BP in Azerbaijan Sustainability Report 2013

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Building a stronger, safer BP

About our report

This report covers the calendar year ending 31 December 2013. In some instances significant events from 2014 have been included. Unless otherwise specified, the text does not distinguish between the activities of BP p.l.c. and those of its subsidiaries and affiliates.

References in this report to 'us', 'we' and 'our' relate to BP in Azerbaijan unless otherwise stated. When we cite 'BP in Azerbaijan' we refer to operations in Azerbaijan only. If we refer to 'BP AGT' we are including all our activities in Azerbaijan, Georgia and Turkey. Specific references to 'BP' and the 'BP group' mean BP p.I.c., its subsidiaries and affiliates. All dollar amounts are in US dollars. All gas volumes are indicated in standard cubic metres or standard cubic feet.

The report is issued annually by BP Exploration (Caspian Sea) Limited in its capacities as operator and manager of the joint operating company for the Azeri-Chirag-Deepwater Gunashli field, as manager of The Baku-Tbilisi-Ceyhan Pipeline Company and by BP Exploration (Shah Deniz) Limited in its capacities as operator of the Shah Deniz field and as technical operator of The South Caucasus Pipeline Company. For this report each of these entities has provided information relevant to its project and statements applicable to its project.



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Front cover imagery

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details, environmental and social impact assessments, legal agreements governing the projects, civil society monitoring

Cautionary statement

BP in Azerbaijan Sustainability Report 2013 contains forward-looking statements relating, in particular, to recoverable volumes and resources, capital, operating and other expenditures, and future projects. Actual results may differ from such statements depending on a variety of factors including supply and demand developments, pricing and operational issues and political, legal, fiscal, commercial and social circumstances.

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What's inside?

BP in Azerbaijan Sustainability Report 2013 covers our business performance, environmental record and wider role in Azerbaijan during 2013. It is our eleventh sustainability report and reflects feedback we received about previous reports.



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Gordon Birrell reflects on the highlights of our activities in 2013 and touches upon our future plans.

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We aim to have a positive impact on society and the local economy through our projects in education, community, enterprise development and co-operation in revenue transparency.

We have reviewed *BP* in Azerbaijan Sustainability Report 2013 in order to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Azerbaijan are supported by evidence or explanation. Our scope of work and conclusions can be found on page 57.

Ernst & Young Introduction to the assurance process

<image>



Introduction by the president of the BP Azerbaijan-Georgia-Turkey region



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BP and its co-venturers are committed to helping Azerbaijan develop its hydrocarbon resources safely and reliably for the benefit of the country.

Gordon Birrell

I am delighted to introduce the eleventh issue of the *BP in Azerbaijan Sustainability Report.*

For more than a decade, BP has produced this annual report as part of our commitment to communicating publicly about what we do in the country and how we do it.

In Azerbaijan, we operate the super-giant Azeri-Chirag-Deepwater Gunashli (ACG) oil field and the huge Shah Deniz natural gas field, as well as the world-scale Sangachal terminal and major oil and gas export pipelines.

This year we celebrate the 20th anniversary of the signing of the ACG production sharing agreement, known as 'the Contract of the Century'. What started as a vision in 1994 has turned into an enduring success story. With our co-venturers, we have designed and built world-class infrastructure to help Azerbaijan develop its hydrocarbon resources safely and reliably for the benefit of the country.

Keeping our promise of safe and reliable delivery

Enhancing our production, safely and responsibly, is an important aspect of our operations. During 2013, we made good progress in implementing our plans to optimize production that we agreed with our partners and the government of Azerbaijan. We expect our joint efforts will continue to take us step by step towards our commitment to maximize field recovery.

The Chirag oil project was a major part of this commitment. Sanctioned back in 2010, the \$6 billion project was designed to boost oil production from the ACG field through the new West Chirag platform. It was completed safely with no day away from work cases. The heaviest platform ever installed in the Caspian, West Chirag successfully started production in January 2014.

We believe that with the right production plans in place and the right technologies, combined with optimal reservoir depletion plans, ACG can go on for decades to benefit Azerbaijan, our partners and the region as a world-class resource.

Working towards the energy future

In parallel, the Shah Deniz Stage 2 project – one of the largest new natural gas ventures in the world – has made good progress. In 2013, Shah Deniz partners confirmed the final pipeline routes, paving the way for the Southern Corridor that will bring Shah Deniz gas to Europe.

The efforts put into this project by many teams culminated in the signing of the final investment decision in Baku on 17 December. This truly historic milestone opens a new chapter in the development of Caspian hydrocarbons and establishes Azerbaijan as an important energy supplier to Europe. At the same time, the Shah Deniz production sharing agreement was extended up to 2048, meaning that BP and its partners in Azerbaijan can move ahead with appraising future stages of Shah Deniz.

Our knowledge of the ACG field has led us to believe there may be large natural gas resources in the deeper reaches of ACG that can be developed in support of Azerbaijan's plans to expand its new supplier role.

Throughout 2013, our teams in Azerbaijan continued the massive task of processing data from a 3D seismic survey on the prospective Shafag-Asiman structure.

Striving to be a responsible corporate citizen and a good employer

Our programme for graduate recruitment remains popular among Azerbaijani youth, breaking a new record in 2013 with more than 4,300 applications. We celebrated the first graduation of our petrotechnical resource entry programme (PREP) in September 2013. This programme is designed to support capability development among petrotechnical graduates as they join BP in Azerbaijan. In addition to hiring a record number of 86 graduates in 2013 we also increased PREP intake to 81.

Together with our co-venturers, we continue to support Azerbaijani students, who pursue undergraduate and graduate studies in engineering and geosciences. In 2013, seven graduate and 25 undergraduate students benefitted from our joint scholarship programme.

BP in Azerbaijan at a glance

Our structure, organization, assets and history.

Through co-operation agreements with the State Oil Company of the Republic of Azerbaijan and the Baku Higher Oil School in November, we formally reaffirmed our long-held pledge to create a strong national workforce in Azerbaijan by developing national employees involved in BP-operated projects. As part of these agreements, we will sponsor vocational and technician training for 100 people from local communities at the Gobustan Regional Training Centre.

We are committed to continuing to develop national professionals so that they can take over the maximum number of jobs within BP. At the end of 2013, 85% of our professional staff in Azerbaijan were national citizens, with 17% more Azerbaijani employees in senior positions than at the end of the previous year.

We also remain committed, along with our co-venturers in Azerbaijan, to supporting the country's business sector – through enterprise development and training programmes and by increasing the local content in our projects. Our in-country operations only expenditure with local suppliers rose by 33% in 2013 to around \$1.6 billion.

In this report, you will find more details about each of these initiatives and many other developments, as well as the challenges that we faced in 2013. As ever, we aim to provide a full and transparent account of our performance, shaped by what we are hearing from our stakeholders. So we welcome your comments.

GIBMMIL

Gordon Birrell Regional President BP Azerbaijan-Georgia-Turkey Region 7 May 2014

Legal structure

A number of BP legal entities have registered representative offices in Azerbaijan reflecting the evolution of BP's presence in the country and the region since BP opened its first office in Baku in 1992. The principal legal entity is BP Exploration (Caspian Sea) Limited.

BP in Azerbaijan, Georgia and Turkey

In Azerbaijan, BP operates under several production sharing agreements and host government agreements signed with the government of Azerbaijan. In Georgia and Turkey, it operates under host government agreements that cover export pipelines and terminals.

Business structure

At the end of 2013, the BP AGT regional leadership team led by the regional president consisted of 14 vice presidents, the chief procurement officer, the assistant general counsel, the business development director, and the head of control and financial operations.

Registered address

The registered address of the representative office of BP Exploration (Caspian Sea) Limited is 153 Neftchilar avenue, Nasimi district, Baku, AZ1010, Azerbaijan. Telephone: +994 (0)12 599 3000, Fax +994 (0)12 599 3665.

Employees

At the end of 2013, the number of people permanently employed by BP in Azerbaijan was 3,255 of whom 2,761 were Azerbaijani citizens.

Offshore production assets

Azeri-Chirag-Deepwater Gunashli (ACG)^a is the largest oilfield in the Azerbaijan sector of the Caspian Sea. Shah Deniz (SD) is a large offshore gas and condensate field.

Operational offshore facilities

Chirag platform, Central Azeri platform, West Azeri platform, East Azeri platform, Shah Deniz platform, Deepwater Gunashli platform and the West Chirag platform.

Transportation and storage (at year end 2013)

Transportation: Sangachal terminal – an oil and gas processing terminal south of Baku. Baku-Tbilisi-Ceyhan pipeline (BTC) – a 1,768km oil pipeline (443km in Azerbaijan) linking the Sangachal terminal to the Ceyhan marine terminal in Turkey. South Caucasus Pipeline (SCP) – a 691km gas pipeline (443km in Azerbaijan) between the Sangachal terminal and the Georgia-Turkey border. Western Route Export Pipeline (WREP) – a 829km pipeline (456km in Azerbaijan) linking the Sangachal terminal to Supsa on Georgia's Black Sea coast.

Capacity: BTC – 1.2 million barrels per day; SCP – 19.8 million cubic metres (mmcm) per day; WREP – 106 thousand barrels per day. Sangachal terminal – 1.2 million barrels (about 164,000 tonnes) of oil per day and 41.5mmcm of gas per day (27.4 from SD and 14.1 from ACG). Crude oil storage capacity of 3.2 million barrels (450,000 tonnes).

Exploration activity

Shafag-Asiman exploration area.

Capital expenditure

About \$43.1 billion on the ACG, BTC, SD and SCP projects since the establishment of the Azerbaijan International Operating Company in 1995.

Liquids production

ACG 1997-2013: more than 2.3 billion barrels in total including about 239.2 million barrels in 2013. SD condensate 2006-13: about 99.5 million barrels in total including more than 19.6 million barrels in 2013.

Gas production

SD 2006-13: about 47.3 billion cubic metres (bcm) in total including more than 9.8bcm in 2013.

^a Shallow-water Gunashli is developed by the State Oil Company of the Republic of Azerbaijan.

History

We opened our first office in Baku in 1992, and two years later BP signed the groundbreaking 'Contract of the Century' with the government of Azerbaijan.

September 1994

Azeri-Chirag-Deepwater Gunashli (ACG) production sharing agreement (PSA) signed by BP, its co-venturers and the government of Azerbaijan.

February 1995

Azerbaijan International Operating Company (AIOC) formed.

June 1996 Shah Deniz PSA signed.

November 1997 First oil produced from the Chirag field.

December 1998 Western Route Export Pipeline operations started.

August 2001 ACG Phase 1 sanctioned.

September 2002 ACG Phase 2 sanctioned.

February 2003 Shah Deniz Stage 1 sanctioned.

April 2003 Construction of Baku-Tbilisi-Ceyhan (BTC) pipeline began.

September 2004 ACG Phase 3 sanctioned.

October 2004 Construction of South Caucasus gas pipeline (SCP) commenced.

February 2005 Production at Central Azeri started. May 2005

Inauguration of Azerbaijani section of the BTC pipeline.

December 2005 Production at West Azeri started.

May 2006 First gas flowed into the SCP.

June 2006

First tanker filled with Caspian oil at Ceyhan marine terminal.

July 2006

Inauguration of Turkish section of the BTC pipeline, Ceyhan terminal and the BTC pipeline export system.

November 2006

First profit oil produced at East Azeri.

December 2006 First gas produced from Shah Deniz Stage 1.

March 2007 BTC 1 million barrels per day capacity achieved.

July 2007 First gas delivered from Shah Deniz to Turkey.

November 2007

Large gas-condensate discovery made at Shah Deniz following drilling to a Caspian-record depth of more than 7,300 metres.

April 2008 First oil produced at Deepwater Gunashli. March 2009

BTC capacity expanded to 1.2 million barrels per day.

March 2010

\$6 billion investment sanctioned for the Chirag oil project.

September 2010 One billionth barrel of crude oil carried successfully through BTC pipeline.

October 2010 PSA signed with SOCAR to explore and develop the Shafag-Asiman structure.

December 2010 Five-year extension from 2031 to 2036 to the Shah Deniz PSA signed.

May 2011 New PSA for the Shafag-Asiman structure ratified by the Azerbaijani parliament.

October 2011 Shah Deniz gas sales and transit agreements signed in Turkey.

January 2012 Shafag-Asiman completed the first 3D seismic survey.

May 2012 ACG celebrated 2 billionth barrel of oil produced since first oil.

October 2012 BTC celebrated the loading of 2,000th tanker at Ceyhan.

Achievements and challenges

In this section we summarize the main achievements and challenges for BP in Azerbaijan in 2013.

2013

14 April

The jacket for the West Chirag platform built as part of the Chirag oil project sailed away.

28 June

Shah Deniz consortium announced selection of the Trans Adriatic Pipeline as a transportation route to Europe.

14 September

The topsides for the West Chirag platform were safely installed offshore onto the jacket.

19 September

Shah Deniz consortium concluded 25-year gas sales agreements with European buyers.

20 September

BP's new office in Baku officially opened.

17 December

Final investment decision for the Stage 2 development of the Shah Deniz was announced.



BP employee signalling from the crane at the East Azeri platform.

Achievements

Environment

In 2013, we achieved a significant decrease in total volume of hydrocarbons flared – 46% less than in 2012. This is the lowest level of greenhouse gas emissions and flaring for the past six years.

We roughly halved the number of sewage treatment plant outages (21 versus 44 in 2012) and the volume of untreated sanitary water discharges. See page 40.

We observed a significant reduction in produced water discharges to the Caspian Sea in 2013. See page 41.

Operations and business development

In September, the West Chirag topsides unit sailed away for offshore installation and was safely installed onto the jacket. See page 9-10.

On 17 December 2013, the Shah Deniz consortium approved the final investment decision for the Stage 2 development. See page 12.

Employees

The number of senior level national employees of BP in Azerbaijan reached 197, having grown by 17% over the year. See page 21.

Enterprise development

In 2013, our joint operations and projects expenditure in Azerbaijan totalled more than \$1.98 billion – an increase of 24% over 2012. See page 47.

Challenges

Safety

The 2013 figure for recordable injury frequency showed a 29% increase compared to 2012, which was mainly due to the integration of some of the projects and changes to reporting boundaries. See page 30.

One severe vehicle accident was recorded in 2013, resulting in no sustained life-threatening injuries. See page 31.

Environment

Produced water quantities have continued to rise – with a 71% increase over the produced water generated in 2012. See page 41.

BP in Azerbaijan-Georgia-Turkey region

The Caspian region has become one of the major oil and gas producing areas in the world, with the reserves of Azerbaijan being transported to global markets through Georgia and Turkey.

South Caucasus Pipeline (SCP)

A 691km gas pipeline between Sangachal terminal and the Georgia-Turkey border

Throughput capacity: **19.8 million** cubic metres per day

Average throughput was about **13.4 million** cubic metres of gas per day in 2013



\$43.1 billion

Capital expenditure on the ACG, BTC, Shah Deniz and SCP projects since the establishment of Azerbaijan International Operating Company in 1995.



\$59.8 million

Spent jointly with our co-venturers on social programmes including community development and educational initiatives since the start of our operations in Azerbaijan.





2.3 billion

Barrels of oil were produced by ACG from first oil in 1997 to the end 2013.



47.3 billion

Cubic metres of total gas were produced by Shah Deniz from first gas in 2006 to the end 2013.



10

Drilling rigs currently involved in our operations, including three mobile offshore drilling units.



Our operations

BP operates large offshore hydrocarbon assets in Azerbaijan. Onshore, we manage one of the world's largest integrated oil and gas processing terminals and pipeline links to regional and world markets.

What we said we would do

Progress the giant gas development project into execute phase.

Continue efforts towards optimization of Azeri-Chirag-Deepwater Gunashli (ACG) production and maximization of the field recovery.

Explore new hydrocarbon structures.

Where we are today

Announced final investment decision on Shah Deniz Stage 2 and South Caucasus Pipeline expansion.

Extended the number of offshore production platforms in ACG field.

Progressed the 3D seismic data processing for Shafag-Asiman structure to the final stage.

What we plan to do next

Progress Shah Deniz Stage 2 project to supply gas and energy security to European markets through the opening of a new Southern Gas Corridor.

Bring new technologies to the region to maximize the efficiency of hydrocarbon assets.

Complete interpretation of the seismic dataset, which will be followed by planning of the first exploration well.



ur operations

Operating safely and reliably

We are committed to delivering world-class operations and projects and to maintaining a sustainable presence in the Caspian region.

View of the Deepwater Gunashli platform from a helicopter.

2.3 billion

barrels of oil were produced by Azeri-Chirag-Deepwater Gunashli from 1997 to the end 2013.



Net share of liquids production by BP subsidiaries around the world^a (%)



^a879 thousand barrels per day, includes crude oil, natural gas liquid and condensate.

^b Other includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia.

The topsides unit for the new West Chirag platform sailed away from construction yard and was safely installed onto the jacket in September 2013.



Production continued at the Azeri-Chirag-Deepwater Gunashli (ACG) oil and Shah Deniz (SD) gas fields throughout 2013.

Azeri-Chirag-Deepwater Gunashli

ACG is operated by BP on behalf of the Azerbaijan International Operating Company. It is the largest oilfield in the Azerbaijan sector of the Caspian basin. The field is located about 100km east of Baku and is geologically challenging with a complicated seabed topography including slumps, mud volcanoes and scarp edges.

Production at ACG started in 1997 from the Chirag section. It now also includes the Central, West and East Azeri, Deepwater Gunashli and West Chirag sections. At the end of 2013, a total of 81 oil wells were producing, and 37 wells were used for injection in the ACG.

In 2013, we spent about \$772 million in operating expenditure and \$2,833 million in capital

Azeri-Chirag-Deepwater Gunashli oil production (mmbbl – million barrels; mmte – million tonnes) expenditure on ACG activities. In 2014, we expect to spend \$1,052 million in operating expenditure and \$2,068 million in capital expenditure on ACG activities.

During 2013, we produced an average of 655,370 barrels per day (over 239 million barrels or over 32.2 million tonnes in total) from the ACG complex. We also delivered around 6 million cubic metres (212 million cubic feet) per day of ACG associated gas to State Oil Company of the Republic of Azerbaijan (SOCAR) which equates to 2.19 billion cubic metres or 77.4 billion cubic feet in total.

Chirag oil project

In 2013, significant progress was made in safely progressing Chirag oil project activities.

In April, the jacket for the West Chirag platform sailed away from the Heydar Aliyev Baku Deepwater Jackets Factory and was safely

Platform	Start of production	Unit of measurement	From the start of production till the end of 2013	2012	2013
Chirag	November 1997	mmbbl	626.2	27.2	25.4
		mmte	84.6	3.7	3.4
Central Azeri	February 2005	mmbbl	615.9	58.0	55.4
		mmte	83.2	7.8	7.5
West Azeri	December 2005	mmbbl	573.6	69.7	68.7
		mmte	77.5	9.4	9.3
East Azeri	November 2006	mmbbl	325.5	49.0	38.9
		mmte	43.9	6.6	5.2
Deepwater	April 2008	mmbbl	246.1	39.2	50.8
Gunashli		mmte	33.2	5.3	6.8
Tatal		mmbbl	2,387.4	243.2	239.2
Total		mmta	322 5	32 Q	32.2

Oil production from Azeri-Chirag-Deepwater Gunashli, 2003-2013 (million barrels)



installed on the pre-installed template in its permanent location. The jacket transportation, launch and installation activities took 45 days to complete.

Fabrication of the topsides unit for the platform was completed during the third guarter of 2013 at the Amec-Tekfen-Azfen yard. The topsides unit left

Major BP-operated facilities in the Caspian region

the yard on 12 September and was safely installed onto the jacket on 14 September, followed by offshore hook-up and commissioning activities, which continued through January 2014.

The West Chirag platform has been installed at a water depth of about 170 metres, between the existing Chirag and Deepwater Gunashli platforms. The designed oil production capacity of the new platform is 183 thousand barrels per day, with a gas export capacity of 285 million cubic feet (8.07 million cubic metres) per day.

On 28 January 2014, first oil was achieved from the platform and this completed the Chirag oil project, which had been sanctioned in 2010. West Chirag production began from one of the pre-drilled wells. Production will increase through 2014 as additional pre-drilled wells are brought on line.

