BP in Azerbaijan Sustainability Report 2014

bp.com/caspian/report







Building a stronger, safer BP

About our report

This report covers the calendar year ending 31 December 2014. In some instances significant events from 2015 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.l.c., its subsidiaries and affiliates.

All dollar amounts are in US dollars and if translated from other currencies reflect the exchange rate at the moment the funds were committed. 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.

Cautionary statement

BP in Azerbaijan Sustainability Report 2014 may contain 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.



Front cover imagery

Tofig Gorchiyev, construction lead at BP in Azerbaijan, monitors the work and give guidance to contractor employees at the Amec-Tekfen-Azfen yard some 15km south of Baku, where topsides for the two Shah Deniz Stage 2 platforms are being constructed.

What's inside?

BP in Azerbaijan Sustainability Report 2014 covers our business performance, environmental record and wider role in Azerbaijan during 2014. It is our 12th sustainability report and reflects feedback we received about previous reports.



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The regional president reflects on the highlights of our activities in 2014 and touches upon our future plans.

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We operate large offshore hydrocarbon assets in the Caspian and manage pipeline links to regional and world markets.

13 Our people

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

19 Safety

We focus on achieving safe, reliable and compliant operations and put safety and operational risk management at the heart of everything we do.

Our reporting and key performance indicators

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We aim to provide a full and transparent account of our performance and activities and to respond to stakeholders' feedback on previous reports.

35 Five-year performance data

Our key performance data covering areas including production, safety, environment and social spend.

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Our organization at a glance, summary of our major achievements and challenges in 2014

23 Environment

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

27 Society

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 2014 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 36.

Ernst & Young Introduction to the assurance process

Overview

Our peop

Safety









Introduction by our regional president



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Two decades of successful operations in the region give us the confidence and knowhow to deliver large scale complex projects

•••

Gordon Birrell

It is my great pleasure to introduce the annual *BP in Azerbaijan Sustainability Report*. This is the 12th year we have produced this publication as part of our long-standing commitment to inform wider society about our activities in the country. It is externally verified and provides a balanced view of our performance in 2014.

We started 2014 by achieving a great milestone – delivering first oil from the new West Chirag platform. It is the sixth production platform installed in the Azeri-Chirag-Deepwater Gunashli (ACG), which is the largest oilfield in the Azerbaijan sector of the Caspian. We continued implementing our plans to optimize production as agreed with our partners and the government. Through 2014, ACG continued to produce efficiently with a daily average rate of about 640 thousand barrels.

Last September, we celebrated the 20th anniversary of the signing of the ACG production sharing agreement, known as 'the Contract of the Century', together with the host government, our partners and other stakeholders. On the same day we also hosted the ground-breaking ceremony for the Southern Gas Corridor project. This monumental project is set to connect gas supplies from the giant Shah Deniz field to markets in Europe for the very first time.

Two decades of successful operations in the region give us the confidence and knowhow to deliver large scale complex projects. In 2014, good progress was made with the Shah Deniz Stage 2 and South Caucasus Pipeline Expansion projects. We awarded important contracts worth \$10 billion, and we are ahead of schedule on fabrication of platforms and construction works. By the end of 2014, we had in excess of 9,500 people working across all our main contracts. We achieved more than 5.5 million worker-hours across the project sites with no recordable incidents.

Keeping a relentless focus on safety remains a top priority for us. Our recordable injury frequency dropped by 67% compared to 2013, and total vehicle accident rate decreased by 40%. At the same time we saw several high potential events during the year. We are committed to learning from these events and we remain focused in order to maintain our strong safety record.

Azerbaijan has entrusted us with the operatorship of its major oil and gas development and transportation projects. We believe that societies and communities where we work should benefit from our presence. Our socio-economic contribution to the country includes creating jobs, generating tax revenues, providing opportunities for local enterprises and supporting local development initiatives. Together with our co-venturers in Azerbaijan, we remain committed to supporting the development of the local market – through enterprise development and training programmes and by increasing the local content in our projects. In 2014, our joint in-country operational expenditure with local suppliers rose by 12% to about \$1.8 billion.

Last year we celebrated the 10-year anniversary of the Caspian Technician Training Centre. This world-class facility has significantly contributed to our plans for the nationalization of the workforce by training more than 1,000 local staff in various technical disciplines.

We continued our co-operation with the State Oil Company of the Republic of Azerbaijan (SOCAR) in support of our long-held pledge to develop national employees involved in BPoperated projects. By the end of 2014, more than 86% of mid-level managers working for BP in Azerbaijan were nationals. The number of national senior level managers reached 230, which is a 17% increase compared to the previous year. At the same time, our annual graduate recruitment and internship programme remained popular among Azerbaijani youth, attracting about 4,300 applications.

We also partnered with the Baku European Games Operating Committee to support the 2015 European Games in Baku and we invest in building the capability of the nation's young people through the innovative Games Academy initiative.

Along with many achievements in 2014, this publication also describes some challenges we faced. Across all of these issues, our aim is to maintain a business that is sustainable in challenging times and continues to benefit our stakeholders, including society at large.

Thank you for reading this report. As always, it is shaped by what we hear from our stakeholders. So we welcome your comments and suggestions.

GIBANUL

Gordon Birrell Regional president BP Azerbaijan-Georgia-Turkey region 9 July 2015

Achievements and challenges

In this section we summarize the main achievements and challenges for BP in Azerbaijan in 2014.

2014

28 January

Production at West Chirag started from one of the pre-drilled wells and this completed the Chirag oil project, which had been sanctioned in 2010.

21 April

Baku-Tbilisi-Ceyhan celebrated the loading of 2,500th tanker at the Ceyhan terminal.

12 June

We partnered with the Baku European Games Operating Committee to support the 2015 European Games in Baku and invest in building the capability of the nation's young people.

20 September

With host governments, partners and other stakeholders, we celebrated the 20th Anniversary of the 'Contract of the Century' and held a ground-breaking ceremony for the Southern Gas Corridor.

22 December

BP and SOCAR signed a production sharing agreement on the joint exploration and development of potential prospects in the shallow water area around the Absheron peninsula.

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.



Read about our history in the Caspian at *bp.com/caspian/history*



BP employee at the newly commissioned West Chirag platform.

Achievements

Operations and business development First oil was achieved in January from the West Chirag platform. See page 7.

The Shah Deniz Stage 2 project made a very good progress in 2014 with a number of milestones achieved ahead of schedule. See page 10.

We completed interpretation of the seismic dataset from the Shafag-Asiman block and signed a new contract to jointly explore the shallow water area around the Absheron Peninsula. See page 12.

Employees

The number of senior level national employees of BP in Azerbaijan reached 230, having grown by 17% over the year. See page 14.

Safety

Our recordable injury frequency has dropped by 67% and our total vehicle accident rate decreased by 40% compared to 2013. See page 20.

Environment

We successfully completed updating the environmental and socio-economic sensitivity maps for the coastline and onshore pipeline routes. See page 26.

We began to separate produced water offshore for the first time and the total volume of re-injected produced water increased for 16% over 2013. See page 25.

Enterprise development

Our joint operations and projects expenditure in Azerbaijan totalled more than \$2.71 billion, which is an increase of 37% over 2013. See page 29.

Challenges

Safety

Two severe vehicle accidents and seven high potential incidents were recorded in 2014. See page 21.

Environment

The amount of flaring at our facilities increased by 61% compared to 2013, mainly due to start-up of the West Chirag platform and major maintenance at Central Azeri. See page 24.

Produced water quantities have continued to rise with a 20% increase over the produced water generated in 2013. See page 25.

BP in Azerbaijan at a glance

Our structure, organization, assets and history.

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.

BP in Azerbaijan, Georgia and Turkey

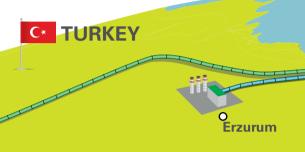
In Azerbaijan, BP operates under several production sharing agreements and host government agreements (HGAs) signed with the government of Azerbaijan. In Georgia and Turkey, it operates under HGAs that cover export pipelines and terminals. MEDITERRANEAN SEA

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 in 2014: 18.3 million cubic metres per day

BLACK SEA



Ceyhan terminal In total, 2,751 tankers were loaded in 2006-14 362 tankers were loaded in 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.

Business structure

At the end of 2014, the regional leadership team led by the regional president consisted of 17 vice presidents, the chief procurement officer, the assistant general counsel, the head of planning and commercial operations, and the head of control and financial operations for Azerbaijan, Georgia and Turkey.

Registered address

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 2014, the number of people permanently employed by BP in Azerbaijan was 3,393 of whom 2,919 were Azerbaijani citizens.

Shafag-Asiman Exploration area

The first **3D seismic** data acquisition was completed in 2012 Interpretation of the seismic data was completed in 2014

han

Shalow water Absheron Prospective structure

Agreement on the joint exploration and development of potential prospects was signed in 2014

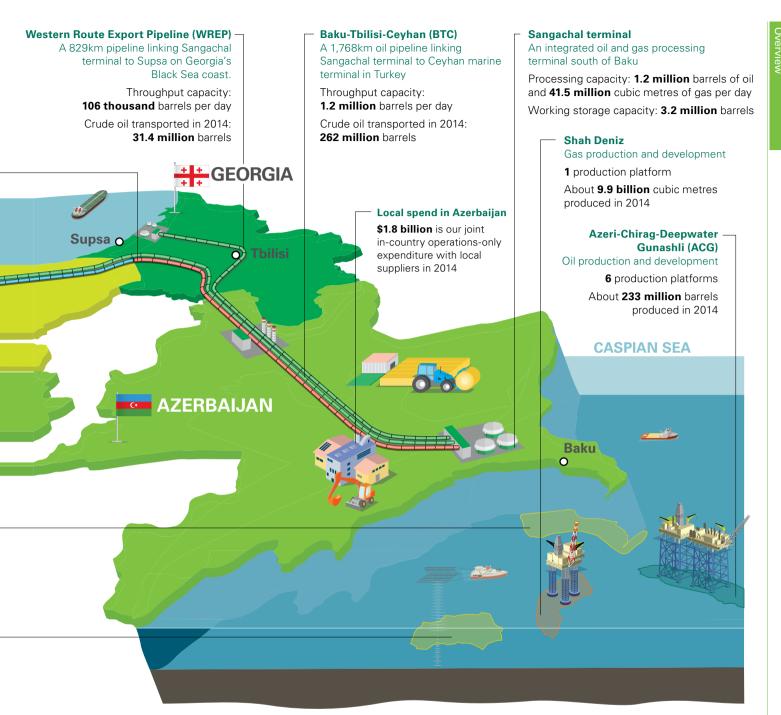
Capital expenditure on the ACG, BTC, Shah Deniz and SCP projects since the beginning of operations in 1995.

\$51 billion

\$65.7 million

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





In Azerbaijan the BTC and SCP pipelines pass through 13 districts: Garadagh, Absheron, Hajigabul, Aghsu, Kurdamir, Ujar, Aghdash, Yevlakh, Goranboy, Samukh, Shamkir, Tovuz, Aghstafa.

2.6 billion

Barrels of oil were produced by ACG from first oil in 1997 to the end of 2014.



57.8 billion

Cubic metres of total gas were produced by Shah Deniz from first gas in 2006 to the end of 2014.



10

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



Our operations

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

What we said we would do

Progress the Shah Deniz Stage 2 and South Caucasus Pipeline expansion projects to supply gas 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 Shafag-Asiman seismic dataset, which will be followed by planning of the first exploration well.

