

SUSTAINABLE
DEVELOPMENT
REPORT

2014–2015

AZERBAIJAN CASPIAN
SHIPPING COMPANY





Heydar Aliyev

National Leader Heydar Aliyev played a significant role in the development of shipping industry in Azerbaijan. Thanks to his special attention and decisiveness, some 20-30 new vessels of different purposes were bought every year and were put into operation in Azerbaijan Caspian Shipping Company's fleet during 1970-1980's. Fleet of Azerbaijan Caspian Shipping Company which has the most unique and a wide range profile vessels in the Caspian Sea started to develop during that period. This period is considered as the most fruitful and rapid development of shipping industry in Azerbaijan.

During his speech in 1998 national leader Heydar Aliyev emphasized the following about Azerbaijan Caspian Shipping Company:

“The fleet of our Caspian Shipping Company is a great wealth of Azerbaijan. The company has considerable achievements and I believe it will continue in future as well. It pleases that works in this field are developing in a positive direction.”

As a good example of special care and attention to the profession of a seafarer, the first Sunday of July each year was celebrated as the day of Caspian Shipping Company employees, in accordance with the Decree signed by Heydar Aliyev in 1998. Then, in 2014 by the Decree of the President Ilham Aliyev 25 June was defined as a “Seafarers' Day”.



Ilham Aliyev

Development of shipping industry as an important part of the transport sector and expansion and renewal of fleet of Azerbaijan Caspian Shipping Company is in the special attention of President Ilham Aliyev. In this regard, considerable reforms are carried out in the country. Thus, Presidential Decree, dated October 22, 2013 on the establishment of “Azerbaijan Caspian Shipping Company” CJSC with the merger of two big fleets in Azerbaijan - “Azerbaijan State Caspian Shipping Company” and SOCAR's Caspian Sea Oil Fleet is a distinct example for these reforms.

Continuation of fundamental structural reforms in the economy, increase in domestic and international cargo transportation, effective utilization of country's transit capacity are high-priority tasks set by the government. In this regard, transforming Azerbaijan into internationally important logistics and transportation hub and development of shipping industry in the country are envisaged within “Azerbaijan 2020: Vision of the future” development concept and appropriate works have been successfully carried out in this direction.

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Rauf Valiyev
Chairman of the Azerbaijan Caspian Shipping
CJSC

Socio-economic development strategy founded by the national leader Heydar Aliyev and successfully continued under the leadership of President Ilham Aliyev completely comprehends the transport sector as one of the most important sectors of the economy of the Republic of Azerbaijan.

Of late, special attention is paid to the shipping industry as an important field of the transport sector at the governmental level involving the implementation of considerable reforms in this direction.

As a follow-up of thorough structural reforms in the national economy and aiming to increase domestic and international transportation in the maritime industry and to enhance competitiveness and transit potential of the country, Azerbaijan Caspian Shipping Closed Joint Stock Company (ACSC) was re-established by merging country's two largest existing fleets - Azerbaijan State Caspian Shipping Company and Caspian Sea Oil Fleet of the State Oil Company of the Republic of Azerbaijan, in accordance with the Decree of

the President of the Republic of Azerbaijan, dated October 22, 2013.

Upon the formation of ACSC, short-term and long-term targets were identified by the management and the activities of the Company for 2014-2015 were set up to achieve these targets.

The main objectives of the new management team include ensuring a smooth transition of a merger process by obtaining a unified synergy in the maritime industry, handling over the structural units not directly relating to the operating profile of the Company to the relevant authorities, the implementation of the corporate governance system in line with the international best practice, securing ACSC's leading position in the Caspian Sea and restoration of the activities beyond the Caspian sea, improvement of the technical condition of the vessels and the renewal of the fleets, as well as ensuring transparency in the maritime industry via the implementation of International Financial Reporting Standards (IFRS) and SAP ERP systems, conducting international audit of the Company's operations, mastering and applying software and systems crucial for modern management, the formation of a strong professional team capable to work with these systems, proactive involvement of the youth, the acquisition of the relevant international certificates on the shipping activities and a credit rating for the Company, personnel training and the restoration of historical status of seafarer profession.

In pursuit of achieving short-term and long-term accomplishments of ACSC in a phased and planned manner, the Company has developed a primary instrument defining the strategic development areas which was approved by the Cabinet of Ministers of the Republic of Azerbaijan. Most of the short-term goals were successfully achieved in line with the strategy of ACSC during the reporting period. We establish our activities on the achievement of the subsequent short-term and long-term goals to ensure sustainable development of the Company.

Presented to you is the Sustainable Development Report for 2014-2015 that entails achievements of sustainable development goals in the years of 2014 and 2015 and plans intended for upcoming years more in depth. In the light of ongoing global economic challenges and their impact on all sectors of the economy, ensuring sustainable development and continuous improvement, the realisation of economic, social and environmental objectives are the main criteria serving for ACSC's success. In this regard, issuance of Sustainable Development Report and conducting its external assurance are of crucial importance and will further contribute to ensuring transparency in ACSC's operations.

Azerbaijan Caspian Shipping Closed Joint-Stock Company is the leading shipping company providing cargo transportation, specialized offshore support services for oil and gas industry agencies, ship repair, training and certification of seafarers.

With more than 155 years of experience in the shipping industry, operations' scope of ACSC covers maritime shipping markets within and outside of the Caspian Sea. Azerbaijan Caspian Shipping Company owns the largest merchant fleet, the largest specialised offshore fleet, ship repair plants with extensive technical capabilities. It also owns Azerbaijan State Maritime Academy that has modern education and scientific-technical base, as well as, Training and Education Center, which is equipped with modern simulators and training facilities.

The country's favourable geographical position between Europe and Asia and the international cargo routes passing through the Caspian Sea is necessitating merchant fleet of Azerbaijan Caspian Shipping Company to carry out transit cargo transportations. At the same time, a wide-range specialised offshore fleet of ACSC plays an important role in the successful implementation of large-scale oil and gas projects in the region.

2014-2015 years incorporated in the Sustainable Development Report were a significant milestone for Azerbaijan Caspian Shipping Company, given that this period has played an initial milestone for operations of newly formed ACSC. Company's shipping capabilities, fleet, the current condition of cargo transportation market were analysed, significant objectives were defined, and our activities were built towards achieving the set goals. The current report poses a landmark for stakeholders to view the operation results of the Company from the viewpoint of economic, social and environmental aspects based on the international experience.

HUMAN RESOURCES

The Company has set a number of objectives in the sphere of human resources management such as the establishment of a young and strong team, improvement of welfare and increase of professional skills of employees. Initially, the process of identifying and implementing optimal organisational structures was completed in a short time period. Implementation of SAP HR module was successfully finished to automate the procedures in human resources sphere. "Youth Center" was established to support the comprehensive development and increase the social activity of young generation working in ACSC. Optimisation works have been performed, and salaries were increased for several times in 2014-2015, to improve employee satisfaction and well-being level and strengthen social protection.

Advisory Board at Chairman was created which included leading captains, mechanics and veterans where regular consultations were carried out with the respective Board to





share ACSC's operational results with its leading personnel-seafarers, to study opinions of seafarers on adopted important decisions and planned measures, to prompt problems to the management faced by seafarers in easy and operative manner and to analyze best solutions on problems, to discuss new initiatives, as well as, to ensure the participation of seafarers in the making of important decisions.

Special attention is paid to increase knowledge, skills and professionalism of employees considering the strong demand for personnel who can work with regularly with updated techniques and technologies, familiar with international standards and who can ensure its implementation in working process. Special training programs are developed in order to achieve these objectives and trainings are conducted on a regular basis. ACSC has partnered with international companies - Business Academies of American Bureau of Shipping and EY Company on personnel training and coaching during the reporting period. Trainings were conducted on international conventions, quality, occupational safety and labor protection, requirements and recommendations of environmental management standards, management of environmental aspects, financial management, effective management and decisions, effective communication and how to handle the work efficiently. In line with local trainings, ACSC's employees have also participated in international trainings and workshops in 2014-2015. These trainings covered countries such as USA, Russia, Turkey, Great Britain, Italy, Spain, Vietnam, Georgia, and Kazakhstan.

Special attention is given to business ethics, discipline rules and transparency. "Anti-Corruption Guidelines" was approved and implemented in Azerbaijan Caspian Shipping Closed Joint-Stock Company in 2014. Main principles of this Guideline are to strengthen trust between employer and employee, to avoid duties contrary to law, to establish the environment that prevents and excludes corruption cases by staff, to defend human and civil rights and freedoms. Moreover, "Business Ethics Code" that defines and determines ethical norms and principles of behavior among employees of the Company was developed in order to achieve mission and goals of ACSC, and these principles are being successfully applied by ACSC.

SOCIAL ACTIVITY

ACSC finds social responsibility principle important within the framework of its activity and takes appropriate measures in this area. Accordingly, during the reporting period, all appropriate measures were taken to support the charity to orphans, families facing severe financial problems, veterans and disabled people. Separate Committee was established to review appeals from people in desperate need of financial support and sessions were held to provide all possible assistances.

ACSC includes five kindergartens for employees and their family members, "Danizchi" recreation center, one hospital and clinic. Moreover, ACSC pays special attention to the promotion and training of highly qualified seafarers. Azerbaijan State Maritime Academy, which is under ACSC's structure regularly, implements various projects, scientific events, workshops and competitions in order to increase interests of students to seafarer education. Students are involved in the scientific work through "Students' Scientific Society" and traditionally, scientific conferences are held each year for students.

In addition to the social aid and support, ACSC became the trusteeship of vulnerable children. Those are the children of employees who have lost their lives or physical abilities during implementation of their assignments. Financial aid in the amount of two times of minimal salary is made to dependent children.

Furthermore, the improvement of housing conditions of employees is in the focus of ACSC. To this end, ACSC established "Danizchi" housing cooperative and now it is planning to implement various projects to improve living conditions of employees.

QHSE

It should be noted in particular that by establishment of Azerbaijan Caspian Shipping Company, one of the urgent and necessary steps that were taken by the Company's management was the establishment of Quality, Health, Safety and Environment (QHSE) department. The main purpose of this service is to provide a safe working environment, to prevent pollution of sea and ports and to implement all the prescribed precautions and preventive measures against risks. QHSE Quality Safety Management System and QHSE policy meeting the requirements of relevant international conventions and standards were developed and implemented at the Company during the years of 2014-2015. By establishing Quality Safety Management System, ACSC provides application and functioning of SOLAS (International Convention for the safety of human life at sea), MARPOL (International Convention for the Prevention of Pollution from Ships), STCW (Standards of Training, Certification and Watchkeeping for Seafarers) and ILO (International Labour Organization) conventions.

Since July 2014, with the participation of international company - American Bureau of Shipping (ABS) GAP analysis and audit have been carried out to evaluate the Company's internal management system and to check compliance with SMS (Safety Management System) and international ISO standards. As a result of these events, the Company has been certified for compliance with the international management standards - ISO 9001-2008 (Quality Management), ISO 14001-2004 (Environmental Management), ISO 50001-2011 (Energy Efficiency Management) and OHSAS 18001-2007 (Occupational Health and Safety Management System).

The Company plans to continue to work for further improvement of Quality Safety Management System in upcoming years and trainings will be held related to SOLAS, CSWP (safe working practices regulations) and ISGOTT (international safety guidelines for oil tankers and terminals).

Taking into account a wide range of operations of the Company, it is noteworthy that the environmental protection is one of the key factors for sustainable development factors of the Company. Minimization of the environmental impacts from sludge and processed oil, fuels, other liquid and solid waste generated during the operation of ships into sea and weather is in the focus of ACSC. All possible preventive actions are taken in order not to damage environment during operations. There are specific procedures for the management of possible threats and actions. Requirements of international management standards ISO 50001 are implemented in order to achieve energy efficiency. All ships with water capacity over 400 registry tonnes are provided with the "Energy Efficiency Plan". Meanwhile, outdated ships with higher fuel consumption are being replaced step by step with new ones that are cost effective.

Neutralizing emissions in order to avoid negative impact on the environment is of great importance for the Company. Although it is not possible to fully prevent them, all applicable efforts are being made to minimize hazards. Thus, in accordance with the requirements of MARPOL 73/78 Convention fuel samples are taken from the ships going or planned to go to international voyages to determine SOx by special equipment installed and the corresponding arrangements are carried out.

It is planned to develop and to approve ACSC's environmental activity plan for 2016 and in addition, the environmental management system of the Company is intended to be upgraded in compliance with the requirements of the ISO-14001 international management system.

Management of ACSC organises annual meetings on managing of sustainable development where SOx, emissions, possible oil pollutions, anti-corruption, transparency of supply chain, integration and diversification of sustainable development to the Company and its businesses are discussed. As a result of these discussions, strategies are set on relevant areas of the Company's activities.

Azerbaijan Caspian Shipping Company discloses operation results on different relevant areas to stakeholders, in Sustainable Development Report for 2014-2015. Each topic mentioned above is in special attention of the Company and wider explanations and comments on them are discussed in relevant parts of the report.



