent for recycling. Common waste types include paper, office equipment, cartridges, batteries, and fluorescent lamps. ABB also promotes waste separation and collection through a joint project with ASAN Service, providing designated bins at ASAN representations.

Tree planting campaign

In 2022, ABB took part in the “Green Marathon” tree planting event held in the Mushfigabad settlement of Baku. The initiative was geared towards establishing a forested area spanning 51 hectares. The event was honored by the presence of notable figures, including Abbas Ibrahimov, the Chairman of the Management Board of Directors of ABB, and the Minister of Ecology and Natural Resources of the Republic of Azerbaijan. ABB’s management and bank managers also played an active role in this environmentally significant endeavor.



Water consumption

Azerbaijan has been flagged by the World Resources Institute (WRI) as a country likely to face medium to high water stress. This highlights the critical significance of water as a natural resource for the nation. While banks may not be primary water consumers in economies, their indirect influence on water resources can have a significant impact on water supply in both rural and urban areas, as well as on natural hydrological systems, ultimately affecting communities. Given these considerations, it is crucial for large

enterprises with regional offices scattered across the country, regardless of their economic sector, to report on their water impact. At present, the Bank sources freshwater from municipal water supply lines and third-party water suppliers. Moving forward, there are plans to implement facilities for water reuse or recirculation, such as recycled water boilers or combined heating units. This initiative reflects our commitment to responsible water management practices.

Figure 23. Freshwater consumption

Indicators	2020	2021	2022
Consumed volume, m ³	21,112	40,745	37,450
Consumed volume per employee, m ³	8,1	14,6	12,1

Emissions and electricity use

To mitigate potential environmental impacts, ABB diligently monitors its use of fossil fuels and natural resources including petrol, diesel, and natural gas. As part of this dedication, the Bank implements a range of strategies to improve energy efficiency, streamline waste management, and reduce CO₂ emissions throughout the entire

value chain. We place particular emphasis on digitalizing our operations, a step that allows us to decrease indirect carbon emissions through enhanced efficiency and the elimination of redundant processes.

Figure 24. Total fuel consumption by types

Indicators	2020	2021	2022
Diesel (tonnes)	141.6	187.5	170.9
Diesel per employee (tonnes)	0.05	0.07	0.06
Gasoline (tonnes)	199.71	246.56	341.63
Gasoline per employee (tonnes)	0.08	0.09	0.11
Natural gas (thsd. m ³)	567	422	431.82
Natural gas per employee (thsd. m ³)	0.22	0.15	0.14

The following table includes the Bank's carbon footprint, including **Scope 1** and **Scope 2** emissions:

Scope 1 includes emissions generated from the use of natural gas/diesel/petrol in equipment located at owned or controlled sites, as well as emissions from both owned and leased transportation vehicles

Scope 2 includes the emissions from electricity used at owned or controlled sites

Table 7. Total GHG emissions and electricity consumption

Indicators	2020	2021	2022
Scope 1 GHG emissions from fuel combustion from heating, (lease and owned) vehicles, generators (tCO ₂ eq)	2,264	2,221	2,478
Scope 2 GHG emissions from electricity consumption (tCO ₂ eq)	4,607	4,408	4,823
Total emissions (tCO ₂ eq)	6,871	6,629	7,301
Electricity use, kWh	9,729,262	9,308,896	10,187,647

We recognise that the most substantial emissions arise from our portfolio, particularly those linked to our financed activities. Taking the initiative to set up systems for measuring Scope 3 emissions is a forward-looking step for us. This endeavor holds a prominent position on our management agenda, and we are dedicated to providing regular updates on our progress to stakeholders through forthcoming reports.

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9. We are resilient

9.1. Governance

At ABB, we view corporate governance as an interconnected system of entities that oversee the Bank's strategic direction, control, and adherence to principles such as accountability, transparency, and integrity. Following our restructuring and transformation, we have been continuously improving our governance

system to align with the highest corporate governance standards. Our aim is to ensure robust management, financial sustainability, operational efficiency, and ultimately, maximise value for our shareholders.

9.1.1. Corporate governance system

At ABB, we prioritise the alignment of our corporate governance system with both local regulations and the best international practices. We have established a structured process to promptly identify and incorporate any changes or updates in corporate governance requirements mandated by local banking legislation. Our corporate governance is built upon a strong foundation, primarily drawing from the following sources:

- The Law of the Republic of Azerbaijan on Banks
- Corporate Governance Standards for the Banks developed by the Financial Regulatory Authority of the Republic of Azerbaijan
- Recommendations of the Basel Committee on banking
- Other normative documents of the financial markets supervising authority

Governance structure of ABB

As part of the internal transformation and restructuring process, the governance structure of the Bank was carefully reviewed and updated to ensure more efficient and comprehensive management practices. ABB's governing bodies

are fully dedicated to maintaining the trust and confidence of the Bank's stakeholders. To achieve this, we aim to enhance transparency in our communications with them, fostering even stronger connections.

Corporate governance structure of ABB

Shareholders' General Meeting
Supreme Governance Body

External auditor

Controls Accountable

Supervisory Board
Supervises the management and operational activity of the Bank

Controls Accountable

Chairman of the Management Board

Controls Accountable

Management Board
Oversees the day-to-day operations of the Bank

In recent years, ABB has undergone structural changes in its governance system, with a focus on enhancing internal effectiveness. Following the decision of the Supervisory Board on November 19, 2022, we introduced a new Agile

Management structure to further strengthen our management practices.

Additionally, we took a closer look at our functional structure and redesigned it to streamline workflows within similar business processes, ensuring greater efficiency, and reinforcing internal controls.

9.1.2. Share capital

Established in 1992 as an Open Joint Stock Company, ABB underwent a transformative phase since the Order of the President of the Republic of Azerbaijan in July 2015. During the internal transformation, the 2016 General Meeting of Shareholders decided to increase the Bank's charter capital to address devaluation effects and stabilise economic performance. ABB's pioneering move in 2017 saw the issuance of 2,222 million shares worth 600 million AZN, setting a new standard in the Azerbaijani banking sector.

Between 2016 and 2017, the Bank's authorised capital experienced remarkable growth, doubling from 641,287 thousand AZN to 1,241,287 thousand AZN. Pursuant to Article 105-1.5 of the Civil Code of the Republic of Azerbaijan, the 57,922 thousand shares were liquidated during the year ended 31 December 2022 by the decision of the General Meeting of Shareholders. As a result, the share capital amounted to 1,225,648 thousand AZN by the end of reporting year.

Share capital structure per 31 December 2022

Type of shares	State registration number of emitted shares	Nominal value, AZN	Number of shares issued
Ordinary	AZ1004004581	0.27	4 539 437 000

9.1.3. Investor and shareholder relations

Investors and shareholders hold significant influence over the Bank's corporate governance, long-term development, and organisational integrity. Our interactions with shareholders are guided by four core principles:

Rule of Law

Ensuring that dividends are calculated, announced and paid in accordance with applicable legislation and standards

Transparency

Building transparent systems for calculation, announcement and payment of dividends

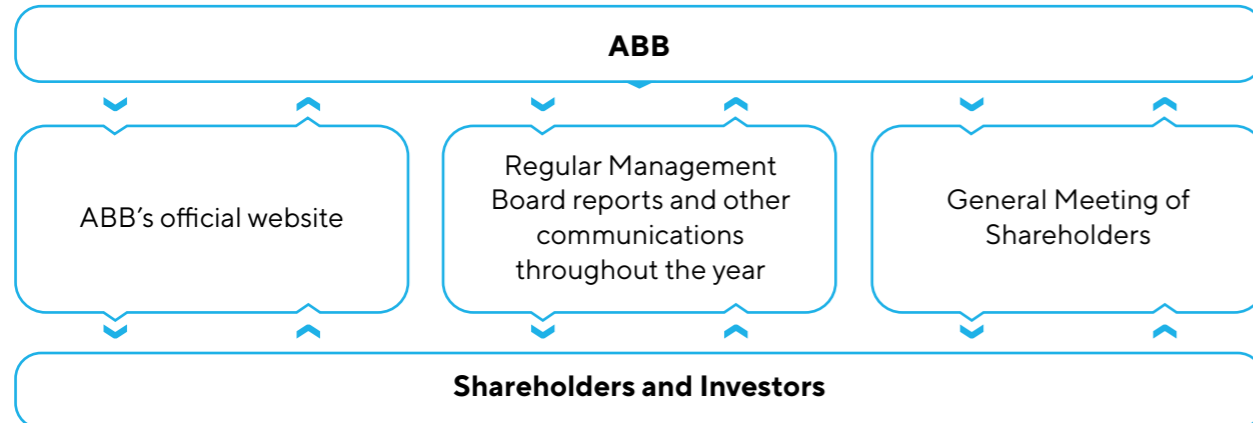
Fairness

Ensure all shareholders have equal right to obtain information on the dividend calculation, amount and payment methods, and achieve an optimal balance of interests of the Bank and its shareholders

Sustainable Development

Regularly review the current policy and promptly amend it when the Bank's strategic objectives change. This approach ensures ABB's long-term investment attractiveness, capitalization, and profitability

Shareholder and investor engagement channels



Rights of shareholders

The Republic of Azerbaijan, represented by the Ministry of Finance and State Service on Property Issues of the Republic of Azerbaijan holds the majority ownership stake of over 96%, making it the Bank's largest shareholder. At ABB,

we are dedicated to upholding our shareholders' rights and proactively addressing potential risks. In the following figure, we provide details about the fundamental rights of our shareholders:

Participate in the Bank's governance and be involved in the election process for its Management and Executive positions	Receive information on the Bank's activities, including access to its Annual Report and Balance Sheet once a year	Request the Convening of a General Meeting of Shareholders
Request amendments to the agenda of the General Meeting of Shareholders	Participate in the General Meeting of Shareholders with the right to vote and request a copy of its minutes	Request the verification of the Bank's activities by the respective commissions
Receive dividends from the Bank's net profit	In the event of the Bank's liquidation, receive a certain part of the Bank's remaining property	Exercise other rights provided by the legislation of the Republic of Azerbaijan and the Bank's Charter

General meeting of shareholders

The General Meeting of Shareholders serves as the highest decision-making authority, allowing shareholders to vote on crucial strategic matters. These meetings occur on an annual basis, or sometimes even more frequently, and are publicly announced on ABB's corporate website at least 45 days in advance.

The organisation and conduct of these meetings adhere to clause 24.5 of the Law of the Republic of Azerbaijan "On Banks" and ABB's Charter.

The latest Annual General Meeting of Shareholders took place on June 30, 2022, featuring the following agenda:

Approval of the audited 2021 financial statements of the ABB Group by an External Auditor as recommended by the Audit Committee;

Allocation of dividends to ABB shareholders based on the financial results of 2021;

Liquidation process for recalled ABB ordinary shares.