Where we are today

Milestones achieved include yard upgrades, shipment of pipe sections and commencement of fabrication of subsea equipment, platform decks and jackets.

First oil at the West Chirag platform achieved in January.

Processing and interpretation of the data from the seismic survey of the structure completed.

What we plan to do next

Continue Shah Deniz Stage 2 and South Caucasus Pipeline expansion activities commencing pipe-laying works in Azerbaijan and Georgia.

Implement turnarounds on two offshore platforms enhancing the safety and reliability of facilities over the long term.

Develop environmental and social impact assessment for the Shallow Water Absheron exploration project.



Operating safely and reliably

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.

Employees are safely lifted to the West Chirag platform in a lifting device.



Production continued at the Azeri-Chirag-Deepwater Gunashli (ACG) oil and Shah Deniz gas fields throughout 2014.

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, located about 100km east of Baku. ACG 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 2014, a total of 84 oil wells were producing, and 39 wells were used for gas or water injection.

In 2014, ACG marked a major milestone by starting production from the West Chirag platform. First oil was achieved on 28 January from one of the pre-drilled wells. By the end of the year West Chirag production increased to over 90 thousand barrels per day from six wells.

ACG production continued to be almost flat through 2014. During the year, we produced an average of 638 thousand barrels per day (about 233 million barrels or 31.5 million tonnes in total) from the ACG complex.

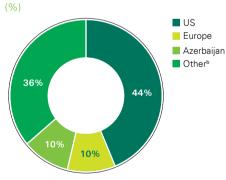
31.5

Platform	Start of production	Unit of measurement	From the start of production till the end of 2014	2013	
Chirag	November 1997	million barrels	648.8	25.4	
		million tonnes	87.7	3.4	
Central Azeri	February 2005	million barrels	673.0	55.4	
		million tonnes	90.9	7.5	
West Azeri	December 2005	million barrels	627.8	68.7	
		million tonnes	85.0	9.3	
East Azeri	November 2006	million barrels	352.5	38.9	
		million tonnes	47.6	5.2	
Deepwater	April 2008	million barrels	299.4	50.8	
Gunashli		million tonnes	40.7	6.8	
West Chirag	January 2014	million barrels	18.3		
		million tonnes	2.5		
		million barrels	2,619.8	239.2	2

2.6 billion

barrels of oil were produced by Azeri-Chirag-Deepwater Gunashli from 1997 to the end of 2014.

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

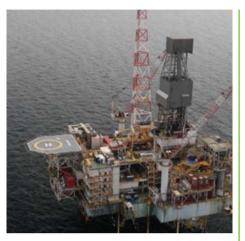


^a In total, 844 thousand barrels of crude oil and 91 thousand barrels of natural gas liquid per day.

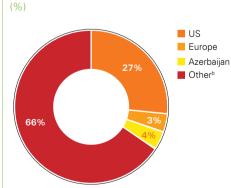
^b Other includes Algeria, Angola, Australia, Canada, Egypt, India, Indonesia, Irag and Trinidad & Tobago.

In January 2014, first oil was achieved from the West Chirag platform and this completed the Chirag oil project, which had been sanctioned in 2010.

4



View of the Shah Deniz platform from a helicopter.



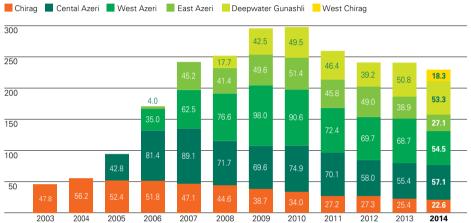
Net share of natural gas production by BP

subsidiaries around the world^a

^a In total, 5,585 million cubic feet per day, excluding equity accounted entities.

^b Other includes Algeria, Australia, Canada, Egypt, India, Indonesia and Trinidad & Tobago.

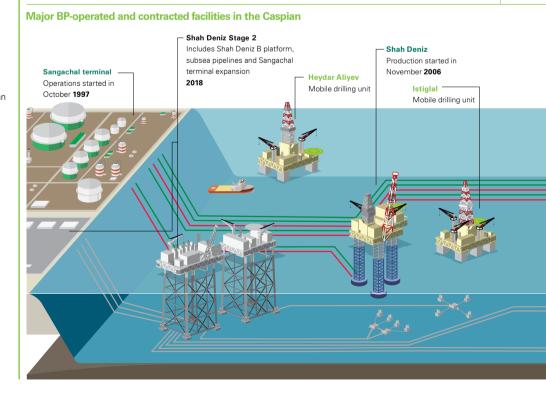
Oil production from Azeri-Chirag-Deepwater Gunashli (ACG), 2003-2014 (million barrels)



We also delivered around 7.6 million cubic metres per day of ACG associated gas to the State Oil Company of the Republic of Azerbaijan (SOCAR) which equates to 2.76 billion cubic metres in total.

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 to produce as a world-class reservoir for many years.

In 2014, we spent about \$1 billion in operating expenditure and \$2.3 billion in capital expenditure on ACG activities.



57.8 billion

cubic metres of total gas production from Shah Deniz was reached by the end of 2014.



Shah Deniz

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

In 2014, the SD field continued to provide reliable deliveries of gas to markets in Azerbaijan, Georgia and Turkey.

During the year, the field produced 9.9 billion cubic metres of gas and 18.7 million barrels (2.3 million tonnes) of condensate. Further

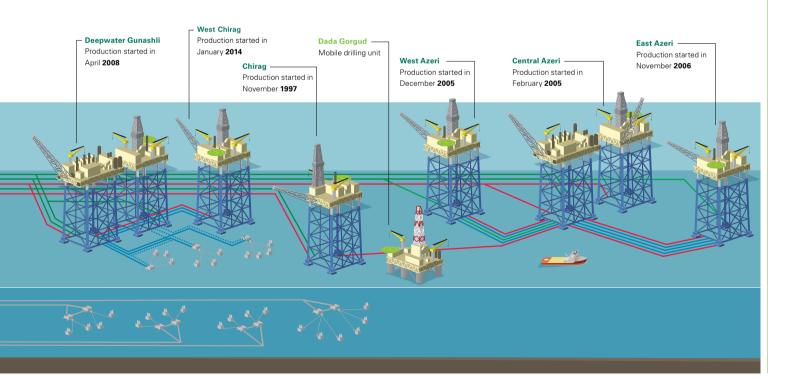
Shah Deniz gas and condensate production

improvements to operational efficiency of the existing SD facilities increased their production capacity from 27.3 million to 29.5 million cubic metres of gas per day.

In 2014, SD completed a number of major well works, which enhanced reliability and integrity of the existing wells and commenced drilling a new production well. Five SD wells topped the list of BP-operated production wells worldwide by gross daily rate in barrels of oil equivalent.

In 2014, SD spent approximately \$0.4 billion in operating expenditure and \$3.9 billion in capital expenditure, the majority of which was associated with the Shah Deniz Stage 2 project.

	Start of production	Unit of measurement	From the start of production till the end of 2014	2013	201
Natural gas	November 2006	billion cubic metres	57.8	9.8	9
		billion cubic feet	2,042	345.5	348
		million barrels of oil equivalent	352.0	59.5	60
Condensate	November 2006	million barrels	118.2	19.6	18
		million tonnes	14.8	2.5	2







Topsides and jackets for the two Shah Deniz Stage 2 platforms are taking shape at the Amec-Tekfen-Azfen yard (top image) and the Baku Deepwater Jacket Factory (bottom image), respectively.

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



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 improve 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.

On 20 September, the Sangachal terminal hosted the ground-breaking for the Southern Gas Corridor. This marked a major milestone in the realisation of the project, which will annually provide for export of 16 billion cubic metres of gas from the Shah Deniz field through some 3,500 kilometres of pipelines to Georgia, Turkey, Greece, Bulgaria and Italy. First gas is targeted for late 2018, with sales to Georgia and Turkey. First deliveries to Europe are expected in 2020.

The total cost of the SD2 project and expansion of the South Caucasus Pipeline (SCP) is estimated around \$28 billion.

The SD2 project includes two new bridgelinked production platforms and 26 subsea wells, 500km of subsea pipelines built at up to 550m of water depth and expansion of the Sangachal terminal.

The project made very good progress in 2014 with a number of milestones achieved ahead of schedule. This includes yard upgrades and commencement of fabrication of subsea equipment, platform decks and jackets. Most of the major engineering, construction and supply contracts, valued at about \$10 billion, were awarded and work started in all construction areas across Azerbaijan. By the end of 2014, over 9,500 people were already involved in construction activities across all main contracts and 90% of them are Azerbaijani nationals.

Throughout 2014 the Istiglal and Heydar Aliyev rigs continued drilling operations in support of the SD2 pre-drill programme. These two rigs have already completed seven production wells in preparation for first gas.

Sangachal terminal

Oil and gas from Azeri-Chirag-Deepwater Gunashli (ACG) and Shah Deniz continued to flow via subsea pipelines to the Sangachal terminal.

The daily capacity of the terminal's processing systems is currently 1.2 million barrels of oil and about 29.5 million standard cubic metres of Shah Deniz gas. Overall processing and export capacity for gas, including ACG associated gas is about 49.3 million standard cubic metres per day.

Gas is exported via the SCP and via a SOCAR gas pipeline connecting the terminal's gas processing facilities and Azerigas's national grid system.

In 2014, the Sangachal terminal exported over 298.5 million barrels of oil. This included over 260 million barrels through Baku-Tbilisi-Ceyhan (BTC), over 31.4 million barrels through the Western Route Export Pipeline (WREP), about 5.3 million barrels by rail and about 1.84 million barrels via a condensate export line.

Works on Sangachal terminal expansion continued in order to provide processing facilities for the SD2 project. Construction of the permanent facilities progressed on schedule in 2014. The site was well-stocked with 9,000 tons of steel and fabrication of the pipe racks started. Piling works completed ahead of schedule and underground works, including the excavations for the closed and open drains progressed well.

Important milestones for the temporary facilities, to support the increasing numbers of workers, were also achieved. At the end of 2014 there were about 2,000 workers on site. This number will increase to nearly 3,000 towards the end of 2015.



Baku-Tbilisi-Ceyhan pipeline

The 1,768km BTC pipeline became operational in June 2006. Since that time up to the end of 2014, BTC has carried a total of about 2.1 billion barrels (280 million tonnes) of crude oil loaded on more than 2,750 tankers and sent to world markets.

BTC's throughput capacity is currently 1.2 million barrels per day. In 2014, it exported 262 million barrels (34.8 million tonnes) of crude oil loaded on 362 tankers at the Ceyhan terminal in Turkey. In August, BTC celebrated the loading of the 2 billionth barrel of oil at Ceyhan.

The BTC pipeline currently carries mainly ACG oil and Shah Deniz condensate from Azerbaijan. In addition, crude oil from Turkmenistan and Kazakhstan continues to be transported via BTC.

In February 2014, the direction of flow through the Northern Route Export Pipeline (NREP) operated by the State Oil Company of the Republic of Azerbaijan (SOCAR) was successfully reversed. This was a result of a collaborative effort by BP and SOCAR to activate some facilities along NREP. Commercial agreements were finalised which allowed NREP volumes to be exported via BTC.

South Caucasus Pipeline

The 691km SCP has been operational since late 2006. It transports gas to Azerbaijan and Georgia, and starting July 2007 to Turkey from Shah Deniz Stage 1. During 2014, its daily average throughput was about 18.3 million cubic metres of gas per day. In 2014, SCP spent about \$50 million in operating expenditure and \$0.9 billion in capital expenditure.