AZERBAIJAN CASPIAN SHIPPING COMPANY



158 years

158 years of experience in shipping in the Caspian Sea



9,000

Nearly 9,000 staff (including 5,000 sailing personnel)



288

Merchant fleet and specialized offshore fleet consisting of 288 vessels of more than 20 different types

Azerbaijan Caspian Shipping Company owns the following certificates:



(Quality Management)



(Environmental Management)



(Energy Management)



(Occupational Health and Safety Management Systems)



(International Safety Management)



Certificates



Other services

Dry port services

"Zygh" dry port facility

Agency services

Inflot agency

Logistics and freight forwarding services

ACSC logistics



Education

Azerbaijan State Marine Academy

Training and Education Center

Merchant fleet includes:

Tankers

34



7,500,000 tons of liquid cargo

General cargo vessels

20



in Caspian Sea:
350,000 tons of cargo /16,000 TEU containers,
out of Caspian Sea:
950,000 tons of cargo/85,000 TEU containers

Ferries

13



95,000 railway wagons or 4,500,000 tonnes of cargo

Ro-Ro vessels

2



9,000 trucks (TIR) or 147,000 tonnes of cargo

Supporting fleet

23



Annual cargo transportation capacity:



Merchant fleet

Specialised offshore fleet includes:

21 crane vessels

29 passenger ships

19 AHTSVs

2 PSVs

2 tug boats

4 port-tug boats

11 diving vessels

7 firefighter vessels

5 dredger vessel and convoys

6 barges

5 geological survey vessels

2 underwater pipe layer vessels

1 cable layer and supply vessel

4 surface cleaner and faecal water collector ships

5 liquid cargo ships (tankers)

4 ship repair workshops

64 supporting boats

1 pile hammer ship



Repair yards

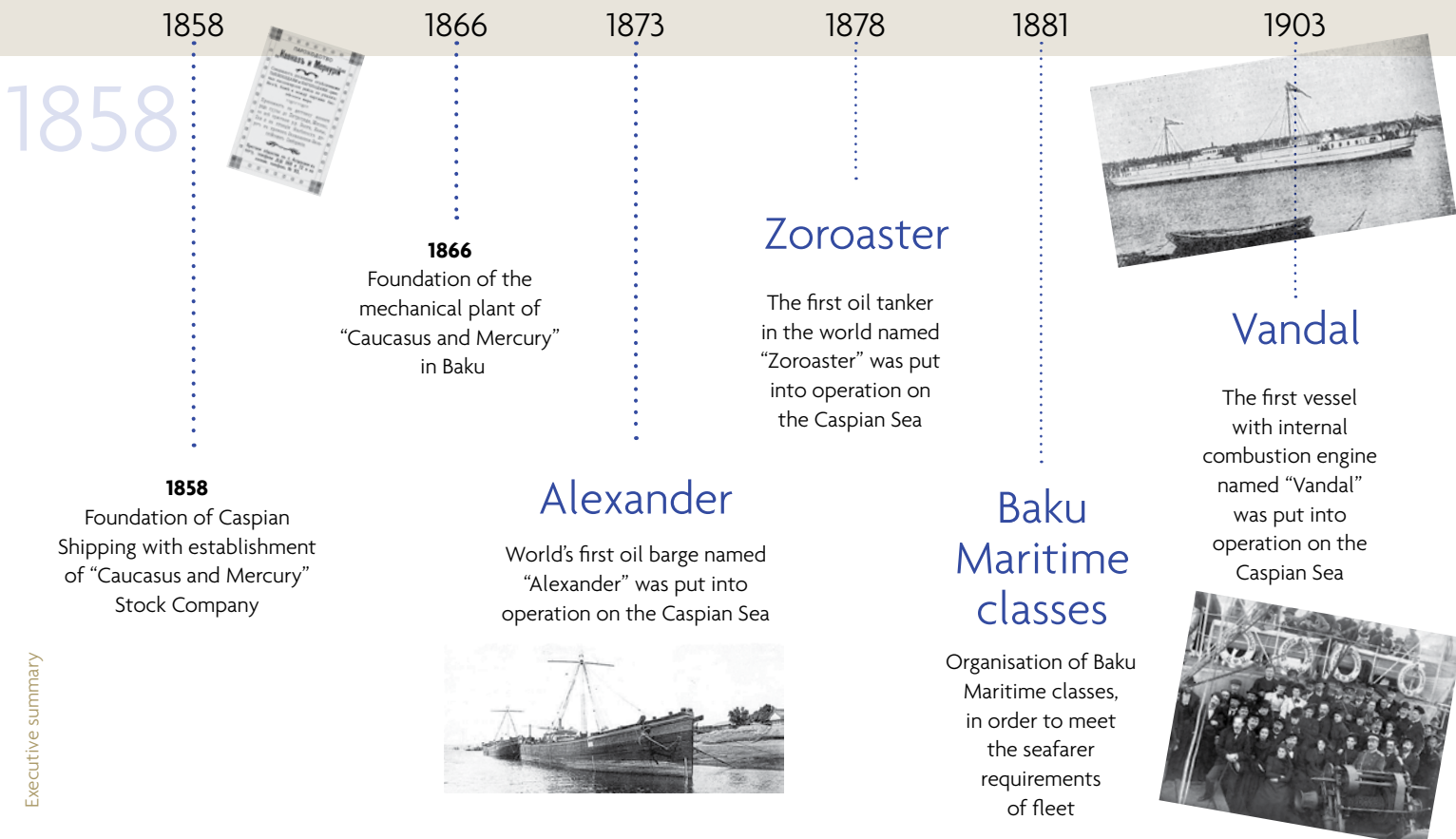
“Zygh” ship repair yard

“Bibiheybat” ship repair yard

Historical chronology

- Caspian Sea Oil Fleet
- Azerbaijan State Caspian Shipping Company
- Azerbaijan Caspian Shipping CJSC

Having **158 years** of experience in shipping industry and nearly **9,000 personnel** Azerbaijan Caspian Shipping Company is the leading shipping company on the Caspian sea basin.



Period of rapid development of offshore fleet.

“Floating vehicles”

Foundation of Caspian Sea Oil Fleet by establishing “Floating vehicles” division under “Azerneft” union

Construction of nearly 200 specialized offshore vessels, with 20-30 new vessels each year. Period of rapid development of offshore fleet

Merger of Azerbaijan State Caspian Sea Shipping Company and Caspian Sea Oil Fleet of the State Oil Company of Azerbaijan Republic, and establishment of “Azerbaijan Caspian Shipping” Closed Joint-Stock Company

1949

1949

1970–1980



2013



1908

Delo

The first vessel with two reversible engine named “Delo” was put into operation on the Caspian Sea



1960

Volga-Baltic

Vessels of the Caspian Shipping Company started to sail out of Caspian sea via the Volga-Baltic channel

1962

Construction of the first biggest ferry crossing on the Caspian Sea (Turkmenbashi)

1975–1985

New vessels

Construction of new tankers, general cargo vessels and ferries for merchant fleet

2003–2011

Tanker fleet renewal

2004

President Heydar Aliyev tanker

The first biggest tanker on Caspian Sea with 13,000 tons deadweight, named “President Heydar Aliyev” was put into operation



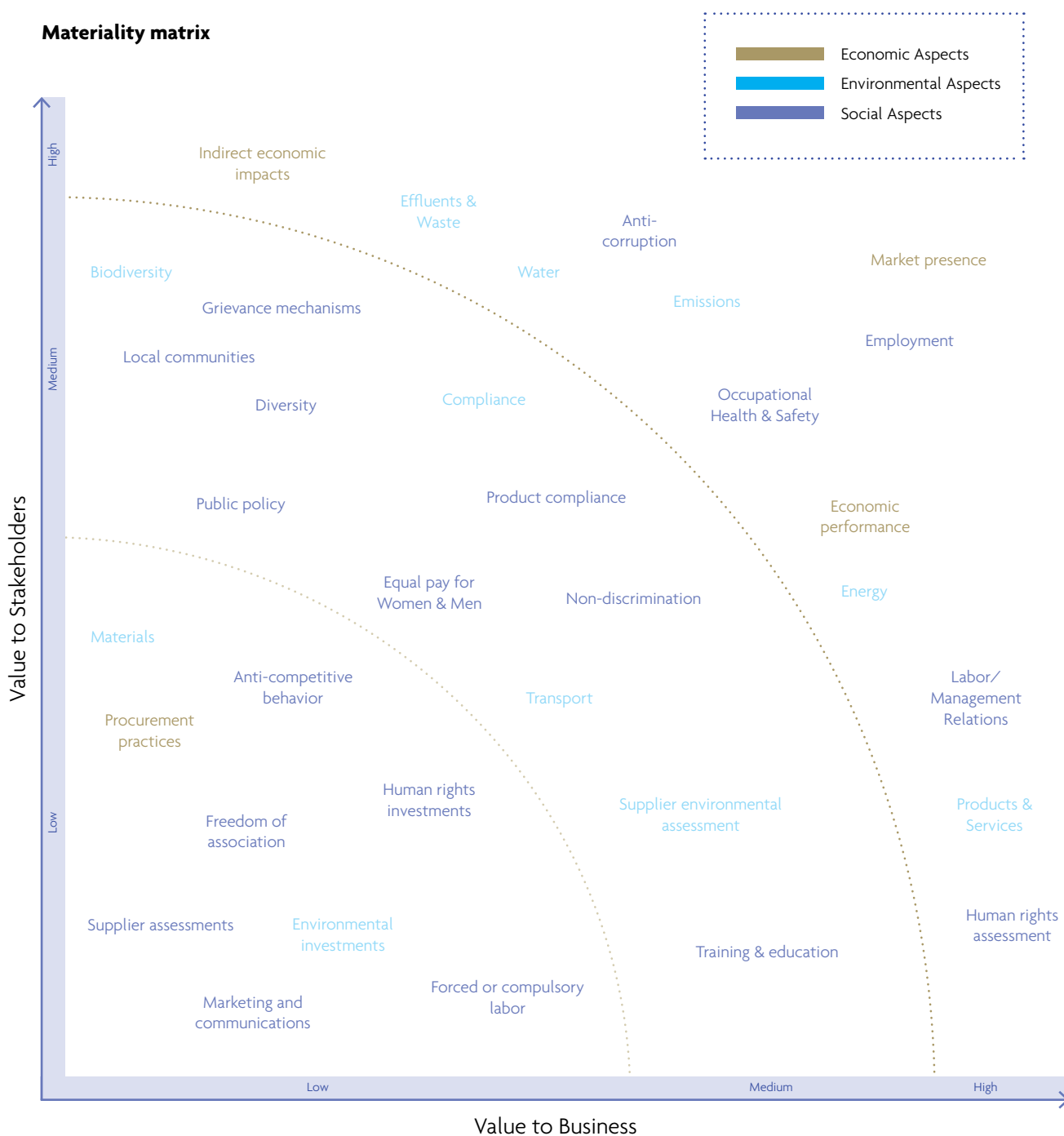
2005–2012

Ferry fleet renewal

The preparation of Sustainable Development Report of ACSC and defining its scope, contents and aspects were carried out in accordance with the “core” compliance criteria of GRI G4 reporting guidelines. In addition, in the process of determining the scope and important aspects of the report the economic, environmental and social performance of the ACSC was considered. This report covers the period of 2014-2015 and was published after reviewing by Chairman and respective Deputy Chairmen. This report was externally assured by EY and assurance statement on the results of the audit was published at the end of the report (page 61). Sustainable Development Report is based on issues that could

be related to stakeholders and may affect ACSC’s activities. Important issues were analysed, interviews with employees responsible for different operation areas of ACSC were conducted and a number of internal documents, international standards and initiatives have been analyzed in order to develop the report. Moreover, ACSC’s operations in the field of sustainable development were comparatively reviewed with four peers - international maritime companies and more than hundred sustainable development issues were investigated. In accordance with the results of studies, a matrix of important issues for ACSC was developed.

Materiality matrix



OUR VISION, MISSION, VALUES AND GOALS
YOUR SHORTEST BRIDGE BETWEEN ASIA AND EUROPE

Mission

To support a harmonious and continuous flow of international freights and contribute to Azerbaijan's regional transportation hub strategy.

Vision

To maintain the leading position on the Caspian Sea and expand operations outside of the Caspian sea.

Values

Continuous improvement

We are pursuing continuous improvement in every aspect of our business to operate as an effective and efficient ship management organisation aiming to provide value-added services to our clients.

Quality Service

At Azerbaijan Caspian Shipping Company, we are committed to delivering a wide range of quality-assured shipping and offshore solutions based on our expertise gained from more than 158 years of experience.

People

Our dedicated team and highly experienced marine professionals are our major assets.

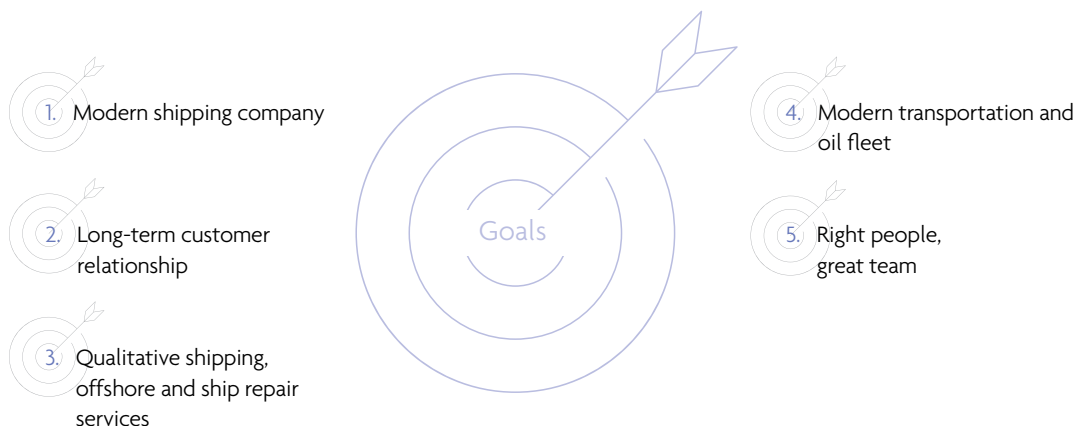
Safety

We focus on safe working environment and operations, which enhance our performance and mitigate risks.

Environment

Our aim is to minimise and reduce the impact on the environment in all aspects of the operations.

Goals



In 2015, main strategic development directions of the ACSC were approved by the corresponding decree of the Cabinet of Ministers of the Republic of Azerbaijan. It covers the following areas of development:

- To become a modern shipping company in accordance with leading international practices
- To ensure a high level and continuous cargo transportation services on Caspian Sea basin
- Provision of cargo transportation services out of the Caspian Sea basin
- To ensure the highest level of specialised offshore services to oil and gas industry and to support oil and gas production in the Republic of Azerbaijan
- Modernization of shipping infrastructure and ship repair yards
- Provision of safe services without negative impact on environment by following the leading QHSE standards
- Personal training, sustainable development, deepening of specialisation, strengthening of seafarer preparation

ACSC has established its activities towards achieving of the strategic development directions, and they are the main priority areas for the sustainable development of the Company. In order to implement the strategic development directions, detailed Strategic Action Plan was developed, as well as, development of the “State Program on the development of shipping in the Republic of Azerbaijan in 2016-2020” is being carried out.

MAIN BUSINESS AREAS

“Azerbaijan Caspian Shipping Company” Closed Joint-Stock Company was established by merging country’s two largest fleets - Azerbaijan State Caspian Sea Shipping Company and Caspian Sea Oil Fleet of the State Oil Company of Azerbaijan Republic. The main objective of it is to increase the efficiency of shipping operations through centralised management by the merger of two large fleets. As a result, ACSC was formed as a single unique company providing a wide range of services. ACSC currently performs the following operations:

Cargo transportation

Specialised offshore services

Ship repair

Education and training

Port services

Agency services

Logistics and freight forwarding services



Cargo transportation

There are 92 vessels in ACSC’s merchant fleet that provide cargo transportation services. Our shipping company has the largest permanent fleet on the Caspian Sea. Currently, ten vessels are operating outside of the Caspian Sea. Below presented the structure of merchant fleet.

