Human Rights and Security External Monitoring Assessment of
the AGT Pipeline Projects in Azerbaijan

BTC and SCP Pipeline Projects

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### Abbreviations and Definitions

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<th>Abbreviation</th>
<th>Definition</th>
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<tr>
<td>AGT</td>
<td>Azerbaijan-Georgia-Turkey. The &quot;AGT Projects&quot; are the BTC oil pipeline and SCP (including Shah Deniz) gas pipeline Projects.</td>
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<td>BTC</td>
<td>Baku-Tbilisi-Ceyhan.</td>
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<td>CEELI</td>
<td>The Central European and Eurasian Law Initiative of the American Bar Association.</td>
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<td>CLO</td>
<td>Community Liaison Officer.</td>
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<td>EEPPD</td>
<td>Export Pipelines Protection Department -- a subset of the SSPS that is responsible for pipeline protection in Azerbaijan.</td>
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<td>EITI</td>
<td>Extractive Industries’ Transparency Initiative.</td>
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<td>ESIA</td>
<td>Environmental and Social Impact Assessment.</td>
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<td>FSO</td>
<td>Field Security Officer.</td>
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<td>Host Government(s)</td>
<td>The three governments with sovereignty over the territory on which the AGT pipelines, pumping stations, and related physical structures are located. Namely, the Republic of Azerbaijan, the Republic of Georgia, and the Republic of Turkey.</td>
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<tr>
<td>Human Rights and Security External Monitoring Assessment</td>
<td>The immediate report, which evaluates the implementation of human rights commitments under the Voluntary Principles with respect to AGT projects in Azerbaijan.</td>
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<td>ICRC</td>
<td>International Committee of the Red Cross.</td>
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<td>IGA</td>
<td>Inter-Governmental Agreement.</td>
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<td>ILO</td>
<td>International Labor Organization.</td>
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<td>Monitor</td>
<td>Any person appointed by AGT to assess Project compliance with human rights commitments under the Project Agreements and the Prevailing Legal Regime.</td>
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<td>NGO</td>
<td>Non-Governmental Organization.</td>
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<td>NREP</td>
<td>Northern Route Export Pipeline.</td>
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<td>ODIHR</td>
<td>The OSCE’s Office for Democratic Institutions and Human Rights.</td>
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<td>Acronym</td>
<td>Definition</td>
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<td>OSCE</td>
<td>Organization on Security and Cooperation in Europe.</td>
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<td>Prevailing Legal Regime</td>
<td>The legal framework that governs the construction and operation of the BTC pipeline.</td>
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<td>Project Agreements</td>
<td>The central documents underlying the AGT Projects, including the Inter-Governmental Agreement, the Host Government Agreements, the Joint Statement, and all other existing and future agreements, contracts, and other documents to which, on the one hand, any of the Host Governments and, on the other hand, AGT or its Business Partners are or subsequently become a party relating to the Project.</td>
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<td>PU</td>
<td>Performance Unit.</td>
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<td>RDI</td>
<td>Regional Development Initiative.</td>
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<td>SCP</td>
<td>South Caucasus Pipeline.</td>
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<td>SOCAR</td>
<td>State Oil Company of the Azerbaijani Republic</td>
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<td>SOP</td>
<td>Standard Operating Procedure.</td>
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<td>SPU</td>
<td>Strategic Performance Unit.</td>
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<td>SRI</td>
<td>Socially Responsible Investor.</td>
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<td>SSPS</td>
<td>Special State Protection Service, a subset of which is responsible for the provision of security for the pipeline in Azerbaijan.</td>
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<td>Titan D</td>
<td>Titan D Limited - the private security company employed by the AGT Projects.</td>
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<td>USAID</td>
<td>United States Agency for International Development.</td>
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<td>Voluntary Principles</td>
<td>The Voluntary Principles on Security and Human Rights.</td>
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<td>WREP</td>
<td>Western Route Export Pipeline.</td>
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I. EXECUTIVE SUMMARY

1.1. Overview

This Human Rights and Security External Monitoring Assessment (“the Assessment”) identifies the degree with which the Voluntary Principles on Security and Human Rights (“the Voluntary Principles”) are being effectively operationalized in the Republic of Azerbaijan with respect to the Baku-Tbilisi-Ceyhan (“BTC”) Project and the South Caucasus Pipelines (“SCP”) (collectively, the Azerbaijan-Georgia-Turkey (“AGT”) Projects) as a means of promoting respect for human rights and managing security in a manner that minimizes legal and reputational risks. Commissioned by BP Exploration Caspian Sea Ltd., this is the second such assessment published for the AGT Projects, and the initial assessment to be completed since the loading of the first tanker in Turkey and the full commencement of operations.

The Assessment finds that the AGT Projects have continued to demonstrate both good faith and exceptional leadership in seeking to meet commitments under the Voluntary Principles. Recognizing that implementation of the Voluntary Principles is both iterative and evolutionary, and that compliance should be regarded as a process of continuous improvement, AGT took important steps during the course of 2006 to address ongoing challenges related to the nexus of human rights and security. At the time of the Monitoring Visit, the AGT Projects were both in material compliance with the Voluntary Principles, and setting the standard for extractive industry participants.

The Projects are now entering a defining period with respect to Voluntary Principles implementation. Although virtually all stakeholders give high marks to AGT for efforts to operationalize the Voluntary Principles leading up to and during the construction phase, many note that the litmus test will be whether the same commitment will be demonstrated during the long-term course of operations. To this effect, they will be watching the Projects closely to ascertain if AGT ensures that the steps taken thus far to implement the Voluntary Principles -- ranging from human rights training to monitoring -- are made sustainable across the lifespan of the Projects. Inasmuch as such sustainability will be increasingly dependent on the political will and capacity of the Government of Azerbaijan, AGT should continue its efforts to guide the Government, beginning with finalization of the pending Bilateral Security Protocol.

* * *

In Azerbaijan, BTC Co. is responsible for Project operations.¹ The Government of Azerbaijan bears primary responsibility for Project security, and BTC Co. works closely with the Government regarding security and operationalization of the Voluntary Principles. For this Assessment, AGT personnel provided the Monitor with access to all

¹ The BTC Project is being implemented concurrently with the SCP Project. During construction, it utilized the same BP-led project team and external construction contractors and subcontractors. BP Exploration Caspian Sea, Ltd. is the manager of the BTC Project that, pursuant to the BTC/SCP Cooperation Agreement, has had the lead in project construction and operations.
requested documents, AGT executives, Azerbaijani government officials, public and private security personnel, diplomats at the U.K. and U.S. embassies in Baku, representatives of non-governmental organizations (“NGOs”) and multinational institutions, and representatives of communities affected by the Projects, including individuals from municipal governments, local townships, the local police, and fire departments.

This access, and the interviews conducted, produced a "snapshot" of the state of AGT’s efforts to implement the Voluntary Principles in Azerbaijan. In addition, prior to and following the field visit, the Monitor met with representatives of the National Security Council, at the White House; the U.S. State Department; the U.K. Foreign and Commonwealth Office; international NGOs in Washington and London, including Human Rights Watch, Amnesty International, and International Alert; as well as other company participants in the Voluntary Principles to contextualize the AGT Projects efforts to operationalize the Voluntary Principles.

The Assessment finds that the AGT Projects are taking appropriate steps to comply with each element of the Voluntary Principles.

BTC Co. articulated its policies regarding respect for internationally-recognized human rights and the Voluntary Principles at an early stage, incorporated these policies as commitments in the Prevailing Legal Regime governing the BTC Project, and made the commitments public by publishing key documents on the Project website. No other company participant in the Voluntary Principles has so deeply or transparently embedded its commitments under the Voluntary Principles into the legal regime governing a project. SCP is in the process of completing and publishing a similar agreement.

In addition, AGT worked with the Government of Azerbaijan to ensure that the public security forces tasked with protecting the Projects participate in a world-class human rights and security training regime. This regime is designed to ensure that all individuals providing security for the AGT Projects receive practical instruction regarding the provision of security in a manner consistent with respect for the human rights of impacted individuals. Such education is provided through a “train the trainers” format designed to make the program self-sustaining over the course of the Projects’ lives. During 2006, public security forces cascaded aspects of this training to private security personnel tasked with protecting Project assets.

The Prevailing Legal Regime is the legal framework that governs the construction and operation of the BTC pipeline. It is founded on an inter-governmental agreement among the Republic of Azerbaijan, the Republic of Georgia, and the Republic of Turkey (the "Inter-Governmental Agreement ("IGA")), and is supported by the Host Government Agreements, the Environmental and Social Impact Assessments (“ESIAs”), the Joint Statement issued by BTC Co. and representatives of the Host Governments, the BTC Human Rights Undertaking, the Security Protocol, existing national law, applicable public international law, BP policies, certain lender institution policies, and additional documents are entered into between BTC Co. and the Host Governments.
Overall, the incorporation of the Voluntary Principles in the Prevailing Legal Regime, publication of key Project documents, training of public security forces protecting the Projects, independent monitoring of compliance, and publication of findings with respect to Voluntary Principles commitments, set global standards for the extractive industry. The 2005 Assessment recognized this leadership, and identified areas in which the Projects could improve upon efforts to operationalize the Voluntary Principles. These areas included aspects of training, strengthening the relationship between public security forces and impacted communities, and more effectively communicating AGT security standards and arrangements with those communities. During 2006, AGT took a series of important steps to address these issues.

Outstanding risks related to security and human rights, however, make it imperative that during the course of operations AGT not back away from its efforts to operationalize the Voluntary Principles. Indeed, stepping back from its implementation initiatives at this period could lead to a considerable loss of support from stakeholders who currently regard the AGT Projects as a model.

It is equally important that AGT urge the Government to take additional steps to meet its commitments under the Voluntary Principles. As was noted in the previous Assessment, many of the pending risks stem not from AGT’s failure to operationalize its commitments, but from lack of capacity by the Government of Azerbaijan that could lead to legal and reputational problems for all parties associated with the Projects.

In the coming year, successful implementation of the Voluntary Principles will increasingly hinge on the Government’s willingness to assume greater responsibility, such as by institutionalizing human rights training and following through with its commitment to legal reform. One of the most effective tools the Government can draw upon to fulfill such responsibilities is the pending Bilateral Security Protocol with AGT, which would establish official mechanisms for addressing security and human rights issues.

Recognizing the four-decade lifespan of the Projects, and that AGT’s leadership in operationalizing the Voluntary Principles will only be sustainable if the processes and procedures developed thus far are institutionalized, this Assessment encourages AGT management to implement the following recommendations as a means of promoting respect for human rights and minimizing legal and reputational risks.

1.2. Summary of Compliance Findings and Recommendations

1.2.1. High Priority -- Potential Breach of Voluntary Principles Commitments

There were no breaches of Voluntary Principles commitments. Indeed, a number of the initiatives undertaken by AGT and the Government of Azerbaijan to operationalize the Voluntary Principles have established models for the industry.
1.2.2. **Priority -- Risk of Project Disruption or Reputational/Legal Damage**

(a) **Completion of the Bilateral Security Protocol (Overall Issue)**

AGT should continue to encourage the Government of Azerbaijan to finalize the pending Bilateral Security Protocol. The Protocol would reaffirm the parties’ commitments under the Voluntary Principles, and serve as a template for the practical operationalization of those commitments. It is a critical tool in helping the public security forces and AGT achieve the Voluntary Principles’ objectives, and is important for the long-term sustainability of the Projects’ efforts to demonstrate respect for human rights.

(b) **Consistency Across Project Lines (Overall Issue)**

AGT should urge the Government to harmonize SCP Project commitments with the BTC Joint Statement. At the time of the monitoring visit, the SCP Board of Directors had agreed to both a Human Rights Undertaking and a Joint Statement setting out the parties’ mutual commitments to promoting respect for internationally recognized human rights principles, including those set forth in the Universal Declaration of Human Rights, the United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, the United Nations Code of Conduct for Law Enforcement Officials, the European Convention on Human Rights, national legislation, and the Voluntary Principles.

The SCP Human Rights Undertaking enters into force once the Governments of Azerbaijan and Georgia approve the SCP Joint Statement. Signing the Joint Statement would underscore the Government of Azerbaijan’s institutional commitment to international human rights standards, as well as its leadership in seeking to implement respect for these standards in the context of its business relationships. Failure to do so would create an inconsistency between the Government’s commitments under the BTC and SCP Projects, and could bring into question how seriously the Government regards the human rights standards.

(c) **Rule of Law (See Section 4.1.4); Training and Observance of International Law Enforcement Principles (See Section 4.2.3.2)**

AGT should support initiatives to promote the rule of law in Azerbaijan. This can be done under the auspices of a number of capacity-building programs. The Regional Development Initiative (“RDI”), for example, seeks to support sustainable development at the regional and national levels, and one of the program’s central objectives is to promote effective governance. AGT could earmark funding from the RDI, or an analogous program, to support initiatives to train police, prosecutors, and judges.

Specifically, AGT could leverage and expand upon training initiatives regarding respect for human rights and rule of law by the U.S., the U.K., the Organization on Security and Cooperation in Europe (“OSCE”), and/or other international organizations. Embassy and OSCE representatives indicated that they are open to finding opportunities to coordinate with the AGT Projects with respect to these issues and programs. Notably,
the OSCE’s initiative to set up a pre-trial judicial system in Azerbaijan and provide training programs for pre-trial judges would help to ensure the legality of all aspects of a suspect’s “chain of custody.” Since AGT training programs currently focus on the public security providers, and not the judicial process, AGT might consider supporting such initiatives to promote respect for human rights further along the chain of custody.

(d) Rule of Law (See Section 4.1.4); Communicating Ethical Conduct and Human Rights Policies to Security Providers (See Section 4.2.1.2); Training and Observance of International Law Enforcement Principles (See Section 4.2.3.2)

AGT should promote human rights and security training for members of the National Police with whom the Projects’ public and private security providers interact.

Once the EPPD hands a suspect over to the National Police, and relinquishes the chain of custody, there may be less capacity to deal with the suspect in a manner that demonstrates respect for international human rights standards. Accordingly, AGT might consider supporting efforts to protect the rights of accused persons and strengthen the capacity of the National Police to hold accountable those responsible for human rights violations. This could be done through supporting training programs for instructors from the National Police, by encouraging the EPPD trainers to provide training to the police, or by supporting the OSCE’s upcoming 2007 police training program. AGT could provide funding to support such initiatives from the RDI.

(e) Communicating Ethical Conduct and Human Rights Policies to Security Providers (See Section 4.2.1.2); Use of Force and Refraining from Violating Human Rights (See Section 4.2.2.3)

The Special State Protection Service (“SSPS”), the Export Pipelines Protection Department (“EPPD”), and AGT deserve recognition for the steps they have taken to provide effective training with respect to the nexus of human rights and security. The Projects are now, however, entering a critical period during which, if the training is to become institutionalized and sustainable, the EPPD must assume greater responsibility both for continuing the training and maintaining its high caliber. It appears that the EPPD has not yet developed the capacity to do so, and there may be some organizational inertia. AGT should make clear to the EPPD that the coming year will be dispositive with respect to whether the EPPD will be able to assume responsibility for the training course in a manner that assures its sustainability. This will test the Government’s commitment and capacity to maintain this excellent program.

