

SUSTAINABILITY REPORT 2023 AZERBAIJAN RAILWAYS

ADY





There is always a plan B. There is no planet B.

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Abbreviations list

29th Conference of the Parties	COP29
United Nations Framework Convention on Climate Change	UNFCCC
Greenhouse Gas	GHG
Nationally Determined Contribution	NDC
United Nations	UN
Convention concerning the Carriage of Goods by Rail	CIM
Agreement on International Railway Freight Communications	SMGS
Transport Corridor Europe-Caucasus-Asia	TRACECA
Baku-Tbilisi-Kars	BTK
Digital Trade Corridor	DTC
International Dialogue for Environmental Action	IDEA
Environmental, Social, and Governance	ESG
Sustainable Development Goals	SDG
Global Reporting Initiative	GRI
Sustainability Accounting Standards Board	SASB
International Union of Railways	UIC
Belt and Road Initiative	BRI
Trans-Caspian International Transportation Route	TITR

IFRS	○	International Freight Rail Services
FCOMS	○	Freight Commercial Operations Management System
LCMS	○	Locomotive Crew Management System
FTMS	○	Freight Transportation Management System
BoD	○	Board of Directors
FESCO	○	Far Eastern Shipping Company
OMNI	○	Open Mobility Network Operations
CJSC	○	Closed Joint Stock Company
IT	○	Information Technology
ERP	○	Enterprise Resource Planning
HR	○	Human Resources
CIS	○	Commonwealth of Independent States
QMS	○	Quality Management System
AC	○	Alternating Current
OHS	○	Occupational Health and Safety
PPE	○	Personal Protective Equipment
HSE	○	Health, Safety, and Environment
OSJD	○	Organization for Cooperation between Railways
CRM	○	Customer Relationship Management
R&D	○	Research and Development



Azerbaijan is the only country participating in both the North-South and East-West transport corridors, making a valuable contribution to their implementation. This will bring us both political and economic dividends in the future, as it already does. Cooperation in the field of railway transport brings countries closer together, strengthens their security, develops the situation in the region in a more positive direction, and brings great economic dividends to each country.

Ilham Aliyev

President of the Republic of
Azerbaijan

National sustainability agenda

Progress on Climate Action and Sustainable Development

Under President Ilham Aliyev’s leadership, Azerbaijan has made remarkable progress in addressing climate change and fostering sustainable development. The country’s commitment to global environmental goals is evident through its alignment with the COP29 Climate Conference and the UNFCCC. Azerbaijan’s focus on clean energy development, climate action, and environmental protection aims to create a greener future through various innovative initiatives.

Azerbaijan’s dedication to sustainability encompasses a broad national agenda, where sustainable growth is ingrained in each of the five **National Priorities for Socio-Economic Development until 2030 approved by President’s Order**, placing a great emphasis on environmental stewardship, economic diversification, social equality, and innovation.

A Pathway to a Clean Environment

Sustainable environmental practices are a cornerstone of Azerbaijan’s development, as outlined in President Aliyev’s 2021 Order. Central to this strategy is the commitment to “green growth” by expanding green spaces and integrating clean technologies including solar power systems for harnessing sunlight, wind turbines for capturing wind energy, and hydropower facilities for utilizing water resources. Azerbaijan aims to significantly reduce GHG emissions by 40% by 2050. This ambitious target aligns with the country’s broader objective of transitioning to renewable energy and enhancing environmental sustainability.

A Pathway to a Clean Environment

In preparation for upcoming global discussions at COP29, Azerbaijan has intensified its efforts to diversify its energy sources and reduce dependency on fossil fuels. The country’s strategy highlights the advancement of renewable energy as a key element. This focus is reflected in Azerbaijan’s revised NDCs under the Paris Agreement, which outline precise targets for reducing emissions by 2030. These targets emphasize critical sectors such as waste management, electricity, and transportation.

To achieve these goals, Azerbaijan has partnered with international partners to develop large-scale renewable

energy projects. Notable initiatives include the 230 MW Garadagh solar power facility and a 240 MW wind farm, developed in collaboration with international partners. These projects are integral to Azerbaijan’s plan to increase the share of renewable energy to 30% by 2030 and diversify its energy infrastructure.

To further demonstrate Azerbaijan’s commitment to clean energy, President Aliyev has initiated the establishment of “Green Energy Zones” in the liberated regions of Eastern Zangazur and Karabakh. Given the fact that these zones are a part of the region’s larger post-conflict development plan, they are considered key to Azerbaijan’s pathway towards creating a greener future. The areas are being restored to accommodate the production of renewable energy. To illustrate, small and medium-sized hydropower plants are being developed in Karabakh, a region with significant hydroelectric power potential. The primary objective of these “Green Energy Zones” is to demonstrate how renewable energy can be incorporated into efforts to rebuild regions while also acting as role models for sustainable development.

Establishing a Growing, Competitive Economy

Azerbaijan aims to accomplish two primary goals to achieve long-term, sustainable economic growth: maintaining steady, high growth and enhancing resistance to both internal and external factors. The creation of high-paying, diverse jobs—with an emphasis on non-oil sectors—and strong public-private partnerships constitute the main drivers of steady growth. The primary driver of growth must come from the private sector, especially small and medium-sized businesses, which calls for better business environments, increased transparency in the judicial system, and an implementation of a new approach to privatization. It is essential to maintain the stability of Azerbaijan’s financial system, increase public trust in it, enhance banks’ proportion of the economy’s funding, and encourage the growth of entrepreneurship.

To build resilience against external factors, a gradual reduction in the proportion of transfers from the State Oil Fund to the state budget is necessary. Furthermore, the nation’s financial markets should be developed in conjunction with domestic debt management and a steady level of public debt outside the country must be upheld.

Fostering an Inclusive Society

Another key priority listed in the Order of 2021 is social inclusion, ensuring that everyone benefits from economic growth. Wage growth must be in line with the increase in labor productivity to raise an appropriate level of income for

citizens as the economy grows. As part of the goal, to boost the proportion of the private sector in employment, incentives should be developed, and the private sector should account for the majority of employers. Ensuring fair income distribution and enhancing the socio-economic well-being of low-income individuals and communities are imperative for sustainable economic development. To safeguard vulnerable populations, the government is dedicated to maintaining that every citizen has fair access to opportunities and to enhancing the social security system. To this end, these individuals should have greater access to social support services.

Innovation and Human Capital Development

Not delving too far from the topic of society and human capital, innovation is an essential component of Azerbaijan's agenda. The government is concentrating on creating an environment that supports high-tech firms and revising the educational system to equip a workforce that is competitive in the digital era. In this regard, personnel training must be tailored to the demands of the job market, and in accordance with steps to create a system of vocational training, professionals must be ready for international certification. Moreover, the new innovative ecosystem should combine the right incentives and acceleration facilities, public-private partnership financing methods, venture capital, and a crowdfunding platform with the goal of boosting the economy's capabilities.

An integral part of this priority entails making improvements to healthcare, acknowledging that population health is crucial for long-term productivity. By attaining outstanding results in the application of contemporary advances in the health care field, the proportion of quality health care services in the formation of national income should be enhanced.

The Great Return: Rebuilding the Liberated Regions

Sustainable development extends to a broader resettlement program set forth by the President, termed **"The Great Return"**. The campaign has been initiated shortly after liberating the once-occupied lands of Azerbaijan in the 44-day war with Armenia in 2020. Covering the period until 2026 and envisaging a large-scale action plan, "The Great Return" initiative is a key plank of the government's approach to overcoming the legacy of the 1990s conflict and rebuilding the liberated areas of Azerbaijan.

Indeed, Azerbaijan has made significant progress in coordinating its national development plan with international sustainability goals under the direction of President Ilham Aliyev. Along with resolving the issues of today, Azerbaijan is constructing a solid basis for future generations' progress

and prosperity by supporting clean energy, restoring liberated regions, developing equal opportunity, and cultivating a competitive economy. This multifaceted approach serves as a red thread that weaves together Azerbaijan's efforts towards sustainable development into a single vision that not only addresses immediate needs but also strategically positions the country for long-term resilience and growth.

Railways, and ADY in particular, are part of this big picture. ADY has completed and planned a long list of initiatives that serve all of these aforementioned priorities. Among the longlist of planned and completed initiatives, ADY has committed to leaving its footprint by repairing and reconstructing the railway infrastructure, as well as constructing new railways - Barda-Aghdam and Horadiz-Aghband railway lines. These initiatives highlight the critical role that ADY plays in promoting economic growth and connection in the liberated areas, which is aligned with the larger objectives of sustainable development.



Rovshan Rustamov

Chairman of
“Azerbaijan Railways”
CJSC

Dear Stakeholders,

For the first time in the history of Azerbaijan Railways (ADY), a Sustainability Report will be published this year. Appreciation is extended to Deloitte for their exemplary cooperation in preparing this report. Reports of this nature reflect a strong commitment to transparency and accountability. With President Ilham Aliyev declaring this year as the “Year of Solidarity for a Green World” and Azerbaijan preparing to host COP-29, sustainability has emerged as a guiding principle for both national and international activities.

Sustainability, which encompasses environmental, social, and economic dimensions, is gaining importance in global discussions. For the railway sector, it involves adopting practices that reduce environmental impact, enhance social responsibility, and promote long-term economic viability. Sustainability is a priority not only for governments but also for businesses, including Azerbaijan Railways.

Significant progress has been made toward sustainability at ADY. Key achievements include reducing carbon emissions, electrifying railway infrastructure, expanding the fleet of electric trains, and transitioning to alternative energy sources. Continuous investments in advanced technologies are being made to support cleaner, more efficient operations. Partnerships with stakeholders are being strengthened to promote sustainable practices across the railway industry.

Azerbaijan’s role in hosting COP-29 this year marks a significant milestone in the sustainability journey. In alignment with the preparation for this event, ADY has focused activities on sustainability goals, demonstrating a national commitment to combating climate change. Sustainability is one of ADY’s core values, and efforts are being made to ensure that these principles are fully integrated into daily operations.

An example of environmental responsibility is the installation of solar panels at the Bilajari and Ganja locomotive depots, generating 79,000 kilowatt-hours of electricity and saving over 8,000 cubic meters of natural gas. Electrified infrastructure is prioritized in the construction of new railway lines, biodiversity is protected in areas along railway routes, and wastewater recycling initiatives are in place to reduce environmental impact.

Digitalization has played a key role in supporting sustainability efforts. Since 2023, ADY has eliminated the use of paper tickets for suburban routes, offering digital ticketing through

a mobile application, website, and hotline. This move has significantly reduced paper usage and carbon emissions. Additionally, digital projects, such as the Freight Digitalization and Middle Corridor Digitalization Projects, have streamlined operations and increased efficiency, all while contributing to sustainability objectives.

Inclusivity remains a fundamental aspect of the sustainability strategy. Equal travel opportunities are provided for passengers with physical challenges. Railway stations have been equipped with tactile paving, elevators, escalators, and Braille signage to improve accessibility.

It is understood that lasting change can only be achieved through public participation and clear communication. ADY remains committed to implementing comprehensive sustainability strategies that not only enhance operations but also build strong relationships with stakeholders, ensuring a more sustainable future.

Sincerely,



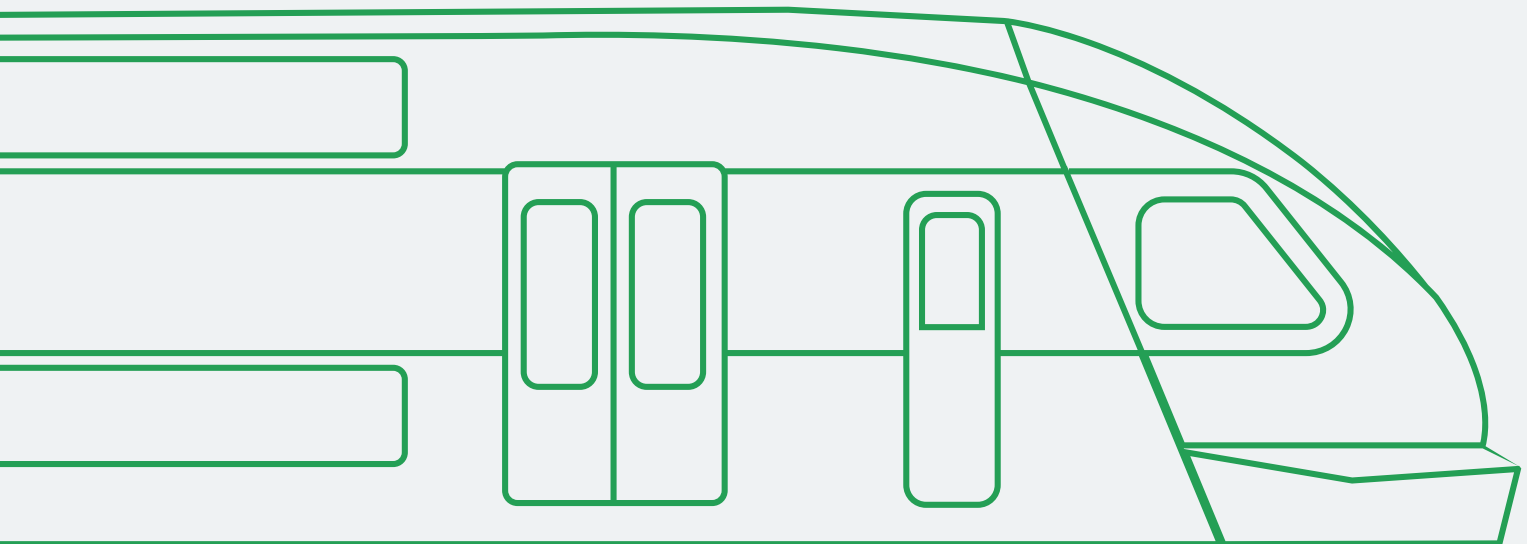
Rovshan Rustamov
Chairman



**There is no
planet B**



ADY at a glance¹



¹ The 23% reduction in water consumption and 12% reduction in carbon footprint are based on a year-over-year comparison between 2023 and 2022.

About the report

Reporting on sustainability

Azerbaijan Railways CJSC (hereinafter referred to as 'the Company' or 'ADY') is dedicated to transparency in its business activities, striving to enhance communication and demonstrate its commitment to sustainable growth with its diverse stakeholders. To convey our sustainability commitments, we are thrilled to publish our first Sustainability Report (hereinafter referred to as 'the Report') which discloses a comprehensive overview of our journey towards sustainability and our commitment to ESG principles.

The aim of the Report is to enhance stakeholder understanding of our operational and sustainability commitments, strategies, and performance. We seek to foster dialogue, collaboration, and trust with our stakeholders, including employees, customers, investors, regulators, and civil society organizations. By sharing our successes, challenges, and lessons learned, we aspire to inspire others in the transportation industry to embrace sustainability as a core value and driver of long-term business success.

The Report not only reflects on our notable achievements, but also insights into our performance against sustainability trends and a forward-looking perspective on our upcoming initiatives. We delve into our corporate governance framework, environmental stewardship efforts, outlining strategies to minimize our carbon footprint, optimize energy consumption, and mitigate environmental impacts associated with our operations and enhancing the well-being of communities along our railway corridors.

Ultimately, our goal is to chart a path towards a more sustainable future for Azerbaijan Railways, contributing to the well-being of society, the environment, and future generations. We recognize that our journey is ongoing, and we remain committed to continuous improvement and transparency in our sustainability efforts.

Scope and boundaries

The reporting period spans from January 1 to December 31, 2023. We provide a comparative analysis of our performance, referencing past years when useful to illustrate progress. The Report also sheds light on our sustainability approach and future objectives.

Scope and boundaries

This Report focuses exclusively on information pertaining to ADY as an organization, without extending its scope to cover the operations or details of its affiliates, or other assets.

In preparing this report, we adhered to guidelines provided by GRI and SASB to ensure the provision of balanced, accurate, comprehensible, and comparable information. Our aim was to cover metrics and topics pertinent to materiality, stakeholder inclusiveness, and the broader sustainability context. We also mapped our activities to the SDGs and the commitments of the UIC, reinforcing our dedication to the global sustainability agenda.

The content of the Report was determined according to the four principles outlined in [Figure 1](#).

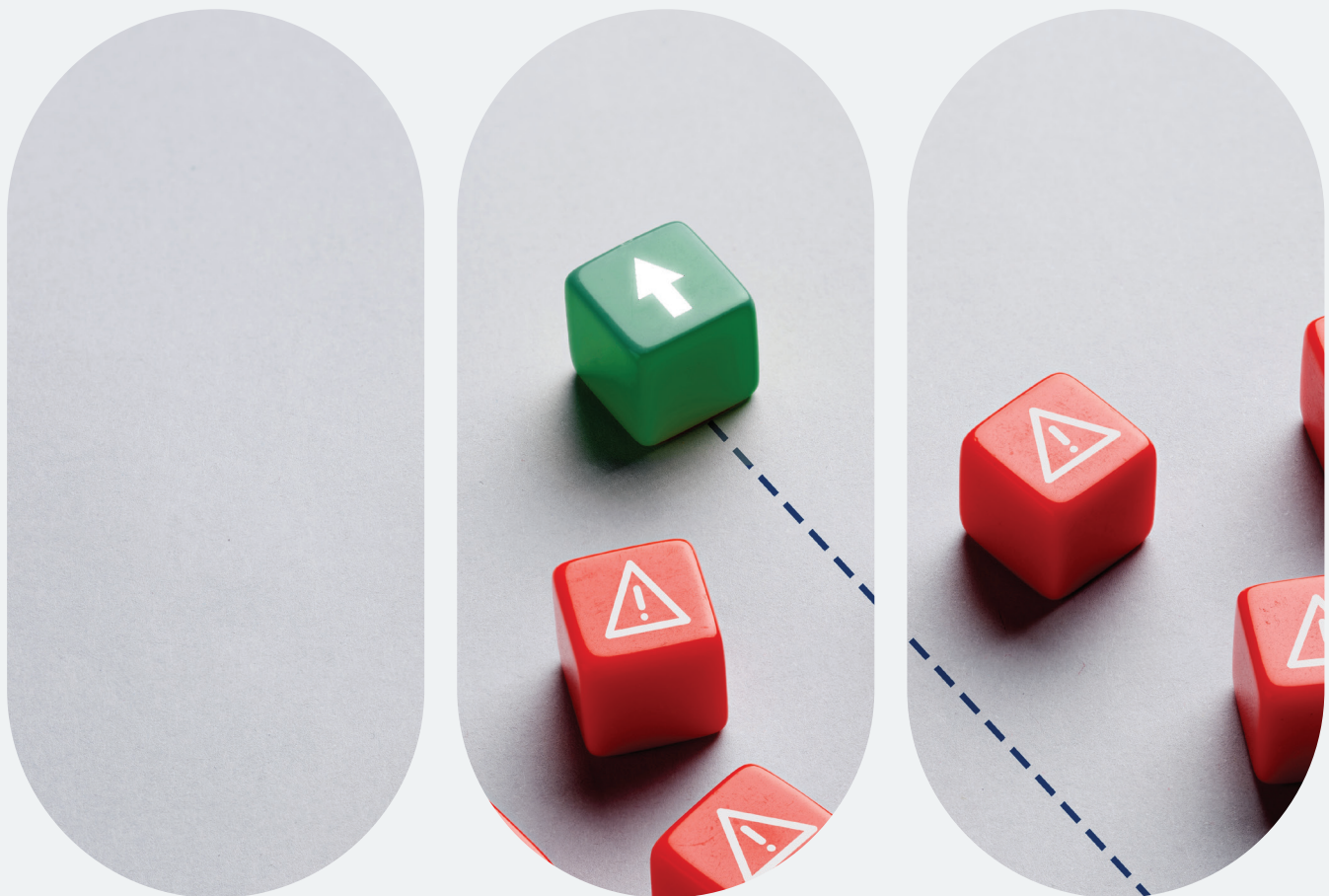


Figure 1. Four principles of the Content Determination

Content Determination principles



Stakeholder Engagement: Emphasizes the importance of insights gained from interactions with stakeholders in identifying the most significant subjects for reporting.

Materiality Consideration: Highlights the prioritization of data based on its relevance to stakeholders, ensuring that only materially significant information is included in the report.

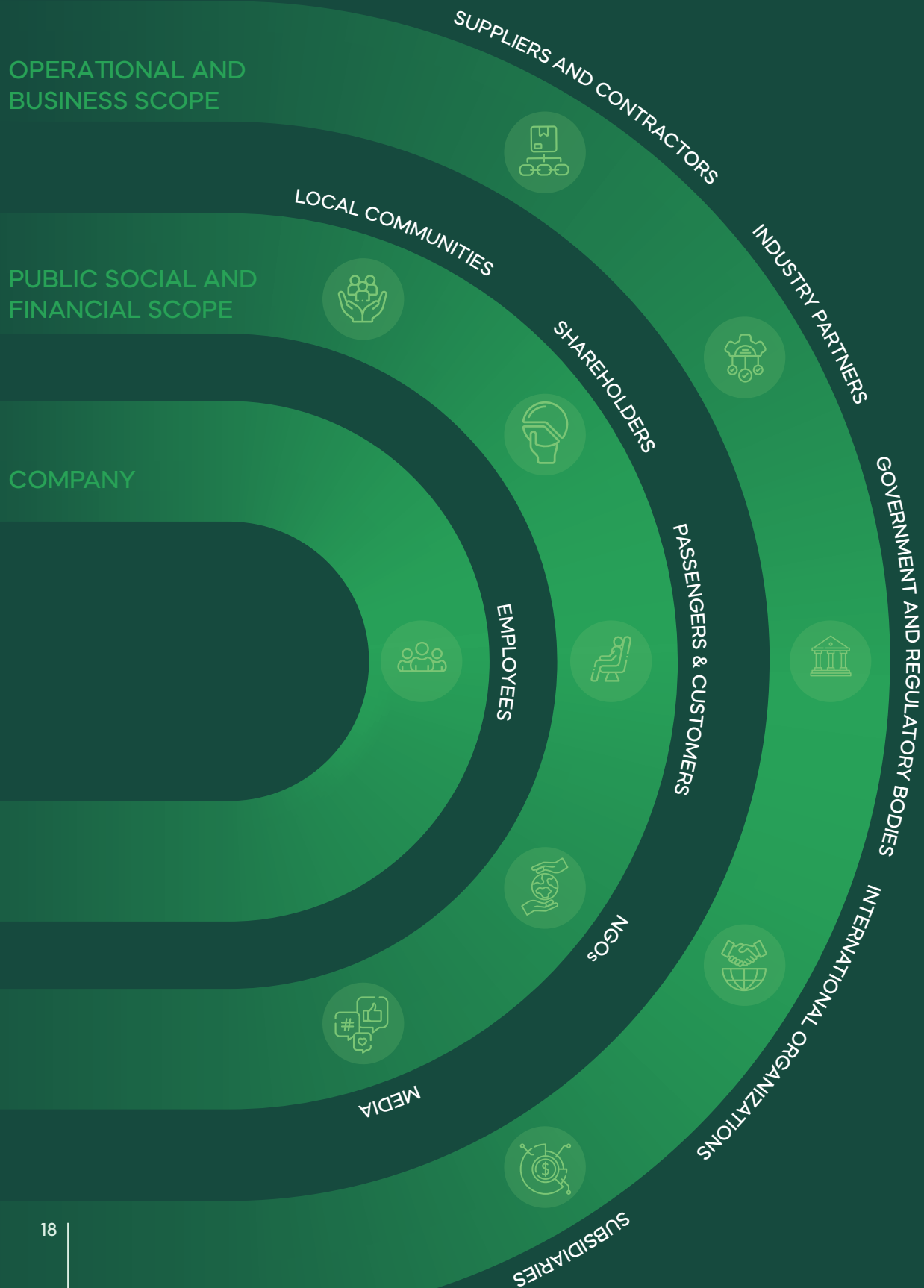
Sustainability Context: Provides information within a broader context, focusing on the company's impact on economic, environmental, and social aspects. This context helps guide the selection of key topics.

Completeness of Disclosure: Ensures that all significant subjects are addressed, including both positive and negative data relevant to the company's operations, providing a comprehensive and transparent depiction of sustainability efforts.

Stakeholder engagement

Building strong partnerships across the industry and with our supply chain, local authorities, relevant agencies, and interest groups lies at the heart of conveying our story. Recognizing that our diverse stakeholders, listed in **Figure 2** are impacted by our railway operations, we have adopted a broad approach to stakeholder dialogue to capture diverse perspectives. Fostering responsible consumption and production patterns, minimizing waste, and endorsing sustainable business models depend on proactive engagement with suppliers, customers, and other stakeholders.

Figure 2. Key stakeholders of ADY



Stakeholder engagement

ADY plays a vital role between Asia and Europe, facilitating seamless transportation and fostering economic integration across continents. Consequently, we are a sought-after dialogue partner in public discussions and actively engage with the entire sector. We present our transport policy positions at both national and international levels, leveraging facts and figures to inform the decision-making process. Political decisions significantly impact the competitiveness and growth opportunities of rail transport, as well as the economic development of the Company and the industry. These decisions affect areas such as state financing of rail and regulatory requirements.

Our ongoing dialogue with stakeholders is founded on mutual trust, respect, and openness, enabling us to innovate, enhance efficiencies, and deliver targeted projects that benefit local communities and devolved administrations. We engage with stakeholders at various levels, including organizational, site, and project levels, to ensure that their perspectives and concerns are heard and considered in our decision-making processes. The communication channels we have built and sustained are individually tailored for each stakeholder group (Figure 3). We hold public consultations, conduct surveys, interviews, one-on-one discussions, and community panels to better understand local communities' expectations and to develop mitigation methods and plans that are most compatible with local conditions.

Furthermore, information from these stakeholder engagement activities is centralized through our stakeholder management system. This system enables us to capture, analyze, and share stakeholder feedback across the organization.

Figure 3. Stakeholder dialogue framework

Stakeholder group: *Employees*

Communication frequency:
Daily basis

Dialogue channel: *Internal newsletters, email updates, webinars, social events, website, and performance reviews*

At ADY, robust career advancement opportunities and comprehensive technical and soft skills training programs are provided to improve employee knowledge and, consequently, business performance. We encourage open dialogue and invite our workforce to contribute their ideas and suggestions to foster a culture of collaboration and continuous improvement. To further support this, regular employee satisfaction surveys are conducted to understand their needs and address any concerns promptly.

Stakeholder group: *Customers*

Communication frequency:
Daily basis

Dialogue channel: *Customer service hotlines, social media platforms, website updates, onboard announcements, and customer surveys*

ADY prioritizes customer satisfaction. Customers who entrust us with the transportation of their products are an integral part of our service ecosystem. We are dedicated to enhancing the quality of our services through various initiatives designed to improve the transportation experience for our customers.