Production management

ACG production continued to be almost flat through 2013 with a daily average rate of more than 655 thousand barrels achieved. In 2013, we continued to focus on production performance targets and plans, working closely with the government of Azerbaijan, SOCAR and other partners towards stabilizing ACG production. With future continual major investments in new technologies and facilities, the field can continue



Net share of natural gas production by

° 5,845 million cubic feet per day (excluding equity accounted entities).

^bOther includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia

UK and the rest 66%



to produce as a world-class reservoir for many years. BP as the operator of the ACG field and our partners are committed to continuing the efforts that are expected to take us step by step towards optimization of production and maximization of the field recovery.

Shah Deniz

The Shah Deniz (SD) gas field was discovered in 1999. It has a reservoir thickness of more than 1,000 metres and is 22km long. The field is 70km offshore and lies beneath water depths ranging from 50-600 metres. SD is geologically challenging and highly pressured with multiple reservoir 'horizons'.

During 2013, SD spent around \$200 million in operating expenditure and \$1,700 million in capital expenditure. In 2014, operating expenditure is expected to be \$200 million and capital expenditure is expected to be \$4,000 million. The great majority of this capital expenditure is on the Shah Deniz Stage 2 project, which includes both offshore developments and expansion of the Sangachal terminal.

In 2013, the SD field continued reliable deliveries of gas to markets in Azerbaijan (to SOCAR), Georgia (to GOGC) and Turkey (to BOTAS and the BTC Company). In 2013, SD produced about 9.8 billion cubic metres (about 345.5 billion cubic feet) of gas and 2.48 million tonnes (19.6 million barrels) of condensate or about 26.8 million cubic metres of gas (946 million cubic feet) per day and 53,740 barrels of condensate per day.

From the start of SD production in late 2006 until the end of 2013, about 47.3 billion cubic metres (1,671 billion cubic feet) of gas, and about 99.5 million barrels (12.6 million tonnes) of condensate had been produced.

Shah Deniz gas and condensate production

(bcm – billion cubic metres, bcf – billion cubic feet, mmboe – million barrels of oil equivalent, mmbbl – million barrels, mmte – million tonnes)

	Start of production	Unit of measurement	From the start of production till the end of 2013	2012	2013
Shas Deniz gas	November 2006	bcm	47.3	7.7	9.8
		bcf	1,671	272.8	345.5
		mmboe	288.1	47.0	59.5
Shah Deniz condensate	November 2006	mmbbl	99.5	16.1	19.6
		mmte	12.6	2.0	2.48

47.3 billion

cubic metres of total gas production from Shah

Deniz was reached by the

end of 2013.



Shah Deniz Stage 2 and the Southern Gas Corridor



As a result of debottlenecking of existing facilities, SD Stage 1 capacity has been increased to around 970 million cubic feet per day and approximately 55,000 barrels per day of condensate. The Shah Deniz partners have recently agreed terms with SOCAR for further expansion of production capacity to around 1,040 million cubic feet per day by the end of 2014.

Shah Deniz Stage 2

Shah Deniz Stage 2 (SD2) is a giant project that will bring gas from Azerbaijan to Europe and Turkey. This will increase gas supply and energy security to European markets through the opening of the new Southern Gas Corridor. It is one of the largest gas development projects anywhere in the world. The total cost of the SD2 project, including expansion of the South Caucasus Pipeline (SCP), will be around \$28 billion. Annually, 16 billion cubic metres (bcm) of gas produced from the SD field will be carried some 3,500 kilometres to provide energy for millions of consumers in Georgia, Turkey, Greece, Bulgaria and Italy. First gas is targeted for late 2018, with sales to Georgia and Turkey; first deliveries to Europe will follow approximately a year later.

The Stage 2 development of the Shah Deniz field includes two new bridge-linked production platforms; 26 subsea wells drilled with two semi-submersible rigs; 500km of subsea pipelines built at up to 550m of water depth and expansion of the Sangachal terminal.



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The Shah Deniz platform. Left image: a helicopter view. Right image: the drilling control room cabin.

Getting Shah Deniz back in business as One Team

When one of the Shah Deniz wells was shut down for repairs in November 2012 due to anomalies identified in the surface wellhead, the platform's wells team recognized that they faced a highly complex challenge. Shah Deniz Completion Engineering Team Leader Daniel White and his team set about co-ordinating with the platform's engineering teams, as well as experts in BP's global wells organization and safety and operational risk function.

After identifying the challenges, this multidisciplinary team assumed 'doing' 'self-verification' and 'assurance' roles. For example, they carried out detailed engineering modelling, including finite element analysis, to verify the safe working loads of equipment. Specialist process safety personnel assisted the team in risk assessments and performed a detailed layers of protection analysis to better understand the risk profile of the wellhead system. A work scope was developed to identify and repair the source of the pressure anomaly, incorporating lessons learned from a previous operation. A hydraulic leak from the downhole safety valve control line was successfully repaired, re-establishing full control of this critical safety barrier, and diagnostics were conducted to confirm the safe status of the wellhead system.

Putting the safety of everyone on the platform first, the team used their combined technical skills to find ways of mitigating risks, so that the well could be safely returned to production. Best practices and lessons learned from this activity have been shared within relevant BP technical communities of practice, and operating guidelines on the Shah Deniz platform were updated to reduce the potential exposure to an occurrence of this kind in the future.

Emin Babazade, Shah Deniz Base Management Team Leader, says: "By involving expertise from the global BP network, we were able to restore production from the well significantly quicker than was initially expected and we demonstrated that BP is a professional, safe and reliable company".

The team was recognized as a winner for their work as 'One Team' at BP's annual employee recognition awards, at a ceremony held in London in November 2013.



In Turkey, Shah Deniz gas will be transported through the new Trans Anatolian Pipeline (TANAP), which is set to become a key part of the Southern Gas Corridor. In 2013, BP reached an agreement in principle to take 12% equity in TANAP and is working closely with other project participants on the development of the pipeline.

The Shah Deniz consortium announced on 28 June 2013 that it had selected the Trans Adriatic Pipeline (TAP) to deliver up to 10 billion cubic metres a year of SD2 gas to customers in Greece, Italy and potentially in south-east Europe.

On 17 December 2013, the consortium approved the final investment decision for the SD2 development. This decision triggered plans to expand the SCP through Azerbaijan and Georgia, to construct the TANAP across Turkey and to construct the TAP across Greece, Albania and into Italy. Together these projects, as well as gas transmission infrastructure to Bulgaria, will create the new Southern Gas Corridor to Europe.

The SD2 project will annually provide for delivery of some 10bcm of Shah Deniz gas for 25 years to customers in Italy, Greece and Bulgaria. In addition, some 6bcm of SD2 gas will be delivered annually to consumers in Turkey. All gas sales and transportation contracts will be managed by the Azerbaijan Gas Supply Company.

Following the final investment decision the consortium announced some of the main contract awards including the contracts for the construction and commissioning support of the SD2 onshore terminal facility at Sangachal near Baku; for the fabrication, load out and offshore hook-up and commissioning of the topsides units of the two Stage 2 platforms; and the contract for provision of detailed engineering, project management and procurement support services for the offshore and onshore facilities.

Marine operations

In 2013, we added an additional marine contractor – Caspian Marine Services – to our marine operations in the region, supplementing services provided by SEACOR Marine, CBARS and Topaz Marine.

Work began on upgrading and preparing crane ship *Gurban Abasov* to operate as a floating accommodation unit in support of offshore turnaround campaigns – periods when operating assets are taken out of service to complete essential maintenance, inspection or project work – planned for mid-2014. Other significant upgrades are expected to include renewal of the vessel's mooring system so that it can safely moor in deeper water at our offshore platforms, and the fitting of a hydraulic walk-to-work gangway system.

In consultation with the State Oil Company of the Republic of Azerbaijan, we have opened discussion with the newly developed Baku Shipyard on the potential for the in-country building of subsea construction, dive support, anchor handling and platform supply vessels for operations, and have agreed on a plan for a subsea construction vessel for the Shah Deniz Stage 2 project to be built at the shipyard.

In 2013, our marine contractors achieved full nationalization of core Azerbaijan-Georgia-Turkey region marine crews, although for high risk operations foreign marine advice will continue to be sought to assist local capability development.



Regular inspection at Sangachal terminal processing area.

Two rig moves were performed in 2013. As part of the Chirag oil project, the new West Chirag platform was transported and installed by project marine crews, and the work included installation of associated pipelines and retrofitted riser installation on the Deepwater Gunashli platform.

Sangachal terminal

The Sangachal terminal is an onshore hub where offshore oil and gas is processed prior to export. It is designed to treat production from all currently BP-operated assets in the Caspian basin and has room for expansion. The terminal includes oil and gas processing facilities, the first pump station for the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, the South Caucasus gas pipeline (SCP) compressor and other facilities.

During 2013, the Sangachal terminal exported about 286.2 million barrels of oil. This included about 248.7 million barrels through the BTC pipeline, 29.9 million barrels through the Western Route Export Pipeline, over 5.7 million barrels by rail and 1.9 million barrels via a condensate export line.

On average about 26.6 million cubic metres (mmcm) or about 939 million cubic feet of Shah Deniz gas was exported from the terminal daily in 2013. In 2013, works on Sangachal terminal expansion continued in order to provide processing facilities for the Shah Deniz Stage 2 project. As a part of this a new access road was built and the site at the terminal expansion area was prepared for construction of a new gas and condensate plant.

In 2013, we completed SCP in-line inspection and early oil project tank programmes, as well as upgrades to infrastructure and various civil

Sangachal terminal

- Area: 542 hectares
- Location: 55km south of Baku in Garadagh district
- Processing capacity: 1.2 million barrels of oil per day and 41.5 mmcm of gas per day (including 27.4 mmcm of Shah Deniz and 14.1 mmcm of Azeri-Chirag-Deepwater Gunashli gas)
- Maximum storage capacity: about 4 million barrels
- Working storage capacity: about 3.2 million barrels



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Talking technology

In March 2013, BP held a two-day showcase of its latest technologies in Baku. The showcase originated in 2009 as an event for investors and analysts. Since then, there has been increasing interest within the region in our technology developments, areas of innovation and research, and the impacts that our deployed technologies are having on our operations.

The showcase was attended by senior management of BP AGT and the State Oil Company of the Republic of Azerbaijan, scientists and other experts from the oil and gas industry, as well as students from local universities.

Through multimedia exhibits and posters, the showcase demonstrated some of the latest examples of how BP's upstream technologies are being advanced and deployed, with particular focus on addressing the Caspian challenges. Featured technologies ranged from BP's use of real-time data to visualize, monitor and analyse asset performance, to the new methods we are using to design, install and monitor production systems to extend the life of facilities and fields.

Visitors also saw a film that was created to showcase BP technologies during the London 2012 Olympic Games, featuring high-tech simulations of our capabilities in advanced seismic imaging, enhanced oil recovery and a range of technologies developed under our Field of the Future programme.

Other flagship technologies on display during the showcase included deepwater facilities technologies, such as those planned for the new Shah Deniz Stage 2 platform; Pushing Reservoir Limits, which was designed to push the boundaries of oil recovery from conventional resources; Bright Water microparticles, which BP is deploying in Azerbaijan and elsewhere to divert production water into poorly swept areas of deep reservoirs, releasing more oil; and a walkthrough of additional technologies BP employs to improve the recovery factor in our operations.

maintenance projects. We also developed a hazard and operability study plan. Construction of a new laboratory was moved into our work schedule for 2014.

Outlook for 2014

Safe, reliable and efficient day-to-day operations will remain the priority at the Sangachal terminal in 2014.

In pursuit of these objectives, there are several key focus areas over the next 12 months to manage the major business and safety risks: vibration, soil subsidence, vessel and tank inspections, corrosion detection and management, wax remediation of the offshore pipelines, produced water management, plant operating efficiency and infrastructure management.

Turnaround activity

Turnarounds are planned periods when operating assets are taken out of service to complete essential maintenance, inspections or project work that cannot be performed while the asset is online. These planned breaks are essential for safe and reliable operations over the long term.

After an extensive turnaround programme in 2012 at three facilities – the Shah Deniz and Deepwater Gunashli platforms, and the Sangachal terminal – no major turnarounds were delivered in 2013. Throughout the year, we mobilized resources in preparation for the execution of two turnarounds, on the Central and West Azeri platforms, in 2014. During these turnarounds, essential inspection and integrity scopes will be completed, along with enhanced sand and produced water-handling projects.

Baku-Tbilisi-Ceyhan pipeline

During 2013, BTC spent over \$75 million in capital expenditures. In 2014, BTC capital expenditures are expected to be about \$119 million.

From 4 June 2006 up to the end of 2013, 2,390 tankers were loaded at Ceyhan. In total they carried 1,835 million barrels (245.4 million tonnes) of crude oil transported via the BTC pipeline and sent to world markets. During 2013, the pipeline exported 247.2 million barrels (33 million tonnes) of crude oil on 329 tankers loaded at Ceyhan.

BTC at the end of 2013

Capacity: 1.2 million barrels per day

Average throughput: about 681.3 thousand barrels per day

The 1,768km BTC pipeline currently carries mainly ACG oil and Shah Deniz condensate from Azerbaijan. In addition, crude oil from Turkmenistan continues to be transported via the pipeline. Starting in October 2013, we have also resumed transportation of some volumes of Tengiz crude oil from Kazakhstan through the BTC pipeline.

SCP at the end of 2013

Capacity: 19.8 million cubic metres per day Average throughput: about 13.4 million cubic metres per day

offshore production platforms are operated by BP in the Azerbaijan sector of the Caspian.

A drilling team working at the Shah Deniz platform.

South Caucasus Pipeline

During 2013, South Caucasus Pipeline (SCP) spent around \$50 million in operating expenditure and \$250 million in capital expenditure. In 2014, operating expenditure is expected to be \$50 million. As a result of the ramp-up in the SCP expansion, capital expenditure will increase to \$1,250 million.

The pipeline has been operational since late 2006, transporting gas to Azerbaijan and Georgia, and SD Stage 1 gas has been flowing to Turkey through the pipeline since July 2007.

In 2013, the SCP's average throughput was about 13.4 million cubic metres (about 473 million cubic feet) of gas or 81,600 barrels of oil equivalent per day.

BP-operated top 25 production wells worldwide (Gross oil rate in barrels of oil equivalent per day)

The SCP has a dual operatorship with BP as the technical operator responsible for construction and operation of SCP facilities, and Statoil as the pipeline's commercial operator responsible for its business administration.

SCP expansion project

A final investment decision on the SCP expansion project was taken on 17 December 2013, coinciding with Shah Deniz Stage 2. During 2014, it is planned to award a series of contracts including for early works and pipeline facilities as well as for pipeline construction in Azerbaijan. The first shipment of line pipe is expected to arrive in Azerbaijan later in 2014.

Co-venturers' interests in BP-operated projects in Azerbaijan^a (%)

Azeri-Chirag-Deepwater Gunashli (ACG)

Baku-Tbilisi-Ceyhan (BTC)

Shah Deniz/South Caucasus Pipeline (SCP)^b

Technicians conducting routine pig launch operation at a pump station.

Western Route Export Pipeline

The 829km Western Route Export Pipeline moves oil from the Caspian basin via the Sangachal terminal to Supsa on Georgia's Black Sea coast. Since 1997, the pipeline has undergone extensive refurbishment by BP and its co-venturers. During 2013, 29.9 million barrels of oil was transported from the Sangachal through the pipeline.

Exploration

Since early 2012, when experts aboard the *Gilavar* seismic vessel completed the first ever 3D seismic data acquisition on the Shafag-Asiman structure in the Azerbaijan sector of the Caspian Sea, we have been processing this data. This is believed to be the largest 3D survey ever processed in-country, within Azerbaijan. Following completion of this phase of the 3D seismic acquisition programme, some 18 months will be required for data interpretation followed by around a year for planning of the first exploration well.

The Shafag-Asiman production sharing agreement between BP and SOCAR on exploration and development of the Shafag-Asiman structure was signed in Baku in October 2010.

Legal entities responsible for BP AGT projects

The block lies some 125 kilometres (78 miles) south-east of Baku. It covers an area of about 1,100 square kilometres and has not been explored previously. Located in a deepwater section of about 650-800 metres, it has a reservoir depth of around 7,000 metres.

Integrated supply and trading

The BP group's London-based integrated supply and trading unit – one of the world's largest energy trading teams, which providing efficient trading execution, optimization and risk management services to the BP group – markets equity crude oil produced by BP AGT.

BP lubricants in Azerbaijan

BP and Castrol brands are supplied to all BP projects in Azerbaijan by a local company Petrochem Group. In 2013, about 2.2 million litres of lubricants were delivered to BP and its contractors in Azerbaijan. BP Castrol lubricants were also supplied to most oilfield services contractors working in Azerbaijan.

	Project	Operator	BP share holding entity
l	ACG	Azerbaijan International Operating Company	BP Exploration (Caspian Sea) Limited
	BTC	The Baku-Tbilisi-Ceyhan Pipeline Company	BP Pipelines (BTC) Limited
	Shah Deniz	BP Exploration (Shah Deniz) Limited	BP Exploration (Azerbaijan) Limited
	SCP	BP Exploration (Shah Deniz) Limited (technical operator) and Statoil Azerbaijan AS (commercial operator)	BP Pipelines (SCP) Limited
L	Shafag-Asiman	(To be appointed)	BP Shafag-Asiman Limited

^a The State Oil Company of the Republic of Azerbaijan (SOCAR) is represented in the above-mentioned projects through its affiliates: ACG – AzACG; Shah Deniz – AzShahDeniz; SCP – AzSCP; BTC – AzBTC, Shafag-Asiman – SOCAR Oil Affiliate.

These percentages include the recent purchases of equity from Statoil by BP and SOCAR in December 2013.

Management systems

Our operating management system provides the foundation for a safe and strong BP.

Control room operator monitoring processes at the Shah Deniz platform.

Hojat Nuriyev

Director of Safety and Operational Risk/Operations Authority, BP AGT

Continuous improvement is important because it gives us an opportunity to apply our organizational knowledge and experience and the intelligence of our employees systematically, to make our business better. When we succeed at continuous improvement, we are supporting the long-term sustainability of our business. This success depends upon constant vigilance, and it has been gratifying to see small steps taken by our employees in BP AGT begin to add up to make our operations more efficient, more reliable and ultimately safer as well.

Operating management system

BP's operating management system (OMS) integrates BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues such as maintenance, contractor relations and organizational learning, into a common management system.

Each business or operating unit applies OMS to address specific operating risks and deliver its operating activities. In the Azerbaijan-Georgia-Turkey (AGT) region, OMS forms the framework for all our operations. It provides a single, systematic approach to what we do and puts safety and risk management at the heart of our work. A performance improvement cycle embedded in the system drives continuous improvement.

OMS is rooted in BP's values and is designed to produce deep capability and a safe operating culture at all levels of the company. Integrated into OMS are guiding principles and requirements for safe, reliable compliant operations including how safety and operational risk is managed. It addresses eight elements of operating, under the headings of people, plant, process and performance.

OMS was updated in late 2012 to be aligned with BP's new functional corporate structure, and the changes were fully embedded in BP AGT during 2013. This included aligning how our operations, wells and project teams deliver OMS conformance, and how our business and technical functions support them. To help our employees in the AGT region understand what OMS means for them, we continue to provide a document titled 'How We Work in AGT'. The document explains the various aspects of our business in the region, the contributions we make to BP's global Upstream business and how we deliver a safe and world-class business with thousands of employees, both offshore and onshore. In 2013, we updated the document to reflect the latest responsibilities, organization and processes that underpin our work.

Continuous improvement

BP AGT is on a journey to build a culture of systematically managed continuous improvement (CI) – meaning an environment in which our employees constantly look for ways to eliminate defects and make our work safer, more reliable and more conformant with OMS. When a CI approach is followed, not only is the business performance improved but the environment in which people work becomes more stimulating and rewarding, leading to improved morale.