Merchant fleet (number of vessels)

Vessel type	Number
Tankers	34
General cargo vessels	20
Ro-Ro vessels	2
Ferries	13
Supporting fleet	23
Total:	92

Four types of cargo transportation services are provided:

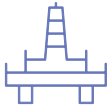
- ✓ Liquid cargo transportation with tankers
- ✓ Transportation with general, dry and bulk cargo vessels
- ✓ Transportation with ferries
- ✓ Transportation with Ro-Ro vessels



Liquid cargo transportation is formed by the transportation of oil and oil products exported mainly from Turkmenistan and Kazakhstan ports to Azerbaijan.

General, dry and bulk cargo transportation in the Caspian Sea is carried out mainly in North-South direction and includes different cereal, wheat, corn products, metal, construction materials, etc. At the end of 2014, ACSC restored its operations out of the Caspian Sea, and general cargo vessels started to operate under the Azerbaijani flag in the Black and Mediterranean Sea basins. Currently, ACSC’s ten general cargo vessels are operating out of the Caspian Sea.

Transportation via ferries and Ro-Ro vessels are carried out in Baku-Turkmenbashi-Baku and Baku-Aktau-Baku directions. Transportation of automobiles, trucks, TIRs and another type of rolling vehicles is carried out by Ro-Ro vessels, while railway waggons are transported by ferries.



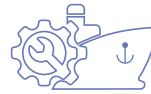
Specialised offshore services

Caspian Sea Oil Fleet provides a wide range of unique specialised offshore services to oil and gas industry in the Caspian Sea basin. The specialised offshore fleet includes 196 vessels. The structure of the fleet is presented in the below table.

Specialised offshore fleet (number of vessels)

Vessel type	Number
Crane vessels	21
Passenger ships	29
AHTSVs	19
PSVs	2
Tug boats	2
Port-tug boats	4
Diving vessels	11
Firefighter vessels	7
Barges	6
Liquid cargo ships (tankers)	5
Geological survey vessels	5
Underwater pipe layer vessels	2
Cable layer and supply vessel	1
Surface cleaner and fecal water collector ships	4
Supporting boats	68
Ship repair workshops	4
Pile hammer ship	1
Dredger vessel and convoys	5
Total:	196

Caspian Sea Oil Fleet (CSOF) fully supports and ensures oil and gas production process in the Caspian Sea and provides a wide range of services, such as, construction of offshore platforms and piers, geological exploration, laying of underwater oil and gas pipelines and their repair during exploitation period, fire protection of oil facilities, transportation of oil workers to workplaces at sea and other services related to exploration and production of mineral resources. CSOF successfully participates in the development of “Shahdeniz”, “Bahar-Qum-Deniz”, “Azeri-Chirag-Gunashli” fields in the Caspian Sea basin.



Ship repair

ACSC has “Bibiheybat” and “Zygh” ship repair yards. These ship repair yards perform repair of vessels and their technical equipment for ACSC and other third parties and prepare various types of spare parts, special paintings and technical means on order.

Installation and maintenance of ship systems moreover, its equipment, set-up of electrical, radio navigation equipment, engines and devices, carrying diving and underwater hydraulic works, check-up of underwater hull, steering wheel and screws by lifting vessels to docks and their cleaning and painting, checking of inflatable rescue boats, hydrostatic separator facilities, inspection and repair of personal protection equipment, technical survey of ASV type breathing machines etc. are being performed in ship repair yards.





Education and training

Azerbaijan State Marine Academy (ASMA) which is under the structure of ACSC has more than 130 years of experience in marine education. It is the largest and oldest university in the region specialising in maritime education. Currently, it has three faculties and 16 departments. The Academy is recognised by International Maritime Organization (IMO).

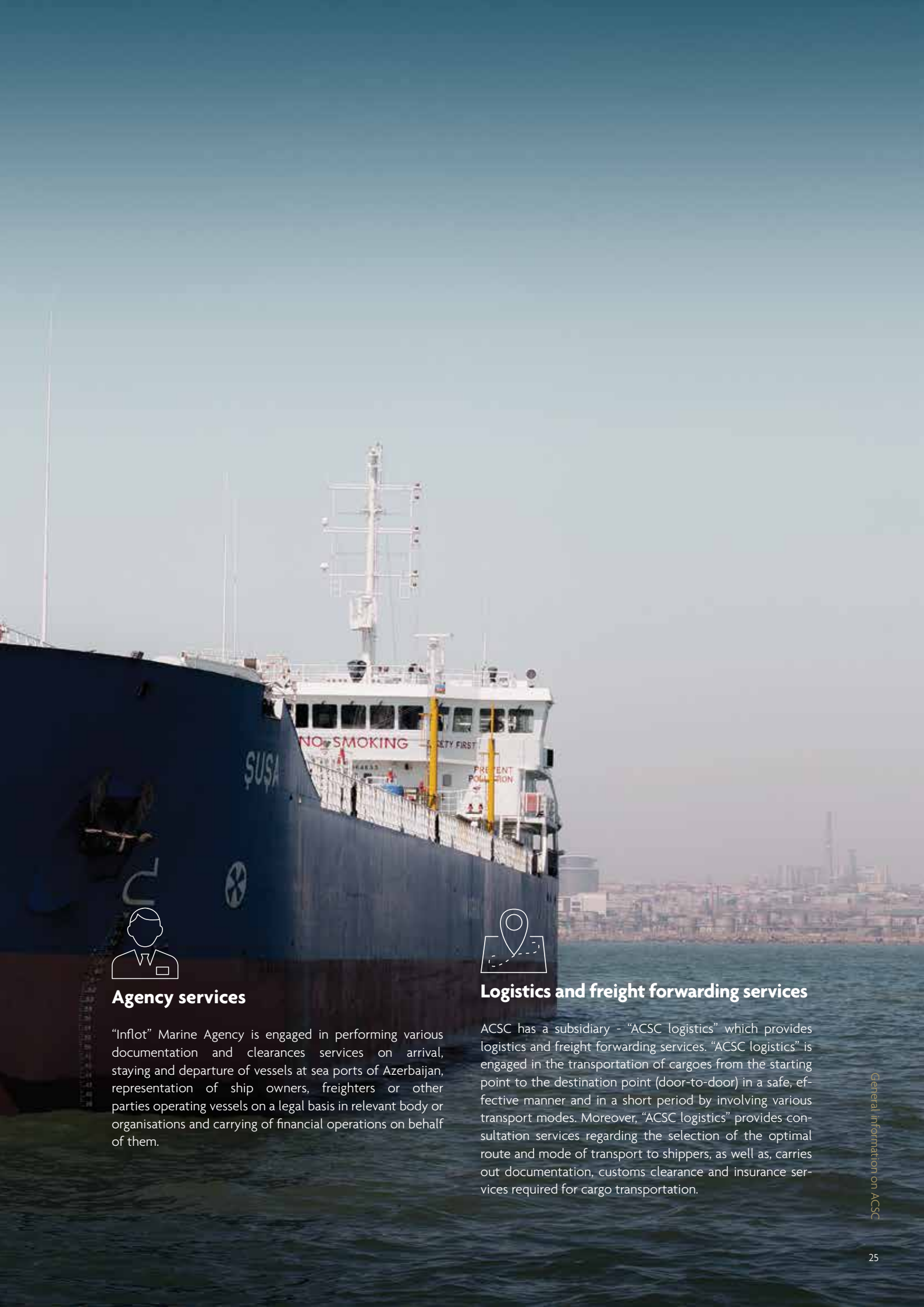
Moreover, there is a special seafarers' Training Center in ACSC. This Center is equipped with modern simulators and training facilities, and special courses are organised for the certification and deepening of specialisation of seafarers. Educational programs and trainings held at the Center are consistent with standards of International Maritime Organization (IMO).



Port services

ACSC owns "Zygh" dry port facility. The main objective of this Port facility is the organisation, operation and management of port activities by applying advanced techniques and technologies, providing high-level services to local and foreign shipping companies, carrying out cargo handling operations, serving passengers and vessels, as well as, other relevant port services.





Agency services

“Inflot” Marine Agency is engaged in performing various documentation and clearances services on arrival, staying and departure of vessels at sea ports of Azerbaijan, representation of ship owners, freighters or other parties operating vessels on a legal basis in relevant body or organisations and carrying of financial operations on behalf of them.



Logistics and freight forwarding services

ACSC has a subsidiary - “ACSC logistics” which provides logistics and freight forwarding services. “ACSC logistics” is engaged in the transportation of cargoes from the starting point to the destination point (door-to-door) in a safe, effective manner and in a short period by involving various transport modes. Moreover, “ACSC logistics” provides consultation services regarding the selection of the optimal route and mode of transport to shippers, as well as, carries out documentation, customs clearance and insurance services required for cargo transportation.

OPERATION ROUTES

The Caspian Sea, of course, has always been historical operation market for ACSC. At the same time, Azerbaijan Caspian Shipping Company in its 158 years of existence has had a wide experience in operations outside of the Caspian Sea. In 2014, ACSC restored its operations out of Caspian Sea. Currently, ten general cargo vessels are operating under the Azerbaijani flag in Black and Mediterranean Seas basins.

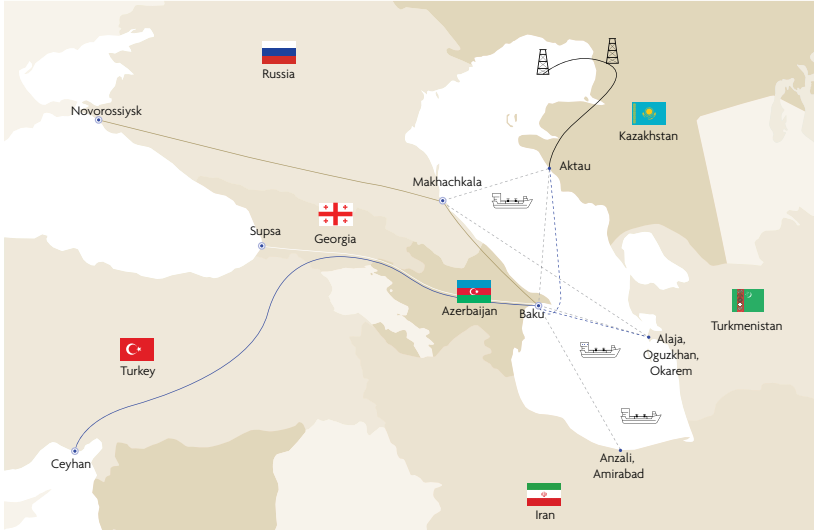


OPERATING ROUTES ON THE CASPIAN SEA

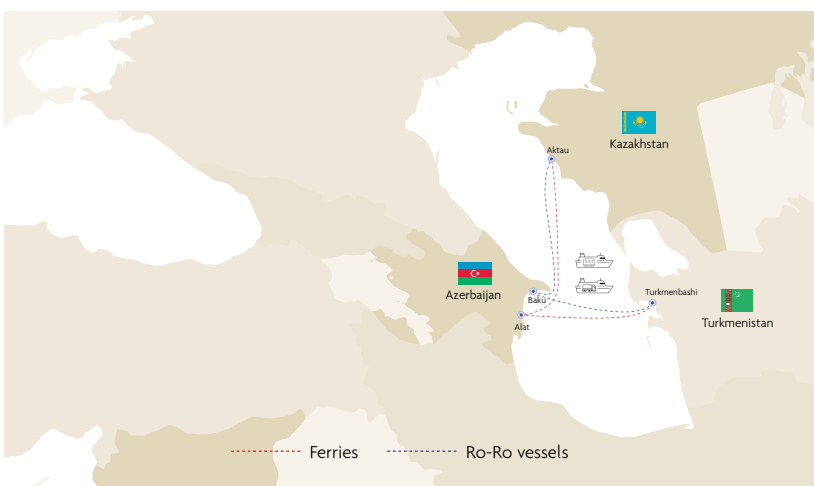
General cargo vessels



Tankers



Ferries and Ro-Ro vessels

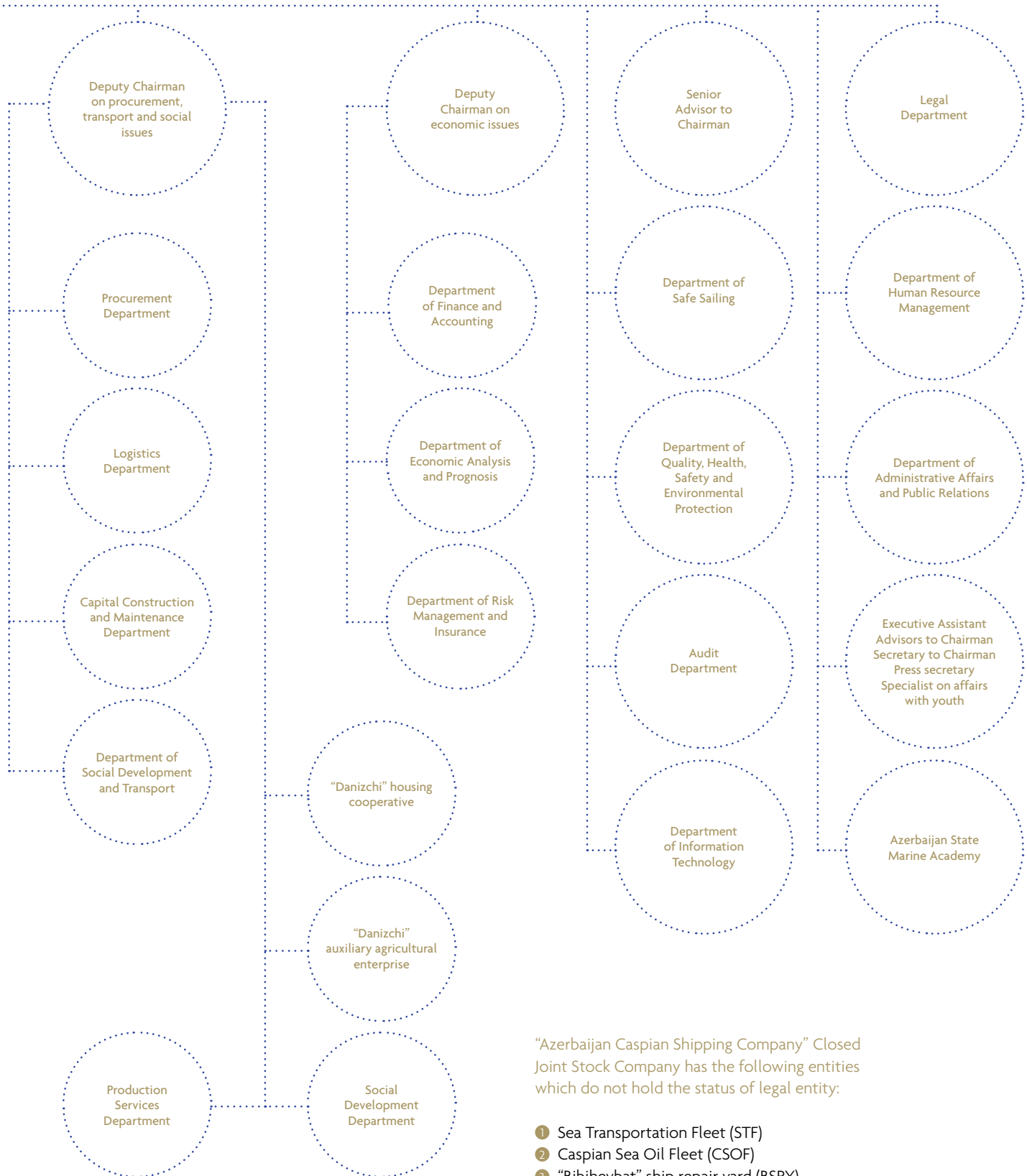


STRUCTURE OF THE AZERBAIJAN CASPIAN SHIPPING COMPANY



“Azerbaijan Caspian Shipping Company” Closed Joint Stock Company has the following entities holding the status of legal entity:

- ① Azerbaijan State Maritime Academy (ASMA)
- ② Caspian Sea Transport Project-Research and Scientific-Investigation Institute (CSTPRSII)
- ③ “Caspian Sea Shipping” LLC (representative office of ACSC in Astrakhan, Russian Federation)
- ④ “ACSC Logistics” LLC
- ⑤ “Danizchi” housing cooperative



"Azerbaijan Caspian Shipping Company" Closed Joint Stock Company has the following entities which do not hold the status of legal entity:

- ① Sea Transportation Fleet (STF)
- ② Caspian Sea Oil Fleet (CSOF)
- ③ "Bibiheybat" ship repair yard (BSRY)
- ④ "Zygh" ship repair yard (ZSRY)
- ⑤ Production Services Department (PSD)
- ⑥ Social Development Department (SDD)



SUBSIDIARIES AND JOINT VENTURES, REPRESENTATIVE OFFICES AND BRANCHES

Starting from November 2015, “Caspian Shipping Company” LLC, ACSC’s subsidiary began its operations in Astrakhan, Russian Federation. New subsidiary promotes effective and efficient access of Azerbaijan Caspian Shipping Company’s vessels to foreign markets, which ultimately fosters to increase of cargo transportation. Also, the main goal of the establishment of the Company is to increase cargo transportation between ports of Azerbaijan and Russia, to solve the problems occurred during these transportations in a short time, to ease the passing of ACSC’s vessels through Volga-Don channel.

KEY STAKEHOLDERS AND RELATIONS WITH THEM

The main stakeholder of the ACSC is the government of the Republic of Azerbaijan. The Company reports on the results of its operations to the government and approves the budget for the next years. Also, Company cooperates closely with other relevant governmental bodies and organisations, which are involved in cargo transportation in order to increase local and international transportations, competitiveness and transit potential of the country. These organisations also act as a stakeholder.

Other key internal and external stakeholders of the ACSC are as follows, but not limited to:

- ACSC’s personnel - the number of employees in the ACSC was 8,764 for the year ended 31 December 2015.
- Customers - ACSC is cooperating with various companies specialised in cargo transportation, offshore, ship repair and other related services.

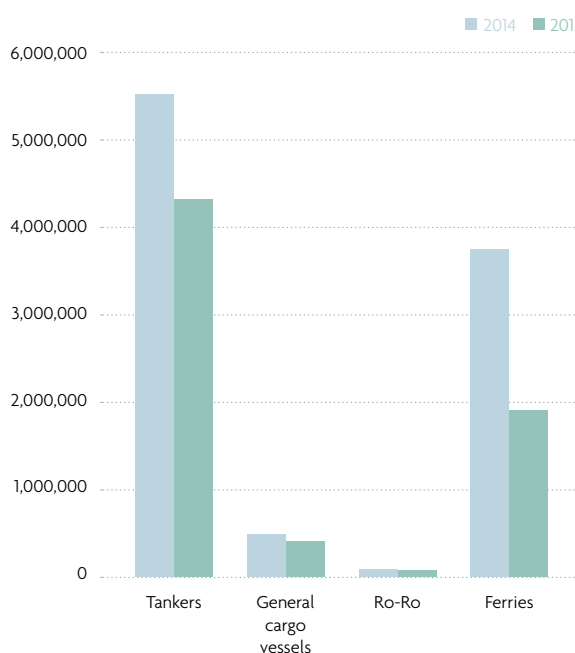
- Suppliers - ACSC’s broad scope of operations makes cooperation with local and foreign suppliers inevitable. ACSC’s supply chain consists of local and international service providers and material suppliers.
- International organisations - the Company cooperates with the American Bureau of Shipping to obtain international certificates, with Fitch Ratings to get a credit rating, with EY Company to provide various audit, assurance and consulting services, with IMO and ILO in the sphere of regulation and international shipping legislation and other international organisations in different areas.
- Other market participants - ACSC’s stakeholders are also cargo transportation, offshore and other ship repairing companies operating on the Caspian Sea and outside.

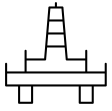
MAIN OPERATING RESULTS IN 2014-2015



Cargo transportation volume (tonnes)

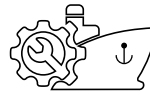
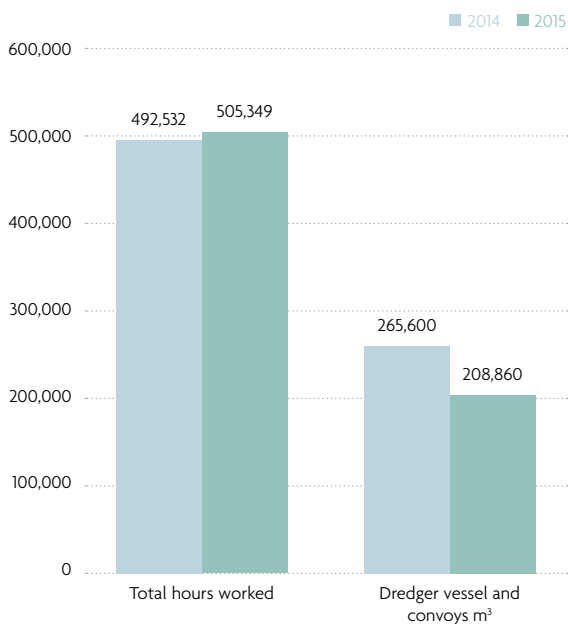
Type of ship	2014	2015
Tankers	5,573,230	4,298,615
General cargo vessels	513,441	383,932
Ro-Ro	104,816	91,589
Ferries	3,745,098	1,851,728
Total:	9,936,285	6,625,864





Specialised offshore fleet results (worked hours)

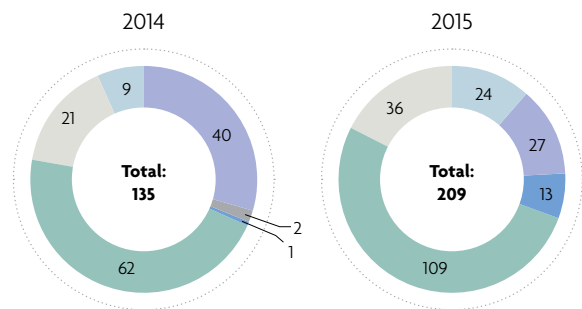
Type of ship	Hours worked 2014	Hours worked 2015
Crane vessels	52,714	60,757
Passenger ships	89,979	85,746
AHTSVs	52,814	55,405
PSVs	4,663	4,654
Tug boats	6,117	12,392
Port-tug boats	7,433	3,841
Diving vessels	27,993	27,420
Firefighter vessels	27,218	24,133
Barges	13,318	19,558
Liquid cargo ships (tankers)	10,714	13,450
Geological survey vessels	9,562	12,513
Underwater pipe layer vessels	4,181	4,149
Cable layer and supply vessel	3,056	2,746
Surface cleaner and faecal water collector ships	45	194
Supporting boats	182,725	178,391
Total hours worked:	492,532	505,349
Dredger vessel and convoys, m ³ of soil	265,600 m ³	208,860 m ³



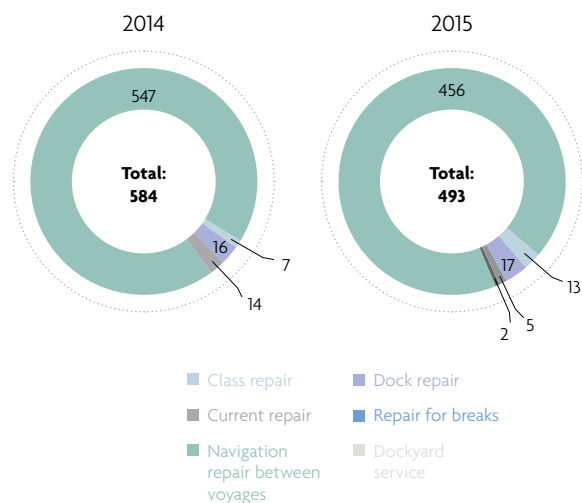
Ship repair results (number of repairs)

Type of repair	«Bibiheybat» (BSRY)		“Zygh” (ZSRY)	
	2014	2015	2014	2015
Class repair	9	24	7	13
Dock repair	40	27	16	17
Current repair	2	0	14	5
Repair for breaks	1	13	0	2
Navigation repair between voyages	62	109	547	456
Dockyard service	21	36	0	0
Total:	135	209	584	493

«Bibiheybat» (BSRY)



“Zygh” (ZSRY)



OUTCOMES OF MAIN ACTIVITIES IN 2014-2015

Improvements in the financial condition of the ACSC plays a supportive role in its sustainable development. It also enables to accomplish environmental, social, economic aspects and to improve the welfare of staff in the ACSC.



Financial results for 2014-2015 (IFRS) (thousand AZN)

Economic indicators, thousand AZN	2014	2015
Economic value generated	301,641	366,698
Operating expenses, including	(189,893)	(180,952)
Social expenses	(1,961)	(2,975)
Salary, bonuses and other employee benefits	(69,988)	(69,137)
Payments to State budget, including	(24,290)	(21,999)
Property tax	(6,658)	(5,527)
Withholding tax	(164)	(381)
Land tax	(82)	(134)
Tax penalties	(1,025)	(8)
VAT charges	(930)	(739)
22% SSPF charges	(15,397)	(15,210)
Road tax	(34)	-
Income tax	20,969	(21,769)
Payments to capital suppliers	(1,216)	(2,145)
Net losses	(2,620)	(575)
Economic value retained	34,016	68,997

INTEGRATION OF SUSTAINABLE DEVELOPMENT INTO THE BUSINESS

Despite the fact that 2014-2015 years were the initial years of operation of ACSC, the special attention was paid to environmental protection and proper management of staff. In addition, the sustainable development factor was included in the strategic development directions of ACSC. There is a QHSE policy in the ACSC that covers key issues of sustainable development policy.

Purpose of QHSE policy is the implementation of safe working practices in order to:

- Ensure the health of staff

- Ensure the safety of environment
- Achieve the highest management standards by improving experience and skills of onshore and offshore personnel.

INTERNAL CONTROL SYSTEM

Internal control and audit function of the ACSC are carried out by Internal Audit Department. The Department directly reports to the Executive Board of the Company. Internal auditors of the Company are involved in the audit of various operation areas of the Company, as well as, they provide relevant advisory services. These services are approved by Executive Board and included in the “Annual Internal Audit Plan” of the Company. Monitoring is performed to ensure timely and due diligent resolve of findings occurred during audit procedures.

RISKS MANAGEMENT

On December 11, 2014, Risk Committee and permanent working group acting under Risk Committee were established by order of the Chairman of the ACSC. Risk management policy of the ACSC and regulations of the Risk Committee and Working group, as well as, “Risk Management Concept”, “Guidelines on risk identification, assessment and monitoring”, “Guidelines on risk management” and “Annual Corporate Risk Map” were approved by this order. The Committee reports directly to the Chairman of ACSC.

In addition to other risks, risks on sustainable development, environmental risks and safety risks are covered on “Annual Corporate Risks Map”. Risks map is prepared on the basis of all information on risks collected from the structural units. Special measures are taken to minimise the likelihood of risk occurrence the implementation of which is organised and monitored by the working group.

In order to avoid the risks, vessels were provided with a certificate of insurance on the “Civil Liability for Bunker Oil Pollution Damage” in accordance with the international conventions. As well as, compulsory insurance agreement is signed on “Professional disability resulting from the industrial accident and occupational disease”.

United Nations Organization’s “precautionary principle” is not formally implemented in ACSC at present. However, ACSC considers and follows this approach in all its activities.

ANTI-CORRUPTION MEASURES

“Anti-corruption Guidelines”, “Guidelines on conducting internal investigations” and “Hotline” service centre of Azerbaijan Caspian Shipping Closed Joint Stock Company” were approved by the Decree of the Chairman of the ACSC, dated September 2, 2014. The main principles of “Anti-



corruption Guidelines” are to strengthen the trust between employer and employee, to avoid duties contrary to law, to enable conditions that exclude injustice and corruption issues by professional staff and to defend human and civil rights and freedom.

“Hotline” call centre was established in accordance with mentioned order. The main principles of the call centre and “Guideline on conducting internal investigations” are promptly registration and investigation of complaints and appeals of company’s employees and other stakeholders.