To ensure we meet and exceed their expectations, we regularly conduct surveys to gather valuable feedback. This input allows us to continuously refine and elevate our service standards, demonstrating our commitment to providing a superior and reliable transportation service for all our customers.

Stakeholder group:
Government and Regulatory bodies

Communication frequency:
Timely manner

Dialogue channel: *Press releases, reports, seminars, and meetings with regulatory officials*

ADY actively engages with government entities at the local, state, and national levels to help shape industry-related policies. We also work closely with community leaders and form strategic partnerships to influence decisions that benefit the communities in which we operate. These efforts ensure that our initiatives align with and support the needs and priorities of these communities, fostering positive and sustainable impacts.

Stakeholder group:
International Organizations

Communication frequency:
Semi-annual basis

Dialogue channel: *Conferences, membership meetings, and collaborative projects*

Through its active engagement with various international organizations, ADY fosters collaboration and innovation within the railway industry. These partnerships involve entities focused on railway cooperation and standardization, as well as those dedicated to promoting efficient and sustainable transport solutions across borders. By collaborating with international partners, we aim to enhance connectivity and promote multimodal transport solutions, ultimately benefiting both our company and the broader international community.

Stakeholder group:*Shareholders***Communication frequency:***Quarterly basis***Dialogue channel:** *General meetings, seminars, monitoring reports, and conferences*

At ADY, we prioritize transparent and regular communication with our investors and shareholders. This approach ensures a thorough understanding of our financial health, performance, and business outlook while showcasing our management strategies and commitment to ESG practices. By maintaining this open dialogue, we build trust and keep all stakeholders well-informed about our progress and plans.

Stakeholder group: *Suppliers and Contractors***Communication frequency:***Quarterly basis***Dialogue channel:** *Due diligence procedures, supplier assessment, and face-to-face meetings*

ADY prioritizes the establishment of enduring partnerships. We actively engage with our network of suppliers and contractors, fostering relationships built on mutual respect, trust, and transparency. Through regular communication and collaboration, we seek to understand their needs and expectations while ensuring alignment with our organizational goals and values. Our stakeholder engagement efforts extend beyond mere transactions; we view suppliers and contractors as strategic partners essential to our success. We involve them in our decision-making processes, seeking their input and feedback to continually enhance our operations and services.

Stakeholder group: *Industry Partners***Communication frequency:***Annually basis***Dialogue channel:** *Regular industry conferences, and partnership meetings*

Our stakeholder engagement activities with industry partners also include joint initiatives and projects aimed at enhancing efficiency, reliability, and sustainability in our operations. By collaborating closely with our peers and other railway companies, we strive to drive innovation and excellence in the railway industry, benefiting not only our business but also the broader community and environment.

Stakeholder group: *Assets***Communication frequency:***Monthly basis***Dialogue channel:** *Regular meetings, reporting mechanisms, and committee participation*

We maintain regular and open communication with all our assets, ensuring that their voices are heard, and their perspectives are considered into our decision-making process. This approach allows us to foster a culture of collaboration and mutual respect, where each asset feels valued and empowered to contribute our collective success.

Stakeholder group: *Local Communities***Communication frequency:***Quarterly basis***Dialogue channel:** *Social projects, annual disclosures, conferences, and social media*

Our efforts in philanthropy, community partnerships, and volunteerism are dedicated to generating substantial and targeted benefits for local individuals and organizations. Our goal is to drive social and economic development by providing direct support for community growth and addressing specific needs and priorities. Through these initiatives, we cultivate enduring relationships and contribute to the overall well-being and advancement of the communities we serve.

Stakeholder group: *NGOs*

Communication frequency: *Bi-annual basis*

Dialogue channel: *Press releases, meetings, collaborative projects, and initiatives*

ADY actively cultivates partnerships with NGOs that play a crucial role in delivering value and enhancing the quality of life for individuals. Our dedication to charitable initiatives and community engagement has sparked inclusive dialogues and made significant contributions to the progress of local communities.

Stakeholder group: *Media*

Communication frequency: *As needed*

Dialogue channel: *Website, television channels, Facebook, LinkedIn, X, and YouTube*

Through an active presence on social media platforms and our official website, we engage with stakeholders to gather valuable insights into their perspectives on various business matters. This engagement serves as a crucial tool for assessing our performance and understanding the expectations and concerns of our stakeholders. Concurrently, we leverage various media channels to disseminate accurate, relevant, and comprehensive information about our initiatives, achievements, and goals.

ADY's commitment to environmental sustainability and industry leadership is further demonstrated through our active memberships and associations (Figure 4) with various national and international organizations. These affiliations enable us to stay at the forefront of industry developments, share best practices, and collaborate on innovative solutions to environmental challenges. By being part of these networks, we strengthen our ability to advocate for sustainable policies, enhance our operational standards.

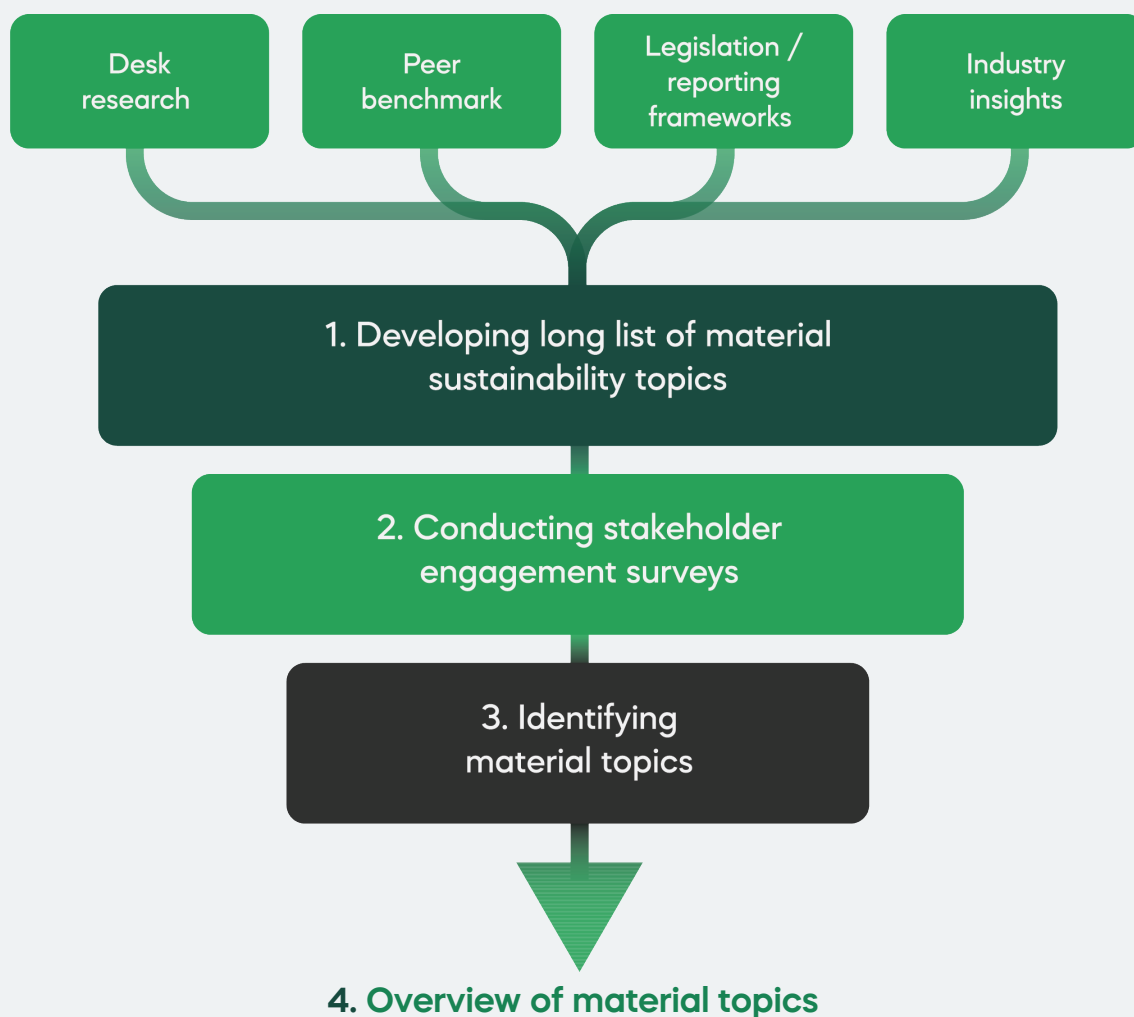
Figure 4. Memberships and Partnerships of ADY



Materiality analysis

In our commitment to embedding sustainability into the core of our railway operations, we recognize the importance of continuously aligning our efforts with the dynamic landscape of stakeholder expectations and global sustainability trends. Embracing this devotion, we have conducted our first Materiality Assessment (Figure 5) in line with GRI standards during the reporting period. The aim of this analysis is to identify the areas of sustainable development—encompassing governance, environmental, social, and operational impacts—issues that are a priority for our significant external and internal stakeholders to create long-term value and make meaningful progress towards our sustainability goals.

Figure 5. Materiality assessment



We followed a structured and comprehensive approach to identify and prioritize material sustainability topics.

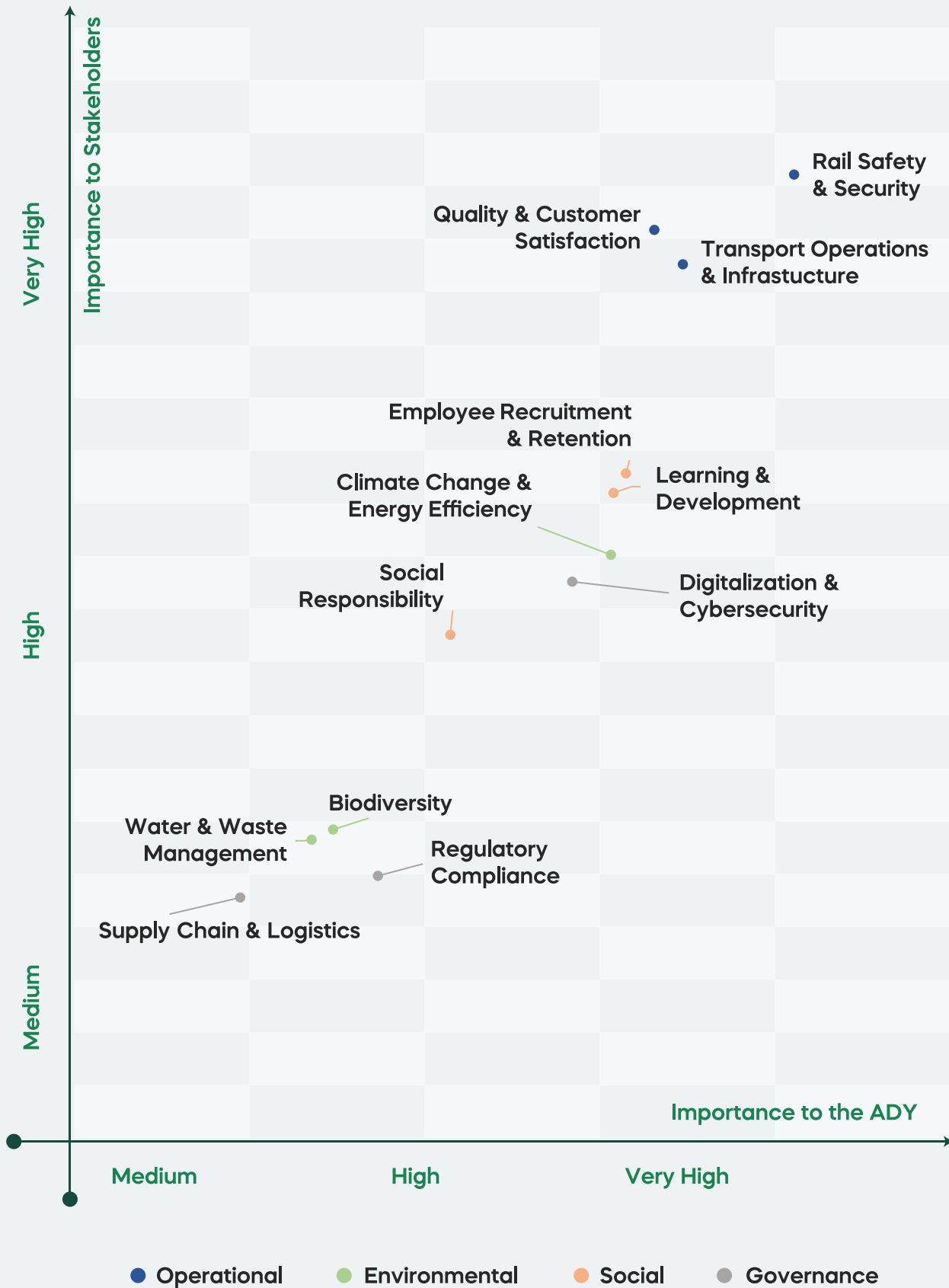
At the outset, we gathered a wide array of potential sustainability topics. This extensive list is formulated based on the insights from desk research, peer benchmarks, legislative and reporting frameworks, and industry insights.

Our stakeholder engagement activities played a crucial role in building the foundation of our materiality analysis. By conducting comprehensive engagement surveys among our stakeholders, we gained valuable insights into their perspectives on the significance of various material topics. This process enabled us to understand not only their priorities but also the nuanced expectations and concerns that shape their views on our sustainability efforts. Through this enriched understanding, we have been able to prioritize issues that are most relevant to our stakeholders.

With input from over **250 stakeholders**, the responses were consolidated to develop a comprehensive materiality matrix that highlights the key topics and issues of significance (Figure 6). These topics are positioned within the matrix according to their importance to both our stakeholders and our Company.

The survey results highlighted the increasing importance of “Rail Safety & Security”, along with “Quality & Customer Experience”. However, “Transport Operations and Infrastructure” emerged as the most significant topic, underscoring our crucial role in ensuring safe and secure rail services.

Figure 5. Materiality matrix



About Azerbaijan Railways

State owned “Azerbaijan Railways” Closed Joint Stock Company is one of the leading transportation companies in the country. The major responsibilities revolving around transportation of goods, cargo heritage that dates back to 1880. Throughout all those years, ADY reflects the legacy of reliability and excellence in the transportation industry aiming for cultivating long-term customer trust and operational efficiency. The success of the Company is significantly supported by its subsidiaries, which contribute through their specialized expertise. These include “ADY Express” LLC, “ADY Container” LLC, “ADY Emlak” LLC, “South Freight Terminal” LLC, and other specialized enterprises each playing vital role in enhancing the Company’s overall performance.



History of ADY

ADY's history goes back to the 19th century with the advent of the first railway line, the Baku–Sabunchu–Surakhani route, and has endured significant evolution since then. Despite the geopolitical tension during the period, the Company managed to withstand its own ground, moreover, on pace to become regional powerhouse.







Mission

Our mission is to connect people, regions, and economies.



Vision

Our vision is to contribute to the transformation of Azerbaijan into a regional transport hub by providing safe, reliable, and modern, as well as sustainable transport and other related services.

ADY strategic railway network

Located in the crossroads of Europe and Asia, Azerbaijan benefits from exceptional strategic position for transportation steering the way for a pivotal hub role among numerous international transportation networks and regional corridors. Being situated in the proximity of major global markets, Azerbaijan Railways facilitates efficient movement of passengers and goods from Azerbaijan to different countries. In addition, it is not limited by transport from Azerbaijan since the placement provides facilitator function across diverse set of geographic regions.

Besides suitable positioning of the country, initiatives have been implemented both by the country and globally which resulted in solidifying the nation's foothold in the industry. **One notable project, the BTK railway, launched in 2017, has strengthened economic relations among Türkiye, Georgia, and Azerbaijan while enhancing their geopolitical significance in regional affairs.** Ultimately, the creation of the direct link between West and East led to reductions in transportation duration and cost along with reducing dependency on the existing routes.

On the other hand, the pledged Chinese BRI, also known as New Silk Road, is going to revive historic Silk Road with proper modernizations, furthermore, underscoring the paramount importance of Azerbaijan to promote international transit. One example of this cooperation could be the launch on September 10, 2020, of a new China-Europe container train route, linking the Chinese city of Jinhua with Baku. This route, and others established under this partnership, is going to operate as a connecting hub between Asia and Europe. The Baku-Tbilisi-Kars railway, from which the routes from China operate, has emerged as a crucial conduit for transporting Chinese goods to Europe, reflecting the expanding cooperation between Azerbaijan and China under BRI. Considering the realized initiatives coupled with growing collaborative opportunities with China through BRI, Azerbaijan is on pace to become a key transport and logistics hub between Europe and Asia.

The initiatives further accelerated following the liberation of the Karabakh region, Azerbaijan negotiated with key regional players to further strengthen strategical position and gain

economic advantage. One of the major projects agreed upon implementation under Iranian and Azerbaijani representatives was establishment of a new corridor along the Araxes River. The significance of the initiative lies in the restoration of land ties between mainland and Nakhchivan Autonomous Republic that has been enclaved for decades. Proceeding with projects involving Nakhchivan, Azerbaijan and Türkiye negotiated terms for inauguration of Kars-Nakhchivan railway line that complements BTK. The envisioned railway line will be the second railway connection between the countries along with hastening connectivity among Central and South Asia with the whole of Europe. Lastly, the country is on verge of completing Horadiz-Aghbend line which will pass through the corridor, connecting western provinces of Azerbaijan with Nakhchivan. All projects aimed at uninterrupted links between Azerbaijan provinces as well as bolstering connectivity with neighboring Türkiye.



Layout of railway routes

North-South Corridor

The Agreement on the Establishment of the North-South International Corridor was initially signed by Russia, Iran, and India on September 12, 2000. Azerbaijan later joined this agreement on September 20, 2005. This corridor aims to facilitate the transportation of goods from India and the Persian Gulf region to Russia, Western Europe, the Baltic States, and Scandinavia. One of the key advantages of the North-South Corridor is its efficiency in reducing both the transit distance and time, achieving delivery times two to three times faster compared to alternative routes. While sea transportation via the Persian Gulf, Indian Ocean, Suez Canal, Mediterranean, and Baltic Seas to Helsinki typically takes 45-60 days, the North-South Transit Corridor significantly shortens this to just 20-25 days.

East-West Corridor

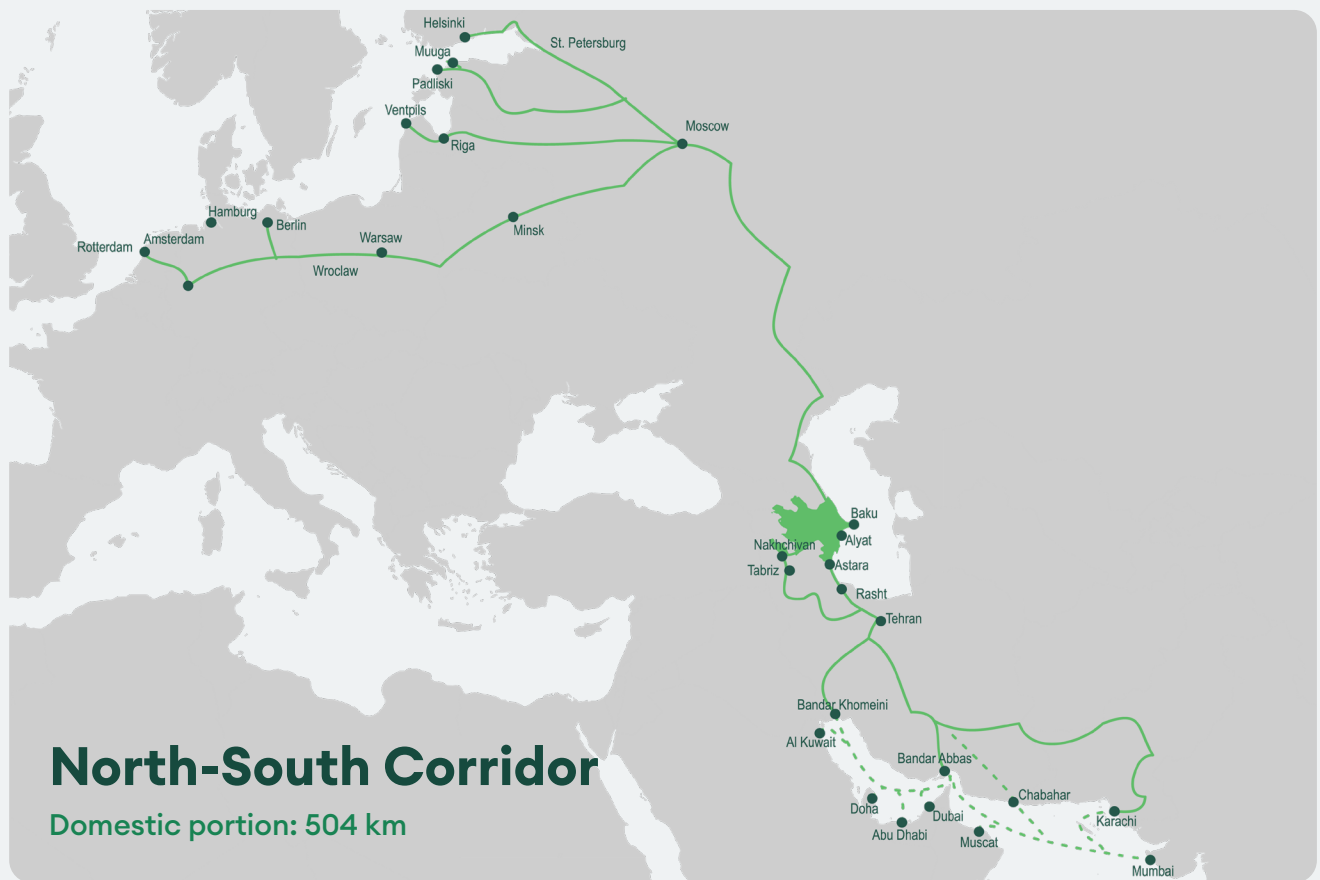
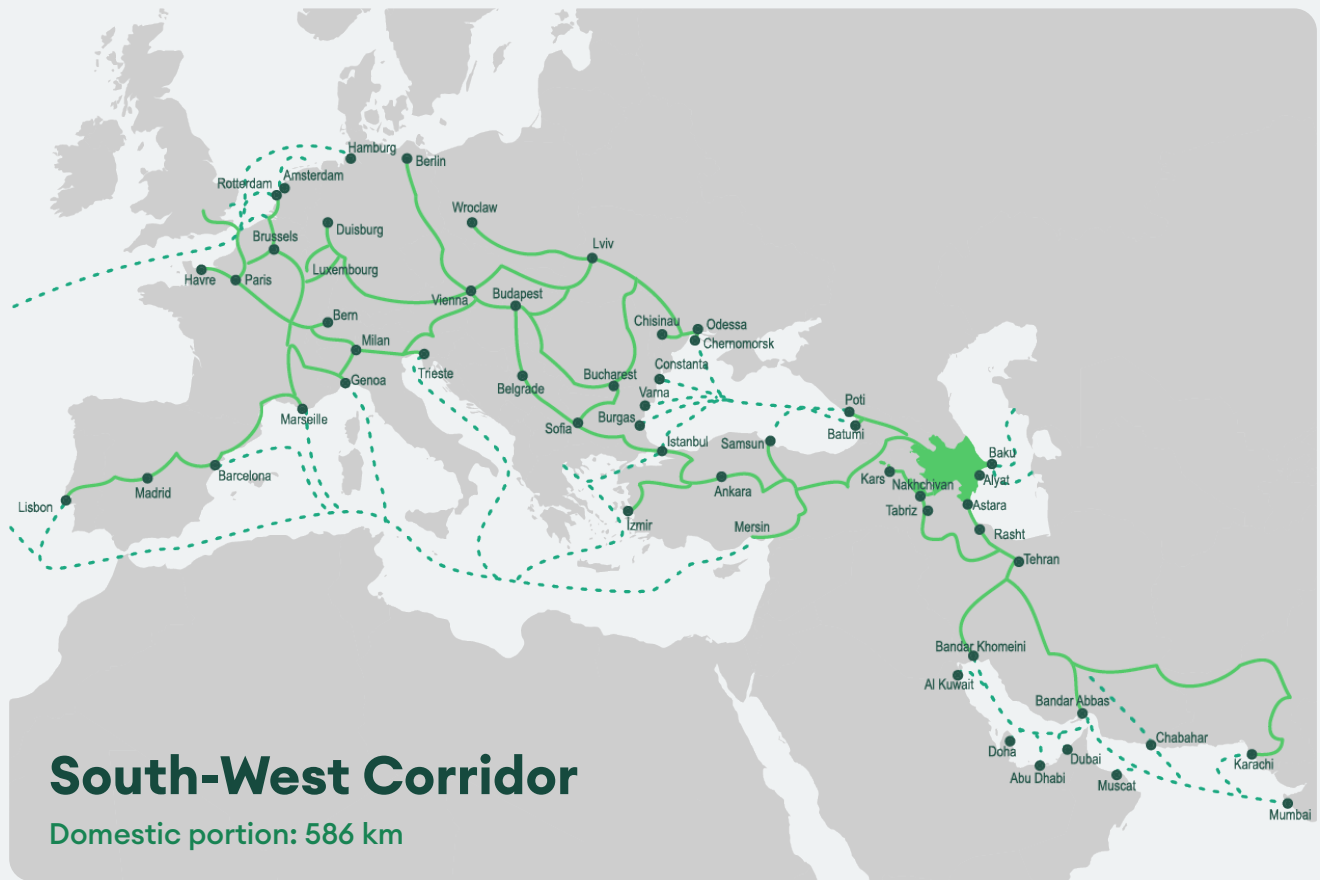
The East-West Corridor was created in 2014, involving the railway, shipping, and port administrations of Azerbaijan, Georgia, Kazakhstan, Ukraine, and Türkiye. Known as the Middle Corridor, or the TITR, this route aims to boost cargo shipments between China, Türkiye, and the European Union, in both directions. One of its primary benefits is the efficient transit time, with trains transporting goods from China to Europe in just 10 to 12 days while from China to Black Sea port of Georgia takes 12-15 days. The Baku-Tbilisi-Kars project, spearheaded by Azerbaijan, further enhances this corridor by reducing transportation costs and increasing the volume of transit operations.

North-West Corridor

The establishment of the North-West Corridor became possible in 2017, thanks to the utilization of the Baku-Tbilisi-Kars railway. This corridor, which runs through the Baku-Tbilisi-Kars route, was primarily designed to accommodate the increasing freight traffic between Türkiye and Russia. Additionally, the North-West Corridor facilitates the transportation of Russian coal and grain to Türkiye via the Baku-Tbilisi-Kars railway.

