

# SUSTAINABILITY REPORT 2018-2019





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# **PASHA BANK'S SUSTAINABILITY PERFORMANCE**

## PASHA Bank executes a long-term sustainability strategy while recording robust financial and operational results.

### PASHA Bank's Sustainability Priorities

- Fostering Azerbaijan's economic development with banking products and services that support large corporates and small and medium-sized businesses and contributing to diversification of the economy with a focus on non-oil industries
- Contributing to the human capital of Azerbaijan via long-term projects that aim to build the capacity of the media, support students, and improve the financial literacy of the general population
- Promoting women's economic empowerment in business and the labour force contributing to inclusive growth

### Financial Highlights

Net Profit (AZN):

2018	2019
<b>75</b>	<b>76</b>

Total Assets (AZN):

2018	2019
<b>4,706</b>	<b>4,814</b>

### Pasha Bank's Strategic Priorities

- Contributing to the growth of its customers by providing high quality products and services tailored to meet customers' needs;
- Employing, training highly competent and loyal personnel;
- Fostering the general welfare and cultural development of society;
- Maintaining its strong financial position;
- Committing to transparent and prudent business operations and conduct.

To move forward accordingly, PASHA Bank has set four main strategic goals:

- Achieving growth in its core business;
- Improving the customer experience;
- Strengthening its business processes and capabilities;
- Becoming a best place to work in the eyes of employees.

### Operational Highlights

Number of Personnel:

2018	2019
<b>748</b>	<b>885</b>

Percentage of Women Employees (%)

2018	2019
<b>40.2</b>	<b>40,8</b>

### Environmental Highlights

Energy Consumption (KVh)

2018

**2,555,960**

2019

**2,658,613**

Water Consumption (Tons)

2018

**5,800**

2019

**7,199**

### Social Highlights

Total "Improving Financial Literacy"  
Program Participants

**68**

Total "I Am a PASHA Bank  
Scholarship Holder" Recipients

**40**

# ABOUT PASHA BANK

**In 2019, PASHA Bank was named “Best Bank in Azerbaijan” and “Best Investment Bank in Azerbaijan” by EMEA Finance. The Bank also received the “Best Product Launch” award from the same publication.**

PASHA Bank is a leading investment and corporate bank in Azerbaijan. Established in 2007, it provides a range of corporate banking services – lending, transaction banking, capital markets services and financial advisory – to both domestic clients and foreign companies looking to do business in the region.

The Bank offers an array of financial products backed by trade finance-related partnerships with international banks and financial institutions. PASHA Bank also provides underwriting services to legal entities and is the first institution in the local securities market to act as a market maker. PASHA Bank has delivered private banking services to HNWIs since 2011, including deposits, loans and financial planning.

PASHA Bank’s total capital amounts to AZN 435 million, which makes it the most capitalized privately-owned bank in Azerbaijan. PASHA Bank employs 885 personnel at its headquarters, five branches in Baku and 3 regional branch locations in the cities of Ganja, Zaqatala and Guba. In February 2013, the Bank opened its first subsidiary bank – PASHA Bank Georgia. In December 2014, the Turkish regulatory authority granted PASHA Bank permission to start operations in Turkey. From March 2015, the Bank has been operating in Turkey under the trade name of PASHA Yatırım Bankası A.Ş.

In 2019, Standard & Poor’s reaffirmed PASHA Bank’s Long-Term Issuing Bank Default Rating (IBDR) as ‘B+’ and Short-Term IBDR as ‘B’.

PASHA Bank was awarded as “Best Investment Bank in Azerbaijan” in 2011, 2012 and 2013 by EMEA Finance, the international financial journal. In addition, PASHA Bank was named “Best Commercial Bank in Azerbaijan,” “Best Banking Group in Azerbaijan” and “Best Private Bank in Azerbaijan” in 2014 by World Finance Magazine. PASHA Bank also received the “Best Bank in Azerbaijan” designation in 2016 from Global Finance Magazine. EMEA Finance presented PASHA Bank with the “Best Bank in Azerbaijan,” “Best Investment Bank in Azerbaijan” and “Corporate Social Responsibility in CEE & CIS” awards at Europe Banking Awards 2016. In 2017, PASHA Bank was named “Best Bank in Azerbaijan” by Euromoney financial magazine. Additionally, PASHA Bank was deemed the “Best Bank in Azerbaijan” in 2017 by Global Finance Magazine.

In 2018, PASHA Bank was recognized as “Best Private Bank” and “Best Bank of Azerbaijan” by Global Finance. The Bank also received the “SAP Value Award” and was designated the “Best Commercial Bank of Azerbaijan” by World Finance. In addition, PASHA Bank was named “Bank of the Year” by The Banker. Furthermore, PASHA Bank was recognized as the “Leading Bank in Non-Cash Payments” in Azerbaijan in a competition conducted annually by the Central Bank of Azerbaijan jointly with the Azerbaijan Banks Association.

In 2019, PASHA Bank was named “Best Bank in Azerbaijan” and “Best Investment Bank in Azerbaijan” by EMEA Finance. The Bank also received the “Best Product Launch” award from the same publication.

PASHA Bank is part of PASHA Group, a major investment holding group in Azerbaijan. The Group includes significant assets in insurance,

real estate development, construction, tourism and other businesses. Kapital Bank, one of the largest retail banks in Azerbaijan, is also owned by PASHA Group.

PASHA Bank is committed to establishing and developing long-term, supportive relationships with its growing customer base. It aims to deliver banking services at the highest international levels of transparency and service built on five core values: Integrity, Quality, Collaboration, Entrepreneurship and Profitability.

**Shareholding Structure**

- PASHA Holding Ltd. (60%)
- Ador Ltd. (30%)
- Arif Pashayev (10%)

# AWARDS

Since its founding, PASHA Bank and its subsidiaries have received numerous awards and accolades from prestigious international and domestic platforms.

## 2019

- "Best Bank in Azerbaijan" – EMEA Finance
- "Best Investment Bank in Azerbaijan" – EMEA Finance
- "Best Product Launch" – EMEA Finance

## 2018

- "CEO of the Year in CEE & CIS" – EMEA Finance
- "Corporate Social Responsibility in CEE & CIS" – EMEA Finance
- "Best Bank in Azerbaijan" – EMEA Finance
- "Best Investment Bank in Azerbaijan" – EMEA Finance
- "Best Private Bank" – Global Finance
- "Best Bank in Azerbaijan" – Global Finance
- "SAP Value Award" – SAP
- "Best Commercial Bank in Azerbaijan" – World Finance
- "Bank of the Year" – The Banker
- "Leading Bank in Non-Cash Payments" – Central Bank of Azerbaijan and Azerbaijan Banks Association

## 2017

- "Best Bank in Azerbaijan" – Euromoney
- "Best Bank in Azerbaijan" – EMEA Finance
- "Best Investment Bank in Azerbaijan" – EMEA Finance
- "Corporate Social Responsibility in CEE & CIS" – EMEA Finance
- "Best Bank in Azerbaijan" – Global Finance Magazine

## 2016

- "Best Bank in Azerbaijan" – Global Finance
- "Best Banking Group in Azerbaijan" – World Finance
- "Best Commercial Bank in Azerbaijan" – World Finance

## 2015

- “Best Banking Group in Azerbaijan” – World Finance
- “Best Private Bank in Azerbaijan” – World Finance
- “Best Commercial Bank in Azerbaijan” – World Finance
- “Best Bank in Azerbaijan” – World Finance
- “Best Bank in Azerbaijan” – EMEA Finance
- “Participant of the Year” – Azerbaijan Microfinance Association (AMFA)
- “Leading Company Promoting Gender Equality” – Azerbaijan Microfinance Association

## 2014

- “Best Bank in Azerbaijan” – EMEA Finance
- “Best Bank in Azerbaijan” – International Finance Magazine
- “Best Investment Bank in Azerbaijan” – International Finance Magazine
- “Best SME Bank” – International Finance Magazine
- “Best Investment Bank in Azerbaijan” – EMEA Finance
- “Best Private Bank” – World Finance (PASHA Bank Georgia)
- “Bank of the Year” – Caspian Energy Forum (PASHA Capital)
- “Best Broker in Azerbaijan” – EMEA Finance

## 2012

- “Best Investment Bank in Azerbaijan” – EMEA Finance
- “Best Bank in Azerbaijan” – BNE Survey
- “Best Corporate Social Responsibility (CSR) Program in Europe” – Europe Banking Awards

## 2011

- “Best Investment Bank in Azerbaijan” – EMEA Finance

# ABOUT THE REPORT

## **PASHA Bank has prepared its third sustainability report to disclose its consistent sustainability efforts for the information of its stakeholders.**

This is PASHA Bank's third sustainability report. The report is prepared to disclose the sustainability efforts of PASHA Bank in the period 2018-2019 for the information of its stakeholders. PASHA Bank is a leading actor in Azerbaijan's economy with its strong shareholder structure, broad capital base and widespread stakeholder engagement. In light of its ethical responsibility, PASHA Bank executes a holistic sustainability strategy that is composed of its economic, social and environmental activities. This strategy is designed to serve as a reference point for developing a sustainability ecosystem in Azerbaijani society. The PASHA Bank 2018-2019 Sustainability Report is prepared by taking international sustainability standards – such as the Global Reporting Initiative (GRI) 2016 Standards, Ten Principles of UN Global Compact and Equator Principles – into consideration.

The scope of this report only covers PASHA Bank's business activities in Azerbaijan. The Bank's regional operations in Georgia and Turkey are not included.

## **PASHA Group, the main shareholder of PASHA Bank, significantly contributes to the Azerbaijani economy with its subsidiaries.**

### **Subsidiaries of PASHA Group**

PASHA Bank  
 PASHA Insurance  
 PASHA Travel  
 PASHA Construction  
 PASHA Life  
 PASHA Capital  
 Kapital Bank  
 PASHA Investment

## **PASHA Bank has recorded solid financial and operational results guided by its vision and mission.**

### **Vision**

PASHA Bank's vision is to be one of Azerbaijan's leading banks that is committed to maintaining the highest ethical standards, a sound business reputation beyond reproach, world-class products and services, and exemplary financial strength.

