



# Sustainability Report





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# Universal finance partner

1.1

# Letter from the CEO



**Abbas Ibrahimov**

CEO/  
Chairman of the  
Management Board

Dear shareholders, customers and all partners!

It is with great pleasure that I present to you our Sustainability Report for 2023, which is the starting year of the new strategic development period of ABB Financial Group. This Report, which stems from our intention to inform all interested parties in detail about our activities, is also an expression of our commitment to sustainability. Here you will get to know in detail ABB Financial Group's recent history based on comprehensive analysis and comparative indicators.

This history is provisionally divided into three stages: the first period covering the years 2016-2018 was the stage of stabilization in the life of ABB. The Bank underwent this process by implementing various state-supported measures and successfully completed this stage. ABB's development strategy was developed with the participation of external

consultants. By implementing our first development strategy in 2019-2022, we formed solid foundations for the sustainable development of the Bank. Thus, ABB successfully completed the second period and entered a new strategic phase starting in 2023. The results achieved in the first year of the current phase, referred to as development processes acceleration, show that ABB is moving rapidly towards its goals according to the demands of the time.

Our bank has started to grow rapidly on the sound foundations we have built in the past period. We have shown high growth in the sector by increasing our market share across all segments. We increased our share in the credit market by 2% reaching to 20% in 2023. According to the consolidated financial statements for 2023, our loan portfolio increased by 1.5 bln. AZN (or 43%) reaching 5 bln. AZN at the end of the year

compared to the beginning of 2023. During the year, an increase of 900 mln. AZN or 53% was recorded in our loan portfolio for corporate business and small entrepreneurs. We have allocated more than 1.7 bln. AZN for the financing of the real economy.

Thanks to the intensive application of new technologies, the improvement of service quality, and the large-scale projects we implemented to achieve customer loyalty, last year there was a great increase in the number of our corporate, small and medium business customers, as well as our retail customers. The activity of our retail customers has also increased. We have achieved a 25% increase in the number of our active customers during the year. Thus, we have been able to increase the number of active customers 2 times faster than expected compared to 2022. We now have over 2 million. digital customers (customers who use internet banking and mobile app) as a result of rapid growth in customer numbers over the past year. Over 750,000 of our digital customers regularly performed at least 1 transaction on ABB mobile every month in 2023. With our ABB mobile platform, which is updated regularly, we aspire to meet the needs of our customers not only for banking services, but for all financial services.

We also serve more than 15,000 corporate customers, and more than 96% of corporate transactions are done digitally.

## Record profits

2023 was the year that ABB achieved its highest operating profit since the recovery period. Last year, ABB earned a record amount of 381 mln. AZN in net profit, achieving a 32% increase in net profit compared to 2022. In 2023, the total profit before income tax of ABB increased from 368 mln. AZN to 484 mln. AZN.

In 2023 our bank paid a total of 143 mln. AZN income tax, which is higher than in 2022 by 68.2 %, and 103 mln. AZN in taxes to the state budget. In addition, ABB paid 156 mln. AZN dividends to its shareholders last year from the profit of 2022. Since 96.4% of the bank's shares belong to the state, 150.38 mln. AZN of dividends were paid to the state.

Reflective of these record profits, in the last 5 years, ABB paid more than 1.3 bln. AZN to the state budget and socially oriented projects, including

the profit tax and dividends paid to shareholders.

ABB has been continuously paying high dividends to our main shareholder, the state, as well as over 1,800 individual and private shareholders for the last five years. As ABB management, we proposed a dividend payment of 185 mln. AZN from the profit of 2023 in order to increase the dividends paid to our shareholders and ensure a minimum 15% profitability.

## Financial services center

In 2023, we improved investment access through the ABB mobile application. Every user now has the ability to trade stocks and other securities, unlocking profit potential by establishing an investment profile within the app. Parallel to this, we created an opportunity to benefit from many insurance products through ABB mobile. Those products are only a few taps away with a fully digital experience through the application.

Thanks to the integration with the systems of our partners, such successful projects are also important for us in terms of building the Open banking infrastructure, recently launched in our country. In particular, in 2023, the relevant legislative framework was formed for this purpose. These initiatives lay the foundation for a new era of change in the sector and in the financial ecosystem. At ABB, we also intend to act as a financial services center, making decisions at the heart of these initiatives. We are currently building our technological and digital infrastructure accordingly. We are developing our APIs, a set of protocols and tools for establishing interactions between different information systems. In 2023, we provided investment and insurance solutions on ABB mobile. As one of the two operator banks of the "VAT refund" service, we achieved to provide access to this service for the clients of several other commercial banks. All of these show that our technological infrastructure is ready to interact with any external organization or company's information systems.

## Constantly in search of creating new values for customers

In 2023, we successfully implemented our "Faydali cashback" project, which plays

an exceptional role in stimulating non-cash payments, forming digital customer experiences, and increasing customer activity in our country. We delivered a new value to our customers by providing the opportunity to convert any ABB card into a cashback card with just a few taps on our digital platform.

It should be noted that according to the results of the conducted survey, customer satisfaction with our Bank increased to 76.8% in 2023.

Serving all customer segments, ABB's position as the country's largest universal bank was strengthened last year. We have created a new model for serving small businesses through digital channels, taking into account the digitalization needs of small businesses and transparency trends in Azerbaijan. This model will include day-to-day banking operations for small businesses, end-to-end digital lending, various payment tools and Beyond banking solutions that will make their lives easier with a simple and eye-catching customer experience. The model is increasingly attracting small businesses to our digital platform, making financial resources more accessible and supporting the development of entrepreneurship in our country.

## Agile practice

What inspires us to provide such solutions are the new, useful experiences that our digitalization projects create for our corporate clients. I would like to point out one fact that at present our corporate clients conduct more than 96% of transactions through digital channels. Every time we create new functionality, we meet with customers, listen to them, and take into account their useful feedback. Our new business model, our successful use of the Agile method, allows us to demonstrate a customer-centric approach in a highly competitive environment. It helps us bring products to market in a timely manner that meet our customers' wants and needs and create new value and eye-catching experiences for them. In 2023, we increased the number of our Agile structures to 18. 10 of them are Agile tribes and 7 are expertise centers. All of our product development activities are currently being handled by our Agile teams. These cross-functional teams are able to better understand customer needs, make decisions more flexibly, and bring new products to market faster. Today, ABB is one of the main business organizations that successfully applies

Agile practice in our country, spreads Agile culture and trains personnel in this field.

In 2023, we also started projects in the direction of applying Generative artificial intelligence (Generative AI). As a result of this, we launched "ABB Artificial Intelligence" in a short period of time. Soon, we will be using Generative AI more widely in back office work, programming, as well as customer relations, including in the Data Center.

## Equal opportunities in a professional team

ABB maintained successful operations in 2023 thanks to the contribution of all employees in line with our new strategy. Currently, the large ABB team brings together more than 3,400 employees. As one of the main employers of the sector, ABB contributes to employment and social welfare in our country. The corporate culture at ABB is further strengthened to become the best employer in the financial sector. Last year, in collaboration with our external partner, BTS, we launched the "Leaders of the Future" program to foster new business leaders among ABB employees and support their individual development plans. 30 individuals were chosen for the six-month program following proper procedures and criteria, and they started to attend in a series of training modules. By 2023, the employee satisfaction level at ABB had risen to 81.5%.

ABB supports employees by providing trainings, social benefits and better working conditions. We uphold equality by ensuring that all employees are provided with fair opportunities, irrespective of their gender, nationality, or religious beliefs. ABB constantly monitors employee well-being and adjusts operation to meet employee needs.

ABB also pays special attention to maintaining gender balance and career development of women. In 2023 the number of permanent female employees at ABB increased by 14% compared to the previous year and reached 1437 people. Also, the number of women working in managerial positions increased by 33% to 110 people.

We train professionals for the labor market of our country. Another example of this is the success of the ABB Tech Academy established by our bank in 2019. 586 graduates graduated from ABB Tech Academy in 4 years. 116 of them are currently

working in various projects of ABB Group, while other graduates are employees of different local and foreign organizations. The employment rate of graduates is higher than 80%. We also have ABB Innovation Center. So far, more than 50 startup projects have passed the incubation stage here and have been presented to investors. Such projects are also very important in terms of the development of business and educational cooperation and the support of young talents.

In 2023, ABB continued to focus on education, innovation, culture, sports and ecology, successfully implemented corporate social responsibility projects in various fields, demonstrated solidarity in many issues for the life of the country and society.

## Sustainable initiatives

By the order of the President of the Republic of Azerbaijan dated December 25, 2023, 2024 was declared the "Year of Solidarity for the Green World" in our country. In the end of 2023, Azerbaijan won regional backing to host the 29th session of the Conference of the Parties to the UN Framework Convention on Climate Change - COP29. This is a clear example of the great respect and trust of Azerbaijan by the international community, as well as the recognition of our country's contribution to environmental protection and climate change prevention at the national, regional and global levels.

As a reliable and responsible member of the international community, the state of Azerbaijan has clear goals for combating the consequences of climate change. As ABB, we also try to contribute to the consistent work done to achieve these goals. In 2023, despite the increase in the number of our customers and employees, we have reduced the amount of GHG emissions ("Scope 1 & 2") by 5%. Also, in 2023, we managed to reduce paper consumption per customer by 28% compared to 2022. Also, we were able to ensure a 10% and 16% decrease in electricity and fuel consumption per employee of the Bank, respectively, compared to last year.

From our cooperation with the Ministry of Ecology and Natural Resources, as well as the Visa Inc., in 2023 we introduced TamEco, the first ecological bank card of our country, with minimum environmental impact. For every TamEco card ordered, a one tree has been planted. As a result

36.000 trees were planted in the territory of Azerbaijan.

In 2023, ABB also widely implemented technological innovations that serve sustainable banking. With the introduction of the TamDigi card which is a co-build product with MasterCard, the demand for a physical card has been reduced. Also, by offering digital credit and savings products, the basis for reducing the circulation of physical documents was created. As a result, 100,000 cards were put into use without a physical carrier. Also, 200,000 loan and 1000 deposit applications were fully processed digitally.

In the report, you can get acquainted with detailed information about the main performance indicators of our Bank in the directions of sustainable development, reducing environmental footprint, minimizing waste by adopting new technologies and improvements of internal procedures through extensive digitalization, providing good working environment for the employees and more stable services to the clients. To provide a clear picture, we have presented our key data over three years in a comparative format.

For the preparation of this report ABB referred to the recommendation, frameworks and guidelines of the reputable international organizations, such as Global Reporting Initiative (GRI) 2021 Standards, UN SDGs, International Banking Standards, and other. International audit and assurance company Ernst & Young provided limited assurance of the selected corporate, retail banking, social and environmental indicators as ABB's external auditor. ABB strives to set a positive example in the sector by issuing a sustainable development report for the second consecutive year.

I would like to thank each of you in advance for taking the time to read our Sustainability Report that enlivens our development journey, exploring our results, and learning about our activities. All our achievements are due to the trust and support of our shareholders, customers, and all partners who believe in us and help us along our journey.

In the coming years, we will remain committed to justifying your trust by continually innovating and delivering new value to our country and community.


*Sincerely,  
Abbas Ibrahimov.*

1.2


# ABB Financial Group at a glance

The International Bank of Azerbaijan (ABB) is a key player in the South Caucasus banking sector, with a rich history that highlights its crucial role in Azerbaijan's financial development. Founded in 1992, right after Azerbaijan gained independence, ABB quickly became important for the country's economic growth.


*BB Today, ABB is a leading bank in Azerbaijan, committed to improving its services, focusing on customer satisfaction, and embracing new technologies. Its goal is to support Azerbaijan's economic progress and ensure the bank remains competitive and reliable both locally and globally. ABB is dedicated to making a positive impact on the economy and building a strong future for the country. 99*

 Full Name:  
The Open Joint Stock Company  
"The International Bank of Azerbaijan"

 Date of Establishment:  
January 10, 1992

 Bank's license:  
December 30, 1992,  
License No. 06/06-224 by the Central Bank of  
the Republic of Azerbaijan

 Website:  
[www.abb-bank.az](http://www.abb-bank.az)

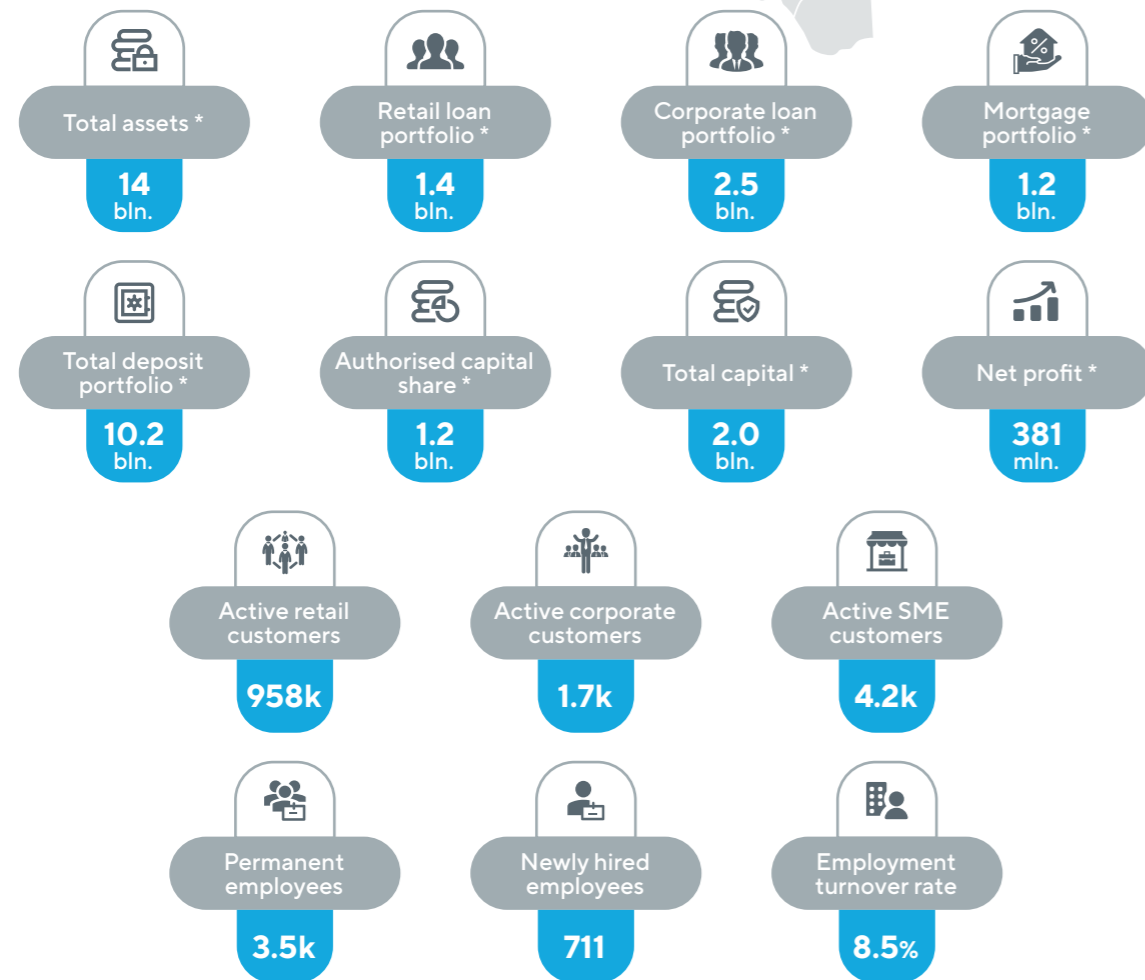
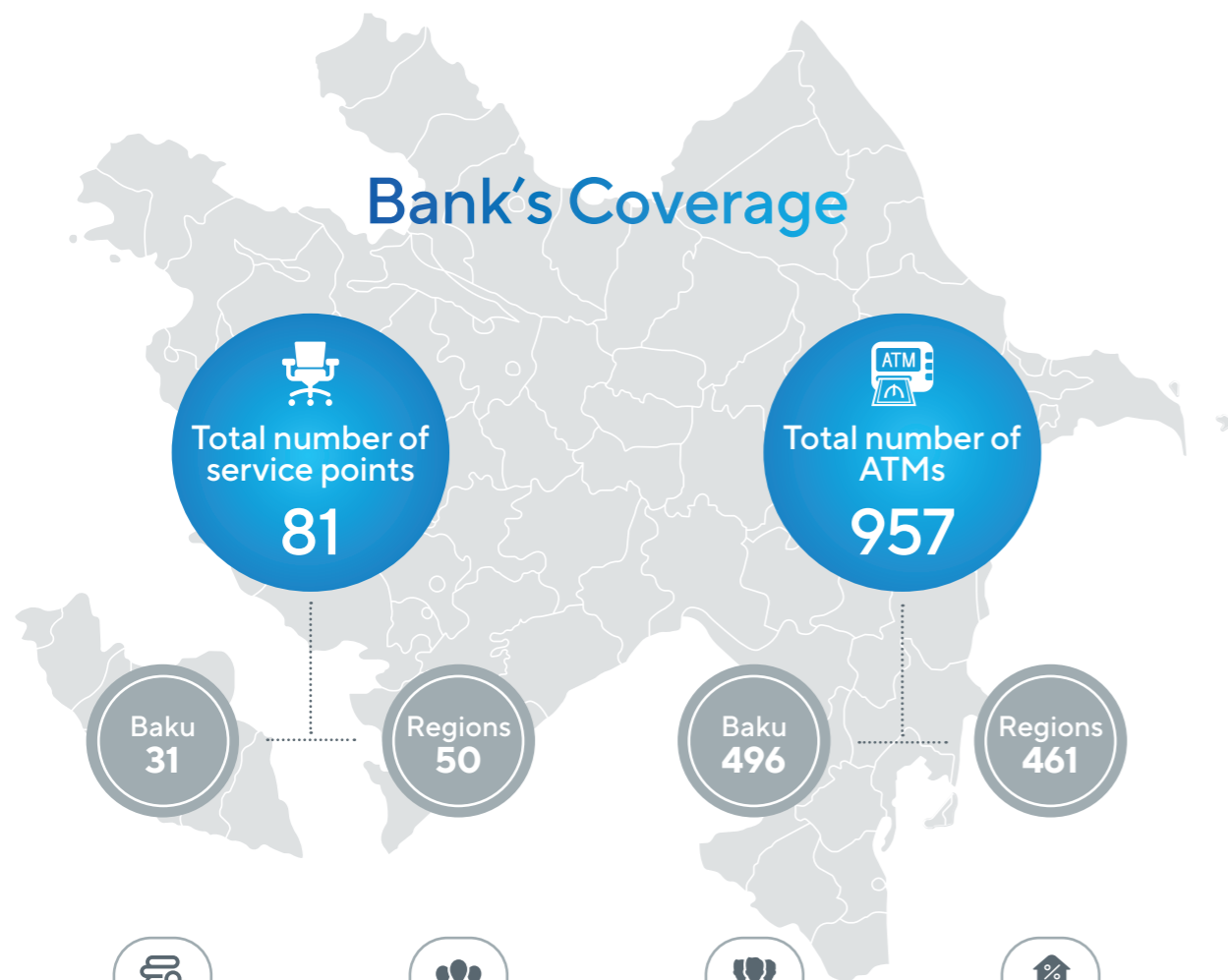
 Registered Address:  
67 Nizami St., Baku AZ1005, Azerbaijan

 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



## Bank's Coverage



\* Amounts shown are in AZN

1.3

## Mission and Vision

### Mission

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

### Vision

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 maximum returns to our shareholders
- 4 Pursuing the highest standards of corporate governance
- 5 Building the strongest ecosystem of partnerships for a digital future

# 1.4

## Purpose and values

### Purpose

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



**Courageous Integrity**

- Make accountability to our stakeholders as a noble responsibility
- Operate with transparency and prudence in everything we do
- Act honorably in delivering promises and commitments
- Make reputation and ethics a high priority for our actions



**Customer Commitment**

- 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
- Strive to understand customer needs by establishing candid relationships
- Be ahead of emerging customer needs for better service



**Curious Leaders**

- Foster collaborative teamwork to unlock each other's potential
- Appreciate responsible individuals and celebrate merits
- Create an inspiring, and agile environment to attract and develop best talents
- Develop ambitious leaders to better carry on our mission



**Execution Excellence**

- Chase perfection in delivering our brand promises
- Apply persistence and continuous improvements for the highest standards
- Exercise well-thought decisions and act timely
- Be meticulous in execution of everything we do



**Entrepreneurial Spirit**

- Unlock new opportunities by using state-of-the art innovation
- Embrace creativity and experimentation to develop best-in-class products
- Partner with relevant stakeholders for better results
- Challenge the status quo and encourage entrepreneurship at all levels



**Effective Frugality**

- Make the best use of the available resources to create more value for customers
- Take calculated risks to benefit from emerging opportunities
- Promote efficiency and productivity in every aspect of the business
- Get inspired by constraints and turn them into an advantage



**Responsible Citizenship**

- Act responsibly in serving the wider interest of our communities
- Contribute to the development of our communities
- Develop a highly skilled mobile workforce for our communities
- Think and act for a long-term future despite short-term challenges

# 1.5

## Ownership structure

Authorised capital of ABB as per 31.12.2023 is 1,22 bln. AZN.

As per authorised capital structure in 31 December 2023, The Republic of Azerbaijan Government is the majority shareholder of ABB, while 3% of shares belong to individuals.

**Table 1.** List of shareholders of ABB

Shareholder	Amount, in thousands of AZN	Share, %
Republic of Azerbaijan	1,134,460	92.56
Aqrarkredit CJSC	2,819	0.23
State Committee on Property Issues	46,697	3.81
Individuals	41,672	3.40
<b>Total</b>	<b>1,225,648</b>	<b>100</b>

### ABB's subsidiaries



AzeriCard proudly stands as Azerbaijan's biggest and most secure processing center with 16 bank partners, about 40k terminals, approximately 6 million cards, and 3 backup and reserve centers. 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 DSS 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. The issuance of cards, along with ongoing maintenance and electronic transactions, constitute the primary sources of revenue for the company. From 2022 AzeriCard began the implementation of the 3 years strategy that involves the execution of various innovative fintech initiatives. As a result of this strategy AzeriCard implemented its products and services such as 1) TezOde (TezPay) platform that provides its users with comfort in payment, as the user can be recognized with the unique number of the service received, for instance, car plate number in parking and instant issuance of digital cards 2) VIP Concierge that provides VIP clients with instant call service in such cases as card block/unblock, insufficient balance 3) Nearest ATM service that provides clients with the information about the location of nearest three ATMs that have enough currency and amount, closed to the ATM on which client could not withdraw money.

AzeriCard



## ABB MOSCOW

The first bank in Russia with 100% Azerbaijani capital, ABB Moscow Bank was founded in 2002. Even though the assets and liabilities of the Group are being sold in other countries, ABB Moscow has maintained its presence in Russia. Today, ABB Moscow's priority areas are operations in the interbank market, as well as the provision of quality banking services to corporate and retail customers. In 2023, ABB Moscow implemented several important projects, including the launch of agency factoring, an update of the remote banking system for legal entities, the introduction of a new service for credit organizations "ABB-FX", the launch of a bank card delivery service in the regions of Russia, implementation of CRM-system and corporate portal. In addition, last year ABB Moscow continued to actively develop the Granat service designed for money transfers from Russia to Azerbaijan between individuals.

## ABB Invest

ABB-Invest, established by the bank in 2020, has been successful in its path to becoming a leading investment company and gained significant market share in the local capital market. In 2023 alone ABB-Invest's volume of stock exchange transactions exceeded 12 billion AZN and made it the second-largest investment company by this metric. ABB-Invest is a direct member of the local stock exchange, local central depository, and clearing house. The company provides investment banking, brokerage, margin trading, custodian, and other main and ancillary investment services to its institutional and retail clients. ABB-Invest devotes significant resources to innovation and is one of the few local investment companies providing electronic access to the capital markets. In 2023 the investment company launched and successfully implemented the joint project with the bank aimed at provision of direct market access to US leading stock exchanges. By the end of the year, the number of its retail clients reached 10 thousand, and assets under custody exceeded 500 million USD.

