NATIONAL NGOs’ AUDIT OF AZERBAIJAN SECTOR OF THE SOUTH CAUCASUS PIPELINE (BAKU – TBILISI - ERZRUM)”

Employment and Infrastructure Group’s

REPORT

on Audit of South Caucasus Pipeline (Baku – Tbilisi - Erzrum) performance against commitments for employment and infrastructure

Emil Aliyev - coordinator, National Economic Centre
Sadaqat Qambarova - co-coordinator, Zirve” Educational and Charity Society
Tehmasib Quliyev – expert, Economic Researches Centre
Vuqar Huseynov – expert, Economic Ideas Club
Narmin Bagirova – student, Azerbaijan State Oil Academy

Baku – 2006
DISCLAIMER

The contents of this report should be treated as the opinions and conclusions of the report’s authors. In no way does this report reflect the policies or view of the project sponsor or any other organization concerned. The authors are solely responsible for any mistakes in this report. The project participants note that they have fully understood their duties and tried to do their work professionally. Such principles as professional approach to the audit performance, competency, comprehension of the duties put forward have been observed in writing the report and an effort was made to fully guarantee the maximum effectiveness of the audit procedures. An attempt was made to observe the principles of mutual respect and understanding with associates of parties going through the audit during the audit process. The members of the audit group approve the report with their signatures below.

Emil Aliyev /coordinator/

Sadaqat Qambarova /co- coordinator/

Tehmasib Quliyev /group member

Vuqar Huseynov /group member/

Narmin Bagirova /student/
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

### Executive summary

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>5</td>
</tr>
</tbody>
</table>

### I. Introduction

1. Objectives of the Project
2. Scope, focus and feasibility of the implementation
3. Criteria
4. Background information about auditee
5. Background information about the pipeline project and justification for the auditing

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>8</td>
</tr>
</tbody>
</table>

### II. Methodology

1. Team members and their roles
2. Techniques of auditing used
3. Basis of the sample and qualifications
4. Audit programme
5. Initial document request
6. Document review/ checklist production

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>METHODOLOGY</td>
<td>12</td>
</tr>
</tbody>
</table>

### III. Observations, findings and analysis

1. Employment and training
2. Audit the performance of commitments on infrastructure
3. Employment and training
4. Monitoring and auditing of employment and training performance, action tracking system for employment managing

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>OBSERVATIONS</td>
<td>15</td>
</tr>
</tbody>
</table>

### IV. Conclusions

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONCLUSIONS</td>
<td>28</td>
</tr>
</tbody>
</table>

### V. Acknowledgements

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>29</td>
</tr>
</tbody>
</table>

### VI. Appendixes

1. Information on team members
2. Audit plans
3. Checklist for audit of CCIC
4. Announcements
5. Examples of press-cuttings
6. Community meetings
7. Training for personnel
8. KPIs differences
9. Roads assessment table
10. Photos of roads to be reinstated in Samukh district

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPENDIXES</td>
<td>30</td>
</tr>
</tbody>
</table>
Abbreviations

NGO-Non-governmental organization
BP- British Petroleum
SCP- South Caucasus Pipeline
BTC – Baku-Tbilisi-Ceyhan
OSI-AF- Open Society Institute Assistance Foundation
CCIC – Consolidated Contractors International Company
CCP – Contractor Control Plan\nCLO – Community Liaisons Lead
KPI – Key Performance Indicator
HSE – Health, Safety and Environment
PIC – Project Information Centre
CRM - Community Relations Manager
Executive summary

Introduction
The present report submitted by Employment and Infrastructure Group was prepared on the basis of results obtained in the course of auditing SCP and contractor’s performance against commitments on employment, training and infrastructure within the framework of the project “National NGOs’ auditing of Azerbaijan sector of the South Caucasus Pipeline”.
The audit project was implemented within November, 2005 – March, 2006.

The main objectives of the project:
1. Audit of SCP and contractor’s commitments on employment and training;
2. Audit of SCP and contractor’s commitments on infrastructure;

In its initial project proposals the audit group aimed at conducting audit of the commitments on employment and infrastructure. But, then, taking into consideration the direct relation of training and employment the task group made a decision to conduct an audit of training performance parallel with employment ones.

First, for conducting an audit, the audit programme was developed, where responsibilities and scope of activity of group members were previously specified. In the course of audit several meetings were held at offices of BTC/SCP and CCIC companies. The community visits were organized to the appropriate sites of Samukh and Kuraland districts.

The audit was conducted in the following directions:
Employment and training:
• Recruitment of local labour resources and employment principles;
• Training for personnel;
• Monitoring and auditing of employment and training performance, action tracking system for employment managing;
Infrastructure;
• Use of roads;
• Control of roads condition during their use and superficial reinstatement work;
• Commissioning roads.

During audit there observed both positive and negative cases, including series of nonconformance, when executing commitments for to achieve objects put by.

Achievements
• The employment strategy was developed and implemented.
• The project information centers were founded to implement recruitment processes.
• The commitment of recruits’ percentage was fulfilled.
• The Training Plan was prepared and fulfilled to manage training processes. Employees were provided with training to become acquainted with occupational health and safety, HSE Inductions; moreover, training was organized for unskilled and semi-skilled employees with the purpose to improve their working skills.
• The CLO was appointed to manage community liaisons.
• Action tracking system for employment managing was built and applied.
• Before operation, the initial assessment of roads was carried out, where entry and exit agreements were concluded with road owners.
The commitment on minimizing the duration of closure roads was fulfilled.

**Shortcomings**
- Translation errors were committed in Azeri version of commitments.
- None of exemplary advertisements was dated. In this respect, it became impossible to judge to what extent the commitment was fulfilled.
- There were errors in number of recruits in BTC/SCP and CCIC KPIs from the same date.
- There was no evidence on fulfillment of the contractor’s commitment on sourcing and outsourcing procedures for employment at national and regional level.
- Because of the road reinstatement process has not been started yet it was impossible to conduct its audit.

**Nonconformities**
- Regional employment centers were not communicated with respect to recruitment process and the relevant local authorities received no information on that.
- For the most part, workers employed by BTC project were recruited for SCP project.
- No evidence was provided for road monitoring.
- BTC/SCP didn’t exercise control of whether the contractor carried out monitoring or not.
- The road reinstatement plan doesn’t yield exact and sufficient information on reinstatement.

It should be noted, that the audit group assessed the mentioned nonconformance to be of first level.

**Recommendations**
- The process of public, regional employment centers and executive authorities’ awareness of employment data might be organized better, which could promote transparent procedures enjoying increasing confidence in the project. Thus, the relations are expedient to be continued during operational phase.
- The involvement of new labour force into SCP project remained to be important. In this case, observing the transparent recruitment principles the people failing to be employed by BTC project could have one more chance. This situation is recommended to be allowed for future projects.
- BTC/SCP and its contractor should be more attentive when carrying out employment documentation in the local language. This is very important to be taken into consideration in the further projects to be implemented both in Azerbaijan and other countries.
- In the construction period the changes in the infrastructure should be monitored and documented accordingly. These procedures are also recommended to be carried out during operational phase.
- BTC/SCP is required to conduct monitoring within the pipeline operation.
- The BTC/SCP and contractor’s commitments on infrastructure reinstatement should be specified prior to project start-up and the reinstatement plan with overall information prepared. It enabled to prevent any trouble in time which could arise then against operator.
Conclusions

- The commitments on employment were substantially fulfilled. Nevertheless, workers employed by BTC project were recruited for SCP project. It means that the contractor has failed to implement the commitment on maximizing the local employment and transparent recruitment procedures.
- The establishment of liaison and raising the awareness of communities was severally implemented. Nevertheless, establishment and maintenance of relations with local executive bodies did not reach the desired level.
- As a result of auditing training performance it is possible to draw a conclusion that the contractor company successfully fulfilled its commitments.
- The monitoring procedures on employment and training were substantially observed by the BTC/SCP and contractor. Nevertheless, for lack of some important documents or non-submission to the audit group it became impossible to reveal to what extent the same commitments were fulfilled.
- The commitments on infrastructure (roads), especially, on roads using for the most part were fulfilled.
- Given the local community has a considerable interest in reinstatement of infrastructure. BTC/SCP and lenders should monitor and audit this activity to ensure that the commitment on reinstatement is fulfilled.
- As the reinstatement work has not been started yet, it is impossible to judge to what extent the commitment is fulfilled. The CCIC’s roads reinstatement plan doesn’t yield the overall and exact information on reinstatement process.
I. Introduction

1.1. Objectives of the Project:

Audit of SCP and contractor’s commitments on employment and training;
Audit of SCP and contractor’s commitments on infrastructure;

It should be noted that in its initial project proposals the audit group aimed at conducting audit of the performance of employment and infrastructure commitments. But, then, taking into consideration the direct relation of training and employment the task group made a decision to conduct an audit of the training performance parallel with employment ones.

1.2. Scope, focus and feasibility of the implementation

The audit of the BTC/SCP and contractor’s commitments on employment and training and infrastructure was implemented within the period of November 2005 – March 2006.

The scope of the audit implemented within the project framework included the following actions:

- The audit meetings were held at BTC/SCP and CCIC Baku offices, and the working group conducted the audit on infrastructure, employment and training by studying the documents kept here.
- The community visits were organized to appropriate areas in Samukh;
- The community visits were organized to appropriate areas in Kurdamir;

The audit group’s activity was focused upon the following issues during the audit:

- Recruitment of local labour force and employment principles;
- Training for personnel;
- Inspection and monitoring of employment and training, employment management and tracking systems;
- Use of roads;
- Control over the condition of roads during their use and superficial reinstatement activities;
- Commissioning roads.

