

BP in Georgia  
Sustainability Report 2013  
[bp.com/sustainability](http://bp.com/sustainability)



Building a stronger,  
safer BP

# Report scope

This report covers the activities of BP Georgia, focusing on performance in 2013 while providing updates on developments in 2014. It has been prepared by our business in Georgia. Data is shown for activities where we are the operator, unless indicated otherwise.

In the report, references to 'BP' and the 'BP group' shall mean BP p.l.c., its subsidiaries and affiliates and, unless otherwise stated, the text does not distinguish between the operations and activities of BP p.l.c. and those of its subsidiaries and affiliates. Unless specified otherwise, references in this report to 'us', 'we', and 'our' shall refer to companies in the BP group operating in Georgia.

Unless otherwise indicated all currency amounts are denominated in US dollars. As with all our previous BP in Georgia sustainability reports, this report has been independently verified.



## Front cover imagery

Pump station 1 Georgia (PSG 1) is one of the two pumping stations on the BTC pipeline located in Gardabani district close to the Georgia-Azerbaijan border.

Left image: Operations performed at PSG 1 are pumping, pipeline pigging operations, fiscal metering, and process monitoring and control.

Centre image: On average 35 BP employees and contractors work and live at PSG 1 during a day.

Right image: MOL turbine arrangement with turbine enclosure and exhaust stacks at the PSG 1 in Gardabani.

## An introduction to Ernst & Young's assurance process

We have reviewed the *BP in Georgia Sustainability Report 2013* in order to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Georgia are supported by evidence or explanation. Our scope of work and conclusions can be found on page 40.

## Cautionary statement

BP in Georgia Sustainability Report 2013 contains certain forward-looking statements concerning the businesses, operations and strategy of BP.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements depending on a variety of

factors including future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this document and in BP Annual

Report and Form 20-F 2013. Material is used within this document to describe issues for voluntary sustainability reporting that are considered to have the potential to significantly affect sustainability in the view of the company and/or are expected to be important in the eyes of internal or external stakeholders. Material for the purposes of this document should not, therefore be read as equating to any use of the word in other BP p.l.c. reporting or filings.



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Overview

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BP Georgia in figures

# A view from BP Georgia's general manager



We have now achieved this highly efficient operating record for several years, and I would like to thank all those who have made it happen by doing their jobs so well, every day.



Neil Dunn

2013 was another good year for our safety and operational integrity. We suffered just two recordable injuries in more than three and a half million man-hours of operations. Our workforce drove more than nine million kilometres – and did so without any severe vehicle accidents. We continued to work closely with our contractors, who log about 70% of our annual man-hours, to develop their safety standards. By working with them on site – where they are frequently carrying out hard physical labour, using heavy equipment, and often in geographically challenging environments – and by engaging with their executives and leaders, we are helping to make sure that a strong safety culture is in place.

We have maintained our excellent record of reliability in our operations. We operated the South Caucasus Pipeline (SCP) at more than 99% of its capacity in 2013, and achieved more than 99% operational efficiency on both the Western Route Export Pipeline and the Baku-Tbilisi-Ceyhan oil pipeline. We have now achieved this highly efficient operating record for several years, and I would like to thank all those who have made it happen by doing their jobs so well, every day. The professionalism of our operating and maintenance staff has been exemplary; when we maintain and fix equipment, we do it well, and our reliability record is maintained.

We continued to make progress with the planning and permitting required for the SCP expansion project, which will see the construction of two new compressor stations on the pipeline and the creation of approximately 62 kilometres of new pipeline in parallel with the existing line in Georgia. We have completed the required programme of consultation with potentially affected parties, engaging local communities, landowners, local government, central government departments, and others. We passed an important milestone in 2013 with the government's acceptance of the environmental and social impact assessment (ESIA), which was the documented result of this wide-ranging consultation and evidence gathering effort. The ESIA builds on the trust we have developed with stakeholders from past projects and operations. SCP expansion, which forms an integral part of the stage 2 development of the Shah Deniz field in the Caspian Sea, will contribute to the creation of a new southern gas corridor from the Caucasus through to customers in Europe. Establishing this corridor is a very important development for the region as a whole.

It has been a major piece of work to get this far with this massive project, even though construction work – which presents challenges we are familiar with from previous projects – is only just beginning. SCP expansion will put new demands on our own people, not least the need to maintain the reliability of existing operations while simultaneously delivering a major project. It will also be demanding for local contractors. We anticipate spending approximately \$400 million with local contractors during the construction phase of the project. The challenge will be whether there is sufficient depth of local contractor capacity and appropriate levels of competency to meet our high standards. We will need skilled local tradesmen, such as welders, electricians, and pipe fitters, who are certified against reputable standards.

There are many opportunities ahead as well as challenges. But there is evidence, not only in our own operations, but more widely across Georgian society, that the country is increasingly well-positioned to address the demands ahead. The rapid establishment of a stable operating environment for business after government elections in 2013 was a positive sign. We look forward to working effectively with the new administration, and in playing our part in contributing to the country's continuing development, through our operations and in the varied social investment programmes that we support.

The five years I have had as general manager here in Georgia have seen a lot of positive change. I wish my successor, Chris Schlueter, who succeeds me in March, every success going forward.

Neil Dunn

General Manager, BP Georgia

February 2014



# Achievements and challenges

We highlight below our most significant achievements in 2013 and the challenges we face in the future.

## Achievements

**Effective operations:** We continued the safe and efficient operation of all three existing pipelines in Georgia, and successfully completed a number of significant maintenance and modification projects (page 8).

**HSE performance:** We maintained a good health, safety and environmental record. While we had two day away from work case incidents, we had no major vehicle accidents and no major incidents in our operations and projects – in approximately 3.7 million man-hours of work, and while driving more than nine million kilometres (page 21).

**ESIA approval:** We secured the approval from the Georgian government of the environmental and social impact assessment, and began early works on the SCP expansion project, while continuing to work with the government of Georgia on the approval of design changes (pages 10 and 27).

**Building positive relationships:** We continued to build positive relationships with key stakeholders in Georgia. This included engaging with the new government as well as extending our community programmes to engage communities newly affected by SCP expansion (page 32).

## Challenges

### Maintaining safe operations on WREP:

The age of certain sections of the pipeline coupled with its passage through areas with geo-hazards and many river crossings makes WREP maintenance and monitoring a constant challenge (page 8).

**Competency requirements:** As we move from early construction works on the SCP expansion project into full construction in the years ahead, we will need access to skilled contractors with internationally recognized levels of competence who are able to meet our high standards (page 17).

**Contractor performance:** We will continue to work with our contractors to develop their capabilities, especially in areas such as safety and environmental performance, as well as on issues including employment practices and awareness of social risk (page 23).

**Maintaining reliability in operations:** It will require extra vigilance to maintain our excellent reliability record in existing operations while simultaneously working on the major SCP expansion project (pages 12-13).

## Our values

**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.**

### Safety

Safety is good business. Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment. We are committed to safely delivering energy to the world.

### Respect

We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us.

### Excellence

We are in a hazardous business, and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our company. We commit to quality outcomes, have a thirst to learn, and to improve. If something is not right, we correct it.

### Courage

What we do is rarely easy. Achieving the best outcomes often requires the courage to face difficulty, to speak up and stand by what we believe. We always strive to do the right thing. We explore new ways of thinking and are unafraid to ask for help. We are honest with ourselves, and actively seek feedback from others. We aim for an enduring legacy, despite the short term priorities of our world.

### One Team

Whatever the strength of the individual, we will accomplish more together. We put the team ahead of our personal success and commit to building its capability. We trust each other to deliver on our respective obligations.



Loading buoy in Supsa.

# Our progress in 2013

Here we report on where we are today and our plans for the future.

	How we operate	Our people	Safety
What we said we would do	<p>Our operations in Georgia are shaped by the BP group's approach to sustainability, our strategy and values, and by our management systems and processes.</p> <ul style="list-style-type: none"> <li>Commit to the safe and efficient transportation of oil and gas through Georgia to world markets.</li> <li>Take steps to build the capacity of local people and contractor companies.</li> <li>Conduct our operations based on BP's values and code of conduct requirements.</li> </ul>	<p>We strive to provide our people with opportunities for development within a work environment shaped by distinctive values and a clearly articulated code of conduct.</p> <ul style="list-style-type: none"> <li>Develop the skills and experience of local people.</li> <li>Provide opportunities for development, providing out-of-country assignments or tailored development programmes.</li> <li>Continue to highlight the importance of operating under the BP code of conduct.</li> </ul>	<p>We continue to work to embed safety and operational risk management into the heart of what we do.</p> <ul style="list-style-type: none"> <li>Take systematic steps to deliver excellent business performance, safely and reliably.</li> <li>Identify and manage risks, and carry out training and exercises to prepare for an emergency.</li> <li>Protect the health of employees, contractors, visitors and members of the local community who live or work near our operating sites.</li> </ul>
Where we are today	<p><b>308 m</b></p> <p>SCP and BTC continued to operate at more than 99% capacity, safely delivering more than 308 million barrels of hydrocarbons.</p>  <p>Continued to work in accordance with our values and our code of conduct, with strong systems of governance.</p>	<p><b>94%</b></p> <p>of total employees in BP Georgia are Georgian nationals.</p>  <p><b>4</b></p> <p>new challenge graduates in 2013, and more employees on assignments outside Georgia.</p> <p>Code of conduct certification incorporated into annual performance review processes.</p>	<p><b>3.7 m</b></p> <p>man-hours worked and 9.5 million kilometres driven with no fatalities and no major accidents.</p> <p>Have a wide range of occupational health and industrial hygiene initiatives in place.</p> <p><b>103</b></p> <p>emergency response exercises safely carried out in 2013.</p>
What we plan to do next	<ul style="list-style-type: none"> <li>Work to continue the safe and efficient operations of our existing assets, generating benefit for the Georgian economy and local people.</li> <li>Progress the SCP expansion project, investing in and supporting local companies where possible.</li> <li>Continue to develop the skills and expertise of our local workforce.</li> </ul>	<ul style="list-style-type: none"> <li>Continue the strong track record of Georgian nationals working in the business.</li> <li>Provide opportunities for team leaders to enhance their skills.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to deliver excellent business performance, safely and reliably.</li> <li>Continue to strive for improvements in personal and process safety performance.</li> <li>Work, as in the past, with contractors to develop strong safety attitudes and culture.</li> </ul>
For more information	<ul style="list-style-type: none"> <li> Read more about our risk management practices on page 12.</li> <li> View SCPX project details online at <a href="http://bpgeorgia.ge">bpgeorgia.ge</a>.</li> </ul>	<ul style="list-style-type: none"> <li> View statistics on our workforce profile on page 17.</li> <li> Read more about people development on page 17.</li> </ul>	<ul style="list-style-type: none"> <li> Read more about working with contractors on page 23.</li> <li> View our crisis and continuity management practices on page 24.</li> </ul>

## Environment

We take a systematic approach to environmental management and strive to continuously improve our environmental performance.

- Manage our operations in accordance with our ISO 14001 environmental management system.
- Assess and monitor our environmental impacts to air, land and water and work to continuously improve our performance.
- Work with our contractors to support compliance with our environmental standards.

### ISO 14001

Our ISO 14001 certificate has been formally re-issued for the next three years.



Secured government approval of the SCP expansion project environmental and social impact assessment (ESIA), and took further action to minimize operational impacts.

Put in place measures to strengthen environmental requirements in contracting.

- Maintain our systematic approach to environmental compliance and management.
- Minimize our environmental impacts to air, land and water.
- Develop processes and people to safeguard future environmental performance.

- 🔍 See the audit reports by the independent environmental consultant (IEC) at [bp.com](http://bp.com).
- 📖 Read more about managing our impact on page 29.

## Society

We aim to make sure that we bring benefit to local communities by supporting programmes and initiatives that build capacity and promote enterprise.

- Build open and constructive relationships with the communities near our assets.
- Help to build local economic capacity by supporting agriculture, rural infrastructure and business enterprise.
- Strive to bring lasting benefit to Georgian society.

Maintained active engagement with pipeline affected communities, and expanded our engagement with new communities affected by SCP expansion.

**\$25 m**

invested approximately in social projects in the last five years.



Supported diverse projects in education, economic development, enterprise, cultural heritage and the environment over the past ten years.

- Reinforce the positive relationships we have with the communities near our operations.
- Continue to build local skills and capacity.
- Continue to support local economic development and enterprise.

- 🔍 Read more about our engagement with local communities on page 32.
- 📖 View Community Development Initiative reports at [bpgeorgia.ge](http://bpgeorgia.ge).





# How we operate

Our operations in Georgia are shaped by the BP group's approach to sustainability, our strategy and values, and by our management systems and processes.

## What we said we would do

Commit to the safe and efficient transportation of oil and gas through Georgia to world markets.

Take steps to build the capacity of local people and contractor companies.

Conduct our operations based on BP's values and code of conduct requirements.

## Where we are today

308 million SCP and BTC continued to operate at more than 99% capacity, safely delivering more than 308 million barrels of hydrocarbons.

Continued to work in accordance with our values and our code of conduct, with strong systems of governance.

## What we plan to do next

Work to continue the safe and efficient operations of our existing assets, generating benefit for the Georgian economy and local people.

Progress the SCP expansion project, investing in and supporting local companies where possible.

Continue to develop the skills and expertise of our local workforce.

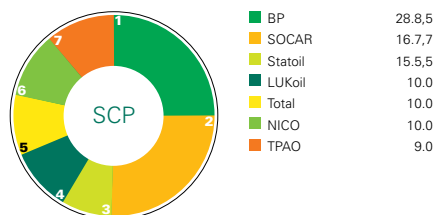
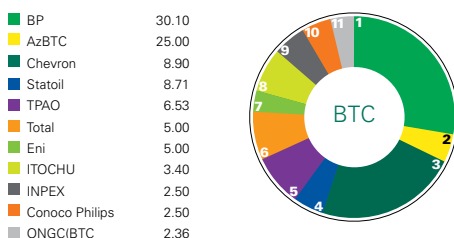
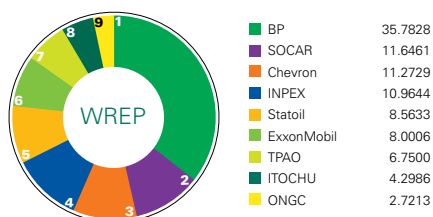




# BP in Georgia

Our activities in Georgia are operated in accordance with our values, systems and processes.

## BP operated interests in Georgia



BP is one of the world's leading integrated oil and gas companies on the basis of market capitalization, proven reserves and production. Our objective is to create value for shareholders by helping to meet growing demand for energy in a responsible way. Globally, we employ approximately 84,000 people. We had exploration and production activities in 27 countries in 2013, including our midstream pipeline activities in Georgia.