South-West Corridor

The South-West Corridor was initiated by ADY in early 2016. This corridor spans the route from the Persian Gulf and India through Iran, Azerbaijan, Georgia, and Ukraine to Europe, or alternatively through Türkiye to Europe, significantly reducing transit time and distance. One of its main advantages is that it offers a transit distance and time about three times shorter than other routes, particularly those involving sea transport via the Suez Canal. The establishment of the South-West Corridor promises new transportation opportunities by ensuring a safe, fast, and uniform pricing policy.



Economic significance

Azerbaijan, the largest economy in the South Caucasus, invests heavily on its export potential which strengthens trade relations and competitive position in the international markets. This reliance extends to its railway system, comprising ADY and its operations, where a significant portion of freight, about one-third, consists of oil-based products. However, Azerbaijan Railways is much more than a conduit for oil and gas; it is a vital artery that supports a diverse range of industries, including manufacturing, agriculture, and energy, thereby stimulating both domestic and international trade. The sector is also a major employer, providing thousands of jobs, particularly outside the capital, and contributing significantly to the economic stability and social welfare of the country.

Azerbaijan Railways holds a pivotal economic position, leveraging its strategic geographical location at the crossroads of Europe and Asia. Since bridging trade between territories that extends beyond China in one side as well as Germany in another streamlines the movement of goods, it also contributes to cutting down transit time and lowering overall cost. In terms of railway transportation, there is a clear upward trend in the share of goods transported by rail, **increasing from 6.5% in 2019 to 8.6% in 2022 (Figure 7)**. This rising trend can also be attributed to the income from export activities generated by the railway sector in Azerbaijan, totaling to **1,488,361,540 AZN in 2023**. All these indicate the essence of the transportation mode in both geopolitical and economic development as well as growing demand for rail transit over the years.

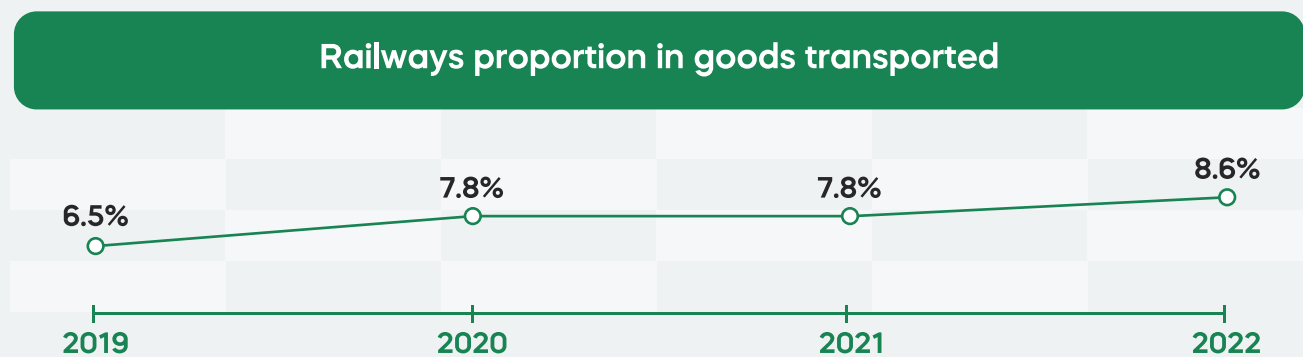
The railway network contributes significantly to the national economy through freight and passenger services. The transit fees and related services provided to international logistics companies generate substantial revenue for Azerbaijan. In 2023, Azerbaijan's economy benefited greatly from the transport industry, with **7,626 million AZN²** being added to the country's GDP. According to the State Statistical Committee, railway transport accounted for 43% of the income generated from goods transportation within Azerbaijan's section of the

² According to Azerbaijan State Statistical Committee:
<https://www.azstat.gov.az/portal/tblInfo/TblInfoList.do;JSESSIONID=E2050F7AD6DF1106B54836A0DF815510>

TRACECA in 2022. These remarkable numbers highlight the industry's critical role in promoting worldwide and regional trade, and economic growth. The transportation sector's strong performance once again demonstrates Azerbaijan's strategic significance as a major hub for logistics connecting Europe and Asia, as well as the country's continuous efforts to modernize and grow through sustainable transportation options.

Recently, ADY has significantly enhanced the economic landscape of Azerbaijan and the broader region through strategic initiatives and international cooperation. Proceeding with joint project with Iran, both parties are keen on to replicate their previous success on establishment of "South Freight Terminal" LLC that embarked on a notable 44% increase in exchange of goods from 2021 to 2022. In addition, traded goods in "South Freight Terminal" LLC exceeded 700,000 tons in 2023, indicating each side's intent to deepen economic integration in defined new railway initiative. Next, the adoption of the project concerning Kars-Nakhchivan line which fosters bilateral trade among European and Asian countries, leads Azerbaijan to possess key economical position through linking two continents while being located in the center of trading routes.

Figure 7. Railway proportion of transported goods in Azerbaijan



ADY's operations and customer experience

Operational Highlights: Progress Over the Past Year



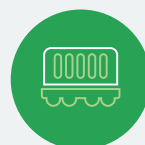
40%

Increase in number of passengers



21%

Increase in km covered in passenger transport



5%

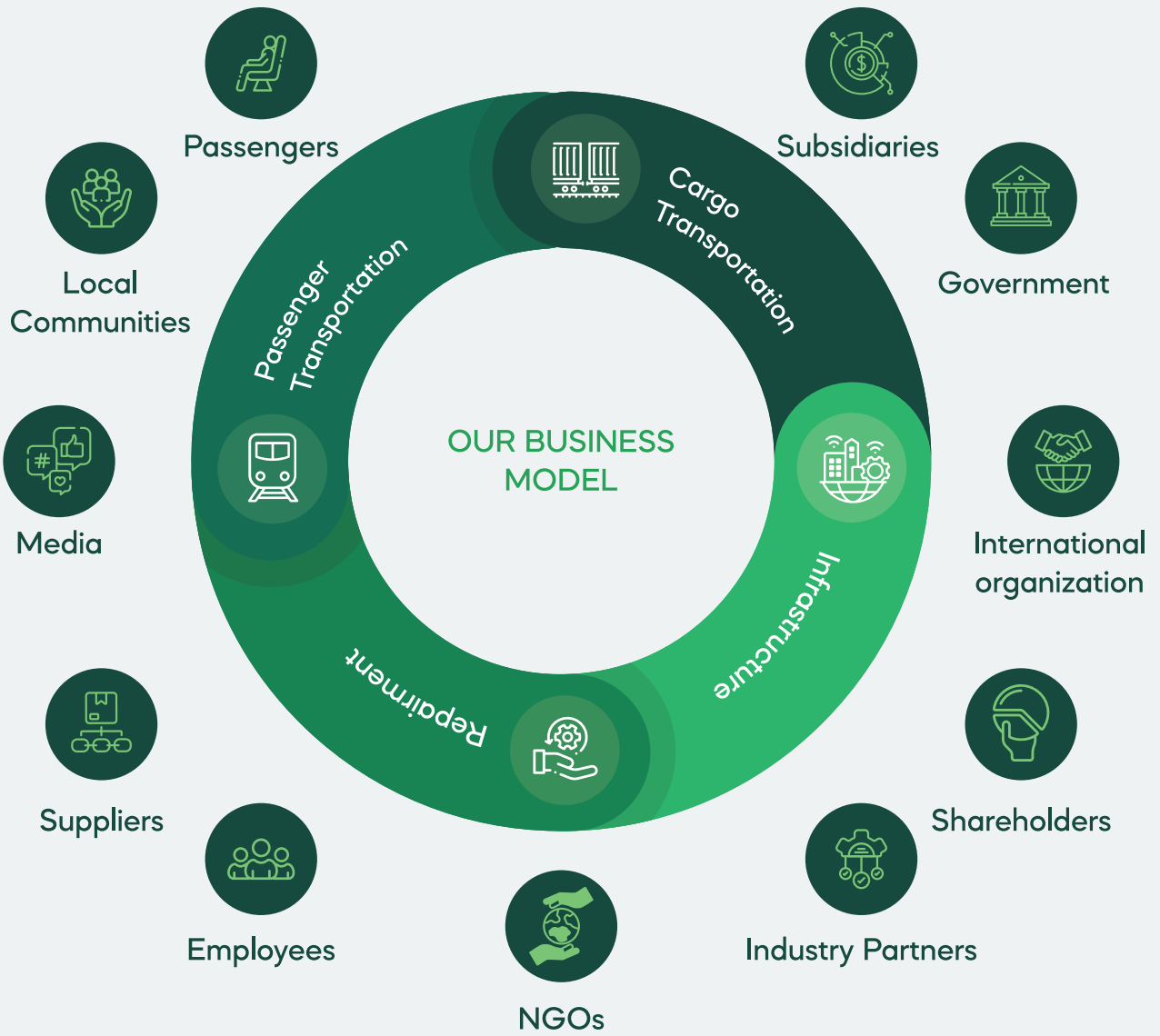
Increase in number of wagons

ADY's operational foundation is built on its ability to manage the efficient movement of goods and passengers across Azerbaijan and neighboring regions, playing a pivotal role in the country's transportation infrastructure. At the heart of these operations is a seamless integration of advanced fleet management, strategic route optimization, and a rigorous maintenance regimen. This combination ensures that trains run on time, cargo is transported safely and efficiently, and infrastructure remains in optimal condition to meet the demands of both domestic and international markets.

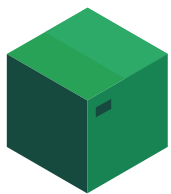
ADY's operations encompass a broad scope of activities that are essential for maintaining a high level of service quality and reliability. These include managing passenger services that cater to millions of commuters and long-distance travelers annually, as well as a robust freight transport system that supports the movement of key industrial goods, energy resources, and other vital cargo across important trade corridors.

The Company's operational model is organized into four key divisions: passenger services, cargo transport, repairment, and infrastructure development. Each division plays a crucial role in ensuring that operations are streamlined and responsive to both market demands and regulatory standards. By structuring its operations into these specialized areas, ADY is able to allocate resources effectively, develop targeted strategies for growth, and ensure the highest levels of operational efficiency.

STAKEHOLDERS



Cargo transport

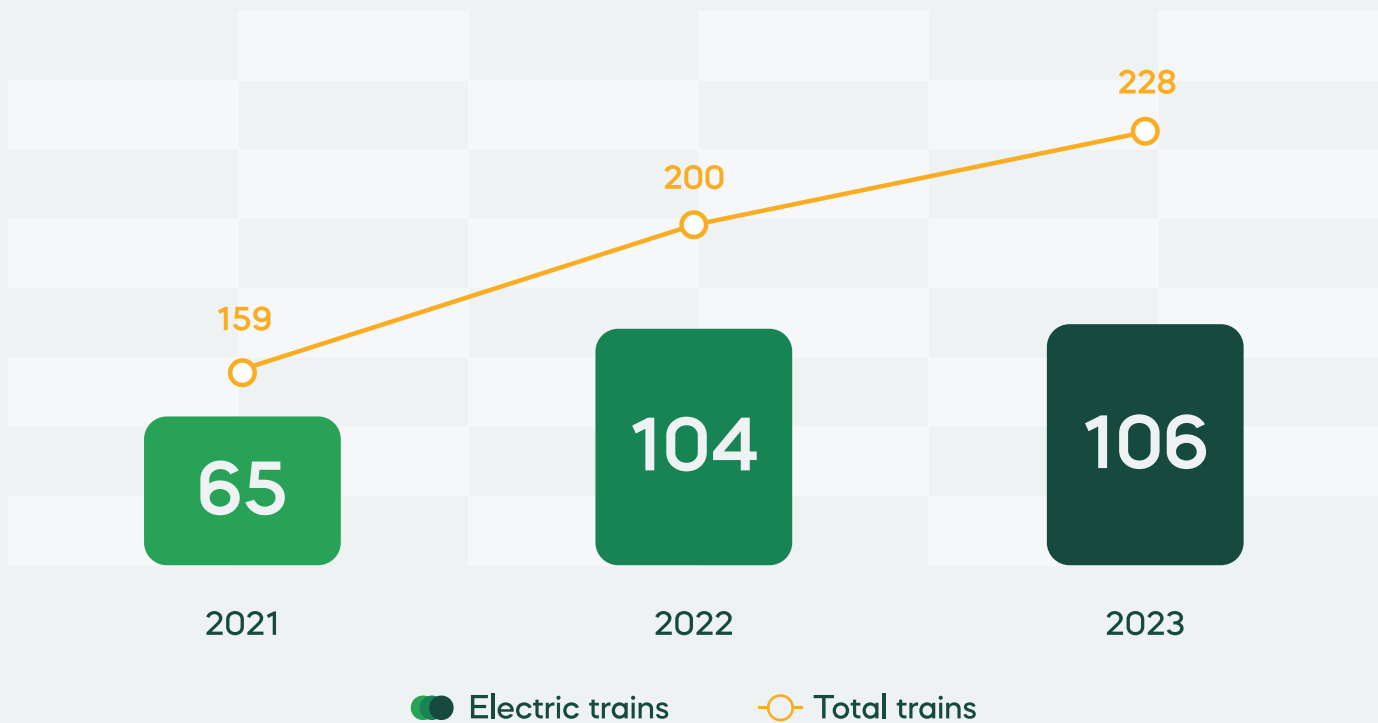


18.2

Million tons cargo transported annually

As the primary revenue generator of the Company, cargo transportation has been equipped to meet the diverse set of needs of our agents on time from small-scale shipments to large loads. We provide the complex orchestration of punctuality, safety, and efficiency through comprehensive planning and scheduling of transport services. Client satisfaction comes first for the cargo transportation department, therefore, upholding rigorous safety standards and offering flexible solutions to accommodate various types of cargo regardless of temperature-sensitivity, size and hazardous composition are crucial for us. ADY offers cargo services in number of different regions, ranging from Western Europe to Eastern Asia. In the last couple of years, increased demand for our service is reflected in constant boost in the number of locomotives owned by ADY. However, we facilitate this boost in a most sustainable way through purchasing and replacing electric powered locomotives with the outdated ones (Figure 8).

Figure 8. Number of locomotives

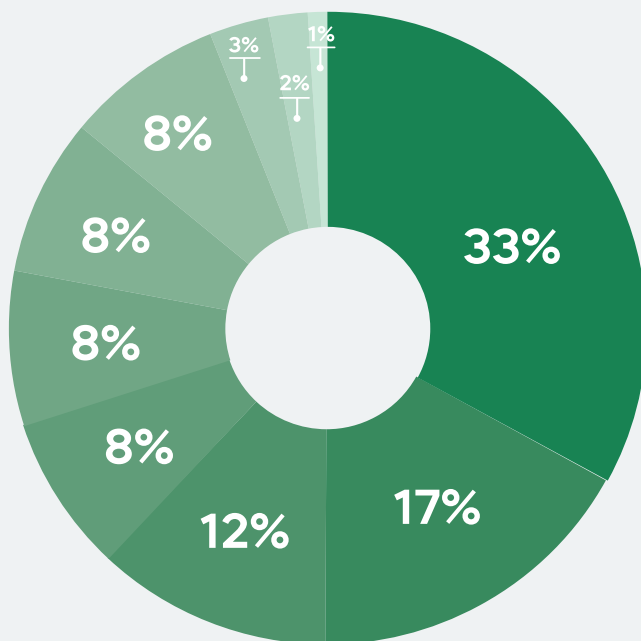


In our quest for transparent operations, the Company ensures adherence to global standards in its core business activities, such as the IFRS guideline, which is trusted by fifteen countries and outlines a daily transportation threshold.

The Company’s current freight operations are divided into two parts: wagon freight (92%) and container freight (8%). Container freight extends across all countries connected by railway, while wagon carriage is limited to neighboring nations including Türkiye, Russia, Georgia, and Iran. Recognizing the vast geographic area to cover, our freight service focuses on delivering various cargo categories, including oil products, cereals and bakery products, raw materials, chemical fertilizers, and similar products.

Among the listed cargo types (Figure 9), oil-based products hold the largest share, comprising nearly one-third of our freight, while chemical products come in second with 17%. This diversification, as illustrated in the chart, demonstrates the Company’s ability to manage a broad spectrum of freight types based on their safety requirements and successfully meet the growing needs of different industries.

Figure 9. Proportion of transported cargo by categories



The most transported loads

- Oil products
- Chemical industry
- Construction materials
- Food industry products
- Metal industry products
- Grains and cereals
- Wood, cellulose, and paper products
- Coal and other fuel products
- Other products
- Fresh fruits, berries, vegetables, and nuts

Service quality

Quality in cargo transportation is a key focus for us, and we are committed to ensuring that every shipment is handled with care and precision. From meticulous planning to secure handling and timely delivery, we prioritize quality at every stage to provide our clients with reliable and efficient transportation options.

Recent advancements in the global supply chain, such as minimizing physical examinations, implementing digital data transfers, and simplifying cross-border transit, have made operational optimization essential. To address these developments, we have created a 2024-2026 action plan to evaluate the current state of freight transportation and enhance transit potential in line with global trends and best practices. **Key priorities include restoring the Bilajari sorting park, upgrading the Bash Alat rail station, renovating 38 interchanges and take-off roads in the Yevlakh-Boyuk Kasik area, and reconstructing the Ucar-Baku communication system.** These projects will significantly boost our carriage capacity and service quality.

In addition to the action plan, we have launched several initiatives aimed at elevating service quality and client

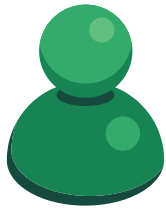


satisfaction. Our main objective is to automate processes by enhancing the existing ADY Smart platform, introducing new features by 2026 such as the ability for clients to access our tariffs, and a tariff calculator which calculates tariffs 100% accurately. On top of that, integration of DTC platform in the forthcoming future will provide seamless digital document flow for multimodal transport along the Middle Corridor. To achieve the outlined improvements, we have already initiated several strategic steps toward realizing defined objectives. These includes finalizing the design of the FCOMS, LCMS, and FTMS systems along with Document Circulation System which is collaborated with state center for executing digitally signed documents.

The tariff calculator is one of our most compelling initiatives that reduce the need for manual data entry in estimates, allow for the valuation of goods in transit, and enable immediate invoicing once services are completed. Finally, to phase out old locomotives and increase wagon capacity, we are planning to modernize our vehicle fleet with the latest train technologies. All projects are aimed to improve the quality of the service and automate the process.



Passenger transport



30,000

Daily passengers opt for rail transportation

Passenger transport, being the second biggest revenue generation stream, contributes to the social well-being of the nation, bringing swift transport between regions (Figure 10). We have thirteen different stations in countryside network comprised of two distinctive journeys. On the other hand, the Baku-Gabala route was added to our list of destinations in 2023. Due to political constraints, movement patterns of transport options are limited to solely domestic and Absheron circular line rides. Almost 30,000 daily passengers utilize the railway as a mode of transport across Baku, witnessing a 20% boost from the previous years. Additionally, the number of rides per day also experienced a significant jump, topping in 2023 from 42 to 47 rides (Figure 11). Defined positive tendency is attributable to increase in frequency of scheduled journeys in rush hours caused by escalated operational capabilities. This in turn, grows demand for our services since it is the only transport alternative that avoids heavy traffic congestion and connects Baku with Absheron peninsula. Our success would not be possible without a robust and reliable transport network comprised of nine Swiss-produced electrical trains, one Russia-based train connecting twelve wagons as well, and recently purchased four diesel-powered Swiss trains. Furthermore, throughout the defined transport process, it is of the highest importance for us to adhere to local standards which are prepared based on global guidelines and best practices.

Figure 10. Movement chart

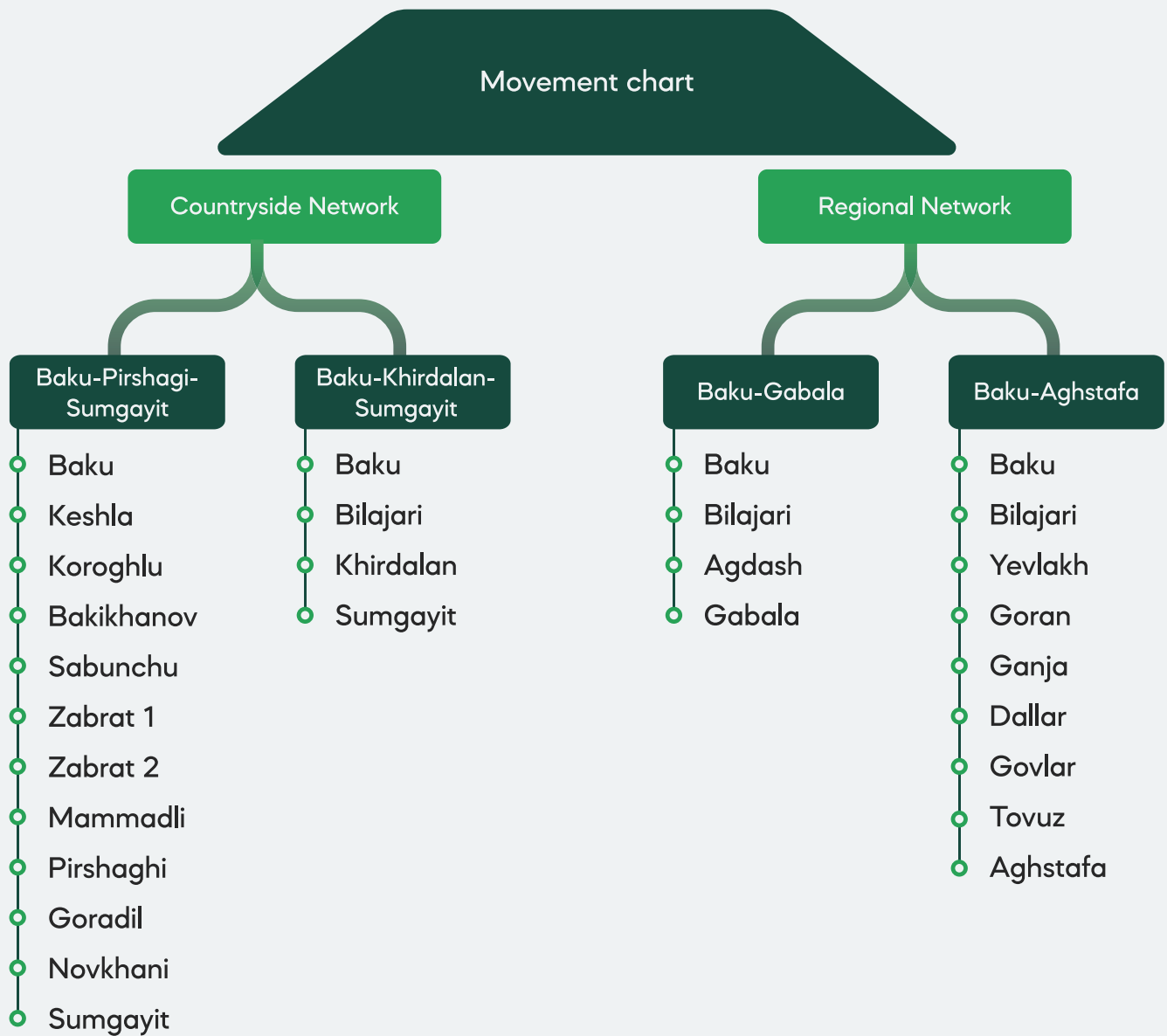
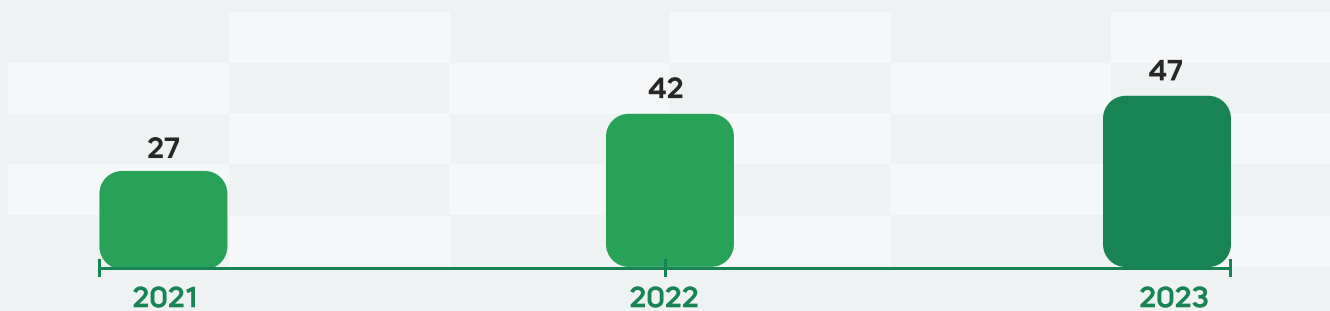


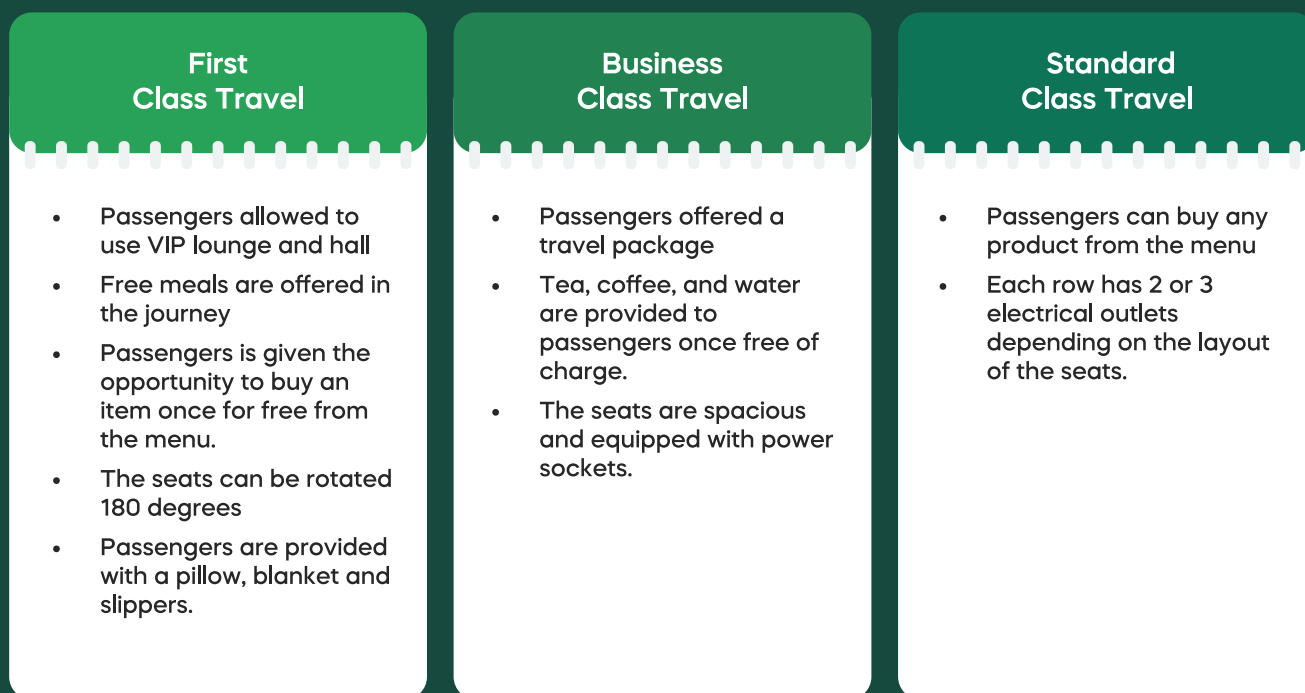
Figure 11. Number of train trips per day for passenger transportation



Customer experience and quality of our services

Building on our large-scale operational capabilities, maximizing customer satisfaction, and consistently offering high-quality services are at the core of our business strategy. These priorities drive every decision we make, ensuring an enhanced client experience that fosters customer loyalty. In line with our primary objective of customer satisfaction, we have extended our ticketing options. We offer three tiers of tickets (Figure 12) for our customers: standard class, business class, and first class. Each tier provides unique benefits related to comfort, amenities, and services tailored to different needs and affordability levels.

