

1119/I

May 2nd, 2018

To:

António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General,

I am pleased to confirm that PASHA Insurance supports the ten principles of the Global Compact with respect to human rights, labour, environment, and anti-corruption. With this communication, we express our intent to implement those principles. We are committed to making the Global Compact and its principles part of the strategy, culture, and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations. PASHA Insurance will make a clear statement of this commitment to stakeholders and general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within one year of joining the Global Compact, and annually thereafter according to the Global Compact COP policy.

This includes:

- A statement signed by the chief executive expressing continued support for the Global Compact and renewing our ongoing commitment to the initiative and its principles. This is separate from our initial letter of commitment to join the Global compact.
- A description of Practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken (or plans to undertake) to implement the Global Compact principles in each of the four issues.
- A measurement of outcomes (i.e., the degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of result).

Sincerely yours,


Mrs. Ulviyya Jabbarova
Chief Executive Officer

Communication on Progress Report 2018

PASHA Insurance OJSC is a recognized leader in the insurance market of Azerbaijan. Founded on March 3, 2006, the company is the biggest insurance company in Azerbaijani market with share capital of 50 million AZN. This level of capitalization provides PASHA Insurance with necessary financial capacity to perform the insurance liabilities confidently and guarantees its solvency.

Important to mention, in 2017 and 2018, PASHA Insurance has been assigned Financial Strength Rating of B+ (Good) and a Long-Term Issuer Credit Rating of “bbb-” by A.M. Best Company, which provides credit ratings and financial data services globally for the insurance industry. The assignment of the credit and financial ratings of PASHA Insurance is a profound case for whole Azerbaijan insurance market.

PASHA Insurance offers 36 types of voluntary and compulsory insurance services for both natural and juristic persons. Over the years of operation in the insurance market, PASHA Insurance established mutually beneficial partnership relations with many organizations and companies, working both in the Republic of Azerbaijan and abroad.

The **values** that we have declared throughout the company are:

- Integrity & Transparency
- Customer Orientation
- Professionalism
- Team Work
- Excellence

Our mission is to exceed expectations of our most demanding customers and become their strong insurance partner through our strong financial position, high level of professionalism of our employees, outstanding underwriting capabilities and excellent customer service.

Our vision is to become the most professional and trusty insurance company in the region through achieving operational excellence.

Code of Ethics setting out the general corporate rules of the company regarding ethical behaviour, has become a worthy tool in supporting UN Global Compact principles.

Our operational philosophy is satisfaction of the requirements of both corporate and individual customers. Reaching this goal was possible due to optimization of the operational processes and high-level professionalism of our staff.

PASHA Insurance OJSC, being a member of the United Nations Global Compact organization since 2009, fully recognizes and is firmly committed to the following principles of GC in the areas of human rights, labor, environment, and anti-corruption:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Our company works in compliance with the Quality Management System built in accordance with the ISO 9001:2015 requirements. Such approach to work ensures the quality of our insurance products and services and their full compliance to customers' needs and expectations.

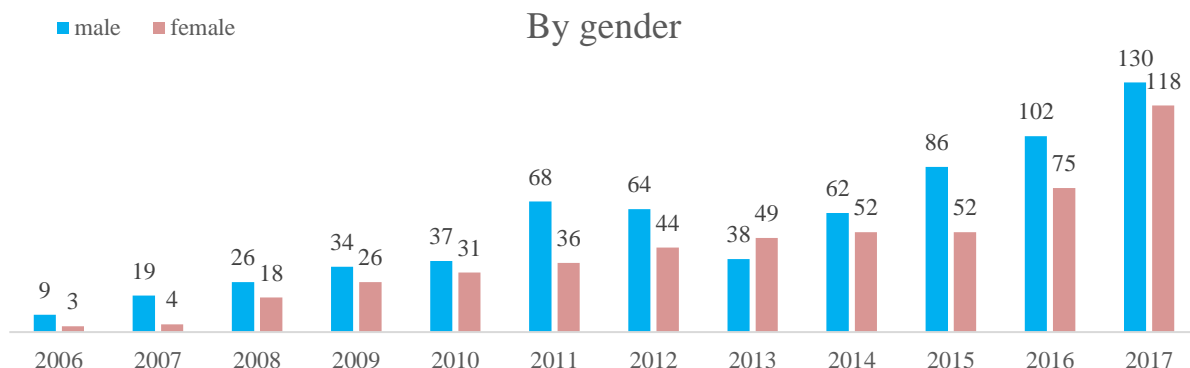
Below in the text, we introduce an overview of our actions and future goals in respect to the following Global Compact Principles:

Human rights

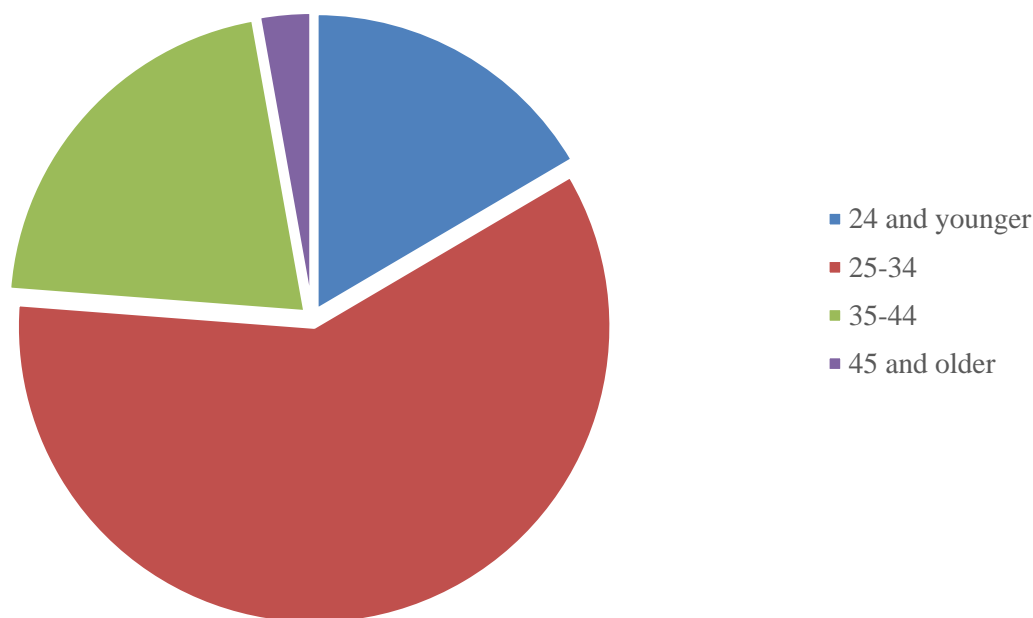
PASHA Insurance recognizes the principles declared by international conventions and has adopted the protection and maintenance of human rights as established by the Universal Declaration of 1948.

We commit to all requirements of the Law of Azerbaijan Republic and International Law standards regarding human and labour rights and support them in all our operations.

PASHA Insurance Human Recourses Indicators: Number of Employees



By age (2017)



We will regularly review our Code of Ethics to extend its content to adequate human rights.

Labour

PASHA Insurance clearly understands that professionalism can be achieved through company employees' full engagement. It is the quality of their daily work that reflects on the overall rating of the company in the market and its financial indications. Therefore, the company strives to make every employee feel as comfortable as possible at work and creates a workplace characterised by respect for people's rights.

We treat each employee as a team member and we are sure we can accomplish **more by working together**.

We provide equal opportunities for all applicants. We recruit, select, and develop our people on merit – irrespective of their race, colour, national origin, religion, gender, age, marital status, disability, or any other characteristic protected by the applicable laws.

We all share responsibility for protecting people's health, safety, and security at the workplace.

As an insurance company, we take care of our employees and provide them with medical insurance that covers medical expenses related to hospitalization and work incapability.

Additionally, starting from the first day of employment, every employee is insured for professional disability, which can be caused by industrial accidents and professional diseases.

In order to sustain the health of our employees and clients, non-smoking policy is declared by the management in the Employee Handbook.

Establishment of safe and positive working environment is key to PASHA Insurance. We implement physical and technical security, fire safety, and other measures that ensure the protection of our clients and employees, their assets and valuables. All security and safety measures are completely compliant to the legal regulations.

We create environment of transparent and open communication. We conduct employee satisfaction surveys and present results to the team. We discuss and promote company's operation philosophy, mission, and values during retreats, meetings, events, etc. to ensure that employees know their contribution. Having open discussions get people involved and allow them to share their views and perspectives on how to achieve company goals.

PASHA insurance is actively promoting work and life balance in order to ensure well-being of employee energy and mood within the organization.