In Georgia, we operate the Baku-Tbilisi-Ceyhan oil pipeline (BTC) and South Caucasus gas pipeline (SCP) on behalf of two international consortia of energy companies and investors. These facilities are now in their eighth full-year of operation. The BTC and SCP pipelines run side by side for 248 kilometres within Georgia, with two BTC pump stations, gas offtake pressure reduction and metering facilities on SCP. There are a total of 16 block valves and 11 check valves on BTC, and six block valves on SCP.

We also operate the Western Route Export Pipeline (WREP) and Supsa terminal on behalf of an international consortium of energy companies. Three hundred and seventy three kilometres of WREP lies within Georgia, with 27 block valves, four check valves and one check/block valve. It carries oil from the Caspian Sea via the Sangachal terminal in Azerbaijan to the Supsa oil terminal on the Georgia Black Sea coast.

We are constantly seeking the best strategic positioning for our business and in 2013 sold our share in the Air BP joint venture in Georgia as we did not hold a competitive advantage in this market.



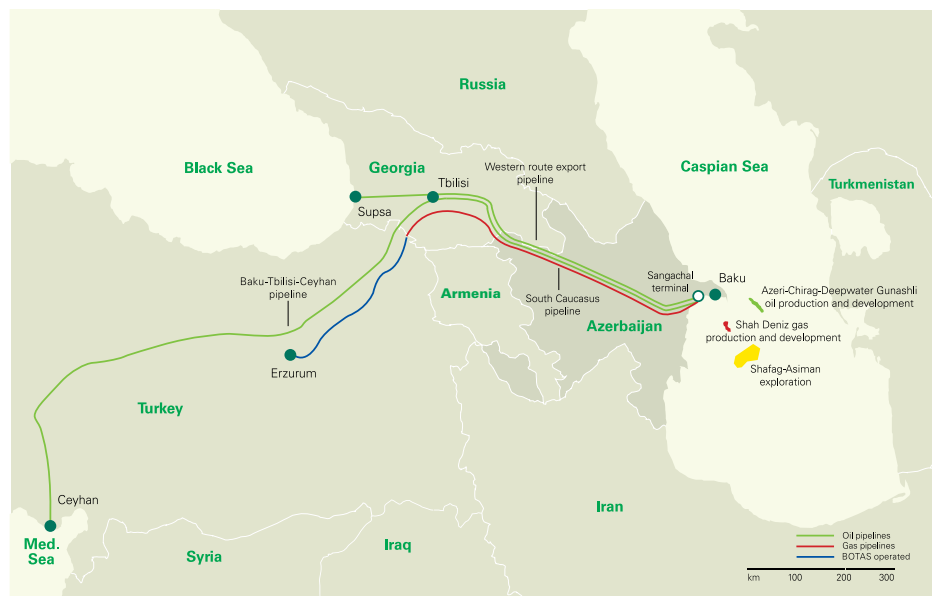
People at work at BTC pump station 1.

## Operational performance

In 2013, we transported more than 249 million barrels of oil through BTC and approximately 30 million barrels of oil through WREP, with both pipelines operating at more than 99% efficiency. We safely delivered more than 170,000 mmscf of gas, equal to approximately 30 million barrels of oil equivalent (mmbobe).

In the course of the year, we completed 329 tanker loadings from the marine oil terminal at Ceyhan on the Turkish Mediterranean coast, where the BTC pipeline ends, and 50 tanker loadings from the Supsa terminal, the end point of WREP.

## BP's interests in the Caspian region



Technician performing instrument checks at Pump Station 2.

# Maintenance and integrity management

In 2013, we safely carried out a range of maintenance and integrity management projects on pipelines and facilities.



## Gabions protect WREP integrity

Geo-hazard risk has been rated as a significant risk to the integrity of WREP, which passes through areas susceptible to landslides and seismic activity. A landslide in April 2013 required prompt response and stabilization work involving the construction of gabions – robust walls made from caged rock – at several points along the pipeline.

Tariel Margvelashvili, BP Georgia onshore site manager at WREP, describes the background: “A landslide, triggered by melting snow and water content in the soil, occurred after a heavy rainfall in April. It started as a washout, but due to ground saturation, turned into an earth flow. The landslide became 26 metres wide and 80 metres long, with a main scarp varying from 1.5 to 6 metres high. It resulted in the exposure of the WREP pipeline over a four metre length, but the pipe remained supported by the original ground. In addition, a 25 metre section of the abandoned old WREP pipeline was exposed.”

Following a geo-technical assessment which we conducted immediately after the landslide, we began construction of the gabions. Tariel continues: “This was a good example of BP people from different functions working as one team. When the first report came from the site about abnormal conditions, all available resources were mobilized to take immediate action, followed by the geo-technical assessment.”

Tariel says the response was fast and effective. “All functions within the organization allocated resources to take the measures needed. We successfully maintained the integrity of the pipeline and ensured that everything was done in time without harm to people, environment or the business.”

The experience has generated a number of lessons, making us well-prepared to take similar action at other gully crossing sites if needed.

The most complex project involved replacing two of the six mooring chains at the Supsa terminal, where the export line goes to the sea and where 250-metre long mooring chains are fixed to the sea bed. Independent technical analysis suggested that two of the chains had been damaged over time by movement and needed replacement. This complex and expensive project required a special vessel and diving work, and took approximately 45 days to complete. The work was completed in-between tanker loadings so it did not interrupt regular operations.

A further significant effort involved the completion of a multi-year project on WREP valve replacement. This required the isolation of the pipeline to enable work to be carried out safely. The work also required a three-week shutdown of the pipeline.

We continued to make the transition to using local grid power where possible at our operational facilities. It is only in recent years that the capacity has existed for us to do this. Using grid power is more cost effective and reduces air emissions from diesel use. In 2013, we converted to grid power at the emergency drain down facility and Supsa facilities.

## WREP maintenance

We maintain a continuous pipeline maintenance programme for WREP. Every six months we run inspections (using sophisticated inspection gauges, called ‘intelligent pigs’) through the old section of the line, covering about 154 kilometres. These analyses help our integrity management team and geo-hazard experts examine potential risks and possible impacts. In 2013, we completed two extensive repairs (installing 180 metres of new pipeline sleeve – or wraparound protection) in areas where the metallurgy required it and where there was a higher than normal risk of landslide.

▼ Anchor chain replacement works in Supsa.



We also enhanced 12 river crossings in 2013 on WREP. This involves various measures to protect the pipeline from becoming exposed on the river bed, such as bolstering the river banks to avoid washouts, or extending the length of river banks and beds. This can also work to encourage natural deposit of sediment which protects the pipe.

Work of this nature requires environmental experts to assess the potential impacts. Enhancement projects also need regulatory approval. In addition we carry out an annual river crossing survey – examining conditions at 35 rivers which have been identified as posing a higher than average risk to the pipeline.

Our maintenance and inspection regime, using intelligent pigging, helps identify any anomalies in the pipeline. In December 2013, this analysis enabled us to identify an illegal hot tap – the unlawful siphoning of oil from the pipeline. The incident was notified to the authorities, and we were able to rectify the integrity of the WREP pipeline in a secure and safe manner.

## WREP sectional replacement

We are maintaining plans to upgrade sections of WREP to replace Soviet-era pipe. The proposed work will involve replacing older pipe and re-routing the pipeline, which will reduce the risk of geo-hazards such as landslides, erosion and flooding and will take the pipeline out of the territory of Akhagori district. This is intended to reduce the majority of safety and access risks to the pipeline operations and maintenance.

Technical and commercial negotiations with our partners have been extensive and are continuing. They have included discussions about the scale of investment required, and the manpower resources that would be needed to complete the work.



# Shah Deniz full field development

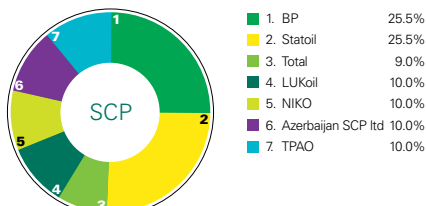
We work to enhance safety and risk management, maintain the trust of people and grow value.

## Bob Dudley

BP Chief Executive

“Very few projects have the ability to change the energy map of an entire region. Shah Deniz 2 and the Southern Corridor pipelines will not only change the energy map, but will give customers in Europe direct access to the gas resources of Azerbaijan for the first time. The final investment decision would not have been possible without years of co-operation between many companies and many countries. I am proud that BP can be part of this historic moment, and grateful for the efforts of so many people in making this possible. As well as creating tens of thousands of jobs along the route of the pipelines in Azerbaijan, Georgia, Turkey and Europe, this project represents the largest ever foreign investment to Azerbaijan.”

## SCP expansion project: participating interests



**Note:** Following the project final investment decision, SOCAR purchased 6.7% and BP 3.3% equity in SCP from Statoil. Both these transactions are subject to conditions that are expected to be satisfied in 2014.

## Map of the southern corridor



We are continuing to pursue our plans for the full field development of the Shah Deniz field in the Caspian Sea, the source of the gas transported through the South Caucasus Pipeline (SCP). The Shah Deniz full field development project entails several elements: offshore it includes drilling and completion of 26 subsea wells and construction of two bridge-linked platforms; onshore there will be new processing and compression facilities at the Sangachal terminal in Azerbaijan and expansion of the SCP pipeline.

The current carrying capacity of SCP is seven billion cubic metres of gas per year. The next stage of the Shah Deniz development will increase the gas available for delivery to Turkey and Europe by 16 billion cubic metres annually. The international consortium that owns and operates SCP is therefore proposing to expand the pipeline further to a total of 23 billion cubic metres of gas annual transportation capacity. This is known as the SCP expansion project.

## SCP expansion

In Georgia, the SCP expansion project will involve the construction of a new 48 inch pipeline loop, which will run from the Azerbaijan-Georgia border in parallel to the existing line. It will have a valve (located in a small fenced and walled area) after 27 kilometres and pipeline inspection equipment and a pigging station where the new equipment pipeline connects to SCP. We will build a new compressor station (CSG1), co-located with the existing BTC/SCP facility near Gardabani. A second compressor station (CSG2) will be constructed on the existing SCP, west of lake Tsalka, with a 16-kilometre access road. A pressure reducing and metering station will be located at the border with Turkey, co-located with the existing SCP facility.

## SCP expansion: a snap shot

The proposed project comprises:

- A new 48 inch pipeline running besides the BTC/SCP corridor for 63 kilometres from the Azerbaijan-Georgia border and then reconnecting into the existent SCP.
- A new block valve and pigging station.
- A new compressor station (CSG1) co-located with PSG1 in Gardabani.
- A second compressor station (CSG2) on the existent SCP, to the west of lake Tsalka at around KP 143.
- A new 16-kilometre long access road that will connect CSG2 to the millennium road in the vicinity of the village of Nardevani.
- A pressure reduction metering station (PRMS) close to the Georgia/Turkey border co-located with Area 80.
- A 2.5 kilometre pipeline connection from PRMS to the Turkey border to connect into the Trans Anatolian Natural Gas Pipeline (TANAP – to be built).
- Associated temporary construction camps, pipe storage areas and laydown yards.

The total cost of the Shah Deniz Stage 2 and SCP expansion projects will be around \$28 billion. An additional sixteen billion cubic metres per year (bcm/a) of gas will be carried some 3,500 kilometres to provide energy for millions of consumers in Georgia, Turkey, Greece, Bulgaria and Italy. First gas is targeted for late 2018, with sales to Georgia and Turkey. First deliveries to Europe will follow approximately a year later. Condensate production from the Shah Deniz field is expected to increase to 120,000 barrels per day, from current levels of about 55,000 barrels per day.

# Environmental and social impact assessment

We carry out extensive analysis and consultation to make sure we understand and minimize the environmental and social impacts of our operations and projects.

## Q: What kind of regulatory requirements exist before projects can go ahead?

**A:** As well as the formal public consultation processes within the ESIA, a variety of permits are required from local and national authorities to ensure that work is carried out in accordance with regulatory requirements. Permits are required to conduct evaluations and assessments, long before construction work actually begins on the ground. My team's task is to make sure that all our permitting needs are met.

**Joseph Metreveli**

BP Regulatory Affairs Team Leader



Stakeholder consultation has been an integral part of developing the SCP expansion project. The focal point for this effort has been the environmental and social impact assessment (ESIA), which enables those who will be affected by the project to become better informed about it and to provide their views on possible impacts and how they should be managed. Stakeholder opinion can have an impact on the overall project design and implementation plan.

We completed work on the ESIA in 2013 and received approval of it from the Georgian government in June. It was carried out in line with the requirements of the host government agreement (HGA), which states that an ESIA must be undertaken in accordance with the EU directive on environmental impact assessment. More broadly, the HGA requires the project to follow standards and practices generally prevailing in the international natural gas pipeline industry, and applicable technical standards.

The ESIA provides a baseline against which project impacts can be assessed, identifies potential negative and positive environmental and social impacts, sets out mitigation measures, informs project design, and provides opportunity for engagement with stakeholders.

As part of the ESIA process, consultation was held with national government departments, regional and local authorities in the regions of Kvemo Kartli and Samtskhe-Javakheti, the city of Rustavi, and the municipalities of Gardabani, Marneuli, Tetritskaro, Tsalka, Adigeni, and Akhaltsikhe. A total of 45 communities closest to the work were also consulted via face-to-face meetings. Non-governmental organizations (NGOs) and members of the scientific community were involved.

We documented the views expressed and maintained them in a database which has been taken into consideration during preparation of the ESIA. We made the draft ESIA widely available in libraries and NGO offices, and used a number of other feedback mechanisms, including feedback forms and public meetings. BP's community liaison officers were also on hand to respond to issues raised by community members.

We distributed approximately 17,500 copies of a community pamphlet in Georgian, as well as around 7,500 copies in Russian.

## Land acquisition and permitting

Land acquisition for the facilities and the pipeline loop is a vital element of the planning and engagement process, as is land leasing for areas needed temporarily during construction. Land owners and users whose livelihoods are affected by loss of crops or restriction of access to their land are eligible for compensation payments.

Identifying land owners, contacting them, determining title, agreeing sale, leasing and compensation arrangements and managing the administration of these processes is challenging. To simplify the process for landowners, the land acquisition and compensation arrangements have been fully described in two documents: the *Land Acquisition and Compensation Framework* and the *Guide to Land Acquisition and Compensation*. These have been made available to view in public locations and the GLAC provided to each individual land owner or user at the start of the process.

By the end of 2013, rights to private land for the pipeline had been obtained for 92% of 710 land owners, involving payments totaling one million GEL. Rights for the CSG2 access road construction were obtained for 84% of 300 land owners. Private land acquisition activities for CSG1, CSG2 and Area 81 have been completed, with 7.5 million GEL paid in total. Land purchase for new requirements will continue in 2014.

A wide range of permits are required for the SCPX project, including the main construction permit which gives approval for on-site construction work to begin.

## ▼ BTC pump station 2.



Find more online at [bpgeorgia.ge](http://bpgeorgia.ge)



Read more detail about the environmental and social impact assessment in the ESIA non-technical summary.