### **Mission**

- contribute to the growth and development of customers' businesses by providing high quality innovative products, services and expertise tailored to their aspirations;
- build professional team by nurturing enabled, engaged and empowered people;
- remain dedicated to the sustainable economic development of the country and prosperity of society;
- create shareholder value, building a sound organization, which pursues arising opportunities, thoughtfully invests in strategic priorities and delivers sustainable financial results;
- remaining committed to transparent and prudent conduct of business.

### **Values**

- Integrity
- Quality
- Entrepreneurship
- Collaboration
- Profitability

### **Strategic Goals**

- Enhancing capital and organizational efficiency
- Strengthening core capabilities
- Expanding PASHA Bank's market position
- Bolstering customer service
- Creating synergies with the Group

**Sustainability Strategy of PASHA Bank**

**PASHA Bank has adopted a three-dimensional sustainability strategy designed to further boost Azerbaijan’s socioeconomic development.**

CSE Dimension	Sustainability Approach	Description
<p><b>We empower entrepreneurship</b></p>	<p>Clients for us</p>	<p>Aims to support SMEs, serve current customers and grow the customer base.  <b>Project Portfolio:</b></p> <ul style="list-style-type: none"> <li>• BARAMA Center</li> <li>• Business Class</li> <li>• Ideya Qazandi</li> <li>• Disappearing Crafts</li> </ul>
<p><b>We empower human capital</b></p>	<p>People for us</p>	<p>Aims to select and train the country’s best students and young people in order to attract them to the Bank as interns or employees.  <b>Project Portfolio:</b></p> <ul style="list-style-type: none"> <li>• PASHA Bank Scholarship</li> </ul>
<p><b>We empower capacity and good governance</b></p>	<p>Reputation for us</p>	<p>Aims to support the Bank’s reputation via various awareness-raising initiatives and events.  <b>Project Portfolio:</b></p> <ul style="list-style-type: none"> <li>• Business Journalism</li> <li>• Financial Literacy</li> <li>• Corporate Stakeholders’ Engagement</li> <li>• Business Confidence Index</li> </ul>

**Contributing to Socioeconomic Development**

### STAKEHOLDER ENGAGEMENT STRATEGY OF PASHA BANK

#### PASHA Bank provides special communication channels to benefit from stakeholder recommendations and boost interaction with its stakeholders.

PASHA Bank pays close attention to the opinions and concerns of the Bank's key stakeholders while evaluating strategic issues that the Bank faces. In addition, the Bank provides special communication channels to benefit from and boost interaction with its stakeholders. The Bank has designed the communication channels tailored for each of its stakeholder categories.

#### PASHA Bank's Stakeholder Mission

PASHA Bank serves its stakeholders by:

- Contributing to the growth of our customers by providing high-quality products and services tailored to meet our customers' needs;
- Employing, training and cultivating highly competent and dedicated personnel;
- Committing to the welfare and cultural development of society;
- Maintaining a strong financial position;
- Committing to the transparent and ethical conduct of business.

#### PASHA Bank Stakeholder Map

- Wider Banking Community (Associations)
- PASHA Group Companies
- International and Local Non-profit Institutions
- Employees
- Azerbaijani State Agencies
- Regulators
- Professional Groups
- Customers
- Management Team

#### Stakeholder Engagement Channels

- Company website
- Intranet and enterprise social networking channels
- Company website
- Advertising and Promotional Campaigns
- Newsletters/Magazines
- Business consultation platforms, round tables and workshops
- Employee engagement platforms
- Satisfaction Surveys
- PASHA Bank Business Confidence Index Survey

#### Memberships

- Azerbaijan Risk Professionals Association
- SME Banking Club
- Azerbaijan Micro-Finance Association
- British Business Group in Azerbaijan
- German-Azerbaijan Chamber of Commerce
- Azerbaijan Turkey Business Association (ATIB)
- French Chamber of Commerce
- Israel Chamber of Commerce
- Azerbaijan Banks Associations
- Factors Chain International

# MESSAGE FROM THE MANAGEMENT

## Seeing its sustainability journey as way to move its corporate structure forward into the future, PASHA Bank also took pioneering steps in digital transformation during the 2018-2019 reporting period.

PASHA Bank conducts its operations as a member of PASHA Group, one of Azerbaijan's leading business groups that drives the national economy with its sustainable growth. Besides recording successful financial and operational results, the Bank took major steps to take its corporate structure forward into the future in 2018-2019.

PASHA Bank has a particular focus on facilitating growth in Azerbaijan's non-oil sectors. The Bank's effective and efficient business operations in the 2018-2019 reporting period helped maintained its pioneering position in parallel with this mission. In fiscal year 2019, PASHA Bank reported net income of AZN 70 million and total assets of AZN 4.8 billion. The Bank expanded its total lending portfolio by 35% to AZN 1.8 billion. The Bank's corporate loan portfolio totaled AZN 1.67 billion, accounting for 18.5% of the corporate loan market. In 2019, PASHA Bank increased its corporate loan market share by 2.2 percentage points compared to 2018.

### Major Steps to Ensure Sustainability

Seeing its sustainability journey as way to move its corporate structure forward into the future, PASHA Bank also took pioneering steps in digital transformation during the 2018-2019 reporting period. In particular, the Bank focused on digitizing its entire business processes across the organization. Throughout 2018 and 2019,

PASHA Bank implemented and introduced various digital initiatives, including the country's first online bank account opening, video verification, online card applications and online POS terminal ordering. While undertaking efforts to further digitize its business processes, PASHA Bank has remained committed to its vision: "Contributing to the growth of our customers by delivering high-quality products and services tailored to meet their needs." By collaborating with sectors' leading institutions such as PASHA Life Insurance, PASHA Insurance and Kapital Bank, the Bank achieved most of its performance targets during the 2018-2019 report period.

### Sustainability Practices Focused on Risk Management and Cyber Security

PASHA Bank understands that effective risk management and cyber security are critical when digitizing banking processes. We successfully implemented major projects in these key areas – such as Fraud Assessment, Safe Operations Center and MDES/VTS – in the 2018-2019 period. PASHA Bank also executed the Risk Culture initiative in 2019. This effort helped the Bank to adopt a collective approach to risk management and decision-making across the organization. As a result, PASHA Bank significantly boosted its agility against risk categories. In addition, the Bank obtained Payment Card Industry Data Security Standard (PCI DSS) certification in accordance with the guidelines and requirements of the Payment Card Security Standards Society.

### "Healthy Organization" Approach to Achieving Sustainability

In its sustainability efforts, PASHA Bank has targeted creating a healthy organizational

structure. Alongside its banking operations, PASHA Bank is one of the top three employers of the real market. The Bank also ranks among the three major private sector employers in Azerbaijan's labor market. Employing a workforce of 885 at year-end 2019, PASHA Bank takes pride in being the top employer in Azerbaijan's non-oil sectors. As of 31 December 2019, women comprise 40.80% of the Bank's personnel.

**Taking Further Steps toward Sustainability**

Esteemed stakeholders, we hereby present you the Third Sustainability Report of PASHA Bank, a member of PASHA Group, one of Azerbaijan's largest business groups. We would like to express our sincere gratitude to all the stakeholders who supported our efforts throughout these years. Please remain assured in our utter commitment to create lasting and permanent value for Azerbaijan's growing economy and regional prosperity.

**Sincerely yours,**

**Mir Jamal Pashayev**  
**Chairman of Supervisory Board**

**Taleh Kazimov**  
**Chief Executive Officer and Chairman of the Executive Board**

# OUR FINANCIAL AND OPERATIONAL PERFORMANCE

**PASHA Bank maintained its successful operational and financial performance in the 2018-2019 report period despite the increasingly fragile economic environment.**

## Key Financial Highlights (consolidated, AZN million)

	2018	2019
Total Assets	4,706	4,814
Loans (net)	1,341	1,822
Deposits	3,880	3,641
Customer Time Deposits	972	1,552
Customer Current Accounts	2,908	2,089
Shareholders' Equity	449	483
Interest Income	173	199
Fee & Commission Income	32	47
Operating Profit	174	201
Total Operating Expenses	76	96
Net Profit	75	76

## Key Financial Ratios (%)

	2018	2019
Loans/Total Assets	28.5%	37.8%
Loans/Deposits	34.6%	50.0%
NPL Ratio	4.5%	2.5%
Demand Deposits/Total Deposits	75.0%	57.4%
Shareholders' Equity/Total Liabilities	10.5%	11.2%
Capital Adequacy Ratio	11.8%	11.9%

In parallel with its growing level of business activity, PASHA Bank further developed both its physical and digital service network in the 2018–2019 period.

#### Key Operational Highlights\*

	2018	2019	Change (%)
Employees	748	885	18%
Customer Base	162,823	245,875	51%
Branch Locations	9	10	11%
ATMs	30	30	0
Credit Cards	4,153	4,833	16%
Debit Cards	159,938	242,786	52%
POS	3,542	6,271	77%

#### Economic Value Generated and Distributed (AZN million)\*

	2018	2019	Change (%)
<b>Direct Economic Value Generated</b>	173,057	208,082	20%
a) Revenues**	173,057	208,082	20%
<b>Economic Value Distributed</b>			
b) Operating costs	35,342	52,372	48%
c) Employee wages and other benefits	31,074	34,315	10%
d) Payments to providers of capital	61,414	45,232	-26%
e) Tax payments	36,511	30,513	-16%
f) Community investments	-	-	-

\*These figures solely represent PASHA Bank business activities in Azerbaijan.