ACSC’s entire personnel, as well as, those newly employed are officially informed in this order and the guidelines. At the same time, the tasks were assigned on hanging relevant adverts about “Hotline” call centre in ACSC-owned visible places based on this order, and they were completed respectively. During this period, appeals received in “Hotline” call centre were investigated and the results were reported to the public. There was no any case of corruption among appeals during reporting period. Inadmissibility of the cases of corruption is delivered to the contractors which cooperate with ACSC and

relevant clauses on it are included in the contracts.

DISCIPLINARY REGULATIONS AND BUSINESS ETHICS

“Business Ethics Code” was approved by order dated December 30, 2015. This document defines standards of behaviour and directions of the organisation on business activity and ethics principles to achieve mission and goals of the ACSC.

“Business Ethics Code” defines behaviour, ethics norms and principles of all employees working in the ACSC and procedures to follow, as well as, main requirements on ethics principles in the course of professional activity. Employees violating the norms and values defined by mentioned code, as well as, requirements of the applicable legislation are brought to discipline in the manner provided in internal documents of the ACSC and applicable legislation.

HUMAN RESOURCES POLICY

In accordance with the objectives and goals, employee satisfaction is one of the priorities in ACSC. ACSC carried out a number of initiatives on human resources management since its creation. Initially was signed an order regarding the approval of organisational structures of ACSC and its units. Then a number of internal documents were developed on the regulation of relations, salary payments and other issues, such as:

- Human Resources Management Rules
- Collective agreement
- Regulations on the remuneration of employees
- Order on the regulation of additional payments
- Training plan of sailing and coastal personnel for 2014-2015
- Rules on attachment of sailing staff members to the ships
- Regulation on granting financial assistance to employees in "Azerbaijan Caspian Shipping Company" CJSC
- The guidelines for awarding the "Veteran of Labor" title

Optimisation process of duplicate activities and structural units has been implemented since ACSC's establishment. Upon completion of optimization, the labour contracts have been signed with ACSC employees in accordance with the legislative requirements. Dual and extra staff units were cut as a result of optimisation works done in the structures in ACSC, and the savings of wage-fund were directed to increase the salaries of the employees.

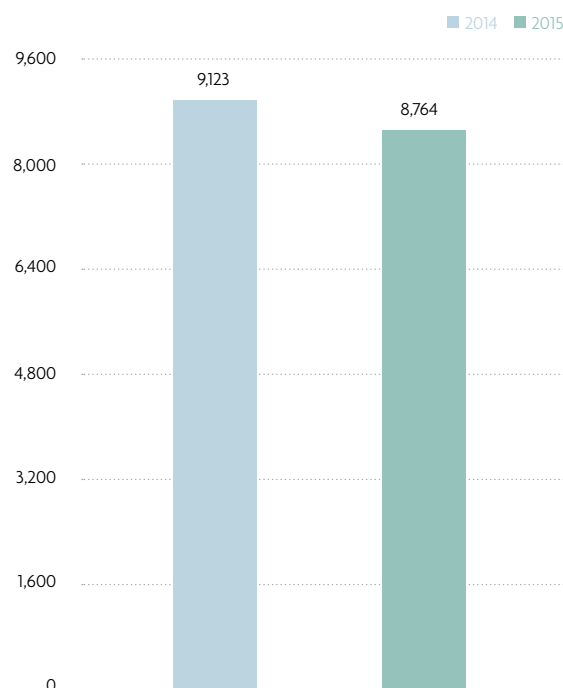


In connection with optimisations, "two ships-three staff" work schedule was introduced. The staff of technical vessels was switched to the two-shift regime. As a result, work and leisure time of employees were regulated, new vacancies were announced and recruitment of staff in ships was eased.

All employees of the ACSC are recruited by labor contract defined in accordance with the legislation of the Republic of Azerbaijan. In case of the ACSC terminates the labor contract on the basis of mutual understanding with any employee, unused vacation days are compensated and other provisions are provided. Labor force statistics of the ACSC is presented in below table.

Labor force in 2014-2015, (person)

Number of employees	2014	2015
	9,123	8,764
Including:		
"Bibiheybat" ship repair yard	983	966
Caspian Sea Oil Fleet	2,771	2,887
Sea Transportation Fleet	2,599	2,355
"Zygh" ship repair yard	611	650
Production Services Department	1,013	960
Social Development Department	635	443
Azerbaijan State Marine Academy	277	290
Scientific-Research Institute	31	35
Head Office	203	178
Total Personnel	9,123	8,764

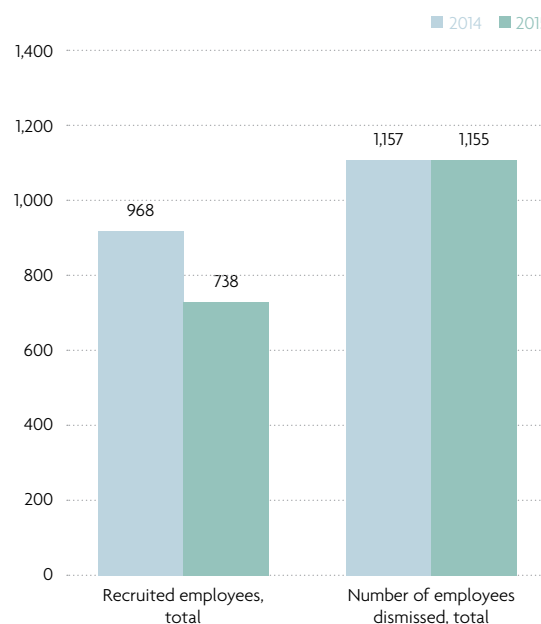


Number of recruited employees	2014	2015
Recruited employees, total	968	738
Including:		
“Bibiheybat” ship repair yard	27	21
Caspian Sea Oil Fleet	119	204
Sea Transportation Fleet	54	34
“Zygh” ship repair yard	100	115
Production Services Department	460	125
Social Development Department	44	44
Azerbaijan State Marine Academy	99	173
Scientific-Research Institute	3	5
Head Office*	62	17

*Number of employees recruited in 2014 for the Head Office includes internal rotations as well.

Number of dismissed employees	2014	2015
Number of employees dismissed, total	1,157	1,155
Including:		
“Bibiheybat” ship repair yard	66	37
Caspian Sea Oil Fleet	225	138
Sea Transportation Fleet	259	303
“Zygh” ship repair yard	55	77
Production Services Department	345	195
Social development department	84	237
Azerbaijan state marine academy	82	122
Scientific-Research Institute	16	1
Head Office	25	45

Department and divisions were established in all structural units of the ACSC, which meet the principles of international management system. At the same time, job descriptions were written for every position and they were introduced to the whole staff. SAP HR module has been implemented during the reporting period, hence information and procedures on Human Resources Management (orders, decisions, changes made to regulations on salary etc.) were automated. Electronic labor contracts for all employees of the ACSC were imported to e-government portal in a short period of time. Programs on the increasing salary and improvement of life standards of employees, financial assistance to employees, voluntary medical insurance system, rehabilitation, resort and recreational treatment and other social incentives were implemented during 2014-2015, in order to motivate and encourage employees.



TRAINING AND EDUCATION

In order to improve the quality of our services, special attention is paid to the development of knowledge and approaches, training of employees on a constant basis. Application of new technologies, as well as efficiency and innovation are carried out through the knowledge development programs.

American Bureau of Shipping (ABS) conducted the trainings on management of the relevant international conventions, protection of quality, occupational safety, health and labor, requirements and recommendations of environmental management standards and environmental aspects. These trainings were held 6 times covering 131 employees during 2015. Training needs of staff are defined by Human Resources Management Department. Trainings that are important for offshore and onshore staff is included in Training Plan and has the following types:

- **Trainings on safety**
- **Profession trainings**
- **Personal development trainings**
- **Foreign language trainings**





Besides above-mentioned training, the following trainings were delivered by the American Bureau of Shipping on issues covered in Quality Safety Management System of the Company:

- Introduction to the Integrated Quality Safety Management System for management and experts
- ISO 50001 - Introduction to energy efficiency standards
- Internal audit on safety management system
- Maritime Labor Convention 2006
- Training for trainers

All information on safety is provided by the QHSE department to employees before starting their job and explained in detail. Besides verbal information, safety trainings are delivered.

During the reporting period the trainings on valuable topics such as finance, effective management and decision making, effective communication, efficiency management for management and executives were delivered by the Business Academy of internationally recognized EY Company.

In addition to local trainings, employees of the ACSC also participated in several international workshops and trainings in 2015 held in countries like USA, Russia, Turkey, Great Britain, Italy, Spain, Vietnam, Georgia, and Kazakhstan.

Certification process of Training Center of the ACSC was launched by American Bureau of Shipping. 36 students of the Azerbaijan Fisheries College took part in the trainings in Training Center of ASMA free of charge in 2014 in order to support the education. Education of an employee, who graduated from ASMA with good and excellent marks and currently working in the Merchant Fleet, in abroad in the Kiev Sea Transport Academy is funded by the ACSC. In 2015, a framework agreement on cooperation on scientific-technical and academic activities was signed between ACSC and Admiral Makarov State University of Maritime and Inland Shipping.

In addition, trainings were held in “Rasul Rza” training vessel of the Company for the students of Azerbaijan State Maritime Academy (ASMA) in different spheres. As an example, the trainings include construction of ship internal combustion engines, ship auxiliary mechanisms, management and maneuvering the ship, automatic and electrical management system of ship power facilitates. In 2015 another training vessel “General Asadov” was transferred to ASMA for educational and training purposes.

RELATIONSHIPS WITH THE PERSONNEL

Employees of the Company play a significant role in carrying out its mission and strategy. In order to maintain employee satisfaction on a high-level, to define and overcome any lack on time, large amount of works have been performed to build a strong and mutual relationship between the ACSC management and employees.

ACSC regulates labor and socio-economic professional relations with the personnel in accordance with the Collective Agreement. Collective Agreement was developed based on provisions of the Labor Code of the Republic of Azerbaijan and Conventions on working conditions, operating regime and catering of sailors of International Labor Organization. Collective agreement applies to all employees of the ACSC. Under the terms of collective agreement, the ACSC shall notify Trade Union Committee at least 2 months in advance on the events that will lead to the cancellation or mass reduction of workplaces.

The ACSC implemented many issues for the motivation of employees and improvement of their social well-being in 2014-2015. Relevant Committees has been established for the granting of financial assistance to the employees and developed an appropriate legal document to regulate these issues. On the occasion of the day of the Seafarers the distinguished employees were awarded with the “Taraqqi” medal, “Honored Engineer”, “Individual grant of President of the Republic of Azerbaijan”, “Honorary fellow of the fleet” titles, as well as, with the “Honorary Diploma”. Competition is held every year in order to determine distinguished ship staff in both fleets, adequately fulfilling plans, meeting their targets. The nominations were covering the titles such as “The Best Captain of Year”, “The Best Electro-Mechanic of Year”, “The Best Boatswain of Year”, “The Best Motorman of Year”, and “The Best Cook of Year”. The Organizing Committee was established to determine the winners of the competition. The winners determined based on predefined requirements and rewarded respectively.

The Company also has a one-time reward system of employees for their distinguished performance, showing courage on militarised security service and active participation in other social events.

Appeal mechanism to the ACSC: Appeal to ACSC can be addressed in verbal, written and electronic ways. The investigation and solution of all appeals and complaints are of great importance for ACSC. The applicant is informed about the process regardless of the subject matter of the application form. The incoming applications and complaints are registered and responded not later than 15 days after receiving. All requests are registered and the appointment time with a relevant senior official is determined. The disabled, elderly persons and war veterans have the right to arrange an appointment with Chairman without waiting in the queue.

DIVERSITY AND EQUAL OPPORTUNITY

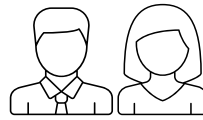
Diversity and equality are important factors for a company that has a strategy to expand international operations.

ACSC provides equal opportunities for employees regardless of their race, religion, gender and political affiliations. At the same time, ACSC implements its activities in accordance with the legislation of the Republic of Azerbaijan, requirements of the international conventions, "Maritime Labor Convention 2006" for the protection of human rights. Moreover, appropriate measures are taken in order to maintain gender equality in accordance with Human Resources Management Policy. The Executive Board of ACSC includes the Chairman and Deputy Chairmen which are appointed by the decree of the President of Azerbaijan Republic, and covers persons of various ages.



Composition of the Executive Board by age and gender, (person)

Status	Age	Gender
Chairman	50	Male
First Deputy Chairman	36	Male
Deputy Chairman on economic issues	48	Male
Deputy Chairman on strategic development, investment projects and logistics	34	Male
Deputy Chairman on procurement, transport and social issues	49	Male
Deputy Chairman on security issues	33	Male



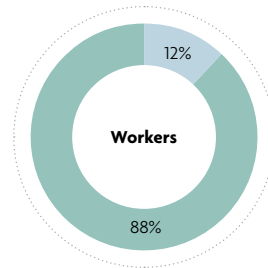
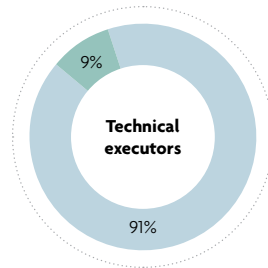
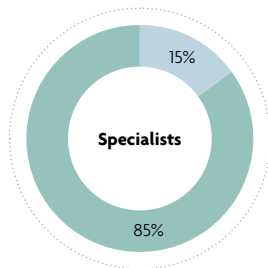
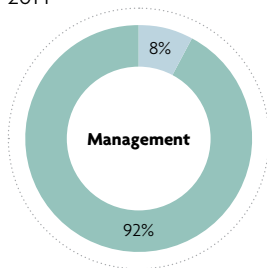
Number of employees by gender in 2014-2015, (person)

	2014		2015	
	Female	Male	Female	Male
Total	1,271	7,852	1,151	7,613
Including:				
"Bibiheybat" ship repair yard	103	880	97	869
Caspian Sea Oil Fleet	155	2,616	155	2,732
Sea Transportation Fleet	195	2,404	180	2,175
"Zygh" ship repair yard	51	560	59	591
Production Services Department	106	907	97	863
Social Development Department	456	179	357	86
Azerbaijan State Marine Academy	120	157	127	163
Scientific-Research Institute	20	11	23	12
Head Office	65	138	56	122

Number of employees by category and gender in 2014-2015 (person)

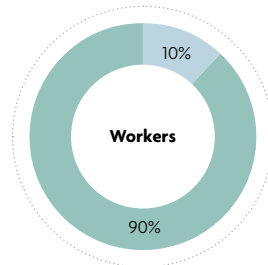
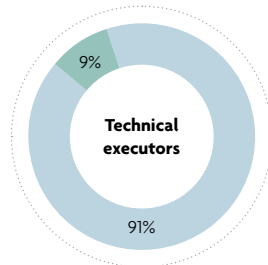
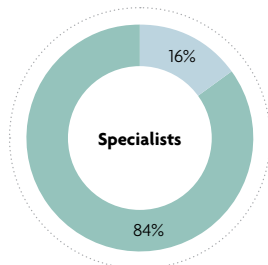
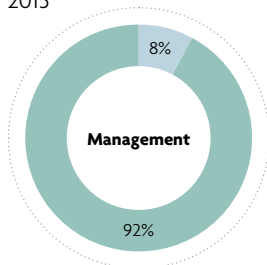
Categories	2014		2015	
	Female	Male	Female	Male
Management	85	937	91	1,043
Specialists	431	2,511	425	2,298
Technical executors	179	17	148	15
Workers	576	4,387	487	4,257

2014



■ female ■ male

2015



Number of employees by age, (person)

Number of employees by age	2014			2015		
	below 30	30-50	above 50	below 30	30-50	above 50
"Bibiheybat" ship repair yard	100	506	377	82	491	393
Caspian Sea Oil Fleet	407	1,580	784	390	1,598	899
Sea Transportation Fleet	602	1,414	583	462	1,299	594
"Zygh" ship repair yard	111	239	261	151	236	263
Production Services Department	248	468	297	230	437	293
Social Development Department	40	239	356	27	201	215
Azerbaijan State Marine Academy	39	90	148	43	115	132
Scientific-Research Institute	2	7	22	4	7	24
Head Office	26	119	58	22	101	55



HUMAN RIGHTS

ACSC treats all its employees equally, regardless their gender, race and identity. ACSC is responsible for all of its employees. Ensuring that human rights is included in all guidelines, standards and management documents of the ACSC and it is followed by the establishment of relations with customers, partners, employees and other stakeholders are of crucial importance for ACSC.