Read the ESIA community leaflet



See the *Land Acquisition and Compensation Framework* and the *Guide to Land Acquisition and Compensation*.



## Minimizing potential impacts

Measures, often called mitigations, for reducing the potential impacts or enhancing the potential benefits of the project have been generated by the ESIA, and included in the project design and in the way the project will be constructed and operated.

### Soil

Reinstatement of the pipeline and temporary areas will be undertaken; topsoil storage will be managed to maintain its properties and engineering design measures will be used to reduce erosion potential.

### Cultural heritage

A cultural heritage management plan will be implemented; the pipeline route will be fine-tuned to avoid archaeological areas, where practical and sites of potential cultural heritage interest will be investigated before construction, etc.

### Employment

The project will disseminate its policy on prioritizing recruitment from affected communities and community liaison officers will work with communities to explain recruitment procedures and conditions.

### Infrastructure and services

Surveys of existing infrastructure will be undertaken before construction; access roads have been selected to minimize the use of village roads by construction vehicles; required roads will be repaired, upgraded and widened as necessary so they are suitable for use by construction traffic and roads will be restored after construction so they are at least as good as before construction.

### Community health and safety

Workforce health screening and awareness training will be undertaken; BP's driving rules will be enforced and driving performance will be assessed and monitored; community liaison officers will meet local communities to explain the dangers associated with construction and the pipeline will be patrolled daily.

The project will implement a grievance process with community liaison officers acting as the main point of contact for local residents to raise concerns or provide feedback, which will be formally responded to.



▲ Daily walk around at BTC pump station 2.

### New plans formulated

In October 2013, the SCP partners applied to the government for an amendment to the proposed plan to extend the length of the existing high pressure gas pipeline by six kilometres, with the diameter of the new pipeline being 48 inches rather than 56 inches.

According to these plans, an additional 6 kilometres of pipeline will be constructed, plus an additional 2.5 kilometre connection at the Turkish border which will connect to export pipelines in Turkey to deliver gas to Europe. These changes do not affect the construction schedule but will require the development of an addendum to the original approved ESIA for the small sections that were not covered under the main assessment.

### Sensitivity versus impact

The ESIA process involves extensive data gathering and analysis of the baseline conditions relating to the project and its potential environmental and social impacts. These include considering potential sensitivities such as community safety and disturbance due to increases in traffic that the project will bring to the area, employment and economic opportunities, the project's impact on infrastructure quality including water resources, roads and local facilities, landscape and visual impacts and cultural heritage, land ownership and registration. A range of alternative project development options are also considered.

### Cultural heritage studies

An example of baseline assessment and information gathering is the extensive cultural heritage survey work that was undertaken in 2013.

Phase I surveys, involving landscape walkover surveys and desktop reviews, were undertaken at all known and potential sites of cultural heritage based on available scientific literature and previous BTC/SCP experience. Phase II and phase III archaeological excavations have also been undertaken at areas which contained visible archaeological features or had some archaeological potential in the Tsalka and Marneuli regions. Phase II studies, which involve test trenching, have been implemented at SCPX KP 54 at Marneuli. The area included a large number of pre-historic lithic materials that were found during the archaeological excavations of the medieval site in 2012.

We have also applied insights gained from previous pipeline construction which has enabled us to plan for operational improvements that will minimize environmental and social impact:

- Contracting strategies have been changed so that management of some areas has been given to specialists, for example in land acquisition and ecological management including bio-restoration.
- Waste minimization will be promoted through treatment at source, wherever practical, thereby reducing the volume of waste required to be transported and disposed.
- Habitat and land reinstatement will maintain the high standards adopted during BTC and SCP, by using operational recovery data to develop habitat specific re-vegetation targets.
- New requirements are being placed on the contractor to minimize the length of open trench at any one time and thereby reduce the potential safety risk.

We believe the project will bring additional benefit to Georgia, from increased government revenue, and through economic opportunities in the supply chain and in local communities.

# Governance and management systems

We carry out our operations in Georgia in the context of BP's approach to sustainability, our strategy, values, management systems and procedures.



▲ Pipeline specialist performing block valve inspection.

## BP's strategy and sustainability

BP's objective is to create value for shareholders and supplies of energy for the world in a safe and responsible way. We strive to be a world-class operator, a responsible corporate citizen and a good employer.

Keeping a relentless focus on safety is naturally a top priority for us. Rigorous management of risk helps to protect the people at the frontline, the places in which we operate and the value we create. We understand that operating in politically-complex regions and technically-demanding geographies, such as deep water and oil sands, requires particular sensitivity to local environments. We continue to enhance our systems, processes and standards, including how we manage the risks that can be created by the actions of our contractors and the operators of joint ventures in which we participate.

We can only operate if we maintain the trust of people inside and outside the company. We must earn people's trust by being fair and responsible in everything we do. We monitor our performance closely and aim to report in a transparent way. We believe good communication and open dialogue are vital if we are to meet the expectations of our employees, customers, shareholders, and the local communities in which we operate.

We are working to become a simpler business, focusing on where we can generate the most value, and not necessarily the most volume, through our production. We are strengthening our portfolio of high return and longer life upstream assets, while building high quality downstream businesses. We are also investing in lower-carbon options that have the potential to contribute to meeting growing energy demand over the long-term. All of this is underpinned by our expertise, technology, and relationships.

Strong financial performance is vital, because it enables us to make the investments necessary to produce the energy that society requires, while rewarding and maintaining the support of our shareholders.

By supplying energy, we support economic development and help to improve quality of life for millions of people. Our activities also generate jobs, investment, infrastructure and revenues for governments and local communities.

## Governance and risk management

BP's risk management system is designed to help ensure that risks are identified, understood and managed so that we can deliver safe and strong operations.

Day-to-day risk identification and management occurs at our group's operations and functions, such as our activities in Georgia. We assess and manage day-to-day operating risks with reference to our management systems and actions to improve the management of risk are put in place where necessary. Periodic review of risks and risk management plans happens at the business and functional levels, including major accident risk and other potentially high-consequence risks.

Oversight and governance occurs at board, executive and function levels to help foster effective group-wide oversight, business planning and resource allocation, intervention and knowledge sharing.

The board provides direction and oversight of BP on behalf of the shareholders for all aspects of our business, including sustainability performance. The board also reviews key group risks and how they are managed and delegates some of its oversight and monitoring activities to its six committees, composed entirely of non-executive directors. These include the safety, ethics and environment assurance committee which reviews BP's processes to identify and mitigate significant non-financial risks and receives assurances that they are appropriate in design and effective in implementation, and the group ethics and compliance committee which provides information and assurance on the ethics and compliance programme.

As an operating business within BP, we are accountable for delivering safe, reliable and compliant operations. We are supported by our safety and operational risk (S&OR) function, which provides independent advice, scrutiny, challenge and, if needed, intervention. S&OR, which consists of a central team and teams in the businesses, sets clear requirements, maintains an independent view of operating risk, provides deep technical support to the business, and intervenes and escalates if necessary.



# Managing operations in a systematic way

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



**13**

years of ISO 14001 certification.

**15**

external audits of our environmental management system have been carried out.

## OMS performance improvement cycle



BP's operating management system (OMS) provides the basis for managing our operations in a systematic way. Conformance to OMS is a dynamic process designed to help manage risk and drive performance improvements.

OMS integrates BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues, such as maintenance, contractor relations and organizational learning, into a common management system. OMS addresses eight elements of operating, under the areas of people, plant, process and performance.

Successful delivery of our performance goals and targets requires the rigorous application of a systematic improvement process. The performance improvement cycle helps identify, prioritize, plan, implement and embed improvement opportunities, and provides a common approach to drive and embed improvements through its annual application and link to the annual planning process.

The principles and standards of the system are supported by our environmental and social practices. These set out how our major projects identify and manage environmental and social issues. They apply to projects that involve new access, projects that could affect an international protected area and some BP acquisition negotiations.

In the early planning stages, projects that are subject to our environmental and social practices complete a screening process to identify the most significant environmental and social impacts associated with the project. Following screening, projects are required to carry out impact assessments, identify mitigation measures and implement these in project design, construction and operations. These processes have been followed in the development of the SCP expansion project in Georgia. Further detail is provided on page 9 of this report.

## Environmental management

We have long taken a systematic approach to the management of environmental issues in Georgia. We carried out thorough environmental and social impact assessments (ESIA) when first developing the BTC and SCP pipelines, which resulted in commitments in an environmental and social action plan. Similarly, we have recently completed an ESIA for the SCP expansion project. These processes identify potential impacts and mitigations and necessitate a rigorous approach to action tracking and closure. Our environmental management system is based on the ISO 14001 'plan-do-check-act' cycle, which is also fully incorporated into the OMS improvement cycle.

Our operations here have been certified against ISO 14001 for 13 years, with the scope of activities covered under the system expanding steadily. As required under ISO, the system is regularly audited by an external assessor and we have disclosed our record of compliance in our previous sustainability reporting.

The effectiveness of our environmental management is also reviewed by internal management system and compliance audits as well as annual reviews by the independent environmental consultant appointed on behalf of the original project lenders. To date, 15 of these external audits have been carried out, including the most recent review in 2013.

Responsibility for implementing and maintaining the environmental management system (EMS) rests with the leadership team. The Georgia compliance and environment team is responsible for EMS co-ordination and maintenance, while the regulatory compliance and environment director oversees the system across the BP regional business. At site level, site managers are responsible for its maintenance.

 See the audit reports by the independent environmental consultant at [bp.com](http://bp.com).

# Human rights

We recognize that our activities can bring about significant changes in communities and people's lives, and we seek to treat everyone with fairness, respect and dignity.

## Protecting human rights

The commitment to respect human rights is a central principle within the host government agreement and security agreement between BP and the government of Georgia. To communicate these principles with our stakeholders, BP conducts human rights and use of force training sessions for the SPPD, which provides security on the BTC/SCP pipelines.

Peter Bing, an external consultant, conducted sessions with 30 officers at the SPPD headquarters in Rustavi. The training was attended by the regional head and his deputy, the sector commander, his mid-level commanders and members of the unit's instructor team and specialist quick reaction force. A second training session was conducted in Tbilisi for 25 officers from the Samskhe-Javakheti region.

"The training objectives were three-fold," explains Peter. "First, to reinforce officers' commitment to respect and protect human rights through reviewing guidelines and standards, as set out in the UN Code of Conduct for Law Enforcement Officials, and UN Basic Principles on Use of Force and Firearms. Second, to provide officers with a clear set of procedures, by which they can assess a threat and determine what level of force is reasonable, proportionate and necessary to cause the threat to cease. The final objective was to ensure officers fully understand the limited circumstances where it could be lawful to use lethal force."

"In recent years, we have established a close relationship with the governmental security forces responsible for protection of our assets," says Sandro Chitadze, BP Georgia's security manager. "SPPD is the major player in this role. By providing these sessions, we strengthen our commitment to human rights and voluntary principles not only within our organization but also externally. The training is a good example of bilateral cooperation, establishing a culture of experience sharing and continuous improvement."



Delivering human rights session for SPPD staff.

BP is committed to respecting internationally recognized human rights as set out in the International Bill of Human Rights and the International Labour Organization's Declaration of Fundamental Principles and Rights at Work. This means carefully managing issues such as workforce welfare, safety and health and the potential impacts of our activities on local communities.

BP's human rights policy, published in 2013, elaborates on the requirement in our code of conduct to treat everyone at BP and everyone with whom we come into contact, with fairness, respect and dignity.

We expect our contractors to act consistently with our code of conduct. In 2013, we organized training for our private security contractor, Veziri, on key human rights principles and practices. BP has incorporated security and human rights principles into its contract with Veziri, and monitors its performance. Veziri are required to maintain policies on appropriate conduct and to engage in preventative and defensive services only. They are also required to make best efforts to recruit from local communities.

The goal of the training was to develop Veziri's skills in communicating effectively with external stakeholders, to build their understanding of the need for restraint in response to potential security threats, and to enhance their knowledge of international standards, relevant Georgian legislation and BP's own position on human rights. Training was provided to 38 officers, a legal representative and instructors.

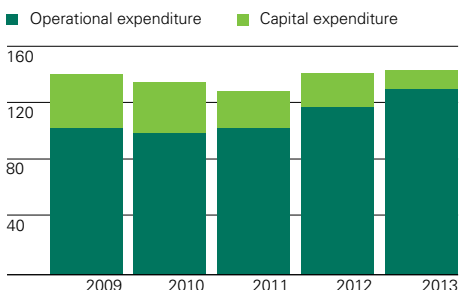
We are signatories to the Voluntary Principles on Security and Human Rights, a series of principles that guide us on maintaining the safety and security of our operations within a framework that ensures respect for human rights and fundamental freedoms. This year, we provided training to the Strategic Pipeline Protection Department (SPPD) on the Principles. The training also covered human rights within international standards, guidelines for the use of force and threat assessment.



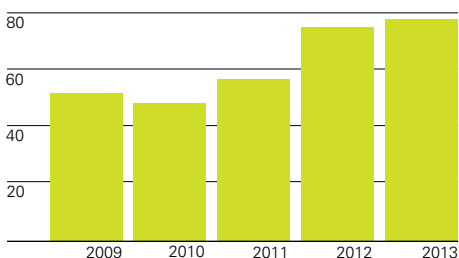
# Delivering local benefit

Our investment and activities in Georgia generate positive economic and social impact by generating government revenue, creating jobs and providing opportunity in the supply chain.

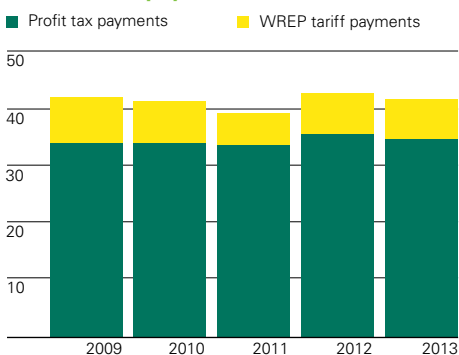
## Operational and capital expenditure (\$ million)



## Payments to local companies (\$ million)



## Tax and tariff payments (\$ million)



## Making a financial and economic contribution

Our tariff and profit tax payments, which are linked to pipeline throughput, make a significant contribution to national tax revenues:

- Profit tax payments from all the BTC business partners in 2013 totalled \$35 million (2012 \$36 million).
- We made WREP tariff payments to the Georgian government of \$7 million (2012 \$6.8 million).

We also contribute to the value of Georgia's exports:

- Government statistics show that our pipeline operations contributed approximately 8% of the total value of service exports in 2013.

We also invest to renew our own business in Georgia:

- In 2013 our operational expenditure in Georgia totalled \$133 million (2012 \$118 million). In 2013 capital expenditure in 2013 amounted to approximately \$17 million (2012 \$27 million).