(f) Recording and Reporting Human Rights Abuses (See Section 4.2.4.1)

AGT's security risk management team should finalize its work with the SSPS/EPPD to establish a credible system by which allegations of human rights abuses are appropriately investigated and addressed. This system should be made transparent and shared with stakeholders -- including members of villages impacted by the Projects and representatives of civil society.
AGT should also encourage the Government of Azerbaijan to agree to its own independent monitoring of EPPD efforts to operationalize Azerbaijan's commitments under the Voluntary Principles. The pending Bilateral Security Protocol includes a section on “Compliance Monitoring,” which provides a framework through which the SSPS/EPPD could make such a commitment and take steps to implement monitoring.

1.2.3. **Recommended Action -- Low Risk of Breach, Disruption, or Reputational/Legal Damage**

(a) **Consultation with Host Governments and Local Communities (See Section 4.2.1.1)**

The establishment of the Interagency Security Committee is a welcome step in helping community members understand and appreciate security arrangements. Convincing local communities that it is in their interest to respect and contribute to Project security, however, will depend on transparent communication between AGT, the SSPS/EPPD, and the local communities and municipalities throughout the lives of the Projects. Accordingly, it will be important to continue this dialogue by hosting periodic briefings on security plans, contingencies, and emergency mechanisms. AGT should also take steps to encourage greater participation by villagers -- not just officials -- in such meetings, to ensure that the messages delivered reach the individuals on the ground who are most likely to be impacted.

(b) **Consultation with Host Governments and Local Communities (See Section 4.2.1.1)**

As an adjunct to the Interagency Security Committee, AGT should give additional consideration to establishing a security and human rights "hotline." Such a mechanism would provide a structure through which the Security Committee could be quickly convened at the initiative of AGT, the EPPD, or the local community on an emergency basis. In addition, it could be used by individuals to report incidents allegedly involving the violation of human rights.

(c) **Consultation with Host Governments and Local Communities (See Section 4.2.1.1); Meetings Regarding Security and Human Rights (See Section 4.2.3.1)**

AGT representatives could make better use of the media to publicize messages regarding the Projects. To this effect, AGT should consider using local newspapers, radio, and television to announce meetings by the Interagency Security Committee, emergency security developments, and the benefits AGT has provided to local communities.

(d) **Consultation with Host Governments and Local Communities (See Section 4.2.1.1); Meetings Regarding Security and Human Rights (See Section 4.2.3.1)**

To help ensure that the Projects’ human rights commitments and the role of the security forces in protecting the Projects reach the attention of local villagers, AGT could create a short document for community members that identifies these commitments and
the responsibilities of the security forces. AGT has effectively used such forms of written communication in the past with respect to land use issues.

(e) Consultation with Host Governments and Local Communities (See Section 4.2.1.1)

To promote effective communications between the EPPD security forces patrolling the pipelines and local villagers, the EPPD should be provided with training regarding how to interface with community members.

(f) Communicating Ethical Conduct and Human Rights Policies to Security Providers (See Section 4.2.1.2)

The International Committee of the Red Cross (“ICRC”) has reiterated its interest in continuing to play a supportive role with respect to human rights and security training. AGT should be certain to follow-up with the ICRC, and should encourage the EPPD trainers who will be assuming responsibility for continuing the course to take advantage of this mutually beneficial offer.

(g) Communicating Ethical Conduct and Human Rights Policies to Security Providers (See Section 4.2.1.2)

To ensure that EPPD trainers are updated regarding evolving international standards and best practices, and are adequately communicating these developments, it would be wise for AGT to provide refresher courses for the EPPD trainers.

(h) Communicating Ethical Conduct and Human Rights Policies to Security Providers (See Section 4.2.1.2)

Equity International’s work with the EPPD to establish interagency operability procedures regarding a suspect’s chain of custody, which can be used at the tactical level when EPPD patrols work with policemen, was an important key step in bridge-building between these organizations. AGT should encourage the Government to codify such procedures, and to establish security ombudsman positions within both the EPPD and the police as the two institutions strengthen their working relationship.

(i) Communicating Ethical Conduct and Human Rights Policies to Security Providers (See Section 4.2.1.2)

The leadership of the EPPD is interested in sending representatives of the SSPS/EPPD to other countries to learn about their best practices with respect to security and human rights. AGT should work with the EPPD to ascertain appropriate programs that may exist for such advanced training, and should seek to foster the participation of members of the EPPD most likely to effectively share such practices upon returning to Azerbaijan.
(j) Communicating Ethical Conduct and Human Rights Policies to Security Providers (See Section 4.2.1.2); Private Security: Observance of Best Practices (See Section 4.3.1)

AGT might consider, through BP, inviting a senior SSPS/EPPD official to a plenary meeting, or a regional meeting, of Voluntary Principles participants to showcase the Government of Azerbaijan’s effort to operationalize the Voluntary Principles. Consideration might also be given to inviting a representative of Titan D Limited (“Titan D”), the private security contractor, to a plenary meeting.

(k) Transparency and Accessibility of Security Arrangements (See Section 4.2.1.3)

AGT should encourage the Government to take steps to promote greater fiscal transparency pursuant to the Extractive Industries Transparency Initiative (“EITI”) and its new Revenue Management Policy -- both on its own and in conjunction with other members of the international donor community.

To this end, AGT should consider directing some of the RDI funds designed to promote effective governance to helping the Government develop the capacity to transparently budget and spend public monies; select, implement, and fund public projects; monitor the use of funds; and evaluate performance.

(l) Meetings Regarding Security and Human Rights (See Section 4.2.3.1)

The Azerbaijan Pipeline Security Commission, which pursuant to Presidential Decree is to meet biannually, and the Azerbaijan Pipeline Security Commission Working Group, which is supposed to meet quarterly, have not been convened since 2004. This raises questions regarding the parties’ commitments to the Decree, as well as the value and role of the bodies. AGT should address this issue with the Government to assess whether, in the absence of Commission and the Working Group meetings, there are sufficient opportunities for exchanges between the all the parties regarding security and human rights.

(m) Private Security: Observance of Best Practices (See Section 4.3.1)

A representative of AGT should participate in a full session of the training course provided to the Titan D security guards to ensure that it addresses the human rights guidelines articulated in the Voluntary Principles in sufficient depth to satisfy the Projects’ commitments and reduce its potential risks.

(n) Private Security: Observance of Best Practices (See Section 4.3.1)

AGT should consider including a representative of Titan D in meetings of the Interagency Security Committee that are held in regions in which the private security guards provide services to the Projects.
Private Security: Observance of Best Practices (See Section 4.3.1); Inclusion of the Voluntary Principles in Contractual Provisions (See Section 4.3.3)

In light of the continuous interfacing between the Titan D guards and the EPPD, AGT might send Titan D management to a human rights-based security course (taught by an appropriately qualified external organization or the EPPD) so that they can appreciate the distinctions between private and public responsibilities and strengthen their skills in the subject matter that they teach. AGT should also ask Titan D to establish a more detailed list of expectations with respect to its self-assurance program.
II. INTRODUCTION

2.1. Background

Large energy infrastructure projects in the developing world, such as the BTC and SCP Projects, inevitably subject investor companies to legal and reputational risks. Human rights-related liabilities, ranging from lawsuits under the Alien Tort Claims Act to campaigns by external stakeholders, are increasingly prevalent and problematic for multinational investors involved in such projects. In today's globalized world, proactive management of the human rights-related risks associated with such business ventures is an important commercial strategy, not a conscience-driven add-on. This is particularly the case with respect to human rights issues related to project security, which have provided the basis for a disproportionately large number of legal actions and reputational challenges to members of the extractive industry. Proactive management of human rights-related risks is also increasingly understood as a critical factor for effective business security.

Seminal initiatives have been established to manage and mitigate human rights-related risks presented by the AGT Projects to their investors. Such initiatives include commitments to lenders regarding social and environmental issues, the adoption of provisions referencing international human and labor rights standards in the Host Government Agreements, and explicit commitments regarding the nexus of security and human rights standards, notably the Voluntary Principles, made by and among the parties -- including in the BTC Human Rights Undertaking, the Joint Statement, and the Security Protocol. These documents, which together comprise the BTC Project's Prevailing Legal Regime and the circumstances in which this regime may be applied, commit BTC Co. to respecting the highest of internationally recognized human rights standards. The SCP Project is in the process of committing to the human rights standards under similar agreements.4

AGT is also seeking to establish Bilateral Security Protocols between the Projects and the Host Governments to facilitate operationalization of these commitments to security and human rights on a country-by-country basis. A Bilateral Security Protocol between the Georgia and AGT was signed in 2004 and, since then, the AGT Projects

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3 With a construction cost of approximately $4 billion, the BTC Pipeline is the first direct oil transportation link between the Caspian and Mediterranean seas. It is designed to transport up to one million barrels of Azerbaijani crude per day via Georgia to the Turkish port of Ceyhan. The SCP Project runs parallel to the BTC Project in Georgia and is designed to provide for the export gas from the Shah Deniz field to markets in Azerbaijan, Georgia, and Turkey.

4 Although a number of activities for BTC and SCP are joint (such as land acquisition and the required ESIAs), some key BTC rights-related components have yet to be incorporated into SCP, including the Human Rights Undertaking, the Citizen's Guide, and the publication of the principal documents on the Internet. The executive leadership of SCP is aware of this discrepancy and is working to harmonize the human rights commitments made by the BTC and SCP Projects. To this effect, the SCP Board of Directors has approved its own Joint Statement and Human Rights Undertaking. The Human Rights Undertaking enters into force immediately upon signing of the Joint Statement by the Government of Azerbaijan.
have been encouraging the Government of Azerbaijan to sign a similar protocol. Since the establishment of the Prevailing Legal Regime, AGT has participated in information-sharing regarding the Voluntary Principles with the Host Governments, security providers, and other stakeholders, and has sought to align operationalization of the Voluntary Principles regimes in Azerbaijan, Georgia, and Turkey through the exchange and implementation of best practices with respect to the delivery of pipeline security. These efforts highlight AGT’s commitment to carry out its human rights commitments and have served as a key element of risk management and assurance.

To help ensure that these commitments regarding the nexus of human rights and security are effectively operationalized, AGT has asked external monitors who are experts in this area to visit the Projects, meet with key company and government representatives and affected stakeholders, independently assess the degree to which the Projects are in compliance, and offer recommendations. Earlier such assessments were undertaken during the Projects’ construction; this is the first such assessment to be undertaken since the completion of the physical infrastructure of the Projects in all three countries and the commencement of full operations.

If internationally respected standards such as the Voluntary Principles are properly implemented, the initiatives embedded in the Prevailing Legal Regime will promote respect for human rights, help to manage legal human rights-related risks to the AGT Projects, and enhance the Projects’ reputations -- as well as the reputations of their investors and the Host Governments. Conversely, failure to assure that these human rights-related obligations are properly discharged could exacerbate the very risks that the commitments were designed to mitigate.

2.2. The Human Rights and Security External Monitoring Assessment

This assessment of the AGT Projects was commissioned by BP Exploration Caspian Sea Ltd. as a means of monitoring and evaluating implementation of commitments under the BTC Prevailing Legal Regime (and, advisedly, forthcoming SCP Prevailing Legal Regime), with particular respect to implementation of the Voluntary Principles in Azerbaijan. Subsequent, external monitoring and alignment initiatives will be completed in Georgia and Turkey.

This round of Human Rights and Security External Monitoring Assessments is the third such round of assessments undertaken with respect to the AGT Project. The first round of external monitoring with respect to security and human rights in the three countries was undertaken for BP Exploration Caspian Sea Ltd. in 2004, and was conducted for internal assurance purposes only. In the spirit of transparency promulgated by the Voluntary Principles, the Assessment completed in 2005, which was conducted as one of AGT’s multiple layers of monitoring assurance, was published on the BTC/SCP website, www.bp.com/caspian. Likewise, this Assessment and subsequent Human Rights and Security External Monitoring Assessments, will be also be published on that website.

Foley Hoag created an AGT Human Rights and Security Assessment Regime to facilitate the monitoring and evaluation process. The Assessment Regime is comprised
of three Project Commitments Implementation Checklists as well as verification points for the compilation of findings. These documents are designed to help assess the degree to which the AGT Projects are meeting their security commitments and any attendant exposure they may face with respect to security and human rights issues. The AGT Human Rights and Security Assessment Regime was used as the basis for this Monitoring Assessment.

2.3. **Scope of Monitoring Visit and Assessment**

The Monitor's mandate for the Assessment was to provide a "snapshot" of AGT's compliance with the Voluntary Principles in Azerbaijan, with a focus on some of the thematic areas that have been the source of legal and reputational concern in these and other global extractive projects.

To fulfill this mandate, Foley Hoag attorney Gare Smith (the "Monitor") conducted research and met with an array of stakeholders in Azerbaijan, the United States, and the United Kingdom. The Monitor also reviewed the Voluntary Principles to distill applicable human rights commitments, and incorporated these commitments into the AGT Human Rights and Security Assessment Regime for use during the Monitoring Visit. In addition, the Monitor studied a wide variety of internal AGT Project documents regarding security and human rights, as well as the best practices employed by other members of the extractive industry in operationalizing the Voluntary Principles.

The Monitor visited Azerbaijan from November 5-10, 2006. During the visit, he met with and interviewed BTC Co. and SCP personnel, including the companies’ senior leadership, management with responsibility for security, representatives of the legal office, and Community Liaison Officers (“CLOs”); Azerbaijan government officials, including military leaders with responsibility for the security of the AGT Projects; public and private security providers; representatives of multinational institutions operating in Baku, such as the OSCE and the ICRC; NGOs representing civil society, ranging from the Open Society Institute to the International Republican Institute; diplomats at the U.S. and British Embassies in Baku with responsibility for human rights, economic, and political affairs as well as promotion of the Voluntary Principles; and representatives of regions and communities affected by the Projects, including municipal government officials and individuals from local townships, police, and fire departments.

Prior to and following the field visit, the Monitor met with representatives of the National Security Council, at the White House; the U.S. State Department; the U.K. Foreign and Commonwealth Office; international NGOs in Washington and London, including Human Rights Watch, Amnesty International, and International Alert; and other company participants in the Voluntary Principles, in order to contextualize the AGT Projects’ efforts to operationalize the Voluntary Principles.

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5 Although neither BTC Co. nor SCP technically have employees, this Assessment uses the terms “BTC Co. personnel,” “SCP personnel,” or “AGT personnel” to describe those persons seconded to BTC Co. and SCP by BP (as manager) and its shareholders, or retained directly by BP, BTC Co., or SCP as contractors.
III. IMPLEMENTATION OF THE VOLUNTARY PRINCIPLES IN AZERBAIJAN

3.1. The Challenge of Operationalization

In an effort to guide members of the extractive industry in maintaining the safety and security of their operations within a framework that ensures respect for human rights, the U.S. and U.K. governments announced the establishment of the Voluntary Principles in December 2000. BP as well as ConocoPhillips and Chevron -- partners in the BTC Project⁶ -- were among the seven companies and nine NGOs that participated in their creation. Subsequently, the governments of Norway and the Netherlands joined the Voluntary Principles, and Statoil -- a partner in both the BTC and SCP Projects⁷ -- became a participant. Hess, also a partner in the BTC Project, later became a participant in the Voluntary Principles.

The Voluntary Principles have since gained recognition as the leading international standard articulating the human rights responsibilities faced by extractive companies in their global security operations. The International Finance Corporation has committed to implement the Voluntary Principles in its projects, and to expand their use beyond the extractive industry. In addition, an External Advisory Panel to the World Bank has recommended that the Bank examine and adopt standards such as the Voluntary Principles.

At the Plenary Meeting in January 2006, participants agreed to eliminate the pre-existing requirement that nation states needed to be participants before companies incorporated in those states could be affiliated with the Voluntary Principles. As a consequence, it is anticipated that additional members of the extractive sector from a range of other countries will become participants in the coming years.