We encourage employees, either as a part of a team or an individual, to participate in sport events organised by the company. In order to create a good working atmosphere, we uphold a tradition of organising social events on a regular basis, such as company parties, team-building activities, and cultural events.

PASHA Reader Society

Starting from last year, employees of PASHA Insurance gather in lunchtime to discuss the books they have read. In addition to reading books, each week, one employee is presenting a presentation about various topics such as, social responsibility, changes in insurance regulation, balancing work and personal life, etc.

Continuous learning opportunities are important motivator and a condition for job satisfaction. We pay great importance to the professional and personal development of our employees. Each new employee completes a training schedule aimed at acquiring the knowledge and skills required in several fields (commercial, technical, administration, communication, general business skills). Employees with new responsibilities or in need of developing additional skills receive appropriate internal or external training. Moreover, PASHA Insurance covers exam fee and other related costs of those employees who are willing to earn qualifications in insurance, finance, and other fields.

PASHA Insurance always assesses and supports young generation in all undertakings. Consequently, company is providing internship programs for undergraduates and graduates. Company seeks improvements through innovative projects and develops tight connections with the local universities. Our company is involved in wide range of activities, such as company advisory at university level, trainings for university students and both government and private youth organizations, such as «ASAN Kadr», «IB Club» within «Insurer Academy» and «Insurer Consultant» social projects, that target to expand insurance knowledge of youth.

Insurer Academy

PASHA Insurance has launched new project named «Insurer Academy» in December of 2015, which is unique in the sphere of insurance in Azerbaijan. This is a social project, trainings for which were held free of charge and the main goal was to increase insurance awareness in the country. Trainings were led by PASHA Insurance employees and had covered wide range of topics, such as risk management, fundamentals of insurance, regulation of insurance claims, marketing, HR, and accounting. At the end of the trainings, participants were awarded with

certificates. As it was noted before, PASHA Insurance provides these trainings for local universities, government, and private youth organizations.

As a leader in Azerbaijani insurance market, PASHA Insurance understands and accepts its liabilities and aims to provide best quality in all undertakings.

PASHA Insurance acknowledges that our employees are key to our success. Our aim is to be an attractive employer and we strive to attract, develop, and retain qualified and motivated people in a professional working environment.

We support the international human rights and dignity of all employees as outlined by the UN declaration:

- We do not accept any use of child labor, bonded workers, or forced labor.
- All employees are treated fairly and equally. We aim to create a work environment where people are respected regardless of individual differences, talents, or personal characteristics
- Our company aims to provide and constantly improve a safe and healthy workplace by ensuring safety in work processes, preventing and reacting to conditions of ill health and supporting measures to promote health and well-being
- We are committed to providing employees with a drug-free workplace and will not tolerate any form of violence, abusive language, or bullying

As a company undertaken the UN Global Compact's principles, we will continue to promote and increase transparency in employee relationships through internal communication channels in the future, as well.

Environment

PASHA Insurance is committed to conducting its business in an environmentally sustainable way. We contribute to global sustainability by developing, promoting, utilizing resource-efficient and environmentally friendly services through our actions to minimize the environmental impact of our own activities. We constantly look for opportunities to maximize the use of best of environmentally sustainable practices in our operations.

In our own operations, we aim at efficient use of raw materials and energy and active promotion of such services to our customers.

At PASHA Insurance, we utilize systems and equipment with low level power consumption. We work hard to make positive environmental impact by using energy and water efficiently and reducing waste. We will continue our efforts towards proper waste management and efficient use of paper, energy, and other resources.

PASHA Insurance keeps up recycling paper

In order to give its contribution to prevent deforestation and climate change, PASHA Insurance has started its recycling paper project, few years ago. Papers used at PASHA Insurance offices are collected in recycle boxes and handed to paper recycling factory. This way, PASHA Insurance prevents paper waste and takes its responsibility for the environment. There were recycled around 500 kg of paper for a period of year by PASHA Insurance. Project is being enthusiastically supported by PASHA Insurance team and is ongoing.

Being a leader requires courage of staying active not only in insurance field, but also keeping up with the innovative campaigns for our surrounding environment. By understanding this responsibility, PASHA Insurance tries to reflect through its nationwide projects on local environmental issues. Some of our ongoing projects are «Green Baku» and «Mysterious Baku» that have a big demand in society.