\*\* "Revenues" figures calculated as Net Interest Income + Non-interest Income based on separate IFRS figures.

# OUR CORPORATE GOVERNANCE AND RISK MANAGEMENT PERFORMANCE

## Supply Chain Policy

**PASHA Bank, Azerbaijan's best capitalized private bank, follows a special supply chain policy to expand its stakeholder map.**

PASHA Bank formulated its Supply Chain Policy in accordance with the Procurement Guidelines and Tender Procedures. In addition, the Bank's suppliers are unconditionally expected to comply with all applicable national legal and regulatory requirements as well as the Central Bank of Azerbaijan's rules and regulations. While PASHA Bank's procurement practices are designed to ensure universal, fair and transparent competition, the Internal Control Department is charged with preventing theft, fraud and similar issues.

## Full Compliance with the Central Bank of Azerbaijan's Standards and Adherence to International Best Practices...

As the country's leading bank, PASHA Bank bases its corporate governance system on the Central Bank of Azerbaijan's standards as well as international best practices and the Bank's internal Corporate Governance Policy. At PASHA Bank, strong corporate governance practices are recognized as critical to achieving sustainable growth.

To this end, PASHA Bank engages in the following:

- Organizes and implements a strategic planning process,
- Creates an efficient organizational structure,
- Carries out a comprehensive financial planning process,
- Implements efficient internal control and reporting systems,
- Establishes effective risk management systems,
- Develops reliable management information systems that enable the continuous flow of clear and adequately detailed information that reflects the Bank's current financial position and the status of its operations,
- Creates an internal audit function to enhance the efficiency of internal controls, establishes an internal audit strategy, and continually improves the internal audit function,
- Prepares precise guidelines to be followed by the Bank's stakeholders and executives to prevent and regulate conflicts of interest, and delivers the Bank's financial and operational results to all interested stakeholders in a timely manner,
- Provides correct, detailed and impartial information on the Bank's activities to all stakeholders in a timely manner,
- Ensures that executive staff place the Bank's interest ahead of their own personal interests,
- Takes measures to prevent deterioration in the Bank's financial position and reputation caused by anyone acting on behalf of the Bank,

- Adheres to International Financial Reporting Standards, complies with regulatory requirements and develops internal rules to reflect accounting and reporting procedures.

#### **Procurement/Compliance Supply Chain Policy (Vendor Onboarding Process)**

### **PASHA Bank is positioned as an impartial and politically neutral institution that does not participate in the financing of political parties and their related entities and individuals.**

To ensure efficient resource management, PASHA Bank centrally conducts its procurement, logistics, contract management, and planning processes. While this organizational structure enables optimization of supply chain management, the Bank's procurement staff focuses on improving their competencies and boosting their communication and relationship management skills. PASHA Bank's supply management approach aims to provide internal clients with required supplies and materials based on the principle "best value for the price," while ensuring comprehensive, fair and transparent competition. At the same time, this approach is designed to establish internal controls that help to eliminate theft, fraud, and other problematic issues.

PASHA Bank bases its supplier selection decision on the principles of transparency and equality. In addition, the Bank gives considerable importance to aspects related to the environment and health in its procurement process.

Impartial and Politically Neutral Institution... PASHA Bank is positioned as an impartial and politically neutral institution that does not participate in the financing of political parties and their related entities and individuals. The Bank

does not give institutional or financial support to the campaigns of political parties. Pursuant to the principle of full legal compliance, PASHA Bank expects suppliers to abide by applicable national laws as well as Central Bank rules and regulations. The Executive Board and the Bank's Tender Committee oversee purchase processes in general in addition to guiding and aligning procurement strategy with PASHA Bank's corporate strategy.

All potential vendors must carefully identify and accurately indicate the products or services offered. This ensures that vendors are correctly classified for invitations to tenders that are relevant to their business. When registering, all suppliers are subject to compliance checks. The Compliance Department conducts a third-party due diligence (DD) process. The basic aim of the Bank's DD is to "know your partner" (KYP). In operational terms, KYP means making appropriate inquiries to determine whether an entity's existing/potential third parties are transparent and honest.

#### **Effective implementation of the DD process includes the following steps:**

### **PASHA Bank is committed to conducting supplier relationships with objective performance measurement and in full compliance with legal and regulatory requirements as well as ethical standards.**

- Scope of Third Parties: Understanding the universe of third parties and which ones should be subject to DD.
- Third-Party Risk Assessment: Assessing the level of corruption risk associated with individual third parties. Key indicators here include: a) Geographic location; b) Industry; c) Background and identity of the third party; d) Connection with government officials or entities;

e) Connection with the organization itself; f) Selection of the third party.

- Due Diligence: Conducting risk-based anti-corruption DD. Three key elements to conducting thorough third-party DD are: a) Data collection; b) Verification and validation of data; c) Evaluation of results, including identification of red flags.
- Approval Process: In the contract approval process, PASHA Bank considers profitability to be a benefit for both the Bank and its customers as well as for the economy of the country as a whole.

For significant expenditure areas, procurement teams do not select a supplier simply based on price. Instead, they consider many other factors that affect the total cost of the item. These include customs clearance, training, maintenance, warehousing, and transportation costs.

PASHA Bank is committed to conducting supplier relationships with objective performance measurement and in full compliance with legal and regulatory requirements as well as ethical standards.

**Risk Management**

**Effective risk management practices are essential to PASHA Bank’s success.**

PASHA Bank’s risk management policy aims to ensure that the outcomes of risk-taking activities are consistent with the Bank’s strategies and risk appetite. The Bank’s approach to risk management is formulated to strike an appropriate balance between risk and reward in order to maximize shareholder returns.

A Strong Disciplined Risk Management Culture Effective risk management practices are essential to PASHA Bank’s success. Risk management is

widely recognized as one of the Bank’s strategic priorities. PASHA Bank has a strong, disciplined risk management culture where managing risk is a responsibility shared by all Bank employees. A key aspect of this risk management culture is diversification across business lines, geographies, products, and industries.

**Risk-based Management Approach**

**During fiscal years 2018 and 2019, PASHA Bank’s risk team focused on critical projects that significantly strengthened the Bank’s risk-based approach.**

PASHA Bank aims to ensure that the outcomes of risk-taking activities are consistent with the Bank’s strategies and risk appetite. The Bank’s approach to risk management is formulated to strike an appropriate balance between risk and reward in order to maximize shareholder returns. PASHA Bank’s enterprise-wide risk management framework provides the foundation to achieve these goals. This framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the local market where the Bank operates, including regulatory standards and industry best practices.

**Conducting Detailed Industry Research for Better Portfolio Management**

During fiscal years 2018 and 2019, PASHA Bank’s risk team focused on critical projects that significantly strengthened the Bank’s risk-based approach. These efforts were successfully implemented throughout the report period.

PASHA Bank’s key risk-related projects included: conducting detailed industry research for better portfolio management decisions, industry limits and counterparty limits; building the Bank’s own econometric models; developing a credit rating model; revising the lending cycle to reflect previously achieved goals; cascading RAS to the

business level; and introducing a model to manage risks related to investments.

#### **Industry Research Project Yields Industry Classification Guidelines**

Under the Industry Research project, PASHA Bank reclassified its loan portfolio according to new industry classification guidelines. The loan portfolio was back-tested based on new industry segmentation; consequently, each industry was assigned its own historical probability of default rating (PD), which was tested against Moody's global PD scale. In parallel, the risk block built the model to hedge industry exposure. Eventually, a hedging mechanism was developed only through overweighting or underweighting strong/poor performing industries. An industry limit methodology was developed; as a result, the Bank was able to set limits for industries.

Developed in late 2018, IFRS9 Impairment methodology was first time implemented at the year's end. Starting from first quarter 2019, IFRS9 Impairment Methodology was applied to daily management reporting in order to support informed decision making. In addition, the Risk Culture Transformation project was carried out and road maps were prepared for both quick wins and a long term RHI index improvement (Q1 2018 score 50; Q1 2020 score 62).

#### **Lending Cycle Optimization**

In 2019, PASHA Bank focused on developing its lending cycle process documentation. The necessary processes, policies, methodologies and procedures were developed in order to facilitate proper and flexible lending practices. Internal reporting is being automated and built in a more effective way.

The Risk Management team prepares quarterly reports for the Assets and Liabilities Committee with current trends in Azerbaijan's

macroeconomic situation. These macro reports guide the management in forecasting and assessing macro trends/conditions to better analyze and minimize risky decisions. Effective from 2018, PASHA Bank has used IFRS 9 impairment methodology in calculating loan loss provisions with international standards. This methodology incorporates forward-looking information, such as macroeconomic forecasts, in the expected credit loss models. In 2019, one of the main achievements was preparing the pre-provision net revenue (PPNR) model of PASHA Bank with the close collaboration of PASHA Holding. This model enables the Bank to forecast key macroeconomic factors for stress-testing purposes of the Bank's profitability and capital resilience under different scenarios. The output of the model is used in budgeting process and formulating strategy of PASHA Bank.

#### **New Idiosyncratic Models that Benefit from Developed Risk Management Techniques** **PASHA Bank's risk measurement techniques**

include the use of models and stress testing. The Bank uses models for a range of purposes such as estimating the value of transactions, risk exposure, credit risk ratings and parameters, economic and regulatory capital. The use of quantitative risk methodologies and models is balanced by a strong governance framework and includes applying sound and experienced judgment. Development, independent review, and approval of models are subject to formalized policies where applicable, including the oversight of credit committees. New approach modeling prepared by the risk block accounts for risk-based pricing and stress test tools allow the evaluation of different scenarios, in micro-trends, micro sensitivity to various macro shocks.