Meeting of Shareholders regarding the payment of dividends to shareholders
UNLESS

- › The value of the Bank's net assets is lower than the amount of its authorised capital or will be lower after the payment of dividends is made. In such cases the Bank should not declare and pay dividends
- › The Bank may pay dividends from net profit for a certain period of time only after the restrictions on the payment of dividends are withdrawn

Payment of dividends

ABB places significant emphasis on fostering transparency and inclusivity in the calculation and distribution of dividends. In 2020 ABB formulated a well-structured Dividend Policy to maintain a fair balance between the Bank and its shareholders. This Policy was developed in compliance with the Civil Code, Tax Code, Law on Banks of the Republic of Azerbaijan, and relevant financial regulatory guidelines. Adhering to Dividend Policy ensures that all shareholders receive their dividends in accordance with applicable legislation, reinforcing a strong and harmonious relationship between the Bank and its shareholders.

As per the Dividend Policy, the Bank retains the flexibility to decide on the payment schedule of dividends, which can be either quarterly or annually, depending on the financial performance results.

Dividends are paid to the shareholders of the Bank based on the following provisions:

- › Availability of the Bank's net income as determined by the financial statements prepared in accordance with the legislation
- › Absence of restrictions on dividend payment imposed by the legislation and Dividend Policy
- › Recommendations of the Supervisory Board provided to the General Meeting of Shareholders on dividend value
- › Decision formally taken by the General

On June 30, 2022, the Group announced a 125 million AZN dividend according to the resolution signed at the Annual General Shareholders Meeting. The amount of dividend per share was set at 0.03 AZN. ABB is committed to implement the strategy diligently while maintaining strong capitalisation and showcasing its readiness for new regulations. At ABB, we aim to ensure a continued growth trend in dividend payments to our valued shareholders.

9.1.4. Supervisory board

The Supervisory Board plays a pivotal role in upholding strong governance and securing the Bank's economic stability. It places emphasis on the Bank's long-term strategic viability in its decision-making process. Tasked with overseeing the Executive Management, the Board provides direct reports to the General Meeting of Shareholders. Furthermore, the Supervisory Board is responsible for appointing Committee members and the Management Board. It also conducts reviews of consolidated financial reports, thereby contributing significantly to the Bank's overall success.

The Supervisory Board composition remains the same since 2022 year.

As per the Decree of the President of the Republic of Azerbaijan on September 22, 2021, IBAR OJSC was transferred to the management of Azerbaijan Investment Holding (AIH). Under this decree, AIH was granted the authority to designate key decision-makers within the Bank, enact amendments to the Charter, and oversee its economic activities.

ABB's Supervisory Board currently comprises of five members. These Board members are elected by the General Meeting of Shareholders for a term of up to three years, with the possibility of being re-elected for subsequent periods.

The members of the Supervisory Board meet all necessary qualification criteria and bring diverse backgrounds in finance, economics, and politics. This diversity is crucial in promoting effective Board accountability.

ABB's Supervisory Board holds key responsibilities, including defining the Bank's strategic direction, establishing a robust risk management system, improving transparency through regular performance reports, overseeing executive functions, and ensuring compliance with legal requirements and the Bank's overall strategy.

Meetings of the supervisory board

The Supervisory Board provides oversight for the Management Board, acting independently and offering advice, challenges, and consultations. Members of the Supervisory Board prioritise the Bank's interests and consider the legitimate concerns of its stakeholders while fulfilling their duties.

In accordance with the Bank's Charter, the Supervisory Board is mandated to convene meetings at least once every quarter. Remarkably, during the 2022, the Supervisory Board surpassed this requirement by holding a total of 23 meetings with consistent presence of all members throughout the majority of sessions. This attendance demonstrates the Board's active commitment and deep involvement in shaping ABB's strategic vision, as well as driving constructive changes stemming from the ongoing process of internal transformation.

The primary focus of all the Board meetings was to achieve a harmonious balance between the interests of external stakeholders, such as shareholders, and internal stakeholders, such as employees.

Throughout 2022, the Supervisory Board extensively addressed material aspects of the Bank's operations, including strategic development, risk management, internal control and compliance system, as well as economic and financial performance, among others. Notably, during this period, the Board adopted the 2023-2025 Development Strategy and introduced the new Agile Management structure.

Moreover, the Supervisory Board actively engaged with various internal and external stakeholders. Based on these interactions, the Board effectively exercised its oversight role, ensuring that identified issues were promptly directed to the responsible individuals within the Bank and received appropriate responses.

Composition of the supervisory board

SHAHMAR ARIF OGHLU MOVSUMOV

Chairman of Supervisory Board
Born in 1972

Education

- Moscow State Institute of International Relations (MGIMO)
[Bachelor of International Economic Relations](#)
- John F. Kennedy School of Government, Harvard University
[Master in Public Administration](#)

Current Position

Since November 2019, Mr. Movsumov holds a role of the Assistant to the President of the Republic of Azerbaijan - Head of the Department of Economic Issues and Innovative Development Policy of the Presidential Administration of the Republic of Azerbaijan.

KHALID NURADDIN OGHLU AHADOV

Member of Supervisory Board
Born in 1980

Education

- Azerbaijan State Economic University
[Bachelor degree in Finance and Credit](#)
- Instituto de Empresa (IE Business School)
[Master of Business Administration](#)
- London School of Economics (LSE)
[EMPA degree in Public Administration](#)

Current Position

Since December 2022 Mr. Ahadov was assigned to the position of Assistant to the President of the Republic of Azerbaijan on social-economic matters.

EMIN ZAMIN OGHLU HUSEYNOV

Member of Supervisory Board
Born in 1974

Education

- Azerbaijan State University of Economics, Faculty of Commerce
[Bachelor of International Economic Relations](#)
- Florida State University
[MSc in Economics](#)
- John F. Kennedy School of Government at Harvard University
[Master of Public Administration](#)

Current Position

Since August 2018, Mr. Huseynov holds a role of an the Assistant to the First Vice President of the Republic of Azerbaijan, Special Representative of the President of the Republic of Azerbaijan in the liberated territories of the Karabakh Economic Region.

MATIN BALASAN OGHLU EYNULLAYEV

Member of Supervisory Board
Born in 1975

Education

- Baku State University
[Bachelor Degree in Law](#)

Current Position

Since September 2021, Mr. Eynullayev holds a role of the Chairman of the Management Board of the Azerbaijan Investment Holding and the Chief of the State Service for Property Issues under the Ministry of Economy.

FAKHRI YASHAR OGHLU ISMAYILOV

Member of Supervisory Board Born in 1977

Education

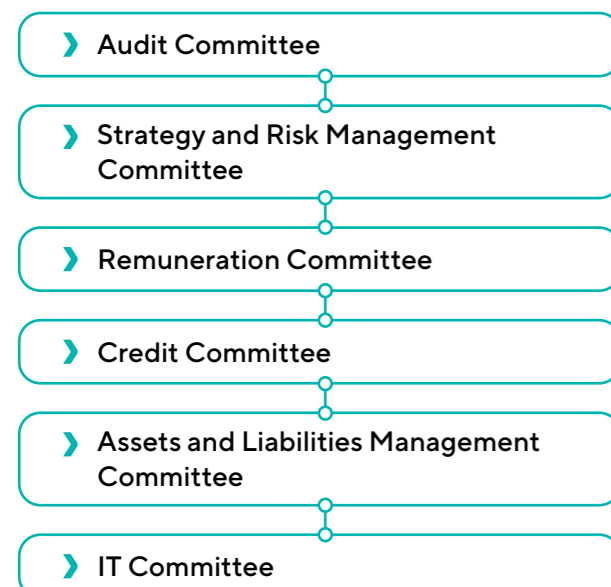
- Azerbaijan State University of Economics
Bachelor and Master Degree in Finance and Credit
- George Washington University
Post-Doctoral Program at the Department of Finance (PhD Degree in Finance)

Current Position

Mr. Ismayilov was appointed as Secretary of the Supervisory Board of Azerbaijan Investment Holding in September 2021. He also holds the position of Assistant to the Prime Minister of the Republic of Azerbaijan.

9.1.5. Committees of the Supervisory Board

ABB's Committees play a vital role in its governance system, acting as a crucial link between the Supervisory Board and key functional areas of the Bank. These Committees implement first-level control and review of matters under the Supervisory Board's authority. The Supervisory Board appoints and oversees the activities of the following six committees.



Audit Committee

The Audit Committee serves as one of the central bodies within the Bank, entrusted with the organization and supervision of the audit function, along with exercising control over the performance of the Internal Audit Department.

Audit Committee

Composition

Azad Mammadov
Chairman of the Committee

Zamig Mammadov
Member of the Committee

Majid Mammadov
Member of the Committee

Main responsibilities

- Issuing audit certificates to the auditors (audit team) designated for internal audits and monitoring
- Providing recommendations to the Supervisory Board regarding the hiring, promotion, dismissal, remuneration, and disciplinary actions of the Director and employees within the Internal Audit Department
- Offering proposals and recommendations to the General Meeting of Shareholders and the Supervisory Board based on the outcomes of internal audits, remediation of identified deficiencies, and enhancements to internal control systems
- Requiring the External Auditor to promptly provide the Audit Committee with information concerning significant deficiencies, facts, and events discovered during audits
- Ensuring the timely and comprehensive submission of required information and documents related to the Bank's activities to the External Auditor, in coordination with joint efforts
- Collecting necessary information concerning significant deficiencies, facts, and events discovered by the External Auditor.

Activities in 2022

Improvements to the Audit Committee's operational functions:

- Developed and applied self-assessment forms
- Exchanged experience with local banks during a visit to Turkey
- Implemented a project to improve IT audit activities with the involvement of a third-party consultant
- Reviewed internal and external regulations
- Reviewed the results of the external audit
- Determined and monitored the implementation of the annual work plan

Organisation of the Audit Department's performance:

- Approved annual Audit Plan and Training Plan for 2022
- Reviewed results of the Internal Audit for 2022
- Implemented motivation measures related to recruitment and employees
- Approved Development Plan
- Identified department's annual budget
- Implemented a project to improve IT audit activities
- Conducted an Agile audit project

Activities with regard to the Management Board:

- Held meetings with the Management Board to discuss the results of the audits
- Participated in the organisation of the subsidiaries' performance as well as in assessment of the strategic targets' implementation of the Bank and its subsidiaries
- Participated in evaluation of the internal committees' performance effectiveness as well as in development of the draft budget for internal functional units

External Audit:

- Nominated external audit company and arranged its cooperation with the Bank's internal audit function
- Held periodic meetings with external audit company
- Reviewed and communicated the inspection reports with Regulatory Authorities

Reporting to the Supervisory Board:

- Presented quarterly reports on internal

- control and risk management system deficiencies as well as recommendations for their elimination
- Presented the implementation status of the action plans
- Presented quarterly reports on results of the external audit
- Presented periodic overview discussion of the results of audit inspections with the chairman of the SRIK (Strategy and Risk Management Committee)



Issues reviewed

156



Orders approved

304



Implementation status of recommendations to the Management Board

97%

Strategy and Risk Management Committee

The Committee's primary role is to establish the strategic development direction, oversee the risk management function, and ensure the effective communication of required performance standards throughout the Bank.