## ABB LEASING

"International Leasing" CJSC is the legal successor of "Azerleasing" Company, which was registered on June 27, 2002. On June 14, 2007, the "Azerleasing" Company was state-registered as a "Joint Leasing Company" which changed its legal form and received the status of a CJSC. Afterward, on July 13, 2016, "Joint Leasing Company" CJSC was rebranded and continued its activities under the "International Leasing" CJSC. "International Leasing" CJSC provides services related to leasing activities by performing its activities based on the Company's Charter, Regulations, Civil Code of the Republic of Azerbaijan, and other normative legal acts. The goal of "International Leasing" CJSC, a subsidiary of "International Bank of Azerbaijan" OJSC, is to apply the most advanced practices and innovations in the field of leasing in the Republic of Azerbaijan to make financial services accessible and convenient for everyone, to provide excellent quality service to customers, to achieve the excellence in the services provided, to contribute to the future of society by stimulating the spirit of entrepreneurship by applying an integrity and customer-oriented approach.

1.6

# Awards

Years	Our main nominations (2020-2023)	Provided by
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	Azerbaijan Banks Association 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
2022	"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
	"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

Years	Our main nominations (2020-2023)	Provided by
2023	<p>“The Best Bank of the Year” Awarded for ABB’s strategic development achievements, including the introduction of new technologies, products and services, and strong financial performance</p>	“The Banker” magazine
	<p>“National CSR” ABB’s TamEco project was awarded the National CSR in the “Combating Climate Change category”.</p>	Joint organization of the National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan, PROAKTIV PR company, Eurasian International Relations and Research Public Union
	<p>Our main nominations:</p> <ul style="list-style-type: none"> <li>• “Corporate social responsibility”;</li> <li>• “Supporter of financial literacy”;</li> <li>• “Education supporter”;</li> <li>• “Representative of the bank who presents researches and articles in the field of banking and finance”;</li> <li>• “ABA member distinguished by actions in the field of promotion of non-cash payments”;</li> <li>• “ABA member who held events related to increasing the financial accessibility of small and medium-sized businesses”;</li> <li>• “Introduction of innovative projects in the field of digital payments”;</li> <li>• “Educational projects on security in digital payments”;</li> <li>• “Projects on sustainable banking (ESG)”;</li> <li>• “Participation in the self-employment program”.</li> </ul>	Azerbaijan Banks Association
	<p>“The Best Internal Communication strategy”; “The employee retention strategy”.</p>	Azerbaijan HR Institute



# 1.7

## ABB’s ratings

### 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 support 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 96.6% 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 28.3% 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 driven by its intrinsic credit strength, as measured by its Viability rating (VR; bb-). The Viability rating (VR) captures the bank’s solid balance sheet structure, robust financial metrics and strong domestic franchise. The Positive Outlook on the bank’s Issuer Default Rating (IDRs) reflects Fitch Ratings’ expectations that ABB will benefit from a favorable operating environment in terms of revenue generation and business volumes. In 2023, net loans made up just 35.2% of total assets, while non-loan exposures are mostly of at least ‘BB+’ credit quality. This balance sheet structure translates into ABB’s asset quality and profitability being more resilient than domestic peers, as well as into high profitability ratios and solid capital and liquidity buffers.

**Table 2.** Evaluation by renowned credit rating organizations

Moody’s	13.04.2021	09.09.2022	11.12.2023
Long term deposit	B1	Ba3	Ba3
Short term deposit	NP	NP	NP
Baseline credit assessment	b2	b1	b1
Adjusted baseline credit assessment	b2	b1	b1
Long term counterparty risk rating	Ba3	Ba2	Ba2
Short term counterparty risk rating	NP	NP	NP
Outlook	Positive	Stable	Positive
Fitch	13.04.2021	26.10.2022	16.10.2023
Long term issuer default rating	B	BB-	BB+
Short term issuer default rating	B	B	B
Viability rating	b	bb-	bb-
Support rating	5	WD	-
Support rating floor	NF	WD	-
Outlook	Stable	Stable	Positive

1.8

# Banking sector analysis of Azerbaijan

Figure 1. Key macroeconomic indicators

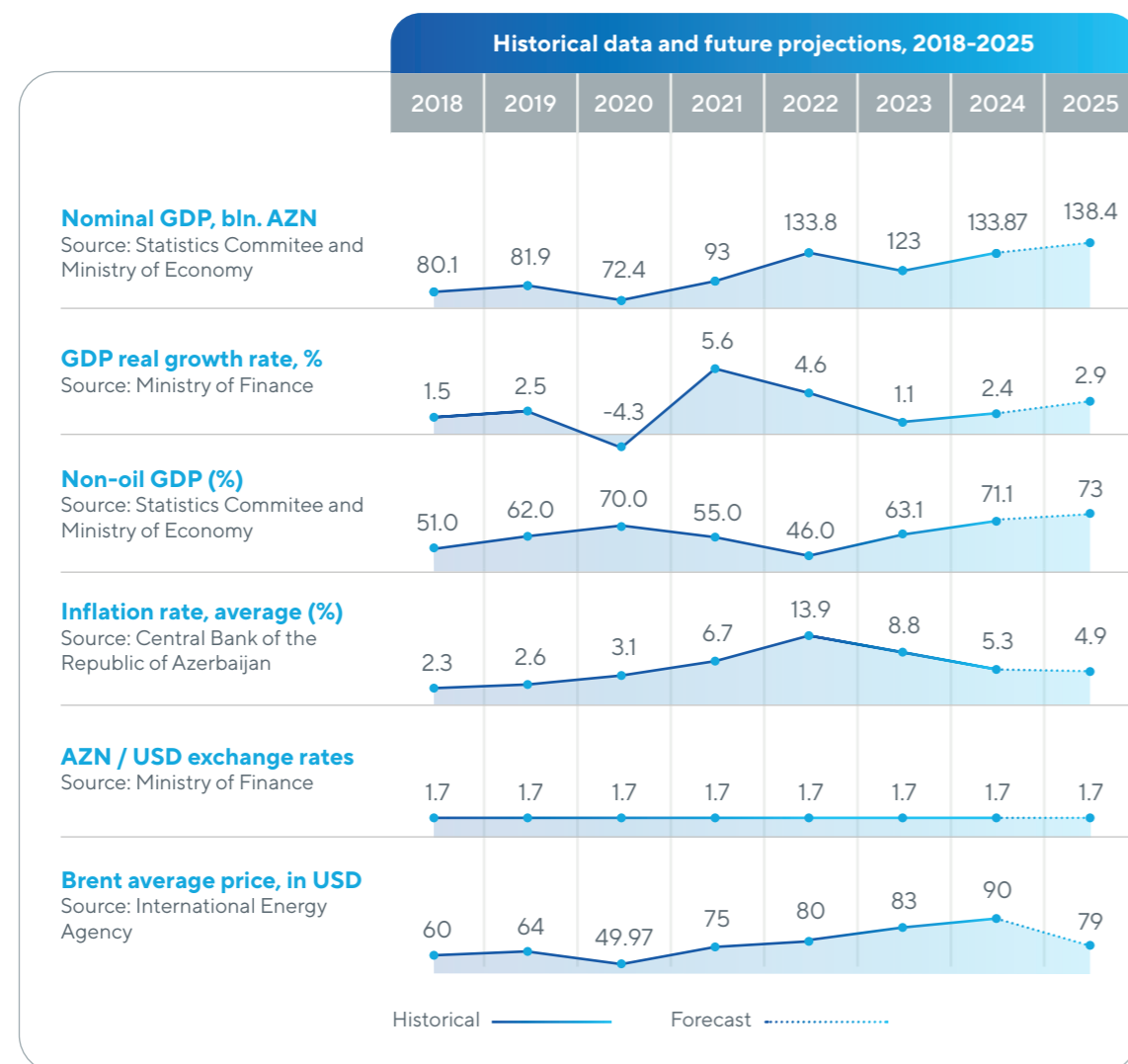


ABB rigorously tracks global and local economic and financial trends to anticipate potential risks from rapid market and economic changes. Our performance and strategy are aligned with Azerbaijan’s financial and regulatory environment.

In 2023, ABB achieved a significant 32% growth in profitability, operational efficiency, and financial stability.

In 2023, the inflation rate decreased to 8.8%. This reduction can be attributed to several factors. First, there was a stabilization in global markets and less geopolitical tension, leading to more stable commodity prices, including food. Secondly, the Central Bank of the Republic of Azerbaijan implemented effective monetary policies to control inflation, such as adjusting interest rates or managing currency exchange rates. The Azerbaijani economy’s growth rate showed a modest increase of 1.1% in real terms in 2023, reaching 123 bln. AZN at current prices. The decrease in Nominal GDP is mainly due to the reduction in the oil prices in 2023. This resilience and growth, despite external economic pressures, indicate that the non-oil sector’s performance was strong, contributing to 63.1% of GDP. This suggests that the country’s efforts to diversify its economy beyond oil and gas are yielding positive results, making it less vulnerable to external shocks and fluctuations in global oil markets. It is forecasted that the non-oil sector will grow further due to increased investments and developments in other industries, such as agriculture, manufacturing, and services, which have helped to sustain the economy’s growth rate.

In 2023, 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 the Republic of Azerbaijan responded by reducing the interest rate from 8.25% to 8.0% and establishing an upper threshold at 9.0%.

As of 2023, Azerbaijan’s banking sector comprises 23 operational banks, with 21 being privately owned and 2 state-owned, reflecting a robust and varied financial landscape. Deposits are the main source of funding, comprising 80.1% of the total liabilities. Legal entities hold 64% of these deposits. Customer loans represent 47%

of total assets, out of which 94% are net loans, highlighting the sector’s growth and progress. There was a 4.5% increase in total assets and a 4% rise in total liabilities compared to 2022.

The banking system’s resource base in 2023 showed notable growth, with a 2.3% rise in the deposit portfolio across all customer types compared to the previous year. Additionally, the sector saw an 18% surge in net profit, totaling 1,076 mln. AZN, marking a significant achievement in the financial performance of Azerbaijani banks.

In 2023, the Central Bank of the Republic of Azerbaijan introduced the 2023-2026 Sustainable Development Roadmap, which is in line with the United Nations’ Sustainable Development Goals. This strategic plan positions the financial sector as a key driver of sustainable growth within the country. The main aim of the Roadmap is to foster sustainable finance, including on expanding financing options for micro, small, and medium-sized enterprises (MSMEs).

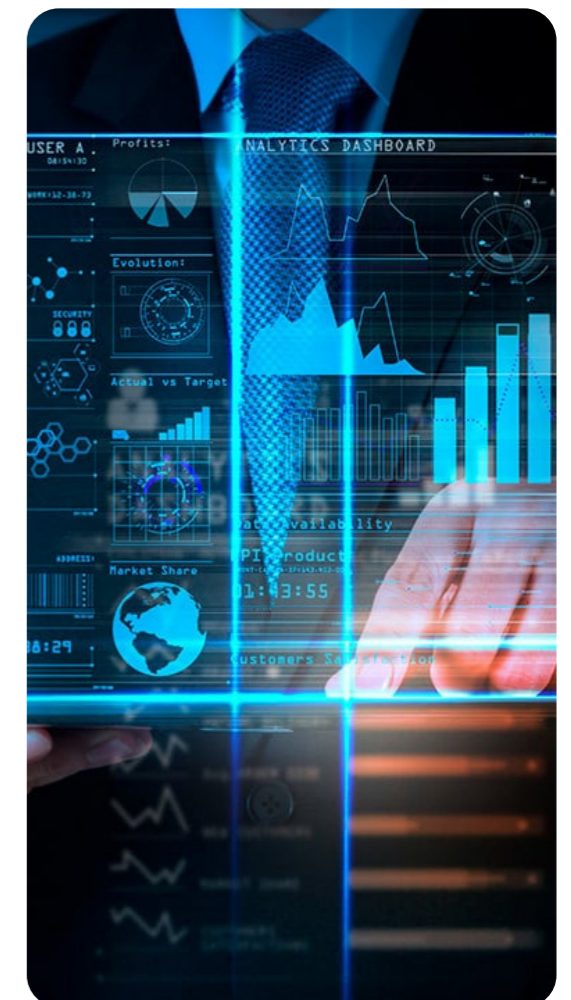


Figure 2. Banking sector overview

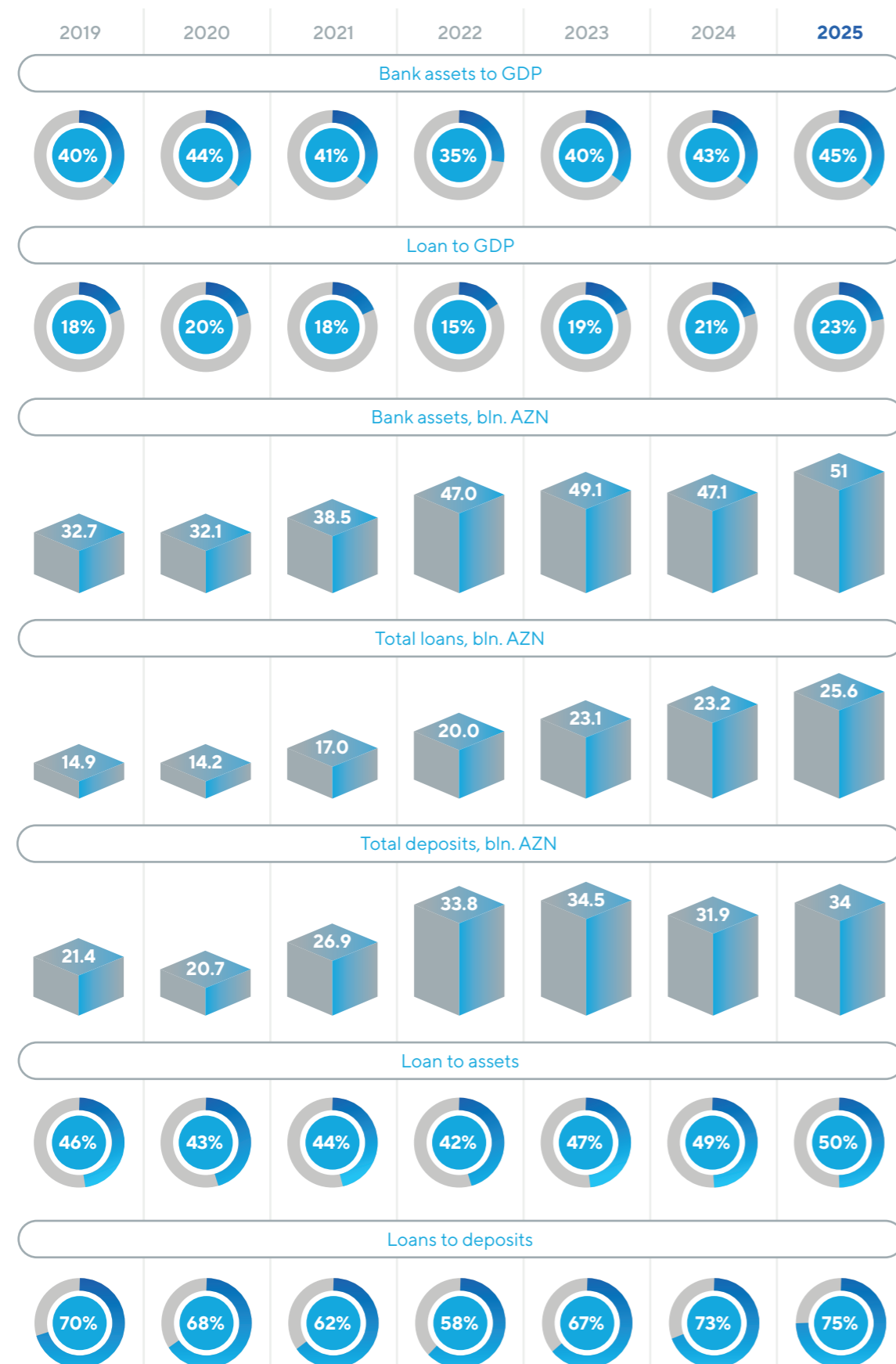
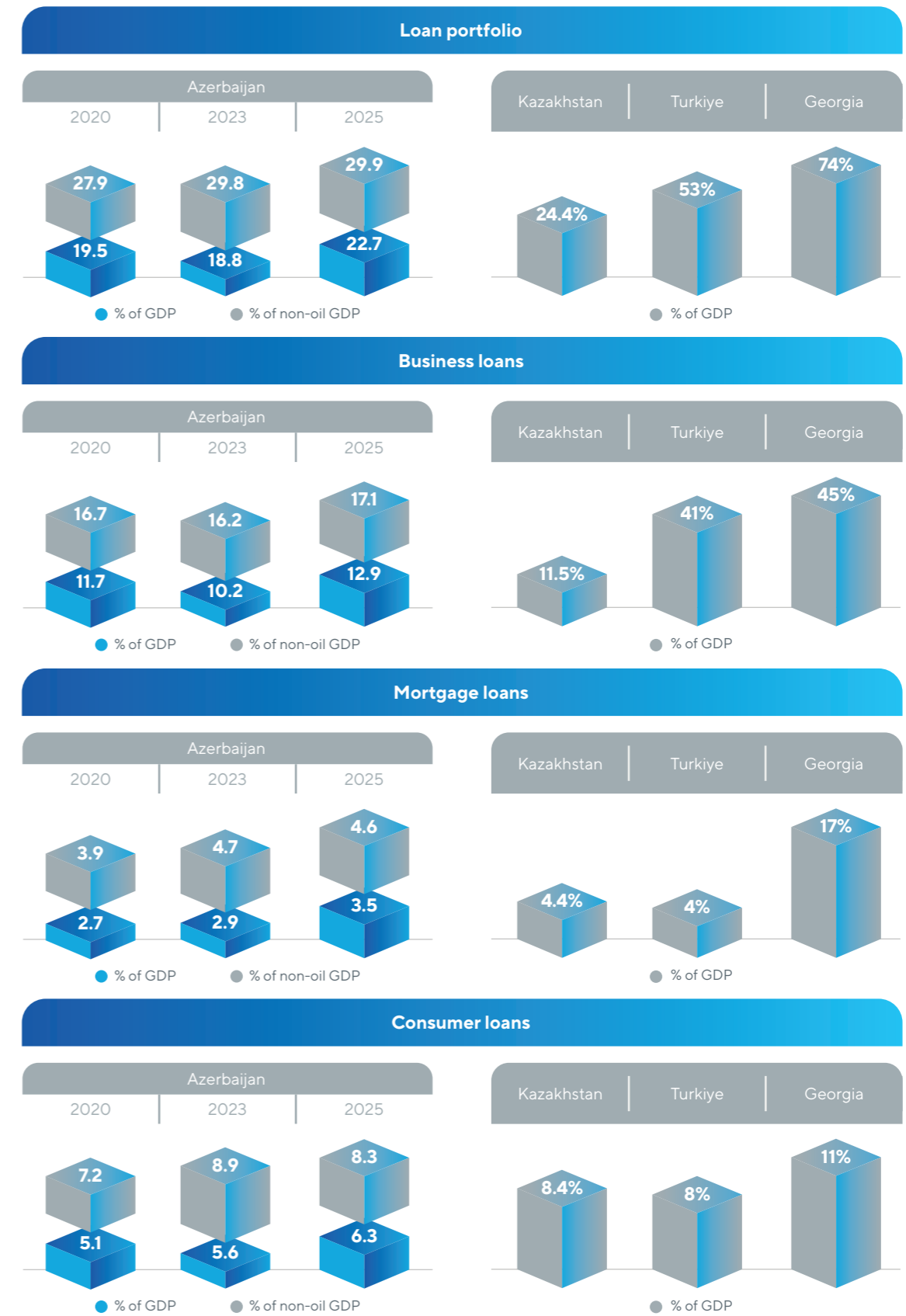


Figure 3. Portfolio



Source: Central Banks of respective countries. Projections for 2024-2025 years are expert-based

In 2023, Azerbaijan's financial sector demonstrated notable stability and resilience, underscoring the effectiveness of the strategic initiatives implemented by the regulatory authorities and the government.

The year saw a robust 16% increase in business loans, translating to an additional 1.76 bln. AZN compared to the previous year. Consumer loans experienced a notable growth of 20.5%, adding 1.2 bln. AZN, while mortgage loans expanded by 21.6%, an increase of 644 mln. AZN. This cumulative growth led to an impressive 18.3% rise in the overall loan portfolio, which amounted to 23.1 bln. AZN.

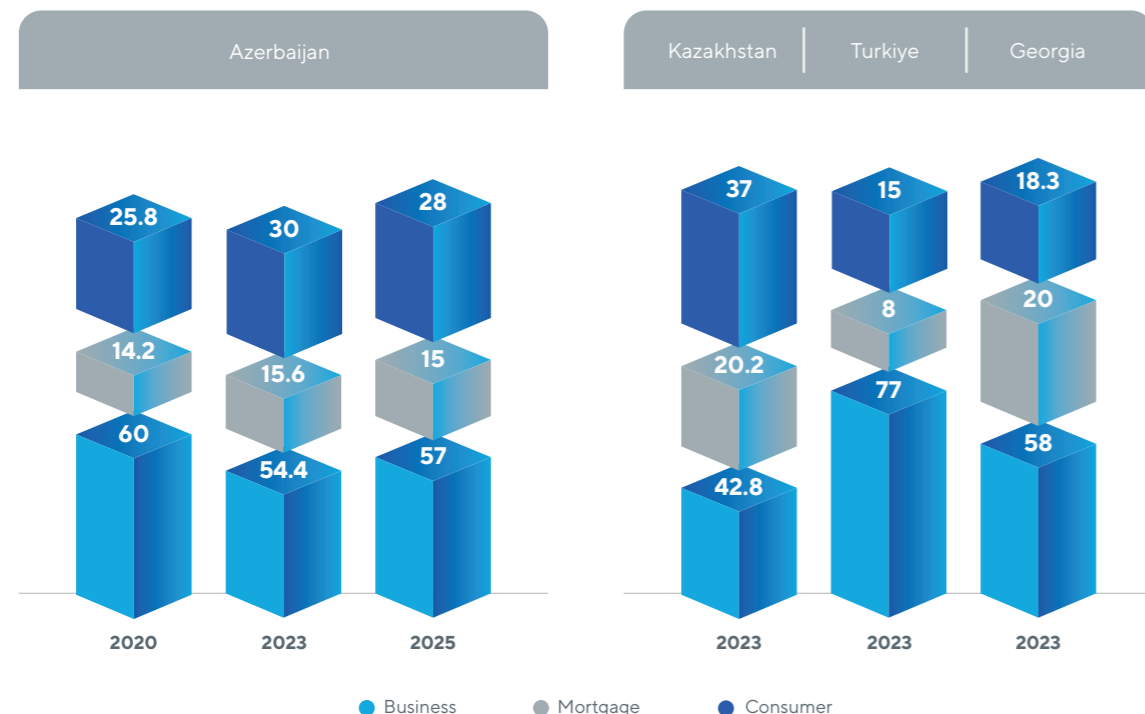
### Subsequent events

In its pursuit of sustainable development, the Central Bank of the Republic of Azerbaijan is taking significant measures to enhance the financial sector's contribution. With the introduction of the Sustainable Finance Roadmap (SFR), the Bank aims to protect the sector from environmental, social, and

governance (ESG) risks, while capitalizing on green finance opportunities and fostering green investments. The SFR, through its comprehensive Action Plan, aligns the financial sector with sustainable development goals, charting a path toward a more sustainable and resilient future.