In 2019, PASHA Bank prepared new limit setting rules and methodology in order to assess the level of risk of the counterparty financial institutions

and countries. The new rule cascades the aggregate level RAS limits into tailor-made limits on the basis of ratings; as a result, the Bank is able to achieve its strategic objectives while adhering to its risk capacity. The market risk team also developed an interest rate risk management system to measure the possibility of a change in the asset's value resulting from the variability of interest rates. A new interest rate risk management tool – Net Interest Income at Risk – was developed in 2019. This tool measures the sensitivity of PASHA Bank's net profit to the change in interest rates. During the year, the team developed and automatized a model to calculate Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). In addition, the risk-based deposit portfolio analysis report was prepared in 2019. This report includes the analysis of the Bank's deposit portfolio compared to the whole banking sector and emerging trends in the banking sector. The report also measures customer and currency based concentration ratios, which are important in liquidity decision making process. During the year, the Bank also developed an IFRS 9 provisioning process for calculation of treasury portfolio provisions.

**An Integrated Operational Risk Management Approach**

PASHA Bank's operational risk management framework sets out an integrated approach to identify, assess, control, mitigate and report operational risks across the Bank. In 2018-2019, Bank conducted several huge projects in operational risk management together with consulting companies. The projects were designed to boost efficiency of risk identification, assessment, control and mitigation; promote proactive risk management; and increase risk awareness among Bank employees. The top 50 risks for PASHA Bank were identified and mitigation actions were estimated. One of the project lines were introduction of three line of defense approach.

- **First line: Business units**  
As the "creators" of risks, your bank's business units should take ownership of these risks and ensure that your bank's compliance standards reflect its board-approved risk appetite. Business units understand your bank's products and services better than anyone, so they're in the best position to develop processes, procedures, and controls (with input from risk management) designed to mitigate the risks associated with their activities.
- **Second line: Risk management**  
Your bank's risk management executive is responsible for overseeing the bank's risk-taking activities and working with business units. That involves developing policies and procedures, providing training, monitoring business unit activities, and reporting to management and the board.
- **Third line: Internal audit**  
Internal audit ensures that your bank's risk framework and internal controls are appropriate and effective.

Three pilot projects related to the first line of defense were launched during the year. PASHA Bank reviewed all processes from BPU on compliance with regulatory requirements by the Bank's operational risk management team at the same time that the regulatory catalogue for the Bank was created.

Starting from 2018-2019, calculation of the Risk Health Index (RHI) started on a quarterly basis. In 2019, the operational risk management team significantly boosted the Bank's RHI score.

The Risk Culture initiative was launched in 2019 to raise risk awareness among all Bank employees.

### Internal Auditing and Compliance

**The Compliance Department at PASHA Bank provides ongoing specialized employee training programs at regular intervals, in particular for staff members who have direct contact with the Bank's clients.**

#### Compliance

PASHA Bank's Compliance Department oversees the compliance of the Bank with local and international laws, rules, regulations and standards. New laws and any changes to existing ones are implemented and applied within the Bank by the Department. In collaboration with Internal Audit, the Compliance Department supervises the proper execution of these various procedures.

#### Money Laundering (ML) and Terrorist Financing (TF) Monitoring at International Standards

The Compliance Department at PASHA Bank provides ongoing specialized employee training programs at regular intervals, in particular for staff members who have direct contact with the Bank's clients. These trainings are designed to help employees recognize indicators related to money laundering (ML) or terrorist financing (TF) and give them instructions on how to proceed. For any newly hired professional staff member, PASHA Bank provides basic training to raise awareness about the Bank's anti-money laundering/counter-terrorist financing (AML/CTF) policy as well as relevant legal and regulatory requirements.

#### Building an Effective Reporting Line with Senior Management

The internal audit function enhances and protects the Bank's value. Internal Audit provides risk-based, objective and independent assurance of the effectiveness of the Bank's risk management, internal control and governance processes. By building an effective reporting line with PASHA Bank senior management, Internal Audit timely

informs which risks have been evaluated and highlights where improvements are necessary. During the 2018-2020 period, Internal Audit focused on assessing the effectiveness and efficiency of the Bank's risk management and governance systems in the context of both current and potential future risks; ensuring the reliability and integrity of management information systems and processes; monitoring the Bank's compliance with applicable laws, rules and regulations; and safeguarding the Bank's assets.

#### Decisive Efforts to Achieve International Compliance

PASHA Bank's business activities are executed in accordance with Financial Action Task Force (FATF) recommendations, Basel requirements and international standards. To ensure the proper conduct of such activities, the Bank has developed a risk-based AML/CTF program, which includes written AML/CTF policies and procedures, a KYC program, processes to conduct ongoing monitoring, reporting of suspicious transactions and record-keeping.

The Bank has been subject to external auditing of its international compliance by four highly reputable accounting firms in keeping with its goals. As a result, a remediation plan was created to ensure more comprehensive conduct of the Bank's business activities in accordance with international rules and standards.

#### Fully Compliant with FATCA

PASHA Bank conducts its operations in full compliance with FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) requirements. In keeping with its goal of becoming a regional player, the Bank places particular importance on transparency and compliance with international standards. Periodic reports are submitted to the Ministry of Taxes in full compliance with applicable requirements.

# OUR CUSTOMER RELATIONS PERFORMANCE

**PASHA Bank is executing a digital transformation in order to boost customer satisfaction. Capitalizing on the latest technological advances, the Bank implements many technology-based projects across the organization.**

## **Digital Transformation to Boost Customer Satisfaction**

**HOP Integration (Customs):** PASHA Bank integrated its POS-terminals with Azerbaijan's customs system through the HOP channel. This integration made it possible for Bank customers to pay customs fees online by entering the declaration number. Customers also have the option to pay for the declaration in the customs system via PASHA Bank POS terminals.

**In-Flight:** This innovative feature allows Bank customers to pay for goods on board aircraft offline when there is no network coverage.

**Installment:** PASHA Bank introduced the option for customers to pay for shopping purchases by installment payments in its POS terminal network. Flexible functionalities provide the ability for member merchants to quickly implement and modify promotional campaigns.

**MultiBanking POS Platform:** The Bank implemented the technical capability to connect other banking institutions to its POS terminal network and use all functionality developed by PASHA Bank.

**Smart-Cash:** PASHA Bank introduced the ability to combine a payment terminal and cash register in one device – a first in Azerbaijan. With this option, Bank merchant customers save money and time spent on the purchase, connection and support of cash register equipment.

## **Synergy POS Functions – Make Purchases**

**Using Bonus, Installment, Cashback:** As part of its synergy efforts with Kapital Bank, PASHA Bank implemented the capability on its POS terminals to process bonus payment functions, installment payments, and cashbacks.

**Mobile Finance Service (MFS):** PASHA Bank was the first in the market to achieve systems integration with Azercell, a leading telecommunications provider, to enable payments using the number balance.

- **E-gov Integration:** PASHA Bank integrated its systems with Azerbaijan's electronic government portal to facilitate online onboarding and salary payment for customers. As a result, customer onboarding, processing of customer data via online platforms and issuing customer cards became much more efficient.

**Paperless Cards:** PASHA Bank introduced the functionality of issuing cards without paper PIN envelopes. As a result, personal identification numbers are generated on all cards issued by the Bank using digital capabilities on the part of the client.

**Miles & Smiles:** PASHA Bank, together with Turkish Airlines, launched the Miles & Smiles product, where customers can accumulate air miles when paying with these special cards. Cardholders then use these accumulated miles to purchase airline tickets.

**Flexicapture:** The Banking implemented this innovative software which allows automatic entry of payment data into the main banking system by Smartscan function, without user intervention. Payment orders that comply with the

requirements of this software provide faster and less risky execution of payments.

**National Depository Center Project:** PASHA Bank participated in a new effort related to clearing and settlement of securities and derivative financial instruments as an operating agent.

#### **Digital Lab to Deliver Cutting-Edge Business Solutions for Customers and the Bank's Employees**

As an institution that defines trends for the industry, PASHA Bank created a unique unit – Digital Lab – to deliver cutting-edge business solutions for customers and the Bank's employees. PASHA Bank already boasts an extensive array of online services available to its customers through its mobile application and online banking platforms.

PASHA Bank's digitalization strategy is focused on developing additional innovative products and services. In its first year, the groundbreaking Digital Lab enhanced the Bank's digital channels and offerings. Today, PASHA Bank's advanced channel platform and micro services link core processing components and front-end channels. This approach provides the capability to develop online banking channels for all customer segments. In PASHA Bank's development strategy for 2018–2020, the main goal is to transfer over 90% of Bank customer operations to online and self-service channels.

#### **Digital Banking 2018 – Getting Established**

In 2018, PASHA Bank focused on two main areas in digital banking: establishing Digital Lab and developing new digital products.

During the year, PASHA Bank recorded the following achievements under the Digital Lab project:

- Created a Digital Lab ecosystem with

innovative and advanced design features;

- Launched the first four cross-functional Agile teams (squads) to develop digital products and solutions;
- Engaged international consultants to help establish Agile software development governance;
- Ensured that starting in 2019, Digital Lab will be local talent driven;
- Formulated the necessary rules and procedures for effective teamwork and co-operation within Digital Lab (Blue Book);
- Rolled out new online banking for corporate, commercial and SME segments on a limited basis – 543 active customers were migrated to the new platform.

#### **Digital Banking 2019 – Up and Running**

In 2019, PASHA Bank recorded the following achievements under the Digital Lab project:

- Launched the region's first automated Onboarding and Online Account Opening product for customer use with 4,427 accounts opened online by 2,164 new clients since January 2019;
- Conducted a significant proportion of Bank operations online: 91% of account openings, 97% of payments, 85% of salary cards, 51% of new POS terminal deployments, 80% of credit line prepayments, 70% of credit line transactions;
- Introduced both first and additional account opening online and rolled out online statements;
- Created video customer verification, eliminating the need to visit a physical branch;
- Rolled out internal, local, international, FX, bulk payments online;
- Enabled online ordering for POS terminal with 564 devices ordered, 522 installed from September 2019; process includes signing contract online and receiving the terminal on same day of order;
- Launched the first and currently Azerbaijan's only online salary cards order service, with 37.8 thousand salary cards ordered online since April 2019;

- Shortened the card preparation process by reducing the time and documentation required;
- Launched full online credit line disbursement and prepayment, and partial online loan prepayment.