Figure 12.
Provided benefits for each travel class



With a robust ticketing system already in place, we are now focused on advancing our service quality. To achieve this, we continuously implement new initiatives designed to maximize customer satisfaction and ensure a seamless journey.

In 2023, we made purchasing tickets more convenient by enabling mobile phone transactions, which also reduces paper waste, reflecting our commitment to environmental responsibility. To further minimize the environmental impact of printed tickets, we now allow passengers to access trains using plastic ADY cards or bank cards, streamlining the boarding process, reducing queue times at terminals, and improving overall customer satisfaction.

On top of that, ADY introduced third-party catering services for regional transportation, offering passengers the added benefit of high-quality food options. First-class passengers receive this service at no additional cost, while other travelers can easily view and order from an online menu accessible via a QR code located on the back of each seat. In selecting our food service providers, we prioritize those who meet strict standards, requiring certificates of origin and food safety, as well as clearly labeled production and expiry dates and storage conditions on all packaging.

A key initiative undertaken by the Company that is planned to be finished in 2024 is the introduction of flexible pricing to enhance customer satisfaction while driving company growth. This strategy is based on three pricing principles for regional routes: the date of ticket purchase, the seat direction (whether it faces the direction of the train's movement or the opposite), and whether the travel date falls on a working day, non-working day, or a public holiday. From a passengers' perspective, they have the opportunity to purchase tickets at a lower price if bought earlier.

Looking ahead, ADY plans to install wireless networks at all stations and on all trains starting from Baku passenger station then proceeding with countryside stations in the coming years.

This project aims to enhance the travel experience, attract more passengers, and improve connectivity, offering a more convenient and connected journey for our customers.

We acknowledge the paramount importance of measuring customer satisfaction to identify pain points and explore the feasibility of implementing new service ideas. The first step in this assessment is the introduction of , which will clearly identify customer concerns, provide a reporting mechanism for potential violations, and establish a proactive risk management plan for detected issues. Additionally, individuals can scan a QR code displayed in stations and trains to access a five-question survey.

The presence of defined two channels along with other alternatives (Figure 13) can make it difficult to consolidate all the data for better interpretation. Therefore, we plan to create a new team solely responsible for measuring the quality of our service.

Figure 13. Customer satisfaction measurements

ADY hotline

ADY hotline is placed in every station to let passengers to access information and aid in technical support .

QR code questionnaire

In every train station and wagon, there are QR codes placed to fill out 5-minute survey pertinent to customer satisfaction.

Pop-up surveys on website

Pop up surveys allow passengers to provide feedback while they browse on the website.

On premise interviews

ADY employees equipped with tablets approach passengers to conduct interviews that are limited to 10 questions

Repairment and Infrastructure

Repairment department

The remaining part of the operational model consists of repairment and infrastructure, where both departments play a pivotal supporting role in the Company's main activities. The repairment division is primarily responsible for the renovation, and maintenance of vehicles such as locomotives, wagons, and equipment managed by ADY. Meanwhile, the infrastructure division focuses on maintaining and developing railway tracks, stations, and associated facilities, ensuring operational efficiency and safety.

The repairment department is essential for ensuring the smooth operation and maintenance of the railway fleet. This department is responsible for overseeing a wide range of activities that guarantee the safety, efficiency, and reliability of locomotives, freight wagons, and passenger vehicles. Its comprehensive approach encompasses various key areas:

Firstly, the department provides technical services for locomotives and wagons, including the cleaning, vaporization, and degassing of freight wagons both internally and externally. It also conducts routine and overhaul repairs of locomotives and wagons, ensuring that spare parts are maintained and refurbished when possible.

In addition, the department implements necessary measures to promote the efficient use of fuel, electricity, materials, and tools, while effectively managing the inventory of material resources to ensure reliable storage and utilization. Occupational safety is another priority, as the department takes measures to prevent and mitigate accidents, explosions, and other emergencies, while ensuring fire safety and the protection of state property.

Furthermore, the department continuously seeks to incorporate the latest scientific and technological advancements, along with best practices, into its operations. To maintain compliance with existing legislation and internal regulations, it establishes accountability measures for individuals who fail to adhere to directives and instructions. Finally, the department ensures that equipment and machinery are regularly serviced and maintained in good working order, while also promoting initiatives to strengthen labor discipline among employees.

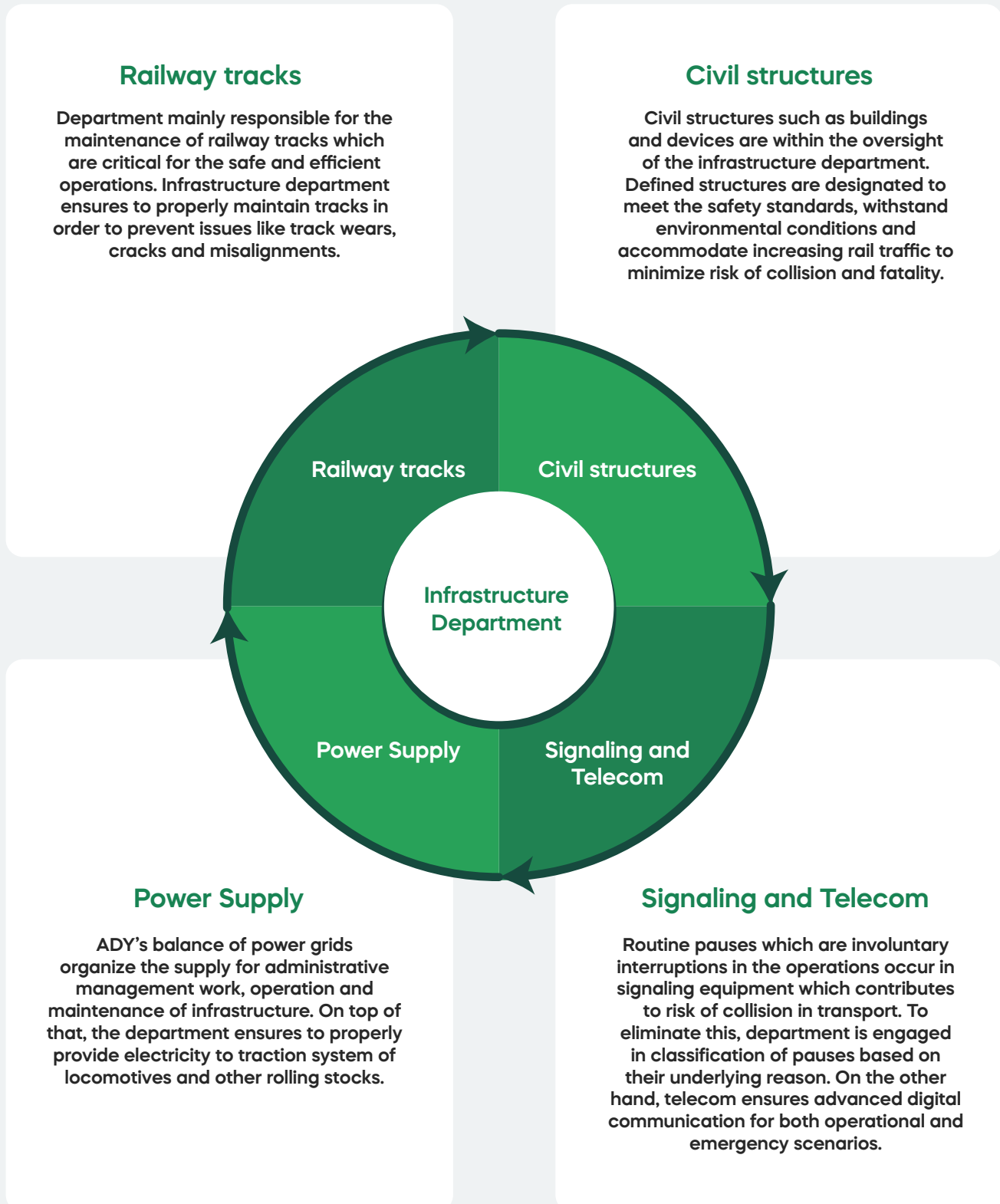
Infrastructure department

Through these efforts, the repairment department aims to enhance the overall performance and safety of railway operations.

The infrastructure department is dedicated to optimizing general business activity, with a primary focus on overseeing railway lines, trains, and rail equipment to ensure seamless operational efficiency. This task is exceedingly cumbersome and challenging, considering the extensive amount of planning, rigorous maintenance scheduling, effective coordination, and capital-intensive investments allocated into alleviating prospective risks and making sure to improve vehicle fleet quality. In line with the Company's efforts to stay at the forefront of industry developments, a centralized and brand-new laboratory is projected to be established to foster continuous improvements in the chemical compounds of diesel. This initiative is not only going to upgrade the overall business process but also is going to decrease the detrimental impact pertinent to the environmental footprint.



Figure 14.
Major responsibilities of the infrastructure department



Strategic blueprint

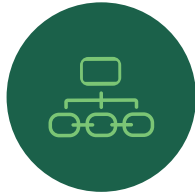
In an ever-evolving transportation landscape, our Company-wide objective is to embrace upcoming trends and developments and integrate them into our strategic goals to achieve sustainable business outcomes. To accomplish our ambitious aspirations, we have concluded three strategic directions that we are planning to reach till 2030 (Figure 15).

Figure 15. Strategic directions of ADY



Speaking of digitalization, our strategic plan places a strong emphasis on digital transformation as a pivotal driver for enhancing operational efficiency and effectiveness. This transformation involves a systematic approach to digitalizing core business processes, which will help us adapt to evolving industry standards, streamline operations, and boost overall performance. By adopting advanced technologies and digital tools, we aim to optimize our workflows, improve data accuracy, and achieve a higher level of operational excellence, ensuring that we remain competitive and responsive in the global market (Figure 16).

Figure 16.
Focus areas on digitalization



Corporate Functions

We are implementing a centralized information system to integrate essential business processes. An Enterprise Resource Planning (ERP) system is being introduced to automate and streamline operations, including basic HR functions, enhancing operational efficiency and management effectiveness.



Capital Construction Management

We are implementing advanced digital tools and establishing a dedicated team to enhance our technological infrastructure. By integrating digital solutions into the management of capital construction projects, we aim to optimize resource allocation, ensure timely project completion, and support sustained growth and operational excellence.



Asset Management

We are automating data collection and developing a system to monitor the technical condition of our railway fleet and infrastructure. This approach focuses on optimizing asset utilization, reducing operational costs, and increasing overall efficiency through enhanced tracking and management.



Transportation Management

We are enhancing our current system, ADY Smart, by transitioning to more advanced solutions. This upgrade addresses limitations in transparency and control, improving the management of transportation services and supporting more effective operations.



Customer Experience

We are improving integration among internal and external systems. By implementing digital document signature tools and centralizing our billing and accounting systems, we aim to streamline processes, improve service efficiency, and elevate overall customer satisfaction.

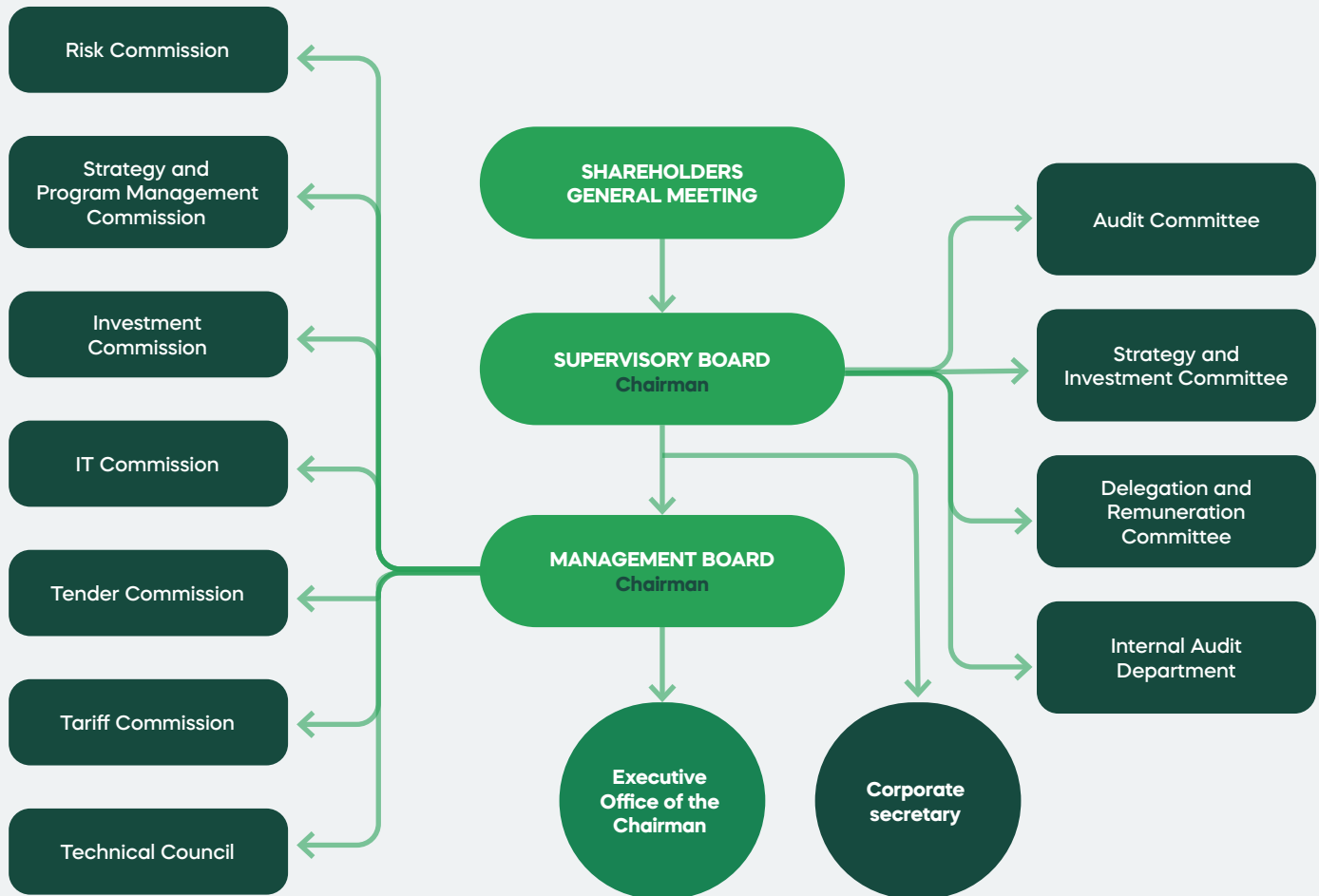
Corporate governance

Corporate governance structure

To achieve our overarching goal and cultivate thriving business operations that display remarkable customer focus, we are obliged to allocate resources to capitalize on internal governance process. Corporate governance of ADY is rooted in the principles of transparency, integrity, and accountability which are essential for fostering trust and long-term success. Our governance framework designated to align the interest of management, shareholders and the other stakeholders while striving to achieve successful business outcomes. To assist with evolving needs of ADY, we have established Corporate Governance division in 2023 that is responsible for coordinating Supervisory Board, Committees and Corporate Secretary under a single unit while applying modern corporate management principles and methods in the Company and its subsidiaries.

Although several different divisions operate within the governance structure, the Company pursues relatively flat structure that emphasizes clear communication, streamlines processes, and ensures all divisions are aligned with the Company's strategic objectives and goals. Reflecting on the organizational structure of the Company (Figure 17), departments are curated among deputies and advisors based on the previous experience and background of the respective executives. Each responsible individual deals with the critical matters attributed to assigned department's operations, ensures smooth operations that aligns with chair's vision, and facilitates communication with key stakeholders.

Figure 17.
Corporate Governance structure



To coordinate the subsidiaries and ensure that their concerns are taken into account, we have established Advisory Boards. Advisory Boards on subsidiaries operate within legal entities of ADY to efficiently accept proposals based on collegial principles, provide recommendations for improving management, and effectively address other issues aimed at the development of these structures. These councils are established from the responsible officials of ADY, corresponding to the areas of activity of subsidiary enterprises. At their monthly meetings, the councils adopt recommendations on strategic matters that are deemed essential in enhancing operational efficiency, improving management practices, and ensuring sustainable development of the subsidiary enterprises.

Shareholders General Meeting

The Shareholders General Meeting, represented by the President of the Republic of Azerbaijan and Azerbaijan Investment Holding is a vital component of our governance structure, serving as the primary forum for shareholders to engage directly with leadership and continuously oversee the Supervisory Board while evaluating their performance. This defined oversight ensures transparency, accountability, and guarantees that leadership acts in the best interests of shareholders and stakeholders. Figure 18 illustrates the main functions of the Shareholders General Meeting.

Figure 18. Responsibilities of Shareholders General Meeting



Supervisory Board

In the governance structure of the Company, the Supervisory Board acts as BoD by maintaining constant oversight on the implementation status of strategic objectives and paying close attention to risk and financial reporting. Nomination and selection of the Supervisory Board carried out by the approval of President of Azerbaijan Republic. The major function of the governance body revolves around revising and approving long-term development strategy of the Company pertinent to accomplishing long-lasting impact over the country. Besides large-scale strategic decision-making responsibilities, Supervisory Board executes the pivotal role of evaluating cost and revenue estimates of the departments along with determines corporative structure as well as timetable scheduling.

To embark on the journey of transformative growth, we make sure that there is a continuous alignment among the members of the higher governance body for cohesive decision-making, unified leadership, and clear strategic direction. To do so, abiding by the Charter of ADY, Supervisory Board conducts a meeting at least every three months to discuss overall performance of the Company along with assessing raised critical concerns pertinent to the organizational issues. The scheduling occurs in the first meeting of the year through negotiations among members of the defined governance body. All meetings are recorded, and all participants fill out registration form allowing total transparency in every step of the way.

The Board embraces the advantages of diversity in its membership as a competitive advantage, including the potential for extensive discussions and decision-making process. It is essential to note that members of the Board possess wealth of experience and knowledge in distinctive fields which paves the way for providing insightful guidance in the Company's daily operations.

Figure 19.
Composition of the Supervisory Board



Rashad Nabiyev

Chair

With a strong educational foundation and a diverse background in government and finance, Rashad Nabiyev holds Bachelor's and Master's degrees in Public and Municipal Administration from the Academy of Public Administration under the President of the Republic of Azerbaijan, and a Master's degree in Economics from East Carolina University, USA. His career includes significant roles in the Center of Information Resources and Technologies, the Central Bank of Azerbaijan, and the Ministry of Communications and Information Technologies. He also served as Chairman of Azercosmos OJSC and is currently the Minister of Digital Development and Transport of the Republic of Azerbaijan.



Ruslan Alikhanov

Member

Ruslan Alikhanov has over 25 years of leadership experience across various sectors. He earned a bachelor's degree in international law from Baku State University in 1997. During 1995-1996, Mr. Alikhanov participated in an exchange program in finance at Missouri State University. In 2000, he obtained a Master of Science in finance from Texas A&M University. His career began at the World Bank, followed by a role at Dell in the USA, where he worked in the Strategic Management Department. From 2001 to 2013, Mr. Alikhanov held several senior positions at McKinsey & Company, followed by executive roles at FESCO Transportation Group, Argo Investment Company, and Boston Consulting Group (BCG). Since 2020, as the Chief Executive Officer of Azerbaijan Investment Holding, Mr. Alikhanov has been responsible for overseeing a diverse portfolio of the country's largest state-owned enterprises.



Emin Huseynov

Member

Emin Huseynov holds advanced degrees in Economics from Florida State University and the Supreme Attestation Commission of Azerbaijan, as well as a Master's in Public Administration from Harvard Kennedy School. He began his career as an economist at the World Bank and IMF Azerbaijan Offices (1998-2003) and served as Country Manager for the World Bank Azerbaijan (2003-2005). He then held leadership roles at the Central Bank of Azerbaijan, culminating as Executive Director (2005-2013). He later served as Vice Principal at the Azerbaijan Diplomatic Academy and acting Deputy Minister of Finance. Since 2018, he has been Assistant to the First Vice President of Azerbaijan. In 2024, he was appointed as Special Representative of the President in the Karabakh economic region.



Azer Mursagulov

Member

With a PhD in Economics from the University of Georgia and a degree from Boğaziçi University, Türkiye, Azer Mursagulov has a distinguished career in finance and public policy. He served as Advisor to the Executive Director at the IMF in Washington, DC (2010-2012), before holding various senior roles within Azerbaijan's Ministry of Finance (2012-2019). Since 2019, he has been the Director of the Agency for Managing Public Debt and Financial Obligations under the Ministry of Finance, where he managed national financial strategies and debt management.



Jafar Babayev

Member

Graduating from Baku State University with a Bachelor's in International Law and a Master's degree, Jafar Babayev furthered his education with a Master's in International Economic Law from the University of Warwick and an MBA from IE Business School, Spain. He began his career at Baker & McKenzie – CIS Ltd, then worked at OMNI JSC and the Islamic Corporation for the Development of the Private Sector. He has held various regulatory and oversight roles in private companies, including serving as Head of Legal and Internal Control at Veyseloglu MMC. Since 2021, he has been a Senior Advisor at the State Service for Anti-Monopoly and Consumer Market Control and was appointed Deputy Head of the Service in December 2022.

Committees

At ADY, in our pathway towards achieving exceptional governance structure and contributing to easing the responsibilities of the higher governance body, Supervisory Board has established three committees and appointed Corporate Secretary. The committees are set up under the Supervisory Board for the purpose of aiding decision-making process and contributing to dividing tasks into smaller parts for swift completion (Figure 20). It is the responsibility of the Supervisory Board to select the acceptance and removal of members in each committee.

Figure 20. Committees



Management Board

Management Board of ADY has a paramount importance in steering the Company towards its strategic goals. Comprised of individuals with diverse expertise and background, Management Board is set to ensure efficient and effective execution of the Company’s strategy. We acknowledge that for achieving optimal management outcomes, there must be constant dialogue between Management Board and Supervisory Board. To do so, Management Board attends Supervisory Board meetings when deemed necessary and provides timely updates on all significant organizational matters such as risk management, strategic investments, and business development. For accelerating this process, we have set up seven commissions under the Management Board to enhance internal processes within respective departments (Figure 21).

Figure 21. Commissions



Risk Commission

The Commission is engaged in assessing risk management principles and strategy of the Company as well as proposing insights to Management Board for future improvements in the field. Its responsibilities divided into two parts: presenting results of the analysis and offering further recommendations for development. Analyzing the risks experienced by the Company, pivoting emergency management plan, and recommending feedbacks and improvements are one of the core elements of the Risk Commission. In addition, evaluation of risk limits and appetite, determination of relevant tools and methods for risk identification paves the way for compelling risk management principles.

Strategy and Program Management Commission

The Commission is authorized to supervise ADY's strategy alongside the action plan created based on short-term goals. Since each department has their own action plan, it is one of the prominent objectives of the Commission to manage and provide relevant feedbacks and recommendations in the matter concerning workload, budget, implementation date, and delegation of responsible individual. Apart from mentioned functionalities, it discusses major metrics behind the projects and initiatives that are part of the action plan, ultimately, sending feedbacks to Management Board.

Investment Commission

The Commission is aimed at developing investment plan, contributing to adopted investment policy as well as discussing the feedbacks with the Management Board. Investment commission regularly revises investment plan which is aimed at short-term and long-term strategic objectives alongside ensures the efficiency of the projects. The paramount importance of the Commission is underlined in the planning phase of the funding projects where budget and duration are reported to Management Board. In addition, loans, technical assistance for investment initiatives, grants, and other related matters are elevated to the Management Board for further discussion and approval.

IT Commission

The Commission is authorized to deal with The Company's IT related issues related to overseeing cyber security policies and its implications as well as strategy. It discusses overall impact of the mentioned strategy and policy, moreover, presents suggestions to Management Board. These responsibilities coupled with IT risk management function played by the Commission shapes the overall IT infrastructure in ADY. It is essential to note that budgeting of IT related matters and the general training sessions provided by the Commission contributes to improved employee skill set and better allocation of technological resources.

**Tender
Commission**

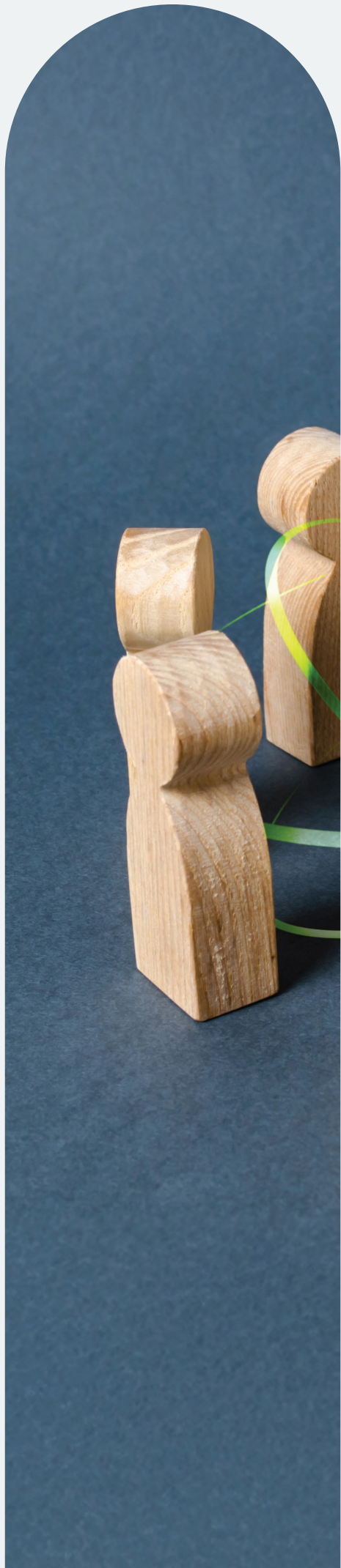
The Commission is responsible for overseeing the Company's procurement processes, ensuring transparency and compliance with relevant regulations. It evaluates and selects suppliers, manages tender documentation, and ensures fair competition. The Commission also reviews the financial and technical aspects of bids, providing recommendations to the Management Board. Additionally, it plays a key role in risk management related to procurement and ensures that all tender processes align with the Company's strategic objectives. The Commission's work contributes to the efficient allocation of resources and upholding the Company's procurement standards.