SCP expansion project

In 2014, we continued awarding contracts for the SCP expansion (SCPX) project. Most of the major contracts already are awarded and work already started along the pipeline route across Azerbaijan and Georgia. The key achievements included obtaining access to the land for the first 200km in Azerbaijan, and starting construction of the compressor station 1 in Georgia.

Shipments of pipe sections started in 2014 and will continue throughout 2015 and into early 2016. In total, over 40,000 sections of pipe will be delivered in 19 shipments. Activities on the SCPX project during 2015 include the commencement of pipe-laying works in Azerbaijan and Georgia.

Western Route Export Pipeline

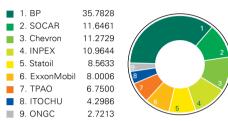
BP, as operator of Azerbaijan International Operating Company, also operates WREP. The 829km pipeline moves oil from the Caspian basin via the Sangachal terminal to Supsa on Georgia's Black Sea coast. Since 1997, the WREP has undergone extensive refurbishment by BP and its co-venturers. During the year, it transported 31.4 million barrels of oil.



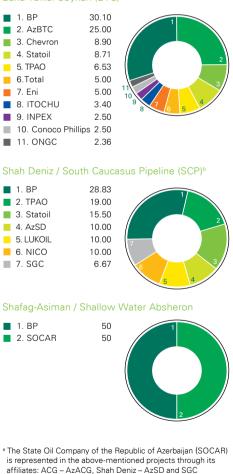
The Sangachal terminal is a strategic hub for all BP operations in the Caspian region.

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

Azeri-Chirag-Deepwater Gunashli (ACG)



Baku-Tbilisi-Ceyhan (BTC)



affiliates: ACG – AzACG, Shah Deniz – AzSD and SGC Upstream, SCP – AzSCP and SGC Midstream, BTC – AzBTC, Shafag-Asiman – SOCAR Oil Affiliate.

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. As part of the ACG annual work programme, we successfully completed a turnaround on the Central Azeri and a major maintenance on the West Azeri platform in November. The 2015 plans include West Azeri and Chirag platforms and Sangachal terminal Shah Deniz area. These planned breaks are essential for safe and reliable operations over the long term.

Exploration

In 2014, we completed processing of the Shafag-Asiman data from the first ever 3D seismic survey of the structure that was done in 2012. This is believed to be the largest 3D survey ever processed in-country. We also completed interpretation of the seismic dataset, and already started technical evaluation of potential prospects. This stage will be followed by another year required for planning of the first exploration well. The Shafag-Asiman block lies some 125km (78 miles) south-east of Baku. Located in a deepwater section of about 650-800 metres, it has a reservoir depth of around 7,000 metres.

In 2014, we also signed a new exploration contract with SOCAR to jointly explore for and develop potential prospects in the shallow water area around the Absheron Peninsula. The contract area is located to the south of the peninsula in the water depths up to 40 metres. Its potential reservoir depth is 3,000-5,000 metres.

The production sharing agreement was ratified by the Parliament of the Republic of Azerbaijan in April 2015. This enables BP to bring its experience and advanced technology solutions from other shallow water areas around the world to the Caspian.

Legal entities responsible for BP AGT projects

-		
Project	Operator	BP share holding entity
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 SOCAR Midstream Operations Limited ^e (commercial operator)	BP Pipelines (SCP) Limited
Shafag-Asiman	(to be appointed)	BP Shafag-Asiman Limited

^b These percentages include the sale of Total equity to TPAO announced in May 2014. In October 2014, Statoil announced the sale of its interests in Shah Deniz and SCP to Petronas. The transaction was completed in May 2015. Southern Gas Corridor Closed Joint-Stock Company (SGC), 51% owned by the state of Azerbaijan and 49% by SOCAR, is set up

 Southern Das Controls Observations South Stock Company (SCC), 51 % Owned by the Sate Of Azerbaijan and 45 % by Socker, is set up to provide for funding of Azerbaijan's share in Shah Deniz Stage 2 and other Southern Gas Corridor projects.
 SOCAR Midstream Operations Limited took over the commercial operatorship from Statoil Azerbaijan AS starting from 1 May 2015.

> Skills-based training was provided to around 100 technicians at the Caspian Technician Training Centre.

Our people

Our long-term success in Azerbaijan depends on skills, professionalism, experience and passion of our people.



What we said we would do

Further increase the percentage of our national professional staff in line with our agreed plans for 2014-18.

Drive the development of national senior level leaders.

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

Where we are today

A total of 86% of our permanent professional staff in Azerbaijan were national citizens as of the end of 2014.

The number of national senior level managers reached 230, increasing by 17% compared to the previous year.

During the year we funded 67 national employees' studies to receive various degrees or certificates.

What we plan to do next

Continue implementation of the five-year nationalization plan for increasing the number of the national staff.

Support the development of national professionals in taking over senior leadership roles.

Continuously review our organizational structure to align it with our business agenda of becoming a more competitive and smaller organization.

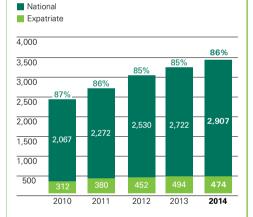
Managing our workforce

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

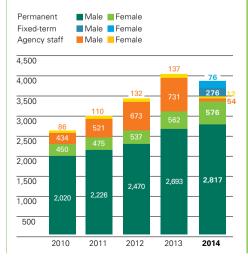
BP employees at the Sangachal terminal process area.



Permanent professional staff of BP in Azerbaijan This chart also shows the percentage of national citizens.



BP employees and agency staff based in Azerbaijan



BP's performance depends on a highly-skilled, motivated and talented workforce. We strive to equip them with the skills they need to deliver safe and reliable operations. We are committed to respecting individual differences and giving all our employees equal access to opportunities and challenges.

BP's overall headcount in Azerbaijan increased by 490 over the year, reaching 3,745 employees^a. This number included 3,393 permanent employees, of which 2,919 were nationals. A further 73 nationals were on overseas assignments.

By the end of 2013, we had 360 national and 508 expatriate agency employees. Agency staff work for BP, but are officially employed by recruitment agencies. Due to local legislative requirements this workforce has been transferred to BP contracts, or to third-party contractor companies that operate within oil and gas projects under appropriate licenses.

In co-operation with the State Oil Company of the Republic of Azerbaijan (SOCAR), Ministry of Labour and State Migration Service, we successfully managed the conversion process in several steps. By the end of 2014, we have transferred some 160 national and about 200 expatriate agency staff to fixed-term BP contracts.

In parallel, we continue to strive to improve our competitiveness and look for opportunities to remove unnecessary complexity. As part of these efforts we have reviewed our organizational structure to align it with our business agenda of becoming a smaller

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

organization. The new organization structure was approved in late December 2014. As a result, some positions occupied both by national and expatriate employees were made redundant earlier in 2015.

Developing national workforce

One of our key priorities is to build a strong national workforce in Azerbaijan. We invest in training young people who have little or no prior work experience, attract new talent and offer varied development and career opportunities to all employees at any career level.

By the end of 2014, the percentage of national citizens among permanent professional staff of BP in Azerbaijan was 86%, which is a slight increase on 2013. This number was 82% for all professional staff including those who are now on fixed-term contracts.

The number of national senior level managers at BP in Azerbaijan reached 230 in 2014. This represents 41% of the total senior managers working in the local office and a 17% increase compared to the previous year. Of these, about 22% were female, mostly working in finance and human resources. During the year another 34 Azerbaijani employees were on assignments in senior level positions in other countries.

More than 86% of mid-level managers (482 out of 559) working for BP in Azerbaijan were nationals. Additionally, 36 other nationals were on mid-level assignments abroad.

Kamran Rzayev Nationalization and immigration manager, BP AGT

"As part of the five-year nationalization plan, the priorities in recruitment are to continue moving existing national employees through their development paths and explore local national market for experienced hires prior to bringing expatriated staff. The Azerbaijani nationals on expatriate assignments in our international offices are considered as potential successors for the senior roles that are now taken by the expatriate professionals."



Five-year nationalization plan

BP in Azerbaijan developed a five-year nationalization plan for increasing the share of national staff with an ultimate target of reaching 90% by the end of 2018. The plan targets professional staff both on permanent and fixedterm contracts directly employed by BP for the projects it operates in Azerbaijan.

The plan was agreed and signed in November 2013 between BP in Azerbaijan and SOCAR. It outlines nationalization timelines for current and future expatriate roles. The targets are defined by functions and by years through 2018. We will regularly track our progress against the plan. In September 2014, we also signed a memorandum of understanding with SOCAR in order to agree their engagement in our recruitment processes.

In parallel, we continue supporting our contractors in preparing and delivering their nationalization plans. This includes sharing our expertise, guiding them in preparation of performance indicators and monitoring the implementation as part of their performance review.

BP in Azerbaijan recruitment statistics^a

2013 2014 2013 2014 2014 Female Male Female Male Female Male Female Male Business support 3 4 3 5 1 Communications 2 2 1 1 2 and external affairs Compliance and ethics 1 1 2 Engineering 1 Δ 3 9 2 7 14 12 Finance 5 2 7 14 Health, safety, security 2 14 7 3 8 1 1 27 9 and environment Human resources 3 3 5 2 2 8 9 1 1 Information technologies 1 1 2 and services Operations 2 2 2 4 13 11 Procurement and supply 3 1 4 chain management 4 10 Projects 3 2 8 Subsurface 5 8 3 3 2 3 1 1 2 Tax 1 1 2 5 12 Wells 5 6 1 4 3 14 Total PREP graduates 12 68 4 41 80 45 Technicians recruitment 101 1 112 101 113

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

Expatriate workforce

While we are committed to staff nationalization, we also believe that a reasonable ratio of international assignments to and from Azerbaijan is important for development. In 2014, more than 100 of our national employees worked at BP locations outside Azerbaijan. More than 30% of them specialized in wells.

At the end of 2014, we had 474 expatriates working for BP in Azerbaijan. More than 60% of them were from Europe and about 30% from the US. The remainder were from Australia, Canada, Colombia, Egypt, India, Indonesia, Oman and Trinidad & Tobago. By the end of the year there were 78 new expatriates who arrived to work for BP in the country while 98 expatriates left, constituting a net decrease of 20.





of our permanent professional staff in

Azerbaijan were national citizens at the end of 2014.

From graduation to global leadership

Emil Ismailov, head of planning and commercial operations in BP AGT, leads a team of about 120 professionals and is a member of the regional leadership team. He is also part of BP's global upstream finance leadership. Prior to his current roles, Emil spent almost three years in our London office in various senior leadership positions. As planning vice president in upstream finance, Emil was responsible for the most of eastern hemisphere. "It was a great chance to work on a truly global level, and I was very happy to return to Azerbaijan when the giant projects started ramping up," he says.

Emil began his career in 1998. He was one of the successful graduates that participated in the first wave of BP's Challenge programme in Azerbaijan and got an opportunity to work overseas. "After gaining experience in the larger UK business as a Challenger for three years, I returned to Azerbaijan in 2003 to join the Shah Deniz team, at a time when our operations started to grow," he recalls. Looking back at his almost 20-year career Emil says: "The Challenge programme was the first big step in my career development. And my story is a good illustration of the emphasis that BP place on developing local talent."



Recruitment

BP aims to create and sustain a positive 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. We are committed to meritocratic recruitment and promotion processes.