Strategy and Risk Management Committee

Composition

Khalid Ahadov
Member of the Supervisory Board,
Chairman of the Committee

Abbas Ibrahimov
Chairman of the Management Board,
Member of the Committee

Ilham Habibullayev
First Deputy Chairman of the Management Board, Member of the Committee

Azad Mammadov
Chairman of the Audit Committee, Member of the Committee (with no right to vote)

Agshin Amirov
Deputy Chairman of the Management Board, Member of the Committee

Nabi Aliyev
Deputy Chairman of the Management Board, Member of the Committee

Taleh Tahirli
Deputy Chairman of the Management Board, Member of the Committee

Majid Mammadov
Advisor to the Supervisory Board, Member of the Committee

Nihat Senyuva
Managing Director, Member of the Committee

Taleh Nahmadov
Director of the Internal Control Department, Member of the Committee

Main responsibilities

- Reviewing preliminary drafts of the Bank's strategic vision and mission statements being prepared by the Management Board
- Developing and submitting the priorities of the Bank's Development Strategy to the Supervisory Board
- Monitoring compliance of the Bank's performance with the Strategic Plan and, if necessary, making recommendations to the Management Board in this regard
- Monitoring the achievement of the Bank's strategic goals and objectives
- Reviewing and submitting the risk management strategy, policy, and rules to the Supervisory Board

- Reviewing the risk limits for conferring with the Supervisory Board and submitting them to the Supervisory Board
- Selecting appropriate methods and tools for identifying and assessing risks, and determining the frequency of their use
- Analyzing results of the application of adopted methods and models, giving appropriate instructions to the Risk Management Department on the implementation of such measures as risk acceptance, minimization, transfer, and prevention of risks for effective management

Activities in 2022

- Identified and prepared priority areas for 2022 based on Bank's 2020-2022 Development Strategy
- Monitored compliance of the Bank's performance results with the Strategic Plan, and made recommendations to the Management Board
- Monitored the achievement of the Bank's strategic goals and objectives
- Conducted diagnosis of the strategy implementation efficiency
- Identified main areas and strategic pillars for the next 2023-2025 Development Strategy and started new strategy development
- Reviewed the Risk Management Strategy, policy and rules, identified risk limits and agreed these with the Supervisory Board
- Reviewed the Risk Management department's annual plan, monitored its activities and designed instructions for improvement

Remuneration Committee

The Remuneration Committee is responsible for exercising comprehensive control over the compensation and rewarding process, evaluating the effectiveness of the remuneration system, and continuously improving the Bank's Remuneration Policy.

Remuneration Committee

Composition

Emin Huseynov
Member of the Supervisory Board, Chairman of the Committee

Khalid Ahadov
Member of the Supervisory Board, Member of the Committee

Agshin Amirov
Deputy Chairman of the Management Board, Member of the Committee

Aynur Suleymanli
Managing Director of the Bank, Member of the Committee

Azim Kazimov
Director of the Accounting Department, Member of the Committee

Main responsibilities

- Preparing and submitting the Bank's Remuneration Policy to the Supervisory Board, while continually working on its improvement
- Ensuring alignment of the Remuneration Policy with the Bank's risk management and long-term strategic objectives
- Exercising complete control over the compensation and reward process
- Continuously evaluating the effectiveness of the incentive system, collaborating with the Strategy and Risk Management Committee (at least once a year)
- Presenting proposals to the Supervisory Board regarding the total amount of variable compensation
- Providing the Supervisory Board of the Bank with regular reports in accordance with the respective legislation

Activities in 2022

- Prepared and submitted the Bank's Remuneration Policy to the Supervisory Board

- Ensured compliance with the Bank's remuneration principles, focused on achieving strategic goals
- Implemented general control over the remuneration process
- Performed evaluation of the effectiveness of the remuneration system together with the Strategy and Risk Management Committee
- Submitted proposals to the Supervisory Board on the total amount of variable compensation

Credit Committee

The Credit Committee serves as the foremost decision-making authority for loan approval, setting loan terms, review of the Bank's Credit Policy, and oversight of loan portfolio diversification aimed at mitigating risks.

Credit Committee (large, medium, small)

Composition

LARGE

Abbas Ibrahimov
Chairman of the Management Board, Chairman of the Committee

Ilham Habibullayev
First Deputy Chairman of the Management Board, Member of the Committee

Agshin Amirov
Deputy Chairman of the Management Board, Member of the Committee

Elmir Habibullayev
Deputy Chairman of the Management Board, Member of the Committee

Nabi Aliyev
Deputy Chairman of the Management Board, Member of the Committee

Nargizkhanim Bilandarli
Managing Director of the Bank, Member of the Committee

Fariz Rahimov
Director of the Risk Management Department of the Bank, Member of the Committee

MEDIUM

Nabi Aliyev

Deputy Chairman of the Management Board, Chairman of the Committee

Fuad Islamov

Managing Director of the Bank, Member of the Committee

Nargizkhanim Bilandarli

Managing Director of the Bank, Member of the Committee

Fariz Rahimov

Director of the Risk Management Department of the Bank, Member of the Committee

Ulvi Gasimov

Director of Corporate Business Department, Member of Committee

SMALL

Ulvi Gasimov

Director of Corporate Business Department, Chairman of Committee

Fariz Rahimov

Director of the Risk Management Department of the Bank, Member of the Committee

Rufat Abbasov

Director of Retail Banking Department, Member of Committee

Small Credit Committee

Approval of loan applications up to **AZN 350 000**

Medium Credit Committee

Approval of loan orders in the range of **350 001- 2 000 000 manat**

Large Credit Committee

Approval of loan orders in the range of **2 000 001 - 5 000 000 manat**

Main responsibilities

- Reviewing the Bank's Credit Policy and submitting it to the Supervisory Board
- Approving the issuance of loans and accepting credit obligations, as well as modifying and restructuring their terms
- Monitoring the timely repayment of loans at the portfolio level
- Ensuring that the terms of the loans are not contradicting the rules of the Central Bank
- Monitoring the compliance with the diversification of the loan portfolio in order to prevent the risk of a concentrated portfolio
- Receiving regular reports on the monitoring of the loan portfolio
- Ensuring compliance with the regulations and procedures for issuing loans
- Monitoring the implementation of all measures taken to receive loan payments

Activities in 2022

- Reviewed the Bank's Credit Policy
- Authorized the granting of loans, including modifications and restructuring of their terms
- Monitored the timely repayment of loans at the portfolio level
- Ensured credit conditions comply with the rules of the Central Bank
- Monitored compliance with the requirements of credit portfolio diversification in order to prevent the risk of concentrated portfolio
- Monitored the implementation of all measures taken to receive loan payments in 2022

Asset and Liability Management Committee

The Asset and Liability Management Committee makes crucial decisions on market and currency limits, regularly monitors the Bank's cash and non-cash liquidity, and manages risk related to interest rate-sensitive assets and liabilities.

Asset and liability management committee

Composition

Nabi Aliyev

Deputy Chairman of the Management Board, Chairman of the Committee

Elmir Habibullayev

Deputy Chairman of the Management Board, Member of the Committee

Agshin Amirov

Deputy Chairman of the Management Board, Member of the Committee

Vasif Ahmadov

Deputy Chairman of the Management Board, Member of the Committee

Fuad Islamov

Managing Director of the Bank, Member of the Committee

Nargizkhanim Bilandarli

Managing Director of the Bank, Member of the Committee

Kamran Huseynov

Director of the Central Treasury Department, Member of the Committee

Main responsibilities

- Determining market and currency limits within the bounds approved by the Supervisory Board based on the recommendations of the Strategy and Risk Management Committee
- Ensuring compliance with the legislation in the relevant areas and tasks of risk management within the Committee's competence and responsibilities
- Regularly monitoring the status of the Bank's cash and non-cash liquidity and approving suitable limits in this regard
- Making ongoing decisions concerning risk management associated with interest rate-sensitive assets and liabilities
- Submitting information established by the legislation to the Supervisory Board for their consideration

Activities in 2022

- Gave recommendations to the Strategy and Risk Management Committee on making decisions on market and currency limits
- The Committee ensured compliance with legislation related to the relevant areas and objectives of risk management within its purview or under its charge
- Monitored Bank's cash and non-cash liquidity, and approved appropriate limits in this regard
- Submitted the information specified by the legislation to the Supervisory Board for consideration

Information Technologies Committee

The Technology Committee holds a vital role in advancing digitalisation and automation within the Bank's internal processes. It is responsible for formulating the overall IT strategy and ensuring its effective implementation.

Information Technologies Committee

Composition

Nihat Shenyuva

Chief Information Officer, Chairman of the Committee

Mayya Dursunova

Director of the Data Technology Department, Member of the Committee

Samir Agamaliyev

Director of the Software Development Department, Member of the Committee

Fariz Rahimov

Director of the Risk Management Department of the Bank, Member of the Committee

Rustam Rustamli

Director of the Information Security Department, Member of the Committee

Main responsibilities

- Based on the Bank's Strategy, developing initiatives in the field of IT and IT security, submitting them to the Supervisory Board for consideration, and, if necessary, making proposals to the Supervisory Board for reviewing these initiatives
- Monitoring the implementation of the IT budget after the approval of the budget by the Bank
- Ensuring uninterrupted operations and monitoring of all automated systems of the Bank
- Ensuring development of all relevant regulations in the field of information technology, current and emergency procedures and operational plans
- Ensuring that a "Contingency Plan" is developed to create adequate backups (sample backups) of the accounting records and management information system data
- Monitoring the implementation of appropriate training to ensure that the Bank's employees have high digital literacy
- Monitoring security and administrative technology issues related to IT projects and procedures

Activities in 2022

- Developed and revised strategic initiatives in the field of IT and IT security based on the Bank's Strategy for further submission to the Supervisory Board
- Monitored the implementation of the IT budget after the approval of the Bank's budget
- Ensured and monitored flawless and uninterrupted operations of all automated systems of the Bank
- Guaranteed that all relevant information technology regulations, current and emergency procedures, and operational plans are developed
- Facilitated the preparation of a "Contingency Plan" for the creation of adequate backups (backup samples) of the accounting records and management information system
- Monitored the implementation of appropriate training to ensure that the Bank's employees have high digital literacy
- Oversaw security and administrative technology issues related to IT projects and procedures

Table 8. Meetings of the committees in 2022

Committees	Number of meetings planned to be held	Number of meetings actually held
Small Credit Committee	52	203
Medium Credit Committee	52	92
Large Credit Committee	52	113
Audit Committee	4	30
Strategy and Risk Management Committee	6	11
Remuneration Committee	1	1
Assets and Liabilities Management Committee	52	52
Information Technologies Committee	4	22

9.1.6. Management Board

The Management Board serves as one of the highest governing bodies in the Bank's corporate structure, responsible for overseeing its day-to-day operations. Led by the CEO and Chairman, the Management Board is appointed by the General Meeting of Shareholders for a term of up to three years, with the possibility of re-election.

The Management Board composition remains the same since 2022 year.

The Bank's CEO is responsible for ensuring that the daily operations of its various business units

align with ABB's strategy. Reviewing financial performance, implementing internal policies, executing directives from the Supervisory Board and General Meeting of Shareholders, and assigning responsibilities among the members of the Management Board.

Maintaining open communication and transparency, the CEO and Management Board engage with employees, clients, and external stakeholders, promptly addressing any emerging issues. The CEO diligently examines regular reports and assesses the business performance of different units.