At year-end 2019, PASHA Bank had six Agile squads up and running: Onboarding, First Account Opening, Payments, Cards, Acquiring, and Loans.

Based on December 2019 data, PASHA Bank conducts 87% of corporate and SME operations via its current online banking platform. These impressive figures reflect the Bank's mission: Driving innovation and delivering a superior customer experience while improving the employee experience.

### **Digital Banking 2020 – Generating Value**

In 2020, PASHA Bank plans to transfer the market ready digital products from Digital Lab to SME Banking by dividing them into two main groups: SME Non-interest Products Stream and SME Digital Stream.

The SME Non-interest Products Stream aims to be the most reliable partner to SMEs providing tailored daily banking services to assist them in growing to the corporate level. PASHA Bank's SME Non-interest Products Stream consists of four squads: Accounts & Payments, Digital Platform, Issuing and Acquiring.

To achieve this vision, the stream will provide a digital platform for busy small and medium enterprise owners. This digital platform will enable SMEs to apply for daily banking services, delegate workload via an online permission system, build up their business profile, access all operational history, sign banking contracts, receive new product information, and review tariff options in a single location. PASHA Bank will boost revenue

by targeting clients with an accurate customer profile and life cycle, prevent manual errors thanks to E2E online CJM of SME clients, easily maintain accurate customer information and conduct effective risk assessment. The Bank will have easy access to the SME digital platform for future reference and needs. In addition, the platform will facilitate building an SME ecosystem that can easily transform into a banking marketplace. The SME digital platform will also serve as a potential client base for the Bank's credit and cash management products.

The SME Digital Lending Stream aims to provide SME clients with fast and simple solutions to their business financing needs, for liquidity or general commercial purposes. This stream targets conquering satellites of the Bank's CIB clients with digital cash loans.

PASHA Bank's SME Digital Lending Stream consists of three squads: Attract, Apply and Decide. Implementation of this effort is jointly underway with Boston Consulting Group. The first MVP is expected in May 2020.

In the coming year, Digital Lab also plans to focus on formulating its vision and developing innovative products for PASHA Bank's retail customers, including a new mobile banking application.

# OUR HUMAN RESOURCES PERFORMANCE

**PASHA Bank offers a wide range of personal and professional training opportunities to its employees in order to maintain high levels of productivity and efficiency.**

In response to the liberalized and competitive banking environment, PASHA Bank sees human capital as a critical component to maintaining its successful track record. The Bank formulated its Human Resources Policy to boost the productivity and effectiveness of employees in light of the Bank’s vision, mission, and goals. The Bank’s human resource planning, recruitment, selection and training activities are designed to attract, develop and retain the best personnel to meet PASHA Bank’s strategic business objectives.

### Human Resources Profile

#### 2019

Gender	Number	Percentage (%)
Male	524	59.2%
Female	361	40.8 %
<b>Total</b>	<b>885</b>	<b>100.0%</b>

Annual Employee Turnover Rate: 10.21%

In 2019, 224 new staff members joined PASHA Bank’s workforce.

#### 2018

Gender	Number	Percentage (%)
Male	449	60%
Female	299	40 %
<b>Total</b>	<b>748</b>	<b>100.0%</b>

In 2018, 249 new staff members joined PASHA Bank’s workforce.

### Strong Support to Gender Equality

#### Gender Breakdown of New Staff – 2019

Gender	New Hires	Percentage (%)
Male	142	63.4%
Female	82	36.6 %
<b>Total</b>	<b>224</b>	<b>100.0%</b>

### Comprehensive Rights and Extensive Opportunities for Employees

PASHA Bank’s Recruitment Policy complies with international standards described in the UN Human Rights Declaration and other conventions. The Bank does not take gender, marital status, race, and color into consideration during the employment process. PASHA Bank conducts this process in light of objective criteria, such as relevant skills and experience, in order to sustain the competency-based harmony of its organizational structure.

### Expatriate Contribution to the Organization

PASHA Bank also employs expatriate staff members in its welcoming, multicultural work environment. The Bank adheres to the spirit and letter of all applicable Azerbaijani legislation, protects children against the practice of child labor, and embraces other key salient issues. As a reflection of its global vision, the Bank closely monitors, adopts and integrates international human resource trends into its corporate structure as deemed appropriate.

All Bank employees are entitled to receive extensive benefits in addition to a monthly salary, as summarized below.

**Employee Loan**

PASHA Bank employees may receive a credit line with discounted interest rates based on their work experience.

**Educational Loan**

Bank staff may benefit from an educational loan in order to finance their post-graduate education.

**Medical Insurance**

PASHA Bank personnel receive health and medical insurance from the first day of employment at the Bank. Health insurance is offered to Bank employees and members of their family.

**Physical and Mental Well-being**

PASHA Bank employees receive a physical (fitness) and mental (life coach) well-being benefit every year.

**Fostering Women’s Employment**

PASHA Bank actively supports the employment of women to contribute to the sustainable development of Azerbaijani society. Today, 40.80% of the Bank’s total workforce are women. The Bank provides extensive opportunities for female employees to develop their personal and professional competencies.

**Representation of Women Employees at Different Occupational Levels**

**2019**

Position	Number	Percentage
Managerial	39	10.8%
Non-managerial	322	89.2 %
<b>Total</b>	<b>361</b>	<b>100.0%</b>

**Professional Training Activities to Maintain Productivity**

PASHA Bank offers extensive training courses for its employees to ensure that they can perform effectively and at the highest quality level. In line with its sustainability strategy that is focused on achieving long-term targets, the Bank’s professional training activities are systematized.

**Ongoing Training Activities to Manage Risk and Opportunities**

In return for ongoing training initiatives, PASHA Bank provides opportunities for employees to gain the knowledge, skills and qualifications they need to advance professionally and personally. The Bank’s outstanding training programs are designed to help the staff reach their full potential and ensure that they will be equipped to successfully face the new, more complex challenges of the future.

Types of Training	Number of Trainings
<b>Professional</b>	232 (Trained Participants)
<b>Soft Skills</b>	768 (Trained Participants)
<b>Internal Trainings</b>	36 (Trainings)
<b>Computer Skills</b>	140 (Total Participants) (7 Internal Trainings in Development Skills, 75 Individual Development Plans)
<b>Number of Leaders Trained</b>	105 (Leadership Training Participants)
<b>Internal Knowledge Sharing Sessions</b>	120 (Participants)
<b>Experience Exchange Programs in Foreign Banks</b>	29 (Participants from IT, HR, Risk Management, Sales)

**Top Training Subjects – 2019**

- Seven Habits of Highly Effective People – Franklin Covey
- Five Choices to Extraordinary Productivity – Franklin Covey
- Emotional Intelligence
- Stress Management
- Advanced Negotiation Skills for Salespersons
- Train the Trainers Program
- Project Management for Delivery Managers
- Enhanced Leadership Program (Continued for Leaders in 2019)

In 2020, the Human Resources Department plans to administer a training program that supports the new strategic initiatives of the PASHA Bank 2020 Strategy. Additionally, the Department conducts its periodic performance reviews and appraisals each year.

**Internal Communication Activities**

**PASHA Bank utilizes advanced corporate communication channels to motivate employees and boost its organizational capabilities.**

1. PASHA Bank has continued its tradition of CEO Breakfasts, where the Bank’s CEO meets junior staff members for an exchange of ideas and views. The meetings held in 2018-19 took place both in Baku and at the Bank’s Azerbaijani regional offices. Thanks to this effort, over 50 suggestions on optimization and improvement of business processes put forward by junior employees were considered by various functions in the Bank and successfully implemented.

2. Communication Efforts:

- To improve both vertical and horizontal communication, the cascade communications

process was developed and adopted at the Bank. This approach bolsters the relationship between managers and their direct subordinates by pushing information throughout the organization – from top executives to supervisors and managers to workers on the frontlines.

- The cascade communications process also helps to send information up through the organizational structure, creating a dynamic, two-way information flow that drives vital information and gives employees an effective voice in the workplace.
- The Bank actively supports cross-functional communication between various segments of the organization.

3. Members of the PASHA Bank Executive Board continue to implement their personal internal communications plans. These include Employee Achievement Recognition, informal team building activities, formal mentoring and coaching sessions with functions under their direct supervision, among other activities.

4. To increase the involvement of employees, the Bank organizes various events with the participation of the families of personnel, as well as various sports and activities involving Bank staff.

5. PASHA Bank conducted its next Organizational Health Index (OHI) survey.

This survey is different in its design and depth from standard research-centric surveys by focusing on how PASHA Bank employees work and shedding light on the Bank's cultural foundations as a corporate entity. The Bank strongly believes that this study reveals its core cultural strengths as well as development needs in its way of thinking, execution, leadership and corporate values.

More on OHI: <https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index>

# OUR ENVIRONMENTAL PERFORMANCE

**PASHA Bank, the most capitalized privately owned bank in Azerbaijan, dedicates a significant amount of its budget to ensure efficient usage of natural resources.**

PASHA Bank sees environmental sustainability activities as an integral part of its core banking operations. The Bank expends great efforts to adapt its environmental framework to international standards as well as to Azerbaijan's legal and regulatory framework. PASHA Bank engages in a wide range of activities geared toward mitigating its impact on the environment.

## **Advanced Technology Infrastructure to Manage Total Electricity and Water Consumption**

In parallel with the steady growth of its operations, PASHA Bank implements an advanced technology infrastructure throughout its branch network and at its headquarters in order to effectively manage total electricity and water consumption. The Bank also provides special training for staff members to increase environmental awareness among the workforce and other stakeholders. In addition, PASHA Bank continues to invest in noncash payment and internet banking technologies to reduce the use of natural resources and contribute to environmental sustainability efforts.