In the AGT region, our Cl efforts are aligned with our priorities of safety, production and costs. In 2013, we initiated over 350 Cl projects across the region, to address a wide variety of issues including training and competence of staff, transportation, emergency response, personal safety and process safety. Cl training is delivered on a regular basis to our employees throughout the AGT region. To foster a greater understanding of Cl culture among our employees, we released six short videos featuring best-practice examples of Cl projects carried out in our business in 2013.

Adopting a CI culture is a long-term objective, and in order to achieve it we have assembled a network of about 230 employees known as CI champions, who support their leaders in systematically applying continuous improvement.

In November, BP AGT held the third annual CI Champions Forum in Baku. The theme for the forum had been set by Bernard Looney, BP's chief operating officer for production, when he led a town hall-style meeting for employees in the same city three months earlier: 'Continuous improvement is our daily job.' The forum was attended by 130 CI champions from across the region.

Protecting our operations

We aim to provide a secure working environment in Azerbaijan, with clearly defined roles and open communication among those involved in protecting our facilities and assets.

Security check at the Sangachal terminal.

Security arrangements for BP in Azerbaijan follow BP group security guidelines. We routinely assess security risks associated with our operations in the country; carry out investigations following incidents when they occur and provide training to promote security awareness and an understanding of human rights among the private and public security professionals who are involved in protecting our operations.

In Azerbaijan, BP takes responsibility for protecting people and facilities at BP-operated sites. State security agencies provide external perimeter protection for BP-operated areas, both offshore and onshore.

Interacting with public and private security

We constantly seek opportunities to exchange information with members of communities close to our facilities and operations. Since 2006, Inter-Agency Security Committee meetings have been instrumental in achieving this. The meetings are facilitated by BP's regional security advisers and have been attended by our community liaison officers, local government and municipal authorities and public security officials. We are reviewing the format and effectiveness of these meetings and identifying areas for potential enhancements.

Local export pipeline security commission meetings hosted by the Azerbaijani government's Export Pipeline Protection Department (EPPD) and attended by local law enforcement authorities provide another key channel for engagement. BP participated in more than 30 of these meetings in 2013 within 13 local districts along the pipelines.

In 2012, as part of our co-operation with EPPD, we arranged the purchase of a vehicle designed as a mobile guard post. This mobile guard post helps to ensure the security and safety of government patrols carried out in the protection of BP-operated export pipelines and facilities in remote and off-road areas. The mobile guard post was used for 230 days during 2013.

The number of EPPD horse patrollers assigned to protect BP-operated pipelines increased by seven in 2013 to a total of 38. We are working with EPPD with a goal of further increasing the number of horse patrollers in the coming years.

Security and human rights

Since 2000, the Voluntary Principles on Security and Human Rights have provided extractiveindustries companies with a framework to maintain the security of their operations while ensuring respect for human rights. BP helped create the Voluntary Principles, has contributed to efforts to enhance their governance and regularly reviews its local security arrangements to check compliance with the framework.

In Azerbaijan, we continue to promote training in the Voluntary Principles as a key step in ensuring that all security forces and private guards involved in the protection of our operations understand the possible human rights-related implications of their work.

To this end, 141 officers working for the EPPD refreshed their knowledge of security and human rights issues by attending Voluntary Principles training in 2013, with 55 new recruits also completing the training.

Our private security provider in Azerbaijan, Titan D, facilitated Voluntary Principles training for 62 of its personnel (including guards, receptionists and others) in 2013. This training module is delivered as part of a standard security training programme designed for newly hired Titan D personnel. During the year, 217 Titan D personnel who were assigned to BP-operated facilities in Azerbaijan completed professional security training.

In 2013, we recommended that Titan D take the steps needed to become a member of the International Code of Conduct for Private Security. This multi-stakeholder initiative aims to clarify international standards for private security companies that operate in complex environments and to improve the oversight and accountability of these companies.

Listening to communities

BP has maintained a human rights response plan in Azerbaijan since 2007, and we review and update the plan annually. We provide a 24-hour emergency hotline for communities along our export pipeline routes, giving people in the local community a means with which to inform BP and the state security provider about such issues as the excessive use of force or other human rights abuses. No security or human rights incidents were reported via the hotline in 2013.

Our people

Our people are our most valuable asset. Their skills, professionalism, experience and passion provide the foundation for BP's long-term success in Azerbaijan.

What we said we would do

Achieve a higher level of staff nationalization.

Raise the number of senior level national employees.

Develop local engineers through our petro-technical resource entry programme (PREP).

Where we are today

A total of 85% of our professional staff in Azerbaijan were national citizens as at the end of 2013.

The number of national senior-level managers reached 197, increasing by 17% compared to the previous year.

We celebrated the first graduation of PREP trainees, with 45 people successfully completing the programme.

What we plan to do next

Further increase the percentage of our professional workforce who are national citizens in line with our 2014-18 plans.

Drive the development of national senior level leaders.

Continue to support national staff development through our professional training programmes.

Managing our workforce

We aim to develop the talents of our workforce and to attract the best people to improve our strengths and skills.

Leyla Novruzova

Vice President of Human Resources. **BP AGT**

I would like to stress the importance of co-operation with the State Oil Company of Azerbaijan (SOCAR), we have developed a productive working relationship and are applying joint efforts in the field of nationalization of BP's regional projects. We signed several protocols on co-operation in this field at the highest level including setting up the objectives of the nationalization plan and engaging the Regional Training Technical Center in Gobustan and the Baku Higher Oil School (both owned by SOCAR) into the process.It is in the interest of the government and BP and its co-venturers' that the large majority operations are Azerbaijani nationals.

17% more national employees worked in senior level positions in 2013 than in 2012.

Our health, safety and environment specialists at the construction site of the huge topside deck for the new West Chirag platform.

Building a skilled national workforce in Azerbaijan continues to be one of our key priorities. To achieve this, we are using an integrated approach: recruiting experienced specialists while also investing heavily in training for young people who have little or no prior work experience and offering a range of development and career opportunities to employees, at all career levels.

In 2013, the number of permanent national employees increased by 205, or by around 8%. At the end of the year, 85% of our professional staff in Azerbaijan were national citizens, the same as in 2012. BP's overall headcount in Azerbaijan increased by 248 over the year, reaching 3,255 permanent employees^a.

The number of national senior-level managers at BP in Azerbaijan reached 197 in 2013, increasing by 17% compared to the previous year to represent 37% of the total senior managers working in the company's local office. Of these, 17% were female, mostly working in finance and human resources, while our senior-level male employees were working mainly in operations, security and environment, health, safety and engineering. Another 24 Azerbaijani employees were on assignments in senior level positions in other countries. Almost 82% (392 out of 478) of mid-level managers working for BP in Azerbaijan were Azerbaijani nationals. Additionally, 31 other nationals were on assignments abroad.

We have signed co-operation agreements with the State Oil Company of the Republic of Azerbaijan (SOCAR) in support of our plans for developing the

^a Officially employed by BP, including professional and non-professional employees.

skills of Azerbaijani nationals through our activities as the operator of major projects in the Caspian. The agreements reaffirmed both organizations' commitment to co-operate closely in the areas of nationalization of BP's staff; development and training of professionals specialising in petroleum disciplines, and workforce involved in oil and gas development projects in Azerbaijan.

Previously, some job openings were advertised originally as expatriate vacancies, but as the local talent market develops, there is no longer need to go for expatriate hiring without exploring the local market properly. We are also currently working with SOCAR on developing the memorandum of understanding that is expected to be signed in 2014 and further streamline the recruitment process

Recruitment

We are committed to creating and sustaining an egalitarian and meritocratic work environment, where employees treat each other with respect and dignity, and are able to unlock their full potential. Selecting the right people for the right jobs is key in achieving this goal.

To ensure that our recruitment processes are transparent, effective and efficient, we constantly monitor and review them, adjusting where necessary. An independent, UK-based agency has been conducting anonymous guarterly surveys to test the effectiveness of our recruitment activities, looking at how well we attract candidates, how we treat them during the recruitment process and

A technician providing feedback during one of our regular technician forums.

85%

of our professional staff in Azerbaijan were national citizens at the end of 2013.

how we welcome and help newcomers to adjust in a new working environment. BP is conducting the survey globally, and BP in Azerbaijan has been among the highest rated countries on all points of the survey.

In 2013, our annual graduate and intern recruitment programme attracted over 5,500 applications for positions in a variety of technical and non-technical disciplines, from operations, engineering and wells, to finance, procurement and supply chain management. Of these, 3,777 applicants passed the initial screening, and 483 reached the final interview stage. We hired 50 summer interns and 156 graduates, 86 of whom were recruited as permanent BP employees while 81 received places on our petro-technical learning programme (PREP) for new graduates. For more information about PREP see page 25. We ran three technician hiring campaigns during the year,

Professional staff of BP in Azerbaijan

This chart also shows the percentage of national citizens

^aAgency staff work for BP, but are officially employed by recruitment agencies.

BP permanent employees and agency staff^a based in Azerbaijan

resulting in job offers to 101 technicians. Newly hired technicians recruited to BP in Azerbaijan enrol on an intensive 18-month English language and technical training programme at the Caspian Technician Training Centre before being deployed to offshore or onshore sites.

All ad-hoc vacancies at BP in Azerbaijan are advertised on *bp.com/caspian*. In 2013, we received more than 11,000 applications for these roles and hired 57 national employees.

Employee communication and engagement

Annual staff satisfaction survey

In 2013, we ran our regularly conducted staff survey, through which our leadership monitors employees' level of engagement, their views on our management and the company as a whole and their satisfaction in general. These surveys help us to spot areas of concern among our employees and to discover areas where action may be needed.

The response rate in 2013 was close to 50%, meaning that 1,572 employees completed the survey in the BP Azerbaijan-Georgia-Turkey (AGT) region.

Overall engagement of BP AGT employees at 78% was 3% up from our 2012 engagement score, and 4% above the BP group level (74%). Our score was the highest in three areas: understanding the business context; action and communication. The results and associated action plans were discussed in leadership town hall meetings with employees.

Technicians' forum

The BP technicians' forum continues to be an important means of communication with our frontline – the technicians who work on production platforms, in terminals and along pipelines.

A star rising from Azerbaijan

Sabina Azizli, a control and automation engineer from our midstream engineering team, was honoured with a Rising Star award by the Royal Academy of Engineering in 2013. The award, presented at a ceremony in London, UK, was in recognition of Sabina's exceptional engineering contributions in the early stages of her career.

Sabina says: "When I first joined BP in 2007, I couldn't imagine that this exciting journey would eventually lead me to the winning of this award at an event that brings together the most successful and talented engineers from across all sectors."

Sabina was still an undergraduate student at the Azerbaijan State Oil Academy when she joined BP as a summer intern, working in operations support engineering for our offshore assets. After her graduation, she entered our Challenge programme as a control and automation engineer. Her enthusiasm and willingness to learn about offshore facilities and their associated automation systems rapidly set her apart as a high performer with significant potential.

In 2012, Sabina moved to onshore operations engineering, taking a role at the Sangachal terminal. She has also held a short-term assignment with BP's global projects organization as commissioning support engineer on the new West Chirag platform. In 2013, she graduated from the Challenge programme, one year earlier than usual.

Sabina says: "BP has provided me with many opportunities during these years to develop and enhance my engineering skills in the most diverse environments. And whether it was at an offshore platform, a processing terminal or a construction yard, I have always felt confident that if I don't know the answers, my colleagues around me will help."

BP invests heavily in the training and development leadership's agenda. Through the lunches, of technicians, and we realize the importance of regular meetings between this group of employees and top management, where they can provide feedback, share experiences and raise any concerns

The forums were first organized in 2008, and to date 16 forums have taken place, hosting about 470 participants. These include three forums in 2013, attended by about 100 technicians.

Over the years, feedback received at the forums has led to several new initiatives, including the introduction of a coaching assessment tool and changes to the technician training. Technicians have also been encouraged to establish working groups, partnering with business leaders and human resources professionals.

Listening lunches

Listening lunches are events where members of our regional leadership team (RLT) meet employees from a mix of disciplines for an informal lunch and open discussion of businessrelated subjects. These lunches promote two-way communication and employee engagement, both of which continue to be priorities on our

BP in Azerbaijan recruitment statistics^b

employees get exposure to the RLT, with opportunities to share concerns, ask questions and get answers first-hand, while RLT members get to hear opinions from various layers of the organization, helping them to understand different perspectives. Six listening lunches were held during 2013, with almost 160 employees taking part.

Loan support programme

Our loan support programme, launched in 2012. has proved popular among our employees. Under the programme, Azerbaijani nationals who have worked for the company for at least three years are eligible to receive BP contributions towards loans for the purchase or renovation of a house or apartment, home construction or the education of children under 18 years old.

In 2013, we launched a related programme: Islamic banking. The programme provides help with home purchases by employees whose religious beliefs do not allow them to take loans that incur interest. The loans are structured in a way that does not involve payment of interest on the loan. By the end of the year, 13 employees had made use of this offer.

	Ad hoc recruitment			Graduate recruitment				Grand total		
		2012	2	2013		2012	2	013	2012	2013
	Female	Male	Female I	/ lale	Female	Male	Female N	lale		
Business support	18	45	3						63	3
Engineering	1	5	1	4	1	10		9	17	14
Ethics and compilance	1								1	
Communications and external affairs	1	1	1	1					2	2
Finance	7	8		5	2	5	2	7	22	14
Health, safety, security and environment	1	18	2	14	4	6	3	8	29	27
Human resources	6	1	3	3	2	1	1	1	10	8
Information technology and services		2					1	1	2	2
Operations	4	15	2	2					19	4
Planning						1			1	
Procurement and supply chain management		4							4	
Projects	3	7	1	3					10	4
Subsurface		4		1	1	5	1	3	10	5
Tax	2	1							3	
Wells	1	1	5	6	3	9		3	14	14
Total graduates					13	37	8	32	50	40
PREP graduates					9	45	12	68	54	80
Total ad hoc	45	112	18	39					157	57
Technicians recruitment					1	119		101	120	101

^bThe numbers in the table reflect people, who newly joined the company

Opportunities everywhere

Back in the summer of 2012, while still student in Qafqaz University, department of economics and administrative sciences. Murad Aliyev had a chance to taste what it is like to work at BP. After passing through a very competitive selection process he was admitted to an internship in our human resources (HR) department. During his time at BP, under careful coaching of his supervisor, Murad contributed to two projects - starting a team leaders' network in the subsurface function and developing a new employee recognition tool. Murad says: "At the end of my internship I really understood how HR works with different specialist teams within HR to support the business"

Another chance to meet with BP emerged in October 2012 when the university nominated Murad to attend the 2011 BP in Azerbaijan Sustainability Report feedback session. "It was fun – not the dull session one might have expected at all," recalls Murad. "The selection of students from different backgrounds worked well."

Murad proved to be highly active during the session and contributed much to his group's presentation. To his surprise Murad received a small prize as the most active participant. As usual, an HR representative had a short session for participants about career opportunities for students at BP, including Challenge – our graduate recruitment programme. By this time, Murad had already made up his mind and was aiming to apply.

Murad's application was successful. He joined BP in Azerbaijan as a Challenger HR adviser in August 2013. That autumn, at the next sustainability report feedback session he was standing in front of the student audience and talking about career opportunities in BP - telling his own story, describing his career development path with BP. He says: "It was very inspirational to be able to share my motivation with the university students and to encourage them towards the career opportunities in BP" says Murad. He adds: "BP is an oil and gas giant, yet there are great opportunities for young professionals from different backgrounds from finance to information technologies, and from public administration to biochemistry.'

In total, 545 employees successfully applied for loans through these programmes in 2013, bringing the total number of participants to 1,515, or 79% of eligible employees. Altogether in 2012-13 the programmes have contributed towards loans totalling over \$7.2 million.

Our new office

We officially inaugurated our new office in 2013. Called BP Xazar Centre, it is located in the Port Baku development area along the Neftchilar Avenue in Baku. BP Xazar Centre occupies 10 levels of a 16-storey building and has 2,100 workstations and 135 meeting rooms.

The new office is equipped with advanced technologies, which allow direct links with BP remote facilities offshore and onshore, as well as tele-presence, secure printing facilities, electronic booking of meeting rooms and voice over IP telephony. The new office also meets internationally accepted practices for disabled facilities.

Other activities

Employees who work for BP in Azerbaijan for a total of 10 or 15 years receive long-service awards to mark these anniversaries. The awards are presented by senior management at town hall events. Since 2008, about 1,160 employees have been recognized in this way. In 2013, we also held five town hall meetings to discuss topical issues.

Our internal website for the AGT region is an important tool for communicating with our workforce. The website is regularly updated with new information. In 2013, it was refreshed with a new design and more news and features. We also published four issues of our staff magazine, *Compass*, covering 2013. The magazine is printed in both Azerbaijani and English and is distributed across the region.

Expatriates

Expatriate employees make an important contribution to the delivery of BP's agenda in Azerbaijan. Also important is the contribution that our Azerbaijani employees make when they work as expatriates, elsewhere. Nearly 80 of our national employees were based at BP locations outside Azerbaijan in 2013. This continuing professional and cultural exchange helps increase diversity and cultural exchange helps increase and productivity. While we are committed to staff nationalization in Azerbaijan, we also believe that a reasonable ratio of international assignments to and from Azerbaijan is a win-win situation for everyone involved.

At the end of 2013, more than 60% of the 494 expatriates working for BP in Azerbaijan were from Europe, and just over 25% of them were from the US. The remainder were from Australia, Canada, Colombia, Egypt, India, Indonesia, Oman and Trinidad & Tobago. In 2013, 110 new expatriates arrived to work for BP in the country while 68 expatriates left, constituting a net increase of 42. The highest growth was in wells.

Learning and development

We spent more than \$8 million on a range of training in the AGT region in 2013. Altogether, 1,457 training sessions were held, involving more than 12,000 participants. Of these sessions, 1,248 or 86% were held in Azerbaijan. A range of safety, technical, managerial and behavioural training was offered.

Continuing professional education

We continue to support our national employees through our continuing professional education programme. Any national employee with a positive performance record is eligible to apply for

Azerbaijani nationals on overseas assignments

\$8 million

spent through human resources on staff training in Azerbaijan, Georgia and Turkey.

BP national and expatriate employees

National BP employees Agency staff

Expatriate BP employees Agency staff

2.159

2010

234

2,321

2011

based in Azerbaijan

1,975

2009

4,500

4,000

3.500

3.000

2,500 2,000

1,500

1,000

500

2,761

2013

2,555

2012

financial assistance to continue their education in an area relevant to their position in the company.

In 2013, a total of 39 employees received support via this programme, with nine of them choosing to study towards a full MSc degree in their disciplines. Another 30 chose other postgraduate learning options. The total number of active participants by the end of the year was 47.

Language learning

We sponsor English language training for national employees, as well as Azerbaijani language courses for foreign citizens who take roles at BP in Azerbaijan. Throughout 2013, around 270 national employees used this opportunity to improve their English, while more than 200 expatriates took Azerbaijani lessons. In addition to these regular classes, expatriates are offered introductory talks on Azerbaijani culture, history and traditions.

Petro-technical learning programme

In 2013, we celebrated the first successful graduation of our petro-technical resource entry programme (PREP). This multi-million-dollar learning programme is designed for Azerbaijani petro-technical graduates and is aimed at building their capabilities as they join BP as young engineers.

We launched PREP in 2012 with an intake of 55 graduates specializing in surface engineering, subsurface, and wells disciplines. They were selected from among around 1,000 applicants.

The editor-in-chief of our staff magazine (right) on a story assignment at the Shah Deniz platform.

Training expenditure of BP AGT^a (\$ thousands)

(\$ thousands)

- Petro-technical
- Health, safety and environment/emergency response
- Operations
- Core/foundation/leadership
 Professional^b

^aThis and other diagrams and tables reflect training administered by the human resources team.
^bDisciplines covered are wells, engineering, subsurface, communications and external affairs. and finance. Some 45 of the trainees successfully completed the programme in 2013, to join BP's global Challenge programme – the next step of their career development – while three were hired into specialist roles within BP.

Recruitment to PREP is held annually as part of BP's graduate recruitment activities in Azerbaijan. For PREP's second year, we recruited 81 graduates from various national and international universities. They were selected from among approximately 3,000 applicants.