CEO



Abbas Ibrahimov

Chairman of the Management Board

Born in 1981
Date of appointment: 2018

Education

Ankara University
Bachelor of Business Economics

Istanbul Technical University
Master of Business Administration in Finance



Vasif Ahmadov

Deputy Chairman of the Management Board, Member of the Management Board

Born in 1961
Date of appointment: 2018

Education

- Superior School of USSR State Security Committee
Bachelor of International relations
- Diplomatic Academy of the Foreign Ministry of Russian Federation
Master of International relations



Taleh Tahirli

Deputy Chairman of the Management Board, Member of Management Board, Chief Transformation Officer

Born in 1981
Date of appointment: 2019

Education

- Qafqaz University
Bachelor of Business Administration
- School of Business, Economics and Law at the University of Gothenburg
Master in International Management
- HEC Paris
Master of Innovation Management and Entrepreneurship

Management Board



Ilham Habibullayev

The First Deputy Chairman of the Management Board, Member of the Management Board

Born in 1977
Date of appointment: 2020

Education

- Azerbaijan State University of Economics
Bachelor of Finance and Credit
- Institute of Social Sciences of Istanbul University
Master of Social Sciences



Nabi Aliyev

Deputy Chairman of the Management Board, Member of the Management Board, Chief Financial Officer

Born in 1984
Date of appointment: 2018

Education

- Azerbaijan State University of Economics
Bachelor of International Economics
- University of Oxford
Master of Business Administration and Management
- Azerbaijan State University of Economics
Ph.D. Doctor of Philosophy



Agshin Amirov

Deputy Chairman of the Management Board, Member of the Management Board, Chief Risk Officer

Born in 1978
Date of appointment: 2018

Education

- Azerbaijan State University of Economics
Bachelor of Economic Regulation
- London Business School
Master of Business Administration in Business and Management



Elmir Habibullayev

Deputy Chairman of the Management Board, Member of the Management Board

Born in 1978
Date of appointment: 2016

Education

- Azerbaijan State University of Economics
Bachelor of Finance and Credit
- Azerbaijan State University of Economics
Master of Finance and Credit

Managing directors



Nargizkhanim Bilandarli

Managing Director

Born in 1972
Date of appointment: 2018

Education

- Azerbaijan State Pedagogical Institute of the Russian Language and Literature
Bachelor of Russian language and literature
- Azerbaijan State University of Economics
Master of Finance and Credit



Fuad Islamov

Managing Director

Born in 1969
Date of appointment: 2011

Education

- State University of Oil and Industry of Azerbaijan
Bachelor of Physical processes of oil and gas production
- Azerbaijan State University of Economics
Master in International Economic Relations



Aynur Suleymanli

Managing Director

Born in 1979
Date of appointment: 2018

Education

- Azerbaijan State University of Economics
Bachelor of Economics and Labor Sociology
- Azerbaijan State University of Economics
Master of Engineering economy and management



Nihat Shenyuva

Chief Information Officer

Born in 1977
Date of appointment: 2020

Education

- Ege University
Bachelor of Computer Engineering
- Yeditepe University
Master of Business Administration

At ABB, we prioritise attaining a high level of expertise and a deep understanding of stakeholder expectations across all levels. To ensure this, the Supervisory Board conducts an annual assessment of the Management Board members.

The Board members do not possess any ownership stake in the Bank.

In the table provided below, we notice encouraging improvements in both middle management and other management roles. ABB firmly believes that nurturing employees' career growth will pave the way for a more well-rounded working environment, embracing diversity in terms of gender, age, expertise, and personal backgrounds.

Table 9. Diversity of governance body, by age

Weight in respective group %	2021			2022		
	<30	30-50	>50	<30	30-50	>50
Number of individuals in the top management	0%	82%	18%	0%	73%	27%
Number of individuals in the middle management	2%	83%	15%	0%	85%	15%
Number of individuals in other management positions	7%	82%	11%	7%	83%	10%

9.1.7. Remuneration system

ABB's Remuneration Policy is designed in accordance with the Labor Code of the Republic of Azerbaijan, incorporating best international practices. It fosters a modern corporate culture and encourages healthy competition among employees. The Remuneration and Risk Management Committee conducts an annual evaluation to ensure the compensation and reward system aligns with the Bank's strategy. The key objectives of our remuneration system are as follows:

➤ Ensure the alignment of the Bank's strategic and business goals with the individual goals of employees

➤ Attract, retain and motivate qualified and talented employees

➤ Create an enabling environment for employees' personal and professional development

Figure 25. Key actors of the Remuneration Policy

Supervisory Board

- Analyses collected feedback and determines remuneration principles
- Approves normative documents regulating remuneration
- Identifies evaluation parameters for members of the Audit Committee, Board of Directors and heads of departments

Management Board

- Sets and approves KPIs
- Ensures compliance of the system with the legislation and best practice
- Approves administrative documents
- Identifies evaluation parameters

Financial Management

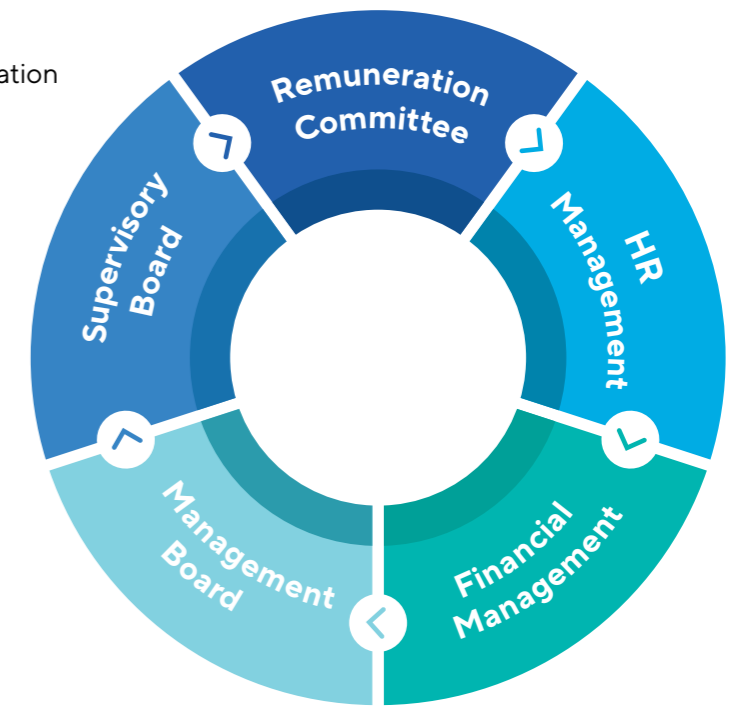
- Defines and calculates KPIs
- Carries out payment of identified remuneration

HR Management

- Provides required information about employees
- Organises annual evaluation of employees
- Develops and applies performance evaluation system

Remuneration Committee

- Supervises the compensation process
- Develops the Bank's Compensation Policy
- Reports on results of the evaluation and provides suggestions on remuneration to the Supervisory Board



Remuneration tools and mechanism

ABB's Remuneration Policy encompasses both fixed and variable components. The fixed remuneration is designed to attract talented individuals, while the variable remuneration serves to incentivise the achievement of corporate goals and encourage employee development. The variable income, in the form of bonuses and annual remuneration, is determined based on performance appraisal.

Monthly, quarterly, and annual performance evaluations are conducted, considering employees' functions and Key Performance Indicators (KPIs). Our Remuneration Policy outlines qualitative and quantitative criteria to ensure fair assessment and rewarding of each employee's performance.

The Remuneration Policy applies to all employees, including executive management (Audit Committee and Management Board). The final decision on the annual remuneration for the executive management, including the Chairman, is made during the Supervisory Board Meeting.

To ensure adequate and equitable remuneration for executive management, additional evaluation parameters are considered alongside the general criteria applied to all employees. The following prudential indicators must meet the Regulator's requirements on the remuneration decision date:

- › Minimum amount of total capital
- › Capital adequacy ratio
- › Provisions created for assets

the Regulator for the banking sector. Our remuneration system offers competitive payment across all employee categories, with slight fluctuations based on performance results. Regular reviews and enhancements are conducted to minimise inequalities and ensure maximum transparency and fairness in ABB's remuneration mechanism.

When determining remuneration for executive categories, we take into account the Bank's operational results and the ratio of non-performing assets to total assets, as set by

Table 10. Minimum wage ratio vs. local minimum

Wage ratio by years	2020	2021	2022
Ratios	2.26	2.26	1.9

9.1.8. Compliance and financial monitoring system

At ABB, we prioritise compliance and functional financial monitoring as essential elements to ensure our procedures align with regulations and best practices. Compliance is the foundation of our operations, and we are committed to safeguarding our role diligently. Simultaneously, we are enhancing our capabilities to keep pace with evolving regulatory demands, prioritising safety in banking and combatting financial crime, corruption, and data privacy threats.

The Bank's 2020-2022 Development Strategy resulted in the establishment of a strong The

Bank's 2020-2022 Development Strategy resulted in the establishment of a strong Compliance and Financial Monitoring (FMC) department, overseeing the Anti-Money Laundering (AML) framework. We also consistently refine our internal policies in this area.

Our Compliance and Financial Monitoring system at ABB focuses on three key areas:

- › Compliance Risk Management
- › Anti-Money Laundering and Combatting Financing of Terrorism (AML/CFT)
- › Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

Internal documents governing the compliance and financial monitoring system

Compliance	AML/CFT	FATCA and CRS
Compliance Policy	<ul style="list-style-type: none"> • Anti-Money Laundering and Terrorist Financing Policy; • Methodical instructions on the use of Siron software in customer operations monitoring; • Methodical instructions on identification and analysis of unusual operations. 	Self-Assessment Questionnaire to determine tax residency of legal entities and beneficiary owners
Rules on insider data abuse and market manipulation	<ul style="list-style-type: none"> • Customer Recognition Policy 	CRS Self-Certification Form for individuals
Conflict of Interests Policy	<ul style="list-style-type: none"> • Methodical instructions to evaluate operations carried out through foreign banks with regard to AML/CFT 	W-9 Forms/W-8BEN/W-8BEN-E Instructions Forms to certificate status of individual and entity for United States Tax and Reporting for Entities and Individuals
Code of Ethics	<ul style="list-style-type: none"> • Methodical instructions on customer risk evaluation with regard to AML/CFT 	Rules on identification of foreign persons accounts
Anti-corruption Policy	<ul style="list-style-type: none"> • Instructions on cash and wire transactions by taxpayer clients of ABB benefiting individuals 	Rules on identification process upon account opening and conducting of transactions
Rules on the collection of information on affiliated persons	<ul style="list-style-type: none"> • Instructions on in-advance wire payments conducted by ABB clients 	not relevant
Whistleblowing Policy	<ul style="list-style-type: none"> • Rules on submission of information to AR FIU 	not relevant

In general, compliance with the applicable legislation and internal policies is ensured by FMC department through the following activities:

- › Review the new or modified banking products
- › Develop normative documents
- › Analyse potential partnerships and client relationships
- › Review the internal regulations for compliance with requirements of the financial market regulator
- › Analyse legislative changes and readjust the internal rules and standards
- › Develop and monitor the processes compliance with requirements of relevant authorities and international standards

In 2022, the Bank achieved several key milestones in its pursuit of excellence and compliance. The external audit and testing of the screening system, resulted in fine-tuning of the search algorithms. The entire Siron system underwent a seamless transition to the latest version (version 19). This version preserves introduction of new scenarios and indicators designed to bolster efforts against international sanctions evasion and uphold legal requirements.