## **Recycling Practices for Efficient Usage of Resources**

PASHA Bank's recycling practices stand out within its environmental sustainability efforts. Although to date Azerbaijan has lacked a developed recycling industry, the Bank has decisively established its own recycling infrastructure. PASHA Bank recycles vehicle batteries, in addition to collecting waste papers and disposing of electronic equipment.

The Bank covers the cost of this effort as a part of its environmental responsibility.

As a result of its expanding operations, PASHA Bank implements effective strategies that optimize the consumption of materials to produce the Bank's core products and services.

## **Total Weight of Materials (e.g. paper, toner) Used to Produce Core Products and Services (Tons)**

2019

9.5

2018

11.9

## **Environmental Highlights**

	2018	2019
Energy Consumption (KWh)	2,555,960	2,658,613
Water Consumption (Tons)	5,800	7,199

### **Combating Climate Change**

#### **The Bank is an active supporter of the global effort to combat climate change.**

PASHA Bank is focused on reducing the CO2 emissions generated from its business activities. The Bank is an active supporter of the global effort to combat climate change. In addition to controlling the air conditioning systems and generators in its office space, PASHA Bank takes steps to curb carbon emissions related to its transportation activity. To reduce CO2 emissions, the Bank implements the following practices:

- Fuel economy standards were introduced resulting in a yearly bonus for drivers who save on fuel.
- The Bank's vehicle fleet was downsized.
- Old model vehicles are sold, while new eco-friendly vehicles are procured as replacements.
- Electricity power lines are upgraded to lessen power cuts and reduce the use of generators.
- Operating practices are improved to combine goods received from different suppliers and cut shipping costs.
- Drivers are instructed to improve driving practices and vehicle maintenance.
- Practical measures have been implemented to reduce air travel by staff.

# OUR SOCIAL RESPONSIBILITY PERFORMANCE

**Since 2015, PASHA Bank has shifted from a traditional model of corporate social responsibility to a more contemporary approach of stakeholder engagement.**

Drawing on its robust capital structure and long-term sustainability strategy, PASHA Bank greatly values social responsibility. The Bank focuses on active involvement in the communities where it operates. Since its founding, the Bank has played a proactive, cooperative and collaborative role in society. PASHA Bank aims to help ensure the well-being of the Azerbaijani people and make the country a better place to conduct and develop business.

**A Contemporary Approach to Stakeholder Engagement**

In today’s volatile and rapidly globalizing world, an entity and its stakeholders should go hand in hand to ensure sustainable, long-term growth. To this

end, PASHA Bank has shifted from a traditional model of corporate social responsibility to a more contemporary approach of stakeholder engagement since 2015.

Three dimensions underlie each aspect of PASHA Bank’s corporate stakeholder engagement approach:

- **We Empower Entrepreneurship.**
- **We Empower Human Capital.**
- **We Empower Capacity and Good Governance.**

PASHA Bank believes that sustainable growth is possible by building quality, long-term relationships with our customers, continually improving our products and services, boosting the efficiency of our business processes, and investing in the wider community.

**Sustainability Strategy of PASHA Bank**

CSE Dimension	Sustainability Approach
We empower entrepreneurship.	Clients for us
We empower human capital.	People for us
We empower capacity and good governance.	Reputation for us

**WE EMPOWER ENTREPRENEURSHIP**

PASHA Bank sees entrepreneurial activity as critical to Azerbaijan’s social and economic development. As a result, the Bank aims to support the SME sector, by effectively serving current customers and growing the customer base in this segment. PASHA Bank organizes seminars, forums and other events for its small and medium enterprise clients that lack the resources to attend or send their employees to various capacity and skills-building trainings. The Bank’s recent activities in this area include a “Trade Financing” seminar for SME clients and a forum on “Transparency of Access of Small and Medium-sized Businesses to Financial Markets: Current Situation and Perspectives.”

To support government efforts to foster a cashless economy, PASHA Bank also conducts various activities targeted at meeting the evolving demands of customers in the digital age.

**“New Heights Together” with Customers**

In 2019, the Bank participated in the MainTech Innovations and Technologies Forum and the To the Digital Reality Conference. In addition, technology related seminars were conducted by local professional trainers at PASHA Bank’s Business Support Centers and at the Barama Innovation and Entrepreneurship Center. These efforts are also in line with PASHA Bank’s brand promise of reaching “New Heights Together” with customers.

**Project Portfolio of PASHA Bank’s Exemplary CSR Approach**

**PASHA Bank implements projects to integrate Azerbaijani society with the global economy.**

**Support for the Azerbaijan’s Start-up Ecosystem**

Barama Innovation and Entrepreneurship Center was established by Azercell Telecom in 2009.

PASHA Bank has supported this Center jointly with Azercell since 2015.

Barama Center’s main innovation areas include Innovation Laboratory, Business Incubator & Entrepreneurship Support, and Business Solutions & Partnerships. The Center provides extensive support to start-up projects and functions as a business incubator. To date, the Center has hosted more than 450 events, received over 4,200 applications and helped launch more than 65 successful start-ups.

Barama Center has played a leading role in establishing four technology companies, one of which was incorporated in Virginia (USA). In addition, representatives from Center-supported start-ups have traveled to Silicon Valley, California to advance their projects.

**Extensive Technology Opportunities for Start-Up Projects**

Barama Center provides extensive technological opportunities as well as advisory in the areas of law, business development and finance for start-up projects. The Center’s myriad events include Seedstars Baku – Global Start-up Competition, Hackathon series, Junior Coding Kids – IT Summer School as well as workshops, seminars, forums and training. In June 2017, a second Barama Center was opened in the city of Ganja. A third location opened in Lankaran city in 2019. Barama Center plays a significant role in fostering the start-up ecosystem in Azerbaijan, encouraging the pursuit of technology by the nation’s youth and diversifying the economy – all goals that PASHA Bank actively supports.

**Business Class: Increasing the Entrepreneurial Capacity of Small Enterprises**

The Business Class project launched in 2013 with the aim of expanding the entrepreneurial

capacity and skills of small and medium enterprises operating in non-oil sectors via educational seminars conducted by highly experienced industry professionals.

In 2019, PASHA Bank began documenting and sharing the success stories of its customers that started and grew their businesses with the Bank's involvement. This addition to the Business Class project allows the Bank to share the success of its SME customers with the wider community. These success stories also demonstrate how Business Class helps SMEs to grow and develop with PASHA Bank's support.

#### **Creative Hub for Social Entrepreneurship**

In 2018, United Aid for Azerbaijan (UAFA), with support from PASHA Bank, established Creative Hub to foster social entrepreneurship in Azerbaijan. Creative Hub aims to provide a platform for social innovation where knowledge, ideas and best practices meet to find solutions for development challenges in the socio-economic context. Creative Hub is a place where social entrepreneurs, innovators and for- and not-for-profits can come together and work to build a sustainable future for low-income communities.

In 2019, UAFA in conjunction with PASHA Bank moved Creative Hub forward by connecting with different actors to promote social enterprise and build a wider platform.

To this end, UAFA launched the CHED program – a training course in Childhood Health, Education and Social Development – in partnership with Georgetown University. JOY Child Development Centre is involved as one of the sites for the mentoring phase, so that participants can observe how they work with children.

Due to UAFA's rising profile and growing experience in social enterprise via Creative Hub, individuals and

organizations are increasingly approaching UAFA for support to help them establish their own social enterprises.

In 2019, UAFA launched "Mektebim," an incubator program under Creative Hub, to foster inclusive pre-school development in Azerbaijan's regions. This effort aims to empower women to become small business owners and operate pre-schools in their community, with UAFA serving as the incubator. Forty women received training in basic business skills to convert their pre-school into a small business. Additional financial support is helping the program to grow to new regions. Discussions have been held with KOB State Agency and Ministry of Labour & Social Protection to partner in Mektebim's expansion. Plans are now underway to broaden the innovative program's reach in 2020.

## **WE EMPOWER HUMAN CAPITAL**

PASHA Bank considers human resource development as another critical component to advancing Azerbaijan's economy and society. The Bank undertakes various efforts to select and train the country's best students and young people in order to attract them as interns or employees.

### **Project Portfolio of PASHA Bank's CSR Approach**

#### **Partnership with School of Information Technologies and Engineering (SITE) at ADA University**

Since 2018, PASHA Bank has partnered with ADA University's School of Information Technologies and Engineering (SITE). This partnership aims to foster human capacity development and institutional capacity building by enhancing and strengthening Azerbaijan's ICT (Information and Communication Technologies) ecosystem. This effort's overarching objective is to boost the domestic ICT ecosystem's sustainability and competitiveness.

SITE was established in 2012 with the mission of preparing a critical mass of high-caliber computing specialists and engineers, who will facilitate the nation's advancement to a knowledge-based economy. With initiatives in big data research and training, as well as techno-entrepreneurship, in addition to ADA's three focused study programs, SITE graduates will also be able to use the power of computing technologies in changing lives for the better across the region and globally.

**Scope of Cooperation between PASHA Bank and ADA University**

The collaboration includes the following components that are strategically aligned with PASHA Bank's mission and that of ADA University.

Student Development and Support – Facilitates the development of future ICT human capital in a wide range of related disciplines at SITE: Computer Science, Information Technologies, Computer Engineering and Systems Engineering. This effort enables gradual supply to the marketplace of a quality pool of junior specialists in the disciplines needed to propel forward the ICT sector in Azerbaijan and the region.

a. Undergraduate Scholarships – Funds meritorious or needy students pursuing undergraduate education at SITE by paying their tuition, fees and related expenses.