**Tariff
Commission**

The Commission is engaged in monitoring the determination of tariff expenses which aligns with yearly established Tariff Policy approved in Tariff Conference of CIS countries. To increase the demand for railway transportation, the Commission implements discounts based on seasonality, weight, and type of cargo. Furthermore, the Commission is responsible for reporting quarterly to Management Board concerning the matter of discounts and publish both Domestic and International tariff set every year.

**Technical
Council**

The Technical Council's responsibilities are mainly comprised of plotting the strategic direction in the improvement of railway infrastructure and incorporating new technological advancements to railway lines. Apart from planning the construction and restoration activities, the Commission also seeks to carry out the coordination of different departments in the construction process. Ultimately, Technical Council reports to the Management Board pertinent to distinctive innovative models set forth by departments and proceeds regarding the approval of the Management Board.



Ethical business conduct and transparency



Considering the current challenges that hinder business processes, ADY recognizes the ongoing imperative to strengthen internal management and uphold corporate governance principles to enhance overall team performance and foster a safe working environment. To achieve this, the Company places a primary focus on adhering to ethical standards and maintaining transparency across our entire value chain. These pillars are fundamental to our corporate identity and governance framework, with every level of our governance body committed to advocating for these principles daily.

By cultivating an environment where ethical practices are the standard, we aim not only to meet legal requirements but also to uphold the highest standards of integrity and accountability. In our pursuit of ethical excellence, our employees and the Supervisory Board rigorously adhere to the [Company's Code of Conduct and Charter](#), alongside nationally regulated guidelines. The Code of Conduct clearly defines expected behavior in the workplace, the treatment of colleagues and customers, and dress code requirements during customer interactions.

In cases where violations of these rules occur, we implement preventive measures to minimize the likelihood of recurrence. Depending on the severity of the violation—such as misconduct, poor performance, or breaches of rules—appropriate corrective actions may be taken by the higher governance body. ADY considers infractions such as subpar or incomplete performance, the influence of alcohol or drugs during working hours, and abuse of authority as serious offenses. For minor violations, employees may receive informal warnings to prevent escalation.

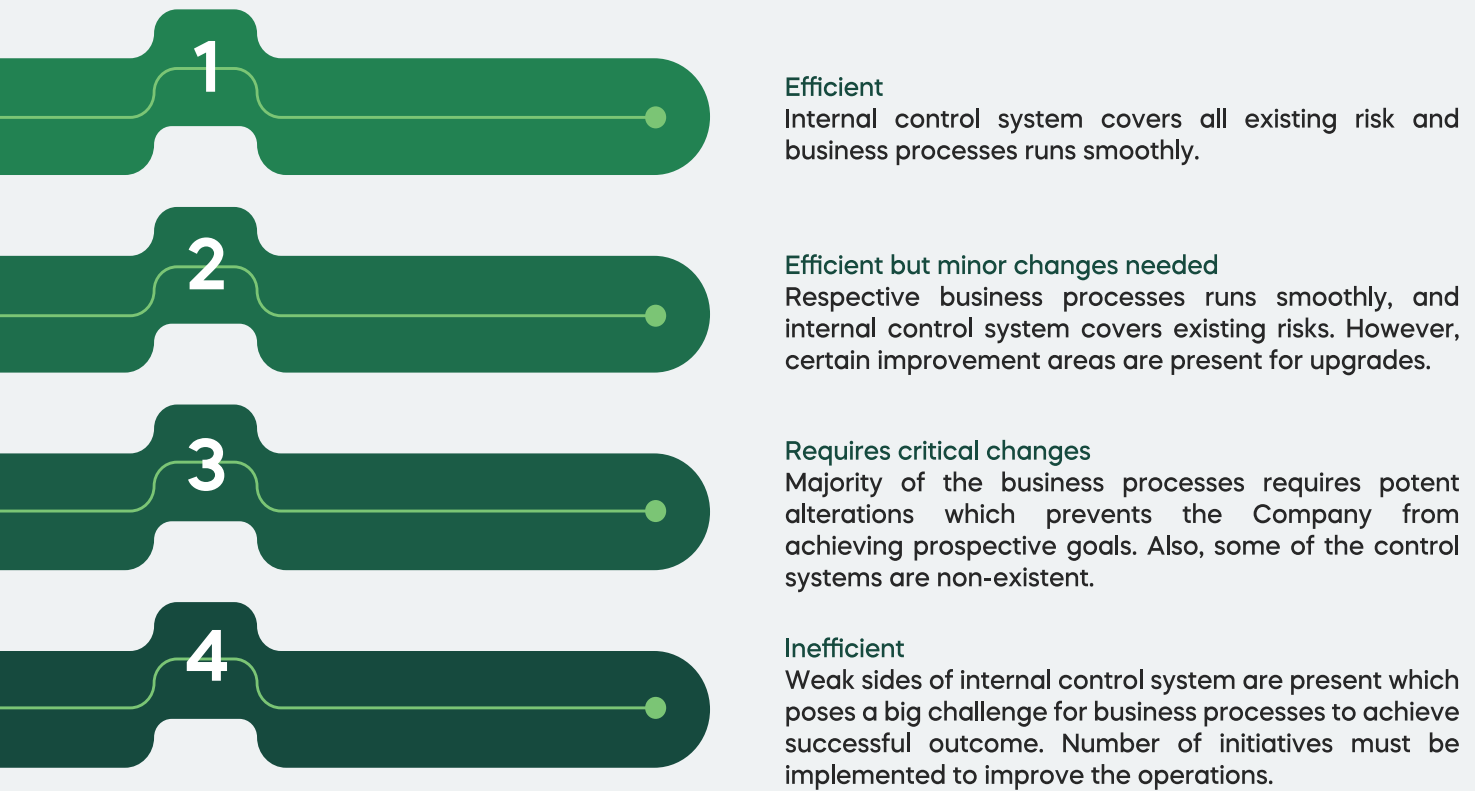
Internal control and compliance

To ensure reasonable assurance that our designated strategic objectives are achieved, and our business processes operate smoothly, ADY undergoes internal control procedure. These activities are carried out across all levels of our organizational hierarchy to ensure complete transparency. The internal control process is structured into two main parts: preventive measures aim to identify and address risks proactively before they impact operations, while detective measures focus on identifying existing risks and the causes of failures to mitigate emerging challenges.

The internal control process commences with setting clear monitoring objectives that govern the entire process. The internal control department then engages with respective divisions, arranging formal meetings to outline the scope of inspections. Once agreements are reached, the evaluation and identification of internal control processes begin within each department (Figure 22). The effectiveness of these controls is assessed through interviews, observations, analysis of evidence, and comprehensive inspections.

Following the evaluation phase, findings are discussed with department heads to determine which initiatives to pursue, and a summarized report is sent to the chair and chair assistant. Subsequently, ongoing monitoring tracks the implementation of new recommendations, with results continuously communicated and compliance status reports regularly updated and shared with the chair.

Figure 22.
Internal control evaluation scoring



The large-scale operations of ADY necessitates compliance with multitude of internal policies to effectively carry out our business activity. On that note, for combatting against fraudulent action, the Company upholds anti-bribery and anti-corruption practices through well-devised policy commitments along with advocating for corporate culture inspired by responsibility and fairness. Anti-bribery and corruption policies entails rigid guidelines for preventing corrupted activities, maintaining the image of transparency throughout the business processes, and disclosing potential instances of conflict of interest. Regarding conflict of interest, dedicated policy, and measures (Figure 23) designated for the matter ensures that there is no occurrence of biased decision-making or unethical behavior in the Company.

Figure 23.
Conflict of interest measures

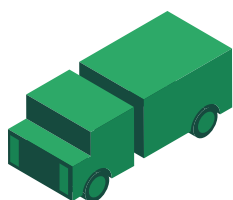
- 1 The Company does not permit employees of ADY and its subordinate institutions to prioritize the interests of their relatives, create an unfair environment, harm our Company materially and action or omission that may cause non-material damage.
- 2 Colleagues are strictly prohibited to consult or conduct trainings for the employees of other establishments during the working hours.
- 3 Employees taking advantage of their positions in our Company and the information they have should refrain from establishing a business relationship with institutions belonging to themselves, their family members, and relatives, etc without consulting responsible individuals.
- 4 Employees should protect the interests of the Company in the activities carried out on behalf of the institution principles while considering it above their personal interests.
- 5 If first- and second-degree relatives of the employee receive a job offer, he/she should inform person in charge in HR department.
- 6 Managers are prohibited to advance employees with inferior business qualities in their positions and grant unreasonable benefits based on personal relationships.

Responsible procurement

ADY plays a crucial role in railway transportation, which is recognized as one of the most sustainable nationwide transit options. To strengthen our position and deliver exceptional services to stakeholders, we are committed to enhance our procurement practices. In fact, contribution of procurement to value chain goes beyond separate departments, and directly impacts the Company’s ability to offer reliable service through cost-savings in track construction and upgrading train station conditions. Since procurement holds a significant importance across various departments, from operations to legal, finance, and human resources, the probable improvement in the defined sphere is going to boost operational capabilities all over the Company.

Each year ADY thoroughly develops an extensive procurement plan that encompasses demand identification, budgeting, and validating schemes. Also, quarterly carried out monitoring ensures alignment between annual projections and actual figures, promptly addressing any discrepancies through approved plan adjustments. Additionally, all defined processes are digitized into electronic databases to create a centralized, user-friendly, and accessible system.

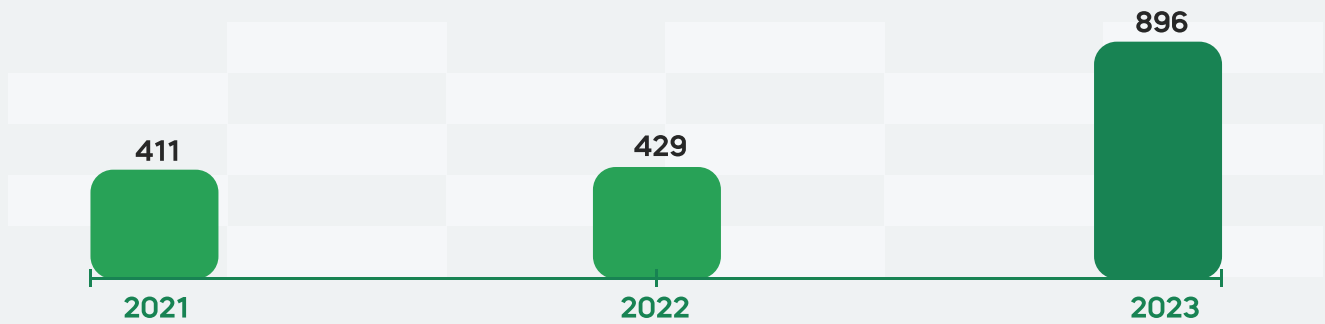
We prioritize not only compliance with regulations but also the integrity of our suppliers. To do so, we have established a Tender Commission, abiding by the regulations the Republic of Azerbaijan, to deal with the procurement processes, ensuring transparency, fairness, and efficiency in awarding contracts and managing supplier relationships. Tender Commission of ADY does not function under the corporate governance division and the composition is prone to change every year. Apart from the Commission, we implement a comprehensive screening process to mitigate legal and operational risks associated with them. In our supplier selection criteria, we strongly favor local vendors, reflecting our commitment to supporting domestic suppliers. Although we experienced a substantial boost in our supplier base, the Company managed to maintain almost 90% of them as local suppliers (Figure 24). Furthermore, governmental directives reinforce our efforts to prioritize domestic suppliers, aligning with our mission to enhance their participation in our operations.



90%

Local suppliers in our supply chain

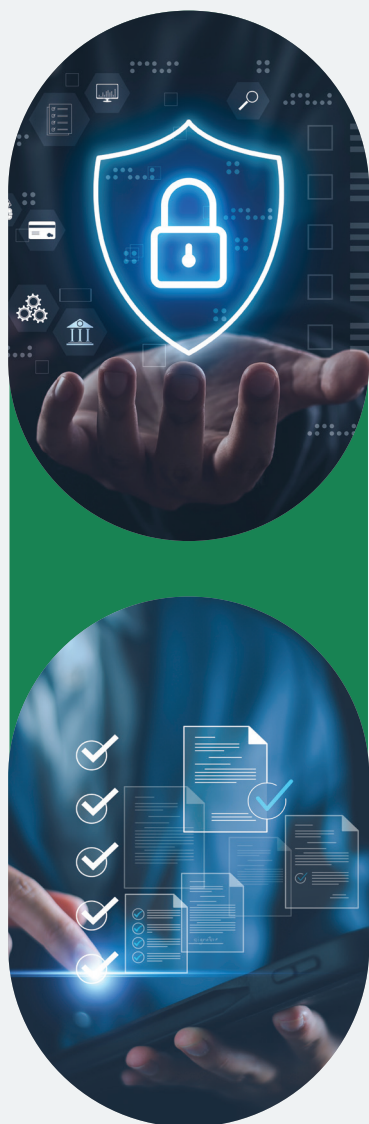
Figure 24. Number of suppliers



As business navigates an increasingly complex and interconnected landscape, the future of procurement practices should rapidly evolve to catch on to emerging trends and opportunities. To do so, the Company is poised to embrace advanced technologies to optimize supply chain processes, streamline vendor selection, and alleviate risks. The first project assigned to be completed in the summer to seize new opportunities is the implementation of the procurement system. Since we utilize 1C for only warehousing and financing part of the procedure, the system fosters the centralization of all procurement-related tasks into a single system. Additionally, the incorporation of predictive analytics and machine learning through the mentioned system accelerates cost savings and enhances resource consumption.

Secondly, as a part of a path towards digitalization, we are developing a tender platform for facilitating transparency and ensuring fairness in supplier selection. Next, the Company intends to launch the Supplier Code of Conduct centering around ESG and anti-bribery issues in the forthcoming future to further hone decision-making process. Lastly, the procurement action plan is established and one of the key takeaways from the initiative is the journey towards sustainable procurement practices in the future.

Data security and digitalization



In the midst of ADY’s ongoing transformation, data security plays a pivotal role not only as an advantage but also as an essential element in safeguarding customer information and maintaining service quality. As part of our steadfast commitment to enhancing our cybersecurity framework, we emphasize the importance of skilled personnel. To this end, we have conducted numerous training sessions aimed at equipping employees with knowledge on threat protection, incident response protocols, and phishing awareness.

On top of that, we recognize the necessity of a robust regulatory framework to oversee our cybersecurity efforts. This year, we introduced a comprehensive cybersecurity policy to ensure stringent adherence to best practices and regulatory requirements.

As part of our digitalization strategy, we are on the brink of integrating the Enterprise Resource Planning (ERP) software in the upcoming reporting year. Previously, our operations suffered from a lack of centralized information management, with each department manually handling data, leading to inefficiencies, data loss, and compromised decision-making. Looking forward, the ERP implementation will encompass finance, procurement, budgeting, stock management, and human resources (HR), consolidating all data into a centralized hub.

We are currently in the process of implementing paperless cargo circulation through an Electronic Document Management System (EDMS). This transition offers several ecological benefits, including reducing paper consumption and lowering the carbon footprint. By minimizing the need for paper, we decrease the energy required for its production, transport, and disposal, resulting in lower CO2 emissions. Additionally, electronic document management reduces the time and resources needed for document transportation, further decreasing fuel consumption and pollutant emissions. This shift not only enhances operational efficiency but also supports environmental sustainability.

While ADY Smart currently oversees operations, its limitations in functionality, automation, and transparency have been

evident. In addition to ERP, we have introduced various software solutions aimed at enhancing ADY's overall operational capabilities, including malware detection, Access Management (AM), and transitioning to Company-wide Cloud storage.

A significant challenge in our journey toward full digitalization is the extensive geographical spread of our business activities, encompassing passenger transport across the country and cargo operations in multiple regions. To address this, we are exploring a collaborative approach with Commonwealth of Independent States (CIS) partners, leveraging centralized data management based in Moscow to establish a more streamlined and structured system. Negotiations are underway with CIS partners to develop a new program aimed at overcoming these challenges.







One
home
for all

Risk management

In the contemporary landscape of corporate operations, the essence of effective risk management stands as a cornerstone for organizational viability and longevity. Navigating through an intricate network of challenges and uncertainties, ADY offers strategic, comprehensive, and systematic risk management practices to identify, monitor, and determine various tools to tackle all types of risks. To do so, the risk management department conducts constant assessments alongside the Risk Committee which is delegated by the chairman.

Delving into our risk management process, we undertake several steps to identify fundamental risks and develop strategies to mitigate them. It begins with distributing self-assessment questionnaires to each department, initiating their responsibility once all surveys are completed. Next, we move to the evaluation phase where risks across departments are assessed based on severity levels and assigned scores. This involves filling out risk evaluation forms detailing the risk's name, description, potential outcomes, and proposed control measures. Each risk is then scored based on criteria such as likelihood and potential impact, ensuring a transparent and objective assessment process. Aggregate scoring enables us to prioritize risks and allocate resources, accordingly, focusing on addressing the most critical issues first. Finally, considering factors like risk severity, operational impact, and likelihood of occurrence, each department devises a mitigation strategy tailored to effectively manage identified risks.

Figure 25. Risk management process



Risk management process

To improve both our risk management process and the overall efficiency of our operations, ADY is focused on enhancing its overall quality management framework to ensure operational excellence across all areas of the organization. As part of this, ADY plans to receive the ISO 9001 International Quality Management certificate in 2024. In pursuit of this goal, a systematic approach has been implemented starting from 2023 through key preparatory phases. These include the establishment of a working group, comprised of participants collaborating with the Quality Assurance Department, to define roles and responsibilities in building the QMS. The second phase concentrates on building awareness and training, where employees will receive internal training focused on the principles, objectives, and requirements of ISO 9001. Following this, a thorough analysis of existing processes is conducted to assess their compliance with quality requirements, identifying strengths to maintain and weaknesses to improve upon. Lastly, a documentation phase ensures that missing documents relevant to the Company's operations are identified, and preparation plans are set in motion, initiating the writing of processes and procedures as per the schedule.

Financial performance

Consistently showcasing exceptional services to customers reflected on the revenue figures of the Company since we have experienced almost 63% boost from 2021 to 2023. Comparing to previous years, and our total assets hit 5 billion AZN.



5 billion AZN

Total asset
in 2023

Besides hastening the financial stability of the Company, it is essential to note that ADY also places an utmost priority on regular payments to the state budget based on business activities and various tax obligations. The Company’s tax approach involves principled methodology to tax management wherein full compliance with laws and policies underlined. ADY is currently working on establishing a comprehensive internal tax policy. This policy will outline clear guidelines for tax management, ensuring alignment with local and international tax laws. It will cover key areas such as tax compliance, reporting, risk management, and transparent communication with stakeholders. ADY bolsters vigorous engagement with tax authorities paving the way for preemptive planning alongside contributing to solution of raised uncertainties that hinders the planning stage. In fact, we have paid 13% more tax obligations to the state compared to prior year, displaying our continuous growth and devotion to contributing to the national economy.

Figure 26.
Financial performance³

Financial Performance			
in thousand AZN	2021	2022	2023
Total Revenue	302,470	427,291	480,726
Economic value distributed	334,524.5	397,248.4	498,596.3
Operational expense	300,687	350,318	443,942
Employee wages and benefits	143,450	171,190	221,874
Payments to the state budget, including	33,837.5	46,930.4	54,654.3
Income tax	-	2,520.2	-
Property tax	2,356.6	5,800	8,235
Withholding tax	528	712.5	400
Land tax	3,300	3,213.3	3,213.3
SSPF charges	27,652.9	33,624.1	42,806
Interest payment	-	1,060.3	-
Economic value retained	-32,054.5	30,042.6	-17,870.3

³ The 2023 figures reflect the numbers provided by the completed audit of financial information.

Sustainability at Azerbaijan Railways

Approach to sustainability



At Azerbaijan Railways, sustainability is not just a commitment but a guiding principle that shapes our operations. This commitment is underscored by ADY joining the UN Global Compact in 2023, where we have pledged to adhere to the ESG principles. These principles encompass a broad range of sustainability practices, emphasizing human rights, labor standards, environmental responsibility, and anti-corruption measures. We have integrated these principles by embedding them into our corporate strategy, operational processes, and governance frameworks to ensure alignment with the UN Global Compact’s standards.

While it is true that railway transportation generally has a lower environmental impact compared to other modes of transport, it still has a notable footprint. To address this, we are committed to reducing our carbon emissions, energy consumption, and overall ecological footprint. Our efforts include implementing a series of initiatives focused on enhancing the efficiency of our operations, investing in modern, energy-efficient trains, and exploring alternative fuels and renewable energy sources. Furthermore, we prioritize resource efficiency, diligently working to minimize waste generation, optimize water usage, and increase recycling rates across our facilities. Central to our approach is our dedication to safety and security, ensuring the protection of both passengers and employees through robust safety protocols, ongoing training, and investments in safety infrastructure.


Recognizing the importance of engaging with local communities along our railway routes, we are actively listening to feedback, addressing concerns, and collaborating with stakeholders to maximize positive impacts and minimize disruptions. By fostering a culture of continuous improvement, and transparently reporting our progress, we aim to lead the way towards a more sustainable future for railway transportation.



Aligning with UN SDGs and UIC commitments for sustainable development

As a responsible participant in the global effort to achieve sustainable development, we are actively working to align our operations with the UN SDGs and the commitments of UIC, depicted in Figure 27. Recognizing the significant impact of the SDGs, we are integrating sustainable practices into our business model to address pressing environmental, social, and economic challenges. By embracing the principles outlined in the SDGs and UIC guidelines, we strive to play a meaningful role in building a more inclusive, equitable, and environmentally sustainable future.

Figure 27.
Aligning with SDGs & UIC commitments

Our contribution	Relevant SDG target	Relevant UIC Commitment
<p>ADY has been organizing special events and train journeys for individuals with autism each year in April during ‘World Autism Awareness Month.’ These initiatives aim to foster social inclusion, enhance public understanding, and support the integration of individuals with autism into society.</p> <p>ADY has been conducting an annual blood donation campaign in partnership with the Central Blood Bank and the Thalassemia Institute. This initiative aims to encourage community participation in lifesaving efforts and ensure a steady supply of blood for patients in need.</p> <p>Azerbaijan Railways, in partnership with ADA University students, held a safety seminar at School No. 67, offering rewards to attendees and highlighting the Company’s commitment to safety.</p> <p>ADY conducts regular safety awareness programs in communities adjacent to the railways to educate residents about safety practices and promote a secure environment.</p> <p>The first psychology and speech therapy festival took place in Baku Railway Station with cooperation among Azerbaijan Autism Association, ADY and “Azfest Group”. In the scope of the festival, the specialists in the defined field provided free medical services to individuals requiring medical assistance</p>	<p>Target 3.4: By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</p> <p>Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p> <div data-bbox="674 1645 1080 2052" style="background-color: #28a745; color: white; padding: 10px; border-radius: 10px; text-align: center;"> <p>3 GOOD HEALTH AND WELL-BEING</p>  </div>	<p>Social Commitments Safety and security: Enhancing the safety and well-being of passengers and railway workers, advocating for high safety standards and practices.</p>

ADY installed more than 650 solar panels at key locations, including Bilajari and Ganja, ensuring that the energy used to power our trains comes from clean and renewable sources. This progressive initiative is poised to revolutionize ADY's energy consumption practices by harnessing the power of clean, renewable sources.

Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix



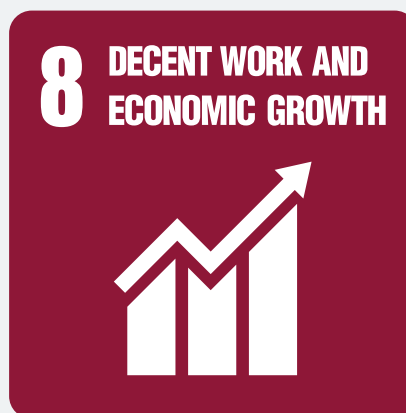
Environmental Commitments
Energy efficiency and carbon emissions: Promoting the reduction of greenhouse gas emissions from railways by 50% by 2030, based on 1990 levels, increasing energy efficiency by 30% by 2030, and raising the use of renewable energy in railway operations to 25% by 2025.

ADY sponsored a summer vacation for the children of martyr Asif Qocayev and regularly supports martyr families with education and job opportunities. The Company provided monthly financial aid to guardians of minor children of martyrs and scholarships for martyrs' children in higher education. Additionally, 842 Karabakh war veterans are employed by ADY. In collaboration with MDDT, ADY hosted a five-month internship for 10 ADA University students, covering logistics, transportation, and digital transformation projects. ADY participated in the State Employment Agency's Career Fair on October 18th and 25th, where they discussed job openings and career opportunities, enhancing future recruitment prospects. ADY has been providing facilities for passengers with mobility impairments, including ramps and lifts at stations and stops, to ensure accessibility for everyone.

Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Social Commitments
Fair labor practices: Ensuring that railway companies provide decent work conditions, fair treatment, and respect for employees' rights, which includes fair wages, safe working conditions, and equal opportunities.

ADY conducted "Customer Satisfaction" training for over 500 employees over 4 months, in collaboration with "Azerlex" LLC and "Aktual" LLC, focusing on enhancing soft skills in client relations. ADY launched a program to train female machinists for the first time, selecting candidates from Baku State Vocational Education Center, with several students already engaging with mentors and showing strong interest in the Company. ADY regularly conducts training for staff on effectively interacting with vulnerable groups in society, promoting inclusiveness and equal treatment in public services.



Social Commitments
Workforce Development: Supporting the professional development of employees through training and career advancement opportunities, ensuring they are equipped with the skills needed for their roles and future growth. Community engagement: Supporting community well-being and development and promoting inclusivity and accessibility in public transport systems.

ADY acquired new Flirt trains, which are equipped with Fluidmesh technology. This system is crucial for providing continuous, fast, and uninterrupted internet service on board.