The implementation of the audit was feasible due to the following conditions:

- Memorandum between OSI-AF and BP Company was signed;
- Audit team attended audit training was formed;
- Tasks and responsibilities of the team members were predetermined and each member was informed of his role.
- With except of some delays, a favourable condition for the auditing was created by the BTC/SCP and CCIC officials responsible for the relevant spheres.

1.3. Criteria

- The BTC/SCP Contractor Control Plan for Infrastructure, Employment and Training, and the relevant Commitments;
• Contractor Implementation Plan for Infrastructure, Employment and Training
• Host Government Agreement (Article 3);
• Environment and Social Impact Assessment;

1.4. Background Information about auditee

Consolidated Contractors International Company (CCIC) was established in 1952 in the Middle East and has since experienced strong geographical expansion. As of today, CCIC has completed work in more than 35 countries - including the Middle East, Africa, Caribbean, Central America, U.S, U.K, Italy, the Far East and the CIS.

CCIC is being operated in Azerbaijan since 2002. The company won the tender for the construction of the South Caucasus Pipeline. The CCIC responsibility on the Project encompasses engineering, procurement, construction, testing and commissioning of the pipeline. The construction activities of CCIC are not restricted to Azerbaijan but also extend into the port of Poti in Georgia.

It should be noted that pipeline projects cross 13 regions in Azerbaijan: Garadagh, Absheron, Hajigabul, Aghsu, Kurdamir, Ujar, Aghdash, Yevlakh, Goranboy, Samukh, Shamkhir, Tovuz and Aghstafa.

Along the pipeline route CCIC has established five construction camps. The accommodation, dwelling, subsistence of employees and other issues have been provided in these camps.

As BTC Project team places a major emphasis on social issues, a focus was being made to minimize the negative impact of the projects on local communities during construction. That is why, CCIC has accepted commitments and implemented them. CCIC fulfilled the main activities of recruitment process and employed a majority of Azerbaijan nationals. Particular attention was paid to recruitment from each of the 13 regions through which the SCP Pipeline passes. In each region, the CCIC officials held a public meeting to introduce the Pipeline Project, at the same time, to inform about what they will be doing in the region, to announce job positions etc. As well as, the company has organized training for recruits to increase their knowledge on safety, health and environmental issues, to improve their professional skills and abilities. All procedures on the mentioned issues were carried out by the relevant departments of the company. The hierarchical management of the issues is shown in Scheme 1 below:
1.5. Background information about the pipeline project and justification for the auditing

The 692km South Caucasus Pipeline has been designed to transport gas from the Shah Deniz field in the Azerbaijan sector of the Caspian Sea, through Georgia and on to the Georgia-Turkey border.

At full capacity, and after additional stages of development, it is envisaged that the pipeline will export up to 16 billion cubic metres a year. At the border the pipeline links up the Turkish-built extension joining SCP to the domestic supply grid at Erzurum. First deliveries of gas to Turkey are scheduled to commence on 30 September 2006. The activities in the Azerbaijan section of the project are being performed by CCIC and Petrofac companies.

As of December 2005, over 95% of construction work of SCP had been completed. Facilities for the off-take of gas were 98% complete in Turkey and 95% complete in Georgia.

The construction of the pipeline has been carried out by an integrated project team that has also led construction of the parallel South Caucasus Pipeline. At peak during the construction phase of the combined projects some 22,000 people were employed. Approximately 70% of BTC costs are being funded in the form of financing by third parties. The group providing loans, export credits and risk insurance to BTC comprises the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC), the private sector arm of the World Bank, export credit agencies of seven countries and a syndicate of 15 commercial banks.

It should be noted that a priority throughout the project planning, design and ESIA process has been the avoidance of potential environmental and social impacts. Consideration of employment and training issues is an important component of social impact assessment process in Azerbaijan during the SCP pipeline construction.
SCP has accepted commitments to comply with contractor related to the pipeline construction. The commitments concerning the present audit subject require that recruitment opportunities should be available to both project affected communities, and to workers, employees and enterprises at the national level. SCP undertakes to establish local and national employment targets together with the contractor to maximize local recruitment.

The contractor will be responsible for the employment of construction workforce and at the same time the recruitment procedures will be overseen by SCP to provide the transparency and openness of the process.

The contractor is required to prepare the National and Local Employment CIPP that will include his employment strategy and to develop a comprehensive training programme to enhance the numbers and skills level of national employees. These plans should be reviewed and approved by SCP.

It should be noted that the present audit project has been performed by emphasizing the great importance of the SCP Project in social and economic life of Azerbaijan. As a whole, the project has promoted two intentions one of which was to emphasize the role of the BTC/SCP and contractor through auditing their implementation of the commitments on infrastructure, employment and training, the second was to increase and improve the audit skills and knowledge of non-governmental organizations.
II. Methodology

2.1. Team members and their roles

The audit team consists of four experts and a student. The responsibilities and scope of activity of group members were predetermined. The team members were divided into 2 groups in connection with the intended activities as:

Auditing the commitments on:
- Employment and training; and
- Infrastructure;

Emil Aliyev (coordinator) - responsible for the coordination and management of team work, organizing meetings with the SCP and contractor company's officials, initial data collecting and results processing, preparation of report;
Sadaqat Qambarova (co- coordinator) - responsible for controlling records and the preparation of appropriate reports on the audit of the SCP and Contractor's performance against commitments on employment and training;
Tehmasib Quliyev (member) - responsible for the meetings with the members and leaders of communities, and the preparation of appropriate reports on the audit of SCP and Contractor Commitments for infrastructure;
Vuqar Huseynov (member) - responsible for photographing and the preparation of appropriate reports on the audit of the SCP and Contractor's performance against commitments on employment and training;
Narmin Bagirova (student) - assistance in obtaining, collecting and keeping required documents and in other administrative tasks on the auditing.
(For the detailed information about team members see Appendix 1)

2.2. Techniques of auditing used

During the audit the following two techniques of auditing were used: “drilling down into procedures and key documents” and “testing the interactions of management system elements”.

The indicators and techniques used are shown in the Table 2 below.

Table 2. Indicators and methods

<table>
<thead>
<tr>
<th>№</th>
<th>Audit sphere</th>
<th>Indicators</th>
<th>Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employment and training</td>
<td>Physical indicators</td>
<td>Study and analysis of documents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quantitative indicators</td>
<td>Interviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Photographs</td>
</tr>
<tr>
<td>2</td>
<td>Infrastructure</td>
<td>Physical indicators</td>
<td>Study and analysis of documents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quantitative and qualitative indicators</td>
<td>Interviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Photographs</td>
</tr>
</tbody>
</table>
2.3. Basis of the sample and qualifications

When specifying the community visits with respect to the audit objectives, the audit team looked through the samples and qualifications on some regions. During auditing the SCP and contractor’s performance, the selection of Samukh and Kurdamir districts as samples for site visits aroused interest with a view of the audit subject on infrastructure, especially roads, so:

- In Kurdamir district two large contractor’s companies of SCP were operating at the same time that allowed carrying out the audit on each direction of the intended objectives.
- According to the information from mass media, just in Samukh district, roads have been strongly affected during the construction phase of the pipeline.

2.4. Audit programme

First, the audit workplan was prepared and included the following issues as:

- Determination of documents request;
- First meeting with the SCP officials;
- Auditors’ meetings programme;
- Obtaining and studying initially requested documents;
- Identification of site visits;
- Collecting and analysis of the information about the results of community visits;
- Obtaining and investigation of new documents;
- Preparation of draft report;
- Closing meeting with the auditee to present the findings.

(For the detailed information see Appendix 2)

2.5. Initial document request

- Contractor Control Plan, Employment and Training (BTC 004-B010-EV-PLNHR-00011-C01);
- National and Local Recruitment Plan (BTC 001-B110-HR-PRO-000002);
- Contractor’s Key Performance Indicators, monthly and weekly reports.
- Contractor Control Plan, Infrastructure and Services (AGT 01:1000:EV:PLN:00007:U01)
- Contractor Control Plan, Transport Management Plan (AGT:1000:EV:PLN:00012:U01)
- Host Government Agreement;
- Environment, Health and Social Impact Assessment, Azerbaijan

2.6. Document review/ checklist production

During the audit, several meetings were held with the BTC/SCP officials who are responsible for the relevant subjects in order to implement the forthcoming objectives. The time and place of the meetings were agreed in advance. According to the accepted procedures, the checklist with respect to the objectives was prepared and
sent to the BTC/SCP officials before the meetings (checklist is attached, see Appendix 3). The main goal was previously to submit the questions to the BTC/SCP officials to be acquainted. The contractor’s commitments were used as a key basis for producing the checklist. The commitments are included in Appendix 1 to the Contractor Control Plan on Employment and Training - Commitments Register. The Employment and Training CCP is estimated as a control document for the management of processes. This document comes out as a main tool for checking the contractor implementation plans and procedures by BTC/SCP.

A policy on employment and training provided in the document is based on the standards of host government agreement, national legislation and international law. CCP reflects the main principles for preparing the contractor employment strategy. According to CCP, employment procedures should be transparent, fair and open to the public. The employment procedures should be provided in a language required and clearly, and publicized in advance for communities along the pipeline route.