We also placed a strong emphasis on improving mechanisms for efficient and centralised customer data processing, monitoring, updating, and storage. We significantly reduced errors and optimised overall operations. These actions contributed to a smoother and more effective banking experience for customers. The Bank's commitment to continuous improvement and thorough attention sets a solid foundation for even greater future success.

Anti-corruption

At ABB, we have clear procedures and policies on anti-corruption, anti-bribery, and international sanctions. ABB's Control Department timely identifies and prevents potential violations

by applying the processes in line with the Bank's Anti-corruption Policy. We encourage stakeholders to report any suspicions through our anti-corruption hotline (493 00 91, ext: 2828).

There were no corruption cases reported in 2022.

We guide our employees by providing them training and maintain communication to enhance their awareness and ensure compliance with our ethical standards and applicable legislation. Such trainings include the "Welcome on Board" program tailored for new hires. Our goal is to expand the scope of anti-corruption training to cover more employees in the future.

AML/CFT

The risks of money laundering and financing of terrorist organisations (AML/CFT) are considered significant to reputation and economic performance of the financial institutions the national economy. At ABB, we prioritise the enhancement of our internal AML/CFT control system to ensure the integrity, reputation, and stability of the country's banking system.

Our AML/CFT monitoring and management system is based on relevant laws, regulations, and international standards:

- › Applicable legislation of the Republic of Azerbaijan on AML/CFT, such as Law № 767-IIIQ on prevention of legalisation of legislation of criminally obtained funds or other property and the financing of terrorism adopted in 2009
- › Guidelines of Central Bank of the Republic of Azerbaijan "On Prevention of Legalisation of Illegally Acquired Money or Other Property through Banks"
- › The Financial Action Task Force (FATF) recommendations
- › Core principles for effective banking supervision developed by Basel Committee
- › The Wolfsberg AML principles

We carry out identification and verification measures before establishing business relations with clients or beneficiaries. We perform comprehensive due diligence of the documents and information provided by the clients or beneficiaries to timely identify any suspicious operations and prevent engagement of ABB in illegal transactions (i.e. commercial enterprises). This includes additional requests of information as per "know your customer" (KYC) principle. We avoid any business relations with financial institutions that do not have comprehensive AML/CFT procedures or do not have a physical office at the locations of operations. FMC provides annual reports on results of the Bank's AML/CFT performance to the Central Bank of Azerbaijan.

In 2022, we prioritised AML/CFT training. This program approved by the Chairman of the Management Board consists of four courses. This year, we started delivering trainings for our new hires what accelerated the process of more effective skill development. With new training approach, we managed to avoid ad hoc training and enhanced the impact of planned sessions.

FATCA-CRS

The government of the Republic of Azerbaijan actively supports initiatives on international tax compliance and taxation transparency through mutual exchange of information about the bank accounts and financial transactions of client in accordance with Intergovernmental Agreements and International Standards.

In 2015, Republic of Azerbaijan signed an Agreement on Improving compliance with International Tax Compliance Regulation and implementation of Foreign Account Tax Compliance Act (FATCA) with the government of USA. In 2016, the Government signed "Multilateral Agreement on the Automatic Exchange of Information on Financial Accounts between Competent Authorities" that allows exchange of information with tax purposes with more than 100 countries as per CRS (Common Reporting Standard).

The status, residency and other important information about our clients is checked through Self-Assessment form as well as W-8BEN, W-8BEN-E and W9 forms that need to be completed by the customers. Furthermore, based on the information collected by these forms, reports are automatically prepared and

submitted to the State Tax Service Office of the Republic of Azerbaijan on annual basis.

2021
435 employees participated at AML/CFT trainings

2022
1,374 employees participated at AML/CFT trainings

The training sessions were held for the following organisational units of the Bank:

- Management of the Bank (Chairman and members of the Management Board, General Directors, Chief of Staff of the Chairman of the Management Board)
- Heads and deputy heads of all branches
- Heads, chief and leading specialists of several involved organisational units

We aim to expand the number of training programs and engage more employees in our compliance trainings in the following years to guarantee that each employee understands the Bank's performance standards and complies with all the applicable policies when implementing their daily duties.

9.1.9. Internal and external audit

Internal auditor

We work diligently to maintain and improve our internal control systems in order to reduce the risks of fraud and money laundering by introducing new control mechanisms as part of our redesigned digital strategy.

Our internal audit processes are managed by the following two units:

- **Audit Committee**
- **Internal Audit Department (IAD)**

The purpose of IAD is to provide independent, objective assurance and consulting services designed to add value and improve bank's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. To ensure compliance with international internal audit standards, we involved internationally recognised third-party company for external assessment of the Bank's Internal Audit Function. Upon completion of the assessment, the "Roadmap" with detailed improvement plan was issued and approved by the Supervisory Board.

Internal audit procedures are implemented by the IAD in accordance with the annual internal audit plan approved by the Committee and that is based on the risks put forward by the Management Board. This way, ABB manages to protect its assets from potential misuse and maintains a healthy ecosystem within the bank.

In 2022, IAD continued its activities, and its internal audits covered performance of different functional areas, including:

- › Adequacy of internal control mechanisms
- › Effectiveness of the governance and risk management system
- › Compliance of new processes, operations, and systems with the quality standards

› Reliability and accuracy of financial information

› Performance of the joint ventures

Internal audit engagements

Based on the results of the conducted audits, reports outlining identified gaps are prepared and presented to the Audit Committee, which is then submitted to the Supervisory Board. We plan to continue enhancement of the internal control and audit procedures by introducing new, more resilient and innovative processes in the future.

External auditor

Aligned with our mission to be a reliable partner for our stakeholders, we consistently uphold our values of transparency and credibility in our operations. We engage an independent assurance provider to review and verify the Bank's financial statements in accordance with both local and international reporting standards and requirements.

The External Auditor is selected through open tenders every three years. EY offered independent assurance for ABB's financial statements and accounts for the last 5 reporting years including 2021. During the 2020 Annual General Meeting of Shareholders, EY was reappointed as the External Auditor for the subsequent three financial years, from 2020 to 2022.

The Audit Committee of the Board reviews the effectiveness of the results of internal audits and improves internal control system. External auditors must comply with all relevant auditing, ethical, professional and regulatory requirements. We ensure the effectiveness and quality of external audits by implementing the following measures:

- › Assess objectivity, independence and professional judgment of the auditing firm
- › Evaluate competence and qualifications of the external audit team
- › Maintain regular contact between Audit Committee and external auditors
- › Implement annual assessment of external auditors by reviewing audit presentations and communications
- › Review deliverables against the audit plan

During the recent years we observe tightening local regulations on the mandatory reporting practices. Moreover, regulatory reporting implies strict deadlines and large data requests all of which encourage us to improve our internal reporting mechanisms and enhance corporate governance system so that we proactively comply with the changing landscape of local legislative requirements and stakeholder expectations.



9.2. Risk management

ABB gives high priority to its risk management framework to proactively manage and mitigate risks. The process covers identification, assessment, response, monitoring, and reporting of risks, all aligned with ABB's Risk Management Policy and guided by the "Three Lines of Defence" model.

Key Steps in ABB's Risk Management:

Identification: Identifying potential risks that could impact the organization's objectives and operations.

Assessment: Evaluating the significance and potential impact of identified risks on ABB's operations.

Response: Developing and implementing strategies to effectively respond to and manage identified risks.

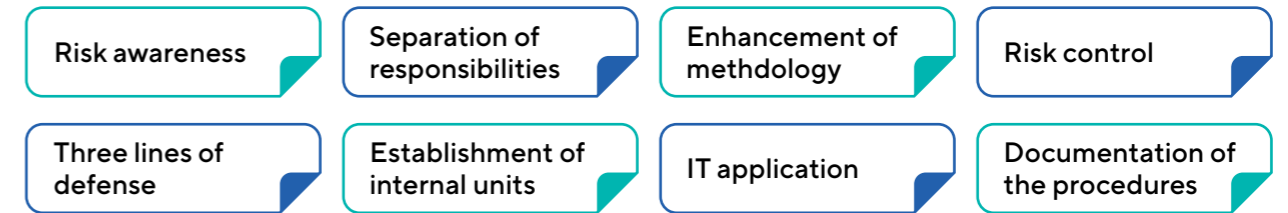
Monitoring: Regularly tracking and evaluating the effectiveness of risk response strategies.

Reporting: Communicating risk-related information transparently and timely to relevant stakeholders.

9.2.1. Principles of ABB's Risk Management System

According to our Risk Management Policy, there are eight fundamental principles that underpin our risk management system. These principles serve as the foundation for how we approach and handle risk within our organization.

Figure 27. ABB's Eight Major Principles of the Risk Management System



9.2.2. Major Elements of our Risk Management Framework

In response to the uncertainties of the current market conditions, ABB has developed a robust Risk Management Framework that emphasizes resilience and agility. This framework allows us to protect stakeholders' interests and ensure business continuity. Our risk management approach guides strategic decisions and aligns with our mission and vision. The Risk Management System is built upon the Risk Management Policy and Strategy, providing a comprehensive plan for effectively managing

risks across the organization.

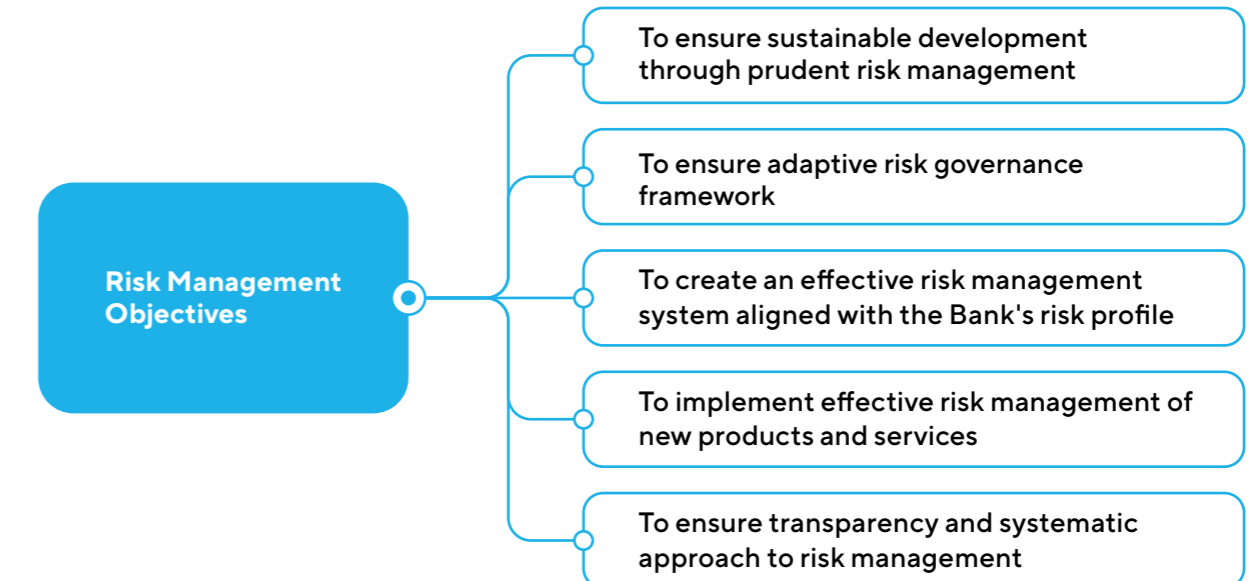
At ABB, we acknowledge that it is important to continuously improve and modify our Risk Management Framework to meet our strategic priorities and needs, considering the ever-changing market conditions.