We constantly monitor and review our recruitment processes to ensure their transparency and efficiency. In addition, a UK-based independent agency regularly conducts a global survey that tests the quality of our recruitment practices. BP in Azerbaijan has been among the highest rated countries on all points of the survey.

In 2014, we received about 4,300 applications to our annual graduate and intern recruitment programme. Of these, 3,155 applicants passed the initial screening, and 391 reached the final interview stage. In the end, we hired 49 summer interns and 70 new graduates. Of these, we recruited 26 graduates to our Challenge programme as permanent BP employees. The remaining 44 received places on our petro-technical learning programme (PREP). For more information about Challenge and PREP programmes see page 17.

During the year, we ran two technician hiring campaigns resulting in job offers to 113 technicians. Before being deployed to offshore or onshore sites newly recruited technicians enrol on an intensive 18-month English language and technical training programme at the Caspian Technician Training Centre.

All ad-hoc vacancies at BP in Azerbaijan are advertised on *bp.com/caspian*. In 2014, we received more than 16,400 applications for these roles and hired 172 national employees.

Employee communication and engagement

In 2014, more than 1,700 employees or about 41% of those invited from Azerbaijan, Georgia and Turkey participated in the annual staff survey. The resulting satisfaction index covers the areas of development, job satisfaction, management behaviour, reward, and work environment. Our index for the region was at 78% in 2014, which is an increase compared to 75% in 2013.

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. We invest in the training and development 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 18 forums have taken place, hosting about 540 participants. These include two forums in 2014, attended by about 70 technicians.

Listening lunches

Listening lunches brings together members of our regional leadership team with employees from a mix of disciplines for an informal lunch and open discussion of business-related subjects. Through the lunches, employees get an opportunity to share their concerns, ask questions and get answers first-hand, while the leadership hears opinions from various layers of the organization. Six listening lunches were held during 2014, with more than 90 employees taking part.

Loan support programme

We launched our loan support programme in 2012. All Azerbaijani national employees who have worked in the company for three years or more are eligible for this benefit. The programme contributes towards defined bank loan commitments relating to the purchase or repair of houses or apartments, house construction, and the education of employees' children under 18 years old.

During the year, more than 610 employees successfully applied for loans through the programme, bringing the total number of participants to more than 2,100. Altogether in 2012-14 it has contributed towards loans totalling over \$25.6 million.

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, almost 1,350 employees have been recognized in this way.





The technical jury evaluated projects presented by 44 Challengers and 23 summer interns at the fourth regional *TechnoFest* competition (top image). Drilling control room simulation at the Caspian Technician Training Centre (bottom image).

17% more national employees worked in senior level positions in 2014 than in 2013.



In 2014, we held six town hall meetings in Baku to discuss topical issues. Our regional intranet was instrumental in dissemination of information and running various campaigns. We published four issues of the staff magazine *Compass* in 2014, both in Azerbaijani and English and distributed them across the region.

Learning and development

In 2014, we provided a range of safety, technical, managerial and behavioural trainings in the region. A total of 1,488 training sessions have been arranged by our local team, with more than 12,000 attendees. Of these sessions 1,350 or about 91% were held in Azerbaijan.

Continuing professional education

We continued providing financial assistance to help our national employees attain additional degrees or certificates in their areas of expertise. We supported a total of 67 employees through this programme in 2014. Of them, 34 employees applied for master's degree programmes at British educational institutes, and 33 more were able to take advantage of other postgraduate learning opportunities.

Challenge and petro-technical resource entry programmes

Our global Challenge programme has been running within BP in Azerbaijan since 2003. It is intended to develop talented graduates with little previous industry experience that are selected through our annual graduate recruitment programme. During the three-year programme Challengers typically fulfil two or three distinct roles. By the time they complete the programme, they are expected to be fully competent professionals. Starting in 2012, we launched the PREP programme that aims to develop selected graduates who did not qualify for the Challenge programme. This 11-month training programme is designed to help these graduates deepen their technical knowledge, business awareness, communication and English skills. The programme is delivered in collaboration with Heriot-Watt University and TTE-Petrofac.

In 2014, in addition to 26 graduates recruited as Challengers, a further 35 joined the Challenge programme from PREP. Overall we hired 61 Challengers, bringing their total number in Azerbaijan to 195.

Caspian Technician Training Centre

This 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 Iraq also using its services. Since 2004, about 1,050 technicians have graduated from its Foundation programme. In 2014, around 100 technicians were deployed to onshore and offshore assets after graduation.

Other programmes

The transition to engineering programme is designed to encourage all interested employees with the relevant backgrounds to pursue an engineering career within the organization. Successful candidates are identified through a rigorous selection process based on the individual's experience and capability. We received 111 applications in 2014, of which 21 were interviewed, and 14 were selected as candidates in seven engineering disciplines.

We continued to offer language training courses to our staff and their eligible family members. By the end of 2014, there were 280 learners taking English lessons. More than 90 chose to study Azerbaijani. In addition, expatriates are offered talks on Azerbaijani history, culture and traditions.

Our code of conduct

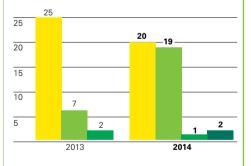
Our code of conduct sets out the basic rules our people must follow and explains how our values and group standards should guide our decisions.



BP employee asks question during one of our regular town hall meetings.

Disciplinary cases in Azerbaijan (by code of conduct chapter)

- Operating safely, responsibly and reliably
- Our people
- Our assets and financial integrity
- The governments and communities we work with



Our code of conduct sets out the ethical standards and is our guide to doing the right thing in business, day-by-day.

The new simplified code of conduct was launched in July 2014. It reflects the way we are becoming simpler and more focused as a business. It sets out the most important principles and expectations to help people guide their actions. It also points the way to helpful resources with relevant and more detailed BP requirements.

Our values and behaviours continue to be the foundation of our new code. At its heart is the message that BP trusts its employees to make the right decisions and speak up when they have questions or concerns.

Ethics and compliance training

We conduct face-to-face ethics and compliance workshops in addition to mandatory code of conduct, anti-bribery and corruption, antimoney laundering and conflict of interest e-learning modules. About 2,600 people in Azerbaijan, Georgia and Turkey, including BP staff and contractor personnel, participated at some 140 face-to-face training sessions we organized in 2014.

We expect and encourage our contractors and their employees to act in a way that is consistent with our code. We seek to clearly communicate our expectations to our business partners, agree contractual obligations where appropriate and take the appropriate measures where we believe they have not met our expectations or their contractual obligations.

In 2014, we also focused on raising awareness of our business partners on what is expected of them and the consequences of unethical behaviour. In September, for example, we conducted anti-bribery and corruption training for senior managers of more than 50 supplier companies.

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.



We have five values that express our shared understanding of what we believe, how we aim to behave and what we aspire to be as an organization. Our goal is to ensure that they translate into responsible behaviour in the work we do every day. The values 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.

OpenTalk, BP's global helpline, is a confidential way to get answers to your questions and to raise concerns. It is administered by an independent company, is available every day of the week at any time, day or night, and can accommodate calls in more than 75 languages. Issues raised via OpenTalk are reported for assessment and further action, as appropriate.

In Azerbaijan, 42 cases which resulted in disciplinary actions were reported in 2014. Following investigations, a number of BP employees, as well as contractor and agency personnel were dismissed.

Our values *bp.com/val*

bp.com/values Our code of conduct

bp.com/codeofconduct

Employees leave a 'frog' lifting device after being safely transferred to a crew vessel from the Central Azeri offshore platform.

Safety

We focus on maintaining safe, reliable and compliant operations and put safety and operational risk management at the heart of everything we do.

What we said we would do

Maintain our progress towards completing the outstanding recommendations of BP's investigation into the Gulf of Mexico accident (Bly Report).

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

Enhance our capabilities in crisis and continuity management in the region.

Where we are today

We completed 25 of the 26 Bly Report recommendations in the region.

Our recordable injury frequency has dropped by 67% compared to 2013, and total vehicle accident rate decreased by 40%.

Our crisis and continuity management activities were centered around further enhancement of the response capability and continuous alignment with BP standards and best industry practices.

What we plan to do next

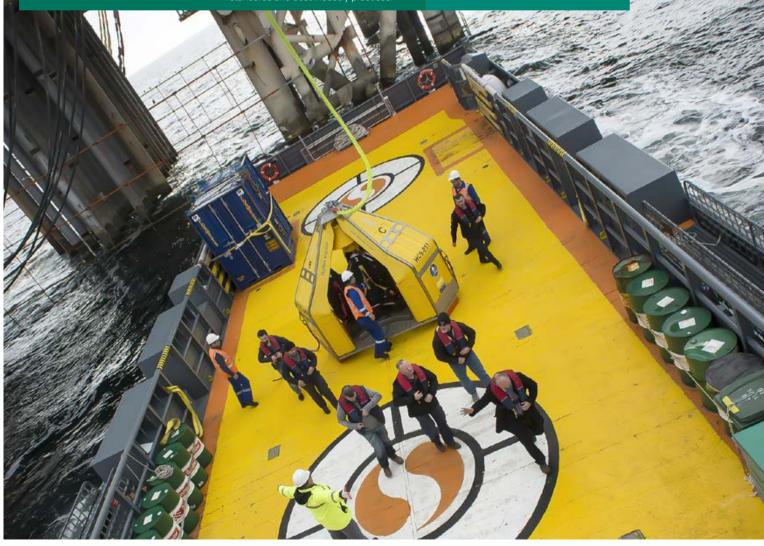
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10

Progress further towards completing the outstanding recommendation of the Bly Report.

Continue to embed safety culture into our work with contractors.

Work further to enhance adequate response capabilities to manage long-running major emergency or crisis events.



Managing safety

Safety is our top priority, driven by our leadership and applied through our operating management system.



Our employees during the shift change at the West Chirag platform.

Creating a safe and healthy working environment is essential for our success. We are committed to keeping people safe, whether they are working on our sites or living in communities near to our operations.

Operating management system

BP's operating management system (OMS) sets out the principles for good operating practice. It integrates BP requirements on health, safety, security and 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. It addresses eight elements of operating, under the headings of people, plant, process and performance.

In 2014, the OMS framework was updated. Now it is shorter, clearer, more logical and easier to use without changing the intent of delivering safe, reliable and compliant operations. It consists of two-parts, where part one is a simple overview of 'what OMS is' and part two contains the requirements.

A performance improvement cycle embedded in the OMS drives continuous improvement. It is about exploring opportunities to improve business performance, address our risks and make business processes simple and efficient. We assess our performance against OMS requirements through self-verification, assurance and audit.

From self verification to audit - three lines of defence

3 Group audit provides an independent check of the effectiveness of a sample of activities intended to manage risk.
 2 Our safety and operational risk team provides businesses with tools, guidance and support to help them conform with our OMS.

Sites work continuously to verify conformance with requirements to drive safe, reliable and compliant operations.

Assurance Self verification We encourage our employees to constantly look for ways to eliminate defects and make our work safer, more reliable and more conformant with OMS. During the year, 261 continuous improvement projects were implemented in Azerbaijan to address opportunities in health, safety, security and environment, revenue, cost and other areas.

Health and personal safety

We implement various occupational health and first aid capability, welfare, vaccination and promotion activities in our operations onshore and offshore. In October, we introduced preventative health checks as part of national medical insurance in Azerbaijan, which covers our employees and their eligible dependents.

The health assurance team from London visited Azerbaijan to review our health and industrial hygiene activities in November 2014. We received positive feedback and some of our initiatives were evaluated as exemplary.