The contractor shall provide training for personnel. During recruitment process there shall be no discrimination on the basis of religion, ethnicity, gender, sexuality or other factors. The contractor shall work with BTC/SCP to provide equitable recruitment. As well as, the contractor should establish a definite form of employment centres along the pipeline route.

The documents, CCP Transport Management and CCP Infrastructure and Services, reflecting the BTC/SCP commitments on infrastructure (thereinafter “roads”) that are the second audit subject, were used as a key basis for conducting the audit. These documents describe the contractor’s commitments with respect to roads and present as a main mean for the auditing. The documents mentioned above cover all commitments with respect to roads in Azerbaijan section of the project. At the same time, they are considered as a collection of the main principles in preparing the contractor strategy in the direction of the use and reinstatement of roads.
III. Observations, findings and analysis

3.1. **Employment and training**

In order to ensure the principles of its employment strategy the contractor has accepted commitments to employment and training. These commitments are described in the appropriate sections of the Employment and Training CCP, “Commitments Register” added to CCP and in the National and Local Recruitment Plan.

In compliance with the objectives of employment strategy, the contractor should provide the followings:
- To maximize local employment opportunities during the construction and operation of the pipeline;
- To ensure transparent and fair recruitment procedures;
- To provide the fair distributions of job places among the communities along the pipeline construction;
- To prepare a comprehensive training plan and create a basis for developing the local skills.

3.1.1. **Recruitment of local labour resources and employment principles**

The audit team was provided with the following documents to carry out the auditing in this direction:
- Contractor Control Plan, Employment and Training, Final Document;
- National and Local Recruitment Plan;
- Contractor's Key Performance Indicators;
- Monthly and weekly reports;
- Protocols of the meetings with community members;
- Announcements’ examples with respect to recruitment;
- Press-cutting examples.

3.1.1.1. **Commitment**

Section 3.2.1 of the Employment and Training CCP notes that “The contractor will prepare a National and Local Employment CIPP that will include an employment strategy to manage the employment procedures. The CIPP will be subject to review and approval by BTC Co”.

**Observations**

There have been observed the followings during auditing the performance:
- The BTC/SCP officials confirmed that the Employment and Training CCP has been used as a basis for developing the contractor management response to employment and training. The CCP covers the Azerbaijan section of the
project, provides details about developing and implementing an employment strategy, and also includes all the procedures of employment and training.

- As evidence for that an employment strategy has been prepared, and also reviewed and approved by BTC Co., the Audit Team was provided with the National and Local Recruitment CIPP (BTC 001-B110-HR-PRO-00002). The National and Local Recruitment CIPP describes the tasks and responsibilities of the Contractor on employment and training during the construction of the South Caucasus Pipeline. This document was reviewed by BTC/SCP (identification No A06) and also approved (identification No C01).

- It should be noted that Employment and Training CCP presents the main principles for developing the contractor’s employment strategy. That is why, the National and Local Recruitment Plan was compared with Employment and Training CCP. The document is in quite compliance with CCP and meets its requirements. Besides, it is very comprehensive and gives a clear idea on the contractor’s objectives.

**Implementation assessment**
The commitment was implemented.

### 3.1.1.2. Commitment

No 18 of Commitments Register attached to the Employment and Training CCP state that “the pipeline construction employment should consist of 50-80% Azerbaijan nationals”.

**Observations**
The Contractor fulfilled the commitment on recruits’ percentage. According to KPIs provided by SCP and CCIC, 74% of all the recruited persons are Azerbaijan nationals, and 26% are foreign citizens (SCP-CCIC PIPELAY KPI Report, November 2005, Rep № 01121).

**Implementation assessment**
The commitment was implemented.

### 3.1.1.3. Commitments

- In order to ensure fair recruitment procedures with respect to local labour force the Contractor will establish Project Information Centres (PIC) in each district. All the recruitment processes will be carried out through these centres (Employment and Training CCP, Commitments Register 135).

- Recruitment will only take place at designated centres and not via informal requests either at construction camps on the route (Employment and Training CCP, Commitments Register 56).

**Observations**
There have been observed the followings during auditing the performance:

- During the construction phase, the contractor established five Project Information Centers (PIC) to ensure fairness and openness of the recruitment process. PICs functioned in Hajigabul, Ganja, Tovuz, Agstafa and Kурдамир districts through which all recruitment processes have been implemented.

- As the evidence for the PICs activity, the audit team was provided with reports, job announcements, announcements on community safety, protocols of the
sessions and meetings held in PICs. The reports submitted include the territorial distribution and number of recruits (weekly reports of August 20 and August 27, 2004, October 9, 2004). It should be noted that the PICs activity has not only limited with the issues on recruitment, also it has covered the goals on ensuring community safety along the pipeline route.

Implementation assessment
The commitment was implemented. However some errors were committed in Azeri version of commitments. No 20, 75 of the Commitments Register notes that the contractor will establish local and national employment centers. But during the audit, the auditee said that they did not accepted such commitment. Later, when comparing the mentioned item with the English version, it found out that there were some errors in the translation of the commitments into Azeri language.

Recommendation
BTC/SCP and its contractor should be more attentive when carrying out employment documentation in the local language. This is very important to be taken into consideration in the further projects to be implemented both in Azerbaijan and other countries.

3.1.1.4. Commitments
- The Contractor is required to ensure transparent recruitment procedures and fair distribution of jobs between pipeline affected communities along the route (Employment and Training CCP, Commitments Register 7, 77; 673).
- The Contractor shall manage employment expectations via provision of details on estimated number, duration of jobs to government, media & other stakeholders; and disseminate info on recruitment procedures and locations of info centres (Employment and Training CCP, Commitments Register 26).
- The Contractor shall provide info to communities and applicants including; duration, skills required for jobs (Employment and Training CCP, Commitments Register 31).

Observations
- As the evidence for providing transparent recruitment procedures and fair distribution of jobs, a number of documents were submitted to the audit team. These documents included the protocols of meetings held with community members and reports on recruits. The reports indicate the territorial distribution and number of recruits.
- The Contractor implemented its commitment on informing mass media about the recruitment process. As the evidence for this, a number of announcements, some examples from newspapers, protocols and photographs of meetings were shown to the audit team. According to the protocols it can be said that the representatives of local authorities and mass media, also community members took part at these meetings.
- The information on job places has been publicized in advance. As evidence, the audit team was provided the examples of announcements, the protocols and photographs of meetings held with community members. The content of announcements includes the brief information about the CCIC activity, the starting date of PICs, the date and place of meetings intended for community members on the recruitment process, as well as job vacancies, the duration of job contracts, the number of people required. Besides, the contractor put announcements to ensure the community safety. It is necessary to note that
announcements were written in Azerbaijani language and Latin script as required by the commitment (see Appendix 4 and 5). The audit team was provided with weekly reports and protocols arranged by the CLO as the evidence for the observance of the recruitment procedures, establishing and ensuring the relations with communities in compliance with the Recruitment Plan.

**Implementation assessment:** The commitment was implemented.

### 3.1.1.5. Commitment

The Contractor shall establish fair recruitment procedures – no preferred lists, clear job descriptions of available jobs distributed one month prior to the date of recruitment via leaflets/brochures (Employment and Training CCP, Commitments Register 24).

**Observation**

- As required by the commitment, community members have been informed about job places.
- As the evidence for the performance, the audit team was presented the samples of leaflets and announcements.

**Implementation assessment:** Generally, the commitment was implemented. However it was impossible to assess how the completion of commitment implementation was. As none of exemplary announcement was dated, the audit team was not able to judge to what extent the commitment was fulfilled.

### 3.1.1.6. Commitment

The project team will keep existing district recruitment centers informed of activities, but all hiring of personnel to work on the project will be through specifically established centers (Employment and Training CCP, Commitments Register 135).

**Observation**

The commitment was severally implemented. All recruitment processes including the establishment and maintenance of the regular contacts with communities were implemented through the Project Information Centers. As the evidence for the PICs activity, the protocols of meetings held in PICs, the samples of announcements were presented to the audit team.

**Nonconformance**

- Although the commitment requires that the contractor should keep district recruitment centers or employment agencies informed about recruitment, they were not communicated with respect to recruitment process and not informed about the activities.
  Moreover, any document or its copies as if sent to the Regional Executive Powers were not presented to the auditors. At the same time, during the community visits to Kurdamir and Samukh districts, the representatives of the Regional Executive Powers said that they have not received any official list or information about the persons recruited.
**Recommendation**

The process of public, state employment agencies and executive authorities’ awareness of employment data might be organized better, which could promote transparent procedures enjoying increasing confidence in the project. Thus, the relations are expedient to be continued within the operation of the pipeline.

**3.1.1.7. Commitment**

The commitment No 673 of Employment and Training CCP states that “the Contractor is required to ensure a fair and transparent distribution of jobs between the project affected communities along the route and to maximize the employment opportunities of skilled, semi-skilled and unskilled workers during the construction and operation of the pipeline”.

**Observation**

All documents submitted with respect to the mentioned commitment were related to the BTC construction. According to the officials of the audited company, only these documents are available, as the former labour force from BTC Project has been employed during the SCP project.

**Nonconformance**

The contractor didn’t maximize the level of use of local employment. For the most part, workers employed by BTC project were recruited for SCP project.

**Recommendation**

The involvement of new labour force into SCP project remained to be important. In this case, observing the transparent recruitment principles the people failing to be employed by BTC project could have one more chance. This situation is recommended to be allowed for future projects.

**Conclusions**

- The commitments on employment were substantially fulfilled. The contractor didn’t maximize the level of use of local employment. Workers employed by BTC project were recruited for SCP project. It means that the contractor has failed to implement the commitment on maximizing the local employment and transparent recruitment procedures.