Green Baku

PASHA Insurance provides maximum effort not only to save, but also to improve the environment. Therefore, company has launched new compulsory and voluntary insurance of movable and immovable property by the name «Yaşıl Bakı» - «Green Baku». This product consists of 3 packages: Plane tree (Çinar), Linden tree (Cökə) and Olive tree (Zeytun), tariffs of those insurance packages are determined, and everyone can purchase suitable package according to their own query.

It should be noted that this project has a social part. Whenever one of the packages is purchased, a tree will be planted according to the package of the choice. In April 2018, employees of PASHA Insurance planted more than 200 trees within this program.

Mysterious Baku

The “Mysterious Baku” project created by PASHA Insurance with support of PASHA Holding and the Ministry of Culture and Tourism of Azerbaijan Republic intends to introduce information about historic heritage of Baku for local and foreign visitors using high technology, such as Augmented Reality.

High-tech is part of our everyday life and use of smartphone or tablet is a very common practice and we believe our initiative will allow tourist and locals to learn about history of Baku in more user friendly and innovative way.

Around 44 stands are located near historical places in Baku. One can download “Sirli Bakı” (Mysterious Baku) application from Google Play Store or App Store, open the application, scan the informative stand, and learn interesting facts about the building, its history, and impact on the city's development. It will be both educational and recreational for locals and visitors of Baku.

Main advantages:

- The “Sirli Bakı” (Mysterious Baku) application is available in both Google Play Store and App Store
- The application is in 3 different languages (Azerbaijani, Russian, and English). Thus, both local and foreign visitors will be able to use the application.
- Users can discover all 44 historical buildings through navigation guidelines of the application.

Similar programs are already running in major capitals and cities around the globe and this program will put Baku on the map along such cities as London, Berlin, Paris and Madrid. PASHA Insurance understands and accepts responsibility of preserving our historical heritage for not only current but also future generations.

PASHA Insurance is entrusted not to practice corruption, collusion, or any other form of bribery at all. Our Company controls the best principles in the field of corporate governance

implemented in accordance with the principles of good insurance practice, which forbids all employees at all levels to receive gifts, money, or compensations from customers or colleagues who have business relationships with the Company.

Anti-Corruption

As PASHA Insurance does not tolerate any form of corruption or bribery, we progressively strive to pass on our corporate values to all employees by corporate communications, inductions, and take measures of control in relation to money laundering transactions. The company regularly reports to the Financial Monitoring Service (FMS) under the Central Bank of Republic of Azerbaijan, established to implement the state policy in prevention of legalization of criminally obtained funds and other property and financing of terrorism in the Republic, improve the supervision system and coordinate the activity of relevant government authorities. In the period of 2011 – April 2014, 11 (eleven) reports have been submitted to FMS by the company. PASHA Insurance also participated in the survey of MONEYVAL (The European Council Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism) related to the assessment of system of combating the legalization of criminally obtained funds or other property and financing the terrorism of the Republic of Azerbaijan (AML/CTF) which was organized on February 19, 2014 in the FMS premises. The head of the mission expressed satisfaction with the level of cooperation between Azerbaijan and the MONEYVAL, highly appreciated the implemented reforms on AML/CTF and especially notified the achievements obtained in the fields of improvement of the appropriate legal basis, development of the institutional potential, enlightening monitoring subjects, implementing information technologies.

Additional information can be found through the link: <http://fiu.az/en>

PASHA Insurance aims to be a reliable and trustworthy partner to suppliers and contractors. We focus on long-term, good business relations, and healthy cooperation. We expect our suppliers and contractors to support international standards of anticorruption and neither pay, nor receive bribes or other illegal payments to obtain or retain business.

We select and evaluate suppliers and subcontractors on the basis of predetermined criteria such as quality, price, availability, delivery, reliability, service, and corporate responsibility requirements, which include social and environmental aspects.

Business decisions and actions shall be based on the best interest of the company, customers, and shareholders. Therefore, decisions may not be motivated by personal relationships or interests, and these shall not affect our independent and sound judgement.

We do not enter discussions or agreements with competitors concerning pricing, market shares, or other similar illegal activities and relationships with our business partners are based on mutual trust.

PASHA Insurance will endeavour to ensure the integration of the Principles of the UN Global Compact in all aspects of its operations. We believe that joining this initiative has given us an added incentive to continue our further development towards socially responsible business and in the coming period we will invest additional efforts in promoting the Global Compact Principles throughout our operations.