As a leading bank in Azerbaijan, ABB acknowledges its responsibility to adhere to these national directives, ensuring its strategic vision and objectives are in sync with broader national aims. ABB has recently developed a preliminary version of its ESG topics integration into overall company strategy, which integrates national and global ESG goals with the Bank's operational framework, demonstrating a strong commitment to environmental, social, and governance standards. This proactive stance facilitates the more effective realization of ESG goals, setting the stage for a sustainable and influential future. The strategy emphasizes identifying new business prospects tied to ESG principles, advancing de-carbonization initiatives, enhancing employee development programs, and maintaining regulatory compliance.

Figure 4. Allocation of Loan Portfolio



\* Amounts shown are in %

# 1.9

## ABB's strategy overview

### Development Strategy for 2023-2025

ABB effectively navigated the post-restructuring phase, as outlined in its 2019-2022 development strategy, marking substantial progress in the bank's profitability, securing a robust financial stance, and enhancing operational efficiency. Concurrently, the bank implemented a corporate governance framework that aligns with international best practices. Moving forward, the 2023-2025 strategy of ABB is focused on preserving these successes to facilitate continued swift advancement, reinforcing its market presence in targeted segments, innovating customer experiences to address contemporary challenges, achieving elevated customer satisfaction levels, setting new benchmarks in the banking sector, and delivering significant contributions to the primary national development objectives.

### Strategic Goals

#### 1. Market Leadership across segments:

- Attain and sustain a dominant status in the business lending market
- Cement the bank's premier status by evolving consumer offerings for retail clients and bolstering our footprint in the mortgage lending sector
- Substantially enhance ABB's market share in non-cash transactions through the adoption of innovative technologies and the introduction of novel products

#### 2. Data-driven digital experience:

- Expand the number of mobile banking users by enhancing the functionality of our mobile application
- Elevate transaction volumes through digital channels for the corporate sector
- Enhance customer focus by creating innovative decision-making tools that leverage the bank's expertise and data analytics

#### 3. Superior customer centricity:

- Achieve a superior level of customer service by integrating cutting-edge technologies and delivering swift solutions for corporate clients
- Enhance customer loyalty and elevate the customer experience by fulfilling customer needs and offering innovative solutions to their demands

#### 4. Employer of choice in the financial sector:

- Aspire to be acknowledged as the premier employer in the banking sector by reinforcing corporate culture, focusing intently on employee development, boosting employee satisfaction, and emphasizing internal advancement.

### Retrospective

The 2016-2018 period: marked by financial, managerial, and institutional advancements,

ABB's strategy for the subsequent three years established the groundwork for its sustainable growth and long-term prospects. This foundation was set through the successful execution of the projects outlined below.

The 2019-2023 period:

- development strategy framework encompasses enhancing customer experience through the transformation of the service network
- implementing new business models
- innovating the bank's core systems and technologies
- expanding digital processes, culminating in the launch of ABB Digital

Following the executed strategies, the Bank achieved a market share of 15% in business loans, 17% in consumer loans, and 31% in mortgage loans. Digital channels facilitated 91% of transactions for corporate and SME customers. The market share for non-cash payments among retail customers hit 15%. The ABB mobile application saw its user base grow to 1.4 million, with active users surpassing 750,000.

### Prospective

Transitioning from the stabilization phase (2016-2018) and the establishment of sustainable development foundations (2019-2022), ABB has embarked on the third phase of its evolution with a new strategy set for 2023-2025, targeting an acceleration in sustainable growth. In this phase, the Bank will enhance its digital processes and further refine its service systems to more promptly address customer requirements. A systematic development of human capital and corporate culture is planned, along with the full adoption of Agile methodologies, culminating in the complete integration of Agile principles.

The development of data analytics tools and infrastructure will drive the enhancement of customer-centric sales and boost customer satisfaction. ABB will continue to leverage proven models and methodologies, initiating new and interdisciplinary ventures by incorporating globally successful innovative technologies, particularly in finance, to penetrate contemporary market sectors.

To realize these strategic objectives, 50+ initiatives have been outlined, with over 60 performance indicators set to assess the outcomes of these initiatives. The Bank will undertake more than 200 projects across all operational areas to fulfill these strategic endeavors.

In 2024, ABB plans to elevate its commitment to sustainability with a series of strategic initiatives. The promotion of sustainable lending products will be prioritized, facilitating environmentally and socially responsible projects across various sectors. Additionally, ABB will focus on identifying and formalizing potential green commitments to further integrate sustainability into its business operations. Exploration of collaboration and membership opportunities with leading sustainability alliances will also be a key area of action, aiming to harness collective expertise and foster significant environmental progress.

In preparation for COP 29, ABB intends to bolster support for SME and corporate clients in their sustainability endeavors, providing essential resources and guidance. Furthermore, joining one of the foremost international sustainability cooperations is on the horizon, reinforcing ABB's alignment with global sustainability standards and enhancing its influence on worldwide environmental policies.





# Leader in sustainability

# 2.1

## About this report

### 2.1.1 Report Profile

ABB acknowledges the fundamental connection between sustainability and long-term value creation. We integrate a detailed exploration of our sustainability-related commitments and business practices into our report, enriching our conventional operational and financial disclosures. The report not only emphasizes our sustainability efforts but also provides insights into our financial and non-financial achievements, charting our progress from January 1, 2023, to December 31, 2023.

In terms of reporting scope, the financial data, covering elements such as deposit and loan portfolios, total securities holdings, and similar aspects, includes the entirety of operations for both the Bank and its major subsidiaries (collectively known as the Group), except where specifically noted otherwise. Non-financial disclosures, conversely, relate exclusively to the operations of the Bank alone. The report excludes ABB Georgia as it has no operations.

The financial metrics presented in this report align with the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Additional economic disclosures are derived from the Bank's internal records. These indicators are included to offer a more holistic perspective of our economic performance, thereby benefiting our investors and shareholders.

In order to ensure that the Report comprehensively addresses all significant topics and fulfills the expectations of its stakeholders, the Bank adhered to various standards, guidelines, and frameworks:

- GRI 2021 Standards
- UN Sustainable Development Goals (SDG)

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

### 2.1.2 Materiality analysis

Materiality analysis is used in areas like accounting, sustainability reporting, and risk management to find and prioritize the most important economic, environmental, and social effects of an organization. It helps organizations figure out which issues matter most to their business and stakeholders. The GRI 2021 Standards highlight the importance of materiality analysis in sustainability reporting.

At ABB, we understand that identifying and analyzing topics significant to our internal and external stakeholders is crucial for the efficiency of our operations. We consistently interact with our stakeholders to incorporate and reflect their perspectives in our decision-making, strategy, and reporting. The Bank determines the most critical issues for stakeholders through its materiality process. This Report is organized around the key issues identified in the materiality analysis, drawing from various 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, 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 2023-2025 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

Following the materiality analysis, we pinpointed 13 material topics, which are detailed in Table 3.

### 2.1.3 Linking material topics with the UN Sustainable Development Goals (SDGs)








As part of the 2030 Agenda for Sustainable Development, the United Nations (UN) member states established a set of 17 global goals known as the SDGs in 2015.

At ABB, we steadfastly recognize the paramount significance of SDGs and actively align our corporate strategies and initiatives with these globally recognized targets to contribute meaningfully to societal and environmental advancements. The structural description of the SDG-related campaigns and initiatives that our bank has implemented is shown below. There were no major changes to the list of material topics compared to the previous reporting period.

### 2.1.4 ABB's contribution to SDGs

Banks are pivotal in supporting the SDGs, as they can align their activities and operations with these goals to help achieve them. Here are some of the ways in which ABB contributes to the SDGs:

**Table 3.** List of material topics

Material topics	Relevant SDGs	Our contribution
Digitalization and innovation	 	<p>Ensuring consistent accessibility and digitalization of services</p> <p>Enhancing the functionalities of ABB Mobile for both retail and corporate clients</p> <p>Simplifying the Internet banking service to offer legal entities and entrepreneurs quicker and easier access to the Bank's corporate services</p> <p>Persistently automating and optimizing services to reduce waiting times and expedite service delivery</p> <p><i>For more information, please refer to Section 3 and 4 of the Report</i></p>
Financial inclusion	    	<p>Enhancing access to financial services via ABB Mobile</p> <p>Sustaining a widespread network of ATMs and terminals across all country regions</p> <p>Collaborating with governmental bodies to offer training, build capacity, and improve financial literacy among entrepreneurs</p> <p>Facilitating accessible mortgages through both private and public financing avenues</p> <p><i>The detailed information is provided throughout the Report</i></p>



Material topics	Relevant SDGs	Our contribution
Financial and economic performance		<p>Fostering economic activity and entrepreneurship through the development and provision of a varied portfolio of financing products designed for up-and-coming businesses</p> <p>Broadening customer segmentation to deliver personalized services to different client groups</p> <p>Prioritizing customer satisfaction and loyalty, aiming to expand the existing client base</p> <p>Ensuring consistent and secure dividend payments to shareholders</p> <p><i>For more information, please refer to Section 1 and 4 of the Report</i></p>
Risk management		<p>Implementing a robust risk management system, steered by a clear risk management strategy and assessment policy</p> <p>Developing and deploying scoring and automated decision-making models for the retail segment</p> <p>Conducting regular reviews and updates of the annual risk map to ensure its relevance and accuracy</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>
Learning and development		<p>Offering training programs that address fundamental and advanced aspects to enhance the hard and soft skills of our employees</p> <p>Inaugurating a new Training Center aimed at capacity building and talent development</p> <p>Empowering young talents with educational programs through the ABB Tech Academy, which includes training in programming and other tech-related disciplines</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>
Fair and diverse employment		<p>Our Recruitment Policy promotes a fair and diverse culture, from hiring to all phases of employment</p> <p>We commit to diversity and equal opportunities through a thorough framework of internal policies and regulations</p> <p>Regular communication with employees helps quickly identify and address emerging issues</p> <p>We collaborate with educational institutions to guarantee effective talent acquisition and nurturing</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>
Stakeholder Engagement		<p>We actively engage with our stakeholders, both within and outside the organization, utilizing diverse communication methods to foster open and continuous dialogue</p> <p>Our dedication to transparency is underscored by the regular and forthright disclosure of our annual achievements and financial outcomes to key stakeholders and regulatory bodies, ensuring clear and reliable reporting</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>

Material topics	Relevant SDGs	Our contribution
Social and Community Investment		<p>We implement social projects designed to attract young talent and generate job opportunities for the youth</p> <p>Through partnerships with government agencies, we strive to enhance the living standards and social well-being of local communities</p> <p>Moreover, we are committed to consistently expanding the reach and impact of our Corporate Social Responsibility (CSR) initiatives</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>
Anti-corruption, anti-fraud and anti-money laundering		<p>We regularly conduct anti-corruption training, aligning with our Code of Ethics and Anti-corruption Policy, to ensure integrity and compliance</p> <p>The Bank's Internal Control Departments rigorously monitor and enforce these anti-corruption measures to uphold our commitment to ethical conduct</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>
Management and integration of ESG Criteria		<p>We are enhancing the incorporation of Environmental, Social, and Governance (ESG) factors into our strategic decision-making process</p> <p>Additionally, we advocate for responsible resource consumption, not only within our organization but also in our interactions with external partners</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>
Corporate Governance and Accountability		<p>We are setting a foundation of solid corporate values and strategic goals</p> <p>We are improving our corporate governance framework to guarantee transparency, accountability, control, and efficiency in our operations</p> <p><i>For more information, please refer to Section 2 of the Report</i></p>
Employee Wellbeing		<p>We give top priority to workplace safety and well-being, and actively promote a healthy lifestyle among our employees</p> <p><i>For more information, please refer to Section 2 of the Report</i></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><i>For more information, please refer to Section 4 of the Report</i></p>

## 2.2

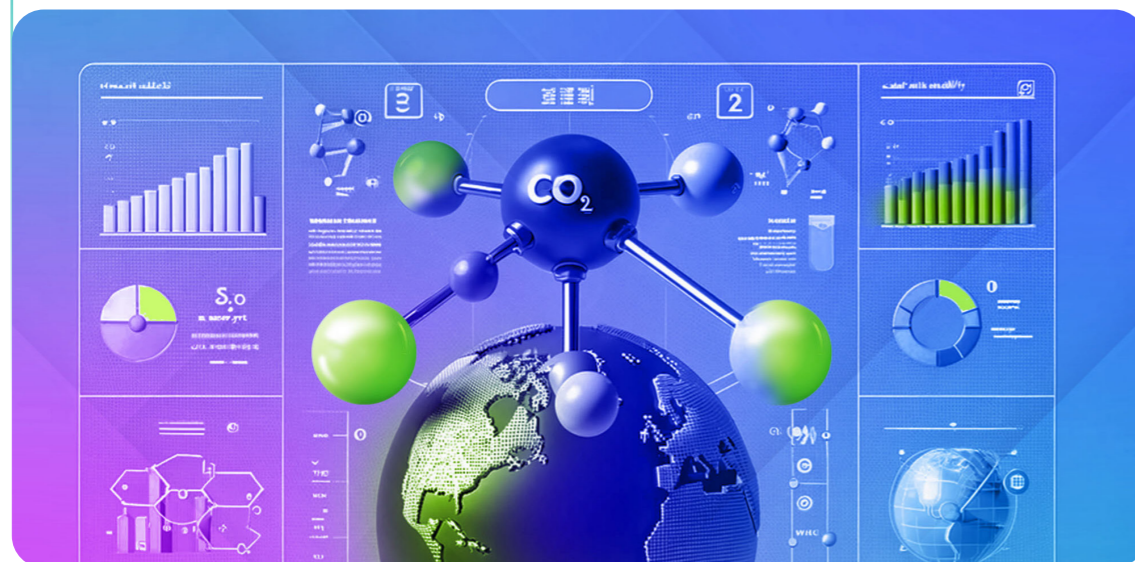
# ABB's dedication to sustainability

As one of the largest financial groups in the South Caucasus, we are fully aware of our impact on the ecological and social dynamics of the region. Our commitment goes beyond profitability to promoting economic activity that has a positive impact on the environment and society. We are dedicated to developing sustainable products that encourage our customers to adopt sustainable business practices, thereby increasing ESG awareness. This holistic approach ensures that sustainability and ESG considerations are integrated into our business activities and decision-making processes.

### 2.2.1 ESG achievements

As in previous years ABB endeavored to enhance the ESG performance of the organization. The list of our ESG achievement is indicated below:

- Launching fully digital TamDigi Card;
- Participation in the tree-planting campaign;
- Improving gender balance in the Bank;
- Paperless banking;
- Digital banking solutions;
- Decrease of fuel consumption;
- Establishment of Tam ECO card



## 2.3

# Environmental

### 2.3.1 Our Annual Eco-Footprint

ABB began to systematically monitor and assess its direct environmental impact. By 2023, we have initiated a series of measures to reduce environmental footprint. By aligning our strategies and activities to environmentally sound practices, we seek to demonstrate our commitment to sustainability and ethics in business.

#### Responsible consumption

ABB is dedicated to expanding its collaborations with leading global financial entities, recognizing the growing importance of responsibly managing ESG risks, particularly in relation to climate change. We are aware of the bank's indirect influences on different sectors and businesses funded by our loans, acknowledging that while the direct environmental impacts of the banking and finance sector might be less significant

compared to energy-intensive industries like oil, gas, or transportation, they are not negligible. Our operational activities, including facility usage, waste generation, water and fuel consumption for staff commuting, and business travel, all directly impact the environment.

We actively seek for the ways to reduce the resource usage and improve the energy efficiency of our buildings, servers, IT infrastructure, and service points in order to meet our environmental goals. This reduction in resource consumption not only aids in environmental protection but also contributes to waste reduction.

#### Energy usage and GHG Emissions

ABB closely analyzes the amount of used fossil fuels, such as gasoline, diesel, and natural gas and takes appropriate actions such as using less gasoline fueled cars to reduce any potential environmental effects (please see Table 4).

**Table 4.** Total fuel consumption by types

Indicators	2021	2022	2023
Diesel (tonnes)	177	212.77	208.11
Diesel per employee (tonnes)	0.07	0.07	0.06
Gasoline (tonnes)	256	270	246
Gasoline per employee (tonnes)	0.09	0.09	0.07
Natural gas (thsd. m <sup>3</sup> )	422	431.82	441.21
Natural gas per employee (thsd. m <sup>3</sup> )	0.15	0.14	0.13

*The methodology of consolidation of fuel consumption was updated to achieve more precise figures. The new approach was based on the real consumption in liters shown in the fuel provider system and supported by the fuel bills.*

The following Table 5 includes the Bank's carbon footprint, including Scope 1 and Scope 2 emissions:

- Scope 1 includes emissions from both owned and leased transportation vehicles
- Scope 2 includes the emissions from electricity used at owned or controlled sites

**Table 5.** Total GHG emissions and electricity consumption

Indicators	2021	2022	2023
Scope 1 GHG emissions from fuel combustion vehicles (tCO2 eq)	2,217	2,388	2,322.2
Scope 2 GHG emissions from electricity consumption (tCO2 eq)	4,408	4,823.6	4,511.2
Total emissions (tCO2 eq)	6,625	7,211.7	6,833.5
Electricity use, kWh	9,308,896	10,187,647	10,276,176.9
Electricity usage per employee, kWh	3,325	3,291	2,941

Scope 1 emissions were recalculated with an updated methodology to achieve maximum precision. The new approach is based on the availability of physical volumes of fuel types and the supporting expense forms and bills.

Our total GHG emissions and electricity usage per employee decreased approximately 5% and 10,6% respectively from 2022 to 2023. Compared to the previous year, in 2023, there was a 16% reduction in carbon emission per employee, 16.7% reduction in fuel consumption per employee, and 28% reduction in paper usage per customer in the scope of decarbonization. We recognize that the most substantial emissions arise from our portfolio, particularly those linked to our financed activities. We put a lot of effort into digitalization since it reduces indirect carbon emissions by increasing efficiency. 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.

### Water consumption

Azerbaijan has been designated by the World Resources Institute as a country that is likely to experience moderate to severe water stress. It underlines how important water is to the country as a resource. Banks are not the main users of water in economies, but their indirect influence on water supply can significantly impact natural hydrological systems, availability of water for both rural and urban areas as well as population health.

Currently, freshwater from municipal water supply lines and third-party water suppliers is supplied to the Bank. The implementation of water reuse and recirculation facilities, such as recycled water boilers or combined heat and power units, is planned for the future.

For more information regarding the Water Consumption of the ABB, please refer to Table 6.

**Table 6.** Water consumption

Indicators	2021	2022	2023
Consumed volume, m <sup>3</sup>	40,746	37,451	41,979.8
Consumed volume per employee, m <sup>3</sup>	14.6	12.1	12.01

### 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 lowered printing expenses and non-hazardous office waste. Separate waste bins for paper and plastic were installed at ABB offices, and waste is sent for recycling. Common waste types include paper, office equipment, cartridges, batteries, and fluorescent lamps.

Indicators	2021	2022	2023
Waste, tons	712.5	824.86	998.12
Waste, tons per employee	0.25	0.26	0.29
Total expenses on office paper and cardboard, AZN	532.894	1.039.064	898.225

### ABB's environmentally related activities

#### TamEco card

ABB is actively involved in environmental conservation projects in alignment with the sustainable development goals. ABB presented a new green product called the TamEco card that was made from recycled plastic collected from the oceans in 2023. For each TamEco card ordered by customers, the Bank committed to planting one tree.

In the Mushfigabad settlement, tree planting was initiated under the TamEco card project, a collaborative effort by the Bank, the Ministry of Ecology and Natural Resources, and the Visa international payment organization within the "Green Future" project of the Ministry of Ecology and Natural Resources. A total of 36,000 trees were planted under the TamEco project in 2023.



#### Launching fully digital TamDigi Card

In line with ABB's commitment to environmental sustainability, we introduced the TamDigi Card in 2023, a completely digital banking solution. This initiative significantly reduced the need for physical plastic cards, saving hundreds of cards from production and use. By transitioning to digital cards, we are not only aligning with eco-friendly practices but also facilitating a shift towards a more sustainable and less resource-intensive banking experience. This move represents a step forward in our ongoing efforts to integrate sustainability into every aspect of our operations.



#### Tree planting campaign

ABB participated in the campaign organized on the occasion of the 100th anniversary of the National Leader Heydar Aliyev on the basis of the "Memorandum of Understanding" dated March 13, 2023 signed between the Central Bank of the Republic of Azerbaijan, Ministry of Ecology and Natural Resources, Azerbaijan Banks Association, Azerbaijan Insurers Association, Azerbaijan Microfinance Association, Azerbaijan Stock Market Participants Association and Azerbaijan Fintech Association. As per the memorandum 1 million trees are planned to be planted across the country in the time period of 10 years.



**Paperless payment system**

ABB is committed to integrating diverse technologies aimed at enhancing operational efficiency while prioritizing ecological sustainability. A pivotal aspect of this endeavor entails minimizing paper usage. Consequently, we devised and integrated paperless payment systems into the routine operations of our accounting team. This initiative was dedicated to reducing the volume of paper invoices processed within our banking processes.

As a result, accounting documents were digitized to achieve a paperless and expedited process and a new ERP system was implemented, creating a streamlined accounting document flow process.



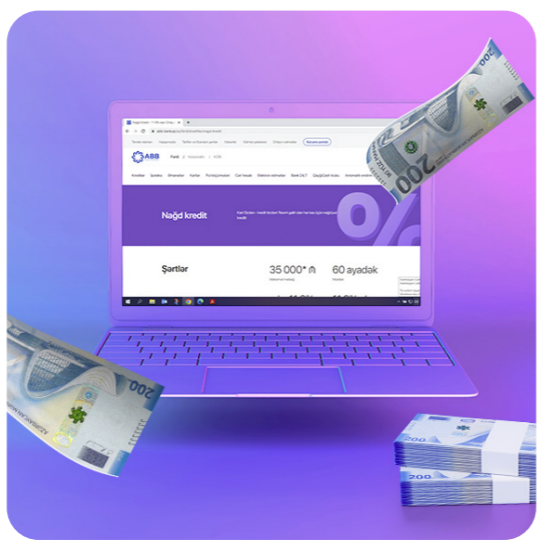
**The first Azerbaijani alpinist who conquered Everest started his historic journey with the support of ABB**

The project was implemented under the motto "Crown of Victory" and was dedicated to Azerbaijan's victory in the Patriotic War. Consistently providing financial aid in the development of sports in Azerbaijan, ABB also supported this initiative of the climber.



**Fully digitized loan documents**

Within our pilot branches, as part of the paperless branch initiative, loan processing was fully digitized, eliminating the need for paper use. This transition not only streamlines operations but also aligns with ABB's commitment to environmental sustainability, significantly reducing our carbon footprint and contributing to ABB's social factors by improving the quality of services to customers and minimizing their unnecessary physical channels.



**Digital ID cards**

To optimize employee workflows and protect the environment, we started providing ID cards in a digital format.

**ABB donated 1 million AZN**

ABB donated 1 mln. AZN to help victims of the earthquake in Turkey. The funds were transferred to the account of the Agency for Natural Disasters and Emergency Situations of the Ministry of Internal Affairs of Turkey.



# 2.4 Social

## 2.4.1 Focus on employee

### Our approach to people management

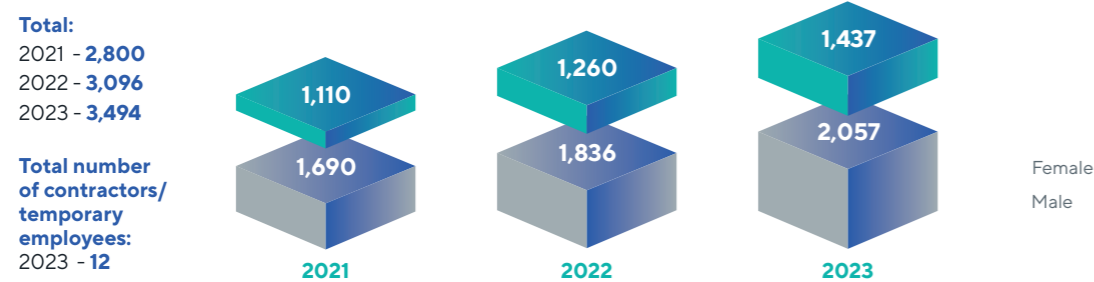
We believe that a committed and motivated workforce brings undeniable advantages. In our capacity as a conscientious employer, we have carefully developed a supportive work atmosphere grounded in the values of mutual respect and trust, guaranteeing that every member of our distinguished staff is afforded equal opportunity.