The SCP expansion project represents a major investment for Georgia. We anticipate that we will spend some \$400 million with local contractors over the life of the project. The project will also generate employment in an area that has high levels of unemployment and poverty. The early works will employ approximately 100 people at each facility. The construction phase will last approximately four years and it will offer temporary employment. There will be two low, short-term peaks with 800 and 1,400 workers respectively and two higher peaks with 1,700 and 2,000 workers respectively. Operation of the facilities will require a much smaller workforce of skilled technical personnel and security staff.

It is likely that a proportion of the workers for the facilities and the pipeline will come from local communities. An increase in incomes from employment will strengthen the local economy, as people buy more goods and services from local businesses. Increased incomes will improve the standard of living for households with members employed on the project. Contracts for catering, food supplies, security, building materials and equipment will also help the economy and will make a positive contribution to economic growth.

## Working with local contractors

We continue to work with local contractors where possible. When contracting with suppliers, we encourage them to describe their plans for increasing the number of local hires in their workforce. We estimate that approximately 90% of our suppliers are local companies. The types of work we require involves both skilled and unskilled labour.

In 2013, our payments to local companies totalled \$77 million (2012 \$76 million).

## Raising standards among local companies

Contractors are obliged to meet our standards and to do so they often have to complete training, often before starting work, and then during operations. At work sites, contractors do technical training on a regular basis, and we assure competency. Some contracts contain mandatory training in areas such as HSE and information systems.

Raising standards extends beyond developing people's technical capability. However it also deals with broader standards of conduct. Under the BP code of conduct, contractor employees can contact BP if they believe a breach of the code has been committed in their work with us. If this happens, we might engage with contractor management to determine if the complaint is legitimate, and work with them to resolve the issue. In other cases, BP might engage with the employee directly. The code of conduct makes clear that we can run investigations if necessary.

We audit our contractors' employment practices to check their compliance with the social and local content requirements set out in the BTC ESIA. The audits examine issues such as recruitment practices, working conditions, redundancy and termination procedures, and disciplinary and grievance procedures. In 2013, all actions arising from a 2012 audit of our security services provider Veziri Ltd were completed.

We work with our contractors to develop their awareness of social risks and mitigations. In July 2013, we held a full-day workshop involving 18 contractors to increase their awareness of social commitments and requirements. We discussed the need for businesses to demonstrate respect for human rights and reviewed BP's recently issued human rights policy. One of the key areas was employment issues. Senior management and HR managers attended. Examples and social incidents from current operations were discussed.

# Our people and values

We strive to provide our people with opportunities for development within a work environment shaped by distinctive values and a clearly articulated code of conduct.



## What we said we would do

Develop the skills and experience of local people.

Provide opportunities for development, providing out-of-country assignments or tailored development programmes.

Continue to highlight the importance of operating under the BP code of conduct.

## Where we are today

94% of total employees in BP Georgia are Georgian nationals.

4 new Challenge graduates in 2013, and more employees on assignments outside Georgia.

Code of conduct certification incorporated into annual performance review processes.

## What we plan to do next

Continue the strong track record of Georgian nationals working in the business.

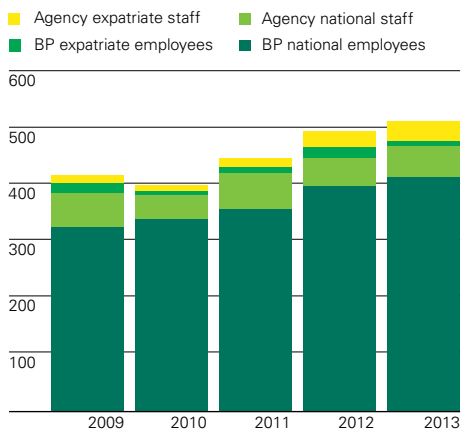
Provide opportunities for team leaders to enhance their skills.



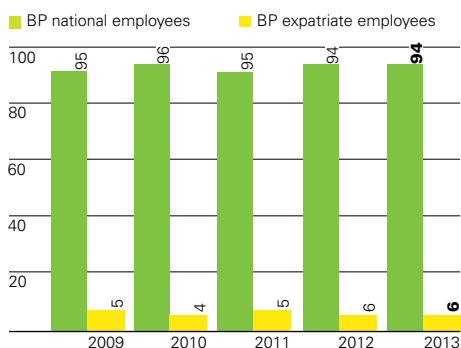
# Our workforce composition

We aim to develop skills of our workforce through the range of trainings and other development opportunities, and to attract the best people.

## BP Georgia headcount 2009-2013



## BP Georgia nationalization 2009-2013



The size and composition of our workforce reflects the type of activities we are engaged in at any one time. While we have consistently increased the number of Georgian nationals working in our business in recent years, expatriate contractors take up positions in Georgia to transfer their knowledge or when their specialist skills are required.

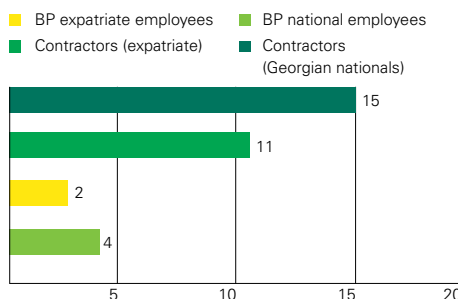
In 2013, the total size of the BP Georgia workforce increased with the proportion of Georgian nationals working in the business remaining steady. At the end of 2013, 94% of total employees in BP Georgia were Georgian nationals, slightly higher than the average rate over the past seven years since pipeline operations began full-time. Approximately 90% of managers and supervisors involved in operations are Georgian nationals, a percentage that has remained constant from last year. When project staff are included, this number falls to approximately 85%, reflecting the need for specialist personnel for a defined timeframe, who are often expatriates. About 13-14% of managers and supervisors, covering both operations and projects, are female.

We also engage 69 Georgian contracting companies, employing people who are embedded in our organization and support our daily operations.

Attracting and recruiting new graduates is challenging in Georgia. To improve the prospects for recruitment, our human resources specialists have been working with colleagues in Azerbaijan to share and apply regional experience. We have approached specific universities and held meetings with academic staff and students in relevant departments such as engineering to provide information about BP, and to clarify what type of talent we are interested in attracting.

One of the main reasons for the higher headcount in 2013 is the increase in staffing for the SCP expansion project, for which appointments began in 2011. By December 2013, the number of SCPX employees totalled 32. The number is likely to increase gradually as the project develops in the years ahead.

## SCP expansion project: current headcount



## Building skills and experience

We offer all our employees a range of training and development opportunities. For example, we run courses for team leaders to help them develop their managerial skills. These include courses on improving personal performance, effective team working and managing agency personnel. Across the business in 2013, the average number of training hours per employee in Georgia was approximately 39.

We also provide in-house team leader awareness sessions. These focus on challenges facing team leaders such as how to handle difficult conversations with employees; conducting performance reviews; recruitment processes; diversity and inclusion; and employee allowances. To develop the skills of our new team leaders, we developed a team leader pack in 2013. The pack provides references and summaries of key policies and tools and indicates where managers can find more information.

We sponsor continuing professional education to help employees gain a formal degree or externally recognized certificate. We also provide English language training. In 2013, 120 employees, mainly technicians, attended English language classes.

We also give opportunities for our people to move within the BP Azerbaijan-Georgia-Turkey business region to broaden their experience. During 2013, a further four employees were given assignments in Azerbaijan, adding to those already working on assignment there, in Turkey and the UK.

Having adopted the Challenge graduate programme in Georgia in 2012, we expanded the initiative in 2013 by taking on four more Challenge graduates. Under the programme, which is operated across the BP group, recently recruited graduates receive tailored training and development. The individuals involved typically take on two different roles over 24-36 months, to develop a range of competencies. Graduation depends on successful completion of all the training and competency requirements. The new Challengers in 2013 have taken on positions in engineering, industrial hygiene and as an environmental adviser.

PIG launching activities at pump station 1.

# About our people

We aim to treat everyone fairly and with respect, and we know that good performance depends on having a highly-skilled, motivated and talented workforce.



**Nino Sharukhia**  
PSCM Georgia Category Team Leader

"I have worked for BP for 13 years, always within the procurement and supply chain management organization, where I started as a graduate. The function here in Georgia, although important, is relatively small, so I was excited to be given the opportunity to go to Baku on a two-year assignment. I worked in the operations and production division, focusing on maintenance and repair operations – which has responsibility for tens of millions of dollars' worth of procurement and requires regular interaction with our global procurement colleagues. I had responsibility for managing about 60 contractors. In the second year, I was promoted and moved to the indirect procurement division as a category leader, looking after a wide range of business services contracts.

Now back in Georgia, I am the category lead for the whole country. With my team of five, including two who were also on assignment in Azerbaijan, we are now managing larger-scale regional projects from Georgia. The SCPX project will be happening too – an exciting development, with the potential for a lot of local spend.

The assignment was a great chance to develop and to gain experience of working on a bigger scale. It was really challenging being part of a larger, more international team, and adapting to a different culture – not to mention combining a very demanding job with looking after my two children. But it was a great experience and I am very pleased to have had the opportunity."

## Supporting our people outside work

To maintain competitive advantage in the Georgian market and improve staff retention and motivation, a new benefit programme was launched in October 2013 for national employees who have worked in the company for more than three years. Under the initiative, BP is offering a contribution to subsidize bank loans taken by employees for buying, renovating, or building a house or apartment, or supporting children's education up to the age of 18. In the first three months of the programme, 53% of eligible employees took up this benefit.

By introducing programmes like this, we hope to help our employees and encourage them to stay with us. In 2013, long service awards were made to employees who were hired by the company in Georgia in 1996. In 2013, 76 employees received recognition for 15 years' service and 34 for ten years' service. To date, a total of 163 employees have now been rewarded for their loyalty to the company.

## Living our values

Our values of safety, respect, excellence, courage and one team, express what we believe, how we aim to behave and what we aspire to be as an organization. The values are part of our recruitment, promotion and individual performance assessment processes. They define what we expect from our employees and are reinforced by our remuneration structure, which connects how individuals are rewarded with how we work at a group, team and individual level.



▲ An employee performing safety check of pipeline inspection gauge.

## Our values

Safety

Respect

Excellence

Courage

One Team

**Safety:** Safety is good business. Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment. We are committed to safely delivering energy to the world.

**Respect:** We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us.

**Excellence:** We are in a hazardous business, and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our company. We commit to quality outcomes, have a thirst to learn, and to improve. If something is not right, we correct it.

**Courage:** What we do is rarely easy. Achieving the best outcomes often requires the courage to face difficulty, to speak up and stand by what we believe. We always strive to do the right thing. We explore new ways of thinking and are unafraid to ask for help. We are honest with ourselves, and actively seek feedback from others. We aim for an enduring legacy, despite the short term priorities of our world.

**One Team:** Whatever the strength of the individual, we will accomplish more together. We put the team ahead of our personal success and commit to building its capability. We trust each other to deliver on our respective obligations.



# Our code of conduct

BP's code of conduct defines our commitment to high ethical standards throughout our operations.

## Irakli Kandelaki

Rotating Equipment Engineer

"I started working for BP Georgia in 1998. These 15 years have always been busy and often been challenging – for me, for the company and for the country. But I have gained fabulous experience which I could not have got elsewhere. I was delighted to receive a long service award last year.

My first job was on the pipeline patrol. Since then, I've been a plant operator at pump station 13 on WREP, and then part of what was a new mobile maintenance team for diesel engines on the western route.

In 2002, I was promoted from technician to become a senior mechanical technician for WREP and the northern route export pipeline – now owned by SOCAR. This was a job that required a lot of travel – driving hundreds of kilometres into Azerbaijan to deal with problems and repairs. In 2006, I was appointed as a maintenance supervisor for all the pipelines and the premises in Georgia – a job where I spent much more time in the office. Since 2011, I have been a rotating equipment engineer.

I originally trained as a civil engineer but through experience, I am now more of a mechanical engineer. I am a member of IMechE – but am working towards chartered engineer status. BP is helping me, providing funding and support. It will take some three to five years, but gaining an internationally recognized professional qualification is worth the effort.

When I look back to 1998, I think that BP Georgia has grown alongside the country – there has been good and bad; but the company has always tried to keep high standards. I have too: doing the maximum, and not cutting corners. Fifteen years is not all my working life but a large part of it. For me, BP Georgia is still a great place to work."



## The BP code of conduct

We operate under the terms of the BP code of conduct, which sets out the basic rules we must all follow in BP and explains how our values should guide all our decisions.

We run face-to-face code of conduct training sessions for new joiners, covering both BP employees and new agency staff. Forty eight people received this training in 2013. Existing employees must refresh their ethics and compliance training every three years by completing computer-based training on the code of conduct, conflicts of interest and anti-bribery and corruption.

BP Georgia has a dedicated ethics and compliance officer, who reports into a regional team located in Azerbaijan to maintain independence. The officer's role is to oversee the implementation of the code, including training, and support staff with queries that arise. The officer receives questions about what is permissible under the code, covering topics such as whether it is acceptable or not to receive or provide gifts or entertainment, or concerns about potential conflicts of interest.

We maintain registers on these topics. Approximately 20 individuals registered potential conflicts of interest in 2013, and 52 entries were logged registering gifts received, declined, or given. The key elements in this are transparency and preventing conflicts from arising. The code of conduct and a regional policy do not prohibit gifts and entertainment but provide guidance which includes clear thresholds and regulations. Our code of conduct recognizes that conflicts of interest may legitimately arise but requires for any potential conflict to be reported and satisfactorily resolved, involving discussion with management on the appropriate course of action.

We provide a number of channels for people to report potential breaches of the code or other legal requirements, including line management, the human resources department, the ethics and compliance team and the confidential helpline, OpenTalk, which is operated by an independent company and is available anytime, every day of the week, providing a multi-lingual service including Georgian. We encourage our people to discuss any potential problems with their line manager, HR or legal department representative, or the in-house ethics and compliance officer.

Once a year, employees are asked to confirm that they have complied with the code, making a self-declaration as part of their end of year performance review processes. Incorporating certification into these processes encourages further dialogue around not only what people do but how they do their job, emphasising that we should all do our jobs with high ethical standards and integrity, in line with our values and desired behaviours.

Investigations into potential breaches of the code take place when necessary, conducted by HR, security or ethics and compliance officers as appropriate. A range of actions can result from these, such as changes to procedures and practices, disciplinary action up to and including dismissal, or termination of a supplier's contract. There were no employee dismissals arising from breaches of the code in 2013.

# Safety

We continue to work to embed safety and operational risk management into the heart of what we do.

## What we said we would do

Take systematic steps to deliver excellent business performance, safely and reliably.

Identify and manage risks, and carry out training and exercises to prepare for an emergency.

Protect the health of employees, contractors, visitors and members of the local community who live or work near our operating sites.

## Where we are today

3.7 million man-hours worked and 9.5 million kilometres driven with no fatalities and no major accidents.

Have a wide range of occupational health and industrial hygiene initiatives in place.

103 emergency response exercises safely carried out in 2013.

## What we plan to do next

Continue to deliver excellent business performance, safely and reliably.