The Company equipped its trains with new generation safety technology and various innovative mechanisms. For instance, the Block-5 system regulates the safe delivery of passengers per compartment. This system can monitor the trajectory of the train ahead that is using the same system and adjust the speed to ensure movement safety if any risk is detected.

ADY launched the “ADY Mobile” app to enhance customer satisfaction in passenger transport. This innovative app enables passengers to easily organize their trips, purchase and return tickets, check schedules, increase their balance, and receive railway updates.

ADY donated a house in Baku’s Yasamal area to 45 individuals, including those working since the Soviet era and residents of degraded flats.

ADY provided a comfortable and safe travel experience through the “Volunteer Guide” train tour, focusing on removing barriers to public transport for people with disabilities and promoting their social integration. ADY regularly organizes events and outings for the children of martyrs on Children’s Day and other significant occasions to honor their sacrifices and provide meaningful support.

ADY has been providing free parking spaces for bicycles at public transport hubs to promote convenient access for cyclists and encourage the use of sustainable transportation.

ADY sent 25 containers of medical supplies, heaters, and generators from Bilajari station via the Baku-Tbilisi-Kars railway to aid earthquake-affected areas in Türkiye. This humanitarian aid demonstrates ADY’s commitment to supporting communities in need.

Target 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.



Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



Target 11.2: Provide access to safe, affordable, accessible, and sustainable transport systems for all.

Target 11.5: By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.



Operational Commitments
Innovation and research: Enhancing digital transformation and automation and promoting innovative technologies and practices in the railway operations.

Social Commitments
Community engagement: Supporting community well-being and development and promoting inclusivity and accessibility in public transport systems.

Social Commitments
Safety and security: Enhancing the safety and well-being of passengers and railway workers, advocating for high safety standards, practices and accessibility.

ADY has spearheaded the integration of cutting-edge water circulation and purification infrastructure at our Bilajari and Ganja facilities. This transformative initiative represents a significant stride towards sustainable resource management and environment.

Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources



Environmental Commitments
Water management: Enhancing water management practices, including the implementation of advanced water purification and circulation systems to reduce water consumption and improve water quality.

ADY has adopted the use of AdBlue in the exhaust systems of its trains as part of its comprehensive strategy to minimize emissions. This innovative approach effectively reduces harmful pollutants, promoting cleaner air and contributing to environmental sustainability.

Target 13.2: By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations



Environmental Commitments
Energy efficiency and carbon emissions: Promoting the reduction of greenhouse gas emissions from railways by 50% by 2030, based on 1990 levels, increasing energy efficiency by 30% by 2030, and raising the use of renewable energy in railway operations to 25% by 2025

Following Victory Day on November 8th, ADY initiated a campaign where Nakchivan Railway LLC employees, including the director and staff, planted 350 trees of various species in the Duzdag territory to contribute to environmental preservation. ADY regularly organizes tree planting campaigns as part of its commitment to environmental sustainability. In alignment with this initiative, ADY has relocated trees near the Minjvan station on the Horadiz-Aghband line to avoid damaging the forest area, ensuring that tree planting and forest protection are integral components of all ADY railway projects.

Target 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity



Environmental Commitments
Biodiversity protection: Promoting exploration of the effects of railways on European wildlife, creating a shared vision for protecting biodiversity.

Impact on society

We recognize the significant impact our operations have on society and are dedicated to fostering positive outcomes for the communities we serve. Our reliable and efficient transportation services play a vital role in connecting people, businesses, and economies, facilitating access to employment, education, healthcare, and leisure activities. By offering an affordable and environmentally friendly mode of transportation, we help reduce traffic congestion, air pollution, and greenhouse gas emissions, thereby improving public health and quality of life for millions.

Building and nurturing meaningful connections with our local communities is fundamental to our sustainability approach. Our commitment is demonstrated through various initiatives that support and uplift the communities we engage with. For instance, we have shown substantial community support by donating a house in Baku to 45 individuals, including long-serving employees and residents of degraded flats. **Additionally, we provide ongoing financial assistance to the guardians of martyrs' children and offer employment to 842 Karabakh war veterans within our organization.**

Our dedication to education and career development is also evident in our programs. We collaborate with the Ministry of Digital Development and Transport to offer valuable internships to ADA University students, giving them hands-on experience in logistics and transportation. We actively participate in career fairs to connect with potential job candidates and provide 'Customer Satisfaction' trainings to enhance the skills of over 500 employees.

Moreover, our commitment to humanitarian efforts is highlighted by our response to the earthquake in Türkiye, where we sent medical supplies and aid to the affected areas. We also organized the first psychology and speech therapy festival in Baku, in partnership with local associations, to provide free medical services and support social integration.

In addition to these initiatives, we make strategic investments and encourage employee involvement in community service. Since our inception, we have contributed both financially and in-kind to support local communities. Through community engagement initiatives and strategic partnerships detailed in



the “Aligning with UN SDGs and UIC commitments for sustainable development” section (Figure 27), we address community needs, promote economic development, and strengthen social cohesion. By sponsoring local events, investing in infrastructure projects, and supporting educational programs, we strive to be a responsible corporate citizen, contributing actively to the well-being and prosperity of the communities we serve.



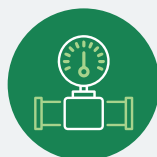
Environmental stewardship

Environmental Highlights: Progress Over The Past Year



5%

decrease in energy consumption



16%

decrease in natural gas consumption



23%

decrease in water consumption



9%

decrease in Scope 1 emissions

In the transport sector, balancing efficient movement with minimizing environmental and community impacts is a significant challenge. ADY is dedicated to addressing this challenge through a robust Environmental Protection Procedure. This procedure is designed to align with Laws of the Republic of Azerbaijan, including the Law “On Environmental Protection”, the Law “On Environmental Safety”, and the Law “On Production and Household Waste”. Additionally, it conforms to ISO 14001:2015 standards for environmental management systems, integrating advanced technologies such as water circulation systems for wastewater recycling and solar energy solutions to mitigate environmental damage and promote sustainability.

As part of our comprehensive approach, ADY has developed and approved 81 environmental normative documents. These documents, sanctioned by the Environmental Expertise Agency of the Ministry of Ecology and Natural Resources, offer detailed guidelines tailored to the specific activities of each structural unit. They are crucial for ensuring that each unit adheres to an annual environmental protection action plan, including maintaining effective wastewater treatment facilities and implementing robust pollution control measures. These documents are regularly reviewed to ensure their continued relevance and effectiveness.

Effective communication and training are vital to implementing these procedures and documents. We prioritize keeping our

Environmental stewardship

employees and structural units thoroughly informed about environmental regulations, permissible pollutant levels, and waste management practices. Our training programs cover essential topics such as waste management, pollution control, and energy conservation. By ensuring that all staff members are well-informed and equipped with the necessary knowledge, we foster a culture of environmental responsibility and adherence to our stringent standards.

In addition to these measures, we conduct environmental assessments for all new construction projects and reconstructions to identify and mitigate potential environmental impacts. We also ensure the proper removal and transportation of household and industrial waste with relevant institutions, preventing logistical challenges and maintaining compliance with environmental regulations. Our commitment to environmental stewardship is further demonstrated through rigorous internal inspections, such as detailed checks for oil leaks during maintenance and repair sessions to prevent potential hazards. If environmental assessments identify pollution or waste, we make the necessary environmental payments to the “State Fund for Environmental Protection” as mandated by legislation. This practice not only reflects ADY’s commitment to responsible environmental stewardship but also supports ongoing environmental management and ensures compliance with legal requirements.

Ecological passports are another key component of our environmental assessment approach. These passports provide detailed information on each entity’s environmental performance, including resource usage, emissions, and waste management practices. By incorporating ecological passports into our assessments, we ensure transparency and accountability in managing our environmental impact and enhancing operational efficiency.

Through our comprehensive Environmental Protection Procedure, the development of normative documents, effective communication and training programs, rigorous assessments, and the use of ecological passports, ADY demonstrates a proactive and integrated approach to environmental management. These efforts reflect our dedication to minimizing ecological impact, complying with regulations, and fostering a culture of environmental stewardship.





**Every life
is precious**

Energy efficiency and emission reduction



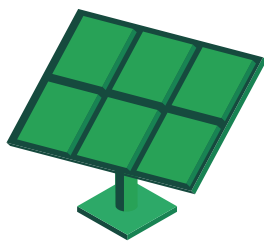
To limit the global temperature increase to 1.5°C, as set out in the Paris Agreement, we need major changes across all sectors of the economy. The latest assessment report from the Intergovernmental Panel on Climate Change highlights the urgent need for these transformations. More recently, the European Commission’s long-term decarbonization strategy called for achieving “net carbon neutrality” across all sectors of the European economy by 2050, underscoring the EU’s commitment to maintaining its leadership in climate action.

In response to these ambitious climate goals, the railway sector is stepping up to address the sustainability challenges faced by mass transit and freight mobility. It stands out as a more environmentally friendly alternative to travel in the transportation industry. Railway offers a crucial pathway in tackling the climate change challenges by lowering the overall carbon footprint of transportation.

Our railway operations utilize a dual-energy approach, integrating both electric power and diesel fuel to enhance efficiency. *As of 2023, approximately 47% of our locomotives are electrified, with electrified trains currently in service.* Although some stations and routes present challenges in transitioning fully to electric power, we are committed to addressing these issues as we expand our electric train network across the system, reinforcing our dedication to sustainable transportation.

Taking a critical step towards greener transportation, we are setting a bold goal: to transition our railway operations entirely to an AC system. By shifting away from diesel and towards AC power, we anticipate a major reduction in greenhouse gas emissions and air pollution, directly addressing two of the most pressing environmental concerns associated with the transportation sector. Alternating current systems are more efficient and have the potential to be powered by renewable energy sources, such as wind, solar, or hydroelectric power. Recognizing the importance of this potential, our efforts extend beyond to the actual infrastructure that supports the adopting of AC systems.

To facilitate this transition, we are actively constructing locomotive repositories that are specifically designed to support the new alternating current (AC) system. These repositories will be equipped with advanced technologies to integrate renewable energy sources. For instance, we installed more than 650 solar panels at key locations, including Bilajari and Ganja, ensuring that the energy used to power our trains comes from clean and renewable sources. In 2023, we generated 78,946⁴ kWh of renewable energy from these installations. The renewable energy generated from these solar panels is used to power essential infrastructure, including energy for boiler houses and water supply systems. The water supplied is crucial for cleaning the components and infrastructures, which is a vital part of our maintenance operations.



78,946

kWh of renewable
energy generated

By continuing to electrify key freight and passenger routes, we will further increase the proportion of electricity and low-carbon energy in our overall energy and fuel mix.

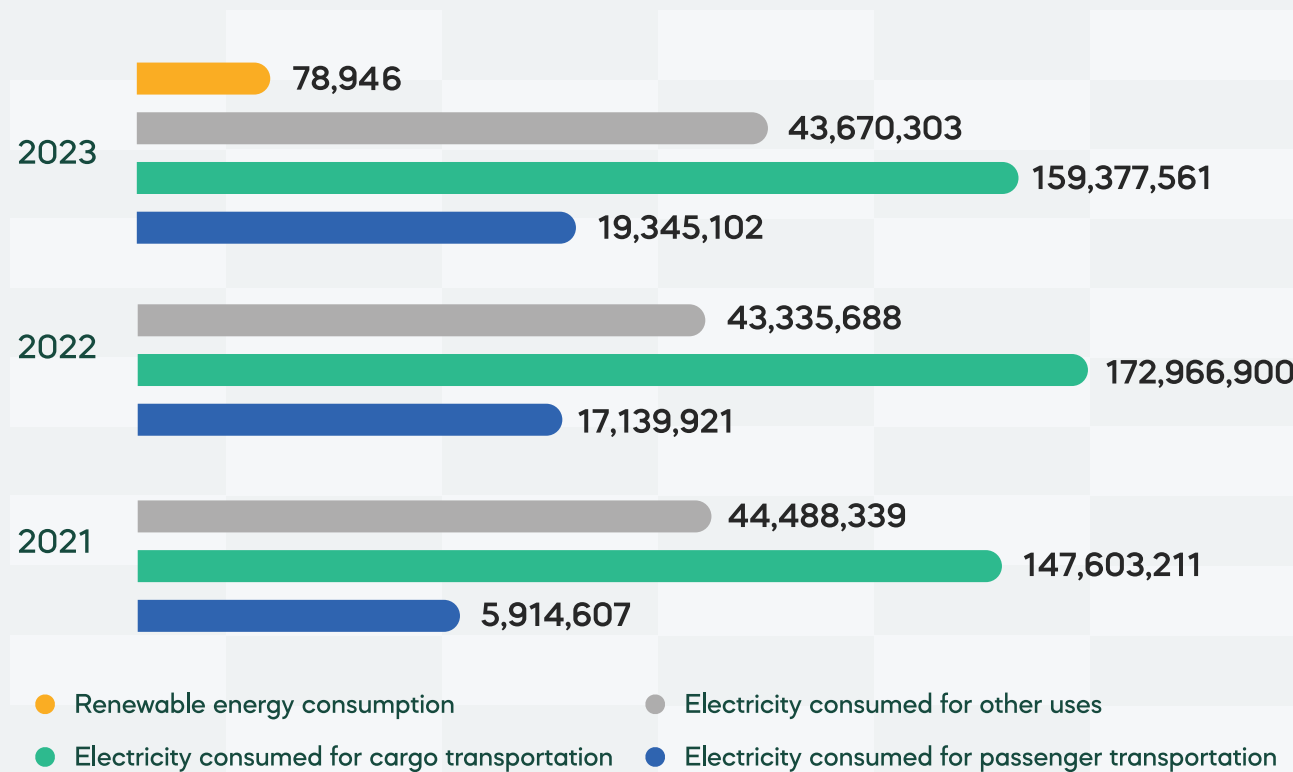
Energy use and emissions are central factors in ADY's environmental performance, focusing on both where energy is consumed and its impact on emissions. The majority of our energy is utilized for powering trains, maintaining infrastructure, operating facilities, and supporting various business functions, highlighting the need for comprehensive energy efficiency measures across all aspects of our operations.

In 2023, ADY's energy consumption was divided into four key areas: passenger transportation, cargo transportation, other operational activities (such as offices, station lighting, administrative functions, and maintenance), and renewable energy generation, introduced for the first time that year. While energy consumption for passenger transportation increased by 11%, driven by the expansion of electric train services, ADY's total energy consumption still saw a 5% decrease compared to 2022. This overall reduction was primarily due to an 9% decrease in energy consumption for cargo transportation, which remains the largest area of energy use for ADY.

The introduction of renewable energy in 2023 marked a significant milestone, reflecting ADY's growing commitment to diversifying its energy sources and advancing its sustainability objectives. These efforts underscore ADY's focus on reducing overall energy consumption while progressively incorporating cleaner energy solutions.

⁴ This figure is based on data collected from May 2023 onward, following the installation of the solar panels.

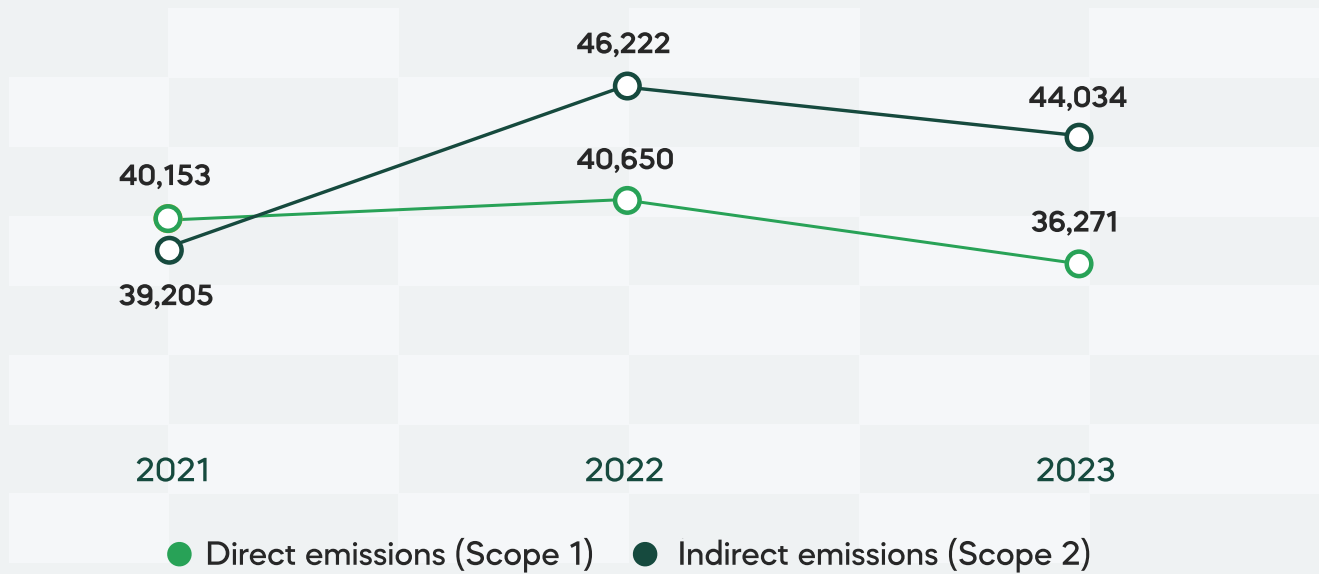
Figure 28.
Breakdown of energy consumption, kWh



Breakdown of energy consumption, kWh

This reduction in energy consumption significantly influences ADY’s emissions performance in 2023. Scope 1 emissions, generated from the combustion of fuels such as diesel and natural gas, decreased by 12% from 2022 to 2023. Similarly, Scope 2 emissions, arising from indirect energy-related sources associated with purchasing electricity from third parties, also saw a 5% decrease in 2023. These reductions underscore the effectiveness of our ongoing energy efficiency initiatives and our commitment to sustainable practices.

Figure 29. GHG emissions, tons



ADY calculates greenhouse gas (GHG) emissions based on an internal methodology developed in accordance with CIS industry standards, ensuring accurate tracking and reporting despite the absence of a comprehensive formal methodology.

The interplay between energy consumption and emissions is central to our environmental commitments. By reducing energy use, we directly influence our greenhouse gas emissions, demonstrating that each efficiency measure not only reduces operational costs but also minimizes our environmental impact.

Looking ahead, ADY is focused on reducing energy consumption and greenhouse gas emissions by increasing the use of electrification and enhancing energy efficiency. Although specific net-zero plans are still under development, the Company is committed to supporting Azerbaijan's national target of achieving net-zero greenhouse gas emissions by 2050. These efforts are essential for advancing our sustainability goals and aligning with the country's broader environmental objectives.

Climate change risks

ADY acknowledges the importance of climate change risks and their potential impact on railway operations. Increasingly frequent meteorological hazards, such as severe weather conditions, extreme temperatures, and hydrological events like floods, pose challenges. These risks include damage to operational sites, industrial incidents in port areas and along highways, as well as natural events affecting railway infrastructure. The primary risks faced by the Company include:


- Damage and accidents affecting operational sites.
- Industrial incidents involving associated transport modes, particularly in port areas and along highways.
- Fires and natural disasters in areas where the Company operates.
- Increased occurrence of extreme weather events (e.g., frost, heatwaves, heavy snowfall, intense rainfall).
- Frequent natural events impacting railway infrastructure (e.g., erosion, landslides, slope washouts, rockfalls).

Climate change risksconsumption, kWh

While climate change risks are recognized, the current approach involves general measures to address potential impacts. These include infrastructure reinforcement measures including protective structures to safeguard against natural hazards such as mudslides and landslides. The integration of climate risks into strategic planning is an area the Company plans to address more comprehensively in the future, with efforts aimed at mitigating potential disruptions.

Optimizing water usage

Water, as a critical resource, underpins not only the operational integrity and efficiency of our railway services but also plays a vital role in safeguarding the environmental balance and supporting the well-being of the communities we serve.

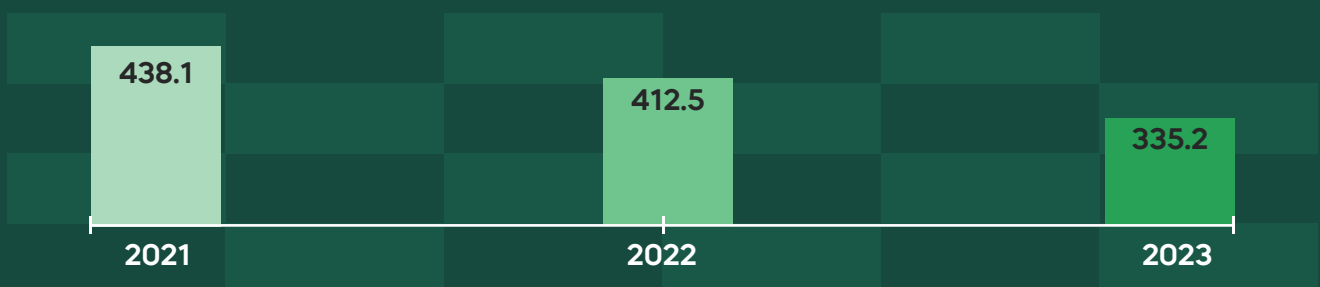


23%
reduction in
water withdrawal

Extensively used for the maintenance and cleaning of infrastructure, water ensures that tracks, trains, and stations remain in optimal condition. It is also essential for cooling systems that regulate temperatures in various components such as engines, electrical systems, and other machinery, preventing overheating and ensuring the efficient operation of our machinery. Furthermore, water plays a crucial role in maintaining hygiene standards within sanitation facilities at trains and stations. By supporting effective cleaning and sanitation, water helps to ensure a clean and safe environment for both passengers and staff, thereby contributing to the overall quality and safety of our operations.

Recognizing the critical need to conserve and efficiently use water resources, we have implemented advanced water purification systems at our Bilajari and Ganja premises, along with a water circulation system at the Bilajari washing-evaporator station. These state-of-the-art systems enable us to purify wastewater and transform it into clean water, which can be reused in our operations. This innovative approach not only significantly reduced our overall water withdrawal by 23% compared to 2022 (Figure 30) but also minimizes our environmental footprint. By recycling and reusing water, we maximize the efficiency of this essential resource while adhering to stringent environmental standards.

Figure 30. Water consumption, m³



Sustainable waste handling

Waste management is a highly significant topic in our railway company due to the sheer volume and diversity of waste generated across our operations. From construction and maintenance activities to daily operational waste, we generate a wide range of materials that require careful handling and disposal.

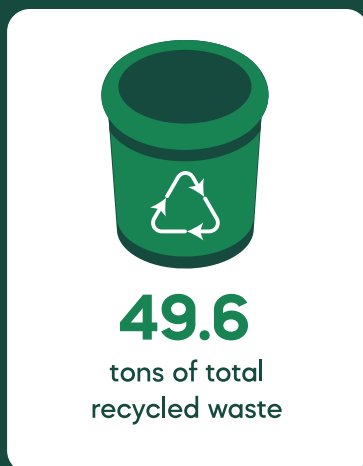
ADY has implemented thorough waste management practices across all facilities, aligning with the methods described in the table. Central to our waste management approach is the newly established Waste Management Policy, which reflects our dedication to sustainability. This policy outlines key activities for reducing waste at its source (Figure 31), maximizing resource reuse, and ensuring efficient recycling.

Figure 31. Waste management methods

Type of waste	Management methods
1 Contaminated Soils	Mechanical cleaning is employed for contaminated soils with less than 10% chemical waste, while hazardous waste is transported to a landfill.
2 Chemical Slurries	Chemical slurries are collected in special containers and transferred to a licensed company for proper handling.
3 Tires, Cables, Drums, Rubber, Plastics, Oil Tires, Galvanic Elements, Batteries, Polymers, Lamps, Fuel Fillers	These materials are gathered in a designated area on the property before being transferred to a certified company.
4 Decommissioned Vehicles, Machinery, Equipment, Electrical Devices	Decommissioned vehicles, machinery, equipment, and electrical devices are collected in a specific on-site area. Unusable parts, whether ferrous or non-ferrous, are sent to a scrap metal organization.
5 Tank Bottom Chemical Slurries	Sludge tanks are regularly cleaned, with the collected sludge placed in designated containers and sent to a licensed company.
6 Construction Waste	Construction waste is utilized for road rehabilitation and pond drying.

Waste management methods

As part of our ongoing efforts to enhance responsible waste management, we have introduced a comprehensive color-coded system across our facilities. At stations and railway locations, non-hazardous waste such as paper, plastic, metal, and glass are sorted using blue, yellow, red, and green containers, respectively. This system ensures that waste is efficiently segregated for proper disposal or recycling. In structural institutions where industrial waste is more prevalent, we use blue containers for welding rod residue, yellow for polyethylene waste, and red for hazardous materials such as oily scrap or sawdust and black containers specifically for oily parts. These hazardous materials are temporarily stored in red-coded containers before being handed over to licensed contractors for safe disposal.



In line with these practices, ADY is dedicated to adopting production methods designed to minimize and prevent waste production. We focus on encouraging the reuse of materials and recycling waste resulting from our operations. Our commitment to resource reuse involves recovering materials such as metals, wood, and concrete from railway infrastructure, track maintenance, and rolling stock refurbishment. These recovered materials are then carefully processed and repurposed wherever possible, which helps to reduce the demand for new raw materials. While reducing waste remains our primary strategy, reusing, recycling, and composting also contribute to a circular economy by extending the lifecycle of materials and minimizing overall waste. Our approach ensures careful management of waste by identifying opportunities to divert material streams, such as reusing products in our operations.

This dedication to reducing waste and promoting material efficiency extends to our comprehensive waste management practices. Used oils and batteries generated during our production processes are responsibly sent to authorized facilities for recycling (Figure 32). Sorting procedures have been implemented at our production sites to effectively manage main production waste. Once sorted, waste is efficiently transported and disposed of in skip containers.

Figure 32.
Recycled categories of waste in 2023, tons⁵



Recycled categories of waste in 2023

All our waste management activities are governed by contractual agreements with licensed third-party companies specializing in waste collection and disposal, ensuring compliance with environmental regulations and responsible stewardship of resources.

Our organizational nature, encompassing both institutions and all geographic regions we operate in, is strategically designed to prevent the build-up of waste. Despite this, the waste we produce primarily includes hazardous and non-hazardous materials. These stem from the various sources including, maintenance of our infrastructure, equipment, and systems, as well as from construction projects, daily operations, and fueling activities.

ADY is committed to enhancing its waste management practices through the introduction of a centralized waste management system. This system will centralize the collection, sorting, and processing of waste, leading to a more efficient and effective approach that supports our goal of reducing our environmental footprint.

In addition to this major initiative, we have already made strides in reducing waste by phasing out the sale of paper tickets for suburban trips. Since 2023, ticket purchases for existing routes are made through the ‘ADY Mobile’ application. This transition has streamlined our operations and significantly decreased our reliance on paper-based materials, further minimizing the volume of waste generated.