The Preamble to the Voluntary Principles acknowledges the preeminence of the Universal Declaration of Human Rights and urges companies to "recognize a commitment to act in a manner consistent with the laws of the countries within which they are present, to be mindful of the highest applicable international standards, and to promote the observance of applicable international law enforcement principles." To this end, the Voluntary Principles cite the importance of the U.N. Code of Conduct for Law Enforcement Officials and the U.N. Basic Principles on the Use of Force and Firearms by Law Enforcement Officials. The Voluntary Principles then address three sets of issues for multinationals: (1) Risk Assessment; (2) Interactions between Companies and Public Security; and (3) Interactions between Companies and Private Security.

The Voluntary Principles are the central human rights template guiding security planning for the AGT Projects during the life of the pipelines. AGT uses the Risk

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⁶ Other partners in the BTC Project include SOCAR, the state-owned oil company of Azerbaijan; Hess; TPAQ; Eni; Total; Itochu; and Inpex.

⁷ Other partners in the SCP Project include SOCAR, LukAgip, NICO, Total, and TPAO.
Assessment section of the Voluntary Principles as a roadmap to identify key human rights factors to consider when planning security arrangements. These include the identification of security risks; potential for violence; the human rights records of public and private security forces; the strength of the rule of law; conflict analysis; and equipment transfers. These risk factors feature in the planning for AGT project security and will remain key considerations for AGT throughout the operation of AGT Projects.

Adhering to these standards is critical but will not necessarily be sufficient to protect the human rights of stakeholders throughout the lives of the Projects. That challenge is defined not only by these external standards, but also by a range of risks, expectations, and constraints that AGT can influence, but not control. These factors include the Government of Azerbaijan’s past human rights record and its current willingness to demonstrate respect for internationally recognized standards.

Since the dissolution of the Soviet Union and the establishment of the independent Republic of Azerbaijan, the U.S. State Department’s annual Country Reports on Human Rights Practices have consistently criticized Azerbaijan's security forces for failing to respect human rights. In its latest report, which refers to events in 2006, the State Department concluded that “[m]embers of the security forces committed numerous human rights abuses” and “the government’s human rights record remained poor.”

Members of the diplomatic community reported to the Monitor that the Government’s human rights record worsened in several respects during 2006 as it became increasingly authoritarian, and that during the course of the year there was virtually no freedom of assembly.

During 2006, the OSCE frequently expressed concern regarding violations of the presumption of innocence9 and the Government’s crackdown on the independent media.10 Reporting by international NGOs expressed analogous concerns.11

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10 Toward the end of 2006, concerns deepened among international organizations such as the OSCE and embassies with respect to restrictions imposed on the media. These restrictions included the fining and eviction of the opposition newspaper from its premises in Baku, and the announcement by the National Broadcasting Council that local radio broadcasters would not be allowed to air programs from the British Broadcasting Corporation, Voice of America, and Radio Free Europe. See e.g., “OSCE Office in Baku Deeply Concerned at Continuing Acts of Violence Against Journalists,” OSCE Press Release (Dec. 27, 2006); “OSCE Office Condemns Closure of Private TV Broadcaster in Azerbaijan,” OSCE Press Release (Nov. 24, 2006).

11 See e.g., World Report – 2006, Human Rights Watch (2006) (“Government policies appear to support an environment in which state officials are free to use violence to achieve their ends without fear of being held accountable. … Torture, police abuse, and excessive use of force by security forces are widespread…. The government has not taken any significant measures to combat the environment of impunity for
At the same time, the Government took some positive steps regarding respect for human rights, including by entering into a “EU-Azerbaijan Action Plan” that, among other objectives, seeks to “[s]trengthen the protection of human rights and of fundamental freedoms and the rule of law” in compliance with Azerbaijan’s international commitments.\textsuperscript{12}

Overall, the historical backdrop of limited respect for human rights presents an obvious risk to AGT in relying upon the Government’s security forces for external project security. This risk underscores the importance of AGT taking steps within its sphere of influence to share with its Azerbaijani partners best practices regarding the nexus of security and human rights -- as well as the value of aligning efforts to operationalize the Voluntary Principles. It also highlights the potential positive impact that Azerbaijan’s adherence to the Voluntary Principles can have on its stature and reputation within the international community.\textsuperscript{13}

3.2. Stakeholder Expectations

The aforementioned human rights concerns notwithstanding, there are significant expectations both locally and globally regarding AGT’s ability work with public security forces in Azerbaijan to balance security arrangements with respect for human rights. These expectations developed in the events leading up to and during construction, and have grown since the commencement of operations. They are based on at least three commonly shared perceptions, and associated concerns, that emerged from the Monitor’s meetings with AGT stakeholders.

First, there is a keen sensitivity to the lessons to be learned from mistakes made by multinationals (including some AGT investors) working with security forces to protect project assets in other countries, and there is optimism among those consulted that the AGT Projects present an opportunity to effectively implement global standards.

Socially Responsible Investors (“SRIs”), NGOs, and other stakeholders watching the AGT projects are familiar with the problems that members of the extractive industry have experienced elsewhere around the world with respect to the nexus of security and human rights, and the steps that have (and have not) been taken to address those challenges. They are interested in the lessons that AGT investor companies indicate they have learned from these projects. In addition, they acknowledge the leadership that some government officials who commit torture or other forms of ill-treatment.” Report on Azerbaijan, p. 331-332.)

\textsuperscript{12} “EU-Azerbaijan Action Plan” adopted within the European Neighborhood Policy on November 14, 2006; Introduction, (3) Priorities for Action.

\textsuperscript{13} Notably, the State Department specifically recognized the human rights training program provided to the Azerbaijani public security providers assigned to protect the AGT pipelines. Country Reports on Human Rights Practices – 2006, U.S. Department of State, Respect for Human Rights, Section I (d)(2007).
investor companies demonstrated in helping to develop the Voluntary Principles, as well as the commitment to human rights and corporate responsibility that BTC Co. and the Government of Azerbaijan have shown with respect to the AGT Projects leading up to and during construction.

Second, virtually all stakeholders agree that the decision by AGT and the Host Governments to embed respect for human rights in the Prevailing Legal Regime sets a global standard and underscores the importance that these entities place on this issue. Likewise, in implementing these commitments, there is a striking degree of consensus among stakeholders that the individuals providing security should be trained to respect the rights of individuals along the Right-of-Way in a manner consistent with the Voluntary Principles. The fact that this belief is shared by the leadership of the SSPS, AGT investors, NGOs, SRIs, and affected communities, is cause for additional optimism and raised expectations.

Third, these high expectations are tempered by a degree of skepticism, and in some cases even cynicism, that the AGT Projects’ human rights leadership may be short-lived. Some stakeholders question whether the Projects’ public commitment to human rights while seeking loans from international financial institutions, and associated leadership with respect to the Voluntary Principles during the construction phase, will carry over during the much longer operations phase. Even diplomats at the U.S. and U.K Embassies underscored the importance of “staying the course” during this period with respect to such leadership. Specific questions have been raised with respect to whether the impact of the training program will prove sustainable, and whether AGT will continue with the monitoring of Voluntary Principles implementation.

These expectations and concerns will be accompanied by considerable scrutiny to determine whether AGT can and will deliver on its commitments. As noted in Human Rights Watch’s annual report, “The huge foreign investment in these projects has focused international attention on issues of security and stability in the region, sometimes at the expense of human rights.” It is widely perceived that the Projects’ willingness to follow-though with Voluntary Principles commitments during the course of the newly emerging operations phase will demonstrate the degree to which AGT is committed to promoting human rights within its sphere of influence.

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IV. MONITORING: FINDINGS AND RECOMMENDATIONS

4.1. Risk Assessment

The first section of the Voluntary Principles addresses the commitment of participating companies to assess risks present in their operating environments that affect the security of personnel, local communities, and assets as well as the companies’ ability to promote and protect respect for human rights. Areas highlighted for consideration include the identification of security risks, potential for violence, human rights records, rule of law, conflict analysis, and equipment transfers. The AGT Projects have sought to address these variables in the following manner:

4.1.1. Identification of Security Risks

The Voluntary Principles urge participating companies to identify security risks, take measures to minimize risk, and assess whether company actions may heighten risk.

AGT has established specific processes, procedures, and positions to ensure that security risks are identified and mitigated, and that company activities are assessed to determine whether they contribute to such risks.

The individual with primary responsibility for the identification of security risks related to the AGT Projects in Azerbaijan is the Security Risk Analyst, who is based in Baku. During 2004 and 2005, the Security Risk Analyst collected, updated, analyzed, and disseminated information regarding political and security risks with respect to AGT construction. Since the commencement of operations in 2006, he has been performing these tasks with respect to AGT operations.

The Security Risk Analyst’s mandate includes obtaining extensive information from different sources and, with the support of the full AGT security team, ensuring that AGT seeks to monitor and adapt to changing political, economic, law enforcement, military, and social situations affecting security and human rights-related factors potentially impacting or impacted by the AGT Projects.

The information gathered and reviewed by the Security Risk Analyst is distributed to all appropriate persons, including AGT managers, Host Government officials and, when not breaching confidentiality or compromising the security of individuals or assets, other stakeholders, including NGOs and SRIs. Such reporting is provided through a variety of means, including oral briefings; the “Az SPU Regional Risk Review,” a confidential monthly digest of security and political analysis for the Azerbaijani Business Unit; and monthly assessment reports on security and risk mitigation.

AGT seeks to assure the quality of the information produced in its risk assessments by gathering regularly updated, credible information from a wide range of perspectives, including local and national governments, partners and other companies, Home Governments, multilateral institutions, and representatives of civil society.
knowledgeable about local conditions. The “AZ SPU Quarterly Risk Matrix” and the monthly “Az SPU Regional Risk Review” identify security and human rights issues within the context of the pipeline projects.

The Operations Security Manager, Business Security Manager, and Regional Security Advisor provide advice regarding security risks in Azerbaijan and, in addition to working with the Security Risk Analyst in collecting information and identifying potential human rights and security risks, maintain direct functional links to representatives of the Host Government. These individuals, with support from Field Security Officers ("FSOs") and CLOs and overall guidance from the Performance Unit Security Advisor, work as a broad-based "security risk management team" with responsibility for human rights elements of the Voluntary Principles. Together, they consult on an ongoing basis with representatives of the Government of Azerbaijan, civil society, and the private sector as part of a continuous effort to collect, analyze, and disseminate information related to security risks to the AGT Projects and the communities in which the Projects operate.

When human rights risks are identified, action is taken to manage and mitigate such risks -- the nature of such responses necessarily depending on the magnitude of the situation. Specific accountability for risk management, and timelines for responses, are generally shared between the security risk management team and, when appropriate, members of the Business Unit ("BU"). The "Security Risk Management Plan (Az BU level) for the SCP/BTC Energy Corridor Azerbaijan Section" (the "Security Risk Management Plan"), outlines the actions and responsibilities of AGT personnel in identifying, reporting, and seeking to mitigate human rights risks associated with security activities. In addition, as described in more detail in “Monitoring Status of Investigations and Resolutions,” (Section 4.2.4.2), the “BP-Az SPU Human Rights Response Plan” details a response process to be followed by the Business Unit in the event that an alleged human rights abuse is brought to it’s attention.

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.

4.1.2. Potential for Violence

The Voluntary Principles urge participating companies to identify risks presented by the potential for violence and patterns of violence in areas of company operations for educational, predictive, and preventative purposes.

The Security Risk Analyst and the Operations Security Manager, with field support from FSOs and CLOs and broad-based support from other members of the security risk management team, consult on a regular basis with representatives of the government, civil society, and private sector regarding the potential for violence.

AGT risk assessments examine the patterns and causes of regional violence so that steps can be taken to diminish the possibility of violence related to the Projects. Analyses consider the potential for violence in the context of both broad issues, such as
violence related to crime, and specific geo-political tensions, such as concerns regarding Nagorno-Karabakh and changes in Azerbaijan’s relationship with Russia. The AGT Operations Risk Matrix updates such risk assessments on a monthly basis.

In the past, some of AGT’s governmental consultations were formalized and documented (minutes were taken, for example, during meetings of the State Pipeline Security Commission); others, such as ongoing consultations with members of the State Pipeline Security Commission, were not. The 2005 Assessment recommended that AGT consider documenting the dates of and topics discussed at all information-gathering meetings regarding security and human rights, inasmuch as such strict record keeping could prove valuable in the event of a security incident. AGT agreed with this recommendation, and during the course of 2006 expanded its record keeping with respect to such interactions with a range of government representatives and stakeholders.

The 2005 Assessment also recommended that as the AGT Projects transitioned from construction to operations, consideration be given to providing the CLOs, which are more numerous that the FSOs and often have closer relationships with local communities, with a larger role in sharing and gathering information regarding security and human rights issues. AGT determined that the existing role of the CLOs was appropriate with respect to the sharing and gathering of information. In recognition of the new challenges posed by the operations phase, however, during the course of 2006 steps were taken to enhance teamwork and communication between the CLOs, FSOs, and Project management.

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.

4.1.3. Human Rights Records

The Voluntary Principles urge participating companies to consider the human rights records of public and private security forces and the capacity of those entities to respond to violent situations in a manner consistent with applicable international standards.

AGT gave due consideration to the human rights records of public and private security forces in Azerbaijan, as well as the capacity of those forces to respond in a manner consistent with international standards, prior to utilizing these individuals to protect the Projects.

To this effect, AGT's Security Risk Management Plan considers both the capacity of security forces to respond to violence in a lawful manner and how to avoid violations of international standards by security forces. In addition, AGT's monthly risk assessment includes information regarding any allegations and reports of human rights abuses that come to the attention of the AGT Projects.

AGT requires background checks to be completed on all prospective security providers -- both public and private. Individuals who are credibly linked to human rights
abuses are prohibited from providing security for the Projects. The SSPS, a subset of which provides external security for the Projects, conducts background checks on all prospective public security providers as part of its hiring process. Moreover, as discussed below in “Interactions Between AGT and Private Security: Prohibition on Human Rights Abusers,” (Section 4.3.2), two background checks are conducted on all prospective private security providers.

The pending Bilateral Security Protocol stipulates that neither public nor private security personnel credibly linked to human rights abuses or criminal activities will be employed on the Projects.

To ensure that the public security forces protecting the Projects have both a theoretical and practical understanding of applicable international standards governing respect for human rights, and hence an appreciation for the importance of the prohibition on the hiring of individuals who have abused the human rights of others, AGT commissioned Equity International, a non-profit NGO, to provide such training to the EPPD. Equity International’s mandate is to promote respect for human rights in law enforcement, and the instructors assigned to work with the Azerbaijani security forces are current and former police officers from around the world. Equity International has provided extensive human rights and security training to the EPPD since April 2004. For additional detail, see “Security Arrangements,” (Section 4.2.1). Human rights training is also provided to private security forces tasked with protecting personnel and assets. For additional detail, see “Observance of Best Practices,” (Section 4.3.1).

**Finding:** AGT is taking appropriate steps to comply with this principle.

**Recommendation:** None.

4.1.4. **Rule of Law**

*The Voluntary Principles urge participating companies to consider the local prosecuting authority and the judiciary’s capacity to hold those responsible for human rights abuses and other violations of international humanitarian law.*

AGT security risk assessments specifically consider the ability of local authorities to effectively and transparently enforce the rule of law with respect to alleged violations of internationally recognized human rights.