In 2014, our recordable injury frequency dropped dramatically by 67% compared to 2013, which shows an improvement in personal safety.

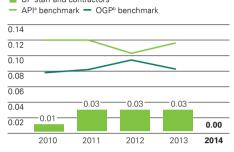
Driving safety

The driving activity increased by more than 24% during the year. While our total vehicle accident rate decreased by 40%, we also recorded two severe vehicle accidents. One of them involved a third-party car and our contractor truck. It happened as a result of violation of rules by the car driver and resulted in two third-party fatalities. The second one took place at the Sangachal terminal non-operational area. A contractor truck overturned at a low speed because the driver was not following relevant safety rules.

We continued to implement our plan for reinforcing health and safety assurance throughout the audits of sites and contractors on compliance with driving safety standards as well as day-to-day monitoring.

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

BP staff and contractors



Recordable injury frequency (per 200,000 hours worked)





^aThe American Petroleum Institute. ^bThe International Association of Oil & Gas Producers.

Safety performance and safety culture

In total, there were seven high potential incidents in 2014. Five were related to dropped objects and the other two to gas venting. All incidents were investigated and lessons learned reported and shared.

We continued our work in safety culture improvements focusing on human error awareness and procedural compliance. In 2014, we finalized the human factors awareness training for our offshore personnel at Shah Deniz and Chirag. To prioritise safety initiatives we commissioned an independent safety culture survey, which covered both production and well operations on all offshore platforms. They also conducted a review of how we assess human factors in our incident investigations. Actions taken from the survey recommendations and review will help to improve our safety performance.

Operational safety

In 2010, our investigation into the Deepwater Horizon accident, the Bly Report, made 26 recommendations aimed at further reducing risk across our global drilling activities. BP has committed to providing regular updates on progress towards the implementation of these recommendations.

The total number of completed recommendations was 25 by the end of 2014. We completed 92% of required 163 deliverables, which compares to 85% completion at the end of 2013. During the year, we completed eight recommendations, including six blowout preventer-related recommendations. These covered areas such as testing, maintenance, redundancy, and reliability, as well as shear ram configuration and capability.

Safety performance of BP in Azerbaijan°

	2013	2014
Fatalities	0	0
High potential incident frequency ^d	0.03	0.04
Day away from work case frequency ^e	0.03	0.00
Recordable injury frequency ^f	0.27	0.09
Total vehicle accident rate ⁹	1.38	0.83
Kilometres driven (millions)	19.51	24.24
Hours worked (millions)	29.96	32.18

^c This 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.

^d The frequency indicators are calculated per 200,000 labour hours worked.

^e A day away from work case 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.

^f Recordable injury is the number of all reported work-related injuries above first aid.

⁹ Total vehicle accident rate is the number of reported road accidents per million vehicle kilometres travelled.

All completed recommendations and deliverables now form a sustainable part of our OMS within the global wells organization.

Audit and verification

The actions from the 2010-11 safety and operational risk audit were largely complete by the end of 2014. In total, we completed 99% of actions from previous BP group audits.

In 2014, we went through a large BP group audit in Azerbaijan-Georgia-Turkey (AGT) region. The effectiveness of our risk management activities was audited on a sample of assets including offshore platforms, operating units and a storage at the Sangachal terminal. The audit covered several elements of our OMS, including risk assessment and management, process safety, management of change and control of work.

Our global operations organization completed development of the self-verification programme for the AGT region in 2014 to standardize self-verification across midstream and offshore operations.

Integrity management

During 2014, we completed more than 300 major equipment and system inspections on our onshore and offshore facilities.

This included some 90 equipment and pipework inspections of export facilities. In addition, we completed corrosion protection surveys and upgrades, as well as river crossing inspections across the midstream. At the Sangachal terminal we finished about 150 inspections of structures, supports and concrete foundations, 10 more were completed at export pipeline facilities.

Offshore activities included more than 30 invasive inspections of major hydrocarbon vessels on Azeri and Chirag platforms. We executed our corrosion management programme on a number of platforms. In addition, we completed baseline inspection of the structures on West Chirag by using a remotely operated underwater vehicle.





Deploying containment booms during an oil spill response exercise (top image). Our annual contractor leadership forum is used as an important channel for communicating our health, safety and environment agenda (bottom image).

67% decrease in recordable injury frequency compared to 2013.



Security and crisis management

We have processes in place to try to anticipate potential threats to our business and to be ready if a crisis or incident occurs.

Our collective responsibility as a company is to provide assurance and a clear security framework, manage security concerns in varying business environments and protect assets within BP-operated areas. External perimeter protection of BP-operated areas in Azerbaijan, both onshore and offshore, is provided by the state security agencies.

In 2014, we co-operated with our contractors and partners to ensure that security was vigilant and compliant with our business commitments. BP participated in 10 local export pipeline security commission meetings in the districts along the BP-operated pipelines. Hosted by the government's Export Pipeline Protection Department (EPPD) and attended by local law enforcement authorities these meetings provide a key engagement channel.

During the year, the number of EPPD horse patrollers assigned to protect BP-operated pipelines increased to a total of 52. In addition, throughout 2014, BP used 84 horse patrollers to monitor the technical condition of the pipelines and report any security related issues. To support them in challenging weather conditions BP arranged additional 12 shelters in remote areas.

Crisis management and emergency response

Our crisis and continuity management planning helps to keep our people safe, respond effectively to emergencies and avoid potentially severe disruptions in our operations. We identify potential crisis and continuity risks on an annual basis and carry out regular exercises to test how prepared our teams are to respond.

In 2014, our crisis and continuity management activities were centred on further enhancement of the response capability and continuous alignment with BP standards and industry best practices. BP group experts visited Baku twice to review the oil spill preparedness and response capability and to verify our conformance to the corresponding group defined practices. The recommendations from those visits were incorporated into our continuous improvement programme. We also completed purchasing of oil spill response equipment, which further strengthened our response capability in the region. We started implementation of the globally recognized incident command system in 2014. When fully utilized, it will enable the regional incident management teams (IMT) to provide adequate response to long-running major emergency or crisis events.

Working with partners and contractors

Our partnership with the Ministry of Emergency Situations (MES) of Azerbaijan has been further strengthened in 2014. The MES representatives regularly participated in our IMT exercises and site drills. In addition, a joint oil spill response exercise in the Caspian with mobilization and deployment of both BP and MES resources was successfully carried out in May. Another larger scale international cross-border exercise in Georgia involved mobilization of BP response contractors, equipment and resources and on-scene co-ordination with national emergency response agencies including MES of Azerbaijan.

Our ability to be a safe and responsible operator depends in part on the capability and performance of our contractors. Our standard contracts include health, safety, security and environment requirements. Bridging documents are developed as necessary to define how our safety management system and that of our contractors' co-exist to manage risk on the work site. Selected contractors develop specific actions they will take to assure that they are following the procedures identified in the bridging documents and health, safety and environment plans. BP oversees the quality and effectiveness of those actions and report on any gaps identified.

In June 2014, we hosted the annual contractor safety leadership forum chaired by the regional president. We brought together senior leaders from BP and our key contractors to discuss how they could improve safety performance in the region. The focus was to build on previous discussions and to share the progress achieved on the commitments made at the 2013 forum. As an outcome of the forum, each contractor senior leader made his personal commitment to develop a specific leadership action to drive forward conformance to procedures.

Our environmental specialists conducting soil and vegetation survey around the Sangachal terminal.

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

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.

Where we are today

75-15 F-E

Updated environmental and socioeconomic sensitivity maps for the coastline and onshore pipeline routes shared with government bodies.

A total of 21 environmental monitoring surveys completed in 2014, bringing the total number to 171 since 2004.

Overall, the total volume of re-injected produced water increased by 16%.

What we plan to do next

Maintain ISO 14001 certificate of our environmental management system through regular independent audits.

Continue our environmental monitoring programme that includes surveys in offshore, onshore and nearshore areas.

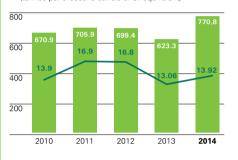
Continue to co-operate with the relevant government agencies on such topics as gas flaring, waste and produced water management.

Environmental performance

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

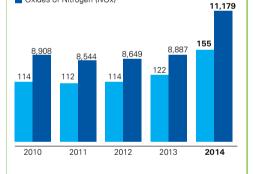
Net GHG emissions

- Operational net greenhouse gas (GHG) emissions (thousand tonnes)
- Normalised operational GHG emissions (tonnes per thousand barrels of oil equivalent)



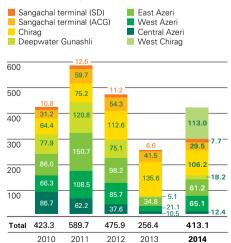
Gross non-GHG emissions (tonnes)

Oxides of Sulphur (SOx)
 Oxides of Nitrogen (NOx)



Gross flaring by asset

(thousand tonnes)



The following flaring data has been omitted, since they are relatively small: about 1,100 tonnes in 2012 at Istiglal rig and 1,200 tonnes in 2013 at Heydar Aliyev rig. There is no flaring on Shah Deniz platform.

Our environmental management system in Azerbaijan is independently audited to maintain its ISO 14001 certificate. In 2014, the regular audit programme covered East Azeri and Chirag platforms, our supply base and the Sangachal terminal. In addition, the West Chirag platform and our new office headquarters were audited for the first time. The programme confirmed that these facilities meet the standard requirements. The scope of the ISO 14001 certificate for our operations in Azerbaijan was expanded to cover new facilities. Corrective action requests from 2013 audits were closed based on completion of the developed action plan.

Emissions to the air

Our greenhouse gas (GHG) emissions arise from the burning of fuels in internal combustion engines, heaters and flaring of unrecoverable gas. In 2014, we emitted about 4,067,000 tonnes of gross GHG, which is almost 29% higher than in 2013. The main reason for this increase was higher volumes of flaring at the West and East Azeri platforms, as well as the start-up of the West Chirag. The largest contributors to our GHG emissions were still the Sangachal terminal, which alone accounts for about 22% of the total volume, the Central Azeri and the Deepwater Gunashli platforms.

Our NOx emissions increased by 26% compared to 2013 reaching 11,179 tonnes. This correlates with 19% increase in fuel gas use. There was a similar increase in SOx emissions. This was influenced by a 26% increase in diesel usage due to increased drilling activities and the subsequent higher intensity of logistics

operations. Other main contributors to SOx emissions include the Shah Deniz platform and the Sangachal terminal.

Flaring

In 2014, the amount of flaring at our facilities in Azerbaijan increased by 61% compared to the previous year, from 256 to 413 thousand tonnes. The main factors contributing to this increase were commissioning of the West Chirag platform, gas flared across three Azeri platforms during major maintenance activities at Central Azeri and gas export constrains from Chirag to Oily Rocks.

Oil spills

BP in Azerbaijan recorded six oil spills in 2014, five of which were fully contained. Out of 14,311 litres of spilled material, 14,271 litres or 99.7% were contained. Only 40 litres of oil based mud reached the environment.

This is a significant year-on-year improvement in the total number of oil spills (11 spills in 2013), the containment rate (95% in 2013) and the volume of material reaching the environment (643 litres in 2013). We continue formally reporting all material releases of hydrocarbons to the Ministry of Ecology and Natural Resources, as well as to the State Oil Company of the Republic of Azerbaijan.