⁵ Due to the recent implementation of the waste management system, historical data on waste management over the years is not available. However, since 2023, the process of the sorting and recycling of used oils and paper waste collected from structural units has been commenced.

Wastewater Discharge

In ADY, wastewater is generated from various activities such as train operations, maintenance processes, and the use of facilities. In recent years, the Company has successfully reduced its wastewater output. Specifically, there was a notable decrease of approximately 19% in 2023 compared to the previous year and a reduction of around 24% from two years earlier.

Figure 33. Generated wastewater, m³



These reductions in wastewater discharge our commitment to improving resource efficiency. The advanced water purification systems at Bilajari and Ganja have helped minimize wastewater by ensuring effective treatment. While the treated water is discharged into the city network, the purification process has contributed to a significant reduction in overall wastewater output.

In addition to these initiatives, we conduct thorough site visits before the construction of new railway lines. These inspections are crucial to ensure that no existing water pipelines are disrupted during the building process. This measure not only protects vital water infrastructure but also prevents potential water loss and contamination, supporting our comprehensive water management commitments.



Land and biodiversity preservation

ADY acknowledges the need to expand to meet growing demand of the railway industry, while respecting environmental regulations and biodiversity. Railways inherently provide unique and linear corridors that blend into various natural habitats—ranging from embankments and ditches to woodlands—offering a diverse environment for wildlife species.

We prioritize biodiversity protection, integrating it into every phase from planning to construction and operation. As part of our commitment, we conduct environmental impact assessments and utilize ecological passports for our projects. These assessments help us understand potential impacts and plan mitigation measures effectively. When our rail infrastructure development might affect the environment, we implement compensatory measures such as habitat restoration and the creation of new natural areas. Our restoration efforts include planting native vegetation, restoring wetlands, and creating wildlife corridors to reconnect fragmented habitats. These initiatives support local biodiversity and contribute to the overall health and resilience of the ecosystems through which the railway passes.

ADY has implemented several initiatives to actively preserve biodiversity along its railway routes. One key safety measure includes the construction of fences along railway borders to reduce the risk of animal incidents. These fences are designed not only to protect wildlife from accidental collisions with trains but also to guide them towards safe crossing points, reducing the overall risk to both animals and passengers. Meanwhile, we also focus on responsible tree planting along our railway lines. For instance, as part of the Horadiz-Aghband Railway Line Construction project, we took care to position trees on the 85th km near Minjivan station to avoid damaging the forest area, thereby supporting biodiversity and maintaining the integrity of natural habitats. We plan to plant a total of 80,382 trees within the right-of-way for this project. In parallel, the Barda-Aghdam Railway Line Construction project includes the planting of 24,450 trees, with 5,500 trees already established, further underscoring our commitment to responsible environmental practices.

Figure 34.
Area of green spaces, ha

Biodiversity indicators	2021	2022	2023
Total area of green spaces in the district and city at the beginning of the year	862,479	863,717	866,217
Total area of green spaces established throughout the year	1,238	2,5	3,667

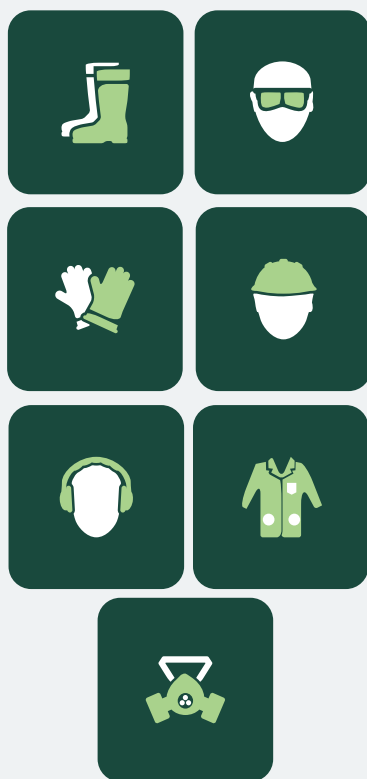
Recognizing the importance of minimizing noise pollution, we have taken proactive measures to manage noise levels generated by our operations. Although we have received only one concern regarding noise levels, we took immediate action to address it. This concern was received through our dedicated hotline, 1822, which serves as a reliable channel for addressing all inquiries and issues. In response to the noise complaint, we transitioned from short transportation regimes to long transportation regimes. This strategic adjustment has significantly reduced both the frequency and intensity of noise generated by our operations, mitigating its impact on nearby communities, and protecting local wildlife. Additionally, the planting of greenery in the secondary lanes of ADY further contributes to minimizing noise impact on the environment.

By reducing noise pollution, we help preserve the natural behaviors and habitats of various species, thereby supporting overall biodiversity. This approach underscores our dedication to achieving a harmonious balance between operational efficiency and environmental responsibility. Our commitment to habitat restoration, conservation efforts, and noise management reflects our proactive role in promoting sustainability within the railway industry.

Safety advocacy

ADY is dedicated to maintaining a high standard of safety and well-being through our comprehensive Occupational Health and Safety Management System and internal safety policies. This system systematically identifies and addresses potential hazards, guiding our efforts to enhance safety performance. Key to our approach is the integration of advanced technology; our automated management system monitors traffic safety in real-time, facilitating swift responses to detected malfunctions or defects. Through our app, reported issues are promptly assigned to responsible personnel, ensuring timely corrective actions, and minimizing operational delays.

Our commitment to safety is underscored by our continuous refinement of safety policies. Recent safety metrics indicate that while we strive for zero incidents, there has been an increase in certain indicators: the number of recordable injuries increased to 2 in 2023 from 0 in 2022 and the injury frequency rate per 200,000 hours worked rose to 0.18 in 2023 from 0.00 the previous year. These figures highlight the challenges we face and underscore the need for ongoing vigilance and improvement in our safety protocols.



In light of these challenges, it is crucial to address the inherent safety risks associated with railway operations. These include hazards associated with moving trains, such as collisions, derailments, and electrical risks, as well as exposure to hazardous materials. The risk of projectiles, such as stones being thrown at moving trains, presents additional dangers that can cause significant damage to the trains, potentially injure passengers, and crew, and create further operational hazards. Working from heights further complicates these risks, necessitating additional safety measures to ensure employee well-being. To address these risks comprehensively, ADY implements stringent safety protocols and preventive measures. This includes the construction of fences along railway borders, which play a crucial role in preventing animal incidents and reducing the risk of collisions. By guiding wildlife towards safe crossing points, these fences enhance overall safety for both animals and railway operations. Complementing this, we also focus on the well-being of our employees by providing individual and collective PPE. This ensures that risks faced by workers during on-site activities

are minimized, further reinforcing our commitment to safety and environmental protection.

The use of PPE is a critical aspect of our safety management approach. ADY has established a detailed procedure for the use of PPE, ensuring that all employees within our structural institutions are equipped with the appropriate protective gear for their specific tasks. This procedure applies to all enterprises managed by ADY’s structural entities, with clearly defined responsibilities for PPE use outlined in Rail Industry Standards (RIS3279). The goal is to ensure that every employee is protected from potential hazards, whether working at heights, handling hazardous materials, or exposed to other risks. We continuously monitor the provision and use of PPE, ensuring compliance with safety protocols and conducting regular assessments to address any gaps or issues.

Figure 35.
PPE-related responsibilities division

Heads of Operations	Employees	Contractors
<p>The heads of operational departments bear the responsibility of upholding stringent safety standards by ensuring adherence to ADY’s Safety Procedures Manual. This includes maintaining a ready supply of PPE for all tasks, conducting timely inspections and testing of PPE, promptly replacing unusable equipment, and ensuring proper cleaning and maintenance procedures are followed. Additionally, they are tasked with providing suitable conditions for PPE maintenance and enforcing minimum PPE requirements for visitors at ADY.</p>	<p>All employees are expected to actively participate in maintaining safety standards by utilizing PPE during work activities, adhering to instructions for proper PPE usage, and promptly reporting any defects to management.</p>	<p>Contractors engaged by ADY are required to provide all necessary safety equipment for their personnel to ensure compliance with maintenance and operational procedures as outlined in the Safe Work Execution Manual. This obligation includes ensuring that their employees, who work within ADY’s facilities, adhere to the safety standards specified in this manual or an equivalent document approved by ADY, as detailed in the Contractor’s Occupational Health and Safety Plan. By supplying this equipment and following the specified protocols, contractors help maintain a safe working environment and ensure alignment with ADY’s safety and operational standards.</p>

To further bolster our safety measures, ADY has developed detailed Fire Safety and Work-at-Height Procedures. These guidelines are designed to mitigate the risks of fires and tasks conducted at elevated heights. Our fire safety measures encompass prevention strategies, the use of fire detection tools, and comprehensive maintenance protocols to minimize fire hazards. The Work-at-Height Procedure applies to all individuals working at heights, ensuring proper safety protocols are followed to safeguard employees in high-risk situations.

More than
460
training
hours

Building on these comprehensive procedures, ADY conducts regular inspections and monitoring to ensure compliance with safety standards. Our Department of Labor Safety and Civil Protection plays a crucial role in these inspections, with over 240 safety observation reports filed in 2023. Detected non-conformities are promptly addressed, with progress tracked through our risk monitoring schedule to ensure timely resolution. We also maintain an action-tracking register and incident investigation report form to document incidents, implement corrective actions, and prevent recurrence.

Training remains a cornerstone of ADY’s safety culture. In 2022, we conducted extensive HSE training for 3,000 employees, covering essential topics such as emergency response and hazard identification. By 2023, this number grew significantly, with 9,245 employees receiving a total of 463 hours of training—a 15.4% increase over the previous year.

Our commitment to increase awareness about safety extends beyond our employees to the public. Our collaboration with the Ministry of Emergency Situations strengthens our emergency preparedness through joint safety drills and emergency response training, contributing to a safer environment for both employees and the public. These trainings not only equip our employees with the necessary knowledge and



skills to mitigate risks and protect the environment but also demonstrate our ongoing commitment to promoting a safe and sustainable work environment. ADY also carried out infrastructure upgrades to accelerated safety education and prepared a training program to be held in schools located around the railway.

ADY also prioritizes the health and well-being of its workforce. We provide free professional medical services are provided to employees in the medical institutions of ADY, ensuring their health and well-being are prioritized. The Company offers voluntary health promotion services and programs to address major non-work-related health risks. Educational activities are regularly conducted according to a set schedule and program, providing employees with valuable information and resources to manage and mitigate various health risks. These initiatives are designed to facilitate easy access for employees, ensuring they have the support and knowledge needed to maintain their overall well-being.

By integrating preventive measures, risk management, technological advancements, and a commitment to both employee and public safety, ADY strives to create a safe and secure environment, reinforcing our dedication to maintaining high safety standards in railway operations.



Driving force of ADY

HR Highlights: Progress Over the Past Year



22%

Increase in number of new hires



18%

Increase in number of women in leadership positions



17%

Increase in training hours

Talent management

At the heart of our commitment to provide high quality services is our competent talent management. We focus on attracting, developing, and retaining top-tier employees who are essential to our success and uphold our high service standards. The railway industry faces challenges in attracting and retaining qualified employees, partly due to wages that are generally lower compared to other sectors. Limited flexibility in adjusting wages, along with the industry's emphasis on long-term infrastructure investments, has contributed to this issue. These factors make it difficult for the sector to compete with other industries that can offer more competitive salaries. Despite these challenges, our Company's efficient recruitment process has proven to be a key asset. We foster a supportive environment that values both new and experienced employees. Our recruitment process is carefully designed to attract and select highly qualified candidates. This multi-stage process includes an application phase, interviews, professional examinations, and a competition phase with both a test and a final interview. This approach ensures we select candidates who not only possess the necessary skills but also align with our organizational values and culture.

Our strategy for sourcing emerging talent involves partnerships with 13 educational institutions which includes

7 universities, 5 vocational schools and 1 college. We are also actively engaged in university job fairs, career days, and other recruitment events, fostering connections with students and recent graduates to identify promising talent. Leveraging the networks of our current employees through an employee referral method helps us identify and attract top talents. Reflecting a remarkable 22% growth, the total number of hires increased from 936 in 2022 to 1,144 in 2023. This surge highlights our proactive approach in attracting top talent to meet our expanding operational needs.

At Azerbaijan Railways, we are committed to ensuring that our employees are fairly compensated for their contributions and are provided with comprehensive benefits that support their overall wellbeing. To further support our workforce, we adhere to labor legislation that ensures fair and equitable leave policies for all employees. In line with labor legislation, women are entitled to maternity leave, while men are eligible for unpaid leave during certain family-related circumstances. Women with two children under 14, single fathers, and adoptive parents receive two extra days of leave, while those with three or more children, many children, or children under 18 with disabilities get five extra days.

As per the 2020-2022 collective agreement between Azerbaijan Railways and the Independent Trade Union of Railway Workers, employees are entitled to paid leave for significant life events, such as the loss of a close relative or the first school day of their child. Additional provisions include unpaid leave for serious family illnesses and the option for women to adjust their working hours in line with labor legislation.

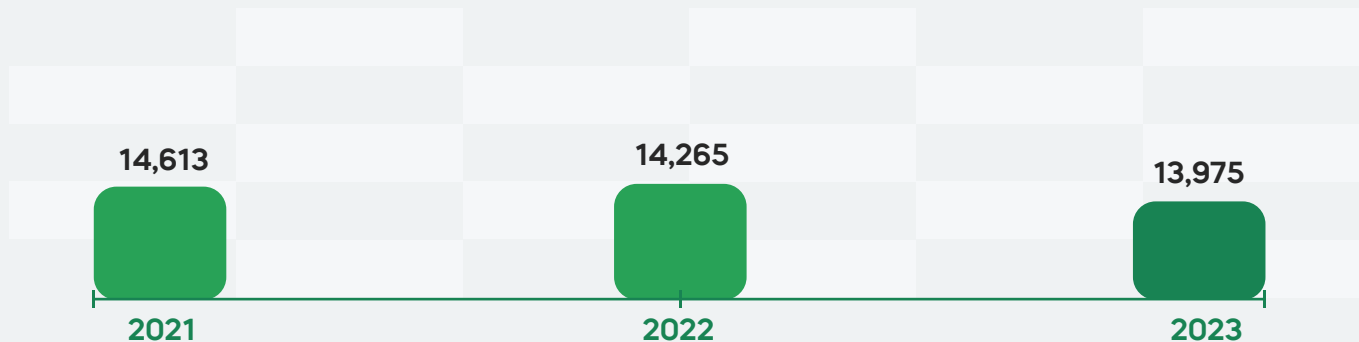
Building on these supportive measures, the collective agreement also includes provisions for employees reaching the retirement age for a labor pension, as determined by legislation. These employees can request dismissal within 15 working days and will receive a one-time allowance equivalent to five times their salary. Furthermore, employees with over 20 years of service at ADY will receive an extra one-time allowance equal to their tariff salary, and those with over 30 years of service will receive an allowance equal to twice their tariff salary.

Our remuneration policies are designed to be competitive within the industry, reflecting the skills, experience, and performance of our workforce. We conduct customer surveys regularly to gather feedback on service quality and customer

satisfaction. This feedback is instrumental in identifying areas for improvement and helps us adjust our remuneration practices to ensure they remain attractive and fair.

As part of our broader efforts to enhance operational efficiency and employee engagement, ADY underwent significant restructuring in 2023. This restructuring involved streamlining departments to align with strategic objectives and introducing regular performance reviews to monitor employee performance, provide feedback, and guide improvement efforts. These initiatives have led to a more efficient organizational structure, reflected in a gradual decline in the total number of employees over the past three years (Figure 36). However, the increased focus on higher performance standards and organizational changes also resulted in a slight rise in the turnover rate, from 9% in 2022 to 10% in 2023.

Figure 36.
Total number of employees



Recognizing the importance of effective performance management in maintaining operational excellence, we are committed to establishing a comprehensive performance management system in 2024. This system will focus on critical areas such as safety, efficiency, reliability, and customer satisfaction, leveraging regular performance reviews and data-driven analysis to guide decision-making and address challenges proactively. By fostering a culture of accountability, we aim to continually improve both individual and organizational performance.

In addition to its operational benefits, the 2024 performance management system will play a central role in advancing our sustainability commitments. A new performance management policy will be introduced to integrate key sustainability metrics—such as environmental stewardship, social responsibility, and economic viability—into all aspects of our operations. This policy will ensure that our sustainability goals are systematically tracked, evaluated, and optimized, reinforcing our dedication to reducing environmental impact and driving positive outcomes for stakeholders and communities alike.

Through these initiatives, ADY is poised to create a transparent, accountable, and forward-thinking workplace that prioritizes continuous improvement, operational efficiency, and sustainability.



Diversity and inclusion

Diversity and inclusion stand at the core of our values at Azerbaijan Railways, defining not just our principles but also our approach to success. We are committed to adopting a workplace culture where all employees feel valued, respected, and empowered to contribute their unique perspectives and talents. Our diversity and inclusion initiatives encompass various aspects, including recruitment, training, leadership development, and employee engagement.

We strive to create a workforce that reflects the diverse communities we serve, embracing individuals from different backgrounds, cultures, genders, abilities, and experiences. Our proactive recruitment strategies and partnerships with diverse organizations are designed to attract a broad range of talent to our team.



18%

increase in woman in leadership roles

In 2023, our commitment to gender equality has yielded substantial progress. Specifically, the number of women in leadership positions increased 18% in 2023. This growth is not merely a result of replacing positions but reflects our ongoing efforts to promote women based on their qualifications and performance. We have also made notable achievements in our governance bodies, where the representation of women more than doubled over the same period. Furthermore, the number of female new hires increased from 120 in 2022 to 191 in 2023, marking 59% rise. This progress is largely attributed to our cooperation framework with the World Bank, which commenced in early 2023 with the “Empowering Women’s Human Capital for Better Labor Market Outcomes” project. The project involved establishing an interactive platform to collect diverse perspectives from our workforce, creating focus groups to promote gender diversity across various roles and levels, and conducting training sessions on gender equality and leadership. These initiatives focus on recruiting and developing female employees for various roles across the organization. We believe that these changes are crucial for driving innovation, enhancing performance, and creating a more equitable work environment. Our focus remains on implementing policies and practices that support women’s growth and leadership, thereby contributing to our overall sustainability goals.

In 2023, ADY launched a groundbreaking initiative to train female locomotive drivers for the first time. This pioneering program involved female students from the Baku State Vocational Education Center for Railways and Metro, who were studying to become station attendants. These students received specialized training at ADY, and those who successfully completed the program and passed the subsequent exam earned a license to operate railway transport.

A group of students had already visited the Baku Railway Station, gaining hands-on experience with modern high-speed trains, and engaging with ADY mentors. This initiative was significant as it challenged longstanding gender stereotypes in the traditionally male-dominated railway industry. By promoting gender equality and providing equal career advancement opportunities, ADY set a new standard for inclusivity in the sector. This program not only inspired future generations of women but also enhanced workforce diversity, contributing to a more innovative and dynamic work environment. On top of that, we provide ongoing training and development opportunities to promote awareness, understanding, and appreciation of diversity among our employees.

Our leadership is actively engaged in fostering an inclusive environment, where everyone has equal opportunities for growth and advancement. By embracing diversity and fostering inclusion, we not only strengthen our organizational resilience and innovation but also contribute to social equity and progress within the railway industry and beyond.

Care network



At ADY, we prioritize the safety and satisfaction of both our employees and customers. To facilitate open communication and promptly address any issues, we have established multiple channels for raising concerns, including a dedicated hotline, 1822. This hotline serves as a direct channel for employees and customers to report safety hazards, provide feedback, or seek assistance with any aspect of our services. In addition to the hotline, we also address concerns received via email and social media, ensuring that all voices are heard through the most convenient means for each individual. These channels are monitored 24/7 to guarantee timely and confidential responses. Our commitment to transparency and responsiveness through these platforms reinforces our dedication to maintaining a safe, efficient, and customer-focused railway operation. By empowering individuals to voice their concerns, we continuously improve our services and uphold the highest standards of safety and quality.

In addition to customer feedbacks, ADY employees also utilize these communication tools to raise their issues and feedback. Upon receiving a concern, a ticket is created, and the issue is referred to the relevant department or structure within ADY for resolution. The primary inquiries raised by customers pertain to the movement schedule. Customers frequently seek information regarding ticket procurement, ticket office operating hours, and other related queries. Additionally, there are numerous inquiries about domestic routes, many of which were suspended post-pandemic. A significant issue for our customers is the reopening of dry borders, which are essential for facilitating cross-border travel and trade. Then we diligently monitor the progress of each ticket to ensure that the issue is addressed and resolved in a timely manner (Figure 37). This structured approach enables us to manage all employee concerns effectively, promoting a transparent and supportive work environment.

Figure 37. Concern addressing process





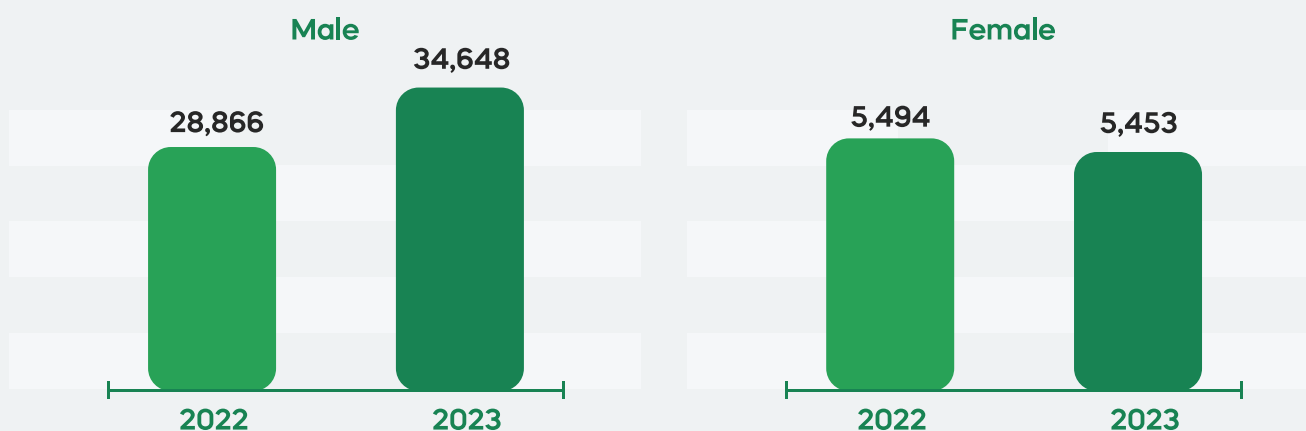
Training and growth

At ADY, we recognize that continuous learning and professional development are crucial to our success and the personal growth of our employees. Investing in our workforce ensures that they are equipped with the latest skills and knowledge, enabling them to meet the evolving demands of the railway industry. This commitment to training and development aligns with our sustainability goals and highlights our dedication to creating a competent and motivated workforce.

During the reporting period, our employees undertook a total of 40,101 hours of training. This included 34,648 hours for male employees and 5,453 hours for female employees in 2023 (Figure 38). The total training hours have risen from 34,360 in 2022 to 40,101 in 2023 reflecting a notable increase of 17%. This increase is attributed to the implementation of new training programs designed to support specialized skills and adapt to evolving industry requirements.

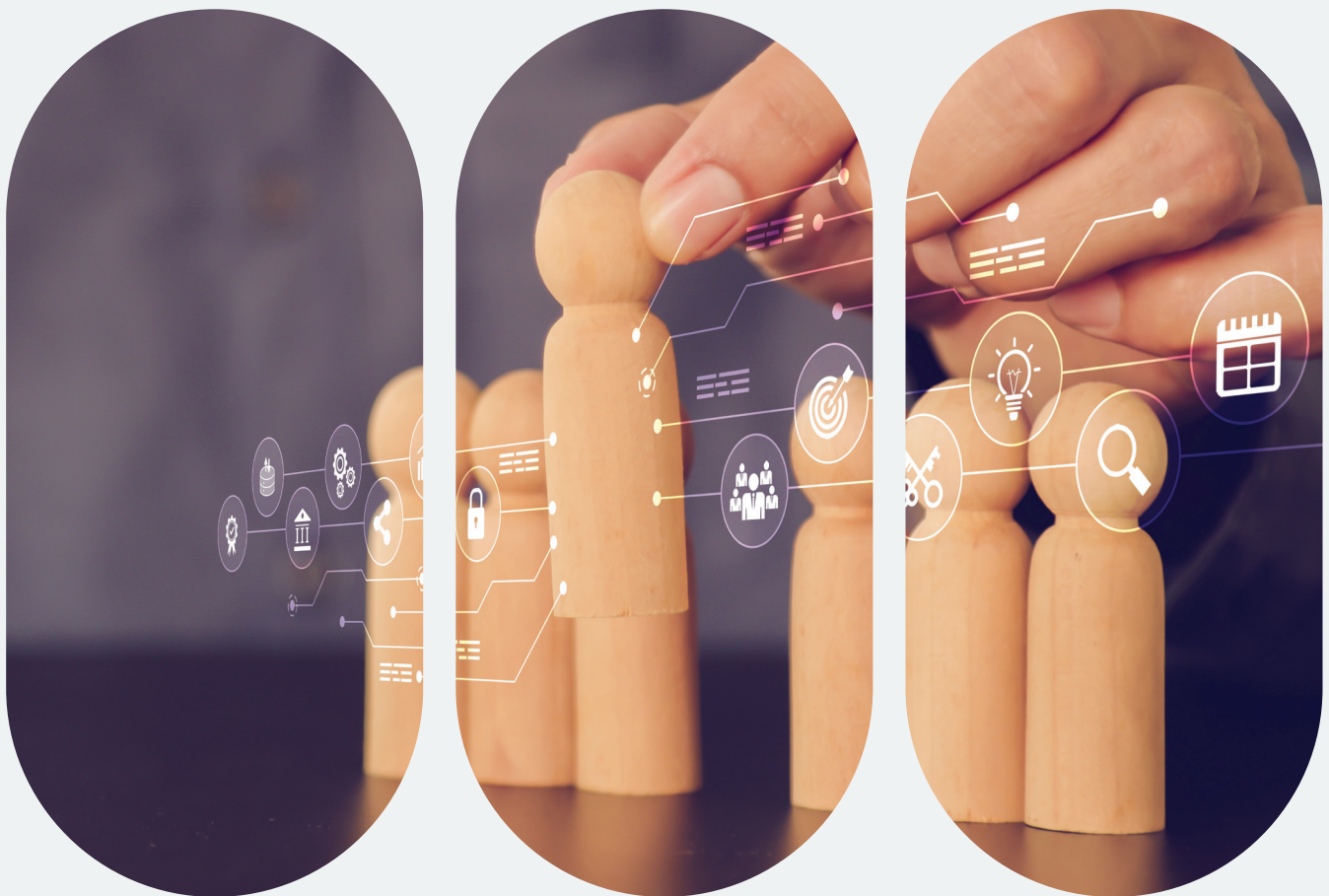
The substantial number of training hours for male employees is primarily due to the large number of technicians and operational staff in ADY, who engage in extensive training related to train operations and maintenance. The training programs covered various categories, with a focus on technical and operational skills within the railway sector for male employees, including advanced technical skills, safety protocols, and operational efficiency. Female employees, in addition to technical training, received instruction in leadership development, environmental sustainability, and other essential skills. This balanced approach ensures comprehensive development opportunities for all employees, tailored to their roles and career progression.