In 2004, the Projects commissioned an independent study regarding the capacity of the Azerbaijani judiciary and the strength of the rule of law in Azerbaijan. This study indicated a number of areas in which the capacity of the local legal regimes needed to be strengthened. Likewise, virtually all the individuals with whom the Monitor met, including representatives of international organizations, NGOs, and the diplomatic community, reported that Azerbaijan’s judicial system lacks basic capacity and is in serious need of reform. According to one diplomat, “there is no transparency in the judiciary and no effective rule of law.” According to another diplomat, “the judicial...
system is corrupt, dominated by the Executive Branch, and in need of reform.”  Other local and international stakeholders agreed that prosecutors and judges are widely believed to be corrupt and ineffective. Such feedback is consistent with that received from stakeholders in previous years.

On the positive side, in recognition of the need to increase its judicial capacity, the Government of Azerbaijan recently entered a “EU-Azerbaijan Action Plan” that, among other objectives, seeks to “[s]trengthen the protection of human rights and of fundamental freedoms and the rule of law” in compliance with Azerbaijan’s international commitments. Specific actions cited include “improving the organization of the judiciary, with a view to ensuring its independence, impartiality and efficiency” and ensuring that Azerbaijan’s Criminal Code, “and in particular the definition of bribery and corruption-related offences, are in line with international standards”. (Indeed, shortly after entering into this Action Plan, Azerbaijan’s parliament passed amendments to the Criminal Code that provided for harsher sentences for corruption.)

In light of the challenges faced by Azerbaijan’s developing judicial system, AGT should give additional consideration to steps it could take to augment the capacity of prosecuting authorities and the judiciary to provide for appropriate redress and hold accountable individuals believed responsible for human rights violations in a manner that respects the rights of the accused. The feedback from the aforementioned entities and the independent reporting commissioned by AGT is that the Projects could play a role in shaping and supporting initiatives fostering the rule of law in Azerbaijan. The feedback also indicates that although the country’s judicial system certainly does not fall within the purview of AGT responsibilities, local stakeholders may nonetheless react with hostility toward AGT if decisions rendered by the courts related to the Projects are perceived to be inequitable and/or politically influenced -- whether or not they are in fact. Accordingly, any initiatives that AGT could take to promote transparency and judicial capacity could, in addition to comporting with Voluntary Principles objectives, redound to the Projects’ legal and reputational benefit.

Finding: AGT is taking appropriate steps to comply with this principle, but the absence of effective rule of law underscores the importance of AGT acting within its sphere of influence to promote judicial reform and capacity building.

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17 Ibid.
**Recommendation**: AGT should actively support initiatives to promote the rule of law in Azerbaijan.

Such an effort can be undertaken through a number of different means. RDI seeks to support sustainable development at the regional and national levels, and one of the program’s three central objectives is to promote good governance. AGT could earmark some of the RDI funding designed to achieve this objective to initiatives to train police, prosecutors, and judges. AGT could also seek to leverage and expand upon U.S., U.K., and/or OSCE and other international training initiatives regarding respect for human rights and rule of law, as discussed in more detail below in “Training and Observance of International Law Enforcement Principles,” (Section 4.2.3.2).

**Recommendation**: AGT should promote training for members of the National Police with whom individuals providing security for the Projects are likely to interact.

AGT has harnessed the expertise of Equity International to provide human rights training to the EPPD forces tasked with providing security for the Projects. Such training is premised upon rule of law. Yet once EPPD trainees hand a suspect over to the National Police, and relinquish the chain of custody, there may be less capacity to deal with the suspect in a manner that demonstrates respect for international human rights standards. Accordingly, AGT might consider supporting efforts to protect the rights of accused persons and strengthen the capacity of the local and National Police to hold accountable those responsible for human rights violations. This could be done by expanding certain human rights courses to include trainers from the National Police, encouraging the EPPD trainers to provide training to the police, or by supporting established police training programs such as that currently being offered by the OSCE. This suggestion is addressed in more detail below in “Consultation and Advice,” (Section 4.2.3.2).

4.1.5. **Conflict Analysis**

*The Voluntary Principles urge participating companies to identify and understand the root causes and nature of local conflicts and the potential for future conflicts.*

AGT security risk assessments include a root cause analysis with respect to local conflicts.

Members of the security risk management team regularly consult with local communities, local and Host Governments, security forces, local NGOs (such as the Citizen’s Rights Protection League, the Human Rights Group, and the Political Pluralism Institute), international NGOs (including Human Rights Watch, the Open Society Institute, Amnesty International, the International Crisis Group, and the International Republican Institute), multilateral institutions (ranging from ICRC to the OSCE), and other companies to better understand local conflicts. In 2004 and 2005, the security risk...
management team also interfaced with the United States European Command (“USEUCOM”) with respect to security, human rights, and regional conflict.

The risk of future conflicts, particularly in Nagorno-Karabakh, is analyzed on a monthly basis in the “Az SPU Regional Risk Review” and in the “Az SPU Quarterly Risk Matrix,” as are issues with respect to Iran, Iraq, and Russia.

**Finding:** AGT is taking appropriate steps to comply with this principle.

**Recommendation:** None.

### 4.1.6. Equipment Transfers

*The Voluntary Principles urge participating companies to consider the risks attendant to the provision of equipment to public or private security forces.*

AGT has assessed the legal and reputational risks associated with providing equipment to public and private security forces and created strict guidelines governing the provision of such logistic assistance.

With respect to public security forces, pursuant to these guidelines AGT may give equipment to security providers only to the extent that:

- No lethal aid is provided to the host governments;
- The assistance is fully documented, transparent, and duly witnessed;
- Whenever possible, support is provided in the form of equipment, rather than money;
- The reasons governing the decision to provide assistance are made public;
- Whenever possible, the use of assistance is monitored and publicly documented;
- Security equipment for public forces is procured using the standard company procurement process; and
- The equipment provided contributes directly or indirectly to the Project’s operational security.

With respect to private security providers, AGT will in no instance provide lethal equipment.

AGT risk assessments also consider the legal and reputational impact of past incidents with investor companies and other industry members in which transferred equipment has been misappropriated and misused.
In accordance with the above guidelines, AGT is not providing lethal equipment to public or private security forces in any of the three countries in which the pipelines run. Indeed, aside from generators, the Projects have not provided any form of equipment to the public security forces in Azerbaijan.

Implementation of the AGT guidelines regarding the provision of equipment to public security forces in Azerbaijan is discussed in additional detail below, under “Mitigation of Foreseeable Negative Consequences Regarding Human Rights,” (Section 4.2.2.2), and “Responses to Human Rights Abuses: Equipment Monitoring,” (Section 4.2.4.3).

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.

4.2. Interactions Between AGT and Public Security

Although governments bear primary responsibility for maintaining law and order, security, and respect for human rights, multinationals have an interest in ensuring that actions taken by governments -- particularly the actions of public forces providing security for company projects -- are consistent with the protection and promotion of human rights. In an effort to reduce the risk of human rights abuses, the Voluntary Principles outline specific criteria to guide relationships between companies and public security forces with respect to security provided for those companies.

These criteria include guidelines regarding security arrangements, deployment and conduct, consultation and advice, and responses to human rights abuses. AGT has sought to address these in the following manner:

4.2.1. Security Arrangements

4.2.1.1 Consultation with Host Governments and Local Communities

The Voluntary Principles encourage participating companies to consult regularly with Host Governments and local communities regarding the impact of their security arrangements on those communities.

AGT's security risk management team is in daily contact with representatives of both the Government of Azerbaijan and local communities regarding the impact of the AGT Projects, including associated security arrangements. Somewhat paradoxically, communication regarding security arrangements has been an area of relative weakness for the Projects during the past few years. This is largely attributable to the absence of an effective parallel community relations effort by the public forces providing security for the Projects. During 2006, the AGT Projects and the SSPS took important steps to address this issue. More, however, still needs to be done, and the pending Bilateral Security Protocol would help to operationalize this aspect of the Voluntary Principles.
AGT security meets every day with representatives of the SSPS and meets frequently with the head of the SSPS, Colonel-General Vagif Akhundov. A subset of the SSPS, the EPPD, bears exclusive responsibility for external pipeline protection in Azerbaijan -- including for the BTC Project, SCP Project, Western Route Export Pipeline (“WREP”), and Northern Route Export Project (“NREP”). AGT security also meets on a daily basis with EPPD security forces, and on a regular basis with Colonel Tariel Nasirov, the EPPD Commander.

AGT’s security risk management team, through its two FSOs, is also in ongoing contact with members of local communities and representatives of the public security forces regarding the impact of Project-related security arrangements. The Operations Security Manager has been specifically tasked with supervising security-related consultations with local communities, and oversees the efforts of FSOs working in the various parts of Azerbaijan affected by the Projects. Security issues of concern to local communities are highlighted in the “Az SPU Quarterly Risk Matrix” and the “Az SPU Regional Risk Review.”

The SSPS/EPPD leadership also interfaces regarding security issues with the leadership of local municipalities, village councils, community representatives, and other authorities and local counterparts. According to local NGOs, however, individuals on patrol do not seem to have been provided with sufficient guidance from their superiors regarding whether or how to interact with local villagers and, accordingly, often refrain from engaging with local villagers.

Individuals in the NGO communities and in the local offices of international institutions indicate that there has been a continuing disconnect between outreach efforts by the AGT Project and public security forces and the individual community members with whom they are seeking to communicate. According to these stakeholders, local communities remain unclear regarding the role that the SSPS/EPPD and the local police play with respect to the Projects, and need additional information regarding Project-related human rights commitments and the impact of Project security. These stakeholders also emphasized the importance of establishing stronger relationships between the SSPS/EPPD and the local communities as a means of increasing understanding between these groups and ensuring effective responses to pipeline problems.

Despite widespread support for the AGT Projects among local communities, historic fear of the public security forces and distrust of the police make it particularly challenging for AGT to engender trust, much less community support, for pipeline policing activities. As recognized by entities ranging from local NGOs to the U.S. State Department to international organizations, the Government’s harassment and use of force against some candidates and protestors during events leading up to and following the parliamentary elections in November 2005, recent clampdown on independent media

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19 See e.g., “Republic of Azerbaijan Parliamentary Elections, 6 November 2005, OSCE/ODIHR Election Observer Mission Final Report,” released February 1, 2006 (reporting “continued restrictions on the freedom of assembly, as well as harassment, intimidation and detentions of some candidates and their supporters,” at p.1, attempts to hold rallies were “broken up with violence by police in riot gear,” and
and political opposition groups, as well as the sense of persecution felt by some religious groups have perpetuated an atmosphere of intimidation between citizens and public security forces. Although to date there have been no allegations of inappropriate behavior by EPPD forces protecting the pipeline, during the past two years many stakeholders interviewed for the Assessment indicated that AGT, ideally in conjunction with the EPPD, needed to do more to overcome the historic climate of distrust for community members to feel comfortable with Project security.

The most valuable intelligence regarding security issues impacting the pipeline is likely to come from the local communities, rather than security providers spaced out for many kilometers over the pipeline. Accordingly, it is essential to an effective security process that the EPPD patrols be trained regarding how to interface with local villagers so that they can develop a positive, working relationship with these communities.

To this end, the 2005 Assessment recommended that AGT encourage the EPPD to establish a dialogue directly with local community members by hosting periodic briefings on security plans, contingencies, and emergency mechanisms. In addition, it encouraged AGT to consider including local community leaders on a designated “Security Committee” with AGT, the EPPD, and the local police, under the supposition that such a grassroots committee could provide oversight for the community and help the EPPD with local "eyes and ears" regarding security issues of common concern.

During the course of 2006, the AGT Projects took important steps in this direction to close the communications gap between public security forces and impacted villages. Most significantly, AGT utilized its convening power to help establish an Interagency Security Committee to promote cooperation and improved communication regarding pipeline security issues. This security committee, which includes representatives from

“instances of disproportionate and unprovoked violence, including a police attack on a café where people were beaten with truncheons,” at p.13.)

20 In November 2006, police evicted the opposition newspaper, Azadlig, from its premises in Baku and ordered it to pay a significant fine. Earlier that month, an editor and a writer were arrested for the publication of an article perceived as critical of Islam. In addition, ANS, Azerbaijan’s second most popular radio station, was ordered to stop broadcasting programs from the Voice of America, the British Broadcasting Corporation, and Radio Free Europe. The OSCE expressed strong concern about these and related issues. See e.g., “OSCE Office in Baku Deeply Concerned at Continuing Acts of Violence Against Journalists,” OSCE Press Release (Dec. 27, 2006); “OSCE Office Condemns Closure of Private TV Broadcaster in Azerbaijan,” OSCE Press Release (Nov. 24, 2006).

21 In November 2006, police forcibly evicted the main opposition party, the Azerbaijan Popular Front Party, two opposition daily newspapers – the Azadlig and Bizim Yol, and the Turan information agency from their Baku offices. Opposition activists and journalists subsequently launched a hunger strike to protest the pressure on the media and opposition parties.

the EPPD, local police, executive authorities, community leaders, and CLOs convened a regional working group in the Agstafa District in April, and subsequently held working group meetings in other regions along the pipeline corridor.

The Monitor attended one such meeting, in the town of Lokbatan, in the Garadag region, which included representatives of the municipal government; local police; the fire department; national security, including the SSPS/EPPD; and AGT. It was unclear whether any non-official members of the local community were in attendance. The purpose of the meeting was to discuss the security and safety of the Projects’ strategic zones. The meeting was quite open, and virtually all the stakeholders in the room had an opportunity to share information and express their views.

The AGT Projects also distributed over 4,500 copies of a land use and restrictions brochure to land users and owners living along the pipeline corridor. Although the central purpose of this brochure was to address land use issues and publicize non-judicial grievance procedures, it also contained an informative description of the roles of the EPPD and the private security guards tasked with providing security for the Projects.

In addition to stressing the importance of sharing security arrangements with impacted communities, many of the stakeholders consulted by the Monitor also noted the value of establishing a sense of community ownership of the pipeline as a means of ensuring effective pipeline security. These groups stressed that communities will perceive an ownership stake in the Projects once they are able to recognize benefits from them and that, in turn, this will help to minimize security issues. This position was noted early on in the BTC Security Concept; it was also recognized by the leadership of the EPPD.

In light of the importance of such community ownership, stakeholders in the diplomatic and NGO communities and international institutions expressed concern that the gap between the rich and the poor in Azerbaijan was increasing, and that proceeds from oil and gas production and export could make this gap even wider.23 Azerbaijan is reportedly the fastest growing economy in the world. In 2005, the economy grew at a rate of 39%; by the time of the Monitor’s visit in 2006 even the non-oil sector had grown at a rate of 10% for the year.24 Much of this growth is visible in the streets of Baku in the form of hundreds of new buildings and a rapid increase in the number of high-value vehicles, such as Humvees and Mercedez. According to Embassy officials, though, little

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23 As the World Bank has observed, Azerbaijan stands on the verge of an oil boom: “the challenge is to (i) manage those resources wisely, and (ii) ensure growth in the non-oil economy by rebuilding infrastructure, improving governance, and removing barriers to business.” “The World Bank’s Country Partnership Strategy for Azerbaijan, 2007-2010,” Presentation for Revenue Management Group Meeting in Baku (October 2006), Slide 3.

24 The economy is likely to grow even more quickly in the near future. Moreover, as oil revenues produce additional public spending, the Government is likely to have increasing difficulty managing price stability and inflation. There was a 70% budget increase in 2006, and the state budget for 2007 is likely to be at least as high. In 2006, the Government cited inflation at around 10%; independent organizations with whom the Monitor met, however, pegged inflation at closer to 30%.
of this wealth is trickling down to the poor; indeed, many of the new roads that have been recently laid have been funded by BP and the European Union. In the face of this highly visible economic expansion, average citizens are expecting to see improvements in their own lives in the near future. If these improvements don’t materialize, attendant discontent could lead to civil unrest -- including security challenges for the Projects. According to one international institution, if public support for the Projects is to be sustained the government needs to make clear, through the wealth-sharing initiatives, that the broad populace will also secure benefits from the pipelines.