Energy consumption		
	2013	2014
Fuel gas (thousand tonnes)	800.4	949.7
Diesel (thousand tonnes)	65.8	83.0
Electricity import (Megawatt hours)	8.074	6.821

Generated waste quantities

(tonnes)

	2013	2014
Hazardous waste (excluding sewage) ^b	94,958	314,462
Non-hazardous waste	15,216	13,535
Total produced water	4,469,658	5,358,943°
Raw sewage ^d	40,368	40,842

^aOil 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).

Plncludes drill cuttings and produced water filtration wastes. Excludes externally disposed raw sewage.

cIncludes volumes from ACG and Shah Deniz, separated at the Sangachal terminal, as well as the volumes separated at the East Azeri platform.

^dRepresents raw sewage from facilities sent to Sangachal terminal for treatment and discharge to environment via sewage treatment plant.

Waste management

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

Our operations in Azerbaijan generated a total of 368,839 tonnes of solid and liquid waste in 2014. The notable increase in the total volume of hazardous waste was caused by a significant amount of produced water sent for treatment and disposal as liquid waste.

About 42% of the non-hazardous waste (5,690 tonnes) and 20% of the hazardous waste (63,314 tonnes) was recycled or reused by our contractors. The main non-hazardous waste streams, such as paper, wood, plastics and metals, are recycled by local companies.

At the Serenja hazardous waste management facility 49,722 tonnes of drill cuttings were processed through existing indirect thermal desorption units and new, more efficient thermo-mechanical cutting cleaner unit, installed in 2014. As a result, 6,065 tonnes of base oil were recovered, of which 857 tonnes were re-used as a fuel and 4,476 tonnes were injected into the oil export pipelines.

In 2014, we continued to landfill treated hazardous drill cuttings accumulated at the Serenja facility from previous years by sending 69, 193 tonnes to Sumgayit hazardous waste landfill. There were no shipments of nonhazardous drill cuttings from Serenja to the Sumgayit non-hazardous landfill cell.

Drill cuttings

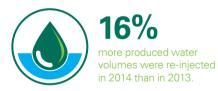
In 2014, our intensified drilling programme led to almost three-fold increase in the volume of drill cuttings discharged to sea (39,714 tonnes). Discharges to sea, meeting the specific requirements, are allowed for drill cuttings with synthetic-based mud (SBM) from the Chirag platform and with water-based mud (WBM) from all other platforms and mobile drilling rigs. During the year, 9,745 tonnes of cuttings were injected into re-injection wells at the Azeri-Chirag-Deepwater Gunashli (ACG) field. The remaining 31,252 tonnes of cuttings (8% more than in 2013) were delivered to Serenja hazardous waste management facility.

Sewage

In 2014, there was a further reduction (from 21 to 12) of sewage treatment plant outages that result in untreated sewage releases offshore. However, the volume released increased by 5% from 195m³ to 204m³.

We regularly monitor and analyse the performance of sewage treatment and quality of discharged water. Results for faecal coliforms occasionally exceeded the limits at most of the offshore platforms. Total suspended solids and biological oxygen demand parameters at the Shah Deniz platform were out of specifications. We increased the frequency of the monitoring and continued to analyse the causes.

At the Sangachal terminal, monitoring results of treated sewage showed compliance with all required parameters throughout the year. Along the export pipelines, an issue with elevated faecal coliforms parameter at the reed beds continued in 2014. A special monitoring was initiated to assess water quality across the reed beds area.





Our employee analyzing the produced water samples at the Sangachal terminal laboratory.

Produced water

Produced water volumes at the ACG field continue to rise. A total of 5,263,662 tonnes from ACG were separated at the Sangachal terminal in 2014. This represents an 18.5% annual increase. After treatment, 5,077,256 tonnes were exported back offshore for re-injection. The remaining 186,406 tonnes were sent to a third-party treatment facility.

Produced water volumes from the Shah Deniz field are much smaller than volumes from the ACG. In 2014, about 30,906 tonnes were separated and placed into the dedicated storage ponds at the Sangachal terminal.

In October, the East Azeri platform began to separate produced water for the first time in the ACG operations. This technology is applied to reduce the quantity of water within oil sent to shore. In total, 64,375 tonnes of produced water were separated at the East Azeri. These volumes are transported to the Central Azeri compression and water injection platform for subsequent re-injection into the reservoir.

In total, 5,059,108 tonnes or 94.4% of the produced water was re-injected. This volume is 16.0% more than in 2013.

We observed a 70.6% increase in produced water discharged offshore reaching 82,523 tonnes. Almost all this volume (98.9%) was discharged during a single unplanned event at the West Azeri platform in January 2014.

Operational discharges of drill cuttings to water (tonnes)

Asset / facility	With WBM	With SBM	Total
Chirag	0	881.1	881.1
Central Azeri	3,121.3	0	3,121.3
West Azeri	807.4	0	807.4
East Azeri	808.7	0	808.7
Deepwater Gunashli and West Chirag	0	0	0
Shah Deniz	9,145.7	0	9,145.7
Dada Gorgud drilling rig	3,995.5	0	3,995.5
Istiglal drilling rig	12,897.0	0	12,897.0
Heydar Aliyev drilling rig	8,057.7	0	8,057.7
Total	38,833.4	881.1	39,714.4

Environmental monitoring

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

Working together

We continue our co-operation with the environmental team of the State Oil Company of the Republic of Azerbaijan (SOCAR). Our joint working group discusses regularly such topics as gas flaring, waste and produced water management. "SOCAR representatives are also involved in our environmental monitoring activities every year," says Saadat Gafarova, compliance management system coordinator in BP AGT.

She adds: "We successfully completed updating the environmental and socioeconomic sensitivity maps for the coastline and onshore pipeline routes in Azerbaijan. We shared them with the Ministry of Ecology and Natural Resources, SOCAR and the Ministry of Emergency Situations." These maps are a key component of an effective oil spill response, helping to establish protection priorities and response strategies.



ambient environmental monitoring surveys carried out in 2014.

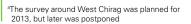


carried out in 2014.



Read the summary of 2013 survey results at *bp.com/caspian/environment*

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Collecting samples during surface water monitoring around the Sangachal terminal.

We run a programme for ambient monitoring around the offshore and onshore facilities that are operated by BP in Azerbaijan. A total of 171 monitoring studies were completed in 2004-14. This includes 21 environmental surveys in 2014, of which 13 were onshore, six were offshore and two were nearshore.

Offshore and nearshore surveys

In 2014, we conducted seabed monitoring in the vicinity of the Chirag, Central Azeri, East Azeri and West Chirag platforms^a. We carried out the benthic, water and plankton surveys in the Azeri-Chirag-Deepwater Gunashli (ACG) area and along the ACG subsea pipelines to understand whether there are changes in the marine environment.

Two baseline nearshore environmental surveys were carried out in the Sangachal Bay adjacent to the expansion area of the Sangachal terminal. These surveys will be used for assessment of the effects of the Shah Deniz Stage 2 project activities on the Sangachal environment.

Because of the large number of samples and the number of factors analyzed for each sample producing interpretive reports takes up to two years. Therefore, we have summarized the 2013 survey results for this report.

Onshore surveys

Of the 13 onshore surveys conducted in 2014, seven covered the Sangachal terminal, four the export pipelines and two the Serenja hazardous waste management facility (HWMF).

These included ambient air quality monitoring around the Sangachal terminal, Serenja HWMF, along the Baku-Tbilisi-Ceyhan pipeline and Western Route Export Pipeline. Daytime and night-time environmental noise monitoring was conducted at several locations along the pipeline routes and around the terminal.

We conducted both ground water quality and surface water monitoring around the Sangachal terminal and along the export pipelines. Ground water monitoring was also conducted around the Serenja HWMF.

A soil and vegetation survey was conducted around the Sangachal terminal. Two wildlife (birds, mammals and herpetofauna) surveys, as well as a wetland survey were carried out close to the terminal. Biorestoration, vegetation and species diversity survey were conducted along the export pipelines in Azerbaijan.

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

Society

Our aim is to make a positive impact on the society, supported by an open dialogue with our stakeholders and leading to sustainable enterprise and community development.

What we said we would do

Expand our social investment activities.

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

Publicise our EITI involvement and maintain transparent public reporting.

Where we are today

We spent about \$5.9 million in social investment together with our co-venturers in Azerbaijan.

We awarded \$2.15 billion worth long term contracts to more than 100 local companies in 2014, most of them developed through BP and co-venturers' capacity building programmes.

We contributed to the implementation of the new EITI standard in Azerbaijan.

What we plan to do next

Continue to support a variety of sustainable development initiatives, including projects designed to build community-based skills and capabilities.

Meet our commitment to providing opportunities for local suppliers as the Shah Deniz Stage 2 and other project activities progress.

Continue to work closely with the communities in the neighbourhood of our operations and projects, informing them about our plans and listening to their concerns.

Stakeholder engagement

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

Elshad Nasirov Vice president on investments and marketing, SOCAR

"BP for us is a friendly company – a company we trust. We find BP a very efficient company. And we have mutually beneficial cooperation in the projects where BP is the operator. We appreciate that."





Read about our projections of future energy trends in the *BP Energy Outlook 2035 bp.com/energyoutlook*



BP employees answer visitor's question at the 21st International Caspian Oil and Gas Exhibition.

We continued to work with the State Oil Company of the Republic of Azerbaijan (SOCAR) on issues of mutual importance within the framework of our production sharing agreements, host government agreements and other agreements.

A delegation led by BP group chief executive, Bob Dudley, was received by the President of Azerbaijan, Ilham Aliyev, three times – in June, September and December.

As a part of the cooperation with the government of Azerbaijan, our regional president, Gordon Birrell, regularly met with high ranking officials to provide updates on the ongoing operations and projects, including Shah Deniz Stage 2 and Southern Gas Corridor. In June, he hosted President Aliyev and his guests on the BP stand at the 21st Caspian Oil and Gas Exhibition in Baku.

We also took part in other public exhibitions and events during the year. In October, we hosted a stand at the eighth Azerbaijan International Education and Career Exhibition, and in November we took part in the fifth International Environmental Exhibition in Baku.

In September, we celebrated the 20th anniversary of the signing of 'the Contract of Century', the Azeri-Chirag-Deepwater Gunashli production sharing agreement. A celebration event hosted by President Aliyev was attended by many guests from around the world, and representatives of industry, media and civil society.

On the same day we held the ground-breaking ceremony of the Southern Gas Corridor at the Sangachal terminal. Presidents, ministers and senior officials from the Southern Gas Corridor countries, the UK and the US as well as from SOCAR and BP put their signatures on the first piece of pipe. It was then buried to mark the commencement of the project.

During the year, we hosted more than 100 site visits to the Sangachal terminal by politicians, journalists and guests of our co-venturer companies as well as representatives of financial, educational and other organizations from more than 15 countries.

We saw substantial media interest in our activities in Azerbaijan during 2014. Throughout the year, we arranged briefings and provided interviews for local and international journalists. We invited representatives of key media outlets to all BP-hosted external events. We also held two media workshops for local journalists and arranged seven trips to our sites for international media representatives. In total, BP issued 22 press releases and four business update reports in Azerbaijan. Our 24-hour media response line was available to the media.

BP's head of economics for Russia/CIS visited Azerbaijan in July 2014 to present BP's annual *Statistical Review of World Energy* to government agencies, business and academic community, university students and the media. During the meetings, he also presented the *BP Energy Outlook* report, which reflects the company's forecast of the long-term trends on the energy market.