  - The establishment of good liaison and raising the awareness of communities was severally implemented. Nevertheless, establishment and maintenance of relations with local executive bodies did not reach the desired level. It means that the contractor did not follow the recruitment process for SCP project.

**3.1.2. Training for personnel**

The audit team was provided with the following documents to carry out the audit in this direction:

- Training Plan (BTC 001-B110-HR-PRO–00001);
- Health and Environment Plan” (PP-701-MHSE-768-0);
- Letter of Transmittal, Register list (CCC-SCP-T-01344);
SCP Transport Management Plan (Supersede № A02 SCP 001-MS10-SA-PLN-00024);
List of training;
Weekly reports on training.

3.1.2.1. Commitments
- Contractor will develop and implement training programme for local workers (Employment and Training CCP, Commitments Register 8, 78).
- Contractor will develop comprehensive training programme to increase skills of national work force. The training programme will be part of the Contractor's employment strategy and will be reviewed and approved by BTC Co. Training will be provided in the appropriate language (Employment and Training CCP, Commitments Register 33).
- Training will be provided to all staff, both national and expatriate, on camp management, rules, discipline and cultural awareness (Employment and Training CCP, Commitments Register 58).

Observation
Training activities implemented by the Contractor presented as an important part of the processes of social impact assessment in Azerbaijan during the SCP construction. The Contractor’s Training Plan has been shown to the audit group as a document reflecting the Contractor training strategy. The plan was prepared for providing a basis for unskilled and semi-skilled manpower development to maximize the local employment opportunities.

Implementation assessment
The commitment was implemented.

3.1.2.2. Commitments
- Project management HSE Induction Training – Induction training shall be provided by Contractor and specifically structured for joint BTC/Contractor line management and BTC/Contractor HSE (Employment and Training CCP, Commitments Register 435).
- The training programme will include refresher and induction training to ensure that all recruits have the necessary understanding and knowledge levels for each job, in particular with regard to HSE issues (Employment and Training CCP, Commitments Register 918).

Observation
As the evidence for the implementation of the mentioned commitments, a number of documents including reports on training for both local and foreign employees, the examples of training assessment questionnaires filled by participants were presented to the auditors.
Environmental issues and community safety were the focus of attention as an important part of HSE Induction training for all the project staff. According to the report on the training organized to prevent all the risks that would occur during the construction and thereby to provide the safety of communities, 17603 persons attended these courses (Letter of Transmittal, register list CCC-SCP-T-01344).

Implementation assessment
The commitment was implemented.
3.1.2.3. Commitments

- Prior to commencing any site work, all Contractor personnel including subcontractor and suppliers shall successfully complete essential training to ensure competence and safe performance of duties, appropriate to the work being performed (Employment and Training CCP, Commitments Register 434).
- Induction training for workforce on environmental issues and visitors will be provided by the Contractor in accordance with the Employment and Training Management Plan (Employment and Training CCP, Commitments Register 795).
- A comprehensive training programme will be developed for all national staff. The training will be carried out early enough to enable local staff to participate in site pre-commissioning and commissioning activities (Employment and Training CCP, Commitments Register 922).

Observations

- The audit team studied “Health and Environment Plan” (PP-701-MHSE-768-0) and “SCP Transport Management Plan” (Supersede No A02 SCP 001-MS10-SA-PLN-00024) provided by the Contractor as evidence. As well as, the BP Intensive Training Plan on labour safety, transport safety manual, instructions on car driving safety, pictured-manual for drivers, occupational standards published in January 19, 2004, instruction on safe driving personal cars were shown to the audit team.
- At the end of each training, course participants filled in the evaluation questionnaires. The examples of these questionnaires (December 22, 2005 and January 7, 2006) have been studied by the group members. This document presents a test consisting of 20 questions and reflects the information about training subjects.
- Each person attending training are given a special document – passport the example of which was shown to the audit team. Staff is not allowed to entry to the construction site not presenting this document.
- It is important to note that the Contractor implemented its commitments on training at high level. As evidences, the audit team was provided with a lot of documents concerning this issue. As an example, the reports on training for 2003, 2004 and 2005 were investigated (for the detailed information see Appendix 7).

Implementation assessment
The commitment was implemented.

Conclusion
It is necessary to note that the audit team was provided with much evidence concerning training performance. As a result of auditing training performance it is possible to draw a conclusion that the contractor company successfully fulfilled its commitments.
3.1.3. Monitoring and auditing of employment and training performance, action tracking system for employment managing

The audit team was provided with the following documents to carry out the audit in this direction:

- Contractor Control Plan, Employment and Training (BTC 004-B010-EV-PLNHR-00011-C01);
- Employment Management Plan
- National and Local Recruitment Plan (BTC 001-B110-HR-PRO-00002);
- Audit Control Plan dated September 3, 2005
- Contractor's Key Performance Indicators (November 2005);
- Contractor's Key Performance Indicators dated December 6, 2005
- Weekly report dated October 2, 2005;
- Complaints book;
- Computer data base.

3.1.3.1. Commitment

- The Contractor performance against commitments shall be assessed by BTC Co through informal site inspection, audits against the commitments register, spot check monitoring where results appear questionable (CCP Employment and Training 5.2).
- BTC Co is responsible for ensuring KPIs assessment and reporting.
- BTC Co is required to appoint a member of staff during local level recruitment along the pipeline route to act as an independent figure who will monitor the fairness of the recruitment process (CCP Employment and Training, Commitments Register 675).
- Recruitment procedures will be overseen by BTC Co to address community concerns about the transparency and openness of the process. (CCP Employment and Training, Commitments Register 925).

Observations

- According to the auditee, the Employment and Training CCP was a main means to provide controlling over the performance of the contractor activities during the construction phase.
- Monthly reports on KPIs are checked by BTC Co every month on the basis of the determined categories. The numbers shown in the report or other indicators are compared with the optimal numbers or weekly reports. Community Relations Manager check up the CCIC information and complaints, and evaluates the CCIC performance on the defined scoring system. The evaluation results are described in a special document. As the evidence for operating the mentioned system, the audit team has been provided with the Employment Management Plan and appropriate reports.
- Action tracking system is conditioned by receiving monthly reports, complaints management and taking the relevant measures. The information concerning these processes enters into computer and passes to BTC Co. During the audit data base with respect to employment was shown to the audit group.

Implementation assessment

The commitment was implemented.
3.1.3.2. Commitment
Section 5.2.3 Employment and Training CCP states that “each construction contractor is required to monitor performance on environmental and social issues against KPIS and report to BTC Co management on a monthly basis BTC Co”.

Observation
The Contractor has provided monitoring the performance of social issues against KPIS and submitted the performance indicators to BTC Co management. Monitoring the performance against KPIs has been carried out on a monthly basis.

Implementation assessment
The commitment was implemented.

3.1.3.3. Commitment
Section 5.2.3 Employment and Training CCP notes that “there is a mechanism that allows BTC/SCP to withhold up to 5% of an invoice if HSE performance is unsatisfactory”.

Observation
According to the auditee, the mechanism enabled BTC Co to withhold up to 5% of an invoice if HSE performance is unsatisfactory, is being used. But he has no any right to make a show of the facts concerning the issue.

Implementation assessment
The commitment was implemented.

3.1.3.4. Commitment
BTC/SCP will appoint a Community Relations Manager (CRM) with overall responsibility for community liaisons during the construction period. Among other duties, CRM shall monitor the Contractor employment strategy through review and audit of the employment and training plan and liaison with staff at the project information centres. BTC Co will be responsible for monitoring the Contractor performance (CCP Employment and Training 5.3.1).

Observation
BTC/SCP has appointed a Community Relations Manager (CRM) who had an overall responsibility for community liaisons during the construction period. CRM has monitored the Contractor employment strategy and provided receiving the relevant reports from the project information centres.

Observations (negative)
- During the audit, it found out that there are some differences between the indicators of the BTC monitoring and CCIC reports of the same date. According to the CCIC KPIs for 23 October 2004, the number of recruits from Azerbaijan nationals is 1799, while in the BTC audit reports of the same date, this number was shown as 1832. Such differences have been observed in the indicators about recruits from Kurdamir district (detailed in Appendix 8).
- As the audit team was not provided with the relevant document, it was impossible to assess the contractor performance against the commitment on sourcing and outsourcing procedures for employment at the national and regional levels.
Conclusion  
The monitoring procedures on employment and training were substantially observed by the BTC/SCP and contractor. Nevertheless, for lack of some important documents or non-submission to the audit group it became impossible to reveal to what extent the same commitments were fulfilled.

3.2. Auditing the performance of commitments on infrastructure

The contractor has prepared its strategy on infrastructure (roads) on the basis of the principles of the Infrastructure and Services CCP and has accepted certain commitments in this respect. These commitments are described in the Infrastructure and Services CCP, Transport Management Plan and Commitments Register attached to these plans.

In compliance with these commitments the contractor should provide the fulfilment of the following issues:

- To minimize the impacts with respect to infrastructure (roads);
- To ensure the community safety during the use of infrastructure (roads);
- To conduct roads monitoring;
- To reinstate roads to at least their pre-existing condition or better;

3.2.1. Use of roads

The audit team was provided with the following documents to carry out the audit in this direction:

- Infrastructure and Services CCP;
- Transport Management CCP;
- Entry agreements;
- Photographs of pre-construction condition of roads.