In recognition of this challenge, AGT has taken significant steps to help ensure that the rising tide of oil revenues helps to raise the proverbial boats of affected individuals and communities. The BP Group and its partners spent more than $18 million in social investments in Azerbaijan between 2003 and 2005. Overall, BTC Co. and SCP Co. have invested $25 million in a community investment program across the three host countries. The primary beneficiaries of these investments are rural communities along the pipeline route and communities close to on-shore operations and pumping facilities. BP has also launched a “Future Communities Programme” that will provide additional assistance to communities during the long-term AGT operations phase. These initiatives tangibly demonstrate to local communities the value-added by the Projects and, accordingly, the attendant value that should be placed on their protection.

Finding: AGT is taking appropriate steps to comply with this principle, and introduced a significant new initiatives n 2006. In the coming year, the Projects should expand upon the Interagency Security Committee’s dialogue with local communities regarding pipeline security, and encourage the SSPS/EPPD to ensure that security providers receive specific training regarding interactions with local villagers.

Recommendation: AGT should continue to encourage the Government of Azerbaijan to sign the pending Bilateral Security Protocol as a means of helping the SSPS/EPPD and AGT operationalize consultations with local communities. The Protocol stipulates that the parties will consult regularly between themselves regarding human rights issues and compliance with the Voluntary Principles, and will consult regularly with representatives of local communities with respect to the actual and probable impacts of public security forces on local communities. The protocol would provide helpful guidelines for both parties by which to achieve these Voluntary Principles objectives.

Recommendation: Some key BTC rights-related components have yet to be incorporated into SCP, including the Human Rights Undertaking, the Citizen's Guide, and the publication of the principal documents on the Internet. The executive leadership of SCP is aware of this discrepancy and has sought to harmonize the human rights commitments made by the BTC and SCP Projects. To this effect, the SCP Board of Directors has approved its own Joint Statement and Human Rights Undertaking. The Human Rights Undertaking enters into force immediately and automatically upon approval of the Joint Statement by the Government of Azerbaijan. The Government, however, has not made a priority of approving this.
AGT should make clear to the Government that the position it has taken with respect to the BTC Joint Statement needs to be harmonized with respect to the SCP Project. Signing the SCP Joint Statement would underscore the Government’s institutional commitment to international human rights standards as well as its leadership in seeking to implement respect for these standards in the context of its business relationships.

**Recommendation:** The establishment of the Interagency Security Committee is a positive and welcome step in helping community members understand and appreciate security arrangements. Convincing local community that it is in their interest to respect and contribute to Project security, however, will depend on transparent communication between AGT, the SSPS/EPPD, and the local communities and municipalities throughout the lives of the Projects. Accordingly, it will be important to continue this dialogue by hosting periodic briefings on security plans, contingencies, and emergency mechanisms. AGT should also take steps to encourage greater participation by villagers -- not just officials -- in such meetings, to ensure that the messages delivered reach the individuals on the ground who are most likely to be impacted.

**Recommendation:** As an adjunct to the Interagency Security Committee, AGT should give additional consideration to establishing a security and human rights "hotline." Such a mechanism would provide a structure through which the Security Committee could be quickly convened at the initiative of AGT, the EPPD, or the local community on an emergency basis. In addition, it could be used by individuals to report incidents allegedly involving the violation of human rights.

**Recommendation:** Several stakeholders recommended that AGT representatives make better use of the public media to get out messages regarding the Projects. To this effect, AGT should consider using local newspapers, radio, and television to announce meetings by the Interagency Security Committee, emergency security developments, and the benefits AGT has provided to local communities.

**Recommendation:** The land use and restrictions brochure provided to land users and owners along the corridor is very practical and contains a valuable section regarding Project security providers. To help ensure that the Projects’ human rights commitments and the role of the security forces in protecting the Projects reach the attention of affected villagers who do not own land abutting the pipelines, AGT could create and disseminate a short document that identifies these commitments and the responsibilities of the security forces.

**Recommendation:** To promote effective communications between the EPPD security forces patrolling the pipelines and local villagers, the EPPD should be provided with training regarding how to interface with community members.
4.2.1.2 Communicating Ethical Conduct and Human Rights Policies to Security Providers

The Voluntary Principles encourage participating companies to communicate their policies regarding ethical conduct and human rights to public security providers and indicate their desire that security be provided in a manner consistent with those policies by personnel with adequate and effective training.

AGT is continuing to set the standard for the industry with respect to the training of public security providers regarding implementation of Voluntary Principles commitments. BTC Co. communicated its policies regarding ethical conduct and human rights at the inception of the Project, incorporated those policies as commitments under the Prevailing Legal Regime, and made the documents containing these comments available for public inspection. SCP is committed to completing and publishing similar agreements. By the end of 2006, AGT had invested nearly $5 million towards a best-in-class human rights and security training program for public security providers protecting the Projects.

As a central step in operationalizing the Voluntary Principles, AGT encouraged the EPPD to adopt a world-class human rights and security training regime to ensure that all individuals providing security for the AGT Projects received instruction regarding the provision of security in a manner consistent with respect for the human rights of impacted individuals. In addition, AGT suggested that such education be provided through a "train the trainers" regime designed to make the program self-sustaining over the course of the AGT Projects' lives.

The Government of Azerbaijan embraced the concept of such training, and General Akhundov publicly announced that EPPD security forces providing security services for the AGT Projects would take a human rights training course prior to undertaking assignments along the pipelines. The opening ceremony for the "Train the Trainers" program, in April 2004, was presided over by General Akhundov and demonstrated the government's political commitment to the initiative. The original "train the trainer" courses were taught by instructors for Equity International, a non-profit NGO that promotes respect for human rights in law enforcement through the theoretical and practical training of police and security forces. It is anticipated that SSPS/EPPD instructors trained by Equity International will teach subsequent courses to new recruits so that the training is sustainable over the course of the life of the Projects. This commitment marked the first time that a company participant in the Voluntary Principles instituted human rights training for public security forces associated with Project protection, and set a new standard for the extractive industry.

At the time of the Monitor's visit, Equity International instructors had provided human rights and security training to approximately 650 personnel, including more than 600 members of the SSPS/EPPD (including security providers, future trainers, and command staff.) Instruction in the training program has included human rights theory, human rights-based policing skills, international standards and practices in the use of force and firearms, international standards and practices in self-defensive techniques,
methods of instruction, interfacing with external agencies, physical training, and assessment. In addition to verbal training, trainees are provided with written materials in Azerbaijani. By the end of the course, participants are expected to: (1) understand the international human rights standards applicable to law enforcement; (2) be able to apply those standards in law enforcement situations in a professional manner; (3) demonstrate the ability to transfer human rights knowledge and skills effectively to others; and (4) recognize that respect for human rights is a governing principle in professional law enforcement conduct.

The Equity International course is exceptional in its breadth and depth, and has been well received by the trainees. Equity International was able to further leverage the training course by inviting representatives of the ICRC and the OSCE to provide lectures for the opening course (the former with respect to the use of force and international humanitarian law, and the latter with respect to policing activity). The participation of these highly respected international institutions reinforced the importance of the instruction to trainees and demonstrated to external stakeholders the seriousness with which AGT takes its commitment to ensure that Projects’ security providers are appropriately trained.

AGT continued to support the provision of training by Equity International during 2006. During the first half of the year, an additional phase of training was added that focused on the development of instructor skills, an enhanced human rights training curriculum, operational procedures regarding respect for internationally recognized human rights standards, and crisis response capability. During the second half of 2006, Equity International advised the EPPD with respect to integrating the human rights training material into the security forces’ standard operating procedures (“SOP”). The Government’s commitment to this process is reflected in its determination that EPPD personnel providing security for the Projects are not to be issued firearms until they have completed related firearm training.

Significantly, there have been no field encounters between EPPD and individuals on the pipeline that have led to violence or the use of force. According to General Nasirev, there are 50-100 “encounters” per month between security forces and individuals believed to be acting inappropriately on or near the pipelines. The vast majority of these are resolved through a discussion between the security providers and the individuals potentially impacting the pipelines. Occasionally, the individual is detained and turned over to the police.

25 The continuation of this training program was recognized by the U.S. State Department: “During the year an international foundation continued its training program in human rights theory, standards, and practices for security officers attached to the Special State Protective Service (SSPS) [sic], a government agency responsible for protecting the Baku-Tbilisi-Ceyhan pipeline. The officers who participated in the training were recruited from the SSPS, state border guard, army, and police.” Country Reports on Human Rights Practices – 2006, at Respect for Human Rights, Section 1 (d).

26 This fact should be viewed in its context. There are currently nine security bases along the Azerbaijan pipeline route, and each is responsible for patrolling approximately 60 kilometers. Four-man teams conduct patrols, 24 hours a day.
The EPPD keep detailed statistics regarding individuals encountered. In 2005, 642 individuals were stopped and questioned by security providers along the pipeline. Of these, 622 were local villagers and 20 were from outside the local area; 636 were men, and 6 were women. The encounters were resolved through discussion in 565 cases. In 77 cases individuals were referred to the police -- most frequently for unlawful hunting near the pipeline, and sometimes for suspected drug smuggling or violating the safety zone by digging too close to the pipelines to lay electrical lines, establish water holes, or plant trees. Statistics as of mid-year 2006 were comparable: of 356 encounters, most were resolved by discussion, and in 32 cases individuals were turned over to the police. Notably, there were no repeat offenders between 2005 and 2006.27

It was evident from the Monitor's meeting with the senior leadership of the SSPS/EPPD, including Colonel Nasirov, the EPPD Commander, that the Government of Azerbaijan is fully committed to operationalization of the Voluntary Principles and the train-the-trainers sustainability concept with respect to the continued human rights instruction of security personnel protecting the pipelines.

That said it was unclear whether, even after nearly three years of guidance from Equity International, the EPPD had developed the internal capacity to ensure that the training program could be carried forward in a sustainable manner. Although the political commitment to the program seems to be solid, Equity International instructors question whether the skill sets necessary to perpetuate the course over the life of the Projects have been fully established.

Moreover, as noted in the 2005 Assessment, the training program is not by itself a panacea to the issue of respect for human rights by government security forces. Even if the EPPD personnel were to assimilate and effectively implement the training provided in the Equity International course, such training would necessarily only pertain to the activities of those trainees. If the EPPD were to detain a suspect and hand him over to the police for arrest, it is unlikely that the police will have had the training necessary to demonstrate respect for the suspect’s rights -- or that the judicial system would protect those rights. If the police or the judiciary violated the detainee’s human rights, then the fact that the EPPD operated within the confines of international standards will have had minimal effect in protecting that individual’s rights.28 Accordingly, failure to adopt a

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27 In addition to EPPD security forces, both BP and the EPPD employ unarmed horse patrols to walk the pipeline to and spot potential security issues. As of 2006, there were 35 EPPD horse patrols; 30 more are expected to be added in 2007. The horse patrols employed by the EPPD are composed of local villagers, and carry only cell phones to report disturbances. They do not seek to detain individuals encountered on the pipelines.

28 Representatives of embassies and international organizations expressed concern regarding both the abuse of suspects while in police custody and lengthy pretrial detention. According to the U.S. State Department, during 2005 “Arbitrary arrest, often on spurious charges of resisting the police, remained a common problem throughout the year.” Country Reports on Human Rights Practices – 2006, at Respect for Human Rights, Section 1 (d). Likewise, the OSCE reports that “law enforcement officers sometimes used excessive force in making arrests and the rights of persons in detention were not adequately protected. Of particular, deep concern, were extensive, credible allegations of torture and ill-treatment of detainees, the absence of adequate judicial action or remedies in the face of these serious allegations, and the acceptance
sufficiently broad view with respect to the full ramifications of security and human rights could create risks for the AGT Projects.

Due to this concern, the 2005 Assessment encouraged AGT to weigh the potential risks created not only by untrained EPPD, but also by broader aspects of the legal system -- including the functions of the National Police and the capacity of the judiciary to fulfill its role. It was recommended that consideration be given, for example, to extending basic human rights training to cover the “chain of custody” governing a suspect’s detention by the EPPD and formal arrest by the police.

In accordance with this recommendation, during the course of 2006 Equity International addressed the “chain of custody” issue in its training. In addition, Equity International worked with the EPPD to develop a standard operational procedure governing the restraint and handover of a detainee to the police. The procedure creates a documented process that emphasizes the authorities’ responsibility for the suspect’s well being while in custody, and enhances accountability. On any given occasion when the EPPD turns a suspect over to the police, the police are now requested to share information with the EPPD regarding status of the suspect while in custody, and the resolution of the suspect’s case. This is an important step both towards promoting respect for human rights and limiting the Projects’ legal and reputational risks.

The 2005 Assessment also recommended that AGT encourage the Government of Azerbaijan to create a bridge between the work of the EPPD and the National Police at both the senior staff and operational levels. Such an effort could seek to establish clear lines of communication between these organizations, including interagency operability procedures that could be used at the tactical level when EPPD patrols work with policemen. Indeed, in 2006, AGT established an Interagency Security Committee to promote cooperation on pipeline security issues. As noted in detail above, in “Consultation with Host Governments and Local Communities,” (Section 4.2.1.1), the security committee is comprised of representatives of the EPPD, the local police, and executive authorities, as well as AGT and leaders from local communities. Security committee meetings were held throughout the year in communities along the pipeline corridor.

In addition, in May 2006, Equity International invited representatives of the National Police, the State Border Guard, the Interior Ministry, and the Ministry of National Security to the EPPD Crisis Response Exercise. This exercise was part of Equity International’s human rights training program and tested the security forces’ ability to respond to an emergency in a timely and coordinated manner. Including the other government representatives exposed them to best practices and promoted a unified, coordinated approach by government representatives.

Finding: AGT is taking steps to comply with this principle and is continuing to set the industry benchmark for implementation of the Voluntary Principles with respect to the training of public security forces.

Recommendation: General Akhundov, Colonel Nasirov, and the SSPS/EPPD deserve considerable recognition for the steps they have taken to promote implementation of the Voluntary Principles. They are now, however, entering a critical period during which, if the integration of human rights standards within training is to become institutionalized and sustainable, the EPPD must assume greater responsibility both for continuing the training and maintaining its high caliber. At the time of the Monitor’s visit, it was not apparent that the EPPD had yet developed the capacity to do so, and there seemed to be some organizational inertia. AGT should make clear to the EPPD that the next year or two will be dispositive with respect to whether the EPPD will be able to assume responsibility for the training program in a manner that assures its sustainability. This will test the Government’s commitment and capacity to maintain this excellent program.

Recommendation: The ICRC reiterated to the Monitor its institutional interest in continuing to play a supportive role with respect to human rights and security training. AGT should be certain to follow-up with the ICRC, and should encourage the EPPD trainers, who will be assuming responsibility for continuing the course in the future, to take advantage of this mutually beneficial offer.

Recommendation: To ensure that EPPD trainers are updated regarding evolving international standards and best practices, and are adequately communicating these developments, it would be wise for AGT to provide refresher courses for the EPPD trainers.

Recommendation: AGT could encourage the Government of Azerbaijan to have EPPD trainers provide basic human rights training to the National Police -- particularly police forces with which the EPPD is likely to interface. AGT might also consider providing some funding from the RDI segment promoting good governance to help launch such an initiative.