Our Risk Management Framework is built around the following concepts:

Figure 26. Three-Lines Model applied by ABB



Figure 28. The objectives of ABB's risk management are as follows:



Risk culture

Risk culture represents a value-driven approach across the Bank, where employees understand the Bank's risk management principles and responds to risks arising in their field of operation.

access to loans.

In 2022, we have launched an automated decision-making mechanism for loan products for our retail clients. With this innovation, our retail customers have an easier and faster online

Risk management objectives encompass the systematic and strategic efforts undertaken by ABB to identify, assess, mitigate and monitor potential risks that could impact our operations, goals, and stakeholders.

Risk Appetite Statement

Risk appetite statement is an essential document that guides our internal decision-making process and other operations.

Risk Book

The Annual Risk Book includes all risks identified by the responsible departments in the reporting period.

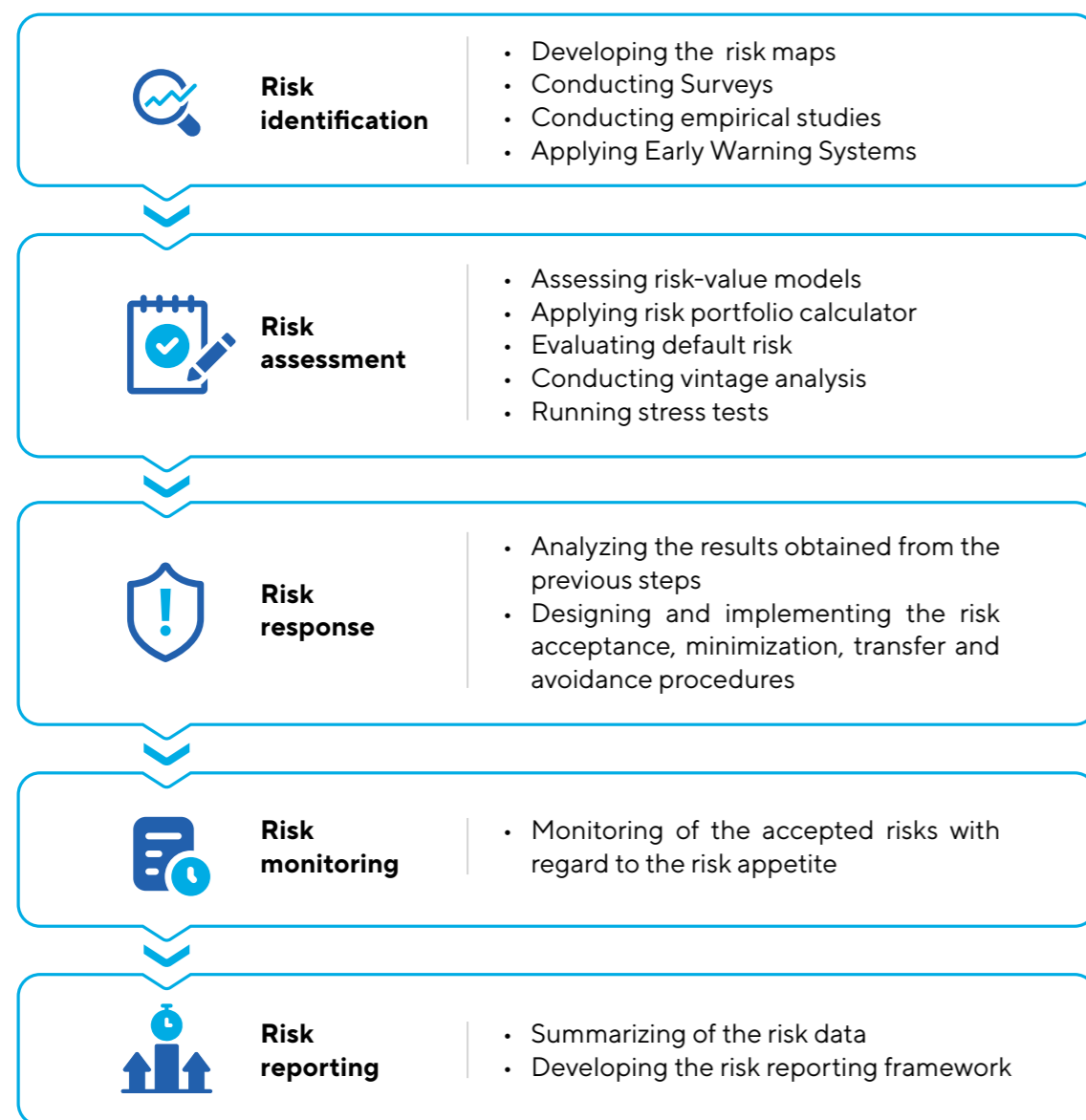
Risk Heat Map

Heat Map is a tool used by the Risk management department to visualize the results of the risk assessment.

Our Approach: identify, assess, respond, monitor, report

ABB puts high importance in maintaining an effective risk management. The Bank developed detailed procedural documents and constantly ensures employee awareness to create a favourable environment for risk identification, assessment, monitoring and management through reporting. This approach, based on the best world practices, helps to increase the responsibility of employees, ensure the stability of work and protect our assets.

Figure 29. Our Approach: identify, assess, respond, monitor, report



9.2.3. Results of the Risk management process in 2022

Based on the risk assessment procedures performed, ABB identifies and manages the following risk categories:

Table 11. Risk management process

#	Classification of Risks	Control Measures Used for Risk Management
	Credit Risks	Risks arising from borrower's failure to fulfil obligations to the bank to repay the principal amount, interest and other fees on time and in full
1	Credit concentration risk	<ul style="list-style-type: none"> Conducting quantitative assessment of the loan portfolio
2	Counterparty default risk	<ul style="list-style-type: none"> Setting limits, regularly checking deviations and including them in the Bank's risk appetite for the effective management of the loan portfolio
3	Country risk	<ul style="list-style-type: none"> Regular monitoring of loans
	Market Risks	Risks associated with adverse interest rate fluctuations, unfavourable changes in foreign exchange rates or in the value of securities purchased by the Bank and overall commodity prices in the market
4	Interest rate risk	<ul style="list-style-type: none"> Calculating risk rate Applying control methods
5	Currency risk	<ul style="list-style-type: none"> Conducting daily analysis of open positions in foreign currencies Preparing daily reports to control the set limits Controlling the Bank's open currency position Analysing the impact of foreign exchange risks
6	Capital risk	<ul style="list-style-type: none"> Setting capital risk limits Monitoring of the set limits Providing opinions on the evaluation of investment proposals in securities

#	Classification of Risks	Control Measures Used for Risk Management
	Liquidity Risks	Risks arising from the inability to meet planned and unforeseen obligations in a timely and effective manner
7	Regulatory liquidity risk	<ul style="list-style-type: none"> • Liquidity analysis and quantitative monitoring • Continuous monitoring of liquidity risk through the early warning system • Control over the implementation of the Bank's activities within the approved liquidity standards • Control over the implementation of appropriate measures to minimize liquidity risk • Control over the forecasted cash flow for each currency
8	Physical liquidity risk	<ul style="list-style-type: none"> • Setting limits on placement and liquidity risk indicators
9	Structural liquidity risk	
	Operational Risks	Risks arising from failure to perform standard operational procedures
10	Information technology risk	<ul style="list-style-type: none"> • Reflection of limit ratios for downtime and errors in the Bank's main operating systems in the Risk Appetite Statement Risk map compilation • Establishing limits of authority and decision-making • Registration and monitoring of IT risk indicators
11	External risk	<ul style="list-style-type: none"> • Carrying out stress tests for side effects and emergencies • Analyzing the results of penetration tests to measure the risks of cyber-attacks and providing information on the results to the relevant structures
12	Reputation risk	<ul style="list-style-type: none"> • Regular monitoring of news about the Bank in the public, media and social networks, periodic surveys to measure customer satisfaction • Registration of complaints, investigation and taking measures on the results

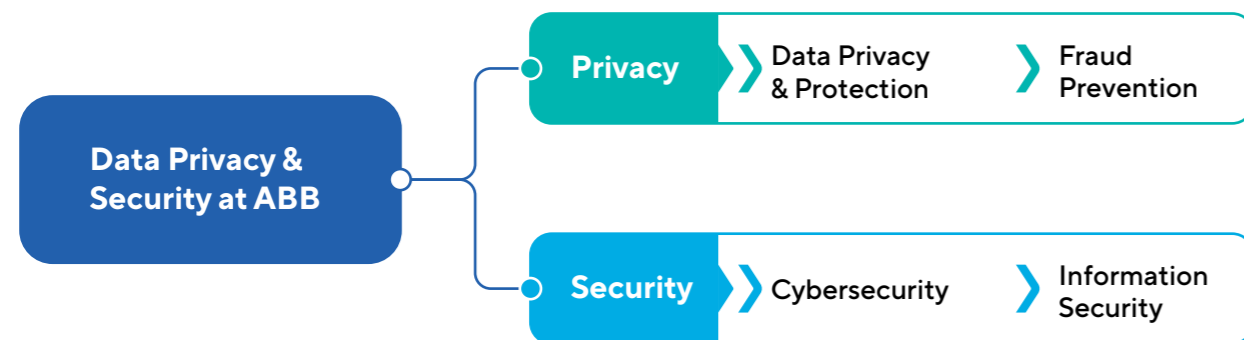
#	Classification of Risks	Control Measures Used for Risk Management
	Other	Risks arising from the intentional or unintentional violation of existing legal acts, errors and omissions in the implementation of banking operations by the bank's employees, or inability of the bank to implement the planned projects
13	Human resource risk	<ul style="list-style-type: none"> • Intra-Bank rules for selection and recruitment of candidates and application of MGs • Instructing staff on personnel safety issues, setting up and conducting business processes, protection of relevant information • Conduct regular internal research
14	Strategic risk	<ul style="list-style-type: none"> • Audit engagements by internal and external audit structures • Submitting reports on the results
15	Legal risk	<ul style="list-style-type: none"> • Determining legal risk limits that the Bank can accept in the risk appetite • Establishing a system of authority and decision-making • Operational risk indicator monitoring system • Establishment of an effective control system
16	Compliance risk	<ul style="list-style-type: none"> • Ensuring compliance of the Bank's activities, products and services, as well as the activities of its employees with the requirements of existing legislation (laws, rules, standards and other normative acts) • Keeping records of compliance risk events, conducting research, obtaining explanations, determining the probability of their occurrence • Monitoring the Bank's compliance with the requirements of internal documents aimed at combating bribery and corruption
17	Project risk	<ul style="list-style-type: none"> • Implementation of risk-based priorities of projects to be implemented and control over the status of implementation and residual risks during the implementation period • Communication with executive structures and participation in methodological management activities • Empirical analysis, early warning systems, reports on identified risks, analytical analysis reports

9.3. Data privacy and cybersecurity

With the rapid shift towards digitalization, cybersecurity in the banking sector has become a critical concern to counter emerging threats. Building a strong cybersecurity culture is imperative as data breaches and incidents remain unpredictable in today's global ever-changing digital data climate. Maintaining stability in customer information security is important in

the retail and corporate banking sector. At ABB, we are paying a special attention to this matter and strengthen our oversight of data security in the reporting year. Consequently, we have made substantial investments in the ABB brand's, and we have established a robust control environment to effectively manage these risks.