PREP is a preliminary step for Azerbaijani national graduate hires as they move from university graduation into long-term professional careers at BP. As such, the programme is designed to help these graduates deepen their technical knowledge, business awareness, communication and English language skills. It is also designed as an arena for learning how to link these skills with practical applications in the oil and gas industry.

The training programme is delivered by Heriot-Watt University, an international school for business and industry, in collaboration with TTE-Petrofac. It starts each September and runs for 11 months.

Challenge programme

BP group's Challenge programme, which is aimed at developing young talent, has been running within BP in Azerbaijan since 2003. Challengers typically fulfil two or three distinct roles during the three years of the programme, giving them exposure to a wide area of operations. By the time they complete the programme, they are expected to be fully competent professionals, kick-starting their further career in BP.

In 2013, in addition to 44 graduates joining the Challenge programme from PREP, another 42 were selected as additional graduate recruits, bringing the total to 86, the largest intake since the programme began. The total Challenge population in Azerbaijan reached 198.

Transition to engineering programme

In 2013, we expanded our 'Technicians to engineering' programme and renamed it 'Transition to engineering'. The aim is to help interested employees with relevant backgrounds move into an engineering career path. As the name change implies, this offer is now not just for technicians, but is open to all employees who aspire to such a change.

Candidates are selected via a stringent process in which each applicants background and capabilities are assessed.

Our area operations managers (from left to right): Eldar Gaziyev, Zaur Pashayev, Elkhan Mamedov and Orkhan Guliyev.

Nationals take the lead

For some years after establishing a presence in Azerbaijan, BP relied on expatriate specialists to lead our operations teams in the country. The area operations managers who lead our local assets need a broad understanding of technical disciplines and a deep knowledge of international standards, safety procedures and the workings of oil and gas platforms and pipelines.

This combination of skills and experience did not exist among Azerbaijani candidates when BP began its presence in the country and broader AGT region, but it was our goal to be able to nationalize these key roles. That goal was realized in 2013, with national employees filling four of the area operations manager roles at our offshore and onshore assets in the region for the first time.

'This was my dream'

In 2009, Elkhan Mamedov became the first Azerbaijani national to be an area operations manager in the AGT region, leading our onshore export operations in Azerbaijan. Skills-based training was provided to more than 100 technicians at the Caspian Technician Training Centre.

Employee referral programme

We have re-launched our employee referral programme, expanding the range of incentives available to encourage BP employees to nominate national candidates for available roles in the company. The programme is one of our most effective recruitment tools.

All permanent employees of BP in Azerbaijan are eligible to participate. If they know an Azerbaijani national with specialist skills that they believe would be a good fit for BP, they can refer the candidate via a dedicated website. If the candidate goes on to be hired for a position in BP, the employee who made the referral is entitled to a monetary reward.

Upstream eXcellence programme

BP's global Upstream eXcellence programme was rolled out in Azerbaijan across our electrical, static mechanical and subsea hardware engineering sub-disciplines in 2013. The programme continues to provide a transparent, objective way for our employees to see how best to develop their skills and capabilities and achieve their desired roles. The goal of Upstream eXcellence is to enhance

our organizational capability, using a distinctive, performance-focused development process. It also helps to promote meritocracy by supporting the individual development of our employees, giving them a clear view of their possible future career paths.

Caspian Technician Training Centre

The Caspian Technician Training Centre provides a unique service to BP and its co-venturers in our pursuit of greater employee nationalization in Azerbaijan, Georgia and

Turkey. In addition, it acts as a regional centre of excellence in the BP group, with our operations in Oman and Irag also using its services.

Since 2004, about 950 technicians have graduated from its Foundation programme. In 2013, around 143 technicians were deployed to onshore and offshore assets after graduation.

He has since moved on to hold the same role at the Azeri offshore platforms.

"This was my dream since I joined BP, to lead one of the offshore platforms," Elkhan says. "I'm very proud of what I'm doing for our country, for BP as a company and for myself in finding big satisfaction in my job."

Elkhan had worked as a technician in the aviation industry before joining BP in Azerbaijan in 2001 to work as an instrument technician on the Chirag platform. Only a year later, he travelled to Scotland to gain experience on a BP rig in the North Sea. Back in Azerbaijan, Elkhan held a variety of offshore roles before being promoted to operations installation manager at the Chirag platform, a management role that positioned him for yet higher opportunities within the company.

A relentless drive to learn

Orkhan Guliyev has worked for BP for almost 20 years. Having started out in the business services area of the business in Azerbaijan, he later spent several years working on BP assignments in the UK. After returning to Azerbaijan, Orkhan chose to change course

dramatically, taking an offshore role, despite having no prior offshore experience. He did this in order to diversify his career and to support BP's push towards nationalization in Azerbaijan. Within a few years, Orkhan had been promoted to area operations manager responsible for the Chirag platform.

"BP is a great company to work for, whether you want to develop deep professional expertise or a leadership career," Orkhan says. "My secret of success has been a relentless drive to learn and develop, taking every opportunity that BP was able to provide, moving between disciplines and learning from great professionals."

Think about the end results

Zaur Pashayev joined BP in 1998 as production technician. Since then, he has performed a variety of job roles in the AGT region, including roles onshore in export pipelines and offshore on the Shah Deniz platform, where he would eventually become area operations manager.

Zaur says: "BP created an environment that helps national employees in Azerbaijan gain

the skills and knowledge they need to rise through the ranks, and my career is one such example. My formula for success is to do your best; think about the end results and ways to do it efficiently day by the day."

From intern to operational leader

Eldar Gaziyev joined BP in 2001 as an intern working in our engineering function in Azerbaijan. He later moved into technician training and development and then to integrated logistics, where he worked on infrastructure developments. In 2004, Eldar made vet another career transition, assuming a logistics role in our offshore operations. There, he held a number of leadership roles. In 2013. Eldar became the area operations manager responsible for our Azerbaijan export pipelines, succeeding fellow Azerbaijani national Elkhan Mamedov in the role.

Eldar says: "BP provides great opportunities to local employees to enhance their skills, thus gearing them up for bigger roles to manage world-class assets.

Our code of conduct

Our code of conduct sets out the basic rules our people must follow and explains how our values and group standards should guide our decisions.

The code clarifies our ethics and compliance expectations for people who work at BP, defining our commitment to high ethical standards and responsible decision-making throughout our operations.

Everyone in BP, wherever they are located, has an obligation to uphold laws and behave according to BP's ethical standards. Where rules are not stated explicitly within the code of conduct, our everyday business decisions are guided by our values.

Joint ventures and our business partners

Every employee in every BP wholly owned entity, as well as in joint ventures (JVs) to the extent possible and reasonable given BP's level of participation, is required to follow our code of conduct. In situations where BP does not have overall control of a JV, we will do everything we reasonably can, to make sure JVs and JV partners follow similar principles.

We also seek to work with third parties who operate under principles that are similar to those in our code of conduct. Where feasible, this includes making a contractual commitment to comply with the applicable laws and work in line with our code.

We expect all our contractors and their employees to act in a way that is consistent with our code and to follow its principles. We will consider terminating contracts where we believe they have not met our standards or their contractual obligations.

Ethics and compliance training

In addition to mandatory code of conduct, anti-bribery and corruption, anti-money laundering and conflict of interest e-learning modules, we also conducted 15 face-to-face ethics and compliance workshops in Azerbaijan for BP staff, contractors and agency personnel in 2013. The main objective of these workshops was to inform people of ethical norms and guidelines, expanding their knowledge and thus helping to avoid potential problems in the future.

Disciplinary cases in Azerbaijan

In the Azerbaijan-Georgia-Turkey (AGT) region, we ran tailored ethics and compliance sessions in 2013 for technicians at the Sangachal terminal, our summer interns and participants in our petrotechnical resource entry programme for new graduates.

Speak up culture

We encourage employees, contractors and other third parties to speak up if they are concerned that our code of conduct is not being followed, or simply feel unsure about any situation. Employees who become aware of a breach or potential breach of our code or legal requirements must report it straightaway.

In the AGT region, 38 cases which resulted in disciplinary actions were reported in 2013. Following investigations, a number of contractor and agency personnel were dismissed for non-compliance either with applicable local laws or regulations or for violations of the code of conduct principles. Examples of non-compliance dealt with in 2013 included substance abuse, violation of safety procedures, inappropriate behaviour and misuse of company assets.

OpenTalk

BP OpenTalk offers employees, contractors and other third parties a confidential way to ask questions and raise concerns in relation to ethics, compliance and other requirements in our code. The helpline, operated by an independent company, is available 24 hours a day, seven days a week, and it can accommodate calls in more than 75 languages. Issues raised via OpenTalk are reported to BP's OpenTalk team for assessment and further action, as appropriate.

Code certification

In 2013, all BP employees were required to certify their understanding of the BP code of conduct as part of their performance reviews with their line managers. These conversations include discussions around the code and the employee's obligations to uphold it, as well as the purpose of the certification statements and their importance in underpinning our code and our values.

Business and Human Rights

The UN Guiding Principles on Business and Human Rights, which were endorsed by the UN in 2011, outline a number of specific human rights-related responsibilities for businesses. BP is committed to working towards aligning our processes with the Guiding Principles.

BP launched its Business and Human Rights policy in March 2013. The policy applies to every BP employee. Although it is new, human rights principles are already at the heart of many of BP's existing practices, particularly in our code of

Our values

Our values, which were set out by BP's leadership in 2011, are our shared beliefs on what we care about and what we stand for as a group. These five values define how we do our work. They represent qualities and actions we expect to see in BP, and those that BP already demonstrates when at its best.

We continue to embed the values into our group-wide systems and processes with a goal of ensuring they support our future aspirations and translate into responsible behaviour in the work we do every day.

The values are part of our recruitment, promotion and individual performance assessment processes. As such, they define what we expect from our employees and are reinforced by our remuneration structure, which connects how individuals are rewarded with how we work at a group, team and individual level.

conduct and values, as well as in many operational requirements. For example, see page 19 to read about our support to the Voluntary Principles on Security and Human Rights, which define good practice for security operations in the extractive industry.

In November 2013, we held a human rights workshop for our employees who manage relationships with employees, contractors and communities. The workshop aimed to develop capability with respect to BP's human rights policy and the responsibilities and expectations that it places on our businesses and operating entities. Workshop participants explored a variety of complex human rights impacts and risks and learned how BP aims to continue managing and mitigating such risks.

Employees are safely lifted to the Heydar Aliyev mobile offshore drilling unit in a 'frog' lifting device.

Safety

Safety is our top priority and we continue working to embed safety and operational risk management into the heart of the company.

What we said we would do

Continue to work towards completing recommendations made in BP's investigation into the Gulf of Mexico accident (the Bly Report).

Promote actions aimed at making safety culture sustainable throughout the region.

Continue to embed our operating management system (OMS).

Where we are today

15 of the 26 Bly Report recommendations completed globally, including BP AGT.

Total vehicle accident rate went down by 8%.

Actions resulting from the safety and operational risk audits in BP AGT largely completed.

What we plan to do next

Maintain our progress towards completing the outstanding recommendations of the Bly Report.

Continue to work collaboratively with contractors in a way that avoids the need for intervention.

Continue to use the performance improvement cycle to align business practices with our OMS.

Managing safety

We are seeking ways to further improve safety performance, both personal and process, to deliver safe operations.

Helicopter deck at the Central Azeri platform.

Recordable injury frequency (per 200,000 hours worked)

Day away from work case frequency (per 200,000 hours worked)

BP staff and contractors

^aThe American Petroleum Institute.

^bThe International Association of Oil & Gas Producers.

Health and personal safety

We aim to continually promote the health and wellbeing of our staff in the Azerbaijan-Georgia-Turkey (AGT) region by mitigating health risks to our employees, creating a healthy work environment and helping our employees to maximize their productivity. We also aim to take relevant steps to protect the health of communities near or which could be affected by our work.

BP's operating management system lays out requirements that operations must follow with the objective of preventing harm to the health of employees, contractors, visitors and members of local communities who may live or work near our operating sites. We work to reduce exposure to occupational risks that may include noise, chemicals, ergonomics, manual handling, food hygiene, infectious diseases, fatigue, fitness for task, stress and other emerging health issues.

Safety performance of BP in Azerbaijan^c

Our health programmes consider factors affecting people at work, from the existence of hazardous conditions or substances, to global concerns such as the possibility of an influenza pandemic or other outbreak of infectious disease.

During the year, we continued to run health promotions and wellness activities in line with our regional health calendar. These included smoking cessation sessions, our annual Heart Day campaign and annual seasonal flu vaccinations.

We also held health initiatives for workers on the new West Chirag platform, including establishing a clinic, providing medical services, incorporating health plan activities, preparing emergency documents for the site and establishing first aiders' capability.

2012 2013 Fatalities 0 0 0.04 High potential incident frequency^d 0.03 Day away from work case frequency^e 0.03 0.03 Recordable injury frequency^f 0.21 0.27 Total vehicle accident rate^g 1 50 1.38 Kilometres driven (millions) 15.96 19.51 Hours worked (millions) 19 04 29 96

^cThis table includes BP staff and contractors. BP's injury and illness definitions are the US Occupational Health and Safety Administration definitions and their subsequent interpretation. Data does not include project-only data.
^cThe high potential incident frequency is based on the number of high potential incidents per 200,000 labour hours worked.
^cA day away from work case (DAFWC) is a work-related injury that causes the injured person to be away from work for at least one normal shift after the shift on which the injury occurred. DAFWC frequency is the number of reported injuries or illnesses that

result in an employee or contractor being unable to work a day (or shift) per 200,000 labour hours worked. Recordable injury (RI) is the number of all reported work-related injuries above first aid. The RI frequency is expressed as the number of reported recordable injuries per 200,000 hours worked.

^gTotal vehicle accident rate is the number of reported road accidents per million vehicle kilometres travelled.

^hThe rise in recorded hours for 2013 is due to additional works during construction of West Chirag platform. This includes hours in both Azerbaijan and Georgia, together with regional project hours worked in the UK.

Our employees during the shift change at the Central Azeri platform.

We continually engage with local

communities – mainly via public meetings – to answer any questions they may have regarding health-related topics. In 2013, we also focused on improving our health-related communications with local stakeholders, health authorities and public health organizations in Azerbaijan by participating in health sector public and private co-ordination group meetings.

Safety performance

The 2013 figure for recordable injury frequency showed a 29% increase compared to 2012, mainly due to the integration of some of the projects and changes to reporting boundaries. Additionally, during the year we drilled twice as many wells compared to 2012.

While there was a 57% increase in working hours and a 22% increase in kilometres driven in 2013 compared to 2012, we had the same number of high potential incidents as reported in 2012. Two incidents were related to anchor handling operations, one incident to road traffic accident and one incident to maintenance and testing. All incidents were investigated thoroughly and reviewed by BP group with lessons learned implemented within the region and shared with other regions.

In 2013, our offshore operations initiated a hydrocarbon leaks process safety campaign. BP AGT senior management appointed employee champions to cover all defined areas. The objective of this campaign is to fully understand the root causes for the loss of primary containment events to ensure effective solutions are applied to prevent reoccurrence. Benefits in performance accruing from this approach are expected to be reflected in 2014 data.

Driving safety

During 2013, we continued to implement a driving improvement plan, which sets clear requirements for safety, training, assessment and behaviour of drivers in the AGT region. The plan was implemented by our land transportation team and monitored by the safety and operational risk (S&OR) midstream health and safety (H&S) team.

One severe vehicle accident was recorded in 2013, resulting in no sustained life-threatening injuries because the vehicle's three-point seat belts were fastened and it was moving at a speed within the legal speed limit. No third-party human injury or property damage was involved.

Based on lessons learned, in 2013 we continued encouraging drivers to place more focus on rules and procedures. In addition, we worked on reducing risk through optimized business trip demand and promoting the proper use of threepoint seat belts and awareness of the dangers of driver complacency.

We have implemented a drivers' behaviour monitoring system by installing video cameras on vehicles allocated to export pipelines in Azerbaijan and those carrying personnel to and from the Sangachal terminal. Vehicle camera recorders can provide valuable information to help establish the cause of a road accident and can influence vehicle occupants' behaviour. In 2013, we have also installed cameras on all BP road-going vehicles and those of core contractors transporting BP personnel.

We developed a plan to reinforce land transport and the S&OR midstream H&S teams' assurance role throughout the planned audits of sites and contractors on compliance with driving safety standards requirements as well as day-to-day assurance and monitoring activity.

Safety

Taking safety one step further at West Chirag

Construction of the huge topside deck for the new West Chirag platform began in 2012. West Chirag is the seventh production platform operated by BP in the Caspian Sea. It is also the largest. Weighing in at over 19,000 tonnes, the topside deck was approximately 2,500 tonnes heavier than that of the East Azeri platform, which previously had the heaviest deck to be installed on a platform in the Azeri-Chirag-Deepwater Gunashli fields.

Neal Philips, Topsides Delivery Manager, said: "As in all BP projects, safety was the number one priority here."

Construction took around three years in total, during which safety talks were held each morning. There were regular safety audit walks at the yard where the pieces of the platform components were being made, along with other activities intended to make sure relevant safety procedures were being followed.

There were many challenges. For example, a number of lifting works had to be implemented with special safety precautions, especially during windy weather. "Once we even had to delay the works for three weeks because of bad weather," Neal Philips said.

Transporting the constructed platform to its new home in the Caspian Sea and installing it there presented a whole new set of challenges. Risks during this critical pre-start up phase were considered to be high. So before the pieces of the platform left the work yard, BP put in place an emergency response plan aimed at ensuring readiness in the event that an emergency should take place. An emergency response team was assembled in line with our approved regional model, and a series of practical hands-on exercises were arranged so that the team would be well versed in what to do if an emergency occurred. Simulations and table-top exercises were held to test the plans.

Both BP and contractor emergency response team members took part in the readiness sessions, and a further set of emergency response exercises and drills was developed for implementation on board the completed platform, to maintain and improve the level of emergency response capability.

In the event, the platform installation moved forward without significant incident. Altogether it had taken around 20 million man-hours of work to construct and install the platform – work that was completed without a day away from work case. The platform started its first oil production in January 2014.

Safety culture

The focus of our safety culture improvements on the Shah Deniz platform in 2013 was on human error awareness and procedural compliance. This included a baseline culture assessment and a mid-year review with a safety culture climate assessment. We developed a human factors awareness training course that is being delivered to the Shah Deniz workforce and will be completed by the end of 2014. We also rewrote the site operating procedures used for the platform, with the goals of reducing error, improving safety-related knowledge and enhancing human reliability on the platform.

On the Chirag platform, we focused on improving procedural compliance. For example, we carried out a human factors safety-critical task analysis of the procedures used for well operations on the platform. We then rewrote some of the procedures with an aim of making tasks less susceptible to human error. The goal of these enhancements was to maximize the use of frontline personnel to drive changes and to develop greater ownership of the site's safety processes among these personnel. In 2014, we expect to further review the procedures and to take further steps to reinforce compliance, for example through surveys and training.

We plan to continue additional activities aimed at making safety culture sustainable throughout the Azerbaijan-Georgia-Turkey (AGT) region.

Safety training and awareness

We introduced a new competency management assurance system in 2012, and rollout to our health and safety site leads began during 2013. However, progress was impacted during the year due to changes in health and safety personnel. We also began rolling out the system to our supply base, logistics and subsea health and safety leads.

In line with our health and safety training strategy, we decided to develop local training of the personnel on our oil and gas platforms in Azerbaijan in the use of a totally enclosed motor propelled survival craft (TEMPSC), as an alternative means of evacuation in the event of an incident offshore. To meet this objective, we purchased two TEMPSCs and the associated davits, which allow the vessels to be raised and lowered from platform level. We also identified a training provider and the training sites.

Operational safety

In response to recommendations made in the Gulf of Mexico accident investigation report (the Bly Report), BP's global wells organization has developed and implemented improved engineering technical practices, setting a new standard in the delivery of safe, reliable and compliant wells. BP continues to make progress on the remaining recommendations, largely in line with the planned schedule, to further strengthen operational guidance, enhance risk management processes and develop common capability standards for BP personnel and relevant service providers.