Recommendation: Establishing the Interagency Security Committee was an important step toward increasing effective communication between the EPPD and the National Police. Equity International’s work with the EPPD to establish interagency operability procedures regarding a suspect’s chain of custody, which can be used at the tactical level when EPPD patrols work with policemen, was another key step in bridge building between these organizations. AGT should encourage the Government to take steps to codify such procedures, and to establish security ombudsman positions within both the EPPD and the police as the two institutions strengthen their working relationship.

Recommendation: Colonel Nasirov asked about the possibility of sending key SSPS/EPPD to other countries to learn their best practices with respect to security and human rights. AGT should work with the EPPD to ascertain appropriate programs that
may exist for such advanced training and should seek to foster the participation of members of the EPPD most likely to effectively share such practices upon returning to Azerbaijan.

Recommendation: AGT might consider, through BP, inviting a senior SSPS/EPPD official to the annual plenary meeting of Voluntary Principles participants to showcase the Government of Azerbaijan’s initiatives to operationalize the Voluntary Principles through the security and human rights training program and institutionalize respect for human rights by the security forces.

4.2.1.3 Transparency and Accessibility of Security Arrangements

The Voluntary Principles encourage participating companies to urge Host Governments to make security arrangements transparent and accessible to the public, subject to any overriding safety and security concerns.

AGT has worked with the Government of Azerbaijan to make security arrangements transparent and accessible to the public since the inception of the Projects. Indeed, the major Project Agreements referencing security and human rights are in the public domain and available on the Internet. In 2004, Azerbaijan become the first country in the world to join the EITI, and since that time, AGT and the Government have implemented initiatives to improve upon this effort with respect to both the transparency of revenue streams and security operations.

Chief among these initiatives in 2006 was the establishment an Interagency Security Committee to promote cooperation regarding pipeline security issues. This security committee, which includes representatives from the EPPD, local police, executive authorities, local community leaders, and CLOs, has held working group meetings in communities and regions along the pipeline corridor since its inception in April.

The executive leadership of AGT and General Akhundov have referenced the importance of security providers respecting human rights in their public speeches and in comments to the media. In an effort to inform the widest range of stakeholders possible regarding these issues, a Security and Human Rights section was added to the BP Azerbaijan SPU website to provide regularized reporting of non-confidential, noncommercial information with respect to security and human rights issues impacting the Projects. 29

On a local level, the Security Risk Analyst meets with Azerbaijani NGOs on a regularized basis regarding the Projects’ security arrangements. Such briefings have been offered pursuant to an understanding that information would not be shared that touched upon specific commercial considerations or that could undermine the security of the Project or personnel. FSOs have also sought to make security arrangements transparent in the course of meetings with representatives of affected communities.

29 This can be found on-line at www.bp.com/caspian.
These initiatives are striking in light of the fact that, on a broader level, the Government of Azerbaijan is not recognized for its transparency. In its most recent 2006 Annual Report, Transparency International ranked Azerbaijan 130th in its Corruption Perception Index -- a slight improvement over its ranking of 137th out of 158 countries in 2005. Transparency International noted that scores as low as that received by Azerbaijan’s “indicat[e] rampant corruption that poses a grave threat to institutions as well as to social and political stability.”

The Government’s decision to adopt a new “Revenue Management Policy” and participate in the EITI, however, appears to represent significant commitments toward greater transparency. These initiatives focuses upon publication of the revenue stream flowing from the Projects and, properly implemented, could help to combat corruption and ensure that local communities see direct benefits from the pipelines -- and, as a consequence, a reason to support their protection.

AGT supports such transparency efforts through BP’s participation in a Donor Working Group on Revenue Management with the U.S. Embassy, U.K. Embassy, World Bank, and the EBRD. During the course of 2006, the BP Azerbaijan SPU supported technical training for the Government of Azerbaijan to identify measures to enhance revenue management, pursue effective macroeconomic stabilization policies, and maintain economic diversification. These included the sponsorship of revenue management workshops in Azerbaijan and the engagement of outside experts to make recommendations for measures to enhance revenue management and the diversification of Azerbaijan’s economy.

Revenues generated from the BTC Project are put into the State Oil Fund, which is structured transparently, so that the public can see how much money enters the fund on an annual basis. All stakeholders consulted for this Assessment universally praised the State Oil Fund. Concerns regarding transparency emerge not with respect to money in the Fund, but with respect to how the money is used after it is taken out of the Fund and applied to support the state budget. Since each government ministry is regulated solely by its own leadership, with no outside oversight, there is no accountability for how budgets are created or how budgeted funds are spent. This is an issue of considerable concern to NGOs, international institutions, and members of the diplomatic community.

Finding: AGT is taking appropriate steps to comply with this principle, and continues to set the industry standard for making security arrangements transparent and accessible to the public.

Recommendation: AGT should encourage the Government of Azerbaijan to finalize the Bilateral Security Protocol as a means of committing to the principle of transparency and adding operational structure to its implementation. The Protocol reinforces the principle of transparency by requiring AGT and the Government to consult with representatives of local communities regarding the impacts of the provision of

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security on local communities. It would also commit AGT and the Government to make public information regarding credible allegations of human rights or ethical abuses by public or private security personnel unless such disclosure would violate the law or could reasonably be expected to result in material risk to persons or property.

**Recommendation**: AGT should continue to encourage the Government to follow-through with its commitments to promote greater fiscal transparency pursuant to the EITI and its new Revenue Management Policy -- both on its own and in conjunction with other members of the international donor community.

**Recommendation**: AGT should consider directing some of the RDI funds designed to promote good governance to helping the Government develop the capacity to transparently budget and spend public monies; select, implement, and fund public projects; monitor the use of funds; and evaluate performance.

4.2.2 Deployment and Conduct

4.2.2.1 Competency and Appropriateness of Public Security Forces

*The Voluntary Principles note that the type and number of public security forces should be competent, appropriate, and proportional to the threat.*

AGT has worked closely with the Government of Azerbaijan to help ensure that the public security forces protecting the pipeline are competent, appropriate, and proportional to the challenges presented by pipeline security threats.

**Competence** -- Individuals recruited to serve in the EPPD often lack common skill sets and knowledge with respect to the policing activities necessary to provide effective security along the pipelines. Although some recruits have served in the military, the skill set required for good “policing” differs markedly from that required for good “soldiering.” Some recruits have no background at all with respect to the provision of security. Moreover, not all recruits have previously used the standard issue weaponry. This combination of policing inexperience and unfamiliarity with assigned weaponry presents safety and human rights risks, and underscores the importance of providing adequate training to EPPD recruits.

As outlined above in “Communicating Ethical Conduct and Human Rights Policies to Security Providers,” (Section 4.2.1.2), AGT has helped to ensure that new recruits to the EPPD are provided access to a world-class human rights and security training regime. The regime is designed to ensure that all individuals providing security for the AGT Projects receive instruction regarding the provision of security in a manner consistent with respect for the human rights of impacted individuals -- including instruction regarding the proper handling and use of weapons in a manner consistent with international standards.

**Appropriateness** -- As recognized by the Government of Azerbaijan and AGT, the primary role of public security is to maintain the rule of law. Maintenance of the rule of law includes deterring acts that threaten AGT personnel and facilities and safeguarding...
human rights. This is implicit in the Joint Statement and throughout the Prevailing Legal Regime, and was made explicit in the human rights training provided to EPPD personnel by Equity International. Although the Government of Azerbaijan has the authority and the responsibility to determine the number of personnel needed for the provision of security for the AGT Projects, AGT has worked with the Government to help ensure that that number is rational and reasonable in light of perceived threats. According to General Akhundov, the EPPD is currently composed of personnel who provide security on a rotating basis for the AGT Projects, the WREP, and the NREP.

**Proportionality** -- The size of the small security teams is sufficient for surveying the pipeline and dealing with the individuals and types of issues likely to be encountered. While large in their totality, the number of EPPD forces on the ground in any one place at a given time is quite limited and proportional to anticipated security threats. Notably, EPPD security forces responding to individuals believed to be threatening the Projects do not arrest the suspects, but to detain them prior to handover to the police, who have the authority to arrest them.

**Finding:** AGT is in compliance and is taking appropriate steps to work with the Government of Azerbaijan to address this objective.

**Recommendation:** The pending Bilateral Security Protocol reinforces and helps to structure this principle by committing the parties to regular consultations regarding “the type and number of public security forces.” The Government and AGT would both benefit from finalization of the protocol, particularly now that operations have begun. Accordingly, AGT should continue to work with the Government to complete this agreement.

4.2.2.2 Mitigation of Foreseeable Negative Consequences Regarding Human Rights

*The Voluntary Principles encourage participating companies that provide equipment to public security to take appropriate measures to mitigate any foreseeable negative consequences with respect to human rights.*

Aside from generators, the AGT Projects did not provide equipment to the SSPS/EPPD during the course of construction, and have not provided equipment since the onset of operations.

AGT is well aware of the challenges associated with the provision of equipment to public security forces, the mistakes made by some members of the extractive industry (including some AGT investors) with respect to the provision of equipment, and the lessons learned from those mistakes. AGT has assessed the legal and reputational risks associated with the provision of any kind equipment to public security forces and created strict guidelines governing such logistic assistance.

As noted above in “Risk Assessment: Equipment Transfers,” (Section 4.1.6), these guidelines include a ban on the provision of lethal aid. The guidelines also stipulate that: (1) all assistance be transparent and fully documented; (2) the reasons justifying
such assistance be made public; and (3) wherever possible, the use of such equipment be monitored and publicly documented. Consistently implemented, these guidelines should significantly minimize human rights concerns associated with the misuse of equipment given to security providers.

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.

4.2.2.3 Use of Force and Refraining from Violating Human Rights

The Voluntary Principles encourage participating companies to use their influence to urge public security to: (1) prohibit individuals credibly linked to human rights abuses from providing security services for the company; (2) use force only when strictly necessary and to an extent proportional to the threat; and (3) refrain from violating the rights of individuals exercising their rights under the Universal Declaration of Human Rights and the International Labor Organization (“ILO”) Declaration on Fundamental Principles and Rights at Work.

AGT has worked directly with the leadership of the SSPS/EPPD, and indirectly through instructors from Equity International, to educate security providers regarding the importance of acting in accordance with these principles, as well as how to act in accordance with the principles.

Prohibition on human rights abusers -- The selection process for individuals seeking to serve in the EPPD includes a background check by the SSPS. Among other factors, the background check entails an assessment of the applicant’s employment history and, if one exists, criminal record. Any individual determined to be credibly implicated in a human rights abuse is disqualified from participation in the EPPD. The Equity International training course underscores the value and importance of such vetting to the Government of Azerbaijan. Notably, since the advent of the AGT projects, there have been no allegations or reports of human rights abusers being permitted to serve in the EPPD.

Proportional use of force -- The proportional use of force in responding to a perceived security threat has been a key element of the Equity International training course.

Instructors stress the importance of abiding by internationally recognized standards with respect to the use and proportionality of force, including those articulated in the United Nations Code of Conduct for Law Enforcement Officers and the United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Personnel. Participants are also provided with practical guidance regarding how to respond to an array of security challenges in a manner that demonstrates appropriate respect for human rights. In addition to classroom lectures and analyses of hypothetical situations, EPPD personnel are provided hands-on training with respect to technical proficiency in the handling and use of firearms. Particular focus is placed on safety procedures and the precepts of defensive and proportional use of force.
In implementing its commitments under the Voluntary Principles, the SSPS has updated its SOP regarding the proportionate use of force in order to harmonize them with international law enforcement standards. In addition, General Akhundov drafted a Crisis Management Plan for the SSPS/EPPD, and established a Code of Conduct that commits security providers to acting “in accordance with International Human Rights Law.” This Code of Conduct was subsequently adopted by both the SSPS and, more specifically, the EPPD.

**Respect for human/worker rights** -- The Government of Azerbaijan is committed under both its international agreements and the Prevailing Legal Regime to respecting the rights of individuals as articulated in the Universal Declaration of Human Rights and ILO Conventions. The "Maintenance of Public Order" segment of the human rights training course identifies these rights and focuses on how security providers can protect the AGT Projects in a manner that demonstrates respect for such rights. In addition, as part of its own internal effort to promote respect for fundamental worker rights, AGT maintains an “Open Talk” program through which employees can ask questions and lodge complaints (anonymously, if preferred) regarding worker rights, ethics, and related issues.

The Government’s track record with respect to fundamental worker rights is mixed at best. Public security forces employed violence against protestors during events leading up to and following the parliamentary elections in November 2005, leading many stakeholders to conclude that Azerbaijan is unwilling to respect freedom of assembly -- whether by the political opposition or labor rights activists. U.S. Embassy officials reported to the Monitor that the Government’s respect for human rights worsened in 2006 as it became increasingly authoritarian, and that during the course of the year there was virtually no freedom of assembly.

At the same time, there have been some positive developments regarding respect for worker rights. In November 2005, the national employees at the Azerbaijan International Operating Company’s construction contractor refused to work and demanded an immediate salary increase. The dispute was resolved peacefully, and employees were offered a salary raise, a bonus, and a salary review. A number of working groups were set up by AGT to investigate and help the management address other issues raised by the employees. Moreover, in November 2006, the Government entered into the “EU-Azerbaijan Action Plan” that, among other objectives, specifically seeks to “ensure trade unions’ rights and core labour standards” including respect for the right to freedom of assembly.

**Finding:** AGT is taking appropriate steps to comply with this principle.

**Recommendation:** It would be beneficial to both the Government and AGT to finalize the pending Bilateral Security Protocol as a means of operationalizing these principles. The Protocol specifically addresses the importance of ensuring that individuals credibly linked to human rights abuses or criminal activities not be employed.

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as public security personnel on the Projects. In addition, it reaffirms the parties’
commitment to ensuring that force is used only where strictly necessary and in a manner
proportionate to the threat presented. Accordingly, AGT should continue to work with
the Government to complete the Bilateral Security Protocol.

**Recommendation**: In light of the Government’s overall human rights record,
human rights and security training regarding the proportional use of force and technical
proficiency in the handling and use of firearms is essential to ensuring that the EPPD
demonstrate respect for the principles articulated in the Universal Declaration of Human
Rights and the ILO Declaration. AGT should work with the EPPD to ensure that this
training is continued in an effective manner as the EPPD assumes responsibility for
making the training course self-sustaining.

4.2.2.4 Reporting Use of Force

*The Voluntary Principles note that when force is used by public security, the
incident should be reported to both appropriate authorities and the company, and
medical aid should be provided to injured persons.*

During the course of 2006, AGT worked closely with the SSPS/EPPD to ensure
that security providers were appropriately trained with respect to reporting the use of
force and providing medical assistance to any injured persons, including suspects.

The Equity International training course emphasizes to all trainees that the use of
force is to be proportional to the threat posed, and that any use of force is to be reported.
In addition, the SSPS/EPPD security guidelines mandate that if security providers employ
the use of force a report regarding the events leading up to the use of force, as well as the
manner in which force was employed, must be provided to governmental authorities
through the SSPS/EPPD chain of command and that AGT must be notified. As of the
end of 2006, neither the SSPS/EPPD nor AGT had received any such reports, as there
had been no instances in which security personnel protecting the pipeline employed the
use of force.

Notably, AGT also maintains a grievance procedure, which it has shared with
impacted communities, by which individuals can pursue any grievances. This procedure
has been used extensively and effectively -- primarily with respect to alleged damage to
property and irrigation systems, and with respect to land compensation. It also serves as
an reporting mechanism, in addition to the local police and judiciary, by which
individuals could report alleged human rights abuses by security forces protecting the
pipeline.