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](#)

Our workforce has consistently increased

**Table 7.** Number of permanent full-time employees



**Table 8.** Total training hours per employee

Total training hours per employee	2021	2022	2023
Ratio: Per total number of employees	8	14	15.3
Gender	● Female ● Male	● Female ● Male	● Female ● Male
	21.6	14.2	39.2
	14.2	26.7	37.1
			26

for the past 5 years, which is evidence of ABB's standing as a trustworthy employer. Long-term operational excellence is highly valued in ABB's strategic development plan, and we are constantly working to improve our HR management, which includes features like fair compensation, learning and development opportunities, and performance reviews. According to our internal policies, in line with the Labor Code, we practice employee dismissal procedures that are included in our employee contracts. We ensure a minimum notice period of one month for employees to leave.

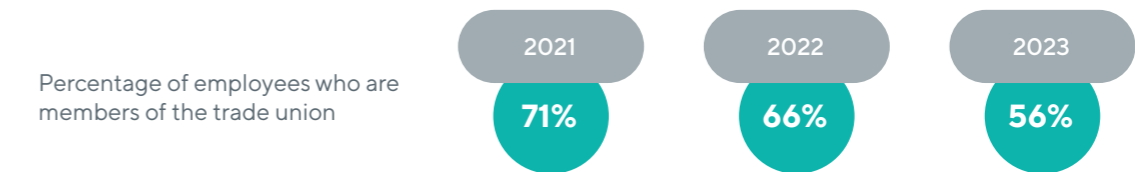
### Recruitment

ABB follows a systematic approach to hiring, including steps outlined in the Recruitment Policy that was approved by the board. The Bank unveiled a Human Resources platform at the beginning of 2022, and as part of it, a job application portal was developed. In 2023, Human Resources platform substantially improved the hiring process. Thus, a good number of applicants used the ABB employment portal for online applications, taking advantage of a seamless and intuitive process.

**Table 9.** Employment data

By age	2021	2022	2023
Under 30 years old	994	1,145	1,382
30-50 years old	1,525	1,673	1,811
Over 50 years old	281	278	301

Total number of employees by region	2021	2022	2023
Baku and Absheron	2,178	2,457	2,837
Regional offices and branches	622	639	657



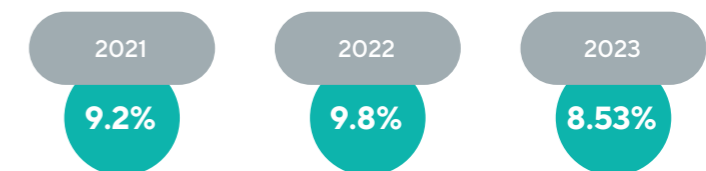
**Table 10.** The total number of employees hired classified by gender

Gender	2021		2022		2023	
	Men	Women	Men	Women	Men	Women
Total number of hired employees	310	201	361	275	423	288

**Table 11.** The total number of employees hired classified by age

Age	2021			2022			2023		
	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	364	140	7	454	173	9	512	193	6

**Table 12.** Permanent (full-time) employee turnover rate



### 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.

Since 2021, the HR 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 2023. We intend to sustain this positive trend in the coming years.

*“Leaders of the Future” program*



Pursuing one of its main strategic aspirations, being ‘the employer of choice in the financial sector’, ABB continuously makes investments in its employees and works to relentlessly develop and promote leadership capacity in the bank. As part of these efforts, ‘The Leaders of the Future’ program was launched in Q4 2023 to develop the skills of high potential employees by taking them through a unique development journey designed specifically for their needs. The program is conducted in collaboration with an internationally renowned HR consultancy firm specializing in talent development for leadership.



Initially, 100 potential leaders across various diverse tribes and departments went through a very thorough assessment process including online tests and interviews. At the end of the assessment, 30 candidates were selected to attend the program across a 6-month period. In parallel to the assessment process, the talent development journey was specially designed for ABB in order to perfectly satisfy the development needs of the participants.

The journey includes four in-person workshops that teach diverse leadership topics including leading the business, leading self, leading others, and stakeholder management. The first workshop was held on 4-6 December 2023, and the following three workshop are planned to be held across January – April 2024.

In addition to the four in-person workshops, the journey includes a number of critical components and provides a holistic development opportunity for the participants. The other components of the journey include:

- Periodic mentorship sessions for the 30 program participants with a Management Board member, who is assigned as their mentor;
- Speech by a different Management Board member delivered during each workshop;
- Writing of Individual Development Plans (IDPs) for all program applicants, and refined IDPs for 30 participants. After the writing of IDPs is completed, the execution of the IDPs will be thoroughly tracked by the line managers and the IDP will be leveraged as a critical instrument in tracking the development journey of the participants;
- Various activities (e.g. identifying business opportunities for ABB’s Strategy Plan, having a feedback conversation to address a performance management situation, holding a coaching conversation to support a team member) performed by the 30 participants in between the in-person workshops



*“Horizon” development program*

As in the previous year, in 2023 ABB organized the “Horizon” project, aim of which is to elevate the professional skills of employees involved in customer service. To qualify for participation, employees initially underwent an IQ test. Probationary employees engage in internships across 13 departments and receive evaluation feedback from an assigned mentor upon completion. In 2023, a total of 12 employees were selected to take part in this program. All of them continued their work at ABB.

*Employee engagement and communication*

Fostering robust, lasting relationships with our staff, grounded in honesty, respect, and trust, is of utmost importance to us. We highly value their insights, which aid in nurturing a culture of consistent open dialogue and seamless inter-departmental cooperation. Achieving developmental objectives is also a key focus, with a strong emphasis on long-term career development and enhancement through coaching and feedback.

We have implemented a multitude of projects aimed at increasing employee engagement, personal development, and well-being. ABB organized a series of engaging competitions such as Carting, Quests, Mini football championship, Bowling championship, Table tennis, etc., involving hundreds of employees. These events not only fostered team spirit but also promoted a sense of camaraderie and healthy competition within the organization. Overall more than 2000 employees participated in these events.

Our Communication Clubs, including the “Change Agents” project (in this project, we define an agent for each department and branch, that enhances the process of communication), “Volunteers club” and others, have provided platforms for employees to collaborate, share ideas, and contribute to meaningful initiatives. Through various channels such as “Monthly review”, and our active presence on social media platforms like ABB Family, Intranet, we have ensured transparent communication and kept our employees informed about important updates, events, and achievements.

Establishing a robust evaluation system within the organization is crucial for identifying and communicating performance goals and objectives to staff, as well as accurately assessing effectiveness. The more efficiently this system is organized, the greater the productivity and benefits 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. 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 (directors, deputy directors, and department managers), fostering a culture of feedback within the organization. Overall 12-15 employees evaluate the individual.

The 180 Performance Evaluation framework is being implemented for the remaining employees, categorized into two groups: those receiving bonuses on a monthly or quarterly basis, and those receiving them annually. For employees receiving annual bonuses, a 10% weight is allocated to bonus attainment within their KPIs.



We consistently implement various programs to boost employee loyalty and motivation. One standout initiative is the Outperformers Program, which we’ve been running since 2020. In each quarter of 2023, we recognized and selected about 50 employees as Outperformers.

Our Intranet platform acts as an important tool in promoting professional and personal development. It provides employees with updates on changes in guidelines, applicable laws, structural modifications, and other internal affairs, enhancing their awareness of potential opportunities.

ABB has advanced its HR practices by adopting HR analytics, using advanced tools to automatically analyze employee data, thereby gaining insights for informed decision-making. This approach enhances ABB's HR strategies, ensuring they are dynamic and meet the evolving needs of its workforce, fostering continuous improvement and success.

In our commitment to fostering a secure and supportive work environment, we are proud to highlight the voluntary insurance programs available to our employees at the bank. These programs not only demonstrate our dedication to their well-being but also serve as a crucial component of our sustainability efforts. By providing options for voluntary insurance coverage, we empower our employees to protect themselves and their families against unforeseen circumstances, promoting financial stability and peace of mind. After completing six months of employment at the bank, each employee is enrolled in a voluntary insurance program that includes a range of medical services. Approximately 90% of our employees receive insurance coverage in 2023. Furthermore, employees have the option to extend this insurance coverage to their family members.

**“Global HR Summit”**

On April 20, 2023, ABB, in partnership with the Azerbaijan HR Institute, hosted the “Global HR SUMMIT 2023” in Baku. This event attracted around 700 attendees from 50 countries, encompassing HR leaders, company executives, entrepreneurs, government officials, and top professionals.

The summit was conducted under the theme “Decent Work & Economic Growth,” aligning with one of the United Nations’ Sustainable Development Goals for 2030. ABB’s involvement in this summit underscores its commitment to being a front-runner in the financial sector of our country, adhering to the sustainable development goals framework.



**Launch of the “Kubok” project**

To enhance motivation for sales within the branches, a Cup project was introduced specifically for loans associated with the Micro and SME segments, aiming to incentivize and recognize outstanding performance in these crucial areas.

**Fostering new leaders and young talents**

ABB conducts recruiting by partnering with the local universities, by offering talented graduates internship opportunity with possibility for selected candidates to become a full-time employee. Our program includes seminars and discussions with our experts and recruitment staff at universities all over the country on how to share knowledge and learn from each other. In addition, we organize job fairs in all universities of Baku and other regions.



In its third year, ABB proudly serves as a primary sponsor of the ADA’s Employability Week and reaffirms its commitment to supporting employability programs and academic endeavors. ABB carries out an annual paid internship program in line with its commitment to supporting young professionals. With a focus on areas such as banking, finance, taxation, business management, and corporate governance, the initiative aims to attract exceptional talent from both local and international universities.

19 interns participated in a 6-month rotation across several areas at ABB as part of the 2023 Internship Program. Their performance in this time frame is a major determinant of their future employment prospects in their departments.

Additionally, by providing a two-month internship program for approximately 100 people without prior expertise in related sectors, our branch network actively contributed to their development throughout 2023. After this time, participants take a final test to determine whether they are qualified for future work with the company.

**“Data Bootcamp”**

In 2023, ABB launched the “Data Bootcamp” initiative, designed to enhance data-related knowledge and skills among the bank’s employees. Seventeen individuals were selected to engage in this program, providing them with the opportunity to gain insights and learn directly from experts in the field of data analytics. This initiative allowed these employees to interact with and absorb valuable knowledge from seasoned professionals, fostering skill development and expertise in data within the bank.



**Table 13.** ABB employee seniority, classified by gender

Gender	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Top management	9	2	9	2	9	2
Middle management	299	60	367	81	442	108
Other categories	1,382	1,048	1,460	1,177	1,606	1,327

**2.4.2 Focus on customer**

**Customer privacy and data protection**

The growing integration of Information Technology in our lives has transformed both personal and corporate communication, accelerating the pace of online information exchange and transactions globally. However, this advancement also escalates the risk of cyber threats, leading to customer concerns about the security of their personal information and data.

To mitigate these risks, ABB continuously updates and enhances its IT systems, aligning service delivery with international cybersecurity standards. The bank has established a comprehensive set of rules and guidelines that all employees must adhere to. To ensure adherence to these standards and maintain robust

**Equal opportunities and diversity**

We employ contemporary methodologies to monitor organizational dynamics and ensure optimal synergy among team members. Additionally, we provide an array of developmental opportunities, including specialized programs and training sessions, to foster professional growth and advancement. Our commitment to adherence to regulations and equitable treatment underscores our dedication to maintaining a fair and compliant workplace environment.

We strive to help and retain female professionals after they return from parental leave - 60% of our female workers returned to work in 2023 after taking maternity leave. In summary, our HR department consistently endeavors to instill a sense of value and support among all personnel. This commitment to excellence is why we contend that our organization is deserving of recognition, as we continuously strive for unparalleled proficiency in our endeavors.

cybersecurity and data protection practices, our internal audit and internal control departments carry out regular inspections and audits.

**Customer complaint management**

A company’s ability to satisfy its customers is critical to its success in the fiercely competitive business world of today. Effective complaint handling is essential to sustaining high levels of customer satisfaction. Customer complaints are immediately handled via a well-designed complaint management system, which also offers insightful information for process enhancement.

ABB established comprehensive “Methodological Guidelines” providing the systematic approach to handling customer complaints. This document outlines the procedural framework for managing and addressing complaints submitted by clients. Complaints may be addressed to the Bank either

verbally or in writing, through various channels such as branches, online banking, social media, and the official website. In 2023, the total number of external inquiries and complaints received was 10,071, reflecting a significant uptick from the 7,907 recorded in 2022. The ABB has made it easier to file complaints or inquire through streamlined online platforms and dedicated communication channels, which led to a rise in recorded incidents. Notably, out of the 10,071 complaints logged in 2023, an impressive 10,024 were successfully resolved, demonstrating a strong commitment to customer service and issue resolution.

### Ensuring client satisfaction

Ensuring client satisfaction is the core principle in any business, as it not only fosters customer

**Table 14.** Customer satisfaction rate

Indicators	2021	2022	2023
Customer satisfaction rate, in %	90	92	97.6

## 2.4.3 Focus on society

### Management approach to CSR

The establishment of our CSR policy in 2020 was a major step toward our goal of integrating the culture of Corporate Social Responsibility (CSR) into our business principles. This policy, which demonstrates our steadfast commitment to CSR principles, has grown to be an essential part of our long-term strategy. Our dedication to putting CSR processes into place stems from the Bank's two main agendas:

#### 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 is mainly concerned with reducing or avoiding any negative effects on society, producing social value, and involving stakeholders in social issues. The principles underlying the Bank's CSR policy align with

loyalty but also contributes to the overall success and growth of the organization.

As a universal bank providing diverse products and services to its customers, ABB places a high importance on customer care, well-being, and satisfaction. In order to provide an exceptional experience across all of our channels, we invest time and energy in learning about the banking needs and preferences of our customers. We also continuously innovate our products and services.

In order to better understand our clients' needs and adjust our value proposition, we often request feedback. We consistently track client satisfaction levels using a variety of surveys. Please refer to Table 14.

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. The CSR strategy highlights the assessment of possible environmental implications related to partner firms and clients as a crucial component of responsible financing, in addition to the social dimension.

### Participation in events

#### ABB Math Competition



In 2023, ABB collaborated with the Ministry of Science and Education of the Republic of Azerbaijan to hold a Math Competition for students of the ninth, tenth, and eleventh grades. 7574 students applied to participate in the tournament, and 260 advanced to the second

level. In the next round, 35 pupils, 12 of whom were from regional schools, were given the opportunity to attend 10-day intensive mathematics trainings in Baku. The trainings were held at the ABB Tech Academy, with methodological help from local and global specialists in Olympic and intensive training program organization.



#### "Limitless talents" exhibition

Through the joint efforts of the DOST Agency, Baku State University (BSU), UNICEF Azerbaijan, and the Azerbaijan Banks Association, an exhibition-fair showcasing handicrafts created by young individuals with disabilities was organized and hosted at Baku State University. ABB, as part of its commitment to sustainable development, collaborated with this important event to promote equal opportunity and inclusion.



This event's primary goal was to support the potential of young people with physical disabilities by encouraging the recognition of their inherent qualities and raising participation in self-improvement programs.

The exhibition showcased the creative endeavors of up-and-coming artists who received

their education in various institutions, including vocational schools and rehabilitation centers operated under the Ministry of Labor and Social Protection of the Population. The inclusive dance ensemble, "DanceAbility Azerbaijan," made a notable performance during the event. Several young individuals shared their success stories, contributing to the overall inspirational atmosphere. The program included various initiatives aimed at promoting the social involvement of youth with disabilities, as well as craft and start-up competitions focused on creative concepts.

#### 5<sup>th</sup> National Book Fair

With the partnership of ABB, the National Book Fair took place in Gosha Gala Square from May 27th to June 4th. The primary objective of the event is to cultivate interest in literature, reading, and knowledge, while concurrently supporting creative talents within our nation.



More than seventy thousand books were presented at the expo, with discounts of up to seventy percent. The event also featured poetry evenings, book presentations, signing sessions, panel discussions, and meetings with local and international authors.

ABB acknowledges the significance of organizing events of this nature and consistently collaborates with interested organizations to facilitate them. This increases the literacy of the nation and creates a positive impact on society.





# 2.5

## Governance

### 2.5.1 Corporate governance system

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.

We prioritize 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:

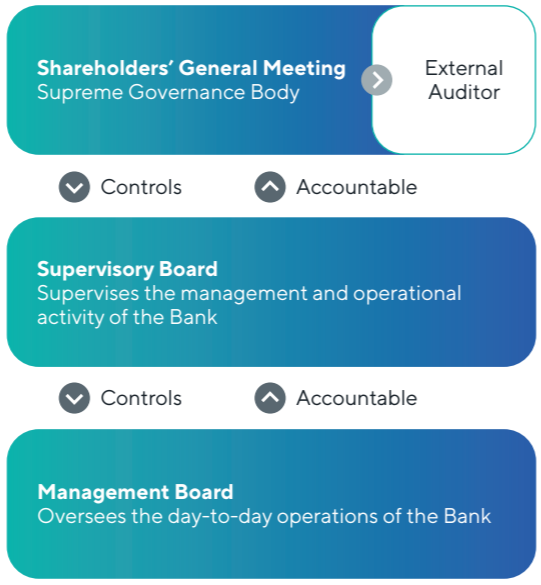
- [The Law of the Republic of Azerbaijan on Banks](#)
- [Corporate Governance Standards for the Banks developed by the Central Bank of the Republic of Azerbaijan](#)
- [Recommendations of the Basel Committee on banking](#)
- [The normative documents and guidelines of the Financial Market Supervisory Authority of the Republic of Azerbaijan](#)

#### Governance structure of ABB

In 2023, the Board of Directors swiftly executed the creation of multiple tribes that

the Supervisory Board decisively approved in 2022. This pivotal decision underscores ABB's steadfast commitment to refining its governance framework, prioritizing efficient management practices, and nurturing unwavering trust among its stakeholders. In pursuit of this goal, we strive to elevate transparency in our communications with stakeholders, thereby nurturing deeper and more robust connections.

#### Corporate governance structure of ABB



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.

#### General meeting of Shareholders

The General Meeting of Shareholders, as the supreme governing body, makes decisions on the matters entrusted to it by legislation. The procedure for convening and holding meetings of the General Meeting of Shareholders is regulated by the provisions of the Law of the Republic of Azerbaijan on Banks and the Charter of ABB.

#### 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.

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 2023, the Supervisory Board surpassed this requirement by holding a total of 29 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 balance between the interests of shareholders, and employees.

Throughout 2023, 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.

Moreover, the Supervisory Board actively engaged with all 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

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

Mr. Ahadov holds a role of the 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

Mr. Huseynov holds a role of 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

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 holds a role of the Secretary of the Supervisory Board of Azerbaijan Investment Holding, Assistant to the Prime Minister of the Republic of Azerbaijan.

## Management Board

The Management Board, which has the responsibility of supervising its day-to-day operations, is one of the highest management bodies in the Bank's Corporate Structure. The Management Board shall be appointed by the General Meeting of Shareholders for a term of up to three years, with the possibility of reappointment, under the leadership of the Chief Executive and the Chairman.

Ensuring that the daily activities of its various business units are aligned with ABB's strategy is one of the main responsibilities of the Bank's Chief Executive Officer. This role involves 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.

To maintain 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**



**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**



**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**



**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**



**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**



**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**

## Managing directors



**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**



**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**



**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**



**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**

We aim to achieve a high level of expertise and an extensive understanding of stakeholders' expectations throughout ABB. 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 15, 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 15.** Diversity of governance body, by age

Weight in respective group %	2021			2022			2023		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Number of individuals in the top management	0%	82%	18%	0%	73%	27%	0%	73%	27%
Number of individuals in the middle management	2%	83%	15%	0%	85%	15%	0%	82%	18%
Number of individuals in other management positions	7%	82%	11%	7%	83%	10%	6%	84%	10%

### Committees

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
- Strategy and Risk Management Committee
- Remuneration Committee
- Credit Committee
- Assets and Liabilities Management Committee
- IT Committee

#### 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.

#### 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 2023

#### Improving the activity of the Audit Committee:

- Conducting self-assessments
- Approval of the Action Plan arising from the Corporate Governance Standards
- Finalization of the IT audit activity improvement project with the involvement of a third-party consultant
- Review of internal regulations

#### Organization of the Audit Department's work:

- Approval of the annual audit and training plans
- Development of a growth plan
- Conducting evaluations of the audit reports
- Execution of the IT audit improvement project
- Establishment of an audit rating model
- Implementation of recruitment and motivational activities for employees
- Determination of the department's budget

#### Relationship with the Management Board:

- Holding meetings with the Board regarding audit observations and the

- preparation of the Action Plan, and providing recommendations
- Participation in the management of subsidiaries and affiliates
- Involvement in the evaluation of the strategic objectives implementation process
- Participation in the bank's internal committees
- Participation in the preparation of budget proposals for structures

#### Organization of Work with External Audit Firm:

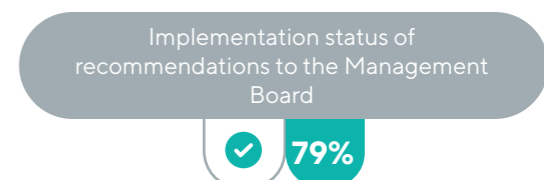
- Selection of the external audit firm
- Coordination of collaboration between internal and external audit firms
- Holding periodic meetings with the external audit firm

#### Communication with the Supervisory Board:

- Presentation of proposals for addressing deficiencies in the internal control and risk management system
- Submission of reports on the implementation status of action plans
- Presentation of a report on the collaboration with the external auditor
- Periodic discussions of audit findings with the Chairman of the Supervisory Board

#### Communication of critical concerns:

Number of critical concerns communicated to the highest governance body



**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.

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 2023

- 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.

Composition

- **Emin Huseynov**  
Member of the Supervisory Board, Chairman of the Committee
- **Khalid Ahadov**  
Member of the Supervisory Board, Chairman 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 2023

- 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.

Composition

Large

- **Abbas Ibrahimov**  
Chairman of the Management Board, Member 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, 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
- **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, Member of Committee
- **Fariz Rahimov**  
Director of the Risk Management Department of the Bank, Member of the Committee
- **Rufat Abbasov**  
Mortgage Tribe Lead, Member of Committee

**Small Credit Committee**

Approval of loan applications up to 350 000 AZN

**Medium Credit Committee**

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

**Large Credit Committee**

Approval of loan orders in the range of 2 000 001 - 10 000 000 AZN

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 2023

- 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 2023

**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.

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 2023

- The target profitability of the investment portfolio, the types of assets in the sub-portfolios, and the distribution across currencies, as well as the limits for the share of assets in the current and targeted portfolio, have been determined;
- Decisions within the limits for currency, money, and securities market transactions have been made;
- The Bank's current liquidity situation has been discussed in the context of the new mandatory reserve and "LCR" (Liquidity Coverage Ratio) regulations;
- Measures for managing liquidity and addressing the consequences in case of emergency have been identified, and the delivery of decisions to the relevant structural units in an operational manner has been ensured;
- FTP (Funds Transfer Pricing) rates have been approved.
- Syndicated loan limits for foreign banks have been established.

**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.

Composition

- **Nihat Shenyuva**  
Chief Information Officer, Chairman of the Committee
- **Mayya Dursunova**  
Data Tribe Lead, Member of the Committee
- **Samir Agamaliyev**  
EWS Tribe Lead, 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 2023

- 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

- 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 16.** Meetings of the committees in 2023

Committees	Number of meetings planned to be held	Number of meetings actually held
Small Credit Committee	52	205
Medium Credit Committee	52	129
Large Credit Committee	52	147
Audit Committee	4	31
Strategy and Risk Management Committee	6	8
Remuneration Committee	1	1
Assets and Liabilities Management Committee	52	211
Information Technologies Committee	4	40





### 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 move in 2017 saw the issuance of 2,222 million shares worth 600 mln. AZN, setting a new standard in the Azerbaijani banking sector.