Figure 38.
Training hours by gender



Additionally, ADY implemented several comprehensive programs aimed at upgrading employee skills. These programs included specialized technical training to enhance operational efficiency, leadership and safety courses designed to cultivate future leaders, and workshops on the latest technological advancements in the railway industry. To support our employees' growth, we offered a combination of online and offline training sessions. The online training utilized digital learning tools and resources, while the offline sessions provided hands-on, in-person experiences to enhance skill development.

Looking ahead, we plan to establish ADY Academy in 2024. This initiative will incorporate a Learning Management System to streamline and enhance our training processes. The academy will provide training across all ADY departments and will be open to both current employees and potential recruits. This initiative aims to enhance our training capabilities and ensure that our workforce remains at the forefront of industry advancements.



Outlook

ADY aspires to become a major transportation company at the intersection of Europe and Asia, aiming to harness digitalization and sustainability to achieve this goal. These pillars are crucial for ensuring that ADY not only enhances operational efficiency and service quality but also makes a substantial contribution to environmental stewardship.

As part of our digital transformation, we have made significant strides in 2024. We completed the conceptual design and requirements for key automation systems, including the FCOMS, LCMS, and FTMS. Additionally, the integration of our Document Circulation System with the state center for digitally signed documents marks a key milestone in enhancing our operational efficiency. In addition, the implementation of the new procurement system has streamlined our procurement processes, while the redesigned ADY Mobile Passenger App, featuring enhanced security and a new bonus system, has surpassed 88,000 downloads.

These advancements are integral to our goal of fully automating all essential business processes by 2026, improving customer satisfaction, and enhancing operational effectiveness. Key upcoming projects, including updating our CRM system, installing Wi-Fi networks across all trains and stations, and advancing customer service through centralized accounting and digital document signature technology, reflect our commitment to delivering a customer-centric approach.



In tandem with these digital initiatives, our commitment to sustainability remains unwavering. We are committed to mitigating our environmental impact through investments in R&D, including the establishment of a central laboratory for diesel chemical composition advancements and expanding our fleet of electric trains. Our ongoing efforts to reduce our carbon footprint, increase resource efficiency, and transition to renewable energy sources are foundational to our strategic vision.

Our dedication to both digitalization and sustainability will be highlighted at the COP 29, which emphasizes the urgent need for global climate action. By aligning with COP 29 objectives, we aim to reinforce our role as a leader in green technology and accelerate our transition to sustainable transportation. As we advance our environmentally friendly innovations, we are committed to making a meaningful contribution to global climate goals.



GRI Index

Disclosure

Status

Location

General Disclosures

GRI 2: General Disclosures 2021	Disclosure	Status	Location
	2-1 Organizational details	Disclosed	About Azerbaijan Railways
	2-2 Entities included in the organization’s sustainability reporting	Disclosed	Scope and boundaries
	2-3 Reporting period, frequency, and contact point	Disclosed	Scope and boundaries
	2-4 Restatements of information	Disclosed	There are no restatements of information.
	2-5 External assurance	Disclosed	External assurance was conducted during the reporting period.
	2-6 Activities, value chain and other business relationships	Disclosed	Stakeholder engagement, Responsible procurement
	2-7 Employees	Disclosed	Talent management, Data tables

	Disclosure	Status	Location
	2-8 Workers who are not employees	Not disclosed	
	2-9 Governance structure and composition	Disclosed	Corporate governance structure
	2-10 Nomination and selection of the highest governance body	Disclosed	Corporate governance structure
	2-11 Chair of the highest governance body	Disclosed	Corporate governance structure
	2-12 Role of the highest governance body in overseeing the management of impacts	Not disclosed	
	2-13 Delegation of responsibility for impacts	Not disclosed	
	2-14 Role of the highest governance body in sustainability reporting	Disclosed	The Chairman reviews and approves the Company's sustainability report and ensures that all material topics are covered.

	Disclosure	Status	Location
	2-15 Conflicts of interest	Disclosed	Ethical business conduct and transparency
	2-16 Communication of critical concerns	Disclosed	Corporate governance structure, Care network
	2-17 Collective knowledge of the highest governance body	Not disclosed	
	2-18 Evaluation of the performance of the highest governance body	Not disclosed	
	2-19 Remuneration policies	Disclosed	Talent management
	2-20 Process to determine remuneration	Partially disclosed	Talent management
	2-21 Annual total compensation ratio	Disclosed	Data tables

	Disclosure	Status	Location
	2-22 Statement on sustainable development strategy	Disclosed	Letter to the stakeholders
	2-23 Policy commitments	Disclosed	Internal control and compliance
	2-24 Embedding policy commitments	Disclosed	Internal control and compliance
	2-25 Processes to remediate negative impacts	Partially disclosed	Internal control and compliance, Care network
	2-26 Mechanisms for seeking advice and raising concerns	Disclosed	Corporate governance structure, Care network
	2-27 Compliance with laws and regulations	Disclosed	There were no instances of non-compliance with laws and regulations during the reporting period.
	2-28 Membership associations	Disclosed	Stakeholder engagement

	Disclosure	Status	Location
Material topics GRI 3: Material Topics 2021	2-29 Approach to stakeholder engagement	Disclosed	Stakeholder engagement
	2-30 Collective bargaining agreements	Disclosed	A three-year field collective agreement is signed between ADY and the Independent Trade Union of Railway Workers of Azerbaijan.
	3-1 Process to determine material topics	Disclosed	Materiality analysis
	3-2 List of material topics	Disclosed	Materiality analysis
	3-3 Management of material topics	Partially disclosed	Materiality analysis
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Disclosed	Financial performance

	Disclosure	Status	Location
	201-2 Financial implications and other risks and opportunities due to climate change	Partially disclosed	Energy efficiency and emission reduction
	201-3 Defined benefit plan obligations and other retirement plans	Disclosed	Talent management
	201-4 Financial assistance received from government	Disclosed	During the reporting period, the Company did not receive any financial assistance from the government.
Market presence			
GRI 202: Market Presence 2016			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Disclosed	Data tables
	202-2 Proportion of senior management hired from the local community	Disclosed	Data tables
Indirect Economic impacts			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Disclosed	Cargo transport, Strategic blueprint

	Disclosure	Status	Location
Procurement GRI 204: Procurement Practices 2016	203-2 Significant indirect economic impacts	Not disclosed	
Anti-corruption GRI 205: Anti-Corruption 2016	204-1 Proportion of spending on local suppliers	Disclosed	Data tables
	205-1 Operations assessed for risk related to corruption	Disclosed	All operations are continuously assessed for risks related to corruption. No significant risks related to corruption have been identified during the reporting period.
	205-2 Communication and training about anti-corruption policies and procedures	Disclosed	Data tables
	205-3 Confirmed incidents of corruptions and actions taken	Disclosed	Data tables
Anti-competitive behavior GRI 206: Anti-competitive behavior 2016			
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Disclosed	No such incidents occurred during the reporting year.

	Disclosure	Status	Location
Tax GRI 207: Tax 2019	207-1 Approach to tax	Disclosed	Financial performance
	207-2 Tax governance, control, and risk management	Partially disclosed	Financial performance The Company is committed to fulfilling its tax obligations and is developing an internal tax policy.
	207-3 Stakeholder engagement and management of concerns related to tax	Partially disclosed	Financial performance The Company is committed to fulfilling its tax obligations and is developing an internal tax policy.
	207-4 Country-by-country reporting	Not applicable	
Materials GRI 301: Materials 2016	301-1 Materials used by weight or volume	Disclosed	Data tables
	301-2 Recycled input materials used	Not disclosed	

	Disclosure	Status	Location
Energy GRI 302: Energy 2016	301-3 Reclaimed products and their packaging materials	Not disclosed	
	302-1 Energy consumption within the organization	Disclosed	Energy efficiency and emission reduction, Data tables
	302-2 Energy consumption outside of the organization	Not disclosed	
	302-3 Energy intensity	Disclosed	Data tables
	302-4 Reduction of energy consumption	Disclosed	Energy efficiency and emission reduction
	302-5 Reductions in energy requirements of products and services	Disclosed	Energy efficiency and emission reduction
Water GRI 303: Water and Effluents 2018			
	303-1 Interactions with water as a shared resource	Disclosed	Optimizing water usage

	Disclosure	Status	Location
Biodiversity GRI 304: Biodiversity 2016	303-2 Management of water discharge-related impacts	Partially disclosed	Optimizing water usage
	303-3 Water withdrawal	Disclosed	Data tables
	303-4 Water discharge	Disclosed	Optimizing water usage, Data tables
	303-5 Water consumption	Disclosed	Optimizing water usage, Data tables
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Disclosed	A railway line passes through a 3-kilometer section of the Khudat-Lajat area within the Samur-Yalama National Park, a specially protected area.
	304-2 Significant impacts of activities, products, and services on biodiversity	Disclosed	Environmental stewardship

	Disclosure	Status	Location
Emission GRI 305: Emissions 2016	304-3 Habitats protected or restored	Not disclosed	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not disclosed	
	305-1 Direct (Scope 1) GHG emissions	Disclosed	Energy efficiency and emission reduction, Data tables
	305-2 Energy indirect (Scope 2) GHG emissions	Disclosed	Energy efficiency and emission reduction, Data tables
	305-3 Other indirect (Scope 3) GHG emissions	Not disclosed	
	305-4 GHG emissions intensity	Disclosed	Data tables
	305-5 Reduction of GHG emissions	Disclosed	Energy efficiency and emission reduction

	Disclosure	Status	Location
Waste GRI 306: Waste 2020	305-6 Emissions of ozone-depleting substances (ODS)	Not disclosed	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Disclosed	Data tables
	306-1 Waste generation and significant waste-related impacts	Disclosed	Sustainable waste handling, Data tables
	306-2 Management of significant waste-related impacts	Partially disclosed	Sustainable waste handling
	306-3 Waste generated	Disclosed	Data tables
	306-4 Waste diverted from disposal	Disclosed	Data tables
	306-5 Waste directed to disposal	Disclosed	Data tables

	Disclosure	Status	Location
Supplier Environmental assessment GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Disclosed	Data tables
	308-2 Negative environmental impacts in the supply chain and actions taken	Disclosed	No such impacts were detected during the reporting period.
Employment GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Disclosed	Talent management, Data tables
	401-2 Benefits provided to full-time employees that are not provided to temporary of part-time employees	Not applicable	The Company does not provide benefits to part-time employees because it employs only full-time staff.
	401-3 Parental leave	Disclosed	Data tables
Labor/management relations GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Disclosed	Data tables

	Disclosure	Status	Location
Occupational health and safety GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Disclosed	Safety advocacy
	403-2 Hazard identification, risk assessment, and incident investigation	Disclosed	Safety advocacy
	403-3 Occupational health services	Disclosed	Safety advocacy
	403-4 Worker participation, consultation, and communication on occupational health and safety	Disclosed	Safety advocacy
	403-5 Worker training on occupational health and safety	Disclosed	Training and growth, Safety advocacy
	403-6 Promotion of worker health	Disclosed	Safety advocacy
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Disclosed	Safety advocacy

	Disclosure	Status	Location
Training and education GRI 404: Training and Education 2016	403-8 Workers covered by an occupational health and safety management system	Disclosed	All workers are covered by the occupational health and safety management system.
	403-9 Work-related injuries	Disclosed	Data tables
	403-10 Work-related ill health	Disclosed	No such cases were detected during the reporting period.
	404-1 Average hours of training per year per employee	Disclosed	Data tables
	404-2 Programs for upgrading employee skills and transition assistance programs	Disclosed	Training and growth
	404-3 Percentage of employees receiving regular performance and career development reviews	Disclosed	Data tables

	Disclosure	Status	Location
Diversity and equal opportunity GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Disclosed	Data tables
	405-2 Ratio of basic salary and remuneration of women to men	Disclosed	Data tables
Non-discrimination GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Disclosed	No such incidents occurred during the reporting year.
Freedom of Association and Collective Bargaining GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Disclosed	No such operations have been determined during the reporting year.
Child Labor GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Disclosed	No such operations have been determined during the reporting year.

	Disclosure	Status	Location
Forced or Compulsory Labor			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Disclosed	No such operations have been determined during the reporting year.
GRI 410: Security Practices 2016	410-1 Security employees trained in human rights policies or procedures	Not disclosed	
Rights of Indigenous People			
GRI 411: Rights of Indigenous People 2016	411-1 Incidents of violations involving rights of indigenous people	Disclosed	No such incidents occurred during the reporting year.
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Disclosed	Aligning with UN SDGs and UIC commitments for sustainable development, Impact on society
	413-2 Operations with significant actual and potential negative impacts on local communities	Disclosed	Impact on society
Supplier social assessment			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Disclosed	The practice of supplier assessment will be implemented in the upcoming reporting years.

	Disclosure	Status	Location
Public policy	414-2 Negative social impacts in the supply chain and actions taken	Disclosed	The practice of supplier assessment will be implemented in the upcoming reporting years.
GRI 415: Public Policy 2016	415-1 Political contributions	Not disclosed	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Not disclosed	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Disclosed	No such incidents occurred during the reporting year.
Marketing and labeling			
GRI 417: Marketing and Labeling 2016	GRI 417-1 Requirements for product and service information and labelling	Not applicable	
	GRI 417-2 Incidents of non-compliance concerning product and service information and labeling	Not applicable	

	Disclosure	Status	Location
Customer Privacy GRI 418: Customer Privacy 2016	GRI 417-3 Incidents of non-compliance concerning marketing communications	Not applicable	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Disclosed	No such incidents occurred during the reporting period.

SASB Index

Topic	Code	Accounting Metric	Status	Comment/location
Environmental Footprint of Fuel Use	TR0401-01	Gross global scope 1 emissions	Disclosed	Data tables
	TR0401-02	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Partially disclosed	Environmental stewardship, Energy efficiency and emission reduction
	TR0401-03	Total fuel consumed, percentage renewal	Partially disclosed	Data tables
	TR0401-04	Air emissions for the following pollutants: NOx and particulate matter (PM)	Disclosed	Data tables

Topic	Code	Accounting Metric	Status	Comment/location
Competitive Behavior	TR0401-05	Amount of legal and regulatory fines and settlements associated with anti-competitive practices	Disclosed	No such cases occurred during the reporting period.
Accidents & Safety Management	TR0401-06	Number of accidents and incidents	Disclosed	Data tables
	TR0401-07	(1) Total recordable injury rate, (2) fatality rate, and (3) near miss frequency rate	Disclosed	Data tables
	TR0401-08	Number of (1) accident releases and (2) nonaccidental releases (NARs)	Disclosed	Data tables
Transportation	TR0401-A	Number of carloads originated	Disclosed	Data tables
	TR0401-B	Number of intermodal units transported	Not disclosed	
	TR0401-C	Track miles	Not Disclosed	
	TR0401-D	Revenue ton miles	Not Disclosed	
	TR0401-E	Number of employees	Disclosed	Talent management

Data tables

OPERATIONAL

Operational infrastructure indicators

	2021	2022	2023
Total transportation by km	6,760,776	8,446,527	8,494,279
Cargo transport	6,054,954	7,461,874	7,304,533
Passenger transport	705,822	984,653 ⁶	1,189,746
Length of electrified roads	1,157	1,157	1,151
Length of dual carriageways	807	807	807
Number of carloads originated	3,897	3,742	3,942

General operational indicators

	2021	2022	2023
Number of departures per day	27	42	47
Number of passengers carried	2,826,092	5,136,520	7,185,480
City transport	2,746,748	5,045,880	6,830,380
Regional transport	79,344	90,640	355,100 ⁷

⁶ Increase in total passenger transportation numbers associated with substantial boost in daily departure figures stemming from increasing frequency of the journeys in rush hours.

⁷ Increase in regional transport numbers is attributable to addition of Gabala and Agstafa railway

Percentage of trains departing/arriving on time or within defined tolerance	N/A	96	97
Average delay time (hours)	N/A	0.02	0.015
Percentage of the transports meeting the scheduled and promised time	N/A	74	86

Cargo transportation indicators

	2021	2022	2023
Total number of trains	14	14	15
Total number of electrified trains	13	13	13
Total number of diesel-powered trains	1	1	2
Total number of locomotives	159	200	228
Total number of electrified locomotives	65	104	106
Total number of diesel-powered locomotives	94	96	122
Average number of trains per day	90	162	152
Total number of utilized containers	N/A	N/A	N/A
Total transported cargo	15,057,650	18,730,522	18.275,854

Transit transport	4,584,777	7,478,864	6,870,799
Regional transport	10,472,873	11,251,658	11,405,055
Total transported cargo by material, by tons	15,057,650	18,730,522	18,275,854
Liquid cargo	5,411,445	7,083,439	6,836,661
Oil	4,635,920	5,907,083	5,793,013
Non-oil	775,525	1,176,356	1,043,648
Dry cargo	9,646,205	11,647,083	11,439,193
Other	0	0	0
Transit cargo in containers, TEU	37,337	53,834	46,909

GOVERNANCE

Anti-competitive behavior indicator

2021

2022

2023

Amount of legal and regulatory fines and settlements associated with anti-competitive practice, AZN	0	0	0
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Compliance with laws and regulations indicators

	2021	2022	2023
Total number of significant instances of non-compliance with laws and regulations, including	0	0	0
instances for which fines were incurred	0	0	0
instances for which non-monetary sanctions were incurred	0	0	0
Total monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, AZN	0	0	0

Legal indicators

	2021	2022	2023
Number of legal actions pending regarding anti-competitive behavior and violations of anti-trust and monopoly legislation	0	0	1
Number of legal actions completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation	0	0	0
Total number of received complaints regarding data privacy	0	0	0
Total number of identified leaks, thefts, or losses of customer data	0	0	0

Legal indicators	2021	2022	2023
Percentage of operations assessed for risks related to corruption	0	0	0
Total number of governance body members that the organization's anti-corruption policies and procedures have been communicated to	0	0	0
Percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to	0	0	0
Total number of employees that the organization's anti-corruption policies and procedures have been communicated to, by category	0	0	0
Percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, by category	0	0	0
Total number of business partners (e.g., suppliers) that the organization's anti-corruption policies and procedures have been communicated to	0	0	0
Percentage of business partners (e.g., suppliers) that the organization's anti-corruption policies and procedures have been communicated to	0	0	0
Total number of governance body members that have received training on anti-corruption	0	0	0
Percentage of governance body members that have received training on anti-corruption	0	0	0
Total number of employees that have received training on anti-corruption	0	0	0

Percentage of employees that have received training on anti-corruption	0	0	0
Total number of confirmed incidents of corruption	0	0	25
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	0	0	1
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	0	0	0

PROCUREMENT

Procurement indicators	2021	2022	2023
Total number of suppliers	411	429	896 ⁸
Total number of local suppliers	342	374	807
Total number of foreign suppliers	69	55	89
Proportion of suppliers by location, % from total			
Local suppliers	83%	87%	90%
Foreign suppliers	17%	13%	10%
Procurement budget indicators	2021	2022	2023
Share of the procurement budget that is spent on local	70%	17% ⁹	52%

⁸ The increase between 2022 and 2023 in number of suppliers is related to diversification of suppliers as well as the promotion of cooperation with small and medium business subjects.

⁹ The decline in the proportion of the procurement budget spent on local suppliers between 2021 and 2022 is due to the fact that most of the equipment purchased during this period was sourced from foreign suppliers.

ENVIRONMENT

Energy indicators	2021	2022	2023
Energy consumption total, kWh	198,006,158.08	233,442,508.82	222,472,196
Electricity consumption, kWh	198,006,158.08	233,442,508.82	222,392,965.56
Electricity consumed for passenger transportation	5,914,607	17,139,921	19,345,102
Electricity consumed for cargo transportation	147,603,211.7	172,966,900.15	159,377,561
Other uses	44,488,339.38	43,335,687.67	43,670,302.56
Renewable energy consumption, kWh	N/A	N/A	78,946
Total natural gas consumption, m ³	361,970	673,941	578,663
Total fuel consumption, ton, including	14,859	14,835	13,227
Diesel, ton	14,817	14,798	13,204
Petroleum, ton	42	37	23
Energy intensity ratio (per employee), kWh	13,550	16,636	15,919

Emission indicators	2021	2022	2023
Gross global Scope 1 emissions, tCO ₂ e	40,153.02	40,650.05	36,270.70
i. Nitrogen oxide (NO _x)	47.04	46.09	39.15
ii. Particulate matter (PM)	106.13	105.99	94.56
iii. Sulfur oxides (SO _x)	841.67	840.54	750.01
iv. Carbon dioxide (CO ₂)	39,205.22	39,657.43	35,386.97
v. Others	-	-	-
Scope 2, tCO ₂ e	39,205.23	46,221.65	44,033.83
i. Carbon dioxide (CO ₂)	39,205.22	46,221.62	44,033.81
ii. Nitrous oxide (N ₂ O)	0.01	0.02	0.02
iii. Others	0.003	0.01	0.01
CO ₂ emissions intensity per employee, ton	2.68	2.78	2.53

Water indicators	2021	2022	2023
Total water withdrawal, thousand cubic meters	438,114	412,48	335,189
Total freshwater withdrawal, thousand cubic meters	438,114	412,48	335,189
Total water discharge, thousand cubic meters	318,611	300,578	242,186
Total water consumption, thousand cubic meters	438,114	412,48	335,189

Waste indicators ¹⁰	2021	2022	2023
Total weight of recycled waste, tons	N/A	N/A	49.6
Total weight of recycled hazardous waste	N/A	N/A	46.4
Total weight of recycled non-hazardous waste	N/A	N/A	3.2

¹⁰ Due to the recent implementation of the waste management system, historical data on waste management over the years is not available. However, since 2023, the process of the sorting and recycling of used oils and paper waste collected from structural units has been commenced.

HEALTH AND SAFETY

Health and safety indicators	2021	2022	2023
Number of hours worked	2,360,138	2,303,331	2,242,346
Number of fatalities	1	0	0
Fatality rate	0.08	0.00	0
Number of recordable injuries	1	0	2
Injury frequency rate (per 200.000 hours worked)	0.08	0	0.18
Number of Lost Time Injuries (LTI)	0	0	2
LTI Frequency Rate (LTIFR) (per 200.000 hours worked)	0	0	0
Number of fatalities as a result of work-related ill health	0	0	0
Number of cases of recordable work-related ill health	0	0	0
The number of traffic safety violations per million train-km	44.1	35.3	21.63
Number of employees engaged in heavy work, with harmful and (or) hazardous working conditions	6,573	6,445	6,589
Number of railroad related accidents resulting in death or injury of people	21	27	26

Total number of temporary employees	0	0	0	0	0	0
Total number of employees by employment contract	12,126	2,487	11,992	2,273	11,800	2,175
Total number of full-time employees	12,126	2,487	11,992	2,273	11,800	2,175
Total number of part-time employees	0	0	0	0	0	0

Employee indicators, by age	2021			2022			2023		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Total number of employees, by gender and category	1,549	6,232	6,832	1,457	6,064	6,744	1,331	6,904	5,740
Executive	74	660	624	52	669	590	72	800	558
Specialist	460	1,515	1,461	447	1,607	1,486	413	1,547	1,523
Technical executor	134	533	526	118	514	534	106	480	458
Worker	881	3,524	4,221	840	3,274	4,134	740	4,077	3,201

Annual compensation indicators

2021

2022

2023

Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees	18.8	22.7	23
Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	3.5	1.9	1.1

Senior management hired from local community indicators

2021

2022

2023

Percentage of senior management hired from the local community	100	100	100
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Ratio of salary indicators, by gender

2021

2022

2023

Male Female Male Female Male Female

Ratio of standard entry-level wage compared to local minimum wage	1	1	1	1	1	1
Ratio of the basic salary of women to men	1		1		1	

Employee hire and turnover indicators, by gender

	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Total number of new employee hires	825	131	816	120	953	191
Total number of employee turnover	948	414	938	378	1135	323
Rate of employee turnover	8	17	8	17	10	15

Employee hire and turnover indicators, by age	2021			2022			2023		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Total number of new employee hires	320	450	186	332	454	150	309	573	262
Total number of employee turnover	212	450	700	116	420	780	160	532	766
Rate of employee turnover	14	7	10	8	7	12	12	8	13

**Parental leave indicators,
by gender**

	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Total number of employees that were entitled to parental leave	12,126	2,487	11,992	2,273	11,800	2,175
Total number of employees that took parental leave	0	62	0	68	0	52
Total number of employees that returned to work in the reporting period after parental leave ended	0	4	0	0	0	16
Total number of employees due to return to work after taking parental leave	0	62	0	68	0	52
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	0	4	0	0	0	16
Return to work rate of employees that took parental leave	0	6.45	0	0	0	30.77
Retention rate of employees that took parental leave	0	6.45	0	0	0	30.77

**Talent development
indicators, by gender**

	2021		2022		2023	
	Male	Female	Male	Female	Male	Female
Average number of training hours provided to employees, by category	7	9	11	10	15	11

Executive	5,618	1,173	7,361	1,082	3,124	498
Specialist	11,140	9,413	7,198	4,018	11,143	1,488
Technical executor	703	305	221	173	1,861	1,132
Worker	14,526	558	14,086	221	18,520	2,335
Percentage of total employees who received a regular performance and career development review	0	0	0	0	0	0

Diversity of governance
bodies indicator, by gender

2021

	Male		2022		2023	
Total number of individuals within the governance bodies	34	0	33	0	30	2

Diversity of governance bodies indicator, by age	2021			2022			2023		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Total number of individuals within the governance bodies	0	20	14	0	22	11	0	24	8

¹¹ The official performance management process will be initiated for implementation starting in 2024.

Diversity of governance bodies
indicator, by gender

2021

2022

2023

	2021	2022	2023
Total number of employees with disabilities	0	0	0

Non-discrimination indicator

2021

2022

2023

	2021	2022	2023
Total number of incidents of discrimination	0	0	0

Contact info

We value recommendations and comments from our stakeholders. We are open to any suggestions and appreciate significant input that would help improve our report and performance.

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