3.2.1.1. Commitment

According to the commitments, the condition of roads should be documented prior to construction and restored to at least their pre-existing condition after construction (Infrastructure and Services CCP, Commitments Register 89).

Observations

- According to the Contractor workplan, the initial assessment of roads before using was carried out with the participation of two parties; the pre-construction condition of roads was studied, and photographs of the condition of roads were provided (see Appendix 9).
- To the results of community visits to Samukh district it can be said that entry and exit agreements with road owners (municipalities, road offices) along the pipeline route were concluded.

Implementation assessment

The commitment was implemented.
3.2.1.2. Commitment
Trenchless techniques will be utilized during the establishment of crossings for the major roads (Infrastructure and Services CCP, Commitments Register 200).

Observation
During the visits to Samukh and Kurdamir districts, road owners (municipalities, road offices) confirmed that trenchless techniques were used during the establishment of crossings for the major roads (Infrastructure and Services CCP, Commitments Register 200).

Implementation assessment
The commitment was implemented.

3.2.1.3. Commitment
The Contractor is required to minimize the duration of closure roads and provide temporary access where necessary (Infrastructure and Services CCP, Commitments Register 201).

Observation
During the visits to Samukh and Kurdamir districts, road owners (municipalities, road offices) confirmed that the duration of closure roads has been minimized and temporary access provided where necessary.

Implementation assessment
The commitment was implemented.

3.2.1.4. Commitment
The Contractor is required to minimize the inconvenience of road users and to use appropriate signs, barriers and other traffic means to ensure the community safety during temporary closure of roads (Infrastructure and Services CCP, Commitments Register 485).

Observation
During the visits to Samukh and Kurdamir districts, road owners (municipalities, road offices) confirmed that the inconvenience of road users has been minimized. The appropriate signs, barriers and other traffic means were provided to promote safety during temporary closure of roads.

Implementation assessment
The Commitment was implemented.

Conclusion
The commitments on infrastructure (roads), especially, on roads using for the most part were fulfilled. Pre-construction condition of roads was assessed; the entry and exit agreements with road owners were concluded. Where necessary, the temporary rights-of-way and the appropriate signs, barriers and other traffic means were provided to promote safety during temporary closure of roads.
3.2.2. Control of roads condition during their use and superficial reinstatement work

3.2.2.1. Commitment
Preference will be given to upgrading/widening existing roads rather than constructing new roads (Infrastructure and Services CCP, Commitments Register 210).

Observation
During the visits to Samukh and Kurdamir districts, road owners (municipalities, road offices) have confirmed that the roads have been restored.

Implementation assessment
The Commitment was implemented.

3.2.2.2. Commitment
In connection with the initial document there should be monitoring standards of roads used during the construction period (Transport Management CCP, section 5.1 and Commitments Register 1004).

Observation
The monitoring standards of roads are described in the Reinstatement Plan and Appendix 2 attached to it which presented to the audit group by the officials of CCIC company.

Implementation assessment
The commitment was implemented.

3.2.2.3. Commitment
As required by section 5.0. of the Transport Management CCP, the monitoring of road condition should be conducted.

Observations (negative)
- The CCIC officials did not present any evidence for the monitoring of road condition through the standard forms. The different dated photographs concerning road condition only in one of the selected two districts have been presented to the audit team.
- One of the objectives of monitoring is to carry out risk assessment. The auditors were not provided with any evidence for this activity.

Nonconformities
- The company officials stated that the monitoring of roads has been conducted verbally, but the relevant forms have not been filled out as required by Appendix 2. It means that the activity was not documented.
- BTC/SCP in their turn did not control over the contractor monitoring process whether he had conducted it. (According to the Transport Management CCP, section 5.2.4, BTC Co should conduct the monitoring of KPIs within the framework of work level assessment).

Recommendation
In the construction period the changes in the infrastructure should be monitored and documented accordingly. These procedures are also recommended to be carried out during operational phase.
BTC/SCP, in turn, should oversee the contractor monitoring procedures, as it might enable to assess any problem in advance which could arise then.

**Conclusion**
Given the local community has a considerable interest in reinstatement of infrastructure. BTC/SCP and lenders should monitor and audit this activity to ensure that the commitment on reinstatement is fulfilled.

### 3.2.3. Commissioning roads

#### 3.2.3.1. Commitment
All roads should be reinstated to at least their pre-existing condition after construction (Transport Management CCP; Commitments N 86, 212)

**Observations**
- Regardless of the fact that CCIC has provided the road reinstatement plan, there were no overall information on the lists of roads to be reinstated, sequence of activities, sum of expenses, approximate dates for commissioning and other details concerning reinstatement activity.
- The CCIC construction manager said that reinstatement work has not been started until now. Therefore it was impossible to conduct the audit of the road reinstatement process (see photos 1 - 2, Appendix 10).

**Nonconformance**
The road reinstatement plan provided by the contractor doesn't yield exact and sufficient information on the reinstatement process.

**Note**
By the completion of the audit, when preparing the draft audit report, the CCIC officials has stated that the detailed plan for the reinstatement work had been already developed, and if necessary they can show it to the audit team.

**Recommendation**
The BTC/SCP and contractor's commitments on infrastructure reinstatement should be specified prior to project start-up and the reinstatement plan with overall information prepared. It enabled to prevent any trouble in time which could arise then against operator.

**Conclusion**
As the reinstatement work has not been started yet, it is impossible to judge to what extent the commitment is fulfilled. The CCIC’s roads reinstatement plan doesn’t yield the overall and exact information on reinstatement process.
IV. Conclusions

• The commitments on employment were substantially fulfilled. The contractor didn’t maximize the level of use of local employment. Workers employed by BTC project were recruited for SCP project. It means that the contractor has failed to implement the commitment on maximizing the local employment and transparent recruitment procedures.

• The establishment of liaison and raising the awareness of communities was severally implemented. Nevertheless, establishment and maintenance of relations with local executive bodies did not reach the desired level. It means that the contractor did not follow the recruitment process for SCP project.

• It is necessary to note that the audit team was provided with much evidence concerning training performance. As a result of auditing training performance it is possible to draw a conclusion that the contractor company successfully fulfilled its commitments.

• The monitoring procedures on employment and training were substantially observed by the BTC/SCP and contractor. Nevertheless, for lack of some important documents or non-submission to the audit group it became impossible to reveal to what extent the same commitments were fulfilled.

• The commitments on infrastructure (roads), especially, on roads using for the most part were fulfilled. Pre-construction condition of roads was assessed; the entry and exit agreements with road owners were concluded. Where necessary, the temporary rights-of-way and the appropriate signs, barriers and other traffic means were provided to promote safety during temporary closure of roads.

• Given the local community has a considerable interest in reinstatement of infrastructure. BTC/SCP and lenders should monitor and audit this activity to ensure that the commitment on reinstatement is fulfilled.

• As the reinstatement work has not been started yet, it is impossible to judge to what extent the commitment is fulfilled. The CCIC’s roads reinstatement plan doesn’t yield the overall and exact information on reinstatement process.

The audit of the SCP and its contractor’s commitments on employment and training, and infrastructure has been carried out over the six months. The audit team spent 100 man-hours for the audit process. As a result of this audit two nonconformities have been found in relation to employment and training, and three nonconformities in relation to infrastructure. For future pipeline and infrastructure projects in Azerbaijan it is hoped that a good practice demonstrated during the pipeline project will be transferred to the benefit to Azerbaijan society.
Acknowledgments

The working group would like to thank the following groups and persons for the assistance that they rendered us during the audit activities:

1. Dr. Farda Asadov, Managing Director of OSI-AF
2. Transparence Oil Revenue and Public Finance Program Director, Mr. Galib Efendiyev
3. NGO Audit Program Coordinator, Mrs. Esmira Asadullayeva
4. BP Azerbaijan, and personally Matin Akhundlu
5. Dan Bliss, BTC Social Performance and Community Relation Manager
6. Dr. Clive Morgan, International mentor
7. Dr. Fuat Rasulov, The member of mentor group
8. NGO Audit Support Officer, Mrs. Elmira Gasimova
9. BP Azerbaijan Enterprise Center Staff
10. Mr. Andrew Buchman, External Engagement Strategy Coordinator
11. Mrs. Zulfiya Guliyeva, Community Liaisons Officer (CCIC)
Appendixes

Appendix 1. Information about the audit team members

1. Emil Aliyev

Director of National Economic Centre
Education - graduated from the International Economical Relations Department of Azerbaijan State Economical University, Baku Branch of the University of France “Montpellier-1”
Work Experience - Vice-president of “RUS” Group of Companies, Deputy director of the different branches of “Parabank” JSCB
Attended some national and international training courses and obtained certifications

2. Sadaqat Qambarova

Founder of “Zirve” Educational and Charity Society. The “Zirve” Educational and Charity Society was founded in 2005. The main goals of the organization are to promote entrepreneurial climate in the country, to assist and support women and youth employment issues through the development of educational projects and programmes.
Education - graduated from the Oriental Department of Azerbaijan State University, and the Department of Literature and Art of Jordan King University.
Work Experience- teacher, interpreter in foreign countries, since 1991 has been involvement in public activity, in 2000-2005 worked as labor relations department of Azerbaijan Employers Confederation.
She was a coordinator of several projects of International Labour Organization. Participant of international seminars and training on social issues.

3. Tehmasib Quliyev

Expert of Economic Researches Centre. The Centre was established in 1999. The main direction of the centre’ activity is to carry out economic researches, thereby to contribute the local economy.
Education - graduated from the Azerbaijan State Oil Academy, get doctor degree
Work Experience - Head of department in “Expert” magazine, Complaints Department Director in “Absheron - Su” regional join-stock company, teacher in the Azerbaijan State Oil Academy etc.