Continue to strive for improvements in personal and process safety performance.

Work, as in the past, with contractors to develop strong safety attitudes and culture.





# Managing safety

Our focus is on delivering safe, reliable and compliant operations. Protecting our people and plant while driving excellent performance is a key priority.



## 3.7 m

man-hours worked in 2013  
with only 2 days away from  
work cases.

## 9.5 m

kilometres driven with no  
fatalities and no major accidents.

We continue to apply our operating management system (OMS) at a regional level, to govern our operations and drive safe and reliable performance.

As part of our ongoing work to achieve conformance with its requirements, we have an annual assurance plan and undertake independent checks and self-verification to check our performance against each of the requirements. We put plans in place to close any gaps and we set priorities for improvement, with the aim of achieving risk reduction and driving continuous improvement in performance.

Our commitment to no accidents, no harm to people and no damage to the environment remains unchanged.

### Safety performance

In 2013, BP Georgia and its contractors worked 3.7 million man-hours and drove 9.5 million kilometres with no fatalities and no major accidents. There were two day away from work cases; in both instances, the individual slipped and broke their leg.

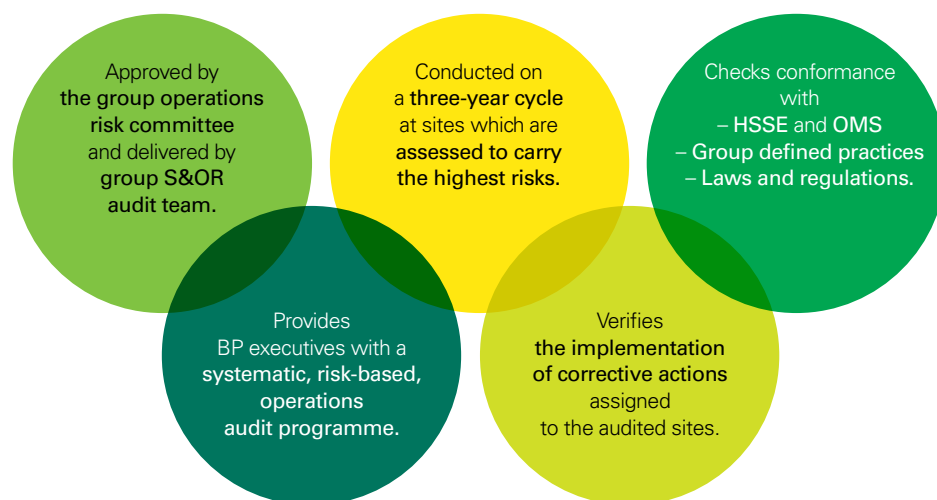
We had six vehicle accidents, the same number as last year. None of these accidents were classified as severe and incident investigations showed that they were caused primarily by third-party vehicles.

We investigate every incident to identify its cause so that we can take the actions needed to try to prevent it from happening again. We continue to encourage our employees and our contractors to report near misses. The number of reported near misses has approximately doubled when compared with 2012. Our aim is to learn from near misses and minor incidents in order to prevent incidents in future.

We had one fire, in which an item of waste filter equipment self-ignited due to pyrophoric exposure to oxygen and smouldered when removed from use. Following the incident we shared learning about the potential hazards of pyrophoric materials.

In 2013, we completed all the remaining actions from the group safety and operational risk audit conducted in 2011. The original audit identified no major findings but made a number of recommendations for improvement. In the course of 2013, we completed the remaining 10% of actions, as planned. This puts us in a good position for the next audit, which will take place in 2014 in line with the planned audit cycle.

### Five facts about Group S&OR audits



An employee taking readings from field equipment at pump station 1.

# Managing risk

Our risk management system enables to identify, understand and manage risks so that we can deliver safe and reliable operations.



▲ Employees preparing for an emergency response exercise.

## Assessing, prioritizing and managing risk

In accordance with BP group requirements, we systematically review BP Georgia major risks and update the risk register annually. Quarterly, we bring together our leadership team and specialists from operations, maintenance, projects, HSE, security, engineering and pipeline technical authorities to review actions and protective risk barriers. We consider the potential impact of risk incidents, and agree on prioritization and management measures. The BP Georgia risk assessment feeds into wider onshore risk assessments covering operations in both Georgia and Azerbaijan. Our goal is to continuously improve prevention barriers and mitigation processes.

## Learning from incidents

We encourage the reporting of near misses and investigate all incidents, to learn lessons and stop similar accidents from happening again. We also conduct quarterly reviews of incident trends, involving operations, maintenance, project, engineering and HSE leaders. Immediate and root causes are analyzed, focus areas identified, and improvement actions agreed and tracked in our action tracking system. This helps to support a consistent and systematic approach across BP Georgia to help reduce the frequency of incidents.

## Maintaining a safe work environment

Wherever BP operates, systematic implementation of the group's control of work practice is a must – both for BP employees and contractors. Control of work requires that all work activities are planned well in advance and delivered by competent people. Task related risks must be assessed and managed and the work controlled and executed under permit. Most importantly, it obliges everyone to stop unsafe work. To address the potential for risk and harm to people and the environment and for damage to equipment, an effective control of work process provides a work environment that allows tasks to be completed safely.

A number of reviews were conducted in BP Georgia over 2013 to rate how well the arrangements we have in place meet group requirements. These included the annual gap assessment, an assurance review and a verification visit resulting in the development and agreement of an action plan.

Overall, the reviews found that control of work foundations were in place, and that our processes were becoming systematic. The action plan was focused on continuous improvement in areas such as operational risk assessment, the quality of planning and task risk assessment, and the standardization of documentation.



▲ Firefighting exercise at a pump station.

# Working with contractors

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



## Supporting contractors in operating safely

“The safety leadership team meetings and annual safety executive forums arranged by BP for contractors are very valuable for our company. They increase awareness of safety-critical subjects and contribute to the continuous improvement of our DS plus HSE management system.

The topics we discuss at the meetings guide us on the measures we can take to progressively improve our safety culture among employees. They raise awareness of near miss reporting, and of how to fulfil control of work requirements. They reduce risks related to driving and other higher-risk activities, and verify winter preparedness.

We are very aware that our safety performance, and that of other contractors, contributes directly to BP's overall performance. We know that everyone's commitment to safety is crucial and a culture of no-complacency is vital to safe and reliable operations. The incidents and lessons learned which we discuss at the meetings are shared with DS plus technical personnel during the HSE meetings arranged by our management team. The application of lessons learned is regularly verified during management site visits.

The knowledge we have gained by participating in executive forums has increased our understanding of how important leadership is in achieving HSE goals and in driving continuous improvement in our safety culture and performance.”

**Katya Gegia**

DS Plus HSE/Business Manager

## Working with contractors

Our ability to be a safe and responsible operator depends to a considerable extent on the capability and performance of our contractors. Historically, about 80% of our reported man-hours are logged by contractors.

To promote consistency and alignment, we hold quarterly safety leadership meetings with our contractors, where we review HSE performance, incidents and lessons learned, highlight and deliver key messages, share experience and raise contractors' awareness of safety-critical topics. At annual contractors safety executive forums, we interact with contractor management teams to broaden their knowledge and understanding of demonstrable safety leadership and what we expect from them as leaders. We have also carried out joint site visits to assess work practices, equipment conditions and housekeeping standards. These visits typically result in identifying opportunities to make improvements. Outcomes from the discussions are shared with the wider BP contractor community at a contractors' executive forum.

One area where we have focused attention in 2013 is on encouraging higher levels of incident reporting among our contractors. The number of contractor-reported near misses and accidents in 2013 has increased five-fold since 2012.

We have also focused on making sure that the individuals carrying out work on our behalf (whether employees or contractors) have the right skills, experience and competency. For contractors, especially those responsible for tasks where they must follow approved procedures and agreed risk mitigations, this has involved training and interview assessment with BP authorities in order to gain competency authorization certificates.

Our annual contractors' safety award scheme rewarded contractor companies that had shown exemplary performance. In 2013, these were presented to:

- NRC International Services Ltd in recognition of reporting near misses, effective leadership and teamwork in the field, sustainable driving safety standard conformance, ISO 18001, 14001 and 9001 certification, and Fire fighters' NFPA assessments.
- EXINPRO Ltd (a new contractor) in recognition of their strong commitment to safety when carrying out BP Tbilisi office maintenance works, and their safe delivery of the garage renovation project.
- DS Plus for maintaining a sustainable pest control programme and conforming with integrated pest management requirements resulting in zero pest-related incidents. They also conducted regular management site visits, and obtained membership of UK and EU pest associations.
- Veziri Ltd in recognition of reporting near misses and alcohol abuse cases, improving conformance with the driving safety standard, and conducting regular management site visits.

## Hosting contractors at the annual contractors safety executive forum.





# Personal and process safety

Everything we aim to do relies upon the safety of our operations, our workforce, and the communities around us.

## **Q: How did the regional workshop on emergency response generate shared learning across BP?**

**A:** The regional workshop this year was a valuable gathering for this community of practice, where we shared information and learning from country-specific events. We participated in a syndicate table-top exercise with the involvement of BP Shipping, which was a good learning point for us all.

### **Pridon Niguriani**

BP Georgia Crisis and Continuity Management and Emergency Response Team Leader



## **Driving safely**

Driving safety continues to be one of the major risks in Georgia as a result of large number of kilometres driven by the BP and contractor workforce and the region's hazardous driving environment. We promote road safety in our business and support road safety initiatives in the community.

BP Georgia workers and contractors drove more than nine million kilometres in 2013 and there were six vehicle accidents.

Our continuing emphasis on driving safety in 2013 included implementing BP requirements with contractors, defining an improvement plan and discussing the subject at two dedicated contractor driving safety standard workshops. Our Baku-based driving safety specialists audited a selection of our operations and those of seven contractor companies against the requirements of the BP driving safety standard. These reviews address issues such as the condition of vehicles, driver and passenger behaviour, securing loads, driver assessment, licensing, training and fitness, journey management planning and seat belt use.

For our contractors, who carry out the majority of our driving, a number of positive findings were identified by the reviews, such as the good condition of contractor vehicles, the fact that Tool Box talks for staff were regularly conducted, and that driver documentation was valid and accurate. These encouraging findings were shared with our contractors. In addition, areas for action were identified such as improving vehicle maintenance documentation and ensuring that policies to secure loads were appropriate and in place. All improvement recommendations were reviewed by contractor and BP management teams and were reflected in action plans developed for each participating organization.

We introduced a journey management web-based tool for contractors in 2012 which enables trips to BP sites and facilities to be better planned and co-ordinated. It considers factors such as road and weather conditions and enables drivers to obtain and consider the most up-to-date information during planning. The system helps minimize risk by preventing, for example, unnecessary trips in winter.

## **Safety awareness campaigns**

We continued to carry out regular awareness campaigns for BP employees and contractors on important safety topics, such as risks from: snakes, heat, ice, fire, slips, trips and falls, finger injuries, radioactive materials and carbon monoxide.

## **Process safety**

In addition to personal safety, we focus on maintaining the integrity of our operating systems and processes by applying good design principles, engineering and operating and maintenance practices – process safety.

Our safety specialists support operations in raising awareness of process safety risks. We outline key process safety risks within employee induction, and on site we encourage people to report process safety incidents. Management meetings, led by engineering and technical professionals, include monthly review of key process safety and integrity management performance indicators, many of which are 'leading' indicators which give an indication of the strength of our controls. Like many organizations in the oil and gas industry, we are becoming more systematic in our reporting of process safety performance, as experience is gained.

In 2013, we suffered no severe losses of primary containment – meaning that there were no reportable spills or gas losses equivalent to more than one barrel of oil. We record and track any minor leaks or spills to help us improve performance and try to minimize the risk of more serious incidents. We had no tier 1 or tier 2 process safety incidents (which, under industry guidance, are those classified as most severe).

In December 2013 we had one criminal property damage incident, where a welded illegal tap connection was identified on the WREP pipeline. There was no actual leak or sign of ground contamination.

## **Crisis and continuity management**

We are continuously working to improve our crisis and continuity management and fire-fighting capability. This requires clear plans and processes, good quality equipment, and well-trained personnel. Our activities in 2013 reflected these priority areas.

For example, we reviewed our existing crisis response plan to improve and standardize it in line with updated BP requirements. We are currently reviewing our oil spill response plan.

In 2013, we purchased two new aluminium boats, located at the Supsa terminal. The new boats can be used for oil spill recovery operations in coastal and open sea and are capable of handling new booms introduced in 2012.

To increase our fire-fighting preparedness, we bought an additional fire truck in 2013 and eight individuals from our oil spill response contractor, NRC International Services, completed internationally recognized National Fire Protection Association fire-fighting training and passed the corresponding assessments.



# 103

emergency response exercises carried out in 2013.

# 22

on-scene commanders trained and their competency assured.

▼  
Safety leadership team meeting.



We carried out 103 emergency response exercises in 2013, comprising a mix of desk exercises and field-based training. We trained and assured the competency of 22 on-scene commanders and identified and trained 10 new members of the incident management team.

All our training exercises were conducted safely and recorded, with summaries communicated monthly, including lessons learned and improvement actions.

To test emergency response effectiveness at the Georgia-Azerbaijan and Turkey-Georgia borders, two cross-border exercises were conducted. The exercises, involving large groups of people from company and contractor organizations and local/government authorities from all three countries, covered oil spill response scenarios for BTC pipeline in the Tovuz region of Azerbaijan, near the river Tovuzchay and Potskhovi OSR containment site in Georgia. The aim of these exercises was to test cross-border procedures, protocols and effectiveness, to assess the effectiveness of aid arrangements between BP Georgia, BP Azerbaijan and Turkey, and to review the response time for mobilizing resources and deploying spill response equipment. We also assessed how well the Georgia, Azerbaijan and Turkey site response teams communicated and worked with each other as one team.

In June 2013 we participated in a multi-country workshop in Budapest, Hungary, arranged for BP crisis and continuity management team representatives from a variety of locations. Presentations were made on new emergency response systems, such as those designed to help account for people during an emergency. Representatives from each location presented country-specific 2012 achievements and forward plans.

### Health and wellbeing

We take the welfare of our staff seriously and strive to create and maintain safe and healthy working environments.

We work to manage health and employee welfare in a systematic way, undertaking an annual health risk assessment and using a tool called health map to help us to update our health risk register. We have a number of well-established processes for managing employee health, including fitness for task assessments and health screening. We maintain a body of medical information which enables us to monitor requirements such as check-ups and medical examinations.

### Managing occupational health and hygiene

Our occupational health programmes include first aid and substance abuse testing at our operating sites and offices. This year, we also carried out first aid and medical preparedness reviews and organized a mass casualty training exercise at PSG1. We supported the SCPX project team with food safety and hygiene inspections, assessments of the medical status of project employees, and by advising on medical emergency provision.

We continued to implement an ergonomics programme in 2013, using a tool called 'Remedy' which seeks to prevent problems such as repetitive strain injury (RSI). It features an online self-assessment questionnaire, training and a desktop application called RSI Guard. The tools assess levels of risk and provide guidance on prevention.