The human rights training program also emphasizes that public security forces
have a duty to provide medical aid to persons, including offenders, injured by public
security providers. During the course of construction, it became apparent that the
SSPS/EPPD’s SOP did not require that such medical aid be provided to injured persons
and, accordingly, that the procedures did not comport with commitments under the
Voluntary Principles. To rectify this, and in a demonstration of the Government’s good
faith in seeking to meet its commitments, General Akhundov had the SOP revised to bring it into conformity with Voluntary Principles standards. Accordingly, the SOP now includes a specific “Duty of Care” guideline with respect to the provision of medical aid.

**Finding:** AGT is taking appropriate steps to comply with these principles.

**Recommendation:** The pending Bilateral Security Protocol codifies these principles, requiring the parties to report any use of physical force by public security personnel and highlighting the duty of security providers to provide medical aid to injured persons, including offenders. Encouraging the Government to finalize the Protocol would reinforce these commitments and help to facilitate their implementation.

4.2.3 Consultation and Advice

4.2.3.1 Meetings Regarding Security and Human Rights

*The Voluntary Principles encourage participating companies to meet with public security, companies, Host and Home governments, and civil society to discuss security and human rights.*

During the course of 2006, the AGT security risk management team held regularized meetings with representatives of each of these stakeholder groups.

**Public security** -- The AGT security team held both structured and informal meetings on a regular basis with representatives of the public security forces responsible for protection of the Projects, ranging from General Akhundov and Colonel Nasirov to EPPD recruits and local police, to discuss security issues. These discussions included human rights and related workplace safety issues. The precise issues addressed were typically documented in the monthly security reporting in the “Az SPU Regional Risk Review.”

In the past, AGT representatives participated also in occasional meetings of the formal Azerbaijan Pipeline Security Commission, which is headed by the Prime Minister of Azerbaijan, Artur Rasizade, and more frequent meetings of the Azerbaijan Pipeline Security Commission Working Group, a subset of the State Pipeline Security Commission, which is headed by General Akhundov.

During the course of the year Equity International instructors also interacted on an ongoing basis with EPPD security forces taking the human rights training course. These forces ranged from new trainees to EPPD officers and instructors who will be responsible for continuing the training course in the future.

**Companies** -- AGT communicated with company investors in the AGT Projects regarding specific human rights and security issues and best practices during the course of meetings, conference calls, and through monthly reporting in the “Az SPU Regional Risk Review” and the “Az SPU Quarterly Risk Matrix.” In addition, members of the security risk management team met with other company participants in the Voluntary Principles process to discuss effective implementation of the Voluntary Principles and
associated successes and failures with respect to their operationalization. The security team also discussed human rights and security issues with members of the extractive industry not engaged in the Voluntary Principles process.

**Host and home governments** -- During 2006, security and human rights issues impacting the AGT Projects were discussed with numerous representatives of the Government of Azerbaijan, including officials from the Ministry of Energy, the Ministry of the Interior, and the President’s office. Many of these meetings, and the specific issues discussed, were documented by AGT.

Human rights and security issues were also raised on an ongoing basis with representatives of the United States (in Baku, with the U.S. Embassy, and in Washington, with the State Department and the National Security Council) and the United Kingdom (in Baku, with the British Embassy and, in London, with the Foreign and Commonwealth Office). In light of the founding role the United States and the United Kingdom played with respect to the Voluntary Principles, AGT engaged with these governments frequently with respect to the Voluntary Principles process, including regarding the newly emerging guidelines regarding participation criteria. AGT also engaged to a lesser extent with representatives of the Netherlands and Norway, other government participants, regarding security and human rights issues.

**Civil society** -- AGT representatives met with numerous representatives of civil society -- in Azerbaijan, the United States, and the United Kingdom -- to discuss human rights and security issues. In Azerbaijan, these included local organizations such as the Society of Women for Peace and Democracy in the Transcaucuses, the Citizen’s Rights Protection League, the Human Rights Group, and the Political Pluralism Institute, as well as local offices of international NGOs such as the Open Society Institute and the International Republican Institute. In the United States and the United Kingdom, the groups consulted included think tanks, such as the Brookings Institution; and NGOs such as Amnesty International, Human Rights Watch, International Alert, and other civil society participants in the Voluntary Principles. In addition, members of the AGT security have worked in Baku and London with the ICRC and the OSCE.

Feedback from representatives of civil society in both the Host and Home countries (as well as diplomats in the U.S. and U.K. embassies) consistently stressed three issues.

First, the AGT Projects’ commitment to respect for human rights, as reflected by participation in the Voluntary Principles, BTC Co.’s Prevailing Legal Regime, the Projects’ commitment to transparency, and the human rights training program, is highly respected both locally and globally.

Second, that there is concern among these stakeholders that the Projects’ human rights leadership may be short-lived. Some question whether the Projects’ public commitment to human rights while seeking loans from international financial institutions, and associated leadership with respect to the Voluntary Principles during the construction phase, will carry over during the much longer -- and less publicly visible -- operations
phase. Specific questions have been raised with respect to whether the impact of the human rights-based security training program will prove sustainable, and whether AGT will continue with the monitoring of Voluntary Principles implementation.

Third, the groups stressed that AGT should be more public about its activities with respect to human rights and security. There is a degree of cynicism among the broader public regarding the relationship between AGT and the Government of Azerbaijan and its security forces, and the stakeholders consulted believe that AGT could help dissolve some distrust of the Projects by making a greater effort to publicize and clarify human rights objectives and initiatives. Stakeholders who offered this perspective welcomed the concept of the Interagency Security Committee, but indicated that it was not well known and needed to be more broadly utilized and publicized.

Notably, the aforementioned concerns did not arise as a consequence of specific adverse experiences with AGT’s efforts to implement the Voluntary Principles, but tended to be generic in light of the size and duration of the Projects and the Government’s human rights record.

**Finding:** AGT is taking appropriate steps to comply with this principle.

**Recommendation:** The pending Bilateral Security Protocol stipulates that the parties will consult regularly between themselves regarding human rights issues and compliance with the Voluntary Principles, and will consult regularly with representatives of local communities with respect to the actual and probable impacts of public security forces on local communities. Finalization of the Protocol would allow it to serve as a template for these commitments and their implementation.

**Recommendation:** AGT will want to be certain that, in the words of one embassy official, it “stays the course” during operations with respect to the leadership position it has established in implementing the Voluntary Principles. Stepping back from its commitments and implementation initiatives at this period could lead to a considerable loss of support from stakeholders who currently regard AGT as a model.

**Recommendation:** The Azerbaijan Pipeline Security Commission, which pursuant to a 2002 Presidential Decree is to meet biannually, and the Azerbaijan Pipeline Security Commission Working Group, which is supposed to meet quarterly, have not been convened since 2004. This raises questions regarding the parties’ commitments to the Decree, these bodies, and the value and role of the bodies. AGT should address this issue with the Government to assess whether, in the absence of Commission and the Working Group meetings, there are sufficient opportunities for exchanges between the all the parties regarding security and human rights.

**Recommendation:** The Interagency Security Committee is an important step in publicizing and clarifying the AGT Projects’ human rights and security objectives. As noted in “Consultation with Host Governments and Local Communities,” (Section 4.2.2.1), however, AGT could make better use of the media to get out messages regarding the Projects. To this effect, AGT should consider using local newspapers, radio, and
television to announce meetings by the Interagency Security Committee, emergency security developments, and the benefits AGT has provided to local communities. As noted above in “Consultation with Host Governments and Local Communities,” (Section 4.2.1.1), this effort might be facilitated by the creation and distribution of a document that lays out the Projects’ human rights commitments and the role of the security forces in protecting the Projects.

4.2.3.2 Training and Observance of International Law Enforcement Principles

The Voluntary Principles encourage participating companies to promote, with Host Governments, the observance of international law enforcement principles. The Voluntary Principles also encourage participating companies to support efforts by governments, civil society, and multilateral institutions to provide human rights training for public security, as well as to strengthen state institutions to ensure accountability and respect for human rights.

Since the inception of the Projects, AGT has consistently and continuously promoted the observance of international law enforcement principles with the Government of Azerbaijan. This effort began on a legal level with the embedding of the Voluntary Principles and other international human rights standards in the Prevailing Legal Regime, and would be reinforced by the pending draft Bilateral Security Protocol. The Equity International human rights and security training course for the EPPD followed up upon AGT’s written commitment through a practical, hands-on initiative to ensure that security providers are aware of and seeking to abide by international law enforcement principles.

As noted above in “Risk Assessment: Rule of Law,” (Section 4.1.4), virtually all the stakeholders consulted agree that the Azerbaijani judicial system lacks basic capacity and is in serious need of reform. According to one diplomat, “there is no transparency in the judiciary and no effective rule of law.” This is a significant hurdle to securing accountability and respect for human rights, and is an ongoing challenge for both the Government of Azerbaijan and a significant concern for AGT.

In recognition of the need to increase its judicial capacity, the Government of Azerbaijan recently entered a “EU-Azerbaijan Action Plan” that, among other objectives, seeks to “[s]trengthen the protection of human rights and of fundamental freedoms and the rule of law” in compliance with Azerbaijan’s international commitments. More specifically, the Government agreed to improve the training of judges and prosecutors, improve access to justice.

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Other governments and international organizations are also working closely with the Government of Azerbaijan to promote accountability and respect for human rights. Key governmental initiatives include the following:

- The U.S. government is providing human rights training to the Ministry of Internal Affairs through the State Department and the Department of Justice. Specifically, the State Department’s Bureau of Democracy, Human Rights & Labor is funding the National Democratic Institute to provide training with respect to democracy, human rights, and anti-corruption. The State Department’s Bureau of International Narcotics and Law Enforcement Affairs is working with the National Police to professionalize local forces. In addition, the Department of Justice is providing training for judges, prosecutors, and members of the defense bar.

- The U.S. government is working with the Government of Azerbaijan and American Bar Association’s Central European and Eurasian Law Initiative (“CEELI”) to establish and promote judicial exams for sitting judges.

- The U.S. Embassy’s Regional Law Enforcement Office is working with the Government to reform Azerbaijan’s legal regime and bring it into conformity with international standards.

- An international consortium of donors, including USAID, the United Kingdom, and CEELI have established two new civil society programs in Azerbaijan: the International Legal Reform Working Group and the International Human Rights Working Group.

- In 2005, USAID launched a five-year, $18 million Civil Society Development Program, $6 million of which is earmarked to help NGOs interface with local governmental institutions.

AGT invited representatives of the OSCE and the ICRC to present lectures before EPPD security personnel at the opening of the human rights training course, and has supported efforts by these institutions to train police and promote accountability and transparency. AGT contributed $25,000 to an OSCE training program that benefited local communities, NGOs, and the National Police by providing education regarding the role of community policing, including interactions with civil society. Members of the AGT security risk management team also participated in two USEUCOM strategy fora regarding regional security and human rights.

More recently, the ICRC and the OSCE have engaged in the following additional initiatives to support accountability and respect for human rights:

- The ICRC, with support from support from Azerbaijan’s Minister of Defense, is providing a program on basic humanitarian law for officers and troops. The program focuses on the nexus of law and armed conflict.
• The OSCE, with the support of the President of Azerbaijan and senior members of the judiciary, is seeking to establish a pre-trial system in Azerbaijan and provide training programs for pre-trial judges regarding the arrest and detention of suspects. The success of such a program would help to ensure the legality of all aspects of a suspect’s “chain of custody.”

• In conjunction with Azerbaijan’s Ministry of Foreign Affairs and the Ministry of Justice, the OSCE will offer a broad-based training program for police beginning in September 2007. The $2.5 million course, which will be provided over three years, will address legal issues, human rights, conflict resolution, and proportional use of force, and will offer practical scenarios.

• The OSCE is engaged in an initiative with Azerbaijan’s Constitutional Court regarding how private individuals can effectively bring causes of action within the judicial system.

In addition, the World Bank is seeking to strengthen rule of law in Azerbaijan through a Judiciary Reform Project.

Finding: AGT is taking appropriate steps to comply with this principle, but the absence of effective rule of law in Azerbaijan presents continuing challenges with regard to institutionalizing respect for human rights.

Recommendation: AGT should consider using some of the funding from RDI’s initiative to promote effective governance to reinforce and strengthen the aforementioned rule of law programs by governments and international organizations. Inasmuch as these programs dovetail with the Voluntary Principles’ mandate of increasing the observance of international law enforcement principles and ensuring accountability and respect for human rights, any steps that AGT could take to support or leverage the programs would further fulfill its commitments as a Voluntary Principles participant.

Embassy and OSCE representatives indicated that they are open to finding opportunities to coordinate with the AGT Projects with respect to rule of law training and issues. Notably, the OSCE’s 2007 initiative to establish a training program for police that includes human rights, conflict resolution, and proportional use of force directly addresses the risk that police might not demonstrate appropriate respect for an individual detained by the EPPD. Likewise, the OSCE’s initiative to set up a pre-trial judicial system in Azerbaijan and provide training programs for pre-trial judges would help to

34 In the U.S. and Western European legal systems, when a suspect is handed over to local police, a pre-trial judge assumes responsibility for determining whether and for how long the suspect may be held, and for setting the suspect’s bail. In Azerbaijan, however, there are currently no pre-trial judges.

ensure the legality of all aspects of a suspect’s “chain of custody.” Since AGT training programs currently focus on the EPPD, and not the police, AGT might consider supporting such initiatives to promote respect for human rights further along the chain of custody.

4.2.4 Responses to Human Rights Abuses

4.2.4.1 Recording and Reporting Human Rights Abuses

*The Voluntary Principles encourage participating companies to record and report credible allegations of human rights abuses by public security to Host Government authorities and, where appropriate, urge investigation and that action be taken to prevent reoccurrence.*

AGT has established internal processes and procedures by which to record and report allegations of human rights abuses by public security forces. It has also established a grievance procedure by which local villagers can report any concerns regarding the AGT Projects. During the course of 2006, AGT representatives encouraged the SSPS/EPPD to abide by the rule of law, follow regularized legal processes, and work with the judiciary to ensure that there is appropriate accountability with respect to allegations of human rights abuses.

Thus far in the history of the Projects, AGT has not encountered any credible allegations of human rights abuses by Azerbaijani public security forces involved in pipeline security protection.

AGT is currently working with the SSPS/EPPD regarding the establishment of processes by which allegations of human rights abuses will be shared, investigated, and addressed. To this effect, AGT has established procedures within the proposed Bilateral Security Protocol for the parties to consult regarding human rights issues arising from the provision of public security, initiate independent investigations in the event of a credible allegation of a human rights abuse, and share information with respect to allegations of human rights abuses and the investigation of such allegations.

To help minimize the possibility of human rights abuse by the public security forces, AGT has provided for a world-class human rights and security training program for the Projects’ security providers. AGT has also encouraged the EPPD to agree to independent monitoring of its efforts to operationalize Azerbaijan's commitments under the Voluntary Principles and take appropriate remedial steps to address any shortcomings noted in such monitoring.

**Finding:** AGT is taking appropriate steps to comply with this principle.

**Recommendation:** AGT’s security risk management team should work with the SSPS/EPPD to establish a credible system by which allegations of human rights abuses are appropriately investigated and addressed, as indicated in the pending Bilateral Security Protocol. This system should be made transparent and shared with stakeholders.
-- including members of villages impacted by the Projects and representatives of civil society.