4. Vuqar Huseynov

Chairman of Economic Ideas Club. The organization is engaging in economic researches.
Education - graduated from the Foreign Economical Relations Department of Azerbaijan State Economical University

5. Narmin Bagirova

She is a student of the International Economical Relations and management Department of the Azerbaijan State Oil Academy
### AUDIT PLAN

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
| **1.** | **Document request** | 1. SCP Commitments for Infrastructure and Employment  
2. Host Government Agreement  
3. Environmental Impact Assessment  
4. Infrastructure and Services Control Plan  
5. Employment and Training Control Plan  
6. Contractor Implementation Plans for Infrastructure and Services  
8. Quarter reports on Employment and Infrastructure for 2005 |
| **15.** | **Team meetings** | 1. Determination of responsible persons for the auditing;  
2. Responsible persons for the meeting commitments for Infrastructure and Employment;  
3. Site managers; |
| **16.** | **Site visits** | 1. The Mugan camp;  
2. Samukh area;  
3. Kurdamir area;  
4. Area where some construction activity is still underway -1;  
5. Area where some construction activity is still underway -2. |
| **17.** | **Collecting and analysis of data, processing and investigation of the results** | 1. Collecting and investigation of the data identified from SCP Employment and Infrastructure documents;  
2. Analysis of the information received during the meetings with officials and employees of BP/SCP;  
3. Analysis of the data obtained during the meetings with communities and community representatives.  
4. Investigation of the information obtained during the reviews at the appropriate sites;  
5. Data and records processing and summing up. |
| №  | Activity/dates (last day of the week)                                                                 | October | November | November | November | December | December | December | January 1 | January | January | January | February | February | February | February | February | March 5 | March 12 | March 19 |
|----|---------------------------------------------------------------------------------------------------|---------|----------|----------|----------|----------|----------|----------|-----------|---------|---------|---------|----------|----------|----------|----------|----------|----------|----------|
| 1  | Signing contract between OSI-AF Azerbaijan                                                        |         |          |          |          |          |          | x        |           |         |         |         |          |          |          |          |          |          |          |
| 2  | Obtaining required documents                                                                     | x       | x        | x        |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 3  | Holding meetings with the representatives of SCP                                                 |          |          | x        |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 4  | Visits to SCP sites                                                                               |         |          | x        | x        | x        | x        | x        |           |         |         |         |          |          |          |          |          |          |          |
| 5  | Visit to the Mugan camp                                                                           | x       |          |          |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 6  | Visit to Samuhk                                                                                    |         |          |          |          | x        |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 7  | Visit to Kurdamir                                                                                 |          |          |          |          | x        |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 8  | Visit to area where some construction activity is still underway                                 |          |          |          |          |          |          | x        |           |         |         |         |          |          |          |          |          |          |          |
| 9  | Meetings with the employees of CCIC company                                                        | x       |          |          |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 10 | Summing up and processing results                                                                  | x       | x        | x        | x        | x        | x        | x        |           |         |         |         |          |          |          |          |          |          |          |
| 11 | Working out the draft report                                                                      |          |          |          |          |          | x        | x        | x        |         |         |         |          |          |          |          |          |          |          |
| 12 | Review of the draft report by officials of OSI                                                    | x       | x        | x        | x        |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 13 | Translation of the report into English                                                             | x       | x        | x        | x        |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 14 | Presentation of the report to BP/SCP                                                               | x       |          |          |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 15 | Preparation of the final report                                                                   |          |          |          |          | x        | x        | x        |           |         |         |         |          |          |          |          |          |          |          |
| 16 | Presentation of the final report to BP/SCP                                                         | x       |          |          |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 17 | Review of the final report by BP-SCP                                                               | x       | x        | x        |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 18 | Final report agreement meeting                                                                     | x       |          |          |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |
| 19 | Final report confirmation                                                                          |          |          |          |          |          |          |          |           |         |         |         |          |          | x        |          |          |          |          |
| 20 | Publication of the report in order to inform the general public                                    | x       |          |          |          |          |          |          |           |         |         |         |          |          |          |          |          |          |          |

AUBT CALENDAR-PLAN
Appendix 3.

Proposal for a checklist for audit of BTC/SCP at a first meeting with company personnel in Baku

Objectives for the audit

1 – Audit SCP and contractor’s commitments on employment.

2 - Audit SCP and contractor’s commitments on infrastructure.

Questions

1. Please confirm your name, status and role with respect to employment and infrastructure management within CCIC and in relation to the BTC / SCP project.

2. The Audit Team has been provided with copies of BTC / SCP Contractor Control Plan Employment and Training AGT001 1000 EV PLN 00006 Revision U01 dated 23/05/03 and BTC / SCP Contractor Control Plan Infrastructure and Services AGT001 1000 EV PLN 00007 Revision U01 dated 23/05/03. Note that in the text below Section and page numbers refer to Revision U01 of each of the CCPs as provided. These documents will be used as the basis for this audit.

Please confirm that the above documents have been used in developing your management response to employment and infrastructure issues and provide a sight of any in-house procedures, for example, Contractor Implementation Plans and Procedures (CIPP) as required by Section 1.1, bullet point 2 of each of the CCPs.

Employment

3. Please provide evidence for the preparation of an ‘employment strategy’ as required by Section 3.2.1 paragraph 3, page 17 of the Employment and Training CCP.

4. Please provide evidence to the Audit Team of how the employment strategy and the CIPP to deliver it meets the following recruitment principles as required by Section 3.2.1, page 17 of the Employment and Training CCP and in line with commitments Appendix 1 of the Employment and Training CCP.

4.1 Recruitment procedures shall be transparent, public and open to all.

4.2 Recruitment procedures shall be publicised in advance, including distribution of information to communities along the route. All information will be provided in Azeri (Cyrillic and or Latin as appropriate for audience).

4.3 Training shall be provided to ensure that all recruits have the necessary skill and knowledge levels defined for each position.
4.4 There shall be no discrimination on the basis of religion, ethnicity, gender, sexuality or other factors.

4.5 The Contractor shall work with BTC Co to establish equitable recruitment and sourcing procedures for employment and outsourcing at a national and regional level, wherever appropriate.

4.6 The Contractor shall manage some form of recruitment centre in each of the districts through which the pipeline passes.

5. Please provide any key performance indicators for employment that have been agreed with BTC / SCP as required by Section 3.2.1, paragraph 1, page 16 of the Employment and Training CCP.

6. Please describe CCIC mechanisms for acquiring, managing, and storing data on employment. Where is this process documented? (Note that general data management is not covered in the CCP).

7. Please describe how key performance indicators are monitored and by who as required by Section 5.2.3, page 23 of the Employment and Training CCP.

8. Please provide evidence to the Audit Team of how the recruitment principles (through the employment strategy and the CIPP to deliver it) have been fulfilled in each of the following areas:
   Samukh and Kurdamir
   And in particular the percentage of local versus non-local skilled, semiskilled and unskilled labour employed.

   In the event that it was not possible to recruit sufficient, suitably qualified workers at the local level what steps were taken to recruit them at the national level (as required by Commitment 923) with what success and what selection criteria were applied?

9. What evidence can you provide for monitoring of employment performance by yourself, the contractor, as required under Section 5.2.3, paragraph 3, page 23 of the Employment and Training CCP?

10. Please provide evidence to the Audit Team for performance against KPIs, in each of the following areas:
    Samukh and Kurdamir

11. What evidence can you provide for monitoring (through site inspections) and auditing (through E and S audits) of employment performance by BTC / SCP personnel as required under Sections 5.2.1 and 5.2.3, page 23 of the Employment and Training CCP?

12. Please demonstrate the CCIC ‘action tracking system’ for managing and tracking actions required as the result of internal and external monitoring and audit as required by Section 5.4, page 26 of the Employment and Training CCP.
13. Has BTC / SCP used its contractual mechanism to withhold up to 5% of an invoice if HSE performance as allowed under Section 5.2.3, paragraph 5, page 23 of the Employment and Training CCP.

14. Please provide evidence for monthly reporting to BTC / SCP on field inspection results and close out of audit actions as required by Section 5.4, paragraph 2, page 26 of the Employment and Training CCP.

Infrastructure

15. Please describe the approach CCIC has taken to ensure ‘minimisation of potential negative social impacts’ as required by the HSE and Personnel and People Management Requirements within its contract with BTC / SCP as stated in Section 2.1, page 10 of the Infrastructure and Services CCP. (Note to the auditors: you are looking for a CIPP for Infrastructure and Services, also any supporting procedures and protocols).

16. Please describe your approach, supported by relevant documentation, to mitigating potential and / or actual impacts in relation to the following:
   16.1 Road condition (Table 3.1, page 12 of I and S CCP).
   16.2 Access across the Right of Way (Table 3.1, page 13 of I and S CCP).
   (Note to the auditors: you are looking for procedures and protocols. The objective here is to find out what they say they will do).
Appendix 4

Announcements

The audit team was provided with the examples of announcements drawn up for the inhabitants of Pirsaat, Renjber, Hajigabul, Mugan, Garasu and Padar villages. We have to note that the announcement examples have been concerned the BTC project and dated of February 2003. The content of announcements included the information on the activity description of CCIC Company, the date of starting up the Project Information Centres, the arrangement of meetings with community members with respect to employment.