ACSC regulates human rights and freedoms in accordance with the requirements of the Constitution of the Republic of Azerbaijan and international conventions. There were no reports of any discrimination among employees of ACSC in 2014-2015.

PLANS FOR 2016

The main plan for Human Resources Management Department for 2016 is launching of "HRMD Portal". All data related to the employees will be placed in a common centre through this portal. Thus, structural units will get necessary access to documents and other relevant information in a short period.

Additionally, in 2016 the following actions will be taken:

- Implementation of SAP Success Factors solution - fully implementation of Training and Development module
- Transition to the new grading system - compilation of qualities and characteristics required for receiving a higher degree
- Preparation of employee handbook – handbook will include all kind of information about employee rights and responsibilities in a user-friendly way

ACSC is aware of its corporate responsibility to the public and supports social factors as an integral part of successful management. Social activity of ACSC in the reporting period has been identified in accordance with the “Collective Agreement for 2014-2015 years” and “Regulations on the granting of financial assistance”. The followings are a few key aspects of social activity of the Company:

Financial support and charity

Employees welfare and health support

Youth support

Support for children and veterans under protection

Promotion of seafarer profession and support to maritime education in the country



Financial support and charity

ACSC has presented charity support for homeless children, families facing severe financial problems, veterans and disabled people during the reporting period. Special Committee was established to investigate appeals made by people who need financial support. Applications are investigated and responded within three days.

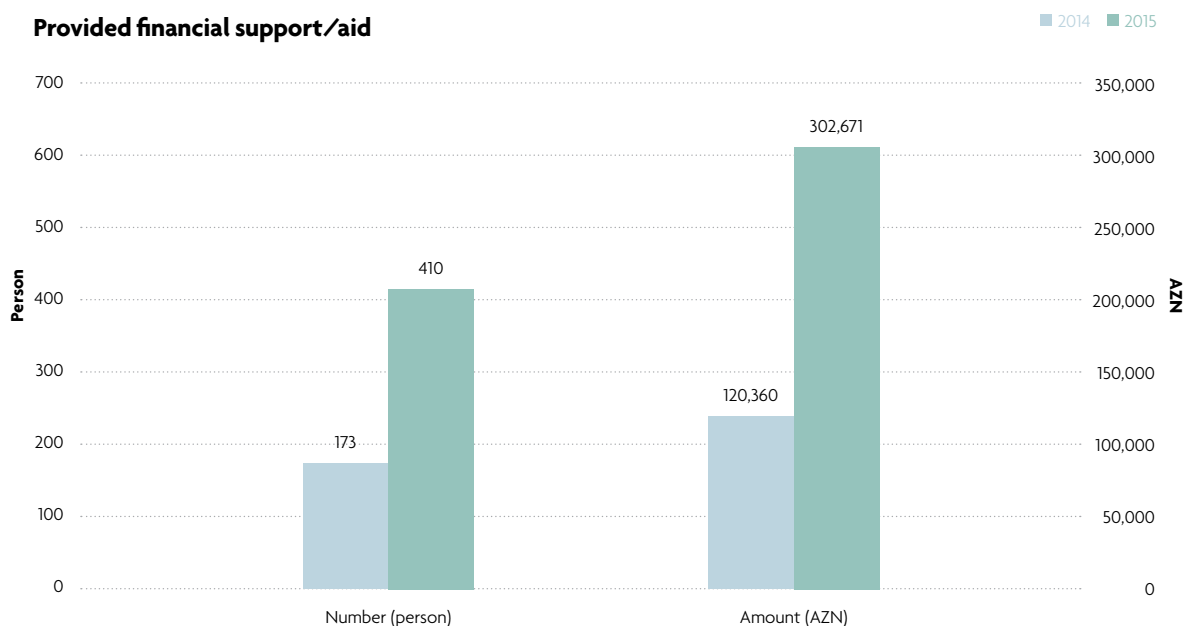
3,350 internally displaced persons were provided with financial support of 72,753 AZN and 105,995 AZN in 2014 and 2015 respectively. It was provided mainly to the following groups:

- Refugee families
- People with severe disease
- Veterans and disabled citizens

Moreover, financial support and aid provided to people in need is presented in below table.

Provided financial support/aid (AZN)

Name of organisation	2014		2015	
	Number (person)	Amount (AZN)	Number (person)	Amount (AZN)
Sea Transportation Fleet	76	48,300	120	78,465
Caspian Sea oil fleet	28	29,400	67	62,950
Other coastal organizations of the ACSC	53	34,210	179	127,200
Former employees	11	5,850	40	29,655
Other people	5	2,600	4	4,400
Total	173	120,360	410	302,670





Employee welfare and their health support

There are five kindergartens, “Danizchi” recreation centre, dormitories, a hospital and a clinic to ensure the health and comfort of employees and their family members.

Hospital and clinic provide free-of-charge services to all employees. The clinic is certified with ISO 9001:2008 and IQNet (International Quality Network).



Youth Support

Recognising that the future depends on the knowledge and skill of young generation, the ACSC takes various measures for the development of young experts. “Youth Center” was established to increase comprehensive development and social activity of the youth.

Several projects, scientific events, seminars and competitions are held on a regular basis in order to increase Azerbaijan State Maritime Academy’s students’ interest to education. Students are involved in scientific works via “Scientific Society of Students”. As a rule, every year scientific conferences are held for students. Students are encouraged to scientific activities in events held by “Scientific Society of Students” and they are enabled to express their opinions freely and clearly.



Support to children and veterans under protection

In addition to social assistance, the ACSC took the responsibility of employees and children in need under protection. Dependent children are the ones, whose parents lost their lives or working ability during labour activity. All university expenses of those children are paid by the ACSC. Financial aid is made to dependent children in the amount of two times of minimum salary.

Information about dependent children

Structure	Dependent children	Employees
Caspian Sea Oil Fleet	71	26
Sea Transportation Fleet	19	23
“Zygh” ship repair yard	1	18
“Bibiheybat” ship repair yard	21	23
Production Services Department	0	6
Total:	112	96

ACSC, which highly appreciates the services and commitment of veterans to our society and government held a meeting the veterans on the eve of 9 May and provided the respective rewards. Along with the war veterans, there are also labour veterans who worked for ACSC and provided special services.



Promotion of seafarer profession and support to maritime education in the country

Improving the facilities, educational-technical base of the Azerbaijan State Maritime Academy under the jurisdiction of the ACSC and application of training programs that meet the highest standards help to prepare more professional sailors. Moreover, several promotional programs and employee hiring campaigns are organised in order to attract the skilled youth to marine sector, promote seafarer profession and support maritime education in the country.





One of the first steps taken by the management with the establishment of “Azerbaijan Caspian Shipping Company” CJSC is the organisation of Department of Quality, Health, Safety and Environment (QHSE). Governance of these spheres is regulated by the law of the Republic of Azerbaijan, international conventions and internal ACSC standards.

During 2014-2015, QHSE Quality Safety Management System and QHSE policy were developed and applied, which met all the requirements of international conventions and standards. QHSE policy is introduced to every employee and all other stakeholders have an open access to it.

A number of documents on “Safe Work Practices” which includes the guidelines for the safe and proper operations implementation as well as procedures for prevention of hazards caused by the manufacturing, construction, ship repair and operations are designed and applied throughout the Company. ACSC was inspected and audited on the implementation of IMO requirements by International Maritime Organization (IMO), State Maritime Administration, Russian Classification Society and American Bureau of Shipping. ACSC provides the application and operation of conventions such as SOLAS, MARPOL, STCW and ILO by applying of integrated QHSE Safety Quality Management System developed in 2014.

HEALTH AND SAFETY



Health, safety and management

One of the most important goals of ACSC is to ensure the safety of working conditions as much as possible. In accordance with the article 220 of the Labor Code of the Republic of Azerbaijan, an action plan has been developed for the improvement of working conditions each year. Expenses incurred in the implementation of these actions are determined not less than two percent of annual salary fund. Inspection, monitoring and internal audits carried out by QHSE Department and HSE staff in structural units are used as primary information gathering methods. Reports

developed about the issue are submitted to the persons in charge and top management. Information on issues remaining open and actions to be executed are included in the list of shortcomings on HSE controlled by QHSE Department and monitored on a periodic basis. At the same time, information on issues unresolved or being open are addressed to the top management at least once in a week.

Since July 2014, international company American Bureau of Shipping (ABS) was invited, and the ACSC was audited in order to assess internal management system and to check compliance of its activities with SMS and international ISO standards.

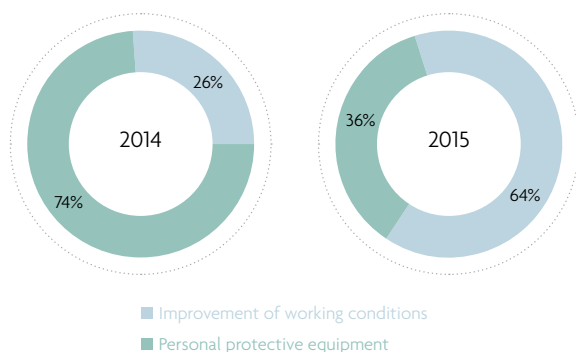
GAP analyses were carried out by ABS, and new Quality Safety Management System was applied as a result of these analyses. A new system was developed jointly by the QHSE Department and ABS Consulting. This system incorporates requirements and recommendations of international management standards such as ISM-2010, SOLAS, MARPOL, ISO-14001, ISO-18001, ISO-9001 and ISO-50001. Compliance with the international requirements of internal Quality Safety Management System was approved and certified by ISO as a result of the audit conducted in September, 2015.



The expenditures incurred during 2014-2015 on the improvement of working conditions, personal protection of employees and safety measures are presented below.

Expenditures on occupational health and safety measures in 2014-2015, (manat)

Expenditures	2014	2015
Occupational health and safety measures, including:	4,390,228	2,761,417
Improvement of working conditions	1,134,092	1,766,311
Personal protective equipment	3,256,136	995,106



Existing documents

ACSC applied special policy on drugs, gambling and alcoholic beverages besides QHSE policy in accordance with internal management policy and these documents were approved by the Chairman of the ACSC. All information and requirements of policies mentioned above were hung on visible places in all structural units and ships and had been submitted to the official web-page. All employees were informed on this matter.



Emergency cases

Since the healthcare is the most important factor, all possible measures are taken to prevent and minimise the number of accidents and incidents in the Company. Taking into account that, landslide, usage of harmful substances, instrument malfunction, fall of toll and materials, fire and explosions, occupational diseases, ergonomics (motion, position, tilt, light, noise, weather, etc.), electric shock are the main sources of threats, prior assessment of risks is continuously being performed, and they are always in strictly monitored. Risks are assessed and mitigated taking into account such issues as accident reports, industry statistics, investigation of actions taken or to be taken, evaluation of industry factors, use of ideas of experts and other information obtained from other events.

In 2014, seven accidents or incidents happened. These events include the fall of crane block into the sea, minor water leaks into the ship and loss of anchor. The collision of "Mikayil Mushfig" general cargo vessel to breakwater while entering the port of Aktau was a relatively serious event. The only fire accident in 2014 happened in "Nakhchivan" ferry. The fire did not cause serious damages. During this period, there were nine grounding cases. As a result, no serious damage occurred to the ships.

In 2015, there were nine accidents and incidents. Accidents include minor collision of the ship to underwater rock piece or another obstacle, minor water leaks, touching the berth while berthing. In 2015, there were no reports of a fire. Five grounding events occurred during this period did not cause any damage to ships.

Shipwrecks happened in 2014-2015 are presented in the table below:

	2014	2015
Incidents and Accidents	7	9
Fire	1	0
Grounding	9	5
Total:	17	14

Four incidents happened in 2014, two of which resulted in the injuries to 2 people. Both incidents happened when boatswains tried to get the mooring rope of a ship. Other two incidents occurred in "Zygh" SRY and "Bibiheybat" SRY and one of them lead to fatality. In 2015, 4 out of 7 accidents occurred in Caspian Sea Oil Fleet. 3 out of 4 accidents occurred due to the sliding from the trap of one of crew members; other accident happened during uploading operation by crane. Other incidents happened in Scientific-Research Institute and "Zygh" SRY. One of them, unfortunately, resulted in the loss of life.