**Recommendation:** AGT should continue to encourage the Government of Azerbaijan to agree to independent monitoring of its efforts to operationalize Azerbaijan's commitments under the Voluntary Principles. The pending Bilateral Security Protocol includes a section on “Compliance Monitoring,” which provides a framework through which the SSPS/EPPD could make such a commitment and take steps to implement monitoring. This is a critical component of the Security Protocol, and its adoption or rejection will be a signal to the international community of the degree to which the Government is committed to reform.

**4.2.4.2 Monitoring Status of Investigations and Resolutions**

*The Voluntary Principles encourage participating companies to monitor the status of investigations and press for their proper resolution. Efforts should be made to ascertain whether the basis of allegations is credible; additional information should be made available, as appropriate, to concerned parties.*

AGT has developed internal procedures by which to monitor and independently investigate allegations of human rights abuses by public security forces and press for their proper resolution, under rule of law, by Government authorities. As of the end of 2006, AGT had encountered no allegations -- credible or otherwise -- of human rights abuses by the EPPD security forces involved in pipeline security protection; accordingly, it had not yet had occasion to implement these procedures.

Specifically, AGT’s human rights and security risk management team has created the “BP-Az SPU Human Rights Response Plan,” which establishes a process to be followed by the Business Unit in the event that there is an allegation of human rights abuse. The expressed purpose of this document is to define a policy and procedure by which to mitigate human rights-related legal and reputational liabilities, create internal consistency in responding to human rights challenges, develop clear documentation, and demonstrate AGT’s commitment to promoting respect for human rights. To this end, the Response Plan establishes detailed guidelines to assist AGT in responding to an allegation of human rights abuse.

These guidelines include internal due diligence in all cases of alleged abuse and, when appropriate, an independent investigation of the allegations; the maintenance of records and documentation of all human rights related incidents; the establishment of a chain of command for managing an incident internally and a process for responding externally; the confidential engagement of the Host Government prior to any external engagement; and the efficient distribution of information. Notably, the security and safety of sources are to be protected.

Colonial Nasirov assured the Monitor and AGT representatives that if allegations of human rights abuses by the EPPD were deemed credible, the security provider(s) associated with them would be turned over to the appropriate authorities for prosecution.
Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.

4.2.4.3 Equipment Monitoring

The Voluntary Principles encourage participating companies to monitor the use of equipment provided to security forces.

AGT has established specific guidelines governing the provision and monitoring of equipment provided to public security forces. These guidelines, and associated monitoring, have been fully operationalized with respect to the provision of equipment to public security forces protecting the Projects in Georgia. As of the end of 2006, however, AGT had not provided any equipment to the SSPS/EPPD in Azerbaijan, and therefore had not had occasion to undertake such monitoring.

Notably, AGT assessed the legal and reputational risks associated with providing equipment to public security forces and created internal guidelines governing the provision of logistic assistance prior to commencing the Projects. The guidelines, which are outlined in detail under “Risk Assessment: Equipment Transfers,” (Section 4.1.6), include a ban on the provision of lethal equipment to public and private security forces and stipulate that the use of any equipment provided to security forces be monitored and publicly documented.

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.

4.3 Interactions Between AGT and Private Security

In some scenarios companies employ private security to protect personnel and assets. In the case of the AGT Projects, public security forces, under the auspices of the EPPD, provide protection for AGT’s external assets, such as the pipelines, and private security guards protect internal “behind the fence” assets, such as the pump stations. The private security firm that provides these services for AGT is Titan D. 36

Titan D guards necessarily need to coordinate their activities with state forces, including as the National Police and the EPPD, with respect to security threats and the defensive use of force. Given the risks associated with such activities, the Voluntary Principles outline a series of principles to guide private security conduct. Although the role of private security actors differs from that of public security actors, inasmuch as private security provides only preventative and defensive services and does not engage in activities that fall exclusively within the mandate of state military or law enforcement

36 During the construction phase, AGT also used the private security services of Tekfen-Azfen -- a construction company with in-house security guards. The services of this security company are being phased out during the course of operations.
authorities, the suggested principles overlap with many of the guidelines articulated for public security forces. AGT has sought to address these principles in the following manner:

4.3.1 Observance of Best Practices

The Voluntary Principles encourage participating companies to use their influence to urge private security forces to: (1) observe international humanitarian law and emerging best industry practices; (2) maintain high levels of technical and professional proficiency with regard to the use of force and firearms; (3) abide by the United Nations Principles on the Use of Force and Firearms by Law Enforcement Officials and the United Nations Code of Conduct for Law Enforcement Officials; and (4) respect the rights of individuals under the Universal Declaration on Human Rights and ILO Conventions.

AGT recognizes that it bears responsibility for the deployment and training of private security personnel and has taken steps to ensure that these individuals receive training with respect to Voluntary Principles standards, including internationally recognized norms governing respect for human rights.

Personnel working for Titan D provide security services for AGT with respect to the Projects’ pump stations and block valve stations. Titan D supplies 160 private security providers to provide services to protect these assets. At the time of the monitoring visit, over 95% of the private security personnel working on the AGT Projects had received security and human rights training.

The contractual agreement between Titan D and AGT stipulates that the private security providers receive human rights training consistent with the Voluntary Principles, and Titan D management has established an internal training course to this effect. Titan D’s management provides instruction. In addition, during 2005, EPPD trainers who had received training regarding security and human rights from Equity International provided short seminars and lectures Titan D guards, which included a focus on proportional use of force.

In essence, the security and human rights course provided to the private security guards is a highly abbreviated version of the course provided to the EPPD. According to Titan D management, the training provided to the private security guards, like that provided to public security forces, includes theoretical and practical training with regard to best industry practices and the Voluntary Principles, including the United Nations Principles on the Use of Force and Firearms by Law Enforcement Officials and the United Nations Code of Conduct for Law Enforcement Officials, as well as specific training regarding respect the rights of individuals under the Universal Declaration on Human Rights and ILO Conventions.

As part of their training, the private security guards receive classroom based instruction regarding the appropriate, defensive, and proportional use of force -- although at a much more limited level than the training provided to the EPPD. Training is also
provided regarding overall safety and the provision of medical aid. Since AGT policies stipulate that private security guards are not to use weapons, including even batons, they are not given training regarding the use of firearms.

To ensure that the security providers are kept abreast of best practices and developments within the industry impacting the nexus of security and human rights, Titan D management requires each of its private security providers to take an updated training course annually.

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: Inasmuch as the Titan D private security guards provide only preventative and defensive services, they do not need as extensive a training course as the public security forces, which have a broader law enforcement mandate. That said, the information gathered by the Monitor suggests that the training currently being provided to the private guards with respect to the nexus of human rights and security might be overly abbreviated. A representative of AGT should participate in a full session of the course to ensure that it addresses the human rights guidelines articulated in the Voluntary Principles in sufficient depth to satisfy the Projects’ commitments. In addition, AGT should request Titan D to provide it with a more detailed outline of the topics and issues addressed in the training.

Recommendation: The establishment of an Interagency Security Committee during the course of 2006 has helped to promote cooperation and improve communication regarding pipeline security issues between members of the public security forces and representatives of impacted communities. To fully capitalize upon this initiative, AGT should consider including a representative of Titan D in meetings of the Interagency Security Committee that are held in regions in which the private security forces provide services to the Projects.

Recommendation: In light of the continuous interfacing between the Titan D guards and the EPPD, AGT might consider sending Titan D management to the human rights course so that they can fully appreciate the distinctions between private and public responsibilities and strengthen their skills in the subject matter that they teach.

Recommendation: To keep Titan D management abreast of best practices and developments with the Voluntary Principles, AGT should consider raising with BP, the Government of Azerbaijan, and other Voluntary Principles participants the possibility of taking a member of Titan D’s senior management to a plenary session of the Voluntary Principles, as suggested with respect to the SSPS/EPPD above, in “Communicating Ethical Conduct and Human Rights Policies to Security Providers,” (Section 4.2.1.2).

4.3.2 Prohibition on Human Rights Abusers

The Voluntary Principles encourage participating companies to use their influence to prohibit private security forces from employing individuals credibly linked to human rights abuses.
AGT has taken aggressive steps to ensure that none of the private security forces employed to protect the Projects are credibly linked to human rights abuses.

The pending Bilateral Security Protocol stipulates that AGT will require appropriate screening of private security personnel, and that applicants credibility implicated in human rights abuses or criminal activities will be prohibited from providing security services. AGT already implements a double screening process to ensure compliance with this principle. The first level of the process is a requirement that Titan D screen its prospective employees to ensure that none have been credibility implicated in human rights abuses or criminal activities. This screening includes matching prospective applicants against the Ministry of Internal Affair’s database, checks with former employers, and checks with local community members. To reinforce this, AGT also hires an independent private company to complete a background check on the individuals seeking to provide security services through Titan D.

There have been no allegations that any of the personnel hired to work for Titan D have been associated with human rights abuses.

**Finding:** AGT is taking appropriate steps to comply with this principle.

**Recommendation:** None.

4.3.3 Inclusion of the Voluntary Principles in Contractual Provisions

_The Voluntary Principles urge participating companies using private security providers to include these principles in contractual provisions._

AGT ensured that the Voluntary Principles were a bedrock feature of its relationship with Titan D at the inception of its business relationship with the private security company.

The AGT-Titan D contract stipulates that the services provided by private security personnel must be consistent with the security and human rights provisions outlined in the Voluntary Principles. See BTC-Titan D Contractual Agreement, Section 3, 4.1, “Detailed Scope of Services, Requirements.” To underscore the importance of this provision, a copy of the Voluntary Principles is attached to the contract. Titan D agreed to this requirement and, as noted above in “Observance of Best Practices,” (Section 4.3.1), is providing training to its security personnel and taking other appropriate steps to ensure that it’s employees comply with the Voluntary Principles.

The AGT-Titan D contract also requires Titan D to develop and operate an internal assurance system to ensure that it is adhering to the Voluntary Principles. See BTC-Titan D Contractual Agreement, Section 3, 4.7, “Security Activities.” To this end, Titan D has developed and utilized a self-assurance checklist governing implementation of the Voluntary Principles.

**Finding:** AGT is taking appropriate steps to comply with this principle.
**Recommendation:** Titan D’s self-assurance checklist is consistent with its contractual commitment to AGT, and reflects a good-faith effort to abide by the Voluntary Principles. It is rather superficial, however, and suggests (perhaps incorrectly) that Titan D’s assurance system is equally superficial. AGT should require Titan D to establish a more detailed and sophisticated list of expectations and reporting notes with respect to its self-assurance program.

### 4.3.4 Monitoring of Compliance

*The Voluntary Principles urge participating companies to monitor private security providers to ensure that they fulfill their obligations under the principles.*

AGT has established and implemented a monitoring program with respect to the fulfillment of Titan D’s obligations under the Voluntary Principles.

AGT and Titan D formed a joint Operational Committee to ensure that Titan D’s performance is in compliance with its commitments and address any attendant shortcomings. Human rights issues are monitored and discussed under the Committee’s jurisdiction. In addition, Titan D’s performance with respect to implementation of the Voluntary Principles is assessed against designated expectations and criteria on a quarterly basis. The Business Security Manager conducted such monitoring during 2006.

**Finding:** AGT is taking appropriate steps to comply with this principle.

**Recommendation:** None.

### 4.3.5 Investigation of Alleged Abuses

*The Voluntary Principles urge participating companies to investigate any allegations that private security have failed to demonstrate appropriate respect for human rights and to forward such complaints to proper law enforcement authorities for resolution.*

AGT has an internal policy and attendant procedures to investigate any allegations of human rights abuses by private security providers and is committed to ensuring that any credible allegations are shared with appropriate Government authorities.

As of the end of 2006, there had been no allegations that any of the private security guards working for Titan D had failed to demonstrate proper respect for human rights.

AGT is committed to investigating and recording any credible allegations of human rights or ethical abuse by private security personnel and sharing the results of any such investigation with law enforcement personnel. Moreover, in the spirit of transparency encouraged by the Voluntary Principles, AGT is committed to making such information publicly available, unless such disclosure were to violate the law, Project Agreements, or result in material risk to persons or property.
Titan D has agreed to facilitate AGT’s independent investigation of any allegation that a private security guard failed to demonstrate proper respect for human rights. Titan D has created an internal process, including forms governing documentation and investigation, in the event that such an allegation is made against a member of its security force. Titan D management and guards have also developed working relationships with individuals in the EPPD and police with whom they interface in the course of their duties. In the event of an allegation of unlawful activity, in addition to performing its own internal investigation of that allegation Titan D would participate in a joint investigation in conjunction with these public entities.

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.

4.3.6 Consultation with Companies, the Host Government, and Civil Society

The Voluntary Principles urge participating companies to consult with other companies, government officials, and civil society regarding experience with private security and unlawful activities committed by private security providers.

AGT consults on an ongoing basis with a variety of companies, government officials, and representatives of civil society regarding their experience with, and the activities of, private security providers. The pending Bilateral Security Protocol would commit AGT to such consultations with respect to the use, type, number, and vetting of private security, as well as the impact of private security on local communities.

AGT engages in extensive and ongoing consultations regarding security and human rights issues with companies (predominantly AGT investors and other company participants in the Voluntary Principles), government officials (including the governments of Azerbaijan, the United States, and the United Kingdom), and representatives of civil society (ranging from local NGOs such as the Citizen’s Rights Protection League to international institutions, such as the Open Society Institute). See above, “Consultations with Host Governments and Local Communities,” (Section 4.2.1.1); “Transparency and Accessibility of Security Arrangements,” (Section 4.2.1.3); and “Meetings regarding Security and Human Rights,” (Section 4.2.3.1). These consultations include discussions regarding experience with private security providers and the activities of those security providers. Discussions reference both private security providers writ large, as well as any specific interactions the individuals consulted with may have had with Titan D.

As part of this consultation process, Titan D and AGT participate in monthly External Security Meetings with representatives of the Ministry of National Security, the Ministry of Internal Affairs, the Ministry of Defense, and the SSPS/EPPD with respect to security issues impacting the Sangachal Terminal -- including interactions with members of the local communities.

Titan D hires its private security providers from local communities and, accordingly, has direct ties to those communities through its employees. Titan D uses its
guards to convey information regarding the nature and purpose of their work for the Projects to other members of these communities, and relays feedback from community members to Titan D management. The hiring of local guards provides revenues to the impacted communities, facilitates communication both to and from those communities and, accordingly, helps to ensure that the communities benefit from and contribute to Project security -- in effect, giving them a stake in the success of the Projects.

Titan D is a security provider for other members of the extractive sector, including at least one other company participant in the Voluntary Principles process, as well as for companies in other sectors, and draws upon its work for these entities to stay abreast of best practices with regard to security and human rights issues. Titan D also keeps the EPPD and the National Police advised of the activities of its security providers.

Finding: AGT is taking appropriate steps to comply with this principle.

Recommendation: None.
About the Monitor

Gare A. Smith chairs the corporate social responsibility and risk management practice at the law firm Foley Hoag, in Washington, D.C. Prior to joining Foley Hoag, he was Vice President of Levi Strauss & Co., where he supervised global implementation of the company’s code of conduct. Mr. Smith previously served as Principal Deputy Assistant Secretary in the U.S. Department of State’s Bureau of Democracy, Human Rights & Labor, and was a U.S. representative to the U.N. Human Rights Commission, the International Labor Organization, and the U.N. Working Group on the Rights of Indigenous Peoples. He has authored three books on codes of conduct and international human rights standards, which were published by the World Bank and the International Finance Corporation. Mr. Smith sits on the boards of a number of human rights organizations.