By the end of 2013, 15 of the 26 Bly Report recommendations had been completed globally, including in the AGT region, and the remaining 11 recommendations were progressing – with plans in place to close all recommendations by the end of 2015. Assurance of successful implementation of these recommendations is managed at BP group level with verification by an independent expert reporting to the BP board. This independent expert visited the AGT region twice in 2013 to verify and confirm the quality of our implementation efforts, including new practices at the regional level. In July 2013, BP's global wells organization created a management systems team to bring together professionals representing the BP group operating management system (OMS), the Bly Report programme, and knowledge management, creating a co-ordinated management system team. The remaining Bly Report recommendations will be completed through this management system, and once implemented the recommendations will be sustained through OMS.

BP is committed to doing what is necessary to implement the Bly Report recommendations.

Audit and verification process

The actions resulting from the S&OR audits in BP AGT were largely complete as of the end of 2013. A total of 98% of actions from our global operations offshore audit, 91% of actions from our global wells organization audit and 95% of actions from our global operations midstream audit were complete.

Based on BP group guidance, BP AGT is also developing processes for the self-verification of OMS implementation in our business functions and the embedding of S&OR assurance programmes. These activities are designed to cover all areas of BP AGT operation and provide both our regional and BP group management with the knowledge and understanding that operations are being undertaken in compliance with relevant legislation, group standards and local procedures – while also identifying relevant areas for continuous improvement.

Integrity management onshore

Pressure systems integrity

Pressure vessels and pressure systems are required to undergo periodic statutory inspection to work towards continued safe and reliable operation. In the first half of 2013, pressure systems equipment at the Sangachal terminal underwent a risk-based assessment of its inspection history and associated maintenance. Following the review, equipment was prioritized for further action and included in the site's integrity management plan.

We also inspected pressure systems equipment such as oil heaters and process vessels at Sangachal and AGT Midstream facilities. Inspections are carried out internally as well as externally using a large surface inspection automated scanner, which is considered to be the most up-to-date non-intrusive technology available to perform corrosion map scanning. Large surface inspection involves the use of a transducer to measure ultrasonic wall thickness at predetermined measurement positions, and the collected data enables accurate monitoring and calculation of corrosion rates.

Storage tanks also require regular inspection to ensure any deterioration is detected at an early stage. Internal visual inspection usually is combined with magnetic flux leakage floor inspection and mapping. In 2013, two crude oil storage tanks at the Sangachal terminal underwent extensive maintenance and inspection activities. Both tanks were taken offline, cleaned of residual oil and inspected internally. Welding repairs were performed, new internal coating applied and sacrificial anodes installed to prolong the life of the tanks.

During 2013, we continued implementation of our vibration management plan and completed baseline surveys. Findings and recommendations from the surveys have been issued and remedial action started. Priority is given for high risk safety critical areas in line with the risk assessments completed.

Also, we introduced integrity management planning in our midstream operations. Our integrity management activities are planned in line with the requirements of activity management principles to complete routine reviews at eight quarter, 12 week and six week plans. We schedule pressure systems equipment inspections and planned outages across a forward-looking period of several years.

BP workers using powerful new technology to test pipelines at the Sangachal terminal.

Corrosion and production chemistry

We have completed management plans for corrosion management, internal corrosion, cathodic protection and fabric maintenance. We routinely carry out corrosion control sampling at the Sangachal terminal and on the export pipelines and facilities. This includes, but is not limited to, quarterly bacterial surveys, quarterly pig trash samplings, entry specifications for the pipelines and various other operational-related chemical activities. Through this inspection and sampling regime, key performance indicators are set for the system and monitored on a routine basis and reported on a monthly basis.

All the underground facilities, pipelines and piping at the Sangachal terminal were surveyed in 2013, and improvement projects were identified. Cathodic protection upgrade projects are ongoing at the terminal. Many cathodic protection installations and upgrades have already been completed on the export pipeline networks. We also began installation of a remote monitoring system into the pipeline structure during the year.

Onshore pipeline integrity

Our midstream onshore pipeline system covers 3,000km of pipelines in Azerbaijan, Georgia and Turkey and three different pipeline systems -Baku-Tbilisi-Ceyhan (BTC), South Caucasus Pipeline (SCP) and Western Route Export Pipeline (WREP). A standard inspection is completed every two years on these pipeline systems. Some sections of WREP are inspected on a six monthly basis to check for illegal hot taps or risks from landslides. And some sections of the BTC and SCP routes are also inspected to check for soil movements at potential landslide locations. To conduct the checks, we use a number of in-line inspection technologies such as ultrasonic wall measuring and crack detection, cathodic protection and leak detection.

We began our implementation of pipeline integrity for priority projects in the region in 2013 by carrying out foundation-level risk assessments for the BTC, SCP and WREP pipelines. This process provides a robust method of identifying potential failure modes at pipelines, and we have used the assessment findings to develop integrity mitigation processes to manage the identified potential failure modes. In 2014, we plan to continue working to ensure that a robust pipeline integrity management process is in place.

98%

of actions resulting from the 2010 offshore safety and risk audit were closed by the end of 2013.

Deploying containment booms during an oil spill response exercise.

Integrity management offshore

Pressure systems integrity

We carried out inspections of the high-pressure and low-pressure separators at the East Azeri field in 2013. More than 40 vessels and exchangers were inspected using a range of non-destructive examination techniques. The inspections were undertaken across all six operational platforms and included techniques such as phased array ultrasonic testing, large surface inspection and manual ultrasonic testing. Furthermore, all critically high, high and medium impact pipework dead-legs were subjected to a risk-based inspection programme. And we completed risk-based assessments of the hydrocarbon duty heat exchangers, coolers, and filters in 2013, and set a future schedule for inspections.

Corrosion and production chemistry

All platforms in the AGT region were subject to routine sampling and analysis to test for corrosion control and chemical factors that could affect operational integrity. For example, we used corrosion coupons – measured pieces of metal inserted into an operating system and left for a fixed time to see if they gather corrosion – and probe retrieval methods to check for corrosion on the platforms twice during the year. In November 2013, we carried out a four-week fabric maintenance programme on the Chirag platform, focused on the well bay and the process pipework.

Working in partnership with a local supplier, Petrochem Group, we began local blending of production chemicals in Baku. The first blends of antifoam blended in Baku were used in our offshore operations in October 2013. Local blending has benefits that include reducing imported chemical volumes, procuring local resources, reducing logistics costs and providing local employment.

There were two loss of primary containment incidents associated with microbiological corrosion in 2013. The first occurred on the closed drains pipework on the Central Azeri platform in May and the second occurred on the water line supplying the sand jetting system at the Chirag high-pressure separator in July. These events resulted in no injuries or damage to the environment. There was no production loss associated with the Central Azeri incident. The Chirag incident resulted in a shutdown of the platform and an associated production loss that lasted approximately five days.

Structures

We completed advanced structural analysis of the Shah Deniz platform in 2013, confirming that the platform's weight loadings are suitable to support our planned implementation of additional wells. An engineering review was completed on the Chirag platform to assess the weight of the topsides, creating capacity for future additions and facility development.

All offshore platforms were subject to a fabric maintenance programme on the helicopter decks to ensure that the facilities meet new aviation standards issued by the UK Helideck certification authority.

Crisis and continuity management

In December 2012, BP AGT carried out an assessment of its management capabilities against BP's group defined practice on crisis and continuity management. The assessment identified several required actions focused on the sustainability of our regional emergency response and crisis and continuity management approach. We worked towards completing these actions in 2013 and anticipate implementation in 2014.

We also carried out an assessment of our oil spill preparedness and response capabilities in 2012 and 2013 against BP's group defined practice on oil spill preparedness and response, with the initial offshore scope of the assessment extended to include midstream operations. The assessment highlighted a variety of required actions, including updates to existing procedures, establishment of new procedures, purchasing of equipment and implementation of additional training. In BP AGT's offshore business lines, a multi-functional core team was established with the aim of coordinating and implementing the required actions to ensure completion and subsequent conformance to the practice in 2014.

Additionally, we moved our incident management centre to our new office location in Baku in 2013. It now occupies a larger floor space than previously, which will allow space at the command table for outside agencies, including a representative from the Ministry of Emergency Situations (MES), who will be allocated to work within the incident management team on a permanent basis. This addition to the team will facilitate further implementation of the mutual operating plan agreed between MES and BP.

A key part of the mutual operating plan is the establishment of a unified command structure, which would become active in the event of a large-scale incident. In 2013, representatives from MES were invited to observe and participate in several exercises. This culminated in a major exercise that took place in November where BP mobilized its site response team to deal with a simulated fire, explosion and oil spill on the Baku-Tbilisi-Ceyhan pipeline at a remote location, 15 kilometres away from the Sangachal terminal.

Contractor forums are used as an important channel for communicating our health, safety and environment agenda.

12

contractor health, safety and environment audits were conducted in 2013.

Specialist teams from the MES (including the fire brigade), the government's Export Pipelines Protection Division and medical teams from local medical services company MediClub also took part in the exercise. Our incident management team and business support team also participated.

The purpose of the exercise was to test the unified command aspect at the operational level. There was general agreement that the teamwork and organization at that level worked well. The exercise led to a better understanding of both BP and MES capabilities if faced with this type of scenario.

Other exercises held during the year covered a variety of scenarios, both offshore and onshore. The incident management team took part in three oil spill response exercises. Such exercises have helped to build team members' experience and awareness of what would be required if we are ever faced with a large-scale event in the Caspian Sea.

Working with partners and contractors

Our ability to be a safe and responsible operator depends in part on the capability and performance of our contractors.

We aim to set out clear and consistent expectations of our contractors. In our Upstream business, our standard contracts include, for example, health, safety, security and environment requirements. In some cases, bridging documents are necessary that define how our safety management system and that of our contractors' co-exist to manage risk on the work site. We are working with our strategic suppliers to create consistent and standardized global technical specifications for our equipment, initially focused on new projects.

Our approach is to work collaboratively with contractors in a way that seeks to avoid the need for intervention. Where contractors do not meet our requirements, they may be put on a performance improvement plan. We may also seek to shut down, pause, or delay contractor operations until our requirements have been met.

We completed a planned annual audit schedule of our contractor relationships for 2013. During the year, 12 contractor health, safety and environment audits were conducted. All identified actions were placed onto a central database, with each due to be followed up by the relevant contractor management audit lead.

Our contractor management programme also includes activities related to areas such as sub-contractor leadership and behavioural science.

During the year in the AGT region, we conducted a series of contractor forums under the direction of BP group-level functions and health, safety and environment leads. We see these forums as a key channel for delivering our contractor engagement agenda in the region.

We had developed materials to support shared learning with our contractors in a variety of areas, including human factors, safety culture, process safety, personal safety and dropped objects prevention.

Processes laid out in the industry-wide dropped objects prevention scheme (DROPS) are part of our daily business. One of the contractor forums we ran in 2013 focused solely on DROPS and was supported by a series of activity sessions, with a variety of lessons learned captured as a result.

Environment

We recognize that managing environmental impacts is an essential part of what it means to responsibly produce oil and gas.

What we said we would do

Seek to work collaboratively with government regulators in planning for oil spill response.

Monitor potential environmental impact from our operations. Minimize emissions resulting from our operations.

Minimize emissions resulting from our operations.

Where we are today

Lessons shared on oil spill response with governmental bodies.

153 ambient environmental monitoring surveys carried out by the end of 2013.

46% decrease in flaring and 16% decrease in greenhouse emissions, which is the lowest during the past six years.

What we plan to do next

Continue to develop modelling tools to better predict the consequences of an oil spill.

Further upgrade sewage treatment plants for our offshore platforms.

Improve capabilities to handle rising produced water quantities.

Environmental management

Throughout the life cycle of projects and operations that we and our co-venturers run in Azerbaijan, our aim is to manage the environmental and social impacts of our activities.

Elnur Alizade

Chief of Risk Management Division, Ecological Department, SOCAR

We aim to further improve our co-operation with BP to achieve targets set by SOCAR's environmental policy and ensure high standards in preserving the environment and oil spill response preparedness. In June, we participated in a workshop on oil spill response strategy in the Caspian Sea organized by BP where our BP colleagues shared their knowledge and presented the company's strategy on oil spill emergency response.

In December, we hosted a workshop where we presented our new oil spill prevention and response plan to specialists from the Ministry of Emergency Situations, Ministry of Environment and National Resources, Baku office of Organisation for Co-operation and Security in Europe and BP. While preparing this plan we also benefitted from BP's experience in this area.

We look forward to further extending our co-operation and sharing experience in the environmental area.

Our employee at the Shah Deniz platform. In 2013, we conducted seabed monitoring in the vicinity of the platform to assess the potential impact of our operations.

The environmental management system (EMS) used by BP in Azerbaijan is based on the ISO 14001 standard, which is in line with BP group operating management system requirements. The system helps us to identify and manage the potential environmental impacts of our activities and to ensure compliance with applicable local and international laws and conventions. We have put in place a variety of procedures that support implementation of the EMS. These procedures provide guidance on how to manage our activities in an environmentally responsible way.

We check the health of the EMS using internal and independent external audits, regular inspections, and ad hoc reviews of existing processes. We monitor our outputs to the environment, both planned and unplanned, and have in place an extensive environmental monitoring programme to help us identify potential environmental impacts so that we can mitigate, minimize and manage them.

This monitoring takes two forms: operations monitoring and ambient monitoring. Through operations monitoring, we aim to quantify the emissions and discharges that we release into the environment, while ambient monitoring helps us to understand the impact of these outputs on the environment. Typically, we compare the results of ambient monitoring against baseline data gathered before a project begins to assess if changes have occurred; and once data from several years of monitoring becomes available, to identify trends.

ISO 14001 certification

Our environmental management system has been certified to the ISO 14001 standard since 2000. In January 2013, the certification was renewed for three years, across the 17 sites and operating locations within Azerbaijan.

Maintaining the certificate requires regular surveillance audits carried out by an external auditor. In 2013, these audits covered the Shah Deniz and West Azeri offshore platforms; management of drilling operations; three waste management facilities; our advanced fluids facility and the Azerbaijani section of the Western Route Export Pipeline, the Baku-Tbilisi-Ceyhan (BTC) and the South Caucasus pipelines.

The auditors confirmed that the EMS continues to function and highlighted the quality of BP's internal audit processes. The audit report included two requests for corrective action and a number of observations made during the audits. We have developed an action plan to address the corrective action requests and observations.

Co-operation

In 2013, BP continued to work with the State Oil Company of the Republic of Azerbaijan (SOCAR), the Ministry of Environment and Natural Resources (MENR), the Ministry of Emergency Situations (MES) and other parties on the management of environmental issues related to our activities in Azerbaijan. Oil spill response was one of the main focus areas for this co-operation. We held two workshops devoted to oil spill response strategies for the Caspian Sea, and presented a BP-sponsored study to better understand the potential of microbes in the Caspian Sea to degrade oil. Representatives from SOCAR, the MENR, the MES and the government's Cabinet of Ministers attended both events. BP representatives also took part in a SOCAR organized workshop to review SOCAR's draft oil spill response plan.

In November, BP participated in two environmental protection events organized by the Azerbaijani government. At an international environmental exhibition called Caspian: Technology for the Environment, senior leaders from the BP group shared BP's global approach to environmental protection, focusing on drilling safety, enhanced response capabilities and our environmental and social requirements for major projects.

Independent audit

Since 2004, our operations are audited by independent consultants from D'Appolonia who provide a yearly audit of the BTC oil pipeline's environmental and social impact on surrounding areas. These audits aim to ensure that the BTC project is compliant with its environmental and social commitments.

In September 2013, the fifteenth monitoring visit of the independent environmental consultant to Azerbaijan took place. This was the seventh operations audit since 2006. The audit report was published in 2013, presenting the results of our efforts to ensure appropriate pipeline route reinstatement and prevent erosion, in particular at sensitive river crossings.

The monitoring results are available at our country website.

Managing our impact

We have detailed procedures in place to regularly measure and minimize the environmental impact of the assets and facilities we operate on behalf of our co-venturers.

Soil and vegetation survey around Sangachal terminal.

Direct CO, emissions

(kilotonnes)

Gross direct carbon dioxide (BP and co-venturers)

Net direct carbon dioxide (BP only)

Net GHG emissions

- Operational net greenhouse gas (GHG) emissions (kilotonnes)
- Normalized operational GHG emissions
- (tonnes per thousand barrels of oil equivalent)^a

Greenhouse gases

Our greenhouse gas emissions (GHG) arise from the burning of fuels in internal combustion engines, heaters, and flaring of unrecoverable gas.

In 2013, we emitted 3,164 kilotonnes of gross GHG, which is 16.2% lower than in 2012 and the lowest in the past six years. This reduction was achieved due to a significant reduction of flaring and despite a higher intensity of operations in 2013. In order to measure the intensity of our operations we calculate the amount of net emissions normalised to net production. In 2013, our normalized emissions have fallen significantly in line with a drop in GHGs and a minor increase in production, thus also resulting in the lowest number in the past six years.

About two-thirds of our GHG emissions come from the Sangachal terminal and the Central Azeri and Chirag platforms sites, each emitting over 0.5 million tonnes of GHGs.

Atmospheric emissions

BP in Azerbaijan monitors and manages its emissions to the atmosphere with a goal of minimizing the contribution to global greenhouse gases. We monitor emissions outputs from our fuel powered engines larger than 500 horsepower to assess whether they are performing within manufacturer specifications.

Our NOx emissions remained broadly the same as in 2012, in line with steady fuel gas use. SOx emissions have, however, increased^b commensurate with more intense diesel use.

Net GHG emissions per asset

kilotonnes)		
Asset / Facility	2012	2013
Central Azeri	117.2	110.4
West Azeri	44.0	18.3
East Azeri	46.0	23.7
Chirag	54.3	64.6
Deepwater Gunashli	70.6	51.8
Shah Deniz	2.1	2.0
İstiglal rig	3.8	3.7
Dada Gorgud rig	3.6	2.9
Heydar Aliyev rig	0	4.3
Sangachal terminal (Azeri-Chirag-Deepwater Gunashli)	252.5	235.9
Sangachal terminal (Shah Deniz)	44.8	37.3
Baku-Tbilisi-Ceyhan pipeline in Azerbaijan	19.4	20.1
South Caucasus Pipeline in Azerbaijan	0.2	0.2
Western Route Export Pipeline in Azerbaijan	4.3	4.4
Logistics	34.4	41.2
Waste management sites	2.2	2.3

^bSOx figures for previous years have been over-reported due to incorrect methodology of calculation

Flaring

Flaring in our operations can be routine (such as continuous minimal purging of process equipment to prevent an ingress of oxygen); planned (such as those required for safe and reliable execution of activities in advance, including well tests and plant or equipment maintenance or start-ups) or unplanned (such as flaring initiated for safety reasons during an unplanned operational event).

In 2013, the amount of flaring at our facilities in Azerbaijan decreased by 46% compared to the previous year, down to 256.4 kilotonnes. The main factor contributing to this significant reduction was the improvements we made to our operational management of gas export and flare gas at offshore sites. At the Sangachal terminal, flaring reduction measures included the commissioning of a stabilizer compressor in one of the terminal's dew point control units and steps taken to increase the reliability of flash gas compressors.

The largest single contributor to flaring in 2013 was the Chirag platform, where flash gas compressors were taken offline to ensure safety of our personnel and process equipment. Operation of these compressors was fully restored in the autumn; however, issues associated with gas export to Oil Rocks caused periods of extended flaring in late 2013.

Gross flaring by asset (kilotonnes)

The following flaring data has been omitted, since they are off the scale: 3.1 kilotonnes in 2009, 1.1kte in 2012 at Istiglal rig, 1.2 kilotonnes in 2013 at Heydar Aliyev rig. There is no flaring on Shah Deniz olatform.

Energy consumption

	2012	2013
Fuel gas (kilotonnes)	788.0	800.4
Diesel (kilotonnes)	57.9	65.8
Electricity import (megawatt hours)	8,199.0	8,074.0

Oil spills^c

In 2013, BP in Azerbaijan recorded 11 oil spills (unintentional discharges), seven of which were fully contained. One spill of 577 litres of oil-based mud was not contained, while a negligible fraction (less than 5%) of the remaining three spills (two oil based mud spills and one diesel spill) reached the environment.