The bilingual website *bp.com/caspian* highlights our activities in Azerbaijan and the region and remains an important means of interaction with the public. In March 2014, we launched our website, which is mobile-friendly and responsive to visitor's device. The new website received an average of more than 850 visits every day during the year. We also received 1,516 enquiries, which is 43% more than in 2013, through the site's online enquiry form

Revenue transparency

Launched in 2003, the Extractive Industries Transparency Initiative (EITI) was designed to help create a voluntary process for the transparent reporting of company payments and government revenues in extractive industries. It is implemented by governments, in collaboration with companies and civil society. As a founding member of EITI, BP is a long-standing supporter of this international initiative.

Azerbaijan became the first EITI compliant country in the world, having completed the validation in 2009. We have played an active role in the local EITI process as a member of the multi-stakeholder steering group, and as a co-ordinator of the group of participating companies. BP, as an active member of local working groups, contributed to the implementation of the new EITI standard that was introduced in May 2013. As part of this, the updated memorandum of understanding between initiative participants in Azerbaijan was agreed and signed in June 2014. In July, BP in Azerbaijan submitted its EITI report covering the period of January-December 2013.



Enterprise development

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



The third Meet the Buyer event was another opportunity for local companies to present their products to potential clients.

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

- Joint ventures with Azerbaijani capital
 Small and medium enterprises^a
- State-owned companies



^a This amount also includes expenditures with physical persons.
^b In 2013, together with our co-venturers, we signed new contracts with 147 local companies and orgaizations worth more than \$1 billion.

° The total was 1,374 by the end of 2013 instead of 1,316 reported last year.

Together with our co-venturers in Azerbaijan, we signed new long-term contracts with more than 100 local companies in 2014 worth about \$2.15 billion^b. We remain committed to providing opportunities for local suppliers as the Shah Deniz Stage 2 (SD2) and other project activities progress. In 2014, several local companies in alliance with their international partners were awarded major fabrication, installation and construction contracts.

We also evaluated the local capability to produce materials and equipment for SD2 to the required standards. A number of local companies were selected as potential manufacturing sources for the project either on their own or in an alliance with international suppliers. We helped a local manufacturer, Sumgait Technologies Park, to go through a two-year development programme with major restructuring of the operational units and quality systems. As a result, the project signed a number of supply contracts with them in 2014.

Altogether we and our co-venturers did business with 311 local companies and individuals in Azerbaijan in 2014 of which 266 (86%) were small and medium enterprises. Our joint operations and projects expenditure in Azerbaijan totalled more than \$2.71 billion in 2014, which is a 37% increase over 2013. As part of this, our in-country operations-only expenditure with local suppliers rose to about \$1.79 billion. This is a 12% increase over 2013, reflecting increasing linkages between our enterprise development efforts and our demand planning.

Enterprise development and training programme

Through our enterprise development and training programme (EDTP), launched in 2007, we aim to identify local companies with strong business potential, to support them in meeting international standards and enhancing their competitiveness. The long-term aim is to increase the number of local companies that can provide products and services to the industry in the region, thus contributing to the development of the local economy. By the end of 2014, the EDTP has helped local companies to secure contracts in excess of \$542.7 million, of which more than \$348.4 million are with BP in Azerbaijan.

During the year, 28 companies completed the programme, bringing the total number of companies that have completed it to 177. During the period, a further 245 companies went through the initial appraisal by the EDTP. A total of 1,618 companies have been appraised since the programme started^c.

In 2014, BP and its co-venturers awarded contracts worth about \$72.5 million to 27 companies that previously participated in the EDTP. Seventeen EDTP participant companies won contracts worth about \$9.9 million with other international companies while 14 companies won contracts worth \$75 million with local companies. Participating local companies also invested about \$3.8 million in new capital equipment and hired 246 employees in 2014.

Meet the Buyer exhibition

In June 2014, BP and its co-venturers hosted the third Meet the Buyer event. It was held in the Baku Expo Centre as part of the 21st International Caspian Oil and Gas Exhibition. The event gave around 70 EDTP participant companies the opportunity to exhibit their products and services to potential clients. EDTP participants reported about 730 interactions with potential buyers and 520 business linkages with other exhibiting companies.

To recognize the enterprises that have been particularly successful in their development efforts, the new Enterprise Development Awards were presented to four local companies that completed the EDTP in the following nominations: the company of the year, the best health, safety and environment performance, the best employer and the most innovative use of technology.

Together with our co-venturers we also supported the participation of the leading local oil and gas universities in the Meet the Buyer exhibition. This was a good opportunity to promote universities as an important link in the value chain to industry, enterprise and capability development.

\$2.71 billion

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



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contracts awarded to local companies that have completed enterprise development training programme in 2014.



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.



We continue to promote training in the Voluntary Principles on Security and Human Rights for state and private security personnel.



Business and human rights

The UN Guiding Principles on Business and Human Rights, endorsed by the UN in 2011, outline a number of specific human rightsrelated responsibilities for businesses. According to the Guiding Principles the role of business is to respect human rights, comply with all applicable laws and to enable the remediation of any adverse human rights impacts which business may cause or to which they may contribute, for example through effective operational-level grievance mechanisms for individuals and communities.

BP is committed to working towards aligning our processes with the Guiding Principles. We deliver our Business and Human Rights policy, launched in 2013, by implementing the relevant sections of the Guiding Principles and incorporating them into the processes and policies that govern our business activities.

Wherever we work, we focus on potential human rights impacts in our own projects and operations or those directly linked to our activities. Human rights principles are already at the heart of many of BP's existing practices, particularly in our code of conduct and values, as well as in many operational requirements. In 2014, we continued identifying and addressing potential human rights impacts in the areas of recruitment, workforce welfare, land acquisition and livelihood, as well as other related issues in the affected communities.

We are a signatory to the Voluntary Principles on Security and Human Rights, which define good practice for security operations in the extractive industry. In Azerbaijan, we continue to promote training in the Voluntary Principles for security personnel involved in the protection of our operations to ensure understanding of the possible human rights impact of their work. About 60 state security agency officers and more than 70 private security service contractor personnel completed their initial or refresher trainings in 2014.

Since 2009, we have established a quick-dial emergency hotline along the export pipelines to enable affected communities and individuals to report any improper use of force or abuse of human rights directly to BP and the state security provider for joint investigation. No security or human rights incidents were reported via the hotline in 2014.

Maintaining community relations

BP regularly informs communities along the Baku-Tbilisi-Ceyhan (BTC) pipeline and South Caucasus Pipeline (SCP) route in Azerbaijan about our plans and listens to their concerns. We engage in a number of ways, from community meetings and the distribution of literature, to written correspondence and responses to requests or complaints.

Our six community liaison officers continued to hold public consultations and manage community-related grievances and requests in these communities. Since 2013, we have distributed awareness folders that explain restrictions around the export pipelines. By the end of 2014, more than 3,900 folders had been provided to landowners, land users and other stakeholders. The registered third-party violation cases such as grass fire, damage to line markers and trespassing within the safety zones reduced from 43 in 2013 to 36 in 2014.

We received 183 requests from communities and other stakeholders, mainly relating to getting permission for infrastructure works to be carried out on the pipeline corridor. By the end of the year, BP had responded to 173 of these requests, with the remaining 10 were completed by April 2015. Our grievance resolution mechanism for communities along the pipelines' route has been in place since 2007. During 2014, we received 27 complaints. Four of these were BTC/SCP related and the remaining 23 were related to the SCP expansion (SCPX) project. Through our co-operation with ASAN state agency for public service, land owners timely received all documents required for signing lease agreements.

Free admission to museums

We sponsored free entrance to major places of interest in Baku during the public holidays in January, March and May. Schoolchildren, students, residents and guests of the city were invited to visit the National Museum of History, National Art Museum, Maiden Tower and the Shirvanshah's Palace. More than 45,000 people benefited from these campaigns.





Land acquisition

The land acquisition process for the SCPX project continued in 2014. We continued identification of and consultation meetings with affected land owners and users.

Memorandums of understanding with affected people along the route were signed, and lease agreements were executed with more than 950 land owners and users for the first 200km in 2014. The remaining lease agreements will be signed in 2015 as per the project plan.

The compensation process and principles are in line with the *Guide to Land Acquisition and Compensation* framework document, and compensation payments will be completed for affected parcels in 2015. The document can be found online at *bp.com/caspian*.

Development initiatives

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

Youth Business Leadership project

This two-year project, launched jointly with the US Agency for International Development and the American Chamber of Commerce, was completed in 2014. The project aimed to provide selected university students from Baku and Ganja with the skills they need to become future business leaders. The project helped 120 senior students to develop their business management knowledge beyond the classroom through internships in 33 local companies. Thirty three participants went on to receive job offers from different companies, whilst two of them joined BP. Junior Achievement Azerbaijan was responsible for implementing the project, with an overall budget of \$200,000, out of which BP and its co-venturers provided half.

Preschool education and female entrepreneurship

We successfully piloted a model of communitybased preschool service provision as a small business initiative. In 2014, about 200 young children in Deller Jirdakhan and Duyerli benefited from the increased quality of public preschool services, community-based school readiness and child development programs. Two caregivers, 27 primary and 19 preschool teachers, methodologists and principals implementing child-centred Step by Step programme were provided with on-going mentoring services. The total budget of the project was about \$133,000, of which about \$30,000 was spent in 2014.

New entertaining education project

In November 2014, we signed a memorandum of understanding with the PCs4KIDS Foundation to supply more than 110 kindergartens with 500 used and new computers across some 11 regions through which the pipelines pass. The primary purpose of the project is to create opportunities for primary and pre-school aged children to develop their cognitive skills, such as active listening and creative thinking through the use of entertaining computer programs during their classes.

Supporting education, culture and sport

In addition to our community development initiatives we support numerous programmes that focus on education and capacity-building, culture and sport.



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

Educational initiatives

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

Azerbaijan oil and gas scholarship programme

Funded by BP and its co-venturers, this scholarship programme enables Azerbaijani students to pursue undergraduate and graduate studies in engineering and geosciences at universities in Turkey and Azerbaijan. In 2014, the value of the scholarships provided was about \$692,000, including \$153,000 allocated for the new scholarship recipients.

Four graduate students and 12 undergraduate students started to receive scholarships to study at Turkey universities in 2014. We hired 12 such students into our graduate recruitment programmes and six others as summer interns.

School of Project Management

Established by BP and its co-venturers in 2010, the School of Project Management (SPM) continues to help the private and public sectors access a globally recognized, comprehensive project management programme. By the end of 2014, about 300 specialists, representing more than 100 private and public sector organizations, had enrolled at the SPM.

In November, we hosted the third SPM graduation event. Of the total of 256 graduates, who received the George Washington University Associates Certificates, 176 also qualified for Masters Certificates.

The project is delivered by ESI International, a global project management training organization, in collaboration with Khazar University. Altogether,

BP and its co-venturers' financial investment in the SPM is more than \$2 million, of which \$100,000 was spent in 2014.

Vocational training for communities

In September 2014, BP on behalf of its co-venturers signed an agreement to support the training of the national workforce with the State Oil Company of the Republic of Azerbaijan (SOCAR). As part of this agreement, together with our co-venturers we cover vocational training of 87 young individuals selected from the settlements of the Garadagh district, close to the Sangachal terminal. They are trained at SOCAR's Gobustan Regional Training Center to become qualified technicians. The project had a total budget of more than \$624,000.

Qafqaz University project

We continued our project at Qafqaz University to support development of Azerbaijan's national experts. BP has invested about \$2.5 million to help establish two new departments and 16 laboratories since the launch of the project in 2009. In May 2014, the first 23 graduates of the newly established chemical engineering programme completed their undergraduate studies. As part of this co-operation the university accepted 30 new students for each of the mechanical, chemical and civil engineering programmes.