Between 2016 and 2017, the Bank's authorised capital experienced 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 2023

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

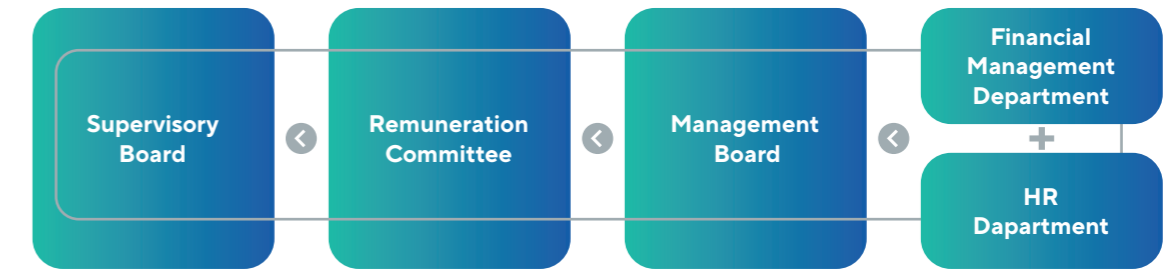
### Remuneration system

ABB's Remuneration Policy is designed in accordance with the Labor Code of the Republic of Azerbaijan, incorporating best international practices. It supports a modern corporate culture and promotes healthy competition between staff. In order to ensure the alignment of the compensation and reward system with the Bank strategy, the Remuneration and Risk Management Committee carries out an annual

evaluation. Our remuneration system has the following key objectives:

- 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

**Table 17.** Decision making structure of the Remuneration Policy



Supervisory Board	<ul style="list-style-type: none"> <li>• Examines proposals submitted by internal committees and structural divisions regarding incentivization and the improvement of employee remuneration within the bank, and makes relevant decisions</li> <li>• Establish performance parameters for evaluating the activities of the Audit Committee and its members, as well as members of the Management Board and Managing Directors</li> <li>• Continuously reviews and approves regulatory documents regulating the incentivization mechanism</li> </ul>
Remuneration Committee	<ul style="list-style-type: none"> <li>• Oversees the incentivization process</li> <li>• Organizes the preparation and improvement of the Bank's incentivization policy</li> <li>• At least annually, together with the Strategy and Risk Management Committee, assesses the alignment of the incentivization system with the Bank's strategy, the scale and nature of operations conducted, the outcomes of activities, and the level of accepted risks</li> <li>• Presents information on evaluation results to the Supervisory Board for decisions</li> <li>• Provides recommendations to the Supervisory Board regarding the overall volume of incentivization</li> </ul>
Management Board	<ul style="list-style-type: none"> <li>• Ensures compliance with country legislation requirements in incentivization matters</li> <li>• Ensures the maintenance of fairness principles in organizational and procedural aspects of the incentivization implementation</li> <li>• Approves organizational and directive documents for the implementation of incentivization</li> <li>• With the exception of the Chairman of the Audit Committee and its members, as well as members of the Management Board and the Managing Directors, it determines performance parameters for the motivation and evaluation of other categories of employees</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>• Conducts the calculation and implementation of payments based on the components of total employee income</li> <li>• Participates in the improvement of the variable portion of total employee income</li> <li>• Carries out the calculation of Key Performance Indicators (KPIs)</li> </ul>
Human Resources Management department	<ul style="list-style-type: none"> <li>• Provides the Bank's governing bodies with objective and detailed information for the implementation of incentivization</li> <li>• Prepares proposals for stimulating the activities of bank employees</li> <li>• Develops and implements a performance evaluation system for positions</li> <li>• Prepares proposals for the improvement of components of total employee income by continuously monitoring current trends in the labor market</li> <li>• Organizes the annual performance evaluation of the employees</li> <li>• Analyzes changes in the corporate behavior style of incentivized employees</li> </ul>

### 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 incentivize 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). 238 employees (203 male and 35 female) received a regular performance and career development review in 2023. 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

When determining remuneration for executives, we take into account the Bank's operational results and the ratio of non-performing assets to total assets, as set by the regulator. Our remuneration system offers competitive payment across all employee categories, with slight fluctuations based on performance results. Regular reviews and enhancements are conducted to ensure maximum transparency and fairness in ABB's remuneration mechanism.

Table 18. Minimum wage ratio vs. local minimum

Years	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Ratio	1.08	1.08	1.06	1.3	1.65	1.45

### Compliance and financial monitoring system

At ABB, we place a high priority on compliance and robust financial monitoring as key aspects of ensuring our operations are in line with legal standards and industry best practices. Compliance is the cornerstone of our business conduct, underpinning our dedication to meticulous oversight. We continuously enhance our systems to meet the changing requirements of regulatory frameworks, focusing on securing banking operations and addressing risks related to financial crime, corruption, and data privacy.

As part of our 2023-2025 Development Strategy, we have strengthened the functions

of the Compliance and Financial Monitoring (FMC) department, particularly in managing the Anti-Money Laundering (AML) protocols. Moreover, we regularly update our internal policies to maintain our commitment to these critical areas.

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)

Compliance	AML/CFT	FATCA and CRS
Compliance Policy	<ul style="list-style-type: none"> <li>• Anti-Money Laundering and Terrorist Financing Policy;</li> <li>• Methodical instructions on the use of Siron software in customer operations monitoring;</li> <li>• Methodical instructions on identification and analysis of unusual operations.</li> </ul>	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"> <li>• Customer Recognition Policy</li> </ul>	CRS Self-Certification Form for individuals
Conflict of Interests Policy	<ul style="list-style-type: none"> <li>• Methodical instructions to evaluate operations carried out through foreign banks with regard to AML/CFT</li> </ul>	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"> <li>• Methodical instructions on customer risk evaluation with regard to AML/CFT</li> </ul>	Rules on identification of foreign persons accounts
Anti-corruption Policy	<ul style="list-style-type: none"> <li>• Instructions on cash and wire transactions by taxpayer clients of ABB benefiting individuals</li> </ul>	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"> <li>• Instructions on in-advance wire payments conducted by ABB clients</li> </ul>	not relevant
Whistleblowing Policy	<ul style="list-style-type: none"> <li>• Rules on submission of information to AR FIU</li> </ul>	not relevant

In general, compliance with the applicable legislation and internal policies is ensured by the 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 2023, ABB achieved successful integration with the government's e-taxes platform and centralized data base of individuals, enabling precise record-keeping of legal entities registered on the site. This integration has streamlined the process of identifying residence statuses for these entities, leading to enhanced operational efficiency.

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.



## AML/CFT

The threats posed by money laundering and the financing of terrorist organizations (AML/CFT) are significant to the reputation and economic performance of financial institutions and the national economy. At ABB, strengthening our internal AML/CFT control system is a priority, as it is crucial for maintaining the integrity, reputation, and stability of the country's banking sector.

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

- Guidelines of Central Bank of the Republic of Azerbaijan "On Prevention of Legalisation of Illegally Acquired Money or Other Property through Banks"
- Law Of The Republic Of Azerbaijan "On the fight against money laundering and terrorist financing" (2022)
- Law Of The Republic Of Azerbaijan On Targeted Financial Sanctions (2023)
- 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 the Republic of Azerbaijan.

In 2023, ABB continued to give priority to AML/CFT training, with a program consisting of four courses approved by the Chairman of the Management Board. This year, we initiated training for new hires, expediting the development of effective skills. This new approach to training allowed us to move away from ad hoc sessions and improve the efficacy of our planned training modules.

## 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 (customers having foreign residency signs), W-8BEN-E (all entities) and W9 (all US persons) 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.



The training sessions were held for the following organizational 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 organizational 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.

### Internal and external audit

#### Internal audit

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 organizational 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 2023, 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 103 internal audit engagements in 2023, 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 audit

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 for ABB is appointed via open tenders every three years. Ernst & Young (EY) has provided independent assurance for ABB's financial statements and accounts over the last six reporting years, including 2023. At the 2020 Annual General Meeting of Shareholders, EY was re-elected as the External Auditor for the next three financial years, spanning 2020 to 2022. EY will continue to serve as the External Auditor for 2024.

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.

### 2.5.2 Investor and shareholder relations

Investors and shareholders hold significant influence over the Bank's corporate governance,

#### 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

long-term development, and organizational 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.

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

#### 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 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

On 3 July 2023, the Group announced a 156.6 mln. AZN dividend according to the resolution signed at the Annual General Shareholders Meeting. The amount of dividend per share was set at 0.04 AZN. ABB is committed to implement the strategy diligently while maintaining strong capitalization and showcasing its readiness for new regulations. At ABB, we aim to ensure a continued growth trend in dividend payments to our valued shareholders.

### 2.5.3 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:**

- 1. Identification:** Identifying potential risks that could impact the ABB's objectives and operations.
- 2. Assessment:** Evaluating the significance and potential impact of identified risks on ABB's operations.
- 3. Response:** Developing and implementing strategies to effectively react to and manage identified risks.

- 4. Monitoring:** Regularly tracking and evaluating the effectiveness of risk response strategies.
- 5. Reporting:** Communicating risk-related information transparently and timely to relevant stakeholders.

**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. Please refer to Table 20.

**Table 20.** ABB's Eight Major Principles of the Risk Management System



**Table 19.** Three-Lines Model applied by ABB



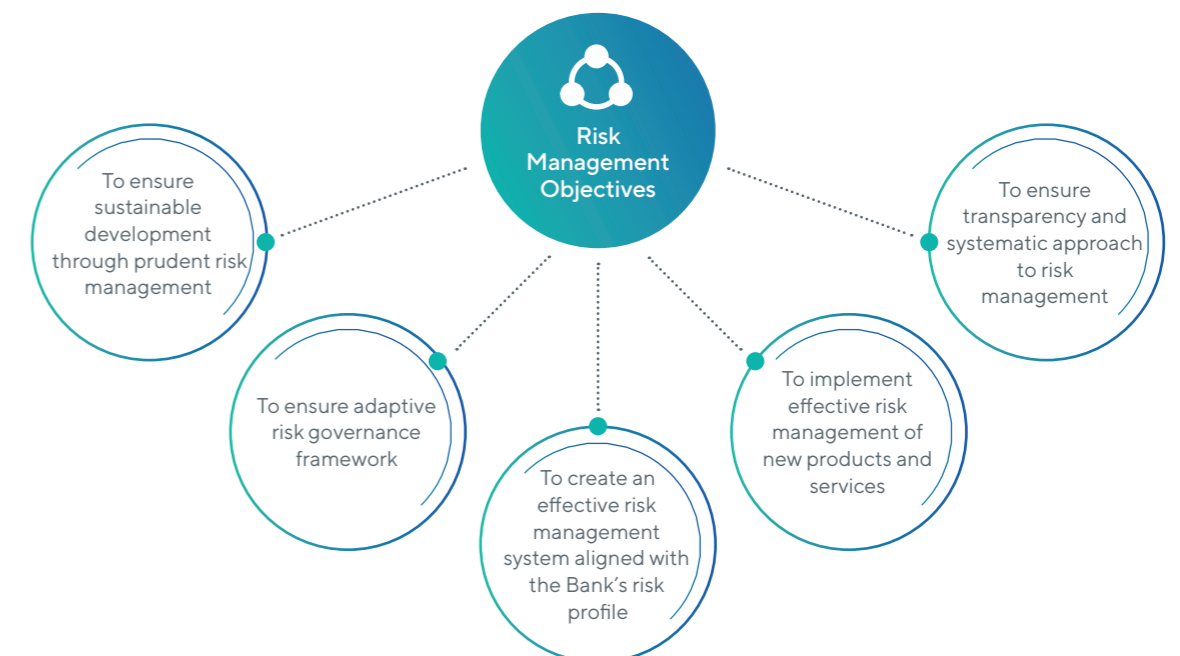
**Major Elements of our Risk Management Framework**

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:



### 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. 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 appetite is the maximum level of risk that ABB is prepared to accept while implementing initiatives in pursuit of its targets.

### Risk Book

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

**Table 21.** Our Approach: identify, assess, respond, monitor, report



### 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. Please refer to Table 21.

### Results of the Risk management process in 2023

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

**Table 22.** Risk management process

#	Classification of Risks	Control Measures Used for Risk Management
1	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
1.1	Credit concentration risk	<ul style="list-style-type: none"> <li>Comprehensive underwriting of disbursed loans including qualitative and quantitative assessment of customers</li> <li>Regular monitoring of loans</li> </ul>
1.2	Counterparty default risk	<ul style="list-style-type: none"> <li>Setting limits, regularly checking deviations and including them in the Bank's risk appetite for the effective management of the loan portfolio</li> </ul>
1.3	Country risk	<ul style="list-style-type: none"> <li>Implementation of the limits system</li> <li>Adjustment with the risk appetite statement</li> <li>Conducting economical analysis on countries</li> </ul>
2	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
2.1	Interest rate risk	<ul style="list-style-type: none"> <li>Ongoing monitoring and reporting</li> <li>Performing stress testing and scenario analysis</li> </ul>
2.2	Currency risk	<ul style="list-style-type: none"> <li>Conducting daily analysis of open positions in foreign currencies</li> <li>Preparing daily reports to control the set limits</li> <li>Controlling the Bank's open currency position</li> <li>Analysing the impact of foreign exchange risks</li> </ul>
2.3	Capital risk	<ul style="list-style-type: none"> <li>Setting capital risk limits</li> <li>Monitoring of the set limits</li> <li>Providing opinions on the evaluation of investment proposals in securities</li> </ul>
3	Liquidity Risks	Risks arising from the inability to meet planned and unforeseen obligations in a timely and effective manner
3.1	Regulatory liquidity risk	<ul style="list-style-type: none"> <li>Liquidity analysis and quantitative monitoring</li> <li>Continuous monitoring of liquidity risk through the early warning system</li> </ul>
3.2	Physical liquidity risk	<ul style="list-style-type: none"> <li>Control over the implementation of the Bank's activities within the approved liquidity standards</li> <li>Control over the implementation of appropriate measures to minimize liquidity risk</li> </ul>
3.3	Structural liquidity risk	<ul style="list-style-type: none"> <li>Control over the forecasted cash flow for each currency</li> <li>Setting limits on placement and liquidity risk indicators</li> </ul>

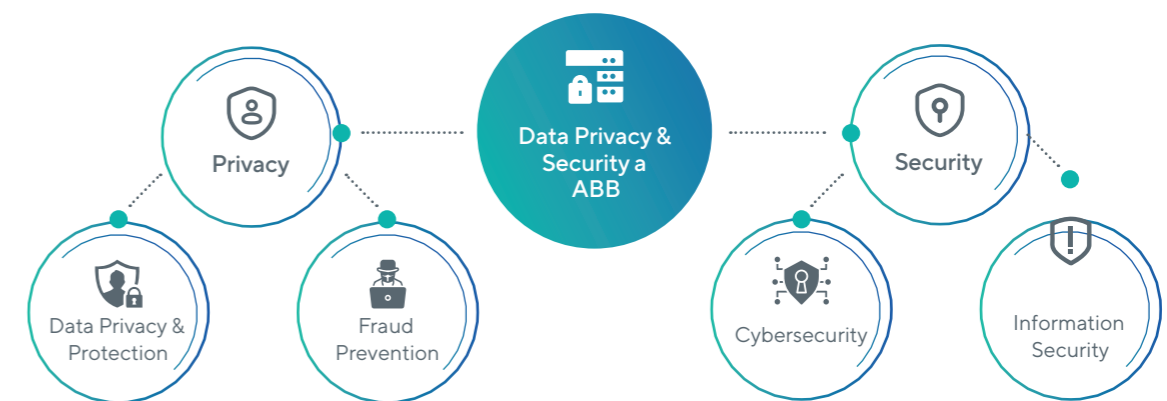
#	Classification of Risks	Control Measures Used for Risk Management
4	Operational Risks	Risks arising from the potential for financial losses or disruptions in an organization's operations due to internal processes, people, systems, or external events
4.1	Human resource risk	<ul style="list-style-type: none"> <li>Intra-Bank rules for selection and recruitment of candidates and application of MGs</li> <li>Instructing staff on personnel safety issues, setting up and conducting business processes, protection of relevant information</li> <li>Conduct regular internal research</li> </ul>
4.2	External risk	<ul style="list-style-type: none"> <li>Carrying out stress tests for side effects and emergencies</li> <li>Analyzing the results of penetration tests to measure the risks of cyber-attacks and providing information on the results to the relevant structures</li> </ul>
4.3	Information technology risk	<ul style="list-style-type: none"> <li>Reflection of limit ratios for downtime and errors in the Bank's main operating systems in the Risk Appetite Statement Risk map compilation</li> <li>Establishing limits of authority and decision-making</li> <li>Registration and monitoring of IT risk indicators</li> </ul>
4.4	Legal risk	<ul style="list-style-type: none"> <li>Determining legal risk limits that the Bank can accept in the risk appetite</li> <li>Establishing a system of authority and decision-making</li> <li>Operational risk indicator monitoring system</li> <li>Establishment of an effective control system</li> </ul>
4.5	Compliance risk	<ul style="list-style-type: none"> <li>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)</li> <li>Keeping records of compliance risk events, conducting research, obtaining explanations, determining the probability of their occurrence</li> <li>Monitoring the Bank's compliance with the requirements of internal documents aimed at combating bribery and corruption</li> </ul>
5	Other risks	
5.1	Reputation risk	<ul style="list-style-type: none"> <li>Regular monitoring of news about the Bank in the public, media and social networks, periodic surveys to measure customer satisfaction</li> <li>Registration of complaints, investigation and taking measures on the results</li> </ul>
5.2	Strategic risk	<ul style="list-style-type: none"> <li>Audit engagements by internal and external audit structures</li> <li>Submitting reports on the results</li> </ul>
5.3	Project risk	<ul style="list-style-type: none"> <li>Implementation of risk-based priorities of projects to be implemented and control over the status of implementation and residual risks during the implementation period</li> <li>Communication with executive structures and participation in methodological management activities</li> <li>Empirical analysis, early warning systems, reports on identified risks, analytical analysis reports</li> </ul>

### 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 sectors. At ABB, we are paying special attention to this matter and strengthening our oversight of data security in the reporting year. Consequently, we have made substantial investments in the ABB brand, and we have established a robust control environment to effectively manage these risks.

**Table 23.** Data privacy and security



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.

Number of IT team employees	2021	2022	2023
	333	406	555

In 2023, the total number of employees in the IT team reached 555, marking a significant growth of 37% from the 406 employees recorded in 2022.

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 rules 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.

**Implementing an ISO:IEC 27001:2022 standard**

Information Security Management System (ISMS) in a bank is paramount due to the sensitive nature of financial data and the constant threat of cyber attacks. Here are the key benefits of ISMS implementation:

- Enhanced Data Protection and Regulatory Compliance
- Reduced Risk of Security Breaches and Financial Loss
- Fostered Stakeholder Trust and Long-Term Sustainability

Providing robust information security awareness among bank staff is crucial for maintaining a strong defense against evolving cyber threats and ensuring the confidentiality, integrity, and availability of sensitive financial data. Here's a brief and complex explanation of the importance and benefits of information security awareness training for bank staff:

- Mitigation of Insider Threats and Human Errors
- Promotion of a Security-Conscious Culture
- Compliance with Regulatory Requirements and Industry Standards

Developing and improving Information Security Governance (ISG) within a bank is pivotal for ensuring the effective management of information security risks, maintaining regulatory compliance, and fostering stakeholder trust. Here's a concise and comprehensive overview of ISG development and improvement initiatives:

- Establishment of Robust Governance Framework
- Continuous Risk Assessment and Management
- Stakeholder Engagement and Transparency
- Enhanced Training and Awareness Programs
- Develop and implement robust information security policies and procedures

**"SWIFT Customer Security Controls Framework v2023" attestation**

Bank successfully passed the "SWIFT Alliance" against the "SWIFT Customer Security Controls Framework v2023" attestation. This accomplishment underscores our commitment to maintaining the highest standards of security and efficiency in our global financial transactions. This demonstration not only highlights our dedication to compliance and excellence but also serves as a testament to the robustness of our financial infrastructure.

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

Number of prevented cyberattacks	2022	2023
WAF (Web Application Firewall)	6.483	2.878
Email cyberattacks	13.030	14.670
XDR (Extended Detection and Response)	10.773	859
Total	30.286	18.407

- 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

### Business Ethics and Integrity

The confidence that our clients place in us is a direct result of our ability to provide them with high-quality goods and services in an appropriate manner. If we just set the standard for corporate behavior and operate as a transparent, accountable organization, we can accomplish our strategic goals.

To gain the trust of our customers and partners and run a successful business, we must ensure that our workers' behavior and business decisions adhere to the highest ethical standards.

#### Code of Conduct

ABB's Code of Ethics outlines the ethical norms for both professional and private behavior that we demand of all of our workers. It also serves as a statement of our mission and core values.

We advise our staff members to use the "RADAR" system to clarify their behavior in the situations not addressed in the Code of Ethics. The system includes the following stages:

- Recognising the event
- Assessing the situation
- Deciding what to do
- Agreeing the way forward
- Reporting and communicating

To foster awareness among employees regarding this system, various departments organize training sessions and workshops.

#### ABC (anti-bribery and corruption)

At ABB, we have clear procedures and policies on anti-corruption, anti-bribery, and international sanctions. The key document which defines the procedure of fight against the bribery and corruption is "Anti-corruption POLICY of "International Bank of Azerbaijan" OJSC". The

policy provides the principles and mitigation procedures that help proactively address the bribery actions. The policy covers all employees of the Bank, as well the third parties engaged in collaboration with ABB. The extract from this policy was provided on the official web page of the Bank for information of the investors.

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.

As per the 2023, there were no corruption cases recorded.

#### Whistleblowing

ABB's Internal Control Department timely identifies and prevents potential violations by applying the processes in line with the Bank's Anti-corruption Policy, internal normative documents, and normative acts. We encourage stakeholders to report any suspicions through our anti-corruption hotline.

There are several options how employees can rise their concerns:

- ABB's internal hotline: 493 00 91 (ext. 2828)
- Corporate email address: whistleblowing@abb-bank.az
- Hotline for whistleblowing: 055 455 28 28
- Whatsapp and Telegram contact numbers: 055 455 28 28
- Creation of the anonymous request: Naumen service Desk
- Submission of the concern in hard-copy form to the ABB's postal address

### 2.5.4 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. 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

##### Alignment

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

##### 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.

##### 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. Opportunities for sustainable finance development.

#### Stakeholders

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

#### Governance and culture

Emphasizing effective governance and a culture of responsible banking.

#### Transparency and accountability

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

#### ABB's goals in environmental and social development

- Sustainable lending
- 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

**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 (PQQ). The PQQ is a one-time questionnaire used to evaluate potential suppliers' ESG compliance and qualifications throughout the supply process. All of 283 new potential vendors or suppliers are screened for environmental and social impacts. Also, no negative social impacts in the supply chain were identified in 2023. 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 PQQs. 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.

In 2023, there was no record of the operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.

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.

**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.





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# Pioneer in business and innovation

# 3.1

## Innovative approach and digitalization

### New products and services

At our bank, we are committed to fostering innovation and embracing digitalization as one of the key pillars of our mission. We believe in constantly pushing the boundaries of what's possible, leveraging cutting-edge technology to enhance the banking experience for our customers and stakeholders. Our vision is to build the strongest ecosystem of partnerships for the digital future by integrating seamless, secure, and personalized financial solutions. To achieve this, our strategy involves investing in talent, partnerships, and emerging technologies, cultivating a culture of creativity and collaboration, and staying at the forefront of industry trends to drive meaningful and sustainable growth.