Out of 15,232 litres of spilled material, 14,588 litres were recovered, which constitutes a recovery rate of over 95%. The volume of material that reached the environment due to spills was significantly lower compared to the previous year (643 litres against 156,794 litres in 2012).

We formally report all material releases of hydrocarbons to the Azerbaijani government's Ministry of Ecology and Natural Resources, as well as to SOCAR.

Energy consumption

Our energy consumption is directly linked to the span of our activities. In 2013, we used broadly the same amount of fuel gas as in the previous year. A 14% increase in diesel consumption was caused by the installation of the West Chirag platform (albeit with no oil production during 2013), use of the Heydar Aliyev mobile drilling rig, resumption of drilling on the Chirag offshore platform and the subsequent higher intensity of our logistics operations.

^c Oil spills are defined as any liquid hydrocarbon release to secondary containment or to open environment of more than or equal to one barrel (159 litres, equivalent to 42 US gallons).

Oxides of sulphur (SOx) 140

Oil spill response environmental and socio-economic sensitivity mapping

We carried out a project to update and expand the environmental and socio-economic maps for the coastline and onshore pipeline routes in Azerbaijan. Although BP takes every effort to ensure there are no oil spills, these maps will be used to guide our response to protect Azerbaijan's environmental and socio-economic resources if an accidental spill does occur.

The mapping project was a huge undertaking, covering the entire coastline of Azerbaijan, stretching from the border with Russia in the north to the border with Iran in the south, including islands, and the land routes along the Azerbaijan portions of the Baku-Tbilisi-Ceyhan pipeline and the Western Route Export Pipeline. Several complementary methods were used to gather the environmental and socio-economic data, including the use of cutting-edge remote sensing techniques, satellite imaging, low-level aerial surveys and ground surveys.

Environment

The project incorporated four key data components: physical/geomorphic characteristics, biological characteristics, human use characteristics, and available response resource characteristics.

Underlining the importance of the project, BP AGT Regulatory Compliance and Environment Director Faig Askerov said: "This project is a significant milestone in developing our oil spill response capability in BP AGT and it will also add value to the overall Azerbaijan oil spill response capability."

The project is planned for completion in early 2014 when the gathered data will be processed to yield environmental sensitivities, and mapped onto an atlas that can be used to guide an emergency response, if an oil spill occurs.

Gross non-GHG emissions – SOx and NOx (tonnes)

Waste management

We adopt a life cycle approach to waste management, with a goal of avoiding, reducing and reusing the waste that is created by our operations.

Industrial waste utilization site in the Garadagh district.

46%

decrease in total volume of hydrocarbons flared compared to 2012.

Our operations in Azerbaijan generated a total of 150,542 tonnes of solid and liquid waste during 2013. There was a 14% year-on-year increase in hazardous waste to 135,326 tonnes, largely due to more drilling. By contrast, completion of construction activities for the West Chirag platform resulted in a reduction of non-hazardous waste by 24% to 15,216 tonnes.

Of these waste streams, 34% of the nonhazardous waste (5,116 tonnes) and 29% of the hazardous waste (39,036 tonnes) was recycled or reused by local companies. The volume of hazardous waste recycled increased by roughly 10 times compared to 2012, mainly due to the re-classification of the disposal route for oily water. Previously we had classified this as a treated-disposed waste stream, but we have now correctly classified it as recycled or reused. The main non-hazardous waste streams, such as paper, wood, plastics and ferrous and non-ferrous metals, are recycled by local companies.

Approximately 44,860 tonnes of drill cuttings were processed at the Serenja hazardous waste management facility using indirect thermal desorption, yielding 6,405 tonnes of recovered base oil, of which 1,447 tonnes were re-used as a fuel and 4,958 tonnes were injected into the oil export pipelines. Of the other hazardous wastes, 53,540 tonnes were treated and disposed of by BP-approved waste disposal contractors using approved methods and routes.

In 2013, we started to landfill treated hazardous drill cuttings stored at the Serenja facility from previous years by sending 6,745 tonnes to Sumgayit hazardous waste landfill. BP continued disposal of accumulated non-hazardous drill cuttings, sending 6,176 tonnes to the Sumgayit non-hazardous landfill site.

Drill cuttings

We continue to base our approach to drill cuttings management on three main disposal options:

Discharge to sea – this is allowed for drill cuttings with synthetic-based mud (SBM) from the Chirag platform and with water-based mud (WBM) from all other platforms and mobile drilling rigs. In 2013, a total of 14,251 tonnes of drill cuttings were discharged into the Caspian Sea, a two-fold decrease compared to the previous year. This corresponds to a reduced use of WBM, as drilling activities shifted to drilling lower sections of wells using non-water based drilling muds.

Offshore reinjection – this technology is available on all Azeri platforms and the Deepwater Gunashli platform. In 2013, we injected 14,453 tonnes of cuttings and 47,457 tonnes of other types of waste, a 27% and 42% increase over the previous year, respectively.

Ship to shore for further treatment – this is practiced for drill cuttings with non-water based muds, when reinjection is not possible. In 2013, 28,944 tonnes of cuttings were delivered to the Serenja hazardous waste management facility, which was a 24% increase compared to the previous year.

Sewage

In 2013, we saw a significant reduction of sewage treatment plant outages that result in untreated sewage release incidents offshore. This was achieved largely due to rigorously applied preventative maintenance and operational processes, with a particular focus on the Deepwater Gunashli platform. Compared to 2012, we roughly halved both the number of sewage treatment plant outages (21 in 2013 versus 44 in 2012) and the volume of untreated sanitary water discharges (195m³ versus 386m³).

Given the overall improvement of our sewage treatment plant performance in 2013 and in order to make way for urgent operations-related engineering activities, we decided to postpone a planned sewage treatment plant upgrade for our offshore platforms in Azerbaijan.

Operational monitoring of treated sewage is conducted to assess treatment quality and compliance at all facilities.

At the Sangachal terminal, the monitoring of treated sewage showed compliance with all required parameters throughout the year. The increased capacity of the sewage treatment plant allowed not only for treatment of all terminal sewage, but also for receiving untreated sewage

Generated waste quantities

	2012	2013
Hazardous waste (excluding sewage)ª	73,001	94,958
Non-hazardous waste	19,932	15,216
Produced water	2,617,897	4,469,658
Raw sewage ^b	45,434	40,368

^a Includes drill cuttings and produced water filtration wastes. Excludes externally disposed raw sewage.
^b Represents raw sewage from facilities sent to Sangachal terminal for treatment and discharge to environment via sewage treatment plant.

ISO 14001

certification of our environmental management system extended until 2015.

Our employee taking produced water samples at Sangachal terminal (left image) for analysis at the local laboratory (right image).

from other facilities (such as supply base). Only sewage sludge generated at the Sangachal sewage treatment plant is sent to the Hovsan plant for treatment.

Offshore, standards were occasionally exceeded for faecal coliforms on the Chirag, Central Azeri and East Azeri platforms and for total suspended solid (TSS), faecal coliforms and biological oxygen demand (BOD) on the Chirag and Shah Deniz platforms. Along the export pipelines, on-site sewage treatment plants worked efficiently and reliably throughout the year. The second rotating biological contactor unit has been commissioned in the pump station PSA2 camp area. In 2013, despite the fact that samples of treated sewage entering the reed beds from the sewage treatment plant did not contain high levels of faecal coliforms, at the reed beds outlet this parameter was high. The investigation showed that the most likely contributor is pigeons that reside in the process areas of PSA2 and intermediate pigging station IPA1.

Produced water

As in previous years, in 2013 all produced water from the Azeri-Chirag-Gunashli (ACG) and the Shah Deniz fields was transported to shore with hydrocarbon streams. Produced water quantities have continued to rise – a total of 4,469,658 tonnes of produced water were separated at the Sangachal terminal in 2013, including 4,441,038 tonnes from the ACG field and 28,620 tonnes from the Shah Deniz field. This represented a 71% increase over the produced water generated in 2012.

Produced water from the ACG field was treated at the terminal's produced water treatment plant and exported back offshore for reinjection via the Azeri platforms. Altogether, 4,361,050 tonnes of

Drill cuttings discharged to water (tonnes)

produced water was reinjected in 2013, which represented a reinjection rate of 97.6%.

Along with the increased reinjection rate, we observed a significant reduction in produced water discharges to the Caspian Sea during 2013 (48,375 tonnes of produced water discharged compared to 117,746 tonnes in the previous year). The main reason for this reduction was the replacement of a leaking diverter valve at the East Azeri platform. The discharges were measured for oil and grease, and our monitoring showed these levels were normal.

Shah Deniz produced water continues to be placed into ponds at the Sangachal terminal. In order to further reduce the potential for damage to the environment from gas build-up, puncture or leakage, new liner and gas venting systems were installed in pond 1 in 2013.

Environmental monitoring

For more than 10 years, environmental surveys have been helping us to identify and understand the impacts of our activities on local environments.

Collecting samples during offshore environmental survey in the Deepwater Gunashli area.

Our environmental monitoring programme, is designed to provide a holistic approach to ambient monitoring around the offshore and onshore facilities that are operated by BP in Azerbaijan. By the end of 2013, a total of 153 monitoring studies had been completed over 10 years.

In 2013, we carried out 21 environmental surveys, of which 15 were onshore, five were offshore and one was nearshore. The collected information will be analysed and reports will be released in 2014.

Offshore and nearshore surveys

In 2013, we conducted seabed monitoring in the vicinity of three offshore platforms – Shah Deniz, Deepwater Gunashli and West Azeri – to assess the potential impact of our operations. A survey was also carried out in the Shah Deniz regional area to understand what, if any, natural changes have taken place in the marine environment. The monitoring involved physical and chemical sampling of the seabed and water column and faunal sampling of the benthic and planktonic populations.

Nearshore, we carried out an environmental survey in Sangachal Bay to assess the potential impact from operations at the Sangachal terminal.

In addition to the monitoring studies, we carried out a special project to study naturally occurring oil-degrading bacteria in the Caspian Sea, focusing on the Azeri-Chirag-Gunashli (ACG) and Shah Deniz contract areas and areas along the subsea pipelines. The results of the study will help BP to better understand the potential for natural degradation of any oil that may enter the Caspian in the event of an unplanned spill.

Because of the large number of samples and the number of factors analysed for each sample, there is up to a two-year lag-period between conducting a survey and producing interpretive reports. Therefore, we have summarized the 2012 survey results in this report.

Onshore surveys

In 2013, we carried out ambient air quality monitoring at the Sangachal terminal, the Serenja hazardous waste management facility (HWMF)

Summary of offshore	ambient environmental survey results 2012
Offshore	
Chirag platform benthic survey	We measured a variety of physical and chemical characteristics around the Chirag platform and found that all were within the data ranges reported in previous surveys. The 2012 data indicated that there was no change to an area of previous contamination, although there was some evidence that the community of macro-benthic organisms had recovered within the area that had been most severely impacted. The overall variability of communities across the survey area was less than in 2010.
Central Azeri platform benthic survey	Sediment concentrations of metals other than barium were at background values for the ACG contract area. The extent of linear alpha olefin (LAO), a synthetic hydrocarbon, was similar to the extent recorded in 2010, but the concentration of LAO in the affected area was substantially lower. Apart from the elevated barium concentrations and the presence of LAO, there was no evidence of environmental impact from the drilling and production operations at Central Azeri.
East Azeri platform benthic survey	Around the East Azeri platform, this survey found little change compared to a survey conducted in 2010. Sediments in the area to the east of the platform were found to be contaminated with linear alpha olefin, a component of synthetic-based drilling mud, but in concentrations that were notably lower than in the 2010 survey. Barium was the only metal present at elevated concentrations, and its distribution was indicative of discharges of barites, a component of water-based drilling mud, in drill cuttings waste.
Azeri-Chirag- Deepwater Gunashli (ACG) field regional benthic survey	Outside the areas influenced by platforms or drilling activities, this survey found very little change in the physicochemical characteristics or in the community of macro-benthic organisms, compared to previous survey results.
ACG and Sangachal pipeline benthic survey	The status of benthos on the seabed along the pipeline route was very similar to 2010. There was little evidence of change in the concentrations of most metals, but concentrations of lead and mercury were lower in 2012, compared to the earliest surveys carried out along the pipeline route (2000 and 2006).
ACG regional and pipeline water and plankton survey	This survey showed that water quality in the contract area, on the pipeline route and on a transect south from Baku was typical of clean offshore Caspian Sea water, with no evidence of contamination or other anthropogenic effects. As in previous surveys, the zooplankton communities in the contract area and along the pipeline were dominated by an invasive copepod (a type of benthic crustacean), while the phytoplankton community was dominated by a non-native diatom alga. An invasive ctenophore (comb jelly) was present in all samples.

and along the Baku-Tbilisi-Ceyhan (BTC) pipeline and Western Route Export Pipeline routes. Preliminary results at two facilities along the BTC pipeline (pump station PSA2 and intermediate pigging station IPA1) indicated that NO₂ and SO₂ levels in the area were within the relevant air quality standards.

Daytime and night-time environmental noise monitoring conducted in 2013 at several points along the pipeline routes showed noise levels that were within the relevant environmental and social action plan (ESAP) requirements.

We conducted ground and surface water quality monitoring at the Sangachal terminal and the Serenja HWMF. Along the export pipelines in Azerbaijan, we conducted ground water monitoring at the Qarayazi aquifer and at PSA2. Monitoring results from monitoring wells in the area were in compliance with established standards for all parameters measured.

Surveys along export pipelines in Azerbaijan 2013

terminal

Surveys around Sangachal terminal and Serenja HWMF, 2012

Surface water monitoring at PSA2 and IPA1 showed that total coliform number exceeded the limit established by ESAP. Further investigation showed that the source of the high coliforms was not the on-site sewage treatment plant (coliforms exiting that facility were within acceptable limits) but were likely related to pigeon populations in the area.

A soil and vegetation survey was conducted at the Sangachal terminal, and bio-restoration and vegetation cover monitoring were conducted along the export pipelines in Azerbaijan. Monitoring carried out during 2013 showed that the success rate (percentage) of landscape restoration of BTC and South Caucasus Pipeline right of way in the Gobustan and Hajigabul districts had increased at both sloped and flat areas, compared to 2012, with no significant signs of erosion at any of these areas.

Along the BTC pipeline right-of-way, more than 87% of monitoring sites showed an increase

in vegetation cover in 2013, compared to the previous survey. Monitoring of bio restoration areas in the Gobustan semi-desert habitat in late 2013 showed that 61% of the plants that were seeded in these areas a few months earlier had survived. Despite dry weather conditions and wind erosion, the propagation of perennials at Gobustan appears to be progressing steadily.

In addition, the surveys of birds, and mammals and herpetofauna as well as the wetland survey were carried out adjacent to the Sangachal terminal. Landscape monitoring and rare species monitoring were conducted along the export pipelines in Azerbaijan.

ambient environmental monitoring surveys carried out in 2013.

Nitrogen monoxide (NO), nitrogen dioxide (NO.), and benzene were monitored in 2012, and the results showed that the levels were Ambient air quality at within the appropriate standards (national annually averaged air quality standards and annually averaged European Union standards). Sangachal terminal Total volatile organic compounds (VOC) concentrations were similar to results from 2010. These sites have been shown to have approximately constant mass concentrations of these parameters over a three-year period. Ambient air quality All monitoring results for PM10, NO, NO, SO, benzene and total VOC around the Serenja HWMF appeared to be within daily or around Serenja annually-averaged air quality standard limits. HWMF Ground and surface Early in 2012, groundwater samples from several monitoring wells at the Sangachal terminal showed evidence of the presence water monitoring of some pollutants, including BTEX, TPH, and phenols, but by the latter part of the year these had decreased below the laboratory around Sangachal detection limits. terminal Soil and vegetation Indicators from this survey (crust cover, bare patch index) showed that there had been some improvement in ecosystem conditions survey around and that there had also been a small improvement in soil stability compared to 2008 values. Sangachal terminal Birds monitoring We recorded an increase in the number of bird species observed in 2012 (compared to a past survey) - with around 100 species of birds recorded in the survey area - primarily due to an increase in migratory species. The number of resident bird species observed around Sangachal terminal showed little change. Mammal and In total, 17 species were recorded during the 2012 survey, of which three were amphibians, seven were reptiles and seven were herpetofauna mammals. The results showed a relatively uniform distribution of animal presence across the whole site, with no indication of areas monitoring around of absence due to impacts from the terminal activities. Sangachal terminal Wetlands survey This survey showed that many of the wetland areas around the terminal have a very limited diversity of plant species, dominated around Sangachal by dense stands of common reed. Eight fauna species were observed. Hydrocarbon contamination of soil and water was present -

Environmental noise monitoring at Sangachal terminal showed that in these locations all of the measured noise levels were within relevant standards.

but confirmed as being due to third-party activities.

Society

We want our impact on society to be a positive one, supported by open dialogue with our stakeholders and leading to sustainable enterprise and community development.

we would do

Continue our support for community development programmes.

Localize our supply chain and promote the sustainability of our projects.

Help drive the transparency agenda.

are today

About \$2.7 million spent jointly with our co-venturers on social programmes.

Together with our co-ventures in Azerbaijan, we signed new long-term contracts with 479 local companies in 2013 worth about \$4.1 billion.

Contributed to the implementation of new EITI standards.

to do next

Expand our framework for managing social investment.

Further improve access to infrastructure, support development of local industries, and assist local capacity building.

Share our EITI experience with local and international audiences.

Stakeholder engagement

BP in Azerbaijan engages with a wide range of stakeholders, building relationships that help us to make responsible decisions.

In March, we held two-day showcase of our latest technologies, which was attended by senior management of SOCAR.

Shahmar Movsumov

Executive Director, State Oil Fund of the Republic of Azerbaijan

Along with being one of the champions of EITI implementation in Azerbaijan, BP plays an important role in engaging the group of companies into the process and mobilizing them. Their activities in supporting transparency and accountability in the extractive industries, demonstrating a fruitful co-operation within the framework of EITI, define BP's leading position in this area.

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Our technical assistance programmes helped Debet Uniform, a local uniform manufacturer increase its productivity, product quality and technical know-how. Now they supply personal protective equipment for our operations in Azerbaijan and Georgia.

Industry and government

Our partnership with the government of Azerbaijan continued and was broadened in 2013. We continued to work with the State Oil Company of the Republic of Azerbaijan (SOCAR) on issues of mutual interest within the framework of our production sharing agreements, host government agreements and other agreements.

A delegation led by BP Group Chief Executive, Bob Dudley, met with the President of Azerbaijan, Ilham Aliyev, three times – in May, November and December.

The BP AGT regional president hosted President Aliyev and his guests on the BP stand at the twentieth Caspian Oil and Gas Exhibition in June at the Baku Expo Centre. President Aliyev also visited our second Meet the Buyer event (see page 48), which attracted more than 200 major international companies and organizations.

In March, BP in Azerbaijan held a technology showcase in Baku (see page 15). The showcase demonstrated examples of how BP's upstream technologies are being advanced and deployed, with a particular focus on challenges we are addressing in the Caspian region. Visitors included oil and gas experts, academicians and students from local universities.

Revenue transparency

BP is a long-standing supporter of the Extractive Industries Transparency Initiative (EITI). Launched in 2003, EITI was designed to help create a voluntary, worldwide standardized process for the transparent reporting of company payments and government revenues in extractive industries including the oil and gas sector.

EITI in Azerbaijan *eiti.az*

As the first EITI compliant country, Azerbaijan celebrated 10 years in EITI in 2013. BP has been working with governments, civil society and other extractive industry companies within the framework of this initiative from its inception. In Azerbaijan, we have played an active role in the local EITI process as a member of the local multi-stakeholder steering group, and as a co-ordinator of the group of companies that participate. BP actively contributed, as part of a local working group, to the implementation of new EITI standards that were introduced in May.

We have been sharing our EITI experience with local and international audiences. For example, in March, BP gave two presentations to representatives of six countries at an international training event in Baku. Another presentation was given to the training participants during their visit to the Caspian Energy Centre at the Sangachal terminal. In October, we were in Kazakhstan as part of Azerbaijan's multi-stakeholder group delegation, taking part in an international workshop on the new EITI standards.