We also run industrial hygiene programmes at our sites. These cover issues such as manual handling, noise monitoring, lighting, indoor air quality, and chemical handling and exposure. Our annual food safety/water quality audit found no major issues.

We completed a skin surveillance programme for high-risk employees, such as those who have exposure to chemicals. In August 2013, we contracted the Georgian National Centre for Disease Control to carry out epidemiological surveys along the SCP, BTC and WREP pipelines because of potential exposure to naturally occurring anthrax.

### Health campaigns

The promotional campaigns we ran in 2013 encouraged people to seek good health in a fun and competitive manner. They included the 'Run-A-Muck' challenge to encourage exercise and fitness and a variety of sporting competitions in skiing, basketball, and futsal. Our healthy heart campaign provided employees with basic steps to better manage their heart along with health tests to give them information on their current state of wellbeing. Other wellbeing campaigns included influenza vaccinations, and a head and cold stress campaign.

### Providing health training

A healthy workforce also requires the support of expert medical professionals. We have a medical emergency response strategy, and provide training for our first aiders, doctors, drivers and ambulance staff.



# Environment

We take a systematic approach to environmental management and strive to continuously improve our environmental performance.



## What we said we would do

Manage our operations in accordance with our ISO 14001 environmental management system.

Assess and monitor our environmental impacts to air, land and water and work to continuously improve our performance.

Work with our contractors to support compliance with our environmental standards.

## Where we are today

Our ISO 14001 certificate has been formally re-issued, for the next three years.

Secured government approval of the SCP expansion project environmental and social impact assessment (ESIA), and took further action to minimize operational impacts.

Put in place measures to strengthen environmental requirements in contracting.

## What we plan to do next

Maintain our systematic approach to environmental compliance and management.

Minimize our environmental impacts to air, land and water.

Develop processes and people to safeguard future environmental performance.



# Environmental performance

We strive to avoid, minimize and mitigate environmental impact from our activities, and we work to continuously improve our environmental performance.



## 2013

The environmental and social impact assessment for SCP expansion was approved by the government of Georgia.

### ISO 14001 and compliance

We continue to manage our operations in accordance with our ISO 14001 certified environmental management system. In early 2013, our ISO certificate was formally re-issued for the next three years by Intertek, the external certification authority. We will test the performance of our environmental and compliance management systems in 2014 by undergoing an external ISO 14001 surveillance audit and through a BP group safety and operational risk audit.

We maintain comprehensive systems to stay compliant with applicable HSSE requirements. We track compliance with our commitments and maintain, update and assign specific commitments and ensure their implementation. We continued to review, prioritize and allocate environmental tasks in 2013.

A number of important milestones relating to compliance were reached in 2013. The secondary containment system on BTC – a system of containment sluices and dams designed to come into operation in the unlikely event of a spill – was accepted into operation by the Borjomi municipality, the permit issuing authority in that region. The issue of the licence fulfills one of the conditions from the government of Georgia in connection with the BTC project oil spill response plan. According to the lender's independent environmental consultant, "these projects represent an unprecedented level of spill control even when compared to worldwide best practice."

In addition, the SCP expansion project ESIA was approved by the Ministry of Environment in 2013. A review of the ESIA process and content is provided on page 10.



▲ Preparation for a wildlife response exercise.

◀ Safe capturing of oiled wildlife during an emergency response exercise.

🔍 More detailed technical information on each aspect of the ESIA process is available on [bpgeorgia.ge](http://bpgeorgia.ge) including the public consultation and disclosure plans which form an integral part of the process.

# Managing our impact

In everything we do we aim to avoid, minimize or mitigate environmental impacts.



## An Environment Challenger: Marina Arabidze

"I joined BP in May 2013 as an Environmental Challenger following a competitive selection process. While I have had some practical and academic experience in the field, BP has exposed me to a new, dynamic work environment, where you are rewarded with on-the-job learning and development opportunities.

Before coming to BP I worked for the Georgian Oil and Gas Corporation overseeing environmental permitting for new construction projects. Before that, I had spent three years in the US and Hungary working on my Master's degrees at the University of Wisconsin-Madison and the Central European University, with fellowships from the United States Agency for International Development and the Central European University. These years abroad had a significant influence on me, professionally and personally. It is through these programmes that I first took interest in energy, environment and sustainability and how to meet the growing need for resources while maintaining the quality of life.

This is why I am excited to join BP and to look forward to the challenges and opportunities that will come my way here. I want to use my knowledge and experience and benefit from the learning opportunities available. My first months here have clearly shown that the company takes great effort in systematically managing its impact on the environment and uses a variety of tools for this purpose. The things I am involved in are very diverse, ranging from regular operational oversight to incident management and investigation, working with contractors, carrying out field inspections, audits, reporting, impact assessments and many others. All these are done in compliance with rigorous international standards. The people I work with have wide experience and are approachable, ready to help and guide you if you need assistance. The combination of these factors makes me feel good about my future in BP."

## Complying with our commitments

The fifteenth post-financial audit of the independent environmental consultant acting on behalf of BTC lenders was undertaken in Georgia in September 2013. These audits monitor compliance with BTC environmental and social commitments, captured within the operations environmental and social action plan and relevant management plans. No non-compliances were identified.

## Strengthening environmental requirements in contracting

We work with our contractors to try to make sure they meet our environmental standards. In 2013, we looked at how we can more precisely define the environmental standards and practices that we expect our contractors to follow within their scope of work.

We continue to work with contractor personnel to raise their awareness of environmental management and to help align all projects with the requirements of our environmental management system. We use an environmental risk assessment tool for individual projects and modifications to give ourselves assurance that requirements are being met in the field.

We regularly monitor contractors' work on site, and obtain site completion reports that show how environmental requirements have been addressed.

## Detecting leaks

The government of Georgia accepted our plans for leak detection on the BTC pipeline, which represented a further agreement on a condition associated with the oil spill response plan.

This was of particular importance in the Tsalka section of the pipeline, which was deemed by the government to be of particular sensitivity because of underground water supplies in the area.

In addition to the inherent design features of the pipeline which are intended to minimize the risk of spills and leaks, we have used specially trained sniffer dogs capable of detecting hydrocarbon leaks on pipelines and tanks regardless of soil conditions and even under snow.

These measures were agreed with the government following several years of detailed studies, research, investigations and field trials, with the help of experienced contractors. They are designed to detect the smallest leaks or hydrocarbon vapour.

▼ An environmental officer performing shore check during a wildlife response exercise.



## Waste as a source of energy

Finding innovative ways to manage waste is a continuous effort. We have put special emphasis on reducing hazardous waste by buying modern waste processing equipment. We have also been putting waste products and substances to good use – sometimes using them as a source of energy.

Most hazardous waste from our activities – such as oily rags, or sludge – is collected, compacted and stored at the central waste accumulation area (CWAA), near PSG1 on the BTC pipeline. Waste is minimized by crushing, shredding, compacting, re-segregating and separating. It is then repacked and prepared for transport to waste treatment facilities within Georgia or abroad.

Historically, hazardous waste was prepared for export to EU-compliant facilities because local recycling companies could not ensure its safe disposal. Recently, however, we have found a local company which owns facilities that can process dry cell batteries – hazardous waste generated from maintenance work at BTC block/check valves.

Approximately 62m<sup>3</sup> of waste stored at the CWAA has been supplied through this route to convert into energy. Before delivering the batteries for treatment, we worked with the company to raise awareness of the hazards, and develop its safety culture. We helped provide new equipment including fire extinguishers, personal protective equipment and new junction boxes. “In this way, we can be sure that BP’s HSE requirements will be followed,” explains Misha Gurgendzbe, BP Georgia’s Senior Field Environmental Adviser.

A fluorescent lamp crusher has also been installed at the CWAA. This ‘bulb eater’ allows hazardous fluorescent lamps to be turned into non-hazardous glass powder. During crushing, asphyxiating mercury gas remains in a hermetic container to avoid evaporation. The result is that waste is considerably reduced in size and its storage and transportation becomes easier and cheaper.

In 2011, 46 drums of fluorescent lamps were processed in this way. About 9.2m<sup>3</sup> of hazardous waste was turned into 0.2m<sup>3</sup> of non-hazardous waste. This was then moved to the EU-compliant non-hazardous waste landfill in Rustavi which BP helped to establish in 2009. Instead of 46 drums of hazardous waste, only a couple of small containers will be sent abroad for final disposal.

According to George Guliashvili, head of our major environmental contractor for BP in Georgia: “BP’s waste management practices in Georgia are having a significant influence on the companies that co-operate with them. We pay great attention to the professional development of our personnel, possess high quality equipment, and are open to innovation. We’re always on the lookout for the newest technologies.”

## Fulfilling our offset obligations

In partnership with the Georgia Energy Efficiency Centre, we completed the third and final project begun in 2012 which acted as an offset to our exceeding the nitrous oxide concentration limits specified in the environmental and social action plan committed to BTC lenders. The final project, installing a solar heating system and carrying out building winterization at Tbilisi ‘Baby House’, was implemented in 2013.

Two previous projects, completed during 2012, involved installing solar water heating systems in a school in Tbilisi for children who are deaf or have diminished hearing, and at the SOS Tbilisi Children’s village.

## Managing waste

We installed a waste glycol treatment facility at the waste processing and recycling centre in 2013. This equipment will enable us to treat used glycol currently stored at the central waste accumulation area. To the best of our knowledge, this is the first facility of its kind in the region. It enables us to re-process used glycol – which is used as an anti-freeze within the water bath heaters which heat process fluids to the desired temperature – rather than export it abroad for treatment and disposal. The change will bring cost and environmental benefits. In addition to making additional storage space available at the central waste facility, the facility reduces the need to purchase new glycol and cuts waste management costs.

## Plastic waste recycling

In 2013, we employed a Georgian recycling company capable of recycling greater amounts and type of plastic waste than we could in the past. We have supported the company in developing its capacity, and have helped to promote an appropriate safety culture in its operations.

## Wildlife protection: response planning



▲ An environmental specialist participating in a wildlife response exercise.

Our incident management system includes commitments related to responding to an incident in which wildlife suffer from the effects of oil.

To this end, we built a wildlife response centre adjacent to PSG1 in 2010 and run training and awareness sessions with various stakeholders. In September 2013, we carried out an exercise adjacent to the BTC/SCP pipeline right of way, at Jandari Lake. The main aim of the exercise was to test the response preparedness level, and to check that we had processes and procedures in place to respond efficiently to an incident which could threaten or lead to oiled wildlife. We tested and evaluated response protocols, equipment, facilities, key personnel, communication tools, de-contamination/waste management schemes, and record-keeping.



# Society

We aim to benefit local communities by supporting programmes and initiatives that build capacity and promote enterprise.

## What we said we would do

Build open and constructive relationships with the communities near our assets.

Help to build local economic capacity by supporting agriculture, rural infrastructure and business enterprise.

Strive to bring lasting benefit to Georgian society.

## Where we are today

Maintained active engagement with pipeline affected communities, and expanded our engagement with new communities affected by SCP expansion.

Supported diverse projects – in education, economic development, enterprise, cultural heritage and the environment – over the past ten years.

Invested approximately \$25 million in social projects since 2003.

## What we plan to do next

Maintained active engagement with pipeline affected communities, and expanded our engagement with new communities affected by SCP expansion.

\$25 million invested approximately in social projects in the last five years.

Supported diverse projects in education, economic development, enterprise, cultural heritage and the environment over the past ten years.



# Our programmes

We support programmes that respond to local needs and which are relevant to our business activities.



▲ BP's community liaison officer meeting with local communities.

## Ten years of social investment

Ten years ago we launched our first community investment programme, linked to the start of construction work on the BTC/SCP pipelines. Since that time, we have contributed to a wide range of projects in Georgia which have sought to help local communities, promote business development, support education and protect Georgia's cultural and natural environment.

In 2013, we spent approximately \$3.7 million on social investment, slightly more than the average since 2011. Over the previous five years, we estimate we have spent approximately \$25 million.

The range of projects we have supported is shown in the table below, which presents a subset of the total projects we have been involved with since 2003.

## Examples of our social investment programs

Focus area	Project title	Duration	BP and co-venturers' spend (US \$m)
Pipeline communities	Community Development Initiative along the BTC/SCP and WREP pipelines in partnership with national and international NGOs.	2003-to date	19.9
Business development	Georgia Business Enabling Environment Project, in partnership with the International Finance Corporation.	2006-09	0.75
	Project Management College in partnership with ESI International and the Free University of Tbilisi.	2009-14	2.05
Energy efficiency	Renewable Energy and Energy Efficiency Project for Georgian Communities.	2011-13	0.6
	Technical Assistance to the Georgian Oil and Gas Corporation.	2006-08	1.1
Environment	Construction and operations phase environmental improvement programme.	2003-12	3.9
Education	Sponsoring the International School of Economics at Tbilisi State University.	2006 to date	2.3
	Masters Level Scholarship Programme.	2006-08	1.5
Cultural heritage	Partnership programmes with the Georgian National Museum.	2005	0.5
		2006-08	0.4

▲ A resident of Tsilkani village has established a greenhouse with BP's and its co-venturers' support.



# Engaging communities

We engage regularly with the communities near our pipelines because we want to maintain constructive relationships with them.



2014 community calendar.

## Helping yourself

The highland village of Titvinistskaro in Khashuri district is almost deserted, especially in winter, when the number of families staying in the village is just three or four. Life is hard in these remote areas and many there are officially designated as socially vulnerable, making them eligible for financial support from the state.

Mr Givi Barbakadze, who lives in the village, started a sheep farming business in October 2013 with the support of a small business programme grant under the CDI programme. By the spring of 2014, he anticipates he will already have income from selling new-born lambs.

When informed that his social aid may be cancelled when he starts a business, Mr. Barbakadze replied with a smile: "I have to become independent at some point; I prefer to run my own business and earn income for my family. I will even employ others if my business is successful. Why should I ask for state aid?"



## Liaising with local communities

BP seeks to maintain positive relationships with the communities along the BTC and SCP pipelines, and has worked to strengthen its established contacts with communities along WREP. Villages along the three pipelines are categorized according to their social or environmental sensitivity and meetings with local communities take place on a regular basis.

We continued local community engagement and held more than 780 consultation meetings with target groups in the villages along the pipelines and near to our facilities. This level of interaction ensures that the BP social team is well-aware of local issues, listens to community concerns, and can reinforce important messages about safety and restrictions along the pipelines. Our target groups are village heads and trustees, local residents, school representatives, complainants, and landowners.

We distributed an information booklet to WREP communities which informed them of planned activities along the pipeline. The booklet contained information about upcoming pipeline repairs, erosion control and landslide monitoring, and embankment reinforcement at river crossings. We also circulated a 2014 community calendar in Georgian and Russian to all communities in which we provided information about pipeline protection safety zones, containing details about the measures we take to maintain pipeline safety and security.