BP bursary programme

We have been awarding bursaries to university students that are studying oil and gas-related subjects in Azerbaijan since 2007. These give students an opportunity to improve their technical English language skills through a BP-funded 10-month training course. In 2014, we offered a year's extension for the course to the previous year's 60 bursary winners with high university admission scores. The total value of bursaries in 2014 was about \$59,000.

BP summer students' geology field course

Since 2003, BP in Azerbaijan has sponsored a summer field course in sedimentology and structural geology for undergraduate and graduate students. In total, 28 university students were selected from about 190 applicants following a knowledge based assessment. During the course the students gained some theoretical knowledge and hands-on experience in a field trip around the Absehron and Khizi districts. The course was led by representatives of Azerbaijan's National Academy of Sciences and the University of Michigan in the US.

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students received scholarships funded by BP and its co-venturers in 2014.





Our support to sport included assistance in developing event management capability and elite athlete training.

Mysterious Tales of Tabriz

As part of our commitment to promote Azerbaijan's cultural heritage, together with the Ministry of Culture and Tourism and PASHA Insurance Company, we sponsored the publication of the *Mysterious Tales of Tabriz*, a book dedicated to the traditional medieval Azerbaijani miniatures. We also hosted the public presentation of the book that brought together BP and SOCAR representatives, government officials, embassy representatives, non-government organizations, international institutions and media.





Azerbaijan Business Case Competition We supported this annual competition among the senior university students. The teams compete with each other, attempting to solve real-life business problems using their knowledge in business disciplines from finance and marketing, to accounting and management. They present their solutions to a panel of judges representing major businesses in Azerbaijan.

The 2014 competition was hosted by ADA University, with support from BP and other sponsoring industry organizations. More than 45 teams from Azerbaijan and Georgia applied to take part in the competition, with six teams chosen as finalists. The students went through four weeks of training and practical instruction in business case analysis and strategy development in preparation for the finals. BP provided more than \$6,000 in sponsorship and our employees contributed to the project as trainers, coaches and a jury panel member.

Promoting engineering at high schools

A series of workshops were held in November to help the students choose their future career path. This initiative brought together about 200 students from high schools in Baku, interested in technical subjects and selected through an initial application and screening process. The initiative was fully supported by the Ministry of Education and was implemented by the GencMIIB public union for development of young engineers, whose membership also includes many professional engineers from BP in Azerbaijan.

Our support to sport development

We continued to work with the National Olympic and Paralympic Committees as an official partner through to the 2016 games in Rio de Janeiro. This included sponsoring Azerbaijan's National Olympic and Paralympic teams and a group of athletes that have been selected as our ambassadors.

As part of our support to the Baku 2014 European Youth Olympic Trials event we sponsored the programme for the preparation of young volunteers. Thirty university students were selected and trained as young team leaders. They provided training to about 1,000 volunteers from different teams of the competition.

The event brought together around 700 athletes from about 40 European countries. The competition provided young sportsmen with the opportunity to qualify for the 2014 Youth Summer Olympic Games held in Nanjing, China in August.

Supporting Baku 2015 Games

The Baku 2015 European Games announced BP as an official partner in June 2014. BP became oil and gas partner for the games, in an agreement also to assist elite athlete development in Azerbaijan.

BP also became the exclusive official partner of the Baku 2015 Games Academy initiative, which was publicly launched in December 2014. This innovative learning programme supported the creation of a capability legacy for the Baku 2015 Games. It specifically aimed at developing and preparing national staff members, including university graduates, efficiently deliver a major multi-sport event, as well as developing skills which will assist them in their future careers.

A total of 188 high potential university graduates from Azerbaijan and across Europe were enrolled in the programme in July 2014. Through six training modules 162 Azerbaijani and 26 international graduates developed important skills and gained useful knowledge, which has helped contribute to the successful delivery of the inaugural European Games this year.

Report process and feedback

This sustainability report aims to provide a full and transparent account of our performance and activities in Azerbaijan in the previous year and reflects the feedback on earlier reports.



Civil society representatives share their opinion about the *BP in Azerbaijan Sustainability Report* 2013 during one of our feedback sessions.





We develop our reporting around the issues that we believe have the highest level of importance for our stakeholders and the greatest potential impact on BP's ability to deliver its strategy. BP group auditors Ernst & Young have provided external assurance. They have ensured that the report offers a balanced and accurate representation of our performance in Azerbaijan in 2014 and that figures and statements it contains are correct and supported by documentation.

Feedback

This is the 12th BP in Azerbaijan Sustainability Report and it reflects the feedback on the previous year's publication. The 2013 report was produced in Azerbaijani and English and circulated widely both internally and externally, in hard copy and through our website. On average it was downloaded 150 times every month. We sent copies to all our major stakeholders and requested their feedback. We also organized three live feedback sessions involving media representatives, civil society and students. In general, their reactions were positive.

Media feedback was mostly positive and the 2013 report was regarded as being as comprehensive and informative as the year before. Suggestions mostly concerned the technical details of the information provided in the 'Our operations' section of the report.

Civil society representatives took part in our feedback session. The head of the BP group reporting participated at the meeting to listen feedback on BP's sustainability reporting at group and country level. In advance of the meeting, all the participants were interviewed to understand their views about our sustainability reporting. This helped to set the context for the subsequent discussion.

One of the main suggestions was to include more comparative figures and visualised facts. They were also interested in more information about our policy on business and human rights, as well as transparency efforts and staff nationalization. We also received comments suggesting we use more web links, so that the public can access additional materials.

Students from the Baku State University, Qafqaz University, State Oil Academy, Technical University and University of Architecture and Construction were selected through an online quiz to participate in a joint feedback session. Recruitment-related issues and career opportunities for local students most interested this group. This group also favoured improvements to the report design, specifically, the use of infographics. They also suggested to further integrate the report with web and social media.

Our response

We have continued to highlight our policy on business and human rights in a separate section, and to include stories about the 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. In response to the feedback, we continued to illustrate statistics with infographic content. Many diagrams now provide comparisons covering a five-year period. In addition, we have included more web links to further information – as suggested by our stakeholders.

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 marketsensitive information. An aggregated account of the BP group's revenues and expenditures worldwide can be read in the company's 2014 annual report.

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

Five-year performance data^a

For the year ended 31 December					
Operating	2010	2011	2012	2013	2014
Total hydrocarbons produced (thousand barrels of oil equivalent per day) $^{\scriptscriptstyle \mathrm{b}}$	1,036	922	893	909	900
Financial ^o	2010	2011	2012	2013	2014
OPEX (operating expenditure) – total spend, gross (\$ million)	831	1,206	1,360	1,542	1,766
CAPEX (capital expenditure) – total spend, gross (\$ million)	2,096	2,636	3,669	4,862	7,170
Safety	2010	2011	2012	2013	2014
Fatalities – employees	0	0	0	0	0
Fatalities – contractors	0	0	0	0	0
Days away from work cases – workforce	1	3	3	5	0
Days away from work case frequency – workforce	0.01	0.03	0.03	0.03	0.00
Recordable injuries – workforce	15	21	20	40	14
Recordable injury frequency – workforce	0.17	0.24	0.21	0.27	0.09
Hours worked – employees (million hours) ^d	5.37	5.80	5.55	13.47	13.41
Hours worked – contractors (million hours)®	12.60	11.74	13.49	16.49	18.78
Environment	2010	2011	2012	2013	2014
Direct carbon dioxide (CO ₂), gross ^f (thousand tonnes)	3,656.8	3,892.5	3,543.7	3,021.8	3,846.5
Indirect carbon dioxide (CO ₂), ⁹ gross (thousand tonnes)	0.5	0.6	0.6	0.6	0.7
Direct methane (CH ₄), gross (thousand tonnes)	10.5	13.5	11.2	6.8	11.6
Direct greenhouse gas emissions, ^h gross (thousand tonnes CO ₂ equivalent)	3,876.4	4,177.0	3,776.2	3,163.7	4,066.8
Flaring (exploration and production), gross (tonnes)	423,265	589,717	475,910	256,423	413,120
Sulphur dioxide (SOx), gross (tonnes)	114	112	114	122	155
Nitrogen oxides (NOx), gross (tonnes)	8,908	8,544	8,695	8,887	11,179
Non-methane hydrocarbon, gross (tonnes)	2,398	2,787	2,540	1,505	3,406
Number of oil spills ⁱ	11	5	12	11	6
Volume of oil spilled (litres)	32,181	2,677	175,716	15,232	14,311
Volume of oil unrecovered (litres)	392	0	156,794	643	40
Operational discharges to water – drill cuttings with synthetic-based mud (tonnes)	3,308	0	0	182	881
Employees	2010	2011	2012	2013	2014
Number of permanent employees of BP in Azerbaijan	2,470	2,701	3,072	3,255	3,393
Number of professional staff of BP in Azerbaijan	2,378	2,652	2,982	3,216	3,381
National	2,067	2,272	2,530	2,722	2,907
National (%)	87%	86%	85%	85%	86%
Expatriate	311	380	452	494	474
Senior level Azerbaijani managers	131	149	168	197	230
Social spend	2010	2011	2012	2013	2014
Total for BP and co-venturers in Azerbaijan, (\$ million) ⁱ	4.8	3.1	4.5	2.7	5.9

^a Unless otherwise stated, performance data relates to BP in Azerbaijan only.

^b This includes Azeri-Chirag-Deepwater Gunashli oil, Shah Deniz gas and condensate, associated gas delivered to the State Oil Company of the Republic of Azerbaijan.

° The BP AGT and its co-venturers.

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.
 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.

^f Gross numbers represent total of all partners' participating interest in production sharing agreements (PSA). Net numbers represents BP's participating interest in PSA

Indirect GHG emissions are a consequence of the import by operations of steam, electricity and heat from third-party sources.
^h 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). ⁱ This is the cash-out number spent under the BP-operated projects.

Independent assurance statement

We have reviewed the BP in Azerbaijan Sustainability Report 2014 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 2014 (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 2014 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 2014, including outputs from stakeholder engagement.
- 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.

- 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 2014.



Ernst & Young LLP London 9 July 2015

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

Further information



Find out more online

Our bilingual website, *bp.com/caspian*, is the main information source about our Caspian region energy projects.

Browse through latest news, project details, environmental and social impact assessments, legal agreements governing the projects, earlier BP in Azerbaijan sustainability reports and other documents.

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 BP AGT region BP Xazar Centre, 14 floor, 153 Neftchilar avenue, Baku, AZ1010, Azerbaijan.

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.

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

Raise issues or seek guidance

The Open Talk 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.

Raise a grievance/concern, request information

To express your grievance or concerns, 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.

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*

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This report is printed on recycled paper. The paper has been certified independently according to the rules of the Forest Stewardship Council (FSC).



Farida Azizova, Taekwondo • Oleg Panyutin, Paralympic long jump / triple jump • Haji Aliyev, Free style wrestling Olokhan Musayev, Paralympic shot put / discus • Ilham Zakiyev, Paralympic judo • Elkhan Mammadov, Judo

Together. Cheering our athletes on home ground.

As Azerbaijan's committed partner for over 20 years we're excited to play our part in the Baku Games. As well as sponsoring top Azerbaijani Olympians and Paralympians we're also providing them with elite training. And we're supporting the Games Academy to enhance the nation's capability to deliver world-class events. BP and Azerbaijan – together for the Games and for the future.



Find out more at bp.com/baku2015

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