### Double VAT for TamKart cardholders

During the fiscal year of 2023, the Double VAT initiative successfully processed around 1.5 million receipts, leading to a substantial refund of 923 K AZN directly into the accounts of TamKart cardholders. Furthermore, the initiative witnessed a significant engagement, with a nearly quarter-million customers, or 208K, opting to activate Double VAT, demonstrating its widespread acceptance and utilization.



### Investing with ABB

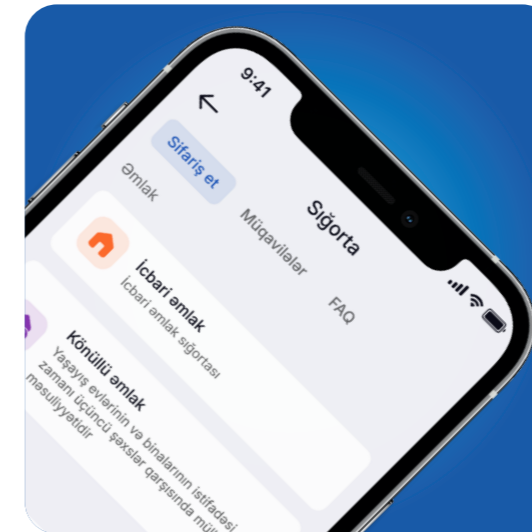
ABB launched a valuable initiative, integrating investment opportunities into its mobile application, ABB Mobile. Users can now set up an investment profile within the app, enabling them

to trade stocks and securities and capitalize on profit opportunities.

In 2023, ABB's investment in the ABB Mobile application demonstrated significant user engagement and financial activity. The platform saw 12,621 new onboarding instances, indicating robust growth in user acquisition. The application facilitated 61,220 buy transactions and 24,853 sell transactions, showcasing a higher propensity for buying among users.

### Digital insurance experience

Insurance services were incorporated into ABB Mobile, making ABB one of the pioneering banks in Azerbaijan to deliver a complete digital insurance experience through its mobile application. This new service, enabled by a partnership with "Ateshgah" insurance company, allows users to conveniently purchase various types of insurance, such as compulsory, property, casco, auto+, health, and travel insurance, directly from their mobile devices.



### Referral system

Through the referral system, existing customers benefited from a 20% discount on subsequent tariff packages for each new customer they refer. Additionally, every new customer brought in through this program had access to the "Welcome" tariff package free of charge for one month.

### Self-service corner

Customers can obtain loans via utilizing the

self-service monitors, bypassing the need to queue at branches. This initiative was designed to cut down waiting times, boost customer satisfaction, and promote the development of self-service capabilities within the Bank.

### Analytical panel on the main page of Internet Banking platform

New features (Statistics, Service Package, Recent Transactions, Exchange Rates, Converter) were incorporated into the platform. Customers can conveniently register and open an account through the platform without visiting the bank in person. They can also apply for loans, execute transfers, order cards, and take advantage of various campaigns. On the main page, users can access exchange rate information, view their latest transactions, and review transfer statistics.

### TamKart online order

To boost digital sales, a new sales channel was established that allows the immediate creation of cards in ABB Mobile as soon as customers place their orders. This innovation not only enhances customer convenience but also alleviates the workload for Customer Service Structure employees.



The initiative witnessed significant engagement in 2023, with approximately TamKart 100K orders. This data reflects a robust customer preference and utilization of both mobile and web channels for TamKart transactions.

**Application of ODM process in branches**

Operational Decision Management (ODM) leverages business rules and analytics to assist organizations in enhancing operational decisions, thereby improving efficiency and agility. With ODM implemented in branch credit processes, the service time for Customer Service Structure has decreased by 9 minutes since the start of the year, demonstrating significant operational improvement.

**Tam Digidcard**

ABB launched the country's first fully functional digital card through our mobile application, aligning with our sustainability commitments by reducing the need for physical card production. The Tam Digidcard, unique in the market, is tied to the customer's actual card account, facilitating SWIFT-type transfers. This initiative not only advances digital banking but also supports our environmental sustainability goals by minimizing material usage.

**Digital bundle in ABB business mobile application**

To reflect our commitment to providing comprehensive and innovative digital solutions that meet the evolving needs of our business clients, ABB has introduced the option to acquire "Digital bundles" through the ABB Business Mobile platform.

**Creating a Chatbot**

The introduction of a chatbot in ABB Mobile enabled us to address users' inquiries and issues more conveniently and swiftly, enhancing the customer service experience. This technological advancement ensures that customer support is both accessible and efficient, reflecting our commitment to continuous improvement in customer interaction.

**KASKO insurance on ABB Mobile application**

ABB enhanced its ABB Mobile application digital offerings by introducing the option to acquire KASKO insurance products, providing a completely digital experience to customers from start to end.



**Development of the Emergency Tender guarantee product**

Legal entities and entrepreneurs can now obtain an online fast-track tender guarantee on the same day, enabling them to participate in their planned projects promptly.

**New product for micro loans**

A new product was launched to facilitate the sale of loans up to AZN 10,000, offered by the Entrepreneurship Development Fund, aiming to support and stimulate entrepreneurial activities in the region.

**Loan process model for internal mortgage in new web platform**

Our product was designed to expedite the process for citizens to acquire homes through internal and state mortgage schemes. We accomplished this by assisting our colleagues in the mortgage lending department to streamline the lending process, making it quicker, more efficient, and reducing the need for paper documentation, thereby facilitating a smoother journey for our clients in securing their homes.



**Order of Guarantee Products through Corporate Internet Banking platform**

By providing Urgent Tender Guarantee and Guarantee products in electronic form, we increased customer satisfaction and created an opportunity to offer more flexible services and enhance market competitiveness.



**"Credit Linked Note" for the first time**

A Credit Linked Note (CLN) transaction worth 2 mln. USD was executed above the mid-market price, with favorable interest rates. Our bank developed cooperation in a new direction with Citibank and New York Bank, considered key counterparties for our institution.

**"Dynamic Banner" in ABB mobile**

Within the ABB mobile application, a new dynamic banner was implemented in the banner section to present personalized offers to customers, enhancing their user experience by delivering tailored solutions.

**ABB Miles Visa Infinite Affluent card**

For the bank's esteemed clients, a new Miles product was introduced that provides exclusive benefits and tailored rewards to meet their premium banking requirements.



**"Digital skin" with Visa**

Customers have the option to select from various designs provided by the Bank on ABB Mobile and customize their VISA TamCards in digital wallets like "Google Pay" and "Apple Pay" to suit their preferences.



### Debit card sales in alternative channels

Debit card sales were established in partner networks, including supermarkets and electronic stores, targeting a broad customer base. This approach enabled customers to obtain and use their cards immediately on-site, eliminating the need to visit a bank branch.

### Masterpass integration

Masterpass allows customers to make payments easily and securely on ABB Mobile by adding Mastercard cards from any bank, simplifying the transaction process.

### Mastercard digital skin

To reflect our commitment to providing personalized and innovative banking solutions, catering to the diverse preferences of our clientele, and enhancing customer experience, we introduced a variety of digital theme options for MasterCard cards on the ABB mobile application.

### Messi NFC campaign

Through the campaign offered by ABB, Tam DigiCard holders had a chance to win a selection of exclusive prizes, including Messiboxes and high-value items. Notably, the prizes featured shirts with the authentic signature of football superstar Lionel Messi, as well as a variety of other intriguing football-related gifts. By offering these unique and attractive rewards, the campaign aimed to enhance the banking experience, providing customers with unforgettable and rewarding moments.



### DigiDeposit

Through our new the DigiDeposit product, available on ABB Mobile, our customers can now set up a savings account entirely digitally, enhancing convenience and accessibility.



### Pre-approved automatic loan offers

Through regular collaboration with AKB and ASAN for client base pre-approval, we successfully facilitated the provision of pre-approved credit product offerings. This systematic approach allowed for a streamlined and efficient credit offering process.

### Applying for cash loans via ATMs

Customers now have the ability to apply for consumer loans via ATMs, thanks to upgraded functionality of ABB's ATMs. Enhancements to ATM services are part of our ongoing commitment to increase accessibility and streamline the banking experience.



## Operational updates

In line with our commitment to operational excellence and sustainability, the bank has implemented several key updates aimed at enhancing the overall efficiency of the Bank. These operational updates reflect our ongoing efforts to uphold our performance and foster a more sustainable future for both our stakeholders and the planet.

### Optimization of the clearing process

During operations conducted via the ABB Mobile and ADM Korpon platforms, clearing and settlement processes and accounting control mechanisms have been implemented, resulting in the automation and optimization of these processes.

### Automation of the removal of out-of-schedule payments

The process for our customers' off-schedule payments was automated in our branches, meaning these payments are automatically processed. The implementation of this functionality on both internal and external terminals, as well as on ABB Mobile, is planned for the near future. Automation has led to increased customer satisfaction and reduced workload for various departments.

### New SWIFT system

The system was upgraded to a new version, with security vulnerabilities addressed and optimizations made to enhance its performance.

### Creation of the Khirdalan regional collection department

To enhance the efficiency of cash deposits and withdrawals at branches and ATMs, the Khirdalan Regional Cash Collection Department was established.

### Refinancing through digital channels

To streamline the entire refinancing process, customers first utilized the convenience of online applications to confirm their refinancing amounts on both the web and ABB Mobile, then completed the necessary loan paperwork electronically, and finally were instructed to visit a branch to withdraw their funds.

### Centralization of the branch

Operations in Sanaya and Nizami branches are being centralized to alleviate customer congestion and reduce the workload on branches.

### Discounted exchange rates in Corporate Internet Banking platform

Corporate Internet Banking platform now offers the possibility to access discounted exchange rates, providing customers with more favorable currency conversion options.

### Campaign and business scenarios through EVAM (Financial Service Provider)

To enhance the effectiveness of the Bank's products, campaigns, and services, personalized scenarios were presented to each customer in real-time, ensuring a tailored and relevant experience.

### Optimized underwriting process in internal mortgage loans

ABB streamlined the mortgage process by removing the field appraisal stage and introducing in-house collateral appraisers, significantly reducing the turnaround time for approving in-house mortgage loans.

### Expert-based decision-making models

The decision-making process for the loan approval process was optimized with a specialized model to enhance effectiveness, efficiency, and speed.

### Integrating Core NPTB (Next Product to Buy) services

The NPTB (Next Product To Buy) solution has been implemented in the branches to facilitate cross-selling of loan products and to facilitate the accessibility of other products to customers.

### Debit card activation on self-service monitor

Customers visiting Customer Service Structure were guided to use self-service sections to access banking services, allowing them to bypass traditional queueing and enjoy a more efficient service experience.

### A new registry for litigation loans

In the BPM system, we established a specialized registry for loans subject to legal proceedings, digitalizing these transactions to optimize processing speed and operational efficiency.

### Credit process on the new web platform

The loan issuance process for customers was simplified and digitized, moving to a new web platform. This transformation demonstrates our dedication to customer convenience and our commitment to continuous improvement, ensuring a more efficient and user-friendly experience.

### Creation of new escrow block accounts for HCCs (Housing-construction cooperatives)

In the case of house purchases without collateral in the partner HCCs, the sums were collected in a newly created escrow block account, and the tax payments of the partners were simplified. The streamlined process for tax payments for our partners illustrates our dedication to boosting transaction efficiency and providing innovative financial solutions to support our clients.

### Automation on the State Customs Committee Portal

Business customer data processing was automated to accelerate handling times, reduce manual errors in data entry, and enhance overall customer satisfaction. These measures are part of our ongoing commitment to operational excellence.

### API integration with the State Tax Service

In order to simplify the account opening process and ensure rapid and accurate data verification, we have enhanced our system to allow real-time data exchange when opening accounts, enabling quick verification of customer data against the State Tax Service through API integration.

### Cybersecurity Awareness Month

Recognizing cybersecurity as one of the most critical challenges in the modern era, ABB is conducting various activities aimed at increasing awareness of cybersecurity in the community, and

promoting cyber hygiene practices among citizens and companies. To strengthen the promotion of information security culture, reduce potential cyber risks, respond promptly to security incidents, protect our bank's reputation, and earn our customers' trust, we have introduced a handbook.

## Innovations in Technology

ABB constantly implements various technologies to improve the customer experience. Innovations in technology continue to redefine the landscape of banking, driving efficiency, accessibility, and sustainability. Our commitment to harnessing these innovations is evident in our relentless pursuit of digital transformation.

### ABB's Data portal

Our portal, data.abb-bank.az, designed to optimize our operations and reflect essential information in the field of data, is available for use. The portal consolidates information about technical solutions like SQL, Python, and Qlik Sense. By accessing the portal, users can obtain video materials and information covering these topics, facilitating a comprehensive understanding and utilization of these technologies.



### New BPM (Business Process Management) Framework platform

The "Management of Bank Partners" process, launched on ABB's new BPM Framework platform, has created new opportunities for storing partner information related to acquiring

in a single source and its utilization by the relevant structures of the Bank. As a result of this new process, our partners will be able to view information about their specific merchants and POS terminals and obtain reports within the new process as needed. This will enable us to provide services to our partners more quickly.

### Contactless payment function at ABB Mobile application

The contactless payment feature for Azəriqaz smart cards is active on ABB Mobile. Apple (iOS) users can increase the balance of Gallus smart cards, while Android users can top up both Gallus and Zenner cards through the app.



### Implementation of the main systems integration solution

The implementation of the "Core System Integration Gateway" solution was applied to manage and secure the load of regular queries from various digital channels to the Bank's core operational systems. This solution has successfully passed the pilot tests, and our next step is to ensure its integration with various digital channels, aiming to streamline and secure the flow of information within the bank's systems.

### Incident and backup management

Processes have been aligned with the leading global COBIT standards, ensuring the minimization of data loss in the event of adverse incidents. As a result, satisfaction with IT services has reached 98%.

### Proactive Churn prediction model

As a result of the application of this model, customers who are predicted to stop using banking services were identified in advance and formed a mechanism to increase their loyalty.

### Implementation of a new reporting system (Business Intelligence)

Reports were migrated to a new, modernized reporting system where their usage is monitored. This system upgrade enhanced functionality and significantly improved the speed of report generation.

### Implementation of RPA tool

The adoption of robotic process automation (RPA) initiated the automation of repetitive tasks in daily operations that significantly streamlined workflow and boosted efficiency. Consequently, a specific manual process was automated, resulting in a 26-fold increase in speed.

### SWIFT Alliance

"SWIFT Alliance" attestation was successfully implemented within the framework of "SWIFT Customer Security Controls Framework 2023". Security and efficiency standards have been implemented in our global financial operations, enhancing the integrity and reliability of our operations.

### Interactive Contact Center

To enhance customer autonomy and streamline service delivery, ABB implemented the IVR (Interactive Voice Response Self-service) technology that allows customers to execute various transactions, from card blocking to TamKart orders, directly through the contact center without needing to speak with an operator.



## Approach to Open Innovation

We regard innovation as pivotal to the company's success. Consequently, we continuously pursue the development and integration of cutting-edge technologies into the Group's operations. Furthermore, we initiate and execute diverse programs aimed at fostering innovation not only within the Group but also on a national scale. In 2023, ABB extended support to a total of 25 startups in the pre-incubation stage and 15 in the incubation stage.



### Major Programs

- Hackathons
- Pre-incubation
- Incubation
- Corporate Entrepreneurship
- Capacity building through ABB Tech Academy

### Startup Development



**4<sup>th</sup> ABB Hackathon Startup Challenge**  
2 days event

- 300+ Total Applicants
- 60 Selected Team



**4<sup>th</sup> Pre Incubation Program**  
6 weeks program

- 60+ Total Applicants
- 25 Selected startups



**4<sup>th</sup> Incubation Program**  
4 months program

- 100+ total applications
- 60+ external applications
- 10+ seasoned professionals
- 18 selected team

### Startups nurtured by ABB

#### My Loop

A platform that provides digitalized bonus system solutions and personalized marketing tools for SMEs.

#### Novalingua

An online AI-based language testing platform that offers evaluation and practice.

#### mənzil park

A platform that facilitates the work of both apartment owners and building managers in the field of apartment management.

#### səmples.az

A platform that brings together customers and companies where customers can check the products of companies for free and then provide feedback on the site.

#### S

A mobile app that fights food waste by connecting users with local restaurants and stores, offering surplus food at discounted prices.

#### Myhome

A platform that harnesses big data for automation of property evaluation during mortgage lending.

#### izzipay

A mobile app that provides a user-friendly experience such as banking integrations and open banking features, increasing customer satisfaction and positively impacting the reputation of associated banks.

#### G

An online platform where freelancers can come together to offer their services and earn income in a freelance manner.

#### Article Hub

An interactive and engaging blog platform for writers and readers that is built on gamification principles and recommends the best articles to readers and encourages writers to produce top-quality content.

#### EstVest

A platform where customers and agencies can get best-fit apartment based on their personalized needs and advanced analytical reports about real estate.

#### Kolivan

A platform that connects vehicle owners with customers, simplifying the process of finding cargo or passenger transportation by utilizing AI models.

### Agile in Action

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 started implementing the Agile methodology in the Bank's Digital Laboratory in 2020. Currently, 17 Agile structures are operating in the Bank, where more than 600 employees work. The bank develops new products and services based on Agile methodology.

Implementing Agile methodologies enables ABB to adopt a transparent, data-driven

methodology characterized by continuous planning, learning, improvement, cross-functional collaboration, and prompt delivery. Additionally, fostering an Agile culture aligns with our objective of evolving into a culture of autonomy, enhancing swift and efficient decision-making across the organization and within teams.

Our core initiatives in the Agile transformation include the Agile Maturity Program, Agile Empowerment Program, and Cultural Agile Transformation, through which ABB aspires to promote agile leadership and nurture a vibrant, interactive workplace.

One significant challenge while implementing these projects was navigating the cultural shift required within organizations, as agile methodologies emphasize collaboration, flexibility, and rapid iteration. Despite the obstacles, embracing agile methodologies presents opportunities for increased adaptability, innovation, and responsiveness to evolving market demands, contributing to the sustainability and resilience of our projects in the long term.

**Agile Office mission**

The mission is to improve the approach to the new product development by using iterative approach to increase the speed of delivery and creating transparency in results. The Agile values that ABB has formed and adheres to could be covered in four pillars.

**1. Process & Governance:**

- Continuously refine existing processes, and update the agile playbook based on learnings and global trends;
- Ideation and Design Thinking processes implementation
- Conduct smooth interrelations between agile and non-agile processes and structures
- Choose your WoW: Lean technique testing
- Implementation and improvement of agile metrics: AMR; T2M; DORA; NPS or CSI

**2. People & Agile culture:**

- Enhance Agile culture and mindset in whole organization
- Involve non-Agile structures to the Agile perimeter and processes
- Learning organization – Internal and external capability development plan for Agile leadership roles
- Experimentation culture - A culture of experimentation is an organizational mindset, one that values and

encourages experimentation to generate new ideas, solve problems, and learn from failure

**3. Operating model:**

- Realize continuous improvement of agile structure(e.g. identify the need for a new Tribe/ Squad or liquidation some of these model items)
- Monitor efficiency of the current operating model of tribes and CoE's
- Experimentation of new advanced Agile frameworks and implementation of value stream operating model and processes

**4. Technology:**

- Enabling synergy and adoption of IT governance to Agile governance and vice versa, through Agile office and CIO office efficient cooperation:
- Enable IT and Business strategy alignment (IT/Architecture committee, QBR and Strategy oper plan execution)
- Product Design Lifecycle (PDLC) and Software Development Lifecycle (SDLC)
- DevOps, CI/CD and Release management
- Incident management (L2-L3 execution process)
- Service level management
- Enable data driven organization
- Direct and indirect agile processes automation and digitalization:
- Expand and improve Jira ecosystem
- Digitalization of PM process

*ABB has a great track record with agile*



*2023 achievements*

The Agile office spearheaded a triumphant Agile Transformation, inaugurating all wave 3 tribes and enhancing Agile maturity. Regarding the QBR (Quarterly Business Review) process enhancement, we successfully executed business reviews, Tech sync, and digitized all QBR processes.

To augment Agile Awareness at the enterprise level in 2023, ABB introduced a new Agile section on the internal system for the entire bank, coupled with extensive training sessions for employees. This section allows employees to acquaint themselves with ongoing Agile projects and initiatives and gain insights into the newly established Tribes.

Furthermore, in 2023, three new modules - Agile calendar, Agile library, and Agile Events - were integrated into the Agile intranet, accompanied by comprehensive training programs including Tribe Kick-off trainings, Agile Leadership Program, Scrum School, bank-wide Agile awareness training, Agile 101 for non-agile entities, and PO development program cohorts 1 and 2, alongside Ideation workshops. Consequently, 50% of the organization received training in Agile methodologies.

In the purpose of achieving vital Agile Capabilities development, new PO School and Agile Leadership programs have been launched.

To facilitate the development of essential Agile Capabilities, we introduced new PO School and

Agile Leadership programs. In our journey toward a successful Agile Transformation, we embraced a new operating model in the Agile Office, delineating four new streams: Product, Value, Technology, and Program.

In 2023, the Agile Office established a Center of Excellence (CoE) in the domains of Risk, Marketing, Data, Finance, and Architecture and is in the process of crafting a new Agile Maturity Framework aligned with industry best practices. During the second and third stage of the Agile Transformation, we formed six new Tribes, namely Corporate & SME, Physical Channels & Operations, Data, Technology and Architecture, Enterprise Wide Systems, and Mortgage, totaling 11 in 2023.

### Agile Azerbaijan International Summit

The Agile Azerbaijan International Summit, supported by ABB, commenced on November 4 in 2023. Azerbaijan's business leaders and representatives of various key economic sectors participated in this summit. ABB, as an official partner of the event and a long-time supporter of agile methodologies, played a major role in organizing the event. The summit aimed to foster a more innovative, agile, and sustainable working culture, promoting the benefits of Agile methodologies and encouraging their adoption across various sectors in Azerbaijan.







# Commercial activities

4.1

# Optimizing service reach

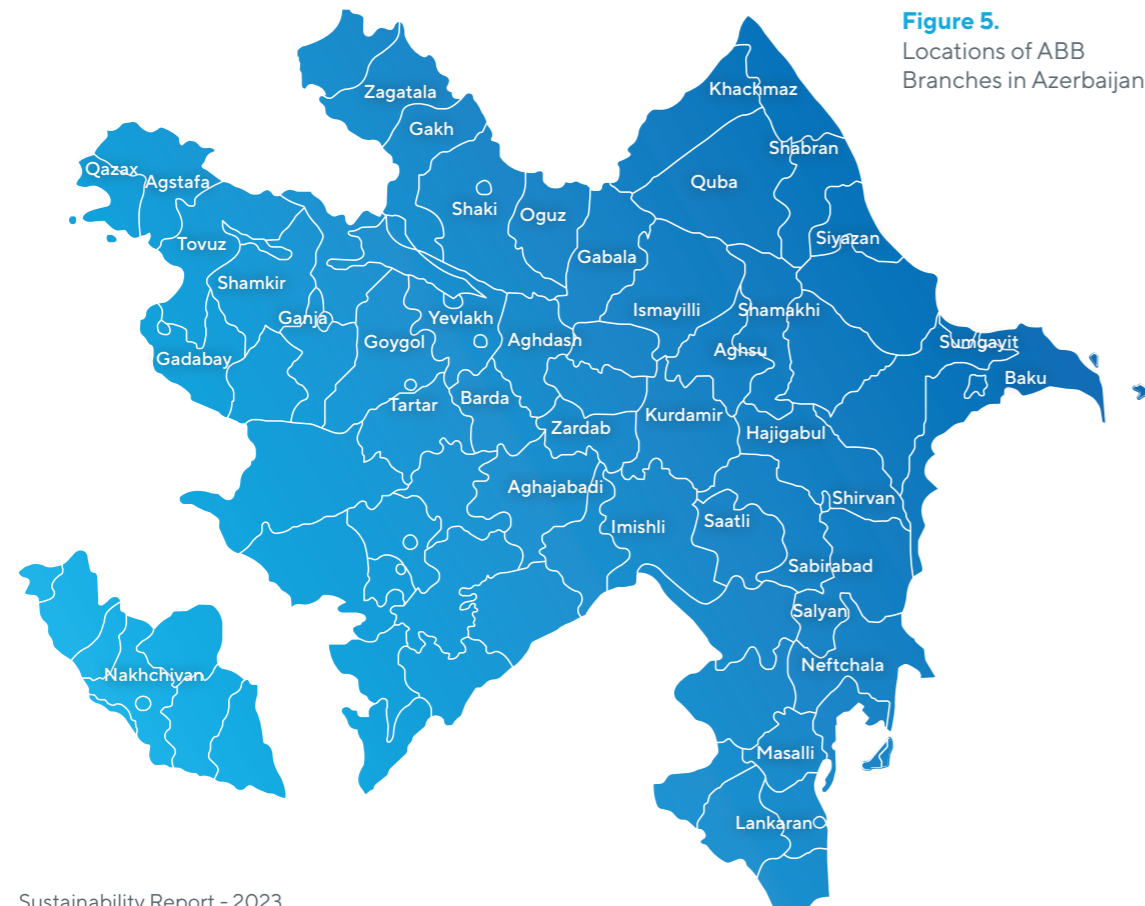
## Enhancements in Sales Distribution Channels

We are constantly expanding our sales network and reassessing our promotional channels to better showcase our products and services, aiming to forge stronger bonds with our current and future clients.