## Engagement relating to SCP expansion

We continued to engage with communities in 2013 about the SCP expansion project, informing communities and local government about plans and progress. Our team of community liaison officers (CLOs), which now includes a CLO dedicated to the SCP expansion project, plays an important role by listening to community concerns and sharing these with project staff and giving guidance on local sensitivities. Our CLOs also communicate local concerns to our operations and projects team on routine maintenance and modifications projects.

## Responding to grievances

As our activities take place near a large number of villages and municipalities and involve access to and construction work on land, it is not surprising that occasional community grievances arise. As part of our approach to engagement, we have a clear process for managing third-party complaints.

During 2013, we received 41 complaints, a higher number compared to 23 complaints received in 2012. We believe the increase reflects factors such as the increase in contact with new communities as a result of SCP expansion. These factors mean that we are engaging with a greater number of community groups than previously. We hold regular meetings with target groups and tell them about the tools at their disposal to raise concerns. In total, 38 complaints were investigated and closed in 2013 out of which 34 were received by the company in 2013 and four from earlier years.

Among the resolved grievances was a long-standing complaint concerning lost access to hayfields following BTC and SCP pipeline construction. Technical challenges related to the terrain made this a challenging issue to solve. After consideration of a number of options, an approach was agreed and the required work completed in September.

There was a one-week work stoppage at the WREP Tkhillnara river crossing activities in Sajavakho which arose from concerns about disturbance to the community from effects such as dust and noise, and its impact on livelihoods, and in particular on local beehives. Following investigation and impact assessment, we paid compensation to the affected parties.

We monitor the time it takes for us to deal with complaints, while recognizing that the speed of resolution may not be fully under our control. Complaint resolution time increased in 2013 with 51% of complaints closed in less than two months (2012 70%).

Complaint category	Received in 2013	2013 complaints closed
Additional land occupied	1	1
Bee-related	3	3
Damage to community infrastructure	1	1
Employment	1	0
Damage to household infrastructure	2	2
Inventory/compensation disagreement	7	7
Irrigation	2	1
Land handback/reinstatement	5	3
Nuisance	1	1
Other land issue	11	9
Other social issues	7	6
<b>Total</b>	<b>41</b>	<b>34</b>



# Building capacity

We work in partnership with a large number of organizations to help build the fabric of Georgian civil society.

## Social enterprise in Chivchavi

Chivchavi, a village near to the BTC pump station 2, has set up a social enterprise supported by a grant from CDI. The enterprise provides services to the villagers in what is mainly an agricultural area.

"Having a social enterprise in the community is very useful for villagers in Chivchavi. We don't have to wait in endless queues for tractors and we are now avoiding problems with hiring. And more, the social enterprise has a service schedule which is very convenient. Besides, the price we pay for its services are acceptable and cheaper than hiring tractors from elsewhere."

Leila Khachvani, a village resident.

CDI implementing NGO representatives presenting BP supported projects to visitors.



## Promoting corporate responsibility

BP Georgia continues to promote good corporate responsibility among Georgian companies. A BP Georgia representative is a member of the American Chamber of Commerce Corporate Social Responsibility committee, which helps local companies adopt and improve their corporate responsibility practices through active exchange of experience and case studies as well as legal reviews.

We commissioned a study in 2013, which was undertaken by an independent expert, to understand the baseline of corporate responsibility activities in Georgian companies and to recommend how BP can best help in promoting good practice locally. The results will be available in 2014.

## NGO capacity development

We have taken steps to increase the role of Georgian non-governmental organizations (NGOs) in delivering the capacity building programmes we support.

Within our Community Development Initiative (CDI), described on page 35, we selected two local NGOs (Centre for Training and Consultancy and the Regional Development Association) to be the implementing partners for the fourth phase of CDI. An independent evaluation of the programme in 2013 concluded that this nationalization strategy had been a success.

## Raising standards in partnership with international organizations

We partner with international aid agencies and lenders to improve standards in various areas of Georgian industry.

In the past, we have worked with the International Finance Corporation (IFC) on an initiative to promote better corporate governance in Georgia, and we also co-funded a three-year IFC project to raise standards in the food processing industry. Building on this relationship, we recently signed an agreement with the IFC to provide co-funding of \$0.4 million in a new \$1.9 million project – called the Georgia Investment Climate Project. Its main goal is to promote sustainable, private sector growth by improving the competitiveness of local companies. This will be facilitated by building on successful reforms to date, and promoting trade and foreign direct investment. The project will also address the most important compliance costs faced by businesses – notably costs incurred in VAT administration. It will be working with officials in the Ministry of Finance.

## Supporting education

Support for education has long been an important element of our community development initiatives in Georgia. This includes support for schooling, tertiary education, and continuing professional development.

We continue to provide financial support to the International School of Economics in Tbilisi (ISET), which aims to bring world-class teaching and research methods to the study of economics for the benefit of the region. In 2013, we extended our agreement with ISET to enable the development of a focal area in the economics of human resources within the MA programme. It will prepare students for careers involving labour market regulation, healthcare and education reform in Georgia and the broader South Caucasus region.

Established in 2009 in partnership between BP, its co-venturers, ESI International and Free University of Tbilisi, the Project Management College provides a seven-course curriculum leading to a Master's Certificate from The George Washington University School of Business. It also provides the possibility of graduates becoming certified Project Management Professional.

The course involves 24 days of study, spread over a year. A total of 194 students in ten streams have studied during the first three years, with 174 of them graduating with Master's Certificates, and 12 becoming PMPs. Forty more students have studied in the 11th and 12th streams in 2012-13 (and will graduate in spring 2014) with the 13th group about to start.

Students represent senior to medium level managers from more than 100 different organizations, ranging from private companies, to NGOs, to international organizations and the public sector.

BP and its partners provide financial support to the college of \$2 million over the duration of the agreement with an additional \$0.3 million co-funding from the Free University. In the longer term, our goal is to build local capacity so that the entire programme is run by Georgian nationals.

# Supporting development in the society where we work

We want local communities to benefit from our presence and we support a wide range of projects that build local capacity.



## Developing local NGO capability

In May 2012, BP entered into an agreement with two Georgian NGOs to continue implementation of the fourth phase of CDI – a two-year programme that will benefit communities along the SCP and BTC pipeline route.

“About one year ago we made the decision to select a local institution as the CDI project implementing partner. Our goal was to develop local capability and to ensure that they were capable of managing the implementation independently,” explains Eteri Kvirikashvili, BP Georgia Community Development Initiative adviser.

Gvantsa Meladze, a representative of the Regional Development Association, which manages CDI implementation in the western region of BTC/SCP, says: “Co-operation with BP gave us good insight into corporate approaches we hadn’t experienced before. It affected our sense of corporate responsibility, time management, planning and reporting and most importantly, improved our environmental and safety consciousness.”

“Moving away from more experienced international implementing organizations was not easy. But when I look at how the local implementing partners work, I see that it was the right decision made at the right time. They might need help with management systems, they may need coaching with safety practices and reporting skills, but they are enthusiastic in their work with communities, willing to learn and take on board the guidance that BP provides,” says Rusudan Medzmariashvili, BP’s social responsibility manager.

## Encouraging trade and investment

We support the EU-Georgia Business Council (EUGBC), which was established with a \$300,000 grant under the BP pledge agreement with the government of Georgia, signed in October 2004. The EUGBC is a business – driven organization whose main purpose is to:

- Encourage investment and trade between EU and Georgia.
- Promote Georgia in the EU as a place to invest and do business and vice versa.
- Promote and protect the common business interests of its members.
- Foster ties in the EU and Georgia between businesses, governments and civil societies.

EUGBC members include the Georgian Chamber of Commerce and Industry, the American Chamber of Commerce, the Federation of Georgian Businessmen and the Association of Georgian Exporters. We provided financial support to EUGBC in 2013 totalling 30,000, comprising our membership fee and an additional grant.

## Developing energy efficiency

Following a series of pioneering projects to raise awareness and improve renewable energy and energy efficiency in Georgian communities, we have initiated a new programme that will help local governments in Georgia implement sustainable energy policies.

The programme, which will last for two years and has a budget of just under \$1 million, will support the efforts of an EU Covenant of Mayors, which provides a framework for cities to undertake ambitious energy and environmental plans to reduce CO<sub>2</sub> emissions by 20% by 2020. The project envisages support for seven large-scale demonstration projects in Georgia that will cut CO<sub>2</sub> emissions, and act as practical examples for other projects. A list of publicly owned buildings will be developed in the participating municipalities, such as schools, kindergartens, medical centres, art and sport schools, and orphanages. One project for each city will be selected, with an approximate investment value of \$60,000 per project. The Georgia Energy Efficiency Centre, whom we have worked with on previous programmes, are running the initiative and will be looking for matching funding from municipalities, the EU and other donors.



▲ A farmer from the Kveda Sakara village started a small business with the support of BP and its co-venturers.



### A ministerial visit to see CDI in action

Ketevan Bochorishvili, Georgia's Deputy Minister of Economy and Sustainable Development, visited the Samtskhe-Javakheti region in April, where BP and its partners have been supporting locals in starting small businesses. In the course of the visit, the deputy minister visited a dental clinic, the market in the village of Tsnisi, and wool-processing enterprises and an egg hatching incubator in the village of Klde that were opened under the auspices of the project. With her officials, she also visited an accountancy services group set up specially within by the programme to help entrepreneurs overcome the initial financial and legal obstacles they face.

The deputy minister commented on the importance of the initiative. "The role of small business in our country's economic development is of key importance. That is the only way to increase income and maintain young people in the region. The corporate social responsibility taken by BP is exemplary, because within this framework it promotes the development of start-up businesses in the region, which are sustainable and self-developed."

Under the CDI programme, 32 micro-entrepreneurs have been awarded a \$1,200 grant in Samtskhe-Javakheti. As a result, 18 small businesses were started that created 33 jobs, with plans for more to follow.

### Supporting local enterprise

Our Community Development Initiative (CDI) is helping to develop local economic capacity. The initiative, which has changed to address community needs as they have evolved over the years, entered its fourth phase (CDI phase 4) in May 2012. The original CDI programme began in 2003.

CDI phase 4 aims to deepen the positive relationship between BP and communities along the pipeline routes. It does this by supporting sustainable forms of social co-operation, improving agricultural production, and developing regional agro-businesses. For example, the programme supports small-scale business start-ups. This includes providing training on business planning, markets and the concept of the value chain; developing understanding of product definition and tools for pricing; and giving guidance on sales and marketing.

CDI also supports the establishment of social enterprises which help develop business ideas promoted by community-based organizations (CBOs). Their focus is to provide services needed in their community and where the profits are used to implement projects that will benefit the community further.

The CDI has also been established for WREP communities, where the Georgian Organization of the Scouts Movement is the implementing partner. The programme here is aiming to support more than 100 affected villages, as well as internally-displaced persons, and young people. Initiatives are supporting business start-ups, including the provision of grants.

We are keen to ensure that the CDI programme continues to respond to the needs of participants and can adapt to changing circumstances. Its scope has expanded in 2013 with the inclusion of two new village communities (Tori in Borjomi and Iraga in Tetrtskaro) which are close to BP operations along BTC/SCP. This brings the total number of communities covered by CDI on these pipelines to 79. The programme has also been brought to 18 new communities that will be affected by SCP expansion.

CDI has also responded to recent state legislation supporting the development of agricultural co-operatives, which will benefit from tax incentives, subsidized loans, and grants. The programme, which had previously helped people work together in associations, has begun to pilot the establishment of co-operatives, with three new ones proposed.

We also seek to learn from independent views. A mid-term evaluation carried out in 2013 made recommendations such as intensifying third-party communication and scaling up support for rehabilitation projects and business start-ups, resources permitting. Overall, the evaluation found that BP was widely considered to be a 'good neighbour' and that favourable local attitudes have increased significantly since 2003-04. The programme was also found to have a beneficial multiplier effect in which farmers have replicated models and shared the experience they have gained from demonstration projects with others and on other initiatives.

CDI phase 4 achievements to date include:

- 30 economic infrastructure rehabilitation projects. These include the creation of irrigation channels for farmland cultivation, or for animal watering points. They generally involve a community contribution, which is often the provision of labour. More than 5,800 households have benefitted from rehabilitated infrastructure.
- 11 new not-for profit social enterprises have provided services such as assistance in the purchase of a tractor and equipment for land cultivation, or providing support during the harvest.
- More than 190 demonstration farms have adopted new technologies, supporting approximately 2,100 households. Many new technologies have been taken up and replicated.
- Grants have been provided to 81 businesses. A total of 104 new jobs have been created.
- 190 agricultural subsidized loans have been disbursed.

Since May 2013, CDI is being applied to villages that will be affected (or already are) by the SCP expansion project. Our intention is to increase awareness of the project and build a spirit of co-operation before construction work begins. To date, 14 CBOs have implemented rehabilitation projects. More than 50 individual and group farmers have created a total of 16 demonstration models; 20 small businesses have been established, and two youth groups involving 60 students have been set up, with a range of environmental activities conducted.

Proposals for measures to support 12 further villages in the east and five in the west, plus one for districts in the town of Rustavi have been made by the programme's implementing partners. In line with previous initiatives, this will be focused on support for social projects, support for community-based organizations, repairing rural infrastructure, helping small business start-ups, and involving young people in educational and environmental projects.



# Our stakeholders and our reporting

We engage with a wide range of stakeholders in Georgia to inform them about our business and to keep abreast of their needs.

Our stakeholders are the many individuals and organizations who are affected in some way by our activities, whether it is in our role as an energy provider, an employer, or as a company that contributes to the local economy.

## How we engage our stakeholders

### Employees

We employ more than 500 people in Georgia, and the size of our workforce has grown over the past three years. In line with our goal of being a local energy company, we have steadily increased the proportion of Georgian nationals working in the business, to reach levels averaging 95% over the past five years. But localization is not just about numbers; we have trained and developed local people to fill management positions. We have extensive training and development opportunities for all our people and want their careers at BP to be exciting and fulfilling.

### Government authorities

We engage with several tiers of government in Georgia, from local authorities on issues relevant to particular communities, through to national government on more strategic matters. We are in regular contact with officials to obtain permits and licences, and in their monitoring of our performance. We also engage with specialist government agencies such as the Strategic Pipelines Protection Department (SPPD) who provide additional security for the BTC/SCP pipelines.

We work with government agencies where required to ensure our operations can continue without incident and that we follow high standards. The 2013 Transparency International Corruption Perceptions Index ranks Georgia 55<sup>th</sup> of the 177 countries and territories around the world. In all our interactions with government bodies and regulators, our dealings are governed by BP's code of conduct, which requires integrity, honesty and transparency in our relationships.

### Georgian industry

We work with a number of business and industry groups to share experience, develop collaborative programmes, and promote good practice. We are members of the EU Georgia Business Council, the American Chamber of Commerce, and collaborate with a number of companies on bilateral initiatives.