Figure 30. Data privacy and security



We have considered the priorities set forth in the Strategy on Cybersecurity for the Years 2019-2022, which was developed by the Ministry of Digital Development and Transport of the Republic of Azerbaijan. By aligning ourselves with this national cybersecurity strategy, our goal is to enhance our resilience and preparedness against evolving cyber threats and challenges.

We maintain consistency in data protection and enhance control to maintain confidentiality and integrity, according to our Information Security Concept of ABB. Our data security approach is based on the 3 main pillars:

Confidentiality

Prevention of disclosure of confidential information by an unauthorized person. Ensuring confidentiality is necessary to reduce the risk of damage to the Bank's financial, legal operations and reputation.

Completeness

Completeness ensures that information is changed only in a pre-arranged and permitted manner. Ensuring completeness reduces the risk of data distortion or unauthorized alteration.

Accessibility

Establishment of effective mechanisms to ensure access to information systems in accordance with the requirements of the business.

The Concept has been prepared on the basis of the Law of the Republic of Azerbaijan "On Banks", "On state Secrets", "On Information, Informatization and Protection of Information", and it complies with ISO / IEC 17799 International standard.

All operational documents dealing with the operation of individual information systems and data processing procedures should adhere

to the guidelines set forth in the Information Security Concept. The provisions outlined in the Information Security Concept take precedence over any other documents related to the operation of information systems. This hierarchical structure ensures that the principles and policies defined in the Information Security Concept hold the highest prevalence and must be followed to maintain the integrity and security of the Bank's information resources.

Internal regulations on privacy and protection

The principal document setting the security and privacy values is ABB's Code of Ethics.

The Methodical Instructions on the Management of Information Incidents, which were approved in 2022, are built upon the foundation of the "Information Security Concept of ABB" and advanced information security management systems. These instructions have been developed based on best practices and define the necessary procedures and behaviors for users when working with information processes and technologies. The primary objective of these methodical instructions is to promptly and effectively resolve incidents while ensuring the highest level of quality. The ultimate aim is to minimize any adverse impact these incidents may have on business operations.

Fraud Prevention and Cybersecurity

The Bank recognizes the growing external threats of cybercrime, which could potentially lead to cyber fraud attacks, disruptions in both in-house and outsourced IT operations, ATM attacks, and loan fraud. To safeguard against fraud and its potential financial repercussions, ABB employs strict measures to counter fraudulent activities. These measures involve preventing unauthorized money transfers, particularly those conducted without the consent of customers. Additionally, ABB takes measures to prevent engagement of service centers or personnel in illegal transactions.

Inadequate data protection and management are also recognized as critical risk factors in financial institutions. In response, ABB has developed a

risk limit system to mitigate such risks effectively. This system enables the automation of risk limits based on an Early Warning System (EWS). By utilizing this approach, the Bank can proactively identify and address potential risks, minimizing the likelihood of data breaches and other data-related vulnerabilities.

As ABB has been at the forefront of cybersecurity within Azerbaijan's banking sector, our Bank is committed to providing state-of-the-art services to safeguard its customers from various cyber threats, including phishing attacks. The Bank's proactive approach to security helps maintain trust and confidence in its digital banking services.

By strategically addressing security challenges and embracing a proactive security approach, ABB is ready to securely navigate the digital banking landscape while leveraging the advantages of digital payment mechanisms' adoption. Through this comprehensive strategy, the Bank aims to enhance customer trust and safeguard sensitive data while contributing to the overall growth and progress of Azerbaijan's digital banking ecosystem.

At ABB, we apply various stringent measures to protect our customers against cyber-attacks, such as:

Application of 3D Secure technology for minimizing risks of fraudulent activities on the cards of customers through 3D Secure password

SMS Notification is provided for all customer operations, i.e. transactions, transaction failures and potential suspicious operations leading to those transaction failures

NFC technology, which is particularly secure for a high amount of transactions that requires entering additional security code if the mobile phone has biometric authentication feature

Optimization of Instant Payment System (IPS) in corporate banking, considering that the system helps to increase efficiency of digital banking services

Impact of the General Data Protection Regulation (GDPR) on ABB

To ensure the effective management of intra-bank processes and customer relationships while safeguarding their personal data from cybercrime, the European Union's General Data Protection Regulation (GDPR) provides valuable guidance to banks. The GDPR outlines how banks should design and offer products and services, considering the bank's characteristics, its reliance on processing customers' personal data, and its compliance with other financial market regulations. Considering it is now regarded as a best practice, we extensively study GDPR requirements to identify the gaps and develop necessary measures to further improve our data protection practices.

Information Security Concept also guides us in information security processes, through the following measures to get ready and respond to risks and threats:

- › Assessment of the impact of various risks and threats related to emergencies and contingencies on the Bank's operational activities

- › Defining a strategy for the restoration of information systems

- › Different behavioral scenarios in case of different variants of emergencies

- › Scheme of interaction and coordination of work on the restoration of information systems

- › Test scheme of the plan and its periodicity

- › Mandatory instruction of all Bank employees involved in the process of restoration of information systems

10. Final Remarks and Disclaimer

ABB has made considerable efforts to ensure that the information given in the Report, which contains forward-looking statements, is accurate.

ABB has no responsibility for updating forward-looking statements in this Report and, as a result, cannot be held liable for any loss or damage incurred as a result of any party's reliance on them, including, but not limited to, loss of earning, profits, or consequential loss or damage.

We welcome any recommendations and criticism that will help us improve our reporting. As a result, we are totally dedicated to listening to our stakeholders and welcome feedback on this Report as well as any part of our sustainability performance. Please contact Yedgar Jafarov yedgar.jafarov@abb-bank.az with any feedback or suggestions.

11. GRI Content Index Table

Statement of use	ABB has reported in accordance with the GRI Standards for the period 01.01.2022-31.12.2022.
GRI 1 used	GRI 1: Foundation 2021

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
General disclosures				
GRI 2: General Disclosures 2021	2-1 Organizational details	✓ 2. About us	pp. 10-17	
	2-2 Entities included in the organization's sustainability reporting	✓ 3.1. Report profile	pp. 20-25	
	2-3 Reporting period, frequency, and contact point	✓ 3.1. Report profile	pp. 20-25	
	2-4 Restatements of information	✓ 3.1. Report profile	pp. 20-25	
	2-5 External assurance	✓ 12. Independent assurance statement	pp. 137-138	
	2-6 Activities, value chain and other business relationships	✓ 2.1. ABB at a glance	p. 11	
		✓ 2.2. Our mission and vision	p. 12	
		✓ 2.3. Our values	p. 13	
	2-7 Employees	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
2-8 Workers who are not employees	✗ Not available			

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
General disclosures				
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	✓ 9.1.6. Management board	pp. 101-104	
	2-10 Nomination and selection of the highest governance body	✓ 9.1.6. Management board	pp. 101-104	
	2-11 Chair of the highest governance body	✓ 9.1.6. Management board	pp. 101-104	
	2-12 Role of the highest governance body in overseeing the management of impacts	✓ 9.1.6. Management board	pp. 101-104	
	2-13 Delegation of responsibility for managing impacts	✓ 8.3. Fostering positive impacts to society	p.72	
	2-14 Role of the highest governance body in sustainability reporting	✓ 9.1.1. Corporate governance system	pp. 88-89	
	2-15 Conflicts of interest	✓ 9.1. Governance	pp. 104-110	
	2-16 Communication of critical concerns	✓ 9.1.9. Internal and external audit	pp. 110-112	
		✓ 8.2. Enhancing benefits to our employees ✓ 8.3. Fostering positive impacts to society	pp. 66-71 p.72	
	2-17 Collective knowledge of the highest governance body	✓ 8.1. Our approach to responsible finance	pp. 64-66	
		✓ 8.3. Fostering positive impacts to society	p.72	
	2-18 Evaluation of the performance of the highest governance body	✓ 9.1.7. Remuneration system	pp. 104-106	
	2-19 Remuneration policies	✓ 9.1.7. Remuneration system	pp. 104-106	

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
General disclosures				
GRI 2: General Disclosures 2021	2-20 Process to determine remuneration	✓ 9.1.7. Remuneration system	pp. 104-106	
	2-21 Annual total compensation ratio	Confidentiality constraints		This information is not disclosed as it is treated as confidential by ABB
	2-22 Statement on sustainable development strategy	✓ 1. CEO letter	pp. 5-7	
	2-23 Policy commitments	✓ 9.1.8. Compliance and Financial Monitoring System	pp. 106-109	
	2-24 Embedding policy commitments	✓ 9.1.8. Compliance and Financial Monitoring System	pp. 106-109	
		✓ 8.3. Fostering positive impacts to society	p.72	
		✓ 8.1 Our approach to responsible finance	pp. 64-66	
	2-25 Processes to remediate negative impacts	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
		✓ 8.1. Our approach to responsible finance	pp. 64-66	
	2-26 Mechanisms for seeking advice and raising concerns	✓ 9.1.8. Compliance and financial monitoring system	pp. 106-110	
2-27 Compliance with laws and regulations	✓ 9.1.8. Compliance and financial monitoring system	pp. 106-110		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
General disclosures				
GRI 2: General Disclosures 2021	2-28 Membership associations	✓ 2. About us	pp. 10-17	
	2-29 Approach to stakeholder engagement	✓ 9.1.3. Investor and shareholders relationships	pp. 89-91	
	2-30 Collective bargaining agreements	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
Material topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	✓ 3.1. Report profile	pp. 20-25	
	3-2 List of material topics	✓ 3.1. Report profile	pp. 20-25	
Economic performance				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 3. About the report ✓ 4. Management analysis	pp. 20-25 pp. 28-29	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	✓ 4. Management analysis	pp. 28-29	
	201-2 Financial implications and other risks and opportunities due to climate change	✗ Not available		We are working on assessing our financial implications and other risks and opportunities due to climate change to ensure that we provide even more comprehensive information in the upcoming periods.
	201-3 Defined benefit plan obligations and other retirement plans	✗ Not available		
	201-4 Financial assistance received from government	✗ Not available		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Market presence				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 9.1. Governance	pp. 88-110	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	✓ 9.1.7. Remuneration system	pp. 104-106	
	202-2 Proportion of senior management hired from the local community	✗ Not available		We are working on improving our internal human resources reporting to ensure that we provide even more comprehensive information in the upcoming periods.
Indirect economic impacts				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.3. Fostering positive impacts to society ✓ 8.4. Managing our impact on environment	pp. 72-85 pp. 82-85	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	✓ 8.3. Fostering positive impacts to society	pp. 72-85	
	203-2 Significant indirect economic impacts	✓ 8.3. Fostering positive impacts to society ✓ 8.4. Managing our impact on environment	pp. 72-85 pp. 82-85	
Procurement practices				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.1. Our approach to responsible finance	pp. 64-66	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	✗ Not available		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 9.1.8. Compliance and financial monitoring system	pp. 106-110	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	✓ 9.1.8. Compliance and financial monitoring system	pp. 106-110	
	205-2 Communication and training about anti-corruption policies and procedures	✓ 9.1.8. Compliance and financial monitoring system	pp. 106-110	
	205-3 Confirmed incidents of corruption and actions taken	✓ 9.1.8. Compliance and financial monitoring system	pp. 106-110	
Anti-competitive behavior				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.2 Enhancing benefits to our employees	pp. 106-110	
		✓ 9.1.8. Compliance and financial monitoring system	pp. 66-7	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	✓ 9.1.8. Compliance and financial monitoring system ✓ 8.2. Enhancing benefits to our employees	pp. 106-110 pp. 66-71	
Tax				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 2.5: Ownership structure	pp. 15-17	
		✓ 9.1.8. Compliance and financial monitoring system ✓ 9.2. Risk management	pp. 106-110 pp. 112-110	
GRI 207: Tax 2019	207-1 Approach to tax	✗ Not available		
	207-2 Tax governance, control, and risk management	✓ 9.1.8. Compliance and financial monitoring system ✓ 9.2. Risk Management	pp. 106-110 pp. 112-120	