As well as, there said in the announcements that CCIC Company will respond all requirements of international standards during the pipeline construction. The audit team was also presented the map added to the announcements and covered the construction sites.

One of the announcements contains the information on the meeting held between local population and the representatives of CCIC Company on 14 February, 2003, in Hajigabul, with respect to the project objectives.

In another announcement there placed information on the meeting organized for community members and the representatives of CCIC Company on 2 June, 2003, in Hajigabul district, with respect to the construction and current issues.

The auditors were also provided with the 2 announcement examples that informed about job places in the CCIC pipe storehouse situated in Mugan camp. The information of vacancies on the 25 types of different professions, the experience required, the number of work places and the duration of work contract has been included in the announcements.

More two announcements are about job places in the worker camp situated in Mugan settlement that provides with the information of vacancies on different professions, the experience required, the number of work places and the duration of work contract.
Appendix 5
Examples of press-cuttings

- The issue of the 525th newspaper of March 25, 2003, published information on the meeting held with the community members of Kurdamir district in March 24, 2003. The inhabitants of Yeni Shikhimli, Chohraganli, Karrar, Sigirli and Ershadli villages, and Deputy Chief Executive of Kurdamir district participated at the meeting. There said in the information that the 300 people from Kurdamir district will be employed within the project implementation at three levels.

- The “Khalg” newspaper of March 25, 2003, placed information on opening Project Information Centre in Kurdamir. The information said that 300 people from Hajigabul district will be employed.
Appendix 6

Community meetings

As the evidence for the duly implementation of employment procedures and establishment of community liaisons in compliance with the Contractor’s National and Local Recruitment Plan, the weekly reports and protocols arranged by the officer responsible for community liaisons were shown to the audit team. These documents include the reports of the meetings on Social Impacts (29.03.2004), Assessment (30.03.2004), and Recruitment in Tovuz district (30.03.2004; 01.04.2004; 02.04.2004; 03.04.2004; 04.04.2004), the reports on the whole of activities performed during the period of March 29 – April 4, 2004, also the 04.02.2004 dated reports on the whole of activities carried out on social issues.

The documents also included the protocols of the meetings held with community members in Kurdamir during the 2003 year with respect to employment process.

The audit team was provided with the photos and protocol of the meeting held in Kurdamir on 5 June 2003. According to the documents about 100 persons participated at the meeting.

The protocols of the meeting organized in “Huseyn” small enterprise in Samukh district and Sarigamishly village on 8 August 2003, that related to social impacts assessment have been submitted to the audit group (8 persons participated at the meeting).

The protocols of the meetings organized on 9 August 2003 in Hadili village of Samukh district (15 persons participated at the meeting), in “Gunesh” sheep-breeding farm (11 persons participated at the meeting) and in Seyidli village, were given to the audit group.
Appendix 7

Training for personnel

The audit team was provided with the weekly report of August 2003 on Health Safety and HSE Induction Training. The document describes the objectives of training, the place of training and indicators on its content. Besides, the indicators of the training performed during 12 – 17 April 2004 were submitted. The performance report reflects the information on the content of training and the number of participants. The composition of participants consisted of the representatives of the CCIC and subcontractor company. According to the document the training has included the following subjects as:

- Acquaintance with safety rules (2 training)
- Re-preparation of staff on safety rules (2 training)
- First aid training (2 training)
- Training on Security Induction for persons visiting to sites (2 training)
- High level first aid training (2 training)
- Risks assessment training (2 training)
- High level safety training (2 training)
- 2 training for Site provision managers etc.

In the document there shown the number of persons attended the training. The reports submitted as the examples for 2005 year’s training were investigated by the audit team.

According to the weekly report on Health Safety and HSE Induction Training for man-hours during 19 – 24 December 2005, the duration of the training was 16 hours, the number of participants was 2 persons, and the number of man-hours was 32 persons. The photographs concerning the training were provided. The audit team studied the SCP Training Plan on Transport Management (Supersede № AO2 SCP 001- MS10-SA-PLN-00024).

The reports of December 15, 2005 and January 17, 2006 on the training on machine tools conducting organized by the Health Protection and Safety department of SCP, were presented to the audit team. As well, the list signed by the participants attended the training on driving safety, was shown. During the period of 03 – 05 October 2005, the training for drivers on the speed of cars’ movement in rural and urban areas, also on railway safety issues was organized. As evidence, the relevant documents were provided. (According to the documents 36 people attended the training).

On 12 July 2005, in Tovuz district the transport safety training was organized by BTC/SCP. The report was presented to the audit team. (According to the report 71 people attended the training).

The reports of the two-day training of January 22, 2005 on engineering safety, also safety regulations induction organized in January 11, 2005 were shown to the auditors.
Appendix 8

KPIs differences

There are some differences between the indicators of the BTC monitoring and CCIC reports from the same date.

For example, according to the CCIC report for 23 October 2004, the number of recruits from Azerbaijan nationals is 1799, while in the BTC audit reports of the same date, this number was shown as 1832.

As well as, according to the CCIC report, the number of skilled workers recruited from Kurdamir district is 102 persons, semiskilled – 20 persons, unskilled – 73 persons, staff – 9 persons (total 204 persons).

But in the BTC audit reports, accordingly these numbers are as follows: skilled - 104, semiskilled – 20, unskilled – 75, staff – 9 (total 208 persons).
### Roads assessment tables

<table>
<thead>
<tr>
<th>Number of roads photos</th>
<th>Condition</th>
<th>Date</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>003+550</td>
<td></td>
<td>16.02.03</td>
<td>dirt road</td>
</tr>
<tr>
<td>8610400-4528073</td>
<td></td>
<td>16.02.03</td>
<td>ground with digs</td>
</tr>
<tr>
<td>001+615</td>
<td></td>
<td>16.02.03</td>
<td>asphalt deformation</td>
</tr>
<tr>
<td>002+265</td>
<td></td>
<td>16.02.03</td>
<td>deformation of asphalt with digs</td>
</tr>
<tr>
<td>002+670</td>
<td></td>
<td>16.02.03</td>
<td>stony ground</td>
</tr>
<tr>
<td>003+570</td>
<td></td>
<td>16.02.03</td>
<td>ground and stony</td>
</tr>
<tr>
<td>003-370</td>
<td></td>
<td>16.02.03</td>
<td>ground with digs</td>
</tr>
<tr>
<td>002+970</td>
<td></td>
<td>16.02.03</td>
<td>ground with digs</td>
</tr>
<tr>
<td>003+000</td>
<td></td>
<td>16.02.03</td>
<td>with digs</td>
</tr>
<tr>
<td>002+455</td>
<td></td>
<td>16.02.03</td>
<td>deformation of asphalt with stone and digs</td>
</tr>
<tr>
<td>002+535</td>
<td></td>
<td>16.02.03</td>
<td>deformation of asphalt and ground</td>
</tr>
<tr>
<td>001+815</td>
<td></td>
<td>16.02.03</td>
<td>stony ground</td>
</tr>
<tr>
<td>002+065</td>
<td></td>
<td>16.02.03</td>
<td>asphalt with digs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of roads photos</th>
<th>Condition</th>
<th>Date</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>000+200</td>
<td></td>
<td>30.10.03</td>
<td>stony ground</td>
</tr>
<tr>
<td>000+275</td>
<td></td>
<td>30.10.03</td>
<td>stony ground</td>
</tr>
<tr>
<td>000+475</td>
<td></td>
<td>30.10.03</td>
<td>asphalt, there are digs</td>
</tr>
<tr>
<td>000+565</td>
<td></td>
<td>30.10.03</td>
<td>asphalt with digs</td>
</tr>
<tr>
<td>000+765</td>
<td></td>
<td>30.10.03</td>
<td>asphalt, there are 2 large</td>
</tr>
<tr>
<td>000+965</td>
<td></td>
<td>30.10.03</td>
<td>asphalt with digs</td>
</tr>
<tr>
<td>001+165</td>
<td></td>
<td>30.10.03</td>
<td>asphalt</td>
</tr>
<tr>
<td>001+315</td>
<td></td>
<td>30.10.03</td>
<td>asphalt, dig deformation</td>
</tr>
<tr>
<td>001+515</td>
<td></td>
<td>30.10.03</td>
<td>pipeline passes through asphalt</td>
</tr>
<tr>
<td>001+715</td>
<td></td>
<td>30.10.03</td>
<td>there is crack, pipeline passess</td>
</tr>
<tr>
<td>001+915</td>
<td></td>
<td>30.10.03</td>
<td>asphalt</td>
</tr>
<tr>
<td>002+115</td>
<td></td>
<td>30.10.03</td>
<td>topasphalt deformation</td>
</tr>
<tr>
<td>000+000</td>
<td></td>
<td>30.10.03</td>
<td>there not remained asphalt</td>
</tr>
</tbody>
</table>
Appendix 10. Photos of roads to be reinstated in Samukh district

Photo 1

Photo 2
Summary table

NGO WORKING GROUP TITLE: Employment and Infrastructure AWG
NGO WORKING GROUP MEMBERS: Emil Aliyev, Sadaqat Ganbarova, Tahmasib Guliyev, Vugar Huseynov, Narmin Bagirova (stud.)
AUDIT OBJECTIVES:
1. Audit of SCP and contractor’s commitments on employment and training
2. Audit of SCP and contractor’s commitments on infrastructure

BP/BTC/SCP responses may be characterized as below:

Accept (A): We accept the reported non-conformance, finding, observation, recommendation. We will take appropriate steps, or provide evidence on how BP/BTC/SCP has already addressed this issue.