Twice a year, ADA awards merit-based Academic Excellence Scholarships to students, according to their performance i.e. cumulative GPA at the end of the previous semester. In the Spring 2018 semester, 56 SITE students qualified for this award in three categories: 100%, 50% or 25% waiver of the tuition fee.

b. Startup Grants – Provides initial seed grant for 10 prospective student startups supported by the

ADA Innovation Center. This effort provides an additional opportunity for PASHA Bank officials to run a training session for student startup teams and to address the students during the annual ADA Ideation Competition.

c. Internship/Graduate Recruitment – Provides opportunities for SITE students to intern at PASHA Bank and for new graduates to secure employment with the Bank.

PASHA Bank also arranged events where students had the opportunity to meet with the Bank's top management. These meetings allowed senior Bank representatives to share the strategic vision and perspectives of the local financial and digital ecosystem and encourage student attendees to build their careers in Azerbaijan.

**“Shaping the Future” CEO Meeting with ADA Students**

On November 25, 2019, a group of PASHA Bank employees held an interactive meeting with ADA students. The Bank's Chairman and CEO participated in the event.

Taleh Kazimov, PASHA Bank Chief Executive Officer, delivered an inspirational speech on the theme “Building the Future Together,” generating great interest among student attendees. Mr. Kazimov also held a Q&A session at the event. Students who prepared the most insightful and thought-provoking questions were invited to attend mentoring meetings with the Chairman and members of the Board of Directors.

**CEO Coffee Talks with Top Students**

On December 14, 2019, Bahruz Naghiyev, member of the PASHA Bank Executive Board Board, met with ADA University students as a part of the CEO Coffee Talks series. Mr. Naghiyev shared his success story with the students, including how he began

his career, what challenges he faced and how he arrived at his current position. Students took an active part in the meeting and asked numerous questions during the motivational session.

## WE EMPOWER CAPACITY AND GOOD GOVERNANCE

PASHA Bank sees capacity building and good corporate governance as essential to furthering Azerbaijan's economic and social development. The Bank aims to enhance its reputation by supporting various awareness-raising initiatives and events in this area.

### Business Confidence Index

#### Business Breakfasts for Industry Leaders

Pursuant to its commitment to support the sustainable development of Azerbaijan's economy, PASHA Bank has conducted the Business Confidence Survey among the Bank's customers on a quarterly basis since 2017. The Business Confidence Index (BCI) is based on enterprises' assessment of production, orders and inventory stock, as well as its current position and expectations for the immediate future.

The Business Confidence Index serves as an indicator providing information on future developments. The index is based on opinion surveys from enterprises across different industries.

After two years of conducting the survey, PASHA Bank has collected enough data from diverse business segments to obtain a broad picture of local business trends. The Bank also receives real time feedback on the survey, questions, and customer needs. The Business Confidence Index bolsters PASHA Bank's reputation as a leading financial institution in Azerbaijan.

### Modernizing the Educational System in Azerbaijan

PASHA Bank supports Junior Achievement Azerbaijan by co-sponsoring the "Entrepreneurship for Youth" program established by the European Union. The program is executed in four stages in close cooperation with the Ministry of Education. These stages include development of high-quality content, teaching resources and tools for delivery of entrepreneurship education and financial literacy based on Junior Achievement programs; capacity building and teacher training; piloting/testing (student training) and evaluation; preparation of the policy briefs and recommendations for integration of entrepreneurship education and financial literacy into the educational curricula through application of best practices.

In 2019, Junior Achievement Azerbaijan organized numerous trainings under the "Entrepreneurship for Youth" initiative, co-funded by the European Union and PASHA Bank. The trainings were designed to enhance teachers' knowledge and skills on entrepreneurship education by introducing creative teaching methods and techniques based on the European experience.

In total, 45 teachers from 17 secondary and vocational schools in Baku were invited to participate in the four-day training sessions. The training was performed by Epp Vodja and Aliona Bostan, experts from Junior Achievement Estonia.

The trained teachers will conduct instruction on entrepreneurship in schools during the 2019-2020 academic year.

### Digital Transformation & Innovations in Government

#### Two-Day Training on Digital Transformation for High Level Public Officials by Skolkovo Business School

In 2019, PASHA Bank in conjunction with the State Agency for Public Service and Social Innovations, under the Presidency of the Republic of Azerbaijan, initiated training on “Digital Transformation & Innovations in Government.” The training program targeted a wide range of senior representatives from various government agencies and enterprises. The trainers were subject matter experts from Russia’s Skolkovo Innovation Center (Skolkovo Business School) and Switzerland’s St. Gallen University.

The two-day training aimed to improve digital skills of high-level government representatives who are responsible for innovation development issues. Another goal of the program was to raise awareness on the latest developments in digitization and advanced technology, digital transformation and innovation management.

#### **Trade Finance and Financial Crimes Compliance Workshops**

PASHA Bank partnered with US-based Bankers’ Association for Finance and Trade (BAFT) to deliver two workshops for the benefit of the business community.

The BAFT Trade Finance Workshop aimed to give attendees hands on training in letters of credit, trade compliance, Incoterms and other trade products. The workshop was approved for 6.0 CAMS credit for CAMS re-certification and 5.0 Continuing Professional Development (CPD) credits for CDCS re-certification.

The BAFT Financial Crime Compliance workshop covered key regulatory requirements and developments in combating financial crime. Other topics included sanctions, global trends, FCC framework, KYC/CDD/BO, and more.

#### **SUPPORT TO SUSTAINABLE ECONOMIC DEVELOPMENT**

**PASHA Bank organizes and conducts various training initiatives to improve the business management, governance and financial literacy of entrepreneurs who operate small and medium-sized enterprises.**

PASHA Bank aims to advance the social and cultural development of Azerbaijan while adding value to its stakeholders. Since 2016, the Bank has shaped its Corporate Stakeholder Engagement (CSE) around these objectives. PASHA Bank organizes and conducts various training initiatives to improve the business management, governance and financial literacy of entrepreneurs who operate small and medium-sized enterprises.

#### **Evolution of Corporate Social Responsibility Approach**

- 1.0: CSR is used purely as a marketing and public relations tool. These philanthropic initiatives are conducted with the aim of improving the reputation of a company. CSR is known as a tool that is “paying the bill.” Since the initial CSR concept took a superficial approach to the idea of responsibility to society, it was not deemed sustainable over the long term.
- 2.0: CSR is not only about “paying the bill” for philanthropic efforts. Companies started forming strategic partnerships with charitable organizations and societies. However, CSR still remains a conservative tactic to manage risk.
- 3.0: The concept of integration and shared value has been developed further. CSR is no longer merely a tool to reduce risk. CSR has become a strategy that creates value for the company and society and protects this value.

## OUR SOCIAL RESPONSIBILITY PERFORMANCE

### **PASHA Bank CSR 3.1: Corporate Stakeholder Engagement**

The Bank's social responsibility mandate is embedded in PASHA Bank's DNA.

In today's fast-changing globalized world, sustainable development can only be achieved through joint efforts.

The philosophy of partners and their approach to work should be in harmony with each other.

PASHA Bank's Corporate Stakeholder Engagement initiative will move all stakeholders forward toward sustainable development.

#### **Return on Investment (ROI) under CSE**

- More knowledgeable customers
- More sustainable businesses
- More informed journalists
- More educated youth
- More successful entrepreneurs
- More developed economy
- More prosperous country
- Lower risks
- More successful Bank

#### **Events and Activities Implemented within the CSE Related Initiative:**

- Seminars to empower female stakeholders
- Seminar on "Alternative Financing Tools for Business Development" for clients/joint event of PASHA Bank & Deloitte (October 1, 2019)
- Conference on "Digital Transformation and Innovations" (November 28, 2019)

#### **Executive Breakfasts for Female Stakeholders**

PASHA Bank together with Azerbaijan Business Women Association organized Executive Breakfasts for the Bank's female customers. Guest speakers led discussions with women entrepreneurs about work-life balance and personal objectives.

### **PASHA Bank boosts the social-cultural development of Azerbaijan with its sponsorship activities:**

#### **Baku E-trade Forum**

Baku E-trade Forum 2019 ranks among the most exciting international gatherings in the e-commerce world. PASHA Bank was one of the main sponsors of this major event. The two-day forum featured 30+ speakers, 60+ e-commerce platforms and fintechs. The 500+ attendees included representatives from international organizations, MSMEs, public organizations, government agencies, investors and startups.

#### **Joint Seminar on Sustainable Development with Deloitte**

PASHA Bank is focused on taking steps toward sustainable development, both within the organization and across the wider community. The "Sustainable Development" seminar conducted jointly with Deloitte is one of the examples of the Bank's efforts in this key area. The well-attended seminar included presentations and discussions on formulating an integrated strategy to incorporate sustainability into business processes; correlating between sustainability and corporate performance; assessing risks and opportunities associated with human rights and social impact; and managing employee health and safety in the workplace.

#### **Business Confidence Index Survey / Business Breakfasts for Industry Leaders**

Pursuant to its commitment to support the sustainable development of Azerbaijan's economy, PASHA Bank has conducted the Business Confidence Survey among the Bank's customers on a quarterly basis since 2017. The Business Confidence Index (BCI) is based on enterprises' assessment of production, orders and inventory stock, as well as its current position and expectations for the immediate future.

For the first time in 2019, PASHA Bank initiated discussions centered around Business Confidence Index Survey results. The Business Confidence Index serves as an indicator providing information on future developments. The index is based on opinion surveys from enterprises across different industries. During the year, the Bank held three Business Breakfasts on survey results with clients from the FMCG, construction and telecom sectors.

#### **Events Supported and Co-organized**

PASHA Bank supports initiatives that explore economic risks and scenarios via panel discussions with industry experts. These events focus on the outlook for growth while linking global risks and developments to strategic decisions facing business leaders in Azerbaijan and across the Caspian region.