Occupational health and safety indicators in 2014-2015

Indicators	2014	2015
Total number of accidents	4	7
Total number of fatal incidents	1	1
Total number of days lost due to accidents	311	723
Work days missed due to illness	27,382	18,546
Total hours worked	11,483,000	14,110,000
Total days worked	1,435,375	1,763,750
Injury rate (per 1,000,000 hours worked)	0.35	0.5
Lost work day rate (per 1,000,000 hours worked)	271	51.2
Absence ratio	19,077	10,515
Frequency rate of accidents, K_f (number of accidents per 1,000 employees)	0.4	0.8
Severity rate of accidents, K_s (number of working days lost due to injuries per each accident)	103.7	120.5

Plans for 2016

In order to ensure more effective implementation and upgrade of Quality Safety Management System, identifying the areas for improvement via internal audit, monitoring and other methods and analyse the collected data it is planned in 2016.

Moreover, training on SOLAS (International Convention for the safety of human life at sea), CSWP and ISGOTT to be conducted for the employees of QHSE Department.

ENVIRONMENTAL PROTECTION

Environmental management

Environmental monitoring is held in the ship and coastal objects by ACSC's engineer-ecologists in-charge, to minimise negative impacts to the environment, while serving the customers with offshore and merchant fleet, as well as, carrying out various operations at coastal stations.

The results are written in daily environmental control papers and are recorded in the case of failure. These environmental control papers are submitted electronically to the QHSE Department at Head Office. All violations in submitted



papers are reviewed by experts. ACSC was not fined for violations by any government agency or international organisation in 2014-2015.



- Waste

Sludge generated during the operation of the ships, processed oil, fuels and other liquid and solid waste can cause the adverse environmental impacts on to the sea, air and land. To manage the waste generation, and minimise the damage to the environment, ACSC signed the contracts with several competent agencies on waste removal and transportation. Also, in order to reduce the negative impact on the environment, different waste types generated by vessels are not thrown into the sea. They are transported to the shore via the designated SLV-363, SLV-370 and SLV-411 ship types. The amount of waste generated and transported is represented in the following table:

Waste generated in 2014-2015, (tonnes)

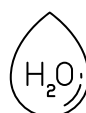
Generated waste	2014 (6 months)	2015
Waste generated, including:	6,312	29,531
Hazardous waste, including	3,332	6,208
Bilge waste	2,954	4,063
Oil sludges	44	23*
Non-hazardous waste	2,980	23,322
Waste transported, including:	5,978	27,925
Hazardous waste	3,058	6,376
Non-hazardous waste	2,920	21,474

* Amount of the generated oil sludge is calculated based on the capacity of oil-filled barrels located in the Sea Transportation Fleet.

Since the ACSC was newly established and “Waste Management Plan” was approved and implemented in the 2nd quarter of the year, figures on waste in 2014 are factual only for the last six months. Sharp difference between 2014 and 2015 figures of oil sludge, which forms a small part of the waste, was related to oil sludge generated and handed over as a result of large works performed in repair and cleaning of vessels in 2014. It should be noted that oil sludge is formed only in Merchant Fleet. Bilge waste is formed only in Caspian Sea Oil Fleet, Sea Transport Fleet and “Bibiheybat” SRY. It should be noted that information on bilge waste for Caspian Sea Oil Fleet was theoretically calculated due to lack of information on May-August of 2015.

Besides the waste generated by the vessels, “Boulevard-1” and “NTY-1” ships are used in order to collect the small and me-

dium-sized waste and the oil-water mixture from the surface of the water, and this waste is being handed over respectively. In order to prevent pollution and environmental damage by ACSC-owned coastal objects, ecological risks (ecological aspects) that are directly or indirectly affecting environment were identified, assessed and the most important of them are presented in the special table. These tables are reviewed at least once a year and risks are assessed, and respective preventive and mitigating actions are taken.



- Water

Since ACSC’s vessels operate on the sea surface, water is an important aspect to the Company. The Company constantly monitors the effects on the water to ensure sustainability of its activities and to prevent water from negative effects. When ACSC-owned vessel moves loads, ballast water is used to regulate the balance of ship on the water surface. Although “Ballast Water Management” Convention has not been yet ratified by the Republic of Azerbaijan, the porous parts or ballast tanks are reviewed daily while loading ships or in ballast state, and relevant records are made on this matter. Notes on the reception and consumption of drinking water are recorded on the journal of every ship. Relevant information on oil or non-oil contaminated water are recorded on ship registry sent to coastal stations.

When there is a leakage at vessels with the capacity of less than 400 register tonnes that MARPOL 73/78 convention’s relevant requirements are not applied to, it is registered in 2TG (water consumption) annual State Statistic Form.

The volume of drinking water used by the Company in 2014-2015 is presented in the following table.

Volume of the drinking water consumed in 2014-2015, (thousand m³)

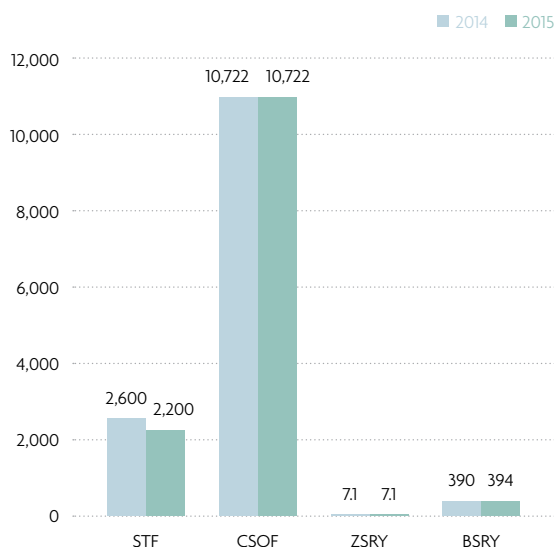
Water usage	2014	2015
Drinking water consumed by ACSC	463	438

*Since the registration of the water consumption in January-May 2014 was not fully available for some entities, the data for 2014 is estimated based on the average water consumption in the next available months.

Sea water is mainly used to cool the vessels’ engines, as well as, in firefighter systems in coastal facilities. It is determined by the “Discharge/Leakage Limit” and “Special Permit on Usage of Water” documents admitted and approved by the Ministry of Ecology and Natural Resources. The amount of the consumed sea water is represented in the below table.

Amount of the sea water withdrawn in 2014-2015 (thousand m³)

	2014	2015
Sea Transportation Fleet	2,600	2,200
Caspian Sea Oil Fleet	10,722	10,722
“Zygh” ship repair yard	71	71
“Bibiheybat” ship repair yard	390	394



- Energy

ACSC uses a significant amount of energy and fuel for the provision of services and operation of ships. Reducing harmful substances and energy saving are important for ACSC in order to reduce the impact on the environment during the operations of vessels. Basic measures on energy efficiency and energy saving are performed by the application of a requirement of ISO 50001 standards. Also, all ships, which of total capacity is higher than 400 registry tonnes are provided with the “Energy Efficiency Plan” document. Senior Engineer and Assistant Captain are responsible for the direct implementation of the energy efficiency management plan.

Moreover, more steps are taken, and modern ships that have less fuel consumption are put into operation, to replace old vessels that have higher fuel consumption compared to new ones. In order to increase the efficiency of fuel consumption, necessary measures are developed and implemented by vessel crew. These measures which reduce fuel consumption without having to change technical specifications of the ship include a selection of a route by considering the weather, optimisation of steering, optimisation of speed and other operations. Indicators of energy consumption in ACSC are presented below.



Fuel consumption for the marine operations in 2014-2015 (tonnes)

Fuel	2014	2015
Diesel (low sulphur concentration)	44,586	42,079
Motor fuel	49,165	33,087



Fuel consumption for the road transportation in 2014-2015, (tonnes)

Fuel	2014	2015
Diesel	629	620
Petrol	778	735



Electricity and natural gas consumption in the Company in 2014-2015

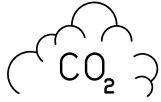
Electricity consumption (thousand Kwh)	2014	2015
Electricity used by ACSC	27,049	28,828
Consumption of natural gas (thousand m ³)	2014	2015
Natural gas used by ACSC	856	962

*Since registration of electricity and natural gas consumption during the early months of 2014 was not available on some entities, data was estimated based on the average consumption in the next months.

There is an increase in the intensity of the electricity consumption by the Company during the reporting period. Since this ratio is calculated per capita, the increase can be explained by the decrease in a number of employees as a result of personnel optimisation process held in 2015.

Energy intensity ratio for 2014-2015 (Consumption of thousand kWh of electricity per employee)

Energy intensity ratio	2014	2015
ACSC	2.96	3.29



- Emissions

ACSC constantly monitors emissions both from the operations on the coast and at the sea. In order to avoid negative effects on the environment, neutralising emissions are of great importance for ACSC. Although all the negative impacts cannot be fully prevented, all necessary works are being carried out to minimise them. For example, in accordance with the requirements of MARPOL 73/78 Convention fuel samples are taken from the ships going or having the possibility of going international voyages to determine SOx by special equipment installed and the corresponding arrangements are carried out. The amount of emissions is variable depending on the number of ships in operation, activity and amount and quality of consumed fuel. Since ships are floating vehicles as opposed to stationary vehicles, emissions incurred during fuel consumption disperse larger area, and the effect is much less. Therefore, calculations are made by using information on the type and the amount of fuel used within a certain period in order to calculate the amount of generated emissions. Regarding the monitoring of emissions, it is carried out by the employees of Caspian Complex Environmental Monitoring Department of the Ministry of Ecology and Natural Resources with the participation of ACSC's local representatives.

The following table represents the amount of the emissions into the atmosphere. In addition to the ships, motor vehicles belonging to ACSC are also inspected in the scope of state technical inspection on gas emissions based on which all the necessary measures are designed and implemented.

Greenhouse gas emissions from ACSC's operations in 2014-2015, (thousand tonnes of CO₂ eqv)

Greenhouse gas emissions	2014	2015
Direct emissions	302	243
Indirect emissions	17.03	18.10

* Indirect emissions were calculated based on ACSC's annual electricity consumption.

The ratio of the intensity of carbon dioxide emissions in 2014-2015 were presented in the below table. There is a decrease in the intensity of carbon emissions emitted into the atmosphere in 2015 compared to 2014.

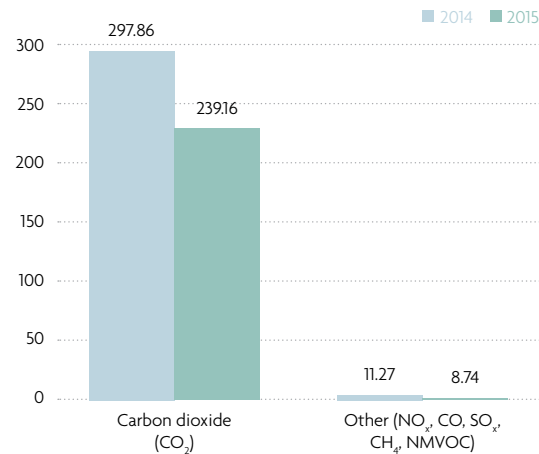
Carbon emission intensity ratio for 2014-2015, (tonnes of CO₂ equivalent emissions per employee)

Carbon emission intensity ratio	2014	2015
ACSC	33.125	27.767

Emissions into the atmosphere as a result of marine operations in 2014-2015 *, (thousand tonnes per year)

Emission into the atmosphere	2014	2015
Carbon dioxide (CO ₂)	297.861	239.162
Nitric oxide (NO _x)	8.180	6.558
Carbon monoxide (CO)	0.260	0.208
Sulphur oxide (SO _x)	2.531	1.735
Hydrocarbons (CH ₄)	0.0056	0.0045
Volatile organic compounds (NMVOC)	0.289	0.231

*Calculations of emissions into the atmosphere are carried out in accordance with the coefficients presented by IMO and based on the annual fuel consumption.



Carbon dioxide emissions as a result of road transportation in 2014-2015*, (thousand tonnes per year)

Emission to atmosphere	2014	2015
Carbon dioxide (CO ₂)	4.34	4.18

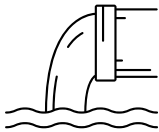
*The amount of carbon dioxide emitted into the atmosphere is based on the annual fuel consumption and is calculated based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The amounts of other greenhouse gases emitted from the road vehicles were not calculated since they are not material in respect of the total amount of emissions.



Existing Documents

Set of documents on the environmental management was developed in 2015 meeting the requirements of ISO 14001 (Environmental Management) International Standards and Quality Management System of the Company. Following documents are available in ACSC:

- Waste management plan was developed, confirmed by order and implemented at ACSC.
- Action plan was developed on environmental safety in emergency cases and accidents, approved by order and implemented at ACSC.
- All ships that have higher than 400 register tonnes of total water capacity are provided with “Emergency actions plan for oil spill”, “Operation on waste plan” and “Energy efficiency plan”.



Oil spills and emergency measures

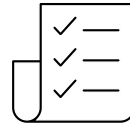
ACSC owns a big share in oil and oil production transportation in the region. The company implements control measures for the prevention of the sea surface contamination and oil spills during the transportation of oil in the Caspian Sea. ACSC regularly instructs the staff to ensure proper implementation of respective technical processes in accordance with relevant rules, to prevent contamination with oil and bunker fuel.

There did not happen any large-scale oil spills during the transportation of oil and oil products in 2014-2015. The only small leakage in 2014 is recorded in Aktau Port, In Kazakhstan during the loading of tankers. The reason was the loading pressure which was set incorrectly. There was a small leak from 3-liter oil tanks to the ground in the coastal area of “Bibiheybat” ship repair yard in April-May of 2015. Although the volume was small, the staff has taken all necessary measures to prevent damage to the environment.

In 2014 minor leakage happened in the manifold of “Cabbar Hashimov” tanker during the receiving of liquid fuel and crew immediately eliminated this case. The leakage has been caused by the vibration as a result of the constant increase and decrease of cargo pressure in accepting pipe. No other accidents related to transportation of liquid cargo happened during 2015.

All information on oil leakages, their effects and measures

taken are stored in the QHSE department in the form of reports. Also, measures directed to prevent oil spills are presented in environmental programs developed by individual departments and “Environmental Action Program” developed by ACSC.



Plans for 2016

Environmental action plans for each unit of ACSC and General Plan were developed in 2016. It is planned to submit developed General plan to the state control unit – the Department of Environmental Protection of the Ministry of Ecology and Natural Resources for approval. The Company plans to improve the system by the removal of discrepancies and observations found during external audit process on the compliance with ISO 14001 and OHSAS 18001 international management standards.