Media relations

We saw substantial media interest in our activities in Azerbaijan during 2013.

Several of BP's senior leaders, including the group chief executive, vice presidents and the BP AGT regional president, took part in press briefings, and we held two press conferences in Baku with State Oil Company of Azerbaijan Republic. The group chief executive gave an interview to AzTV and CNN Turk when he visited Baku to take part in the Shah Deniz Stage 2 final investment decision event. We organize regular site visits for local media representatives.

Chingiz Huseynzade

Vice President, Azerbaijan National Olympic Committee

We are delighted to extend the partnership with BP and we look forward to working together on the development of Azerbaijani athletes to bring more sporting success to the nation.

Throughout the year, we arranged group and individual briefings for local and international journalists and provided regular updates as well as TV and radio interviews on our activities in Azerbaijan. Representatives of key media outlets were invited to attend all BP-arranged external events in the country. During these events, BP management representatives were made available to take media questions, give interviews and provide briefings on topics of interest to the media participants.

We held two media workshops for local journalists and arranged seven trips to our sites for local and international media representatives. This included a trip to Ganja and surrounding areas for a group of local journalists to get a first-hand view of the progress being made through social projects BP is supporting on behalf of its co-venturers in communities along the Baku-Tbilisi-Ceyhan pipeline and South Caucasus Pipeline.

In total, BP AGT issued 21 press releases and four business update reports in 2013 to announce major achievements, milestones, projects and contract awards. We also provided a 24-hour media response line.

One-day social media skills development training was arranged for a group of leading business journalists at their request. The training was provided by a visiting international trainer.

Other engagement

During the year, we hosted more than 50 site visits to the Sangachal terminal by politicians, journalists and guests of our co-venturer companies as well as representatives of financial, educational and military organizations from more than 25 countries.

In April 2013, BP's head of economics for Russia/ CIS visited Azerbaijan to present BP's annual *Statistical Review of World Energy* to government agencies, media, university students and the business community. During the meeting, he also presented the *BP Energy Outlook 2030* report, which reflects the company's forecast of the longterm trends on the energy market.

Supporting athletes

In May, we extended our partnership with Azerbaijan National Olympic Committee and National Paralympic Committee. In so doing, BP will continue to support the country's national teams and its elite athletes until the end of 2016. The original agreement was signed in January 2012, ahead of the London 2012 Olympic and Paralympic Games.

We also took part in public exhibitions and events during the year. In October, we hosted a stand at the seventh Azerbaijan International Education and Career Exhibition in Baku, and in November we took part in Global View on Environmental Issues in the Oil Industry, an international conference, and also hosted an exhibit stand at the fourth International Environmental Exhibition in Baku.

An average of more than 790 people visited our bilingual website *bp.com/caspian* every day during 2013 – representing a 33% increase on the previous year. The website highlights our activities in Azerbaijan and the region and remains an important means of interaction with the public. We received 1,063 enquiries – 68% more than in 2012 – through the site's online enquiry form.

Enterprise development

We are supporting targeted capability development in Azerbaijan's business sector to help build a sustainable local supply chain for the Caspian region.

New market horizons

When Afa Hasanova, Managing Director of IRES Global Recruitment MMC created IRES in 2005, her vision was to grow the company's capabilities so that it could provide highquality recruitment services to both local and international client companies in Azerbaijan.

Three years later, IRES joined the EDTP, a move that helped Afa and her team to assess any weaknesses in the company's quality management and health, safety and environment systems, either of which could limit the company's ability to do business on an international scale. EDTP consultants worked with IRES to help them bridge identified weaknesses, with a plan to bolster client satisfaction, streamline operating procedures and put in place a code of conduct and clear HSE policy for the company.

IRES put a strong effort into implementing the plan. The company took steps to improve its staff development processes, management systems and other areas of the business, with support from EDTP consultants throughout the process.

In 2009, the improvements and changes the company had made were the crucial factors in it being awarded a contract with BP to provide services in support of BP's recruitment of local technical and administrative personnel in Azerbaijan. IRES's association with the EDTP has helped it to connect with other potential client companies as well. At our 'Meet the Buyer' event in 2013, IRES was among the exhibitor companies introducing their services to the local marketplace, with the event yielding about 25 new business leads for the company.

Also in 2013, IRES was awarded a second BP contract for management and administration of recruitment tests that are part of our selection process for graduate and technician recruits.

"Co-operation with the EDTP gave us an opportunity to open new market horizons and enabled us to enter new market segments," said Afa.

The companies, participating in our supplier development programmes, provide oil and gas projects in the Caspian region with a wide range of services.

Together with our co-ventures in Azerbaijan, we signed new long-term contracts with 479 local companies in 2013 worth about \$4.1 billion.

This was the second year of our three-year strategy to identify and support companies that are operating in high-impact categories and which have the potential to develop a sustainable local capability – through training, coaching and awarding of supplier contracts.

One of our strategic objectives for 2013 was to further enhance supplier development activities in the region by extending the transparency of our contractual requirements for local contractors, thus helping to make sure the requirements are fully understood and have been extended to cover sub-contractors who support BP activities, as appropriate. During the year, we ran compliance awareness classes that included sessions addressing BP's code of conduct and our health, safety and environment (HSE) policies.

Representatives from 20 local companies from a variety of business sectors attended the classes, including business managers, quality assurance professionals and HSE specialists.

Enterprise development and training programme

Our enterprise development and training programme (EDTP), which we have been running since 2007, is a core part of our long-term effort to support development of the local market in Azerbaijan. The EDTP helps BP to identify local companies with strong business potential and to support these companies in meeting international standards and enhancing their competitiveness. Longer term, the EDTP is designed to increase the number of available local companies with which the industry in the region can call upon to supply of products and services – thereby contributing to the development of the local economy.

In 2013, 301 companies were appraised by the EDTP bringing the total to 1,316 companies since the programme began. In addition, 236 in-depth gap analyses were conducted and 240 tailored business development plans were produced. During the year, 28 companies successfully completed the programme, bringing the total number of companies that have completed it to 149.

In 2013, BP and its co-venturers awarded contracts worth about \$93.5 million to 28 companies that had previously participated in the EDTP. Four EDTP participant companies won contracts worth about \$2 million with other international companies while five companies won contracts worth \$19.7 million with local companies. Participating local companies also invested about \$4.5 million in new capital equipment and hired 591 employees in 2013. Overall, since its inception the EDTP has helped its participants to secure contracts with local and international companies totalling more than \$452.7 million, of which about \$275.9 million has been with BP and its co-venturers in Azerbaijan.

\$1.98 billion

spent jointly with our co-venturers for operations and projects in Azerbaijan in 2013.

We hosted the second Meet the Buyer event as part of the 20th International Caspian Oil and Gas Exhibition.

The team working to deliver our local content strategy in Azerbaijan, including the EDTP, was recognized as a 2013 finalist in the BP's global Helios Awards programme. This programme recognizes the outstanding team contributions towards building a safer, stronger BP in line with the BP's values.

Meet the Buyer exhibition

BP and its co-venturers hosted the second Meet the Buyer event in June 2013. It was held in the Baku Expo Centre as part of the 20th International Caspian Oil and Gas Exhibition. The event gave around 90 enterprise development and training programme participant companies the opportunity to exhibit their products and services to around 5,800 visitors, many of whom were potential clients.

EDTP participants reported more than 730 interactions with potential buyers and 550 business linkages with other exhibiting companies. The Meet the Buyer pavilion was also visited by high-ranking officials in the Azerbaijani government, including the country's president, as well as by major shareholders in oil and gas projects in the region.

Also present were some local companies that BP had selected as potential suppliers of materials and equipment for the planned Shah Deniz Stage 2 development project. The companies exhibited their products and services, providing them with an opportunity to network with others in the industry and for BP to demonstrate how it is supporting local content through its development strategy. The first order for locally manufactured products for the project was signed at the end of 2013.

Our spend in Azerbaijan in 2013

Our joint operations and projects expenditure in Azerbaijan totalled more than \$1.98 billion in 2013 – an increase of 24% over 2012.

As part of this, our sustainable in-country operations-only expenditure with local suppliers rose to about \$1.6 billion – a 33% increase over 2012, reflecting increasing linkages between our enterprise development efforts and our demand planning. The total included a 42% rise to \$638 million in direct expenditure with local small and medium-sized enterprises (SMEs) – a key target audience of our development projects – and incorporated a 20% rise in spending with joint ventures to \$401 million and growth of 60% to \$80 million in our expenditure with state-owned companies. Our indirect sustainable local spend through foreign suppliers in Azerbaijan grew by 22% to \$475 million in 2013.

Altogether we and our co-ventures conducted business with 310 local companies and individuals in Azerbaijan in 2013 of which 261 (84%) were SMEs.

BP and co-venturers' direct operations and projects spend in Azerbaijan (\$ million)

Joint ventures with Azerbaijani capital

Small and medium-sized enterprises State-owned companies

^a This amount also includes expenditures with physical persons

28

contracts awarded to local companies that have completed enterprise development training programme in 2013.

Working with communities

We aim to have mutually beneficial relationships with the communities around our operations, underpinned by open dialogue and working together to address community challenges.

Guivami Rahimli

Sustainable Development Initiative Manager, BP AGT

In September, representatives from BP and co-venturers visited four regions of Azerbaijan to get a first-hand view of the progress that is being made through community development projects along the pipelines. The projects are being run within the framework of BP's Sustainable Development Initiative (SDI), with funding provided by BP and its co-venturers. This monitoring visit and its successful outcome show the importance of SDI as a business support tool, which brings sustainable benefits to communities neighbouring our assets, builds our credibility and trust in society.

Maintaining community relations

BP regularly communicates with communities along the Baku-Tbilisi-Ceyhan (BTC) pipeline and South Caucasus Pipeline (SCP) route in Azerbaijan, to inform them about our plans and listen to their concerns. This communication takes many forms, from community meetings and the distribution of literature, to written correspondence and responses to requests or complaints made by community members.

Community engagement is a standard practice for our new projects. In 2013, we held public meetings to discuss the results of environmental and social impact assessments (ESIA) that we had carried out for the planned Shah Deniz Stage 2 and the SCP expansion projects. ESIA documents describe the project and the potential impacts it may have on the physical and biological environments, people, cultural heritage and employment. Consultation with stakeholders is an important element of the process, including soliciting, collating and documenting the opinions of potentially affected people and interested parties. To this end we disseminated the draft ESIA documents for two projects and made them available for a period of 60 days at public locations and via our website. In March, we held five public meetings in Baku, Kurdemir, Yevlakh, Agstafa and Ganja to discuss the SCP expansion ESIA. We held four more meetings on the Shah Deniz Stage 2 ESIA in 2013. We then analysed the comments that were received and provided responses where relevant. The final version of the documents that were approved by the Ministry of Ecology and Natural Resources considered the feedback we received.

Since 2007, a grievance resolution mechanism has been in place for communities along the pipelines' route. In 2013, our six community liaison officers and our stakeholder relations lead from the Sangachal terminal continued to hold public consultations and manage community-related grievances and requests along these communities.

A complaint relating to crop damage was received and resolved during 2013. We also received 265 requests from communities and other stakeholders covering a variety of topics, the majority relating to infrastructure works being carried out on the pipeline corridor. By the end of the year, BP had responded to 201 of these requests, with the remaining 64 still under consideration.

We received a large volume of employmentrelated enquiries from within communities neighbouring the Sangachal terminal in connection with expansion works at the terminal. To help BP address these enquiries in a timely manner, our infrastructure contractor Azfen employed about 155 temporary staff from local villages.

One objective of our community engagement programme is to make sure community members understand the access restrictions that are in place along the pipelines and why these restrictions are necessary for public safety and to maintain secure operations. We registered 43 incidents of third-party violations along the pipelines in 2013. including grass fires, damage to line markers and trespassing within the safety zones around the pipelines, including damage from heavy vehicles. Our community liaison officers participated in the responses to these incidents and engaged with communities to try to reduce the number of future incidents. They distributed more than 2,200 community awareness folders to landowners, land users and other stakeholders.

We support community developments projects focusing on the areas ranging from agriculture to community services.

Supporting small dairy farmers

Ilgar Kazimov is a cattle farmer in the village of Seyidlar in the Samukh region of Azerbaijan. In Seyidlar, most people earn their living through animal husbandry. Often this means selling the animals for slaughtering. For cattle farmers like Ilgar, there has traditionally been little reason to maintain more dairy cattle than they need for their own purposes, as there were few routes to market for local dairy products.

In a community meeting led by a BP community liaison officer, Ilqar learned of a new community project that BP and its coventurers in Azerbaijan in conjunction with the US Agency for International Development had initiated to provide support for small-scale dairy producers. The project was establishing new collection points – complete with laboratory equipment for initial testing – to bring local milk to central processing centres in Azerbaijan. One of the new collection points was being set up in Ilgar's village.

Ilgar said: "The project reshaped my business plan and changed my life. I acquired new skills and knowledge on looking after and feeding the cattle, milking cows, organizing my business. I learned how to do market research, cost reduction, and business analysis through participating in the training and discussions provided as part of the project."

The project gave Ilgar and farmers like him new opportunities to diversify and expand their businesses. By the end of 2013, about 350 farmers from five regions were selling their milk to the collection centres. The project has contributed to the development of the local dairy sector, increased farmers' income and improved the quality and volume of milk being sold. It has also created 16 jobs at collection points. About \$549,000 was generated from the sale of milk to the centres during the project's first year.

For Ilgar Kazimov, the project has meant an increase of about 30% in his annual income – an increase that has convinced him to convert his herds completely to dairy production.

Ilqar said: "In addition to breeding the cattle, I bought 10 more cows for milking. Today along with meeting my family's dairy needs, every day I sell about 120-130 litres of milk to the milk collection centre in Seyidlar village, which covers the costs of my fodder and animal breeding and generates income for my family."

As part of the compliance with the social commitments set in the Baku-Tbilisi-Ceyhan (BTC) / South Caucasus Pileline (SCP) environmental and social action plan we continued to conduct annual community liaison audits of four pipeline major contractors to monitor their social performance. These audits are designed to reveal gaps in support of increased transparency and continuing positive relationships between contractor companies and communities around the pipelines.

Development initiatives

We support a variety of community and sustainable development initiatives, as part of our operations in Azerbaijan, including projects designed to improve local education, build community-based skills and capabilities to improve access to social infrastructure and provide training and finance that local enterprises need in order to grow.

With our co-venturers^a, we allocated \$112,800 to community development initiatives in 2013.

We also took steps to enhance the governance of our Sustainable Development Initiative (SDI), the framework within which we manage community development initiatives in the country. We expanded our board and updated the procedures we follow for selecting new SDI projects and monitoring the effectiveness of existing ones.

In November, we took a group of journalists to see first hand some of the progress that is being made through SDI-supported projects in several regions along the BTC and SCP pipelines' route. The visits were made as part of the monitoring that BP regularly conducts to check that development projects are being managed sustainably and that communities continue to see the intended benefits.

^a See page 17 for the list of our co-venturers in Azerbaijan.

Pre-school education and female entrepreneurship

In the Shamkir region in the north-western Azerbaijan, we have been supporting a project that aims to improve the quality of pre-school education, increase the access of children to kindergartens and create self-employment and income-generating opportunities for local women. The project began in 2012 and is being implemented by local non-govermental organization (NGO) – the Centre for Innovation in Education. The project has a budget of \$226,224, of which \$52,800 was spent in 2013.

During the year, the project's child-centred pre-school methodology and step-by-step training were delivered to 25 teachers working for local public kindergartens and primary schools. Four unemployed teachers selected from local communities continued to conduct pre-school trainings for five and six year old children at the centre.

To support the project's goals for female entrepreneurship, we commissioned a study to better understand which skills, capacities and expertise would be most beneficial for women in three of the communities covered by the projects.

An invaluable career opportunity

Nijat Akhundov first heard about the Youth Business Leadership project during an awareness-raising session held at the Azerbaijan State Economic University, where he was studying international economic relations. The session piqued Nijat's interest. After hearing about the requirements for participation, how the project works and the types of business experiences it is designed to foster, he applied to take part in it as an intern.

As a successful applicant, Nijat's was placed into an internship within the sales department of Azerfon LLC, one of the leading mobile communications operators in Azerbaijan.

The three-month internship gave Nijat daily on-the-job learning experiences and helped him to build and expand a variety of skills. In assisting the team that carried out sales analysis for the business, he helped the team to prepare reports about multiple sales channels. The work exposed him to many of the technical aspects of sales analysis, such as the criteria that go into capturing a meaningful sales vision, the elements of a sales strategy, channels to market and the basics of analysis and analytical logic.

Nijat said: "I feel so lucky to have been selected for the Youth Business Leadership project, which allowed me to gain invaluable experience in the sales sector."

After the internship programme Nijat received a job offer from Azerfon and joined the company in a junior role within the sales analysis department. Nijat's mentor at the company, Toghrul Talibzadeh, said: "Nijat's strong analytical thinking and constructive decision-making ability made him suitable for working at Azerfon as a junior analyst."

Youth Business Leadership project

Youth Business Leadership is a two-year project that aims to give young students in Azerbaijan the business tools they will need in order to become entrepreneurs and future business leaders. BP on behalf of its co-ventures, the US Agency for International Development and the American Chamber of Commerce launched the project in 2012. Junior Achievement Azerbaijan is implementing the project, with an overall budget of \$200,000, out of which BP and its co-venturers are providing \$100,000. A total of \$60,000 was spent in 2013.

The project aims to facilitate internship opportunities at private companies for around 120 third and fourth year university students from Baku and Ganja.

In 2013, Youth Business Leadership recruitment activities took place at the Baku State University, Azerbaijan State Economic University, Qafqaz University, Azerbaijan State Oil Academy, Khazar University, Azerbaijan Diplomatic Academy, Ganja State University, Ganja Agrarian University and Ganja Technological University. In total, 75 students were accepted into internships and mentoring sessions within local and foreign companies. To prepare for these experiences, the students received training in work readiness, business ethics and personal finance.

Local governance and environmental programme

In nine municipalities along the Azerbaijan section of the Baku-Tbilisi-Ceyhan and South Caucasus pipelines, a BP-supported programme is being carried out in support of local governance, youth capacity-building and environmental initiatives.

The programme, which BP initiated in 2011 on behalf of its co-venturers is being implemented by the Eurasia Partnership Foundation. It is designed to increase transparency in municipal service delivery by establishing clear governance practices in local government and by encouraging youth participation in local affairs.

In 2013, the programme continued to provide small grants to youth chambers that have been established in the nine municipalities to solve local environmental problems. The participating young people implemented a wide range of projects, including a public awareness campaign, cleaning up domestic waste, cleaning and fencing off a school sports ground, tree planting and installing a water filtering system. Small grants were also awarded to the municipalities to support implementation of socioeconomic projects. These projects follow on from training that has been provided on topics such as strategic planning, performance measurement and public participation in local governance. In 2013, the programme supported seven micro-projects within the municipalities, ranging from a project to pave school roads, to the renovation of a water pipe system and repairs to a cemetery fence.

Overall, the budget for the programme is \$463,873, of which \$195,799 is being provided by BP and its co-ventures.

Employee engagement programme

In 2013, about 10 employees participated in BP's employee engagement programme (EEP), which is designed to encourage our staff to volunteer their time and talents through time-matching – in which BP provides funding to match the time that employees volunteer for local causes.

During the year, employees took part in educational projects and donated 415 hours (equivalent to \$8,300) towards implementing a Society of Petroleum Geologists' textbook purchase for students and the US-educated Azerbaijani Alumni Association's business case competition for school projects.

In total, from November 2009 to December 2013, a local NGO – Saglam Hayat public union – implemented 17 projects made possible with more than \$114,000 generated through EEP.

The BP library initiative

Our library initiative in Azerbaijan continued in 2013 with the renovation and upgrading of a school library in Ersheli village in the Kurdamir region, northwest of Baku. The Saglam Hayat public union managed the project, which was funded by BP employees following a year-end raffle campaign. The total cost was \$11,722, and about 700 local schoolchildren and teachers benefitted, gaining greater access to books.

Educational initiatives

Our involvement in education is diverse and wide-ranging – and guided by our goal of building capability to support the oil and gas industry in Azerbaijan.