### Our partners and contractors

As is typical in our industry, we rarely work in isolation. Safe and responsible operations rely on the capability and performance of suppliers, contractors and partners. We set operational standards through legally-binding agreements and we help to improve standards through training and dialogue. We continue to take steps to build the capacity of local contractors in areas such as safety, environmental performance, employment practice, and social impact awareness. Our investment in Georgia has provided economic opportunity for many local companies and will continue to do so in future.

With our partners, we invest in initiatives that help to build the fabric of Georgian society, including a number of social programmes. These are described in the Society section of this report.

### Local communities

We have built constructive relationships over a number of years with the communities near our pipelines and facilities. Our social programmes have addressed local needs for infrastructure development, education, environmental protection, youth capacity building and enterprise development. Our community liaison officers aim to stay in regular contact with communities near the pipelines and to understand their concerns.

Talking with local people and other stakeholders helps our businesses to define what a positive or negative impact on the local community means. This is important for all our activities, but particularly for new projects such as SCP expansion, where our presence may bring about changes in the local area, such as jobs, opportunities for local suppliers and support for community development. However, other unintended impacts can also arise such as increased road traffic, changes to land use and landscapes, increased demand for fresh water and varying levels of in-migration. Our goal is to minimize any adverse impacts.

## Our stakeholder relationships



BP's community liaison officer talking to a land owner.



### Non-governmental and civil society organizations

We regularly work with local non-governmental organizations (NGOs), and have helped several in Georgia develop their skills and experience. We have followed a strategy of enabling national NGOs to become the implementing partners of some of our flagship social programmes. Our programmes support NGOs in fields of country-wide importance such as road safety and energy efficiency. We support the media in developing their skills by providing guidance on the energy industry to journalists. We continue to provide English language training to media representatives through the British Council.

We have been founder members of educational institutions such as the International School of Economics at Tbilisi State University and the Project Management College. These bodies, which we continue to support financially, are helping to build a cadre of highly-skilled individuals, ready to take their place in the Georgian and international labour market.

### Engaging with stakeholders about our sustainability reporting

For the past three years, we have given a selection of our stakeholders the opportunity to comment on our sustainability report and to provide their input to future reporting.

In 2013, we invited around 30 external stakeholders, including non-governmental organizations and civil society groups, to give us their views on the quality of our reporting. We also sought comment from our own employees. We asked them about the report content, its presentation, its credibility and balance, and about its style and format. We invited comment on any aspect of the report or our approach to sustainability reporting in general.

They provided a number of suggestions for how we could improve our report, which we have considered and responded to. As in the past, we have carried out a structured materiality process to determine which issues to cover in the report, and to guide us on the prominence we give to each topic. The views of stakeholders are vital inputs to this assessment.

What we heard	What we are doing to respond
Provide more detailed information of the issues covered in the report	We are maintaining the report at approximately the same length but providing clearer links to other publicly available sources, such as environmental monitoring reports, guidance on land acquisition, and ESIA documentation.
Provide more information on the business and financial context in which BP Georgia operates	We have included more information on how we operate, set in the context of BP's activities in the region.
Provide more information on the challenges that the business has faced, and will face in future.	We have sought to provide more links and detail throughout the report on the challenges highlighted at the beginning of the document. We have also put more emphasis on future plans and challenges, such as those linked to SCP expansion, which is our largest and most important future project.
Provide more detailed information on issues relating to the code of conduct, such as breaches or instances of corruption.	Breaches of the code of conduct or instances of corruption are rare, and likely to be highly sensitive or even subject to legal proceedings. As a result, our reporting remains focused on the processes we follow to apply and adhere to the code, rather than on particular cases or examples which are confidential and which might be managed at a regional or group level. We do, however, provide information on issues such as conflicts of interest and gifts and entertainment, and we also indicate whether disciplinary processes, including termination, have occurred.

# BP Georgia in figures

Data on our performance, safety, environment and people from 2009-2013.

For the year ended 31 December

<b>Performance</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total hydrocarbon throughput (mmbbl)	349.7	346.5	313.8	300.7	<b>308.8</b>
Social investment (\$ million) <sup>a</sup>	8.5	8.2	3.4	2.2	<b>3.7</b>
<b>Safety<sup>b</sup></b>					
BP employee fatalities	0	0	0	0	<b>0</b>
BP contractor fatalities	0	0	0	0	<b>0</b>
Days away from work cases (DAFWC) <sup>c</sup> – workforce <sup>d</sup>	0	0	0	0	<b>2</b>
Days away from work cases frequency (DAFWCF) injury only <sup>e</sup> – workforce	0	0	0	0	<b>0.11</b>
Recordable occupational illness and injury <sup>f</sup> – workforce	3	0	1	1	<b>2</b>
Recordable injury frequency (RIF) <sup>g</sup>	0.17	0	0.07	0.06	<b>0.11</b>
Vehicle accidents <sup>h</sup>	2	5	9	6	<b>6</b>
Total vehicle accident rate <sup>i</sup>	0.25	0.71	1.12	0.66	<b>0.63</b>
Hours worked <sup>j</sup> – workforce	3,507,005	3,108,395	3,066,299	3,400,626	<b>3,725,561</b>
Kilometres driven <sup>k</sup>	8,120,198	7,077,498	8,055,182	9,152,233	<b>9,482,753</b>
<b>Environment<sup>l</sup></b>					
Number of hydrocarbon spills <sup>m</sup>	2	2	0	0	<b>0</b>
Volume of oil spilled (litres)	5,520	25,454	0	0	<b>0</b>
Volume of oil unrecovered (litres)	320	3,700	0	0	<b>0</b>
Direct carbon dioxide (CO <sub>2</sub> ) (tonnes)	285,415	255,321	277,183	266,887	<b>251,802</b>
Direct methane (CH <sub>4</sub> ) (tonnes)	311	325	339	315	<b>320</b>
Equity share direct greenhouse gas (GHG) (tonnes CO <sub>2</sub> equivalent)	88,289	79,122	85,765	93,013	<b>78,471</b>
Sulphur dioxide (SO <sub>x</sub> ) (tonnes)	102	90	78	79	<b>80</b>
Nitrogen oxides (NO <sub>x</sub> ) (tonnes)	2,309	2,116	2,017	1,963	<b>1,955</b>
Non-methane hydrocarbons (NMHC) (tonnes)	1,206	1,204	1,212	1,166	<b>1,171</b>
Hazardous waste disposed (m <sup>3</sup> )	691	545	643.5	480.8	<b>537.2</b>
Non-hazardous waste disposed (tonnes) <sup>n</sup>	423	335	316	394.6	<b>364.9</b>
<b>People</b>					
Total BP Georgia headcount	405	398	438	490	<b>504</b>
Georgian nationals as % of BP Georgia headcount	95	96	95	94	<b>94</b>

## SCPX performance data

We are monitoring and reporting safety data separately for the SCPX project. We have systems in place to record environmental parameters similar to those for routine operations, and will report performance when significant activities are under way.

For the year ended 31 December

<b>Safety</b>	<b>2013</b>
BP employee fatalities	<b>0</b>
Days away from work cases	<b>1</b>
Days away from work cases frequency	<b>0.29</b>
Recordable occupational illness and injury	<b>2</b>
Recordable injury frequency	<b>0.59</b>
Vehicle accidents	<b>1</b>
<b>People</b>	
Total BP Georgia SCPX headcount	<b>32</b>



## Notes to figures

- <sup>a</sup> Figures show BP and partner spending. They include 'cash out' spending and support provided under the BTC grant and the BP pledge. For more information on this please see *BP in Georgia Sustainability Report 2005* and *BP in Georgia Sustainability Report 2006*. The figure for 2012 has been corrected, from the previously stated figure of \$3.2 million.
- <sup>b</sup> Safety data shows performance for BP in Georgia as a whole, encompassing our in-country activities described in this report (projects, operations of BTC, SCP, WREP, Supsa terminal, and operations support).
- <sup>c</sup> Days away from work case (DAFWC): A work-related injury or illness which has either of the following consequences:
- The member of the BP workforce could not have worked on any day after the injury or illness, irrespective of whether there was scheduled work.
  - The member of the BP workforce comes to work even when a physician or other licensed health care professional recommends that the individual stays at home.
- <sup>d</sup> The BP workforce comprises all BP employees, all BP contractors and all BP directors.
- <sup>e</sup> Days away from work case frequency (DAFWCf): The number of injury DAFWCs to BP employees for every 200,000 hours worked by BP employees in the same period.  
The number of injury DAFWCs to BP contractors for every 200,000 hours worked by BP contractors in the same period.
- <sup>f</sup> Recordable occupational illness and injury: Two sets of criteria determine recordability, based on OSHA. If a case meets any of the listed criteria in either the general or specific, it must be considered recordable. General: Death; day(s) away from work; restricted work or transfer to another job; medical treatment beyond first aid; loss of consciousness; a significant injury or illness diagnosed by a physician or other licensed health professional.  
Specific: Needlestick and cuts from sharp objects that are contaminated with another person's blood or other potentially infectious material; medical removal under government standards; occupational hearing loss (current hearing test must show 10dBA shift from current baseline and total cumulative hearing loss must be 25dBA or more above audiometric zero).
- <sup>g</sup> Recordable injury frequency (RIF):  
BP: the total number of recordable injuries to BP employees for every 200,000 hours worked by BP employees in the same period.  
Contractor: the total number of recordable injuries to BP contractors for every 200,000 hours worked by BP contractors in the same period.
- <sup>h</sup> Vehicle accident: A work-related accident involving a motor vehicle that occurs on or off-road resulting in injury, or loss/damage, or harm to the environment, whether this impacts BP and/or its contractor directly, or impacts a third-party. This is irrespective of whether the accident was preventable or non-preventable. It excludes all accidents where:
- The BP workforce vehicle was legally parked.
  - The journey is to or from the driver's home and normal place of work.
  - Minor wear and tear is the case (e.g. stone damage to a windscreen, minor paintwork damage).
  - An incident is the result of vandalism or theft.
  - A company-provided vehicle is being driven on non-work related activities (e.g. private business, leisure).
- <sup>i</sup> Total vehicle accident rate: the sum of all light vehicle, all heavy vehicle and all mobile plant accidents per one million kilometres driven.
- <sup>j</sup> Hours worked: The total hours worked by a reporting unit by members of the BP workforce.
- <sup>k</sup> Kilometres driven: Total work-related kilometres travelled by BP operated or contractor vehicles. This includes all work-related kilometres driven in hire/ rental vehicles or private vehicles.
- <sup>l</sup> All environment data relates to total BP-operated emissions with the exception of 'equity share direct greenhouse gas (GHG)' emissions which shows the BP share of emissions from operations on an equity share basis.
- <sup>m</sup> Hydrocarbon spill: Any loss of primary containment of one barrel (1 barrel = 159 litres = 42 US gallons) or more of liquid hydrocarbon. A loss of primary containment is an unplanned or uncontrolled release of material from primary containment.
- <sup>n</sup> Non-hazardous waste includes general waste such as household garbage, food-contaminated waste and other materials which cannot be recycled.

# Independent assurance statement to BP management

*BP in Georgia Sustainability Report 2013* (the Report) has been prepared by the management of BP Georgia, 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 level' assurance engagement on the Report.

We do not accept or assume any responsibility for any other purpose or to any other person or organisation. 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<sup>1</sup>.

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Georgia in 2013 which were raised in the media, BP Georgia'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 following steps.

1. Reviewed a selection of external media reports and selected internal documents relating to the sustainability performance of BP in Georgia in 2013, including the ESIA report for the SCP expansion project.
2. Reviewed the outcome of BP Georgia's own processes for determining the key issues to be included in the Report.
3. Reviewed information or explanations about the Report's sustainability performance data and statements. Whilst we reviewed documentation to support the sustainability data contained within the Report, we did not test the data processes for gathering, collating and reporting data at country or site level.

## Level of assurance

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

## Our conclusions

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

1. Does the Report cover the key issues?

We are not aware of any key sustainability issues relevant to BP Georgia which were raised in the media or the outcome of BP Georgia's own materiality process that have been excluded from the Report.

2. Are the data and statements regarding BP Georgia'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 Georgia's sustainability performance.

## Our independence

As auditors to BP p.l.c., Ernst & Young are 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. Each year, partners and staff are required to confirm their compliance with the firm's policies.

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

## Ernst & Young LLP

London  
14 April 2014

<sup>1</sup> International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

# Glossary

<b>BTC</b> Baku-Tbilisi-Ceyhan pipeline	<b>EUGBC</b> EU-Georgia Business Council	<b>Mmboe</b> Million barrels of oil equivalent
<b>CBO</b> Community Based Organization	<b>ESIA</b> Environmental and social impact assessment	<b>Mmscf</b> Million standard cubic feet
<b>CDI</b> Community Development Initiative	<b>GHG</b> Greenhouse gas	<b>NGO</b> Non-governmental organization
<b>CO<sub>2</sub></b> Carbon dioxide	<b>HSE</b> Health, safety and environment	<b>PMC</b> Project Management College
<b>DAFWC (f)</b> Days away from work case (frequency)	<b>IEC</b> Independent environmental consultant	<b>PSG</b> Pump station Georgia
<b>EDDF</b> Emergency drain-down facility	<b>IFC</b> International Finance Corporation	<b>SCP</b> South Caucasus Pipeline
<b>EMS</b> Environmental management system	<b>ISSET</b> International School of Economics at Tbilisi State University	<b>SPPD</b> Strategic pipelines protection department
<b>EU</b> European Union		<b>WREP</b> Western Route Export Pipeline (also known as the Baku-Supsa pipeline)



# Further resources

BP communicates its non-financial commitments and performance at group, country and site levels online, as well as providing interactive tools for its website visitors.

## Group reporting

Our website, [bp.com/sustainability](http://bp.com/sustainability), is an integral part of our group sustainability reporting, covering a wide set of issues and reporting on them in more depth. It includes detailed information and tools to analyse our health, safety and environmental performance. Data for the past decade can be viewed in a variety of chart formats. Case study examples of how we are managing issues locally around the world are also available.

Summaries of *BP Sustainability Review 2013* are available in Arabic, English, Mandarin Chinese, German, Spanish, Portuguese and Russian.

 [bp.com/srtranslations](http://bp.com/srtranslations)

## Country and site reporting

We publish country reports on our operations in Angola, Australia, Azerbaijan and Georgia. We also maintain a library of site reports.

 [bp.com/countrysustainabilityreports](http://bp.com/countrysustainabilityreports)  
[bp.com/sitereports](http://bp.com/sitereports)

## Feedback

We welcome feedback on this report. You can write to us at the address below, marked for the attention of the communications and external affairs team, or send an e-mail to us at: [bpgeosust@bp.com](mailto:bpgeosust@bp.com)

BP Georgia, 24 S. Tsintsadze str, 0160, Tbilisi, Georgia.

Previous BP in Georgia Sustainability Reports are available at [bpgeorgia.ge](http://bpgeorgia.ge)

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