“Communication card” system is intended to be applied for the registration of all violations on vessels and structural units of ACSC and taking measures on this matter. With these cards, every employee is able to record all violations operatively and transmit them to QHSE department.

Cancellation of current International Safety Management (ISM) Code system and application of a new system is planned to be carried out in 2016, in order to upgrade safety management system. New system is intended to be applied firstly for vessels, then for all ACSC. The main purpose of the introduction of a new system is to minimise accidents and negative impacts on the environment.







Subsequent events

On March 9, 2016, the President of the Republic of Azerbaijan signed a decree on additional measures to improve the performance of "Azerbaijan Caspian Shipping Company" CJSC. Under this decree, ACSC was granted additional authority to implement its financial and economic activities. Moreover, the task was given in the preparation of the "State Program on the development of shipping in Azerbaijan during 2016-2020 years", increasing of share capital and improvement of the financial and economic state of the ACSC, as well as, the realization of non-core assets that do not relate to the main operation of ACSC.

In April 2016, three modern passenger ships - "Ufug", "Zafar" and "Turan" built at Baku Shipyard by the order of "Azerbaijan Caspian Shipping Company" CJSC were put into operation. These passenger ships transfer oil workers to platforms.

In 2016, ACSC has put into operation five new general cargo vessels in accordance with its plan for expansion of operations out of Caspian Sea. Thus, a number of vessels operating under Azerbaijani flag outside of Caspian Sea reached up to 10.

In accordance with its strategic development directions, the ACSC started the process of obtaining credit rating for the Company at the end of 2015, and it cooperates in this sphere with internationally renowned Fitch Ratings Company. The financial position of the ACSC was analysed taking into account its stand-alone capacity and with governmental support. As a result, Company's liquidity and ability for fulfilling its credit obligations were assessed as at enough strong level by Fitch Ratings.

GRI GENERAL STANDARD DISCLOSURES:

Index	Guidance	Note	Page	External Assurance
G4-1	Provide a statement from the most senior decision-maker of the organization		page 7	Yes, page 61
G4-2	Provide a description of key impacts, risks, and opportunities		page 30	Yes, page 61
G4-3	Name of the organization		page 20	Yes, page 61
G4-4	Primary brands, products, and services.		page 20	Yes, page 61
G4-5	Location of the organization's headquarters		page 64	Yes, page 61
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations		pages 20, 24-25	Yes, page 61
G4-7	Nature of ownership and legal form		page 26	Yes, page 61
G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)		pages 24-25	Yes, page 61
G4-9	Scale of the organization		pages 26, 33	Yes, page 61
G4-10	Total number of employees by categories		page. 36	Yes, page 61
G4-11	Percentage of total employees covered by collective bargaining agreements		pages 33	Yes, page 61
G4-12	Organization's supply chain		page 28	Yes, page 61
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		pages 26, 28, 33	Yes, page 61
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	United Nations Organization's "precautionary principle" is not formally implemented. However, ACSC works on the application of this principle in its activities.	page 30	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes		pages 28, 34-36, 43	Yes, page 61
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations		pages 28	Yes, page 61
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents		pages 26-27	Yes, page 61
G4-18	Process for defining the report content and the Aspect Boundaries		page 17	Yes, page 61

GRI GENERAL STANDARD DISCLOSURES:

(CONTINUED)

Index	Guidance	Note	Page	External Assurance
G4-19	All the material Aspects identified in the process for defining report content.		Throughout the report	Yes, page 61
G4-20	For each material Aspect, report the Aspect Boundary within the organization.		Throughout the report	Yes, page 61
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	There are no any important aspects outside the organization.	Throughout the report	Yes, page 61
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Current report is ACSC's first sustainability report.		Yes, page 61
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Current report is ACSC's first sustainability report.		Yes, page 61
G4-24	Stakeholder groups engaged by the organization		page 28	Yes, page 61
G4-25	Basis for identification and selection of stakeholders with whom to engage	There is no separate policy for identification of stakeholders. ACSC has a wide range of stakeholders and its main stakeholder is the Government of Azerbaijan Republic. Identification and selection of other stakeholders are under the strict control of ACSC.		
G4-26	Organization's approach to stakeholder engagement	Please refer to the above note.		
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Please refer to the above note.		
G4-28	Reporting period		page 17	Yes, page 61
G4-29	Date of most recent previous report	Current report is ACSC's first sustainability report.		Yes, page 61
G4-30	Reporting cycle (such as annual, biennial)		page 17	Yes, page 61
G4-31	Contact point for questions regarding the report or its contents		page 64	Yes, page 61
G4-32	The 'in accordance' option the organization has chosen		page 17	Yes, page 61
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	There is no separate policy on seeking external assurance for sustainability report. However, preparation and external assurance of sustainability report is under the strict control of ACSC's management. Internationally renowned audit company EY, was involved in external assurance of the current sustainability report.	pages 17, 61	Yes, page 61

Index	Guidance	Note	Page	External Assurance
G4-34	Governance structure of the organization, including committees of the highest governance body. Committees responsible for decision-making on economic, environmental and social impacts		pages 26-27	Yes, page 61
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees		pages 43-49	Yes, page 61
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.		pages 43-49	Yes, page 61
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.		pages 43-49	Yes, page 61
G4-38	Composition of the highest governance body and its committees		pages 26-27, 36	Yes, page 61
G4-39	Whether the Chair of the highest governance body is also an executive officer		Throughout the report	Yes, page 61
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Chairman of ACSC and his deputies are appointed by the President of the Republic of Azerbaijan.	page 36	Yes, page 61
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts		page 19	Yes, page 61
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	ACSC reports to the Government of Azerbaijan Republic on performance results and agrees budget for the next years. Also, "Results of the QHSE monitoring" report is presented to Company's senior management every week.	page 43-49	Yes, page 61

GRI GENERAL STANDARD

DISCLOSURES:

(CONTINUED)

Index	Guidance	Note	Page	External Assurance
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	In order to mitigate and minimize the impact on environment, daily ecological monitorings at vessels and coastal facilities are performed by engineers-ecologists of ACSC. Accordingly, all findings are reported to the Company's senior management and the respective measures are taken.	page 45	Yes, page 61
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	Reports on each respective topic are submitted to the senior management on a periodic basis and all necessary measures are taken.	pages 43-49	Yes, page 61
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities		page 30	Yes, page 61
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Chairman and his deputies	page 17	Yes, page 61
G4-49	Process for communicating critical concerns to the highest governance body	See: G4-45 ; G4-46	pages 43-49	Yes, page 61
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them		pages 43-49	Yes, page 61
G4-51	Remuneration policies for the highest governance body and senior executives		page 35	Yes, page 61
G4-52	Process for determining remuneration		page 35	Yes, page 61
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics		page 31	Yes, page 61
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Instructions on "hotline center and internal investigations" was approved in the Company.	page 31	Yes, page 61

GRI SPECIFIC STANDARD DISCLOSURES:

Aspect	Index	Guidance	Note	Page	External Assurance
Economic Performance	G4-EC1	Direct economic value generated and distributed		page 30	Yes, page 61
Market Presence	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	All members of the Executive Board are citizens of Azerbaijan Republic.	page 36	Yes, page 61
Energy	G4-EN3	Energy consumption within the organization		page 47	Yes, page 61
	G4-EN5	Energy intensity		page 47	Yes, page 61
	G4-EN6	Reduction of energy consumption		page 47	Yes, page 61
	G4-EN7	Reductions in energy requirements of products and services	During the period of 2014-2015, consumption of IFO was reduced by 16.08 thousand tons, consumption of MGO was reduced by 2.51 thousand tons required for operation of vessels.	page 47	Yes, page 61
Water	G4-EN8	Total water withdrawal by source		pages 46-47	Yes, page 61
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		page 48	Yes, page 61
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		page 48	Yes, page 61
	G4-EN18	Greenhouse gas (GHG) emissions intensity		page 48	Yes, page 61
	G4-EN19	Reduction of greenhouse gas (GHG) emissions		page 48	Yes, page 61
	G4-EN21	NO _x , SO _x and other significant air emissions		page 48	Yes, page 61
Effluents and water	G4-EN22	Total water discharge by quality and destination		pages 46-47	Yes, page 61
	G4-EN23	Total weight of waste by type and disposal method		page 46	Yes, page 61
	G4-EN24	Total number and volume of significant spills		page 49	Yes, page 61
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous and percentage of transported waste shipped internationally		page 46	Yes, page 61
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	There were no fines for any violations during the reporting period.	page 46	Yes, page 61
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce		pages 46-49	Yes, page 61
Environmental grievance mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	There were no such grievances during the reporting period.		Yes, page 61

GRI SPECIFIC STANDARD DISCLOSURES:

(CONTINUED)

Aspect	Index	Guidance	Note	Page	External Assurance
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region		page 34	Yes, page 61
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	ACSC provides equal conditions for all employees' welfare. Salary increase and improvement of life standards of employees, financial assistance to employees, voluntary medical insurance system, rehabilitation, resort and recreational treatment and other social incentives were implemented during 2014-2015.	page 34	Yes, page 61
Labor/Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		page 35	Yes, page 61
Occupational Health and Safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender		pages 44-45	Yes, page 61
Training and Education	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		pages 34-35	Yes, page 61
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		pages 36-37	Yes, page 61
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	There were no grievances about labor practices during the reporting period.		Yes, page 61
Human rights / Investments	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	The mandatory trainings on to anti-corruption and human rights are organized for the ACSC's entire staff, as well as for the recruited employees.	page 31	Yes, page 61
Human rights / Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	There were no discrimination incidents during the reporting period.		Yes, page 61
Human rights / Freedom of Association and Collective Bargaining	G4-HR4	"Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights"	There were no incidents of violation of the right to exercise freedom of association and collective bargaining, during the reporting period.		Yes, page 61
Human rights / Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	"There were no risks for incidents of forced or compulsory labor during the reporting period. ACSC strictly follows Labor Code of the Republic of Azerbaijan."		Yes, page 61
Human rights / Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	There were no violations involving rights of indigenous people during the reporting period.		Yes, page 61

Aspect	Index	Guidance	Note	Page	External Assurance
Human rights / Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	There were no violations involving rights of indigenous people during the reporting period.		Yes, page 61
Human rights / Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	There were no grievances about human rights during the reporting period.		Yes, page 61
Society / Local Communities	G4-SO2	Operations with significant actual or potential negative impacts on local communities	Current report includes sufficient information about the Company's impact on environment (emissions, waste).	pages 46-49	Yes, page 61
Society / Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	There were no corruption cases during the reporting period.		Yes, page 61
	G4-SO4	Communication and training on anti-corruption policies and procedures	The mandatory induction training, which includes anti-corruption instructions is organized for ACSC's entire staff, as well as for the recruited employees.	page 31	Yes, page 61
	G4-SO5	Confirmed incidents of corruption and actions taken	There were no such cases during the reporting period.		Yes, page 61
Product Responsibility / Customer Health and Safety	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	There were no such cases during the reporting period.		Yes, page 61
Product Responsibility / Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	There were no such cases during the reporting period.		Yes, page 61

INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT FOR 2014 AND 2015

To the Management and Stakeholders of “Azerbaijan Caspian Shipping” CJSC

Identification and description of the subject matter

At the request of “Azerbaijan Caspian Shipping” CJSC (hereinafter ‘the Company’), we have provided a limited level assurance on the qualitative and quantitative information disclosed in Sustainability Report for 2014 and 2015 (hereinafter the Report) of the Company except for forward-looking statements on performance, events or planned activities.

Identification of the criteria

The criteria of our engagement were the GRI Sustainability Reporting Framework (hereinafter ‘the GRI Framework’), including version 4 of the Sustainability Reporting Guidelines (hereinafter ‘the GRI G4 Guidelines’) and the Company’s sustainability reporting principles as set out in section ‘About the report’ on page XXXXX of the Report. We believe that these criteria are appropriate given the purpose of our assurance engagement.

Management’s responsibilities

The management of the Company is responsible for the preparation of the Report and the information therein in compliance with the GRI Framework and the Company’s sustainability reporting principles. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free of material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances.

Our responsibilities

Our responsibility is to independently express conclusions that:

- the information in the Report is in all material respects a reliable and sufficient representation of sustainability policies, activities, events and performance of the Company for the years ended December 31, 2014 and December 31, 2015;
- the Report is consistent with the principles and the requirements of ‘Core’ Application level of the GRI G4 Guidelines.

Summary of work performed

Our engagement was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by IFAC, and accordingly included the following procedures:

- Interviews with representatives of the Company’s management responsible for its sustainability policies, activities, performance and relevant reporting,
- Analysis of key documents related to the Company’s sustainability policies, activities, performance and relevant reporting,
- Benchmarking of the Report against sustainability reports of selected international peers of the Company,

- Review of a selection of corporate and external publications on the Company’s sustainability policies, activities, events, and performance in 2014 and 2015,
- Identification of sustainability issues material for the Company based on the procedures described above and analysis of their reflection in the Report,
- Review of data samples regarding human resources, social investment and environment for key indicators as well as data collection processes to assess whether these data have been collected, prepared, collated and reported appropriately at the central office level,
- Site visits to the Company’s subsidiaries such as “Bibiheybat Ship Repair Yard”, “Caspian Sea Oil Fleet”, and “Marine Transportation Fleet” for gathering evidence to support the assertions on the Company’s sustainability policies, activities, events, and performance made in the Report,
- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report at the central office level,
- Assessment of compliance of the Report and its preparation process with the Company’s sustainability reporting principles, and
- Assessment of compliance of information and data disclosures in the Report with the requirements of “Core” Application level of the GRI G4 Guidelines.

We believe that our procedures provide a basis on which we can provide limited assurance. Our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore, less assurance is obtained than in a reasonable assurance engagement.

Conclusions

Based on our work described in this report, nothing has come to our attention that causes us to believe that the information in the Report, in all material aspects does not provide a reliable and sufficient representation of sustainability policies, activities, events and performance of the Company for the years ended December 31, 2014 and December 31, 2015 in accordance with the GRI Framework and the Company’s sustainability reporting principles.

Nothing has come to our attention that causes us to believe that the Report does not meet the requirements of “Core” Application level of the GRI G4 Guidelines.

Ernst & Young Holdings (CIS) B.V.

Baku
June 14, 2016