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Tax				
GRI 207: Tax 2019	207-3 Stakeholder engagement and management of concerns related to tax	✓ 9.1.8. Compliance and financial monitoring system	pp. 106-110	
	207-4 Country-by-country reporting	✓ 2.5. Ownership structure	pp. 15-17	
Materials				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	✗ Not available		
	301-2 Recycled input materials used	✗ Not available		
	301-3 Reclaimed products and their packaging materials	✗ Not available		
Energy				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.4. Managing our impact on environment	pp. 82-85	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	✓ 8.4. Managing our impact on environment	pp. 82-85	
	302-2 Energy consumption outside of the organization	✗ Not available		We do not consolidate data regarding energy consumption outside of our organization
	302-3 Energy intensity	✗ Not available		
	302-4 Reduction of energy consumption	✓ 8.4. Managing our impact on environment	pp. 82-85	
	302-5 Reductions in energy requirements of products and services	✗ Not available		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Water and effluents				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.4. Managing our impact on environment	pp. 82-85	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	✗ Not applicable		Due to irrelevance to the business nature of ABB, this information is not disclosed.
	303-2 Management of water discharge-related impacts	✗ Not available		Not material
	303-3 Water withdrawal	✗ Not available		Not material
	303-4 Water discharge	✗ Not available		Not material
	303-5 Water consumption	✓ 8.4. Managing our impact on environment	pp. 82-85	
Biodiversity				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	✗ Not applicable		Due to irrelevance to the business nature of ABB, this information is not disclosed
	304-2 Significant impacts of activities, products and services on biodiversity	✗ Not applicable		Due to irrelevance to the business nature of ABB, this information is not disclosed.
	304-3 Habitats protected or restored	✗ Not applicable		Due to irrelevance to the business nature of ABB, this information is not disclosed.
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	✗ Not applicable		Due to irrelevance to the business nature of ABB, this information is not disclosed

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.4. Managing our impact on environment	pp. 82-85	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	✓ 8.4. Managing our impact on environment	pp. 82-85	
	305-2 Energy indirect (Scope 2) GHG emissions	✓ 8.4. Managing our impact on environment	pp. 82-85	
	305-3 Other indirect (Scope 3) GHG emissions	✗ Not available		We are working on improving our approach to assessing our corporate carbon footprint to ensure that we provide even more comprehensive information in the upcoming periods.
	305-4 GHG emissions intensity	✗ Not available		We are working on improving our approach to assessing our corporate carbon footprint to ensure that we provide even more comprehensive information in the upcoming periods.
	305-5 Reduction of GHG emissions	✓ 8.4. Managing our impact on environment	pp. 82-85	
	305-6 Emissions of ozone-depleting substances (ODS)	✗ Not applicable		ABB, as a financial bank is not engaged in the production, use, or direct emission of ozone-depleting substances.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	✗ Not applicable		ABB, as a financial bank does not directly produce significant air emissions like nitrogen oxides (NOx) or sulfur oxides (SOx).

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Waste				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	✗ Not available		Not material
	306-2 Management of significant waste-related impacts	✗ Not available		Not material
	306-3 Waste generated	✗ Not available		Not material
	306-4 Waste diverted from disposal	✗ Not available		Not material
	306-5 Waste directed to disposal	✗ Not available		Not material
Supplier environmental assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.1. Our approach to responsible finance	pp. 64-66	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	✓ 8.1. Our approach to responsible finance	pp. 64-66	
	308-2 Negative environmental impacts in the supply chain and actions taken	✗ Not available		
Employment				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
		✓ 8.3. Fostering positive impacts to society	pp. 72-85	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	✗ Not available		In the upcoming periods, we will expand our reporting to include detailed information on benefits provided to full-time employees and temporary or part-time employees

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Employment				
GRI 401: Employment 2016	401-3 Parental leave	✓ 8.3. Fostering positive impacts to society	pp. 72-85	
Labor/management relations				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	✗ Not available		
Occupational health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.3. Fostering positive impacts to society	pp. 72-85	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	✗ Not available		
	403-2 Hazard identification, risk assessment, and incident investigation	✗ Not available		Not material
	403-3 Occupational health services	✗ Not available		Not material
	403-4 Worker participation, consultation, and communication on occupational health and safety	✗ Not available		
	403-5 Worker training on occupational health and safety	✗ Not available		
	403-6 Promotion of worker health	✓ 8.3. Fostering positive impacts to society	pp. 72-85	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	✗ Not available		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Occupational health and safety				
GRI 403: Occupational Health and Safety 2018	403-8 Workers covered by an occupational health and safety management system	✗ Not available		
	403-9 Work-related injuries	✗ Not available		
	403-10 Work-related ill health	✗ Not available		
Training and education				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
	404-2 Programs for upgrading employee skills and transition assistance programs	✓ 8.2. Enhancing benefits to our employees	pp. 66-71	
	404-3 Percentage of employees receiving regular performance and career development reviews	✗ Not available		
Diversity and equal opportunity				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.3. Fostering positive impacts to society	pp. 72-85	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	✓ 8.3. Fostering positive impacts to society	pp. 72-85	
	405-2 Ratio of basic salary and remuneration of women to men	✗ Not available		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Non-discrimination				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	✗ Not available		ABB has a strong Human Resources Policy and Code of Ethics that explicitly prohibit any form of discrimination based on age, religious beliefs, gender, or racial/ethnic background
Freedom of association and collective bargaining				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	✗ Not available		
Child labor				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	✗ Not available		
Forced or compulsory labor				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.3. Fostering positive impacts to society	p.72	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	✓ 8.3. Fostering positive impacts to society (approach to CSR)	p.72	
Security practices				
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	✗ Not available		
Rights of indigenous peoples				
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	✗ Not applicable		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Local communities				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.3. Fostering positive impacts to society	pp. 72-85	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	✓ 8.2. Fostering positive impacts to society	pp. 57-65	
	413-2 Operations with significant actual and potential negative impacts on local communities	✗ Not available		
Supplier social assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.1. Our approach to responsible finance	pp. 64-66	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	✓ 8.1. Our approach to responsible finance	pp. 64-66	
	414-2 Negative social impacts in the supply chain and actions taken	✓ 8.1. Our approach to responsible finance	pp. 64-66	
Public policy				
GRI 415: Public Policy 2016	415-1 Political contributions	✗ Not applicable		
Customer health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 8.1. Our approach to responsible finance	pp. 64-66	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	✓ 8.1. Our approach to responsible finance	pp. 64-66	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	✗ Not available		

GRI standard/ Other source	Disclosure	Disclosure Status	Page	Omission / Note
Marketing and labeling				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	✗ Not available		Not material
	417-2 Incidents of non-compliance concerning product and service information and labeling	✗ Not available		Not material
	417-3 Incidents of non-compliance concerning marketing communications	✗ Not available		Not material
Customer privacy				
GRI 3: Material Topics 2021	3-3 Management of material topics	✓ 9.3. Data privacy and cybersecurity	pp. 118-120	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	✓ 9.3. Data privacy and cybersecurity	pp. 118-120	



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Independent practitioner's assurance report

To the Management Board and Supervisory Board of ABB OJSC

Subject matter

We have been engaged by ABB OJSC (hereinafter "ABB") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, (hereinafter the "Engagement"), over the non-financial indicators (hereinafter the "Subject Matter") disclosed in ABB's Sustainability Report (hereinafter the 'Report') for the period from 1 January 2022 to 31 December 2022. Limited assurance of the following indicators was performed:

- ✓ Total number of active corporate clients
- ✓ Total number of active retail clients
- ✓ Total number of active ABB mobile users
- ✓ Total number of active users of InternetBank
- ✓ Total headcount
- ✓ Employee turnover rate
- ✓ Total number of employees hired
- ✓ Total training hours
- ✓ Total fuel consumption
- ✓ Total electricity consumption
- ✓ Total natural gas consumption
- ✓ Total freshwater consumption
- ✓ Direct (Scope 1) emissions
- ✓ Indirect (Scope 2) emissions

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

Criteria applied by ABB

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

ABB's responsibilities

ABB's management is responsible for selecting the Criteria, and for presenting the Subject Matter in

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

EY's responsibilities

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

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (hereinafter 'ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with

ABB on 15 September 2020. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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

Our Independence and Quality Management

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

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

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do

not provide all the evidence that would be required to provide a reasonable level of assurance.

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

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

Our procedures included:

- ▶ Inquiries of the representatives of the ABB's management and specialists responsible for its sustainability policies, activities, performance and relevant reporting,
- ▶ Analysis of key documents related to ABB's sustainability policies, activities, performance and relevant reporting,
- ▶ Benchmarking of the Report against sustainability reports of selected international peers of ABB,
- ▶ Analysis of a selection of corporate and external publications on ABB's sustainability policies, activities, events, and performance in 2022,
- ▶ Identification of sustainability issues material for ABB based on the procedures described above and analysis of their reflection in the Report,
- ▶ Testing, on a sample basis, underlying source information regarding key non-financial indicators for the reporting period disclosed in the Report to check whether these data have been collected, prepared, collated and reported appropriately in accordance to the Criteria,
- ▶ Site visits to the ABB's Head Office for gathering evidence to support the assertions on the Bank's sustainability policies, activities, events, and performance made in the Report;
- ▶ Collection and checking, on a sample basis, evidence substantiating the qualitative and quantitative information included in the Report and,
- ▶ Checking the compliance of information and data disclosures in the Report with the 'with reference' requirements of the GRI Standards.

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

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the year ended 31 December 2022, in order for it to be in accordance with the Criteria.

Restricted use

This report is intended solely for the information and use of ABB and its Board and is not intended to be and should not be used by anyone other than those specified parties.

Ernst & Young Holdings (CIS) B.V.

13 October 2023

Baku, Azerbaijan