At ABB, we are committed to the idea that our offerings should be accessible to everyone. To this end, we focus on improving customer access, providing easy access to our products and services, thereby empowering our existing and potential customers to attain financial prosperity. Our sales infrastructure is divided into two interconnected segments:

- Physical Service
- Online Service

## Service Points



**Figure 5.** Locations of ABB Branches in Azerbaijan



**Service points**  
(including branches and sub-branches)  
The Bank operates across Azerbaijan



**Branches were modernized**  
with a new concept for customer use  
in 2023

<https://abb-bank.az/en/xidmet-shebekesi/filiallar>

## Branch optimization

We have shifted to a sales-focused strategy in our branches, incorporating target-setting practices. Our branch personnel now have sales-oriented objectives, enhancing the skill set of our branch teams. Additionally, we've integrated advanced software in our branches to improve operational efficiency. In 2023, all of our customer service point adopted the "Universal model". The Universal model combines operational and credit functions within branch roles to serve retail customers efficiently.

ABB has refined its branch operations by introducing new roles and merging existing ones to simplify the banking experience for customers. Detailed information about these roles is provided in the subsequent section.

### Sales and Service Specialist

Universal role responsible for selling the entire range of retail products (lending, deposits, cards, etc.) and conducting all service operations.

### Digital Migrator

Assists customers in transitioning to digital platforms, guiding them through the digitalization process.

### SME Relationship Managers

Dedicated to serving SME customers, focusing on fostering and maintaining relationships, available in select branches.

### Microlending Specialists

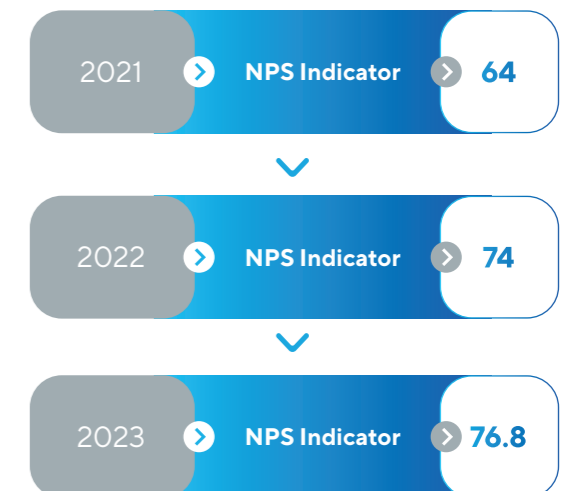
Operates in specific branches located in regions with a high potential for business activities among ABB customers, offering specialized microloan services.

## Quality of services

Our primary duty involves pinpointing and refining our internal processes. Actively pursuing innovative operational improvements is another key commitment of ours. Aligned with our Development Strategy for 2023-2025, we focused on automating our internal processes during the reported period, aiming to secure continual efficiency, reduce mistakes, improve customer satisfaction, and quicken decision-making processes.

In 2021, we established a registration system for tracking customer inquiries across various communication channels. This system was designed to deepen our understanding of customer perceptions concerning our products and services. In 2022, we processed 7,907 client inquiries and feedback, which increased to 10,650 in 2023. We ensured that every inquiry and feedback was thoroughly analyzed and addressed, leading to a 5.6% rise in customer satisfaction from 2022 to 2023.

The NPS score serves as our primary customer satisfaction metric.



# 4.2

## Deep dive into the retail and business client experience

### 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 corporate**  
Turnover 5 mln. + AZN for a year

**SME**  
Turnover up to 5 mln. AZN for a year

**ABB Business Application Customers**  
At least one transaction or payment in the reporting month (December 2023)

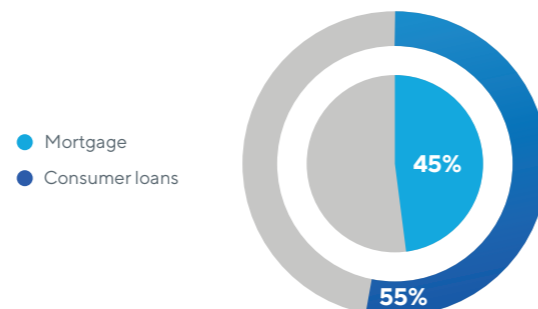
**Internet Banking Customers**  
Open account status

### Retail clients

ABB prides itself on being a client-focused and data-driven institution, valuing client relationships and striving to provide a seamless and consistent experience. Our goal is not to meet just the essential needs but also advancing full casting of our customers' expectations with our retail banking sector offering a broad spectrum of transparent banking products and high-quality services for individuals.

Consistent with the Bank's strategic objectives, we have focused on developing personalized offers specifically for certain client segments. A significant portion of our retail portfolio is dedicated to retail lending. ABB provides a variety of lending options for its retail customers, including salary loans, pension loans, mortgage loans, credit card limits, and more.

Figure 6. Retail lending breakdown in 2023



Our mortgage portfolio experienced consistent growth over the past three years, attributed to an expanded network of housing providers and developers, affordable terms for various social groups, and an increased diversity of products. The Bank's retail loan portfolio saw a 35% rise from the end of 2022 to the end of 2023. Specifically, the mortgage portfolio grew by 28.6% by the end of 2023 compared to the end of 2022. Additionally, consumer loans witnessed a 41% growth from 2022 to 2023.

Figure 9. Total number of retail borrowers, thsd

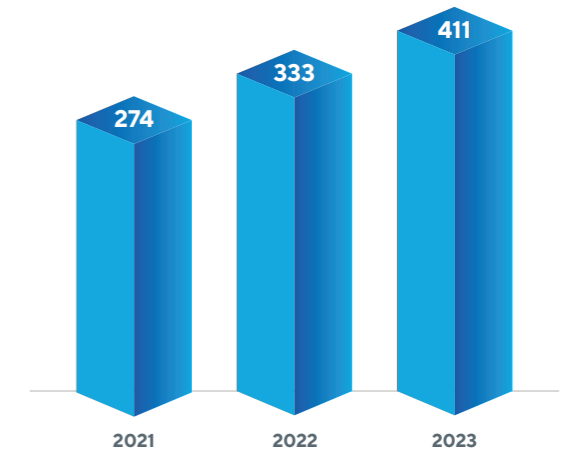


Figure 7. Active retail customers, thsd

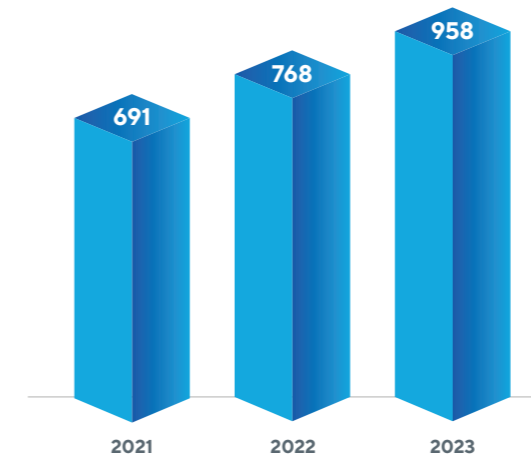


Figure 10. Total number of Pension+ users, thsd

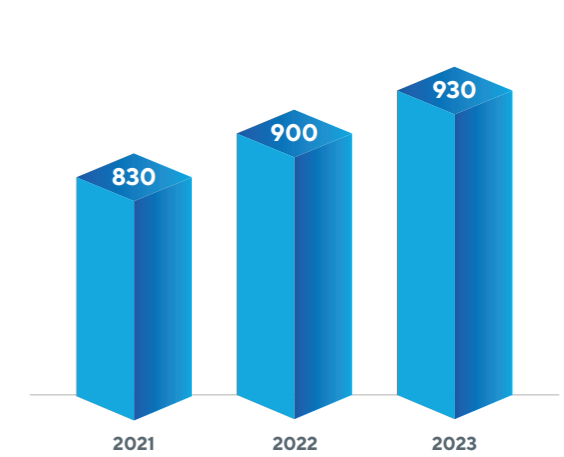


Figure 8. Total number of first time account holders, thsd

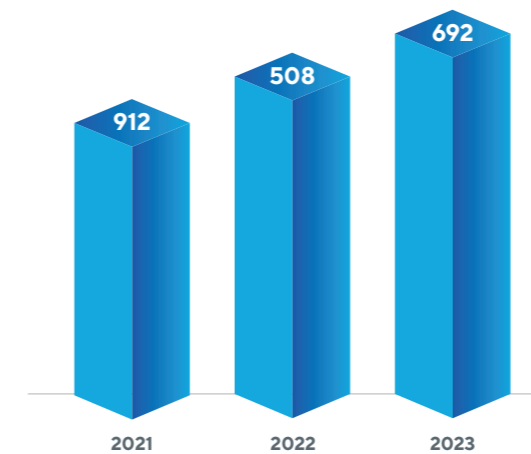
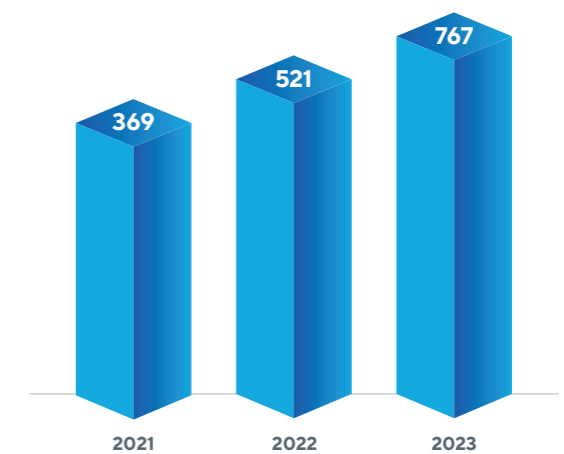


Figure 11. Total number of active ABB Mobile users, thsd



*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
- Mortgage loans provided on the basis of cooperation with construction companies
- Construction loans
- Savings mortgage loans
- Mortgage loans with the resource of the MCGF
- Affordable mortgage loans (MIDA) with the resource of the MCGF

**Consumer loans**

- Online loans
- Cash loans
- Car loans
- Credit limits for depositors
- Credit card limits
- Pension loans and Salary loans
- Pension loans and Salary loans
- Refinancing loans

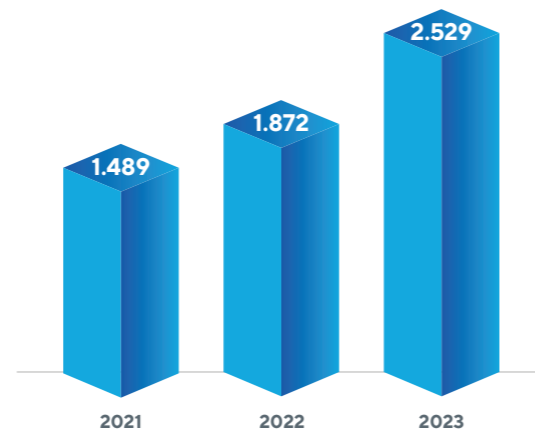
Additionally, ABB organizes credit campaigns for retail customers, providing attractive incentives to encourage the usage of credit products.

**Deposit products offered by ABB for Retail customers:**

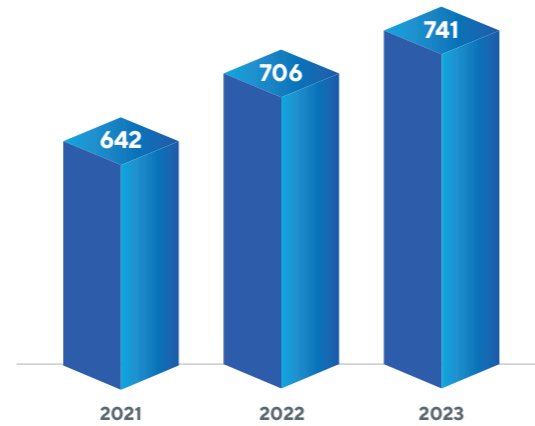
ABB's retail clients can open deposit accounts in accordance with one of the following program terms:

- "Classic" term deposit
- Savings mortgage loan
- Safe deposit box
- DigiDeposit
- Deposit insurance

**Figure 12.** Sales portfolio for primary retail banking products



● Retail portfolio, mln. AZN



● Deposit portfolio, mln. AZN

**Cashless payments**

ABB leads the charge in promoting cashless payment options in the country, utilizing plastic cards to ensure transparency, efficiency, and convenience. The shift towards cashless payments fosters economic growth by enabling faster and more convenient transactions, while also offering time and cost savings. These benefits are primarily realized by reducing the manual counting and handling of physical cash.

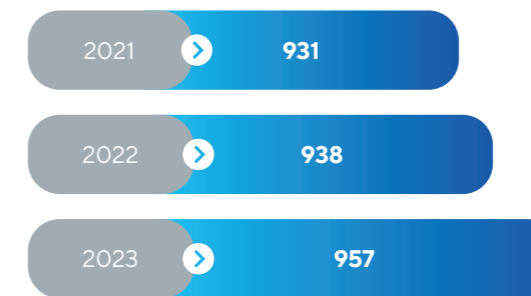
**TamKart**

TamKart comes in four variants: Classic, Gold, Platinum, and Premium, and is available as MasterCard or Visa. We developed an extensive partner network that accepts TamKart, continuously adding new retail participants. Today, TamKart is accepted at nearly 300 locations, ranging from electronics to clothing stores, and provides cashback of 1% to 40% at non-partner trade and service outlets, along with exclusive benefits for cardholders.

By the end of 2023, active TamKart users reached 1,002,691, an increase of 93% from the previous year.

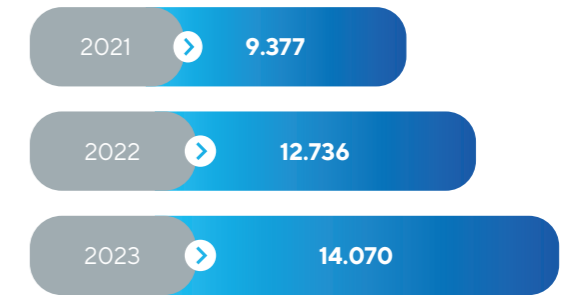
In 2023, ABB maintained a network of 957 ATMs across Azerbaijan, with 48% in rural areas, all equipped with contactless technology (NFC technology applied to ATMs).

**Figure 13.** Total number of ATM's, classified by year



From 2021 to 2023, we witnessed a 50% increase in POS (Point of Sale) registrations, indicating a significant rise in the adoption of cashless payment methods.

**Figure 14.** Total number of POS's, by year



**"Azercell" Co-brand card**

In collaboration with Azercell Telecom, the leading mobile operator in the country, ABB introduced a co-branded card for Azercell subscribers in December 2019, available in AZN, USD, or EUR. In 2023, the total number of Azercell Co-brand card users reached 99,004, marking a 28% growth from the previous year.

**ABB Miles card**

The number of ABB Miles card users reached 11,733 in 2023, representing a substantial increase of 71.4% compared to 2022.

**QR Payment System**

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

**Student Card**

Launched in September 2020, ABB's Student Card was developed in partnership with the Academy of Public Administration under the President of Azerbaijan, the Azerbaijan State Marine Academy, and the Baku branch of Moscow State University named after M.V. Lomonosov. Efforts are underway to broaden the range of universities whose students can avail of this card. The user base of the Student Card grew from 8,822 in 2022 to 12,354 in 2023, marking a 40% increase.

**QaygiCash Club**

"QaygiCash" is the "CashBack" project implemented by the International Bank of Azerbaijan in 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.

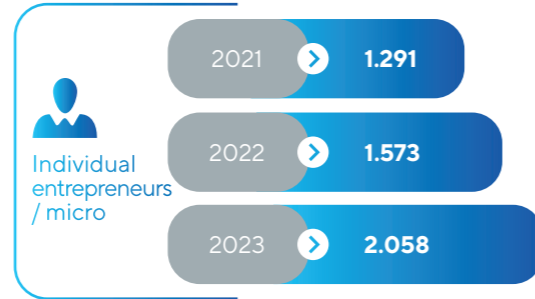
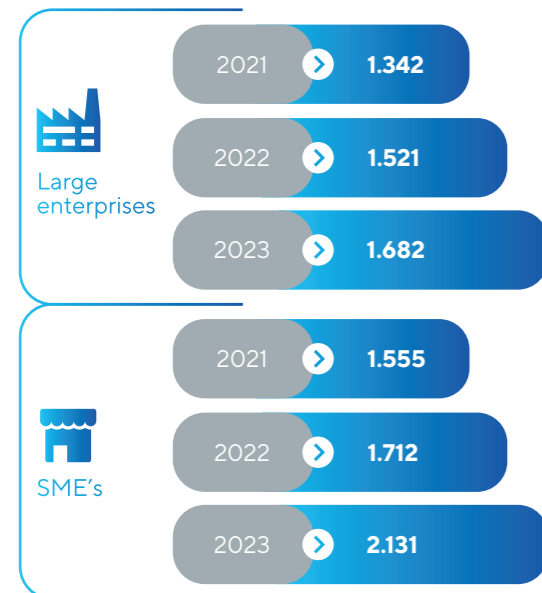
**Instant Payment System (IPS) by Central Bank of the Republic of Azerbaijan**

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 the additional option to conduct transactions 24/7 to multiple local banks without interruptions and at a reduced cost.

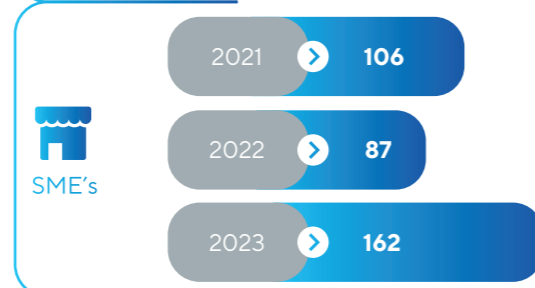
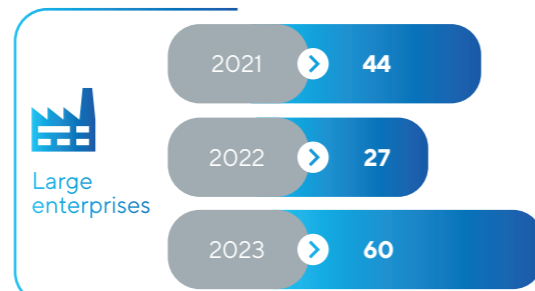
**Business clients**

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 large enterprises and SMEs, encompassing structured finance, fixed income, debt capital, and clearing solutions. We also serve individual entrepreneurs helping them to grow their businesses sustainably.

Total number of active corporate clients:



Total number of new corporate clients in the loan portfolio:



Our commitment to fostering enduring relationships with our corporate clients is grounded in mutual benefits and partnership.

Consistent with our Development Strategy for 2023-2025, our focus encompasses:

- Expanding our corporate client base and portfolio
- Securing a competitive market share in SME financing;
- Sustaining growth rates

**ABB's Offerings to Corporate Clients**

ABB presents a comprehensive suite of corporate services tailored to assist small and medium-sized enterprises (SMEs) and large organizations in executing their business operations effectively.

Figure 15. List of corporate offerings

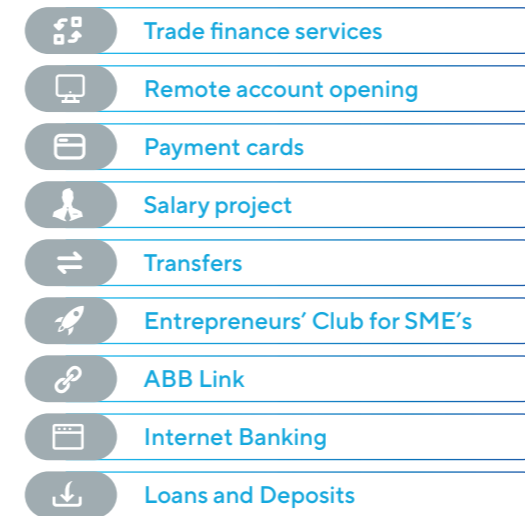


Figure 17. Outstanding amount of Corporate loan portfolio, mln. AZN

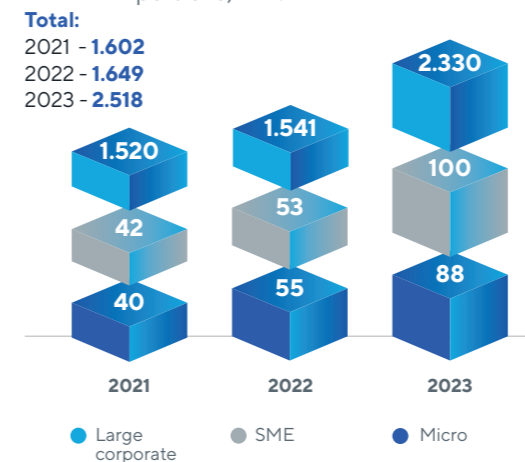


Figure 19. Outstanding amount of Corporate deposit portfolio, mln. AZN

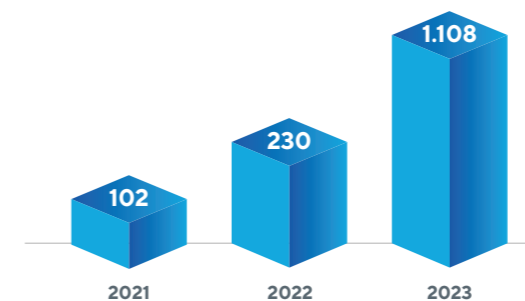


Figure 16. Total number of borrowers

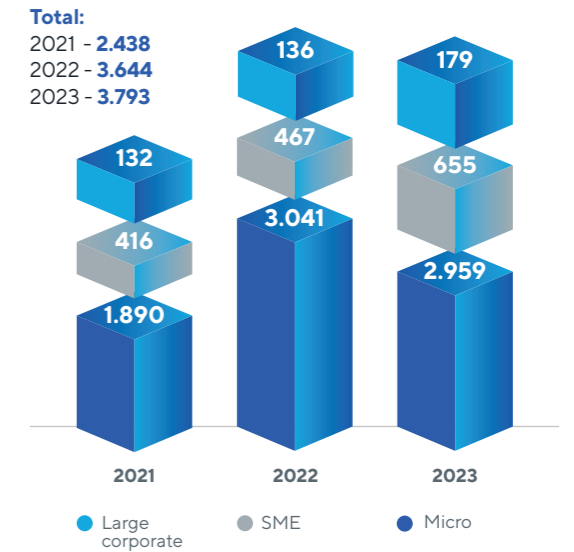


Figure 18. Trade Finance Portfolio, mln. AZN

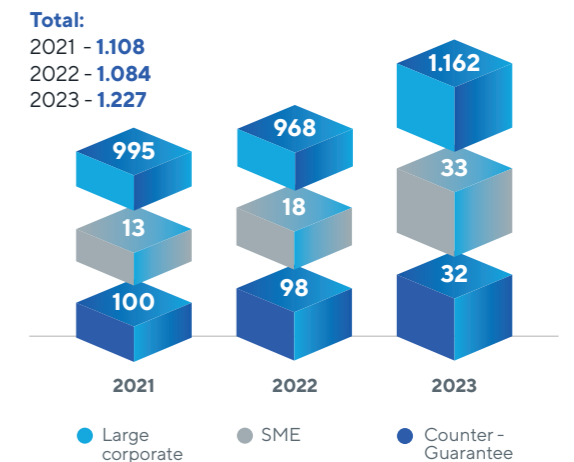
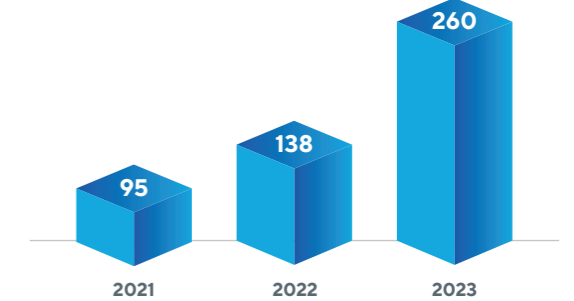


Figure 20. Total amount of SME business loans issued, mln. AZN



**Products and Services for SMEs**

ABB steadfastly supports the growth of small and medium-sized enterprises (SMEs) and micro-enterprises, providing them with the necessary financial resources and support to drive economic empowerment and innovation. We optimized the loan application process, enabling entrepreneurs to efficiently secure a loan through a simple online form on our website.