Huseyn Mamedov

Vice President, Communications, External Affairs and Security, BP AGT

We are proud that the School of Project Management initiative that we jointly launched two years ago has turned into a successful and credible educational project, which supports Azerbaijan's efforts to raise the quality and standards of non-oil sector management to international requirements. Therefore, we are particularly pleased that the number of non-oil sector representatives has this year exceeded that of the oil and gas sector. We are encouraged by this fact and are confident that the programme will continue to achieve the objectives that BP and its co-venturers set for it when it was established. We are pleased with the overall results and remain committed to supporting major educational initiatives aimed at enhancing Azerbaijan's capacity-building

BP and its co-venturers help to fund a range of educational programmes, from early years learning to advanced university research, aimed at building the skills and capability that our industry will need in the future.

During the year, BP alone and with its co-venturers allocated \$1,189,149 to educational initiatives in Azerbaijan.

Azerbaijan oil and gas scholarship programme

BP and its co-venturers have been funding oil and gas scholarships since 2002. The programme enables Azerbaijani students to pursue undergraduate and graduate studies in engineering and geosciences at universities in Turkey and Azerbaijan. In 2013, the value of the scholarships provided by BP and its co-venturers had exceeded \$708,680 including \$94,800 allocated for new scholarship recipients in 2013.

In 2013, 25 undergraduate students and seven graduate students received scholarships. Also during the year, 14 students were hired as summer interns, while eight were hired into graduate recruitment programmes in Azerbaijan.

School of Project Management

The School of Project Management (SPM) continues to provide Azerbaijani professionals from both the private and public sectors with access to a globally recognized, comprehensive project management programme. The SPM aims to quickly improve participants' current project management performance while helping to establishing long-term project management capability in the country. Based at Khazar University with a curriculum that is available in Azerbaijani and English, the programme is delivered by ESI International, a global organization that specializes in project-focused training. BP and its co-venturers set up the SPM in 2010. The programme's second graduation ceremony in 2013 included people from government and a range of business sectors representing oil and gas, engineering, construction, marine industries, geology, banking and finance, education and telecommunications.

In 2013, the project was expanded and its budget increased to cover four additional streams of students. In total, 129 representatives from 47 private and public organizations participated in the SPM in 2013. Of those, 47 qualified for masters and 82 qualified for associates certificates from the George Washington University.

The Ministry of Education of Azerbaijan has selected the SPM to provide training to a group of 30 representatives of various ministries as part of its public investment in capacity building project.

Altogether, BP and its co-ventures' financial investment in the SPM had reached more than \$2 million by 2013, of which \$350,000 was spent during the year. The project will continue until 2015.

Qafqaz University project

BP presented 11 fully equipped laboratories to the Baku-based Qafqaz University in 2013 as part of a continuing project to support development of Azerbaijan's national experts and the overall potential of the country's workforce. The laboratories will be used by students and faculty in the university's mechanical engineering department, which was established in 2011 with BP's support.

By the end of 2013, 89 students had enrolled in mechanical engineering courses, with another 104 enrolled in the university's chemical engineering department.

Left image: The second graduation of the School of Project Management. Right image: Opening of new laboratories in Qafqaz University.

Students gain hands on experience at the BP summer geology field course.

32 students received scholarships funded by

in 2013.

BP and its co-venturers

^a These are cash-out numbers spent under the BP-operated projects.

To date, BP has invested over \$2.5 million to help Qafqaz University establish two new departments and 16 laboratories of those 11 presented to the university in 2013. Our specialists continue to contribute to the university's engineering programmes by sharing their knowledge and experience in regular seminars and conferences and by providing students with access to BP's relevant laboratories to increase their exposure to the industry.

BP bursary programme

Since 2007, BP has been presenting bursary awards to university students in Azerbaijan who are pursuing oil and gas-related studies. In 2013, we continued the programme by presenting bursaries to a group of first and second year students specializing in petro-technical disciplines at a number of universities in Azerbaijan – including three institutions that were not represented in the programme in 2012.

Bursaries were awarded to 60 first-year students with high university admission scores at the Azerbaijan State Oil Academy, Qafqaz University, the Azerbaijan Architecture and Construction University, Baku State University, Ganja State University, Khazar University, the National Aviation Academy and the Azerbaijan Technical University. The bursary awards will give these students an opportunity to improve their technical English language skills through a BP-funded 10-month training course – providing a valuable addition to the technical knowledge the students are gaining through higher education.

We also extended for another year the Englishlanguage training course for the previous year's 27 bursary winners. In total, by the start of 2014 we had presented bursaries to more than 400 students as part of this initiative.

BP summer students' geology field course

For more than 10 years BP in Azerbaijan has sponsored a field course in sedimentology and structural geology for undergraduate and graduate students. Participants take a field trip to Baku, the Absheron and Khizi districts or attend courses on sedimentology and structural geology. In 2013, 22 students from local and foreign universities were selected from 87 applicants to take part in the course, following knowledgebased assessments. The course was led by representatives of Azerbaijan's National Academy of Sciences and the University of Michigan in the US. In 2013, BP spent \$8,740 on the project.

Azerbaijan Business Case Competition

Teams of students from major universities in Azerbaijan compete with each other in the annual Azerbaijan Business Case Competition, attempting to solve real-life business problems using their knowledge in business disciplines from finance and marketing, to accounting, technology and management. The teams present their solutions to a panel of judges representing major businesses in Azerbaijan.

This year's competition was supported by BP and other sponsoring industry organizations, with the Azerbaijan Diplomatic Academy serving as the academic sponsor of the event.

Ambitions realized

Ertogrul Musayev works for Absheron Engineering LLC, a Baku-based company that provides electrical and mechanical engineering services. As a sales and business development manager, Ertogrul was part of a team from his company that took part in the Enterprise Development Training Programme (EDTP), which is designed to help local companies meet international standards and be ready to provide services to the oil and gas industry.

Ertogrul's personal ambition in the company was to move from a sales role into project management, but he did not quite know how he would make the transition. When he saw a promotion for the School of Project Management (SPM) that was sent to EDTP participants, he decided to apply. Ertogrul explains what happens next:

"The launch of the SPM came at the perfect time for me. It has enabled me to enhance my knowledge and skills in scheduling and cost control, risk management, project leadership management and communication.

After graduating from the SPM I was entitled to manage several of our company's small to medium projects in Azerbaijan and the Caspian region. I'm proud to say our project management team has since successfully delivered a number of strategic projects. We recently won the biggest contract in our company's history. The contract is with BP AGT for maintenance of heating, ventilation and air conditioning systems in Azerbaijan and Georgia for five years, and my qualification through the SPM was one the key factors in our winning of the contract.

At the moment we have got an experienced project manager for this contract, and I will be assisting him. I think that my aspiration to be a project manager on major projects is close to being realized. I will be taking over the position in the near future, which will mean greater responsibility and opportunities to apply the new knowledge and skills I acquired through the SPM to my new job."

Members of young geologist clubs during the Geo Pack training.

More than 80 teams from 16 universities applied to take part in the competition, of which 16 teams were chosen as finalists. To prepare for the competition, the students went through five weeks of training and practical instruction in business case analysis and strategy development, and the teams tried out their presentation skills in a mock round before the final competition. The winning team was made up of four students from Azerbaijan State Economic University.

BP provided \$6,373 in sponsorship funding to the competition in 2013, covering the costs of promotional brochures. BP employees also gave their time as trainers, coaches and a jury panel member.

Centre of Professional Petroleum Societies

We are assisting the Centre of Professional Petroleum Societies with a project aimed at developing young petroleum engineers and scientific communities in Azerbaijan. In 2013, the project included activities to enhance students' knowledge on subsurface and wells engineering, as well as round table discussions and a workshop on petroleum engineering. The project has a total budget of \$102,066, out of which \$61,834 was spent in 2013.

Geo Pack project

We continue to support the Geo Pack project, which aims to increase Azerbaijani schoolchildren's interest in geology, chemistry, physics and related areas of science during their early studies so that more of them may later choose a career in one of these disciplines. The project's pilot young geologist club was founded in Baku in 2011, with another club created the following year in Sumgait. Together, the clubs have around 60 members, led by five innovative teachers. The project has also developed new geoscience curriculums for use by teachers of grades six to nine. The Centre for Innovation in Education is implementing the project, which had a budget of \$53,522 in 2013.

Caspian Energy Centre

More than 3,200 people visited the Caspian Energy Centre in Baku during 2013. The centre tells the story of Caspian oil and gas through computer graphics – including exhibits on the future of oil and gas in the region and the socioeconomic benefits of its BP-operated oil and gas projects. BP has collaborated with the Houston Museum of Natural Science in the US to develop new alternative energy exhibits at the centre, highlighting solar, wind and biomass energy projects.

Among the visitors to the centre during the year, more than 1,600 were guests of the government of Azerbaijan, our co-venture companies, foreign embassies in Baku or other organizations with an interest in our activities. Another 1,588 were schoolchildren and students.

Report process and feedback

By publishing this report annually we aim to provide a full and transparent account of our performance and activities in Azerbaijan in the previous year and to respond to feedback on earlier reports.

Students present their opinion about the BP in Azerbaijan Sustainability Report 2012 during one of the feedback sessions.

This is the eleventh BP in Azerbaijan Sustainability Report (SR). It describes our activities in the country during 2013 and reflects feedback we received about previous reports.

BP group auditors Ernst & Young have provided external assurance. Their job has been to ensure that the report offers a balanced and accurate representation of our performance in Azerbaijan in 2013 and that figures and statements it contains are correct and supported by documentation.

Feedback

As with previous publications, the 2012 SR was produced in Azerbaijani and English and circulated widely both internally and externally, in hard copy and through our website. All our major stakeholders received a copy and their feedback was requested. We also organized three live feedback sessions involving media representatives, students and civil society. In general, their reactions were positive.

Students from the Baku State University, Academy of Public Administration, State Economic University, Khazar University, Qafqaz University, State Oil Academy and Azerbaijan Technical University participated in a joint feedback session. Recruitment-related issues and BP's internship programme most interested this group along with the use of new technologies in the Caspian region. The students also favoured further improvements to SR communications, specifically, the use of various new formats including infographics. They also asked to release more information about opportunities for students of non-technical disciplines and to add more context by increasing the number of case studies.

Media feedback was mostly positive and the 2012 SR was regarded as being as comprehensive and informative as the year before. Suggestions mostly concerned the inclusion of greater technical detail in the 'Our operations' section of the report.

Civil society representatives took part in our feedback session. One of the main suggestions was to include more comparative figures and more graphics. In parallel, they were interested in more information about our strategic outlook and future plans. We also received comments suggesting we use more web links, so that the public can directly access sources related to our projects.

Our response

In response to the feedback, we have included more information about our future plans in different sections of the report. We have illustrated statistics with more diagrams and used infographic content. In addition, we have included a case study about innovative technology piloted in the Caspian – as suggested by our stakeholders. Many diagrams now provide comparisons covering a five-year period.

To make our statistics more visible we pulled out main points to the section introductions. We also added case studies about wider opportunities for graduates and career path of some national managers.

In parallel, we have continued our commitment to report information about our spending in Azerbaijan, our recruitment and internship practices, our safety and environmental performance.

For ethical and privacy reasons, and in accordance with BP group policy, we have not disclosed payments made to individual employees or to contractors or market-sensitive information. An aggregated account of the BP group's revenues and expenditures worldwide can be read in the company's 2013 annual report.

Should you have feedback about this report, please get in touch with us using the contact details on the last page.

Our approach to materiality

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BP's approach to sustainability reporting

Five-year performance data^a

For the year ended 31 December					
Operating	2009	2010	2011	2012	2013
Total hydrocarbons produced (thousand barrels of oil equivalent per day) $^{\scriptscriptstyle \mathrm{b}}$	1,023	1,036	922	893	909
Financial ^e	2009	2010	2011	2012	2013
OPEX (operating expenditure) – total spend, gross (\$ million)	1,174	831	1,206	1,360	1,542
CAPEX (capital expenditure) – total spend, gross (\$ million)	1,443	2,096	2,636	3,669	4,862
Safety	2009	2010	2011	2012	2013
Fatalities – employees	0	0	0	0	0
Fatalities – contractors	1	0	0	0	0
Days away from work cases – workforce	0	1	3	3	5
Days away from work case frequency – workforce ^d	0	0.01	0.03	0.03	0.03
Recordable injuries – workforce	21	15	21	20	40
Recordable injury frequency – workforce ^d	0.23	0.17	0.24	0.21	0.27
Hours worked – employees (million hours) ^e	5.04	5.37	5.80	5.55	13.47
Hours worked – contractors (million hours) ^f	12.58	12.60	11.74	13.49	16.49
	2000	2010	2011	2012	2012
Environment	2009	2010	2011	2012	2013
Direct carbon dioxide (CO ₂), gross ⁹ (kilotonnes)	3,827.1	3,000.8	3,692.5	3,543.7	3,012.0
Direct carbon dioxide (CO ₂)," gross (kilotonnes)	15.6	10.5	12.5	11.2	0.0
Direct methane (CH ₄), gross (kilotonnes)	4 165 4	2.976.4	4 177 0	2 775 2	0.0
Direct greenhouse gas (GHG) emissions, gross (kilotonnes CO ₂ equivalent)	4,100.4	3,870.4	4,177.0	3,770.2	3,103.7
Flaring (exploration and production), gross (tonnes)	115	423,203	112	475,910	200,423
Suphur dioxide (SOX), gross (tonnes)	9 412	9 009	9.544	9.605	0 007
Nitrogen oxides (NOX), gross (tornes)	2.916	0,300	2 707	2,540	1 505
Non-methane hydrocarbon, gross (tonnes)	2,010	2,390	2,707	2,040	1,505
Number of oil spills ¹	0.921	22 101	2 677	175 716	15 222
	1 020	32,101	2,077	175,710	13,232
Volume of oil unrecovered (intres)	1,039	2 202	0	150,794	192
Operational discharges to water – dhir cuttings with synthetic-based mud (tonnes)	030	3,300	0	0	102
Employees	2009	2010	2011	2012	2013
Number of permanent employees of BP in Azerbaijan	2,328	2,470	2,701	3,072	3,255
Number of professional staff of BP in Azerbaijan	2,237	2,378	2,652	2,982	3,216
National	1,889	2,067	2,272	2,530	2,722
National (%)	84%	87%	86%	85%	85%
Expatriate	348	311	380	452	494
Senior level Azerbaijani managers	117	131	149	168	197
Social spend	2009	2010	2011	2012	2013

^{*} Unless otherwise stated, performance data relates to BP in Azerbaijan only.

Hours worked by contractors – are identified as hours worked by contractors under the sphere of our control; this definition is consistent with BP's group definition. Gross numbers represent total of all partners' participating interest in production sharing agreements (PSA). Net numbers represents BP's participating interest in PSA.

^h Indirect GHG emissions are a consequence of the import by operations of steam, electricity and heat from third-party sources.

Direct GHG emissions are the physical emissions from operations. Oil spills are defined as any liquid hydrocarbon release to secondary containment or to open environment of more than or equal to one barrel (159 litres, equivalent to 42 US gallons). This is the cash-out number spent under the BP-operated projects. k

^b This includes Azeri-Chirag-Deepwater Gunashli oil, Shah Deniz gas and condensate, associated gas delivered to State Oil Company of the Republic of Azerbaijan. ^c The BP AGT and its co-venturers.

Calculated per 200,000 hours worked.

e Hours worked by employees – are identified as hours worked by individuals who have a contract of employment with BP; this definition is consistent with BP's group definition.

Independent assurance statement

We have reviewed the BP in Azerbaijan Sustainability Report 2013 in order to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Azerbaijan are supported by evidence or explanation. Our scope of work and conclusions can be found on this page.

Independent assurance statement to BP management

The BP in Azerbaijan Sustainability Report 2013 (the Report) has been prepared by the management of BP in Azerbaijan who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BP management's instructions, is to carry out a limited assurance engagement on the Report.

We do not accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000^a.

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Azerbaijan in 2013 which were raised in the media, BP Azerbaijan's own review of material sustainability issues, and selected internal documentation.
- Whether sustainability claims made in the Report are consistent with the explanation and evidence provided by relevant BP managers.
- Whether the sustainability data presented in the Report are consistent with the relevant business unit level data records.

In order to form our conclusions we undertook the steps outlined below.

- Reviewed a selection of external media reports and internal documents relating to the sustainability performance of BP in Azerbaijan in 2013, including outputs from stakeholder engagement.
- 2. Reviewed the outcome of BP Azerbaijan's own processes for determining the key issues to be included in the Report.
- Reviewed information or explanation about the Report's sustainability performance data and statements. Whilst we reviewed documentation to support the sustainability data contained within the Report, we did not test the data processes for gathering, collating and reporting data at country or site level.

Level of assurance

Our evidence-gathering procedures have been designed to obtain a limited level of assurance (as set out in ISAE3000) on which to base our conclusions. The extent of evidence-gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Our conclusions

Based on the scope of our review, our conclusions are outlined below.

- 1. Does the Report cover the key issues?
- We are not aware of any key sustainability issues relevant to BP in Azerbaijan which were raised in the media or the outcome of BP Azerbaijan's own materiality process that have been excluded from the Report.
- 2. Are the data and claims regarding BP in Azerbaijan's sustainability performance contained within the Report supported by evidence or explanation?

We are not aware of any misstatements in the assertions and data presented by BP management within the Report regarding BP in Azerbaijan's sustainability performance.

Our independence

As auditors to BP p.l.c., Ernst & Young is required to comply with the requirements set out in the Auditing Practices Board's (APB) Ethical Standards for Auditors. Ernst & Young's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Our partners and staff are required to confirm their compliance with the firm's policies each year.

We confirm annually to BP whether there have been any events, including the provision of prohibited services, that could impair our independence or objectivity. There were no such events or services in 2013.

Ernst & Young LLP London 7 May 2014

International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

The Caspian Energy Centre (CEC) is located 55km from the centre of Baku, at Sangachal oil and gas terminal, near the Salyan highway. Visits are free of charge and take place from Monday to Friday between 10.00 and 16.00 hours.

All visits to the CEC are pre-arranged. School and university student visits must be accompanied by parents or teachers. Adults (16 years old and up) need to provide their names and ID card numbers before a visit.

Email: *cec@bp.com* Website: *www.cec.az*

Apply for a job

Visit the Careers section of our website at *bp.com/caspian/careers*

There you can learn more about the technicians' recruitment programme, the graduate and intern recruitment programmes and any experienced professional vacancies at BP in Azerbaijan.

Note: The graduate and intern recruitment campaign usually starts in October and is announced in the local media.

Get a contract

Go to the Enterprise E-centre – a web portal that carries information on our development projects and gives guidance on how our procurement system works. *ecbaku.com*

Raise a grievance/concern, request information

To express your grievance or concern, or to request information, please contact our community liaison officers:

Garadagh, Absheron, Hajigabul, Agsu, Kurdamir, Ujar +994 (0)55 225 0251/225 0245

Agdash, Yevlakh,Goranboy, Samukh +994 (0)55 225 0257/225 0254

Shamkir, Tovuz, Agstafa +994 (0)55 250 5831/225 0260

Public Information Centres' numbers:

Kurdamir +994 (0)145 505 45 Yevlakh +994 (0)166 658 84 Shamkir +994 (0)22 305 4658

For all security-related grievances and concerns please call 114.

Raise issues or seek guidance

OpenTalk is available 24 hours a day, seven days a week. You can raise your concern in your preferred language, via telephone, fax, letter or you may submit a report online.

Online from: opentalkweb.com Azerbaijan: +994 (0)12 599 3888 International: +1 704 540 2242 Fax: +1 704 556 0732 Letter: BP OpenTalk, 13950 Ballantyne Corporate Place, PMB 3767, Charlotte, NC 28277, USA

Apply for a community programme grant

Learn more about grants for community programmes at our website *bp.com/caspian*

You may also contact us at cdi@bp.com

Your feedback is important to us.

You can send it online through *bp.com/caspian/contactus*

You can also telephone +994 (0)12 599 3000 or write to: Transparency and public reporting team BP AGT region BP Xazar Centre, 14th Floor, 153 Neftchilar Avenue, Baku, AZ1010, Azerbaijan.

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