In 2019, PASHA Bank partnered with various stakeholders to organize events where policymakers, investors, and non-governmental organizations from a number of countries gathered to discuss opportunities for Azerbaijan to accelerate its economic development. These various events included the following:

- “SHE” Congress (March 6, 2019)
- RISKTech Forum 2019 (October 30, 2019)
- 13th IEEE International Conference on Application of Information and Communication Technologies – AICT 2019 (October 23, 2019)
- Business Forum with Management Guru Dr. Ichak Azizes
- “How Human Centered Design Affects the People Experience” Lecture by Dan Freifeld (November 15, 2019)
- DevOpsDays Conference 2019 (November 21-22, 2019)
- Women in ICT Session at Bakutel (December 5, 2019)
- AMFA Sixth Investors Fair 2019 (October 3, 2019)

- Seminar on “Alternative Financial Instruments available in the Azerbaijani financial market” (jointly with Deloitte) (May 23, 2019)

#### **PASHA Bank partnered with Azerbaijan Business Women to conduct the “SHE” Congress**

The “SHE (Smart, Happy, Elegant)” Congress, held in Baku on March 6, 2019, was an international event designed to help empower women. The well-attended event aimed to create an environment where women can share advice and experience on issues ranging from maintaining healthy work-life balance to career development. SHE Congress 2019 was dedicated to women’s leadership and entrepreneurship development as well as their involvement in society and politics.

A broad range of topics was discussed at the event, including: “Women Leadership: A Vision for Azerbaijan,” “Women Entrepreneurship: Driving the Economy,” “Co-creation via Visual Art and Interactive Storytelling,” “Ways to Grow Businesses, Social Projects and Yourself in the Flat World,” “Women-driven Innovations in the World of the Future,” among others.

#### **PASHA Bank partnered with APRA (Association of Accountants and Risk Professionals of Azerbaijan) to conduct RISKTech Forum 2019**

On October 30, 2019, RISKTech Forum 2019 was held at Holiday Inn Baku, with the support of the Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan. The Forum was organized by the Association of Accountants and Risk Professionals of Azerbaijan and PASHA Bank.

The main topic of the forum was “The Impact of Artificial Intelligence and Blockchain Technology on Risk Management.” Local and international experts delivered presentations on steps to digitalize risk management, the impact of AI and blockchain on

risk management, digital transformation of financial services and creation of digital ecosystems in Azerbaijan.

**PASHA Bank supported 13th IEEE International Conference on Application of Information and Communication Technologies – AICT2019**

AICT2019 was co-organized by ADA University, Institute of Information Technology of ANAS and University Malaysia Sabah with support of IEEE Azerbaijan Joint Chapter. The Institute of Electrical and Electronics Engineers (IEEE) served as technical sponsor of the event.

The AICT2019 International Conference is a forum bringing together business people, researchers, scientists, software architects, and industry professionals to discuss innovative ideas and diverse topics on next generation information technologies and services. Using this forum, researchers and practitioners can exchange ideas, issues, challenges, new business models and structures, new technologies and solutions. AICT2019 attracted both researchers from academia and industrial enterprises and practitioners from industry.

**PASHA Bank supported Business Forum with Management Guru Dr. Ichak Adizes**

On November 8, 2019, PASHA Bank sponsored the Business Forum event whose theme was “The Formula of Success of Any Organization.” Representatives from the world’s leading companies – including Volvo, Visa, Bank of America, Coca-Cola, Sberbank and Sibur – attended the international forum in Baku. The event featured globally renowned management consultant and researcher Dr. Ichak Adizes, from Adizes Institute. The event took place at JW Marriott Absheron Baku Hotel. Discussions at the Business Forum covered key elements of gaining a leading position in the market, creating an effective management

system, as well as tools and innovative approaches to successful management. Founders and representatives of more than 200 large companies listened to the world-famous management expert Dr. Adizes at this event. In his keynote speech, Dr. Adizes focused on the effectiveness of combining diverse types of people and forming a strong team from diverse members.

**PASHA Bank sponsored Dan Freifeld’s lecture on “How Human Centred Design Affects the People Experience”**

On November 15, 2019, PASHA Bank in partnership with Israel-Azerbaijan Chamber of Commerce and Industry (IACCI) sponsored a lecture by Dan Freifeld entitled “How Human Centred Design Affects the People Experience.” Mr. Freifeld is Managing Director and Co-Founder of Sapir eXlab (Innovation Center) and the Head of Media Design Department at Sapir Academic College. The event included a discussion on why it is critical to change our mindset and focus on people’s needs when creating better impact and better product.

The informative lecture covered the HCD framework and different methodologies such as UX / Design Thinking / Design Sprint as effective approaches to problem solving. Mr. Freifeld used case studies to demonstrate his thesis. He emphasized that these processes and tools not only for designers but also for educators and anyone who seeks to improve effectiveness.

**PASHA Bank organized the first DevOps Days Baku 2019**

DevOps Days is a worldwide series of technical conferences covering software development, IT infrastructure operations, and the intersection between them. The event is both a technical conference and one focused on culture, processes and organizational structure. On November 21-22, 2019, PASHA Bank organized the first edition of

DevOps Days Baku 2019. The conference attracted both technology professionals and businesspeople to attend, learn and share their experiences.

**PASHA Bank was main sponsor of “Women in ICT” session at Bakutel Tech Talks**

On December 4-5, 2019, Bakutel Tech Talks were held as part of the Bakutel international exhibition. PASHA Bank served as primary sponsor to the “Women in ICT” session, which was dedicated to Azerbaijani women who have dedicated their lives and careers to IT.

This unique platform facilitates discussion of relevant issues of the industry. Constructive dialogue is generated between customers and developers. Innovative content is also presented to industry professionals.

**PASHA Bank was Platinum sponsor of the Sixth AMFA Investors Fair – Azerbaijan’s biggest microfinance event of the year**

On October 4, 2019, the Azerbaijan Microfinance Association held its Sixth Investors Fair with PASHA Bank serving as Platinum sponsor of the event. The Investors Fair consisted of two plenary sessions and B2B meetings to facilitate business deals and partnerships among participants. This year, the event was dedicated to risk management perspectives in the digital era and partnerships for sustainable development.

The Investors Fair brought together government representatives, international and local investors, non-bank credit organizations, banks, leasing companies, and service providers to microfinance institutions.

**Contributing to Socioeconomic Development**

Investing in community development is an essential part of PASHA Bank’s business activities. Investments made locally today will yield huge

benefits to society as a whole and will also promote long-term development opportunities.

In 2017, PASHA Bank garnered the “Corporate Social Responsibility in CEE & CIS” award from EMEA Finance in recognition of the Bank’s active support of local communities.

PASHA Bank’s corporate social responsibility objectives include empowering entrepreneurship to develop Azerbaijan’s economy. The Bank also understands that education plays a key role in advancing the country’s development. As a result, PASHA Bank expends significant resources to support the education of young people, improve financial literacy among the nation’s youth, and educate the business community. PASHA Bank is engaged in a number of initiatives that target the nation’s young people. In addition, the Bank boosts capacity building and fosters the financial education of small and medium enterprises in Azerbaijan.

**As a responsible corporate citizen, PASHA Bank successfully integrates social good into its mission and maximizes its contribution to the United Nations’ Social Development Goals (SDGs).**

On October 28, 2019, AmCham in cooperation with UN Azerbaijan and PASHA Bank held a workshop for media representatives on “The Role of Media in Promoting Sustainability among Businesses.” The workshop commenced with a keynote speech highlighting the importance of media in promoting sustainability and government initiatives in this key area.

Workshop presentations were conducted in an interactive manner, fostering learning and development via active dialogue. Speakers covered a variety of relevant topics, ranging from the role of media in fostering sustainable development

to the engagement of businesses in promoting sustainability. Presenters also covered topical subjects such as “greenwashing.” This increasingly common practice promotes misleading information or biased presentation of facts about the environmental benefits of certain actions taken by companies. Greenwashing is used today as a way to influence public perception of a company’s brand.

PASHA Bank also contributes to Azerbaijan’s social and cultural development by supporting young talents. On December 14, 2019, the Bank provided support to a concert of neo-classical music composed by Oksana Valieva, a young Azerbaijani composer, presenting her first compositions.

To help improve financial literacy and corporate governance knowledge among the country’s business community, PASHA Bank co-organized and participated in several events with its counterparts, including:

1. BAFT (Bankers’ Association for Finance & Trade) workshops: (1) “Trade Finance” (March 6, 2019), and (2) “Financial Crime Compliance” (March 7, 2019);
2. “Alternative Financing Tools for Business Development” seminar for clients/ joint event of PASHA Bank & Deloitte (October 1, 2019);
3. “Sustainable Development” seminar, joint event with Deloitte (November 14, 2019);
4. “Trade Finance” seminar for PASHA Bank SME clients (November 6, 2019);
5. “Transparency of Access of Small and Medium-sized Businesses to Financial Markets: Current Situation and Perspectives” forum (November 14, 2019).

To prepare the business community for digital transformation and to boost digital literacy, PASHA Bank co-organized, sponsored and participated in various events with its counterparts, including:

1. Sponsor of Azerbaijan Women in IT Award – gala night event (December 5, 2018);
2. “To the Digital Reality” conference (February 19, 2019);
3. MainTech Innovations and Technologies Forum (June 3, 2019);
4. 13th IEEE International Conference on Application of Information and Communication Technologies – AICT2019 (October 23, 2019);
5. “How Human Centred Design Affects People Experience” Lecture by Dan Freifeld (November 15, 2019);
6. DevOpsDays Conference 2019 (November 21-22, 2019).

Representatives from public and private companies, as well as international financial institutions, took part in these various events. PASHA Bank sees these seminars, conferences and forums, and similar ones it will arrange in the future, as having a lasting impact on developing the skills and know-how of the business community and raising corporate governance standards in Azerbaijan. The Bank believes that sustainable growth is possible by building quality, long-term relationships with its customers, continually improving its products and services, boosting the efficiency of its business processes, and investing in the wider community.

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