Accept with Qualification (AwQ): We understand and appreciate the audit result in question, but we disagree with some aspect of non-conformance, finding, observation or related recommendation, as presented. We therefore “qualify” our agreement by providing details of our policies and/or actions that address the issue(s) raised.

Reject (R): We disagree with the Audit result; in the BP/BTC/SCP Summary provide our views.
<table>
<thead>
<tr>
<th>No</th>
<th>Issue</th>
<th>Related Recommendation</th>
<th>BP/BTC/SCP response* (A, AwQ, R) and explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employment strategy was developed and implemented by the contractor, and reviewed and approved by BTC/SCP.</td>
<td>(positive finding)</td>
<td>A: BP/BTC/SCP &amp; CCIC recognize the importance of fair, transparent, and broad reaching recruitment and employment strategy &amp; implementation, particularly given the magnitude of the pipeline project(s). We appreciate (&amp; support) the Audit Group’s positive assessment.</td>
</tr>
<tr>
<td>F1</td>
<td>There were established 5 project information centers through which all recruitment processes have been managed.</td>
<td>(positive finding)</td>
<td>A: As above, BP/BTC/SCP and CCIC recognize the importance of fair, transparent, and broad reaching recruitment and employment strategy and practise, and appreciate the positive assessment.</td>
</tr>
<tr>
<td>F2</td>
<td>The Training Plan was prepared and fulfilled to manage training for personnel.</td>
<td>(positive finding)</td>
<td>A: As above, BP/BTC/SCP and CCIC appreciate (and support) the Audit Group’s positive assessment.</td>
</tr>
<tr>
<td>F3</td>
<td>Action tracking system for employment managing was built and applied.</td>
<td>(positive finding)</td>
<td>A: As above, BP/BTC/SCP and CCIC appreciate (and support) the Audit Group’s positive assessment.</td>
</tr>
<tr>
<td>F4</td>
<td>Translation errors were committed in Azeri version of commitments.</td>
<td>R1: BTC/SCP &amp; its contractor should be more attentive when carrying out employment documentation in the local language. This is very important to be taken into account in the further projects to be implemented both in Azerbaijan &amp; other countries.  (negative finding)</td>
<td>AwQ: The scale of BP/BTC/SCP and CCIC’s project(s) has required an enormous quantity of key document translation. While we expect the majority of translated documents are of sufficient quality, there is clearly room for improvement.</td>
</tr>
<tr>
<td>No</td>
<td>Issue</td>
<td>Related Recommendation</td>
<td>BP/BTC/SCP response* (A, AwQ, R) and explanation</td>
</tr>
<tr>
<td>----</td>
<td>----------------------------------------------------------------------</td>
<td>------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Employment and training</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Non-conformances</td>
</tr>
<tr>
<td></td>
<td><strong>Commitment</strong></td>
<td><strong>R2</strong>: The process of public, state employment agencies and executive authorities’ awareness of employment data might be organized better, which could promote transparent procedures enjoying increasing confidence in the project. Thus, the relations are expedient to be continued within the operation of the pipeline.</td>
<td><strong>AwQ</strong>: BP/BTC/SCP and CCIC have endeavored to ensure transparency and proactive communication regarding all aspects of pipeline construction, particularly including employment matters. Before work commenced on the pipeline projects, meetings were held with district authorities (in each region thru which the pipelines pass). During these meetings, contractor employment strategy (including number of jobs, qualifications, duration of positions, employment process) was published. While we contest the assertion that “relevant local authorities received no information,” we would agree that efforts to “communicate with regional employment centers with respect to recruitment” may have warranted more of our attention.</td>
</tr>
<tr>
<td>NC1</td>
<td><strong>Employment and Training CCP, Commitments Register No 135</strong></td>
<td><strong>Non-conformance</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The project team will keep district recruitment centers informed of activities, but all hiring of personnel to work on the project will be through specifically established centers.</td>
<td>Regional employment centers were not communicated with respect to recruitment process and the relevant local authorities received no information on that.</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Issue</td>
<td>Related Recommendation</td>
<td>BP/BTC/SCP response* (A, AwQ, R) and explanation</td>
</tr>
<tr>
<td>----</td>
<td>-------</td>
<td>-------------------------</td>
<td>--------------------------------------------------</td>
</tr>
</tbody>
</table>
| NC2 | **Commitment**  
Employment and Training  
Commitments Register No 673  
The Contractor is required to ensure a fair and transparent distribution of jobs between the project-affected communities along the route and to maximize the employment opportunities of skilled, semi-skilled and unskilled workers during the construction and operation of the pipeline.  
**Non-conformance**  
The contractor didn’t maximize the level of use of local employment. For the most part, workers employed by BTC project were recruited for SCP project. | **R3:** The involvement of new labor force into SCP project remained to be important. In this case, observing the transparent recruitment principles the people failing to be employed by BTC project could have one more chance. This situation is recommended to be allowed for future projects.  
**AwQ:** BP/BTC/SCP and CCIC believe that the Audit Group raises an important point.  
While the commitments noted by the Audit Group anticipate two, separate pipeline construction processes; in fact the two pipelines were built by one contractor in an overlapping and continuous effort. It is inaccurate to state that the SCP workforce was *primarily recruited* from BTC employees. Rather, when possible similar activities were completed for both pipelines, *by the same workforce*. Combining related tasks of these two pipelines allowed the construction to capitalize on the significant experience, training and expertise gained by these individuals.  
It should be noted that these workers were, as the Group commented, approximately 74% Azerbaijani nationals from local communities. As this exceeds the recruitment target, we believe this represents a significant BP/SCP and CCIC accomplishment. Additionally, nearly three times the initially anticipated workforce was hired, for a period that lasted a year longer than original timeline projections. Thus the projects exceeded expectations regarding extent of opportunities for the local workforce.  
Yet it is fair to say that use of local employment was not *maximized*. Recruitment favored the hiring of those individuals living near work camps and recruitment centers. A proactive campaign aimed at dispersing hires in a more geographically even manner was not undertaken. Thus according to the criteria of ‘distribution’, local employment levels did not conform to this commitment.  
BP/BTC/SCP and CCIC recognize auditors finding and recommendation. Achieving the right balance regarding employment is an enormous and important challenge, and we welcome the input of the audit group. |
<table>
<thead>
<tr>
<th>No</th>
<th>Issue</th>
<th>Related Recommendation</th>
<th>BP/BTC/SCP response* (A, AwQ, R) and explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td><strong>Findings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F6</td>
<td>Before operation, the initial assessment of roads was carried out, where entry &amp; exit agreements were concluded with road owners.</td>
<td>(positive finding)</td>
<td>A: BP/BTC/SCP and CCIC are committed to fulfilling our obligations regarding the mitigation of project-related impacts; we welcome audit group observations and suggestions that will better enable us to carry this out.</td>
</tr>
<tr>
<td>F7</td>
<td>The commitment on minimizing the duration of closure roads was fulfilled and temporary access provided where necessary.</td>
<td>(positive finding)</td>
<td>A: As above, BP/BTC/SCP and CCIC appreciate the audit group's commendation.</td>
</tr>
<tr>
<td><strong>Non-conformances</strong></td>
<td><strong>NC3</strong></td>
<td>Commitment As required by section 5.0. of the Transport Management CCP, the monitoring of road condition should be conducted.</td>
<td>R4: In the construction period the changes in the infrastructure should be monitored and documented accordingly. These procedures are also recommended to be carried out during operational phase.</td>
</tr>
<tr>
<td>Non-conformance</td>
<td>No evidence was provided for road monitoring.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Issue</td>
<td>Related Recommendation</td>
<td>BP/BTC/SCP response* (A, AwQ, R) and explanation</td>
</tr>
<tr>
<td>----</td>
<td>-------</td>
<td>------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Non-conformances</strong></td>
<td></td>
</tr>
<tr>
<td>NC4</td>
<td>Commitment</td>
<td>According to the Transport Management CCP, section 5.2.4, BTC Co should conduct the monitoring of KPIs within the framework of work level assessment.</td>
<td><strong>R5</strong>: BTC/SCP, in turn, should oversee the contractor monitoring procedures, as it might enable to assess any problem in advance which could arise then.</td>
</tr>
<tr>
<td></td>
<td>Non-conformance</td>
<td>BTC/SCP didn’t exercise control of whether the contractor carried out monitoring or not.</td>
<td><strong>AwQ</strong>: As above.</td>
</tr>
<tr>
<td>NC5</td>
<td>Commitment</td>
<td>Transport Management CCP, Commitments No 86, 212 All roads should be reinstated to at least their pre-existing condition after construction.</td>
<td><strong>R6</strong>: The BTC/SCP and contractor’s commitments on infrastructure reinstatement should be specified prior to project start-up and the reinstatement plan with overall information prepared. It enabled to prevent any trouble in time which could arise then against operator.</td>
</tr>
<tr>
<td></td>
<td>Non-conformance</td>
<td>The road reinstatement plan provided by the contractor doesn’t yield exact and sufficient information on the reinstatement process.</td>
<td><strong>AwQ</strong>: BP/BTC/SCP and CCIC stand by our commitments to reinstate project utilized and damaged infrastructure. As noted above, road reinstatement is an activity that logically should commence only after heavy (construction) use of roads is complete. While we do not agree that the lack of “exact and sufficient information” presented in a preliminary workplan represents a non-conformance, we accept the Group’s suggestion that preparing reinstatement specifics (where possible) prior to project start-up might be helpful for future projects.</td>
</tr>
</tbody>
</table>