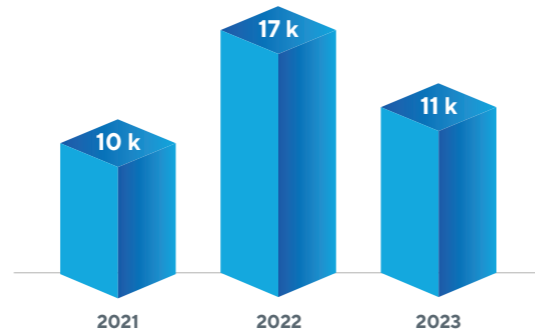
SMEs are integral to boosting Azerbaijan’s economy and achieving its strategic goal of economic diversification. As a state-owned bank, ABB is committed to facilitating SME growth, actively collaborating with government agencies to identify SME trends and conduct market analyses. This insight guides the development of our tailored SME products and services. Furthermore, we allow corporate clients to customize their repayment plans and schedules within predetermined limits.

In our quest for customer satisfaction, we have launched an Internet Banking platform that features enhanced products, including five unique SME bundle packages, each providing over 20 complimentary services. To ensure service excellence, we assign dedicated Relationship Managers (RMs) to all customers. Additionally, we established extensive training programs aimed at improving the technical and interpersonal skills of our customer service staff.

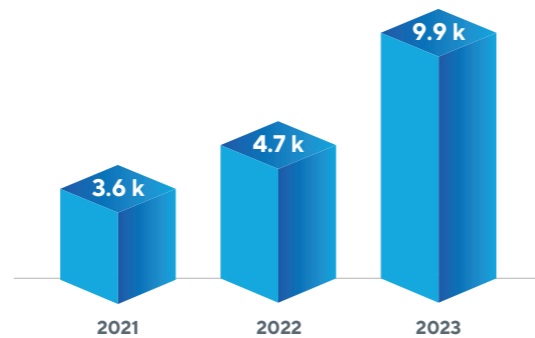
**Figure 21.** Key financed sectors in 2023, mln. AZN



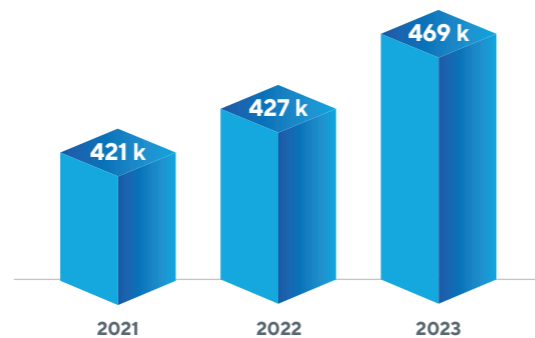
**Figure 22.** Total number of active Internet Bank users



**Figure 23.** Total number of new registrations to Internet Banking platform



**Figure 24.** Total number of active salary cards



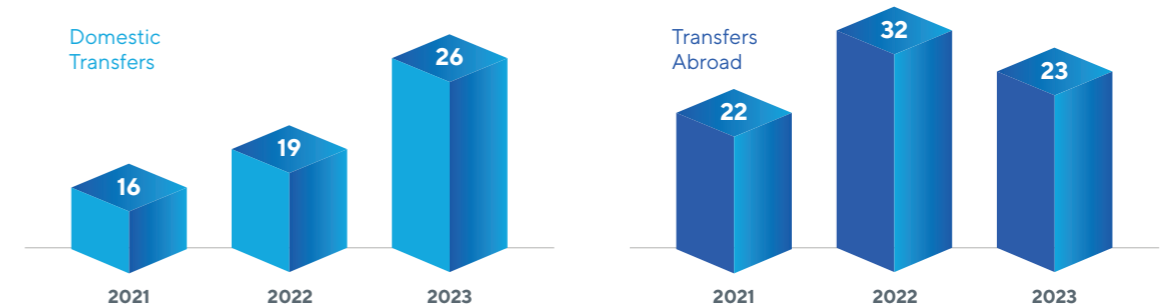
In 2020, we ventured into the microbusiness subsegment and have since expanded our presence, amassing 2,500 microbusiness customers with an outstanding loan portfolio exceeding 19 mln. AZN by the end of 2022. By 2023, this outstanding portfolio grew to 26 mln. AZN.

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

**Figure 25.** List of products and services for Business clients



**Figure 26.** Total amount of money transfers, bln. AZN



## 4.3

# 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.

**Water consumption:** Water consumption calculation for leased and rented properties of ABB is not feasible due to the limited availability or absence of appropriate accounting of water expenses provided by the service providers, lessors, and renters. This metric was determined using service provider's invoices (direct payment according to Azersu meter readings) that ABB paid in 2023.

**Total training hours:** Total training hours include the hours spent by ABB employees on technical trainings, and portal trainings that include on-boarding, risk and compliance.

**Total number of employees:** Total number of employees as well as total number of hired and dismissed employees metrics include only permanent full-time employees.

**Retail clients:** Retail clients include the total number of ABB Mobile users and total number of active retail clients. Total ABB Mobile were extracted from the internal systems of the Bank. Active retail clients are defined as 1) completed a debit transactions in the last 3 month; 2) outstanding balance of AZN 100+ in the last 1 month; 3) customer with outstanding loan amount and 90+ past due date.

**Social contributions:** This metric is determined by the expenses of the Bank on social projects.

**Total number of corporate clients:** Corporate clients metric include large enterprises, and SME corporates.

GHG emissions (Scope 1 and Scope 2) figures are based on the fuel, natural gas and electricity consumption at ABB in Azerbaijan (foreign subsidiaries of ABB are excluded). We have applied the operational control approach to define the boundaries of carbon emissions calculation and disclosure, as per the GHG Protocol. We referred to the collected energy and resources consumption data and compared that to the IPCC methodology recommendations for calculating GHG emissions. Scope 1 and Scope 2 emissions calculation for leased and rented properties of ABB is not feasible due to the limited availability or absence of appropriate accounting of energy provided by the service providers, lessors, and renters. These metrics were determined using the service providers' invoices that ABB had paid. Therefore, the current methodology excludes emissions calculations for 2022 and 2023 related to the mentioned parties.

We welcome any recommendations and criticism that will help us 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 our colleague from Marketing Department, Head of Corporate Communication division, Mr. Yedgar Jafarov [yedgar.jafarov@abb-bank.az](mailto:yedgar.jafarov@abb-bank.az) with any feedback or suggestions.

## 4.4

# GRI Content Index Table

### Statement of use

ABB has reported in accordance with the GRI Standards for the period 01.01.2023-31.12.2023

### GRI 1 used

GRI 1: Foundation 2021

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>General disclosures</b>				
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	✓ 1.2 ABB at a glance	10-12	
	2-2 Entities included in the organization's sustainability reporting	✓ 1.5 Ownership structure	15-16	
	2-3 Reporting period, frequency, and contact point	✓ 4.3 Final Remarks and Disclaimer	108	
	2-4 Restatements of information	✓ 2.3.1 Our Annual Eco-Footprint	35-36	Please refer to the footnotes in the Table 4 and 5
	2-5 External assurance	Pending		
	2-6 Activities, value chain and other business relationships	✓ 1.2 ABB at a glance ✓ 1.3 Mission and vision ✓ 1.4 Purpose and values	10-14	
	2-7 Employees	✓ 2.4.1 Focus on employee	40-45	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>General disclosures</b>				
<b>GRI 2: General Disclosures 2021</b>	2-8 Workers who are not employees	✓ 2.4.1 Focus on employee	40-45	
	2-9 Governance structure and composition	✓ 2.5 Governance	48-66	
	2-10 Nomination and selection of the highest governance body	✓ 2.5 Governance	48-66	
	2-11 Chair of the highest governance body	✓ 2.5 Governance	48-66	
	2-12 Role of the highest governance body in overseeing the management of impacts	✓ 2.5 Governance	48-66	
	2-13 Delegation of responsibility for managing impacts	✓ 2.4. Social ✓ 2.5 Governance	40-47 48-66	
	2-14 Role of the highest governance body in sustainability reporting	✓ 2.5 Governance	48-66	
	2-15 Conflicts of interest	✓ 2.5 Governance	48-79	
	2-16 Communication of critical concerns	✓ 2.4 Social-Focus on employee ✓ 2.4 Social-Focus on society ✓ 2.5 Governance-Internal and external audit	40-45 46-47 65-66	
	2-17 Collective knowledge of the highest governance body	✓ 2.4 Social-Focus on society ✓ 2.5 Governance-Our approach to responsible finance	46-47 76-78	
	2-18 Evaluation of the performance of the highest governance body	✓ 2.5 Governance-Remuneration system	61-62	
	2-19 Remuneration policies	✓ 2.5 Governance-Remuneration system	61-62	
	2-20 Process to determine remuneration	✓ 2.5 Governance-Remuneration system	61-62	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>General disclosures</b>				
<b>GRI 2: General Disclosures 2021</b>	2-20 Process to determine remuneration	✓ 2.5 Governance-Remuneration system	61-62	
	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	✓ 1.1 Letter from the CEO ✓ 1.8 Banking sector analysis of Azerbaijan ✓ 1.9 ABB's strategy overview	6-9 20-24 25-27	ABB is actively considering the development of a sustainability strategy and open to explore it further
	2-23 Policy commitments	✓ 2.5 Governance-Business Ethics and Integrity	63-64 76	
	2-24 Embedding policy commitments	✓ 2.4 Social-Focus on society ✓ 2.5 Governance-Business Ethics and Integrity ✓ 2.5 Governance-Our approach to responsible finance	46-47 76 63-64 76-78	
	2-25 Processes to remediate negative impacts	✓ 2.4 Social-Focus on employee ✓ 2.5 Governance-Our approach to responsible finance	40-45 76-78	
	2-26 Mechanisms for seeking advice and raising concerns	✓ 2.5 Governance-Business Ethics and Integrity	76	
	2-27 Compliance with laws and regulations	✓ 2.5 Governance-Business Ethics and Integrity	63-64 76	
	2-28 Membership associations	✓ 1.2 ABB at a glance	10-12	
	2-29 Approach to stakeholder engagement	✓ 2.5 Governance-Investor and shareholder relations	66-67	



GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>General disclosures</b>				
<b>GRI 2: General Disclosures 2021</b>	2-30 Collective bargaining agreements	2.4 Social-Focus on employee	40-45	
<b>Material topics</b>				
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	2.1. About this report	30-33	
	3-2 List of material topics	2.1. About this report	30-33	
<b>Economic performance</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<ul style="list-style-type: none"> <li>✓ 1.8 Banking sector analysis of Azerbaijan</li> <li>✓ 2.1 About this report</li> <li>✓ 2.2.1 ESG achievements</li> <li>✓ 2.3 Environmental</li> <li>✓ 2.4.3 Focus on society</li> </ul>	20-24 30-37	
	201-1 Direct economic value generated and distributed	✓ 1.8 Banking sector analysis of Azerbaijan	20-24	
	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		Not applicable
	201-4 Financial assistance received from government	✓ 4.2 Deep dive into the retail and business client experience	107	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Market presence</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.5 Governance	48-79	
<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	✓ 2.5 Governance	62 48-79	
	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
<b>Indirect economic impacts</b>				
<b>GRI 2: General Disclosures 2021</b>	3-3 Management of material topics	<ul style="list-style-type: none"> <li>✓ 2.4 Social-Focus on society</li> <li>✓ 2.3 Environmental-Our Annual Eco-Footprint</li> </ul>	46-47 35-39	
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and service supported	✓ 2.4 Social-Focus on society	46-47	
	203-2 Significant indirect economic impacts	<ul style="list-style-type: none"> <li>✓ 2.4 Social-Focus on society</li> <li>✓ 2.3 Environmental-Our Annual Eco-Footprint</li> </ul>	46-47 35-39	
<b>Procurement practices</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.5 Governance-Our approach to responsible finance	76-78	
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	✗ Not available		This information is not disclosed since it is treated as confidential by ABB

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Anti-corruption</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.5 Governance-Business Ethics and Integrity	76	
<b>GRI 3: Material Topics 2021</b>	205-1 Operations assessed for risks related to corruption	✓ 2.5.3 Risk management	70-72	
	205-2 Communication and training about anti-corruption policies and procedures	✓ 2.5 Governance-Business Ethics and Integrity	76	
	205-3 Confirmed incidents of corruption and actions taken	✓ 2.5 Governance-Business Ethics and Integrity	76	
<b>Anti-competitive behavior</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.5 Governance-Business Ethics and Integrity	76	
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	✓ 2.5 Governance-Business Ethics and Integrity	76	
<b>Tax</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.5 Governance	60-64	
<b>GRI 202: Market Presence 2016</b>	207-1 Approach to tax	✓ 2.5 Governance	60-64	
	207-2 Tax governance, control, and risk management	✓ 2.5.3 Governance-Risk management	70-72	
	207-3 Stakeholder engagement and management of concerns related to tax	✓ 2.5 Governance-Business Ethics and Integrity	63 76	
	207-4 Country-by- country reporting	✓ 1.1 Letter from the CEO	6-9	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Materials</b>				
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	✓ 2.3 Environmental	34-37	
	301-2 Recycled input materials used	✗ Not available		Not applicable
	301-3 Reclaimed products and their packaging materials	✗ Not available		Not applicable
<b>Energy</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.3 Environmental	34-37	
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	✓ 2.3 Environmental	34-37	
	302-2 Energy consumption outside of the organization	✗ Not available		
	302-3 Energy intensity	✗ Not available		ABB does not disclose Scope 3 emissions . See 2.1 About this report section
	302-4 Reduction of energy consumption	✓ 2.3 Environmental	34-37	
	302-5 Reductions in energy requirements of products and services	✓ 2.3 Environmental	34-37	
<b>Water and effluents</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.3 Environmental	34-37	
<b>GRI 303: Water and Effluents 2018</b>	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

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Water and effluents</b>				
<b>GRI 303: Water and Effluents 2018</b>	303-3 Water withdrawal	✗ Not available		Not material
	303-4 Water discharge	✗ Not available		Not material
	303-5 Water consumption	✓ 2.3 Environmental	34-37	
<b>Biodiversity</b>				
<b>GRI 304: Biodiversity 2016</b>	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 available		Due to irrelevance to the business nature of ABB, this information is not disclosed
<b>Emissions</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.3 Environmental	34-37	
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	✓ 2.3 Environmental	34-37	
	305-2 Energy indirect (Scope 2) GHG emissions	✓ 2.3 Environmental	34-37	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note	
<b>Emissions</b>					
<b>GRI 305: Emissions 2016</b>	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	✓ 2.3 Environmental ✓ 2.5.4 Our approach to responsible finance	34-37 77		
	305-6 Emissions of ozone-depleting substances (ODS)	✗ Not applicable		ABB, as a financial group 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 group does not directly produce significant air emissions like nitrogen oxides (NOx) or sulfur oxides (SOx)	
	<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	✓ 2.3 Environmental	34-37	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Emissions</b>				
<b>GRI 306: Waste 2020</b>	306-2 Management of significant waste-related impacts	✓ 2.3 Environmental	34-37	
	306-3 Waste generated	✓ 2.3 Environmental	34-37	
	306-4 Waste diverted from disposal	✗ Not available		Not applicable
	306-5 Waste directed to disposal	✗ Not available		Not applicable
<b>Supplier environmental assessment</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.5 Governance-Our approach to responsible finance	76-78	
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	✓ 2.5 Governance-Our approach to responsible finance	76-78	
	308-2 Negative environmental impacts in the supply chain and actions taken	✗ Not applicable		
<b>Employment</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.4 Social-Focus on employee ✓ 2.4 Social-Focus on society	40-45 46-47	
	401-1 New employee hires and employee turnover	✓ 2.4 Social-Focus on employee	40-45	
<b>GRI 401: Employment 2016</b>	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	✓ 2.4 Social-Focus on employee	40-45	
	401-3 Parental leave	✓ 2.4 Social-Focus on employee	40-45	
<b>Labor/management relations</b>				
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	✓ 2.4 Social-Focus on employee	40-41	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Occupational health and safety</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.4 Social-Focus on employee	40-45	
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	✗ Not available		Not applicable
	403-2 Hazard identification, risk assessment, and incident investigation	✗ Not available		Not applicable
	403-3 Occupational health services	✗ Not available		Not applicable
	403-4 Worker participation, consultation, and communication on occupational health and safety	✗ Not available		Not applicable
	403-5 Worker training on occupational health and safety	✗ Not available		Not applicable
	403-6 Promotion of worker health	✓ 2.4 Social-Focus on employee	42-43	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	✗ Not available		Not applicable
	403-8 Workers covered by an occupational health and safety management system	✓ 2.4 Social-Focus on employee	42-43	
	403-9 Work-related injuries	✗ Not available		Not applicable
	403-10 Work-related ill health	✗ Not available		Not applicable
<b>Training and education</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.4 Social-Focus on employee	40-45	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Training and education</b>				
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	✓ 2.4 Social-Focus on employee	40-45	
	404-2 Programs for upgrading employee skills and transition assistance programs	✓ 2.4 Social-Focus on employee	40-45	
	404-3 Percentage of employees receiving regular performance and career development reviews	✓ 2.3 Governance-Remuneration tools and mechanism	62	
<b>Diversity and equal opportunity</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.4 Social-Focus on employee	40-45	
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	✓ 2.4 Social-Focus on employee	40-45	
	405-2 Ratio of basic salary and remuneration of women to men	✓ 2.5 Governance	62	
<b>Non-discrimination</b>				
<b>GRI 406: Non-discrimination 2016</b>	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
<b>Freedom of association and collective bargaining</b>				
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	✓ 2.5.3 Risk management	78	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Child labor</b>				
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	✗ Not available		Not applicable
<b>Forced or compulsory labor</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	<ul style="list-style-type: none"> <li>✓ 2.4 Social-Focus on employee</li> <li>✓ 2.4 Social-Focus on society</li> <li>✓ 2.5.4 Our approach to responsible finance</li> </ul>	40-45 46-47 76-78	
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	<ul style="list-style-type: none"> <li>✓ 2.4 Social-Focus on employee</li> <li>✓ 2.4 Social-Focus on society</li> <li>✓ 2.5.4 Our approach to responsible finance</li> </ul>	40-45 46-47 76-78	
<b>Security practices</b>				
<b>GRI 410: Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures	✗ Not available		Not applicable
<b>Rights of indigenous peoples</b>				
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples	✗ Not available		Not applicable
<b>Local communities</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.4 Social-Focus on society	46-47	
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	✓ 2.4 Social-Focus on society	46-47	

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Local communities</b>				
<b>GRI 413: Local Communities 2016</b>	413-2 Operations with significant actual and potential negative impacts on local communities	✗ Not available		Not applicable
<b>Supplier social assessment</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.5 Governance-Our approach to responsible finance	76-78	
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	✓ 2.5 Governance-Our approach to responsible finance	76-78	
	414-2 Negative social impacts in the supply chain and actions taken	✓ 2.5 Governance-Our approach to responsible finance	76-78	
<b>Public policy</b>				
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	✗ Not available		Not applicable
<b>Customer health and safety</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✗ Not available		Not applicable
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	✗ Not available		Not applicable
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	✗ Not available		Not applicable
<b>Marketing and labeling</b>				
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labeling	✓ 3.1 Innovative approach and digitalization	82-86	Partially provided

GRI standard / Other source	Disclosure	Disclosure Status	Page	Omission / Note
<b>Marketing and labeling</b>				
<b>GRI 417: Marketing and Labeling 2016</b>	417-2 Incidents of non-compliance concerning product and service information and labeling	✗ Not available		Not material
<b>GRI 417: Marketing and Labeling 2016</b>	417-3 Incidents of non-compliance concerning marketing communications	✗ Not available		Not material
<b>Customer privacy</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	✓ 2.4 Social-Customer privacy and data protection ✓ 2.5 Governance-Data privacy and cybersecurity	45 73-76	
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of	✓ 2.4 Social-Customer privacy and data protection ✓ 2.5 Governance-Data privacy and cybersecurity	45 73-76	



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## Independent practitioner's assurance report

### To the Management of OJSC International Bank of Azerbaijan (ABB)

We have been engaged by OJSC International Bank of Azerbaijan (hereinafter "ABB") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, (hereinafter "Engagement"), to report on ABB's material selected indicators, including retail and corporate banking, social contributions, environmental consumption, and human resources (HR) areas (the "Subject Matter") contained in ABB' Sustainability Report 2023 as of 17.05.2024 for the year ended in 31.12.2023 (the "Report").

The Subject Matter consists from the following indicators only:

- ▶ Number of active corporate clients (by the year end);
- ▶ Number of active Large corporate clients (by the year end);
- ▶ Number of active SME clients (by the year end);
- ▶ Number of active retail clients (by the year end);
- ▶ Number of active corporate users of Internet Banking system (by the year end);
- ▶ Total number of active retail users of ABB Mobile application (by the year end);
- ▶ Total number of full-time permanent employees;
- ▶ Total number of hired employees;
- ▶ Total number of dismissed employees;
- ▶ Total employee training hours;
- ▶ Total amount of social contributions;
- ▶ Direct (Scope 1) and Indirect (Scope 2) carbon emissions;
- ▶ Total fuel consumption (Gasoline and Diesel);
- ▶ Total electricity consumption;
- ▶ Total natural gas consumption;
- ▶ Total water consumption.

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

A member firm of Ernst & Young Global Limited



### Criteria applied by ABB

In preparing the Subject Matter, ABB applied the Global Reporting Initiative sustainability reporting standards (hereinafter "GRI Standards"), and other non-financial 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 limited assurance engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with ABB on February 26, 2023. 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 conclusions.

### 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:

- ▶ We interviewed representatives of the ABB's divisions involved in the preparation of the Subject Matter;
- ▶ We conducted analytical procedures of the quantitative information related to Subject Matter;
- ▶ We examined sustainability-related internal corporate documents of the ABB;
- ▶ On a sample basis, we compared the Subject Matter with source information;
- ▶ We evaluated the presentation of the Subject Matter in the layout of the Report.

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 period from 01.01.2023 to 31.12.2023, in order for it to be in accordance with the Criteria.

*Ernst & Young Holdings (CIS) B.V.*

17 May 2024  
Baku, Azerbaijan





