

BP in Georgia Sustainability Report 2009



bp.com/countrysustainabilityreports



What's inside?

About this report

This report, BP's sixth annual sustainability report for Georgia, describes our activities in Georgia in 2009 and outlines our performance and activities across a range of topics. In BP, we define sustainability as the capacity to endure as a group, by renewing assets; creating and delivering better products and services that meet the evolving needs of society; attracting successive generations of employees; contributing to a sustainable environment; and retaining the trust and support of our customers, shareholders and the communities in which we operate.

To ensure the report is balanced and includes material on the issues that are most important to internal and external parties, we have used a formal process to determine which issues to cover. As in all previous years, the report has been independently verified.

 **Sustainability reporting**
www.bp.com/countrysustainabilityreports



Our operations in Georgia in 2009
99.9% operating efficiency

 See pages 4-7



People energy
People and their capabilities

 See pages 13-14



Local energy
Working in partnership

 See pages 15-19

Cautionary statement

BP in Georgia Sustainability Report 2009 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 Accounts 2009.

In this 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.

A glossary of terms and acronyms used in this report is provided on page 23.

An introduction to Ernst & Young's assurance process

We have reviewed the BP in Georgia Sustainability Report 2009 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 22.

- 01 Management introduction
- 02 Achievements and challenges
- 03 BP in Georgia
- 04 Our operations in Georgia in 2009
- 08 Safe and responsible energy
- 13 People energy
- 15 Local energy
- 20 Our performance
- 22 Independent assurance statement
- 23 Glossary
- 24 More information

Cover Images

- Top left** BP employees at work, Georgia
- Top right** Main pump house at Baku-Tbilisi-Ceyhan Pump Station 1, Georgia
- Bottom right** Marine operation at Supsa Terminal on the Black Sea
- Bottom left** View to loading pump house at Supsa Terminal, Georgia

Management introduction

A view from BP Georgia's general manager

Neil Dunn BP Georgia General Manager
May 2010



“2009 was an excellent year for BP in Georgia, in which we delivered on a number of important commitments while continuing to operate safely and responsibly. This report speaks of a company that makes good on its promises, with a long-track record of openness. We can be rightly proud of all we have achieved.”

2009 was an excellent year for BP in Georgia. Achieving superb operational performance on the Georgia sections of the Baku-Tbilisi-Ceyhan (BTC), South Caucasus Pipeline (SCP) and Western Route Export Pipeline (WREP) – with 99.9% operating efficiency – shows that on this measure we could hardly have performed better. This output was delivered without a single day away from work case or recordable injury in our core operations, which is further testimony to the skill and diligence of our workforce. We are fulfilling our commitments to our commercial partners and shareholders, delivering results we can be justifiably proud of. I congratulate everyone involved.

Meeting our obligations is a recurrent theme of 2009. The year saw us complete many long-term efforts, including: construction of the Emergency Drain Down Facility in the Kodiana section of the BTC pipeline; construction of the security base which is now in full use by government security services; building and now using the first EU-standard landfill site in Georgia following years of preparatory work; reaching agreement in principle with the government on a plan for eco-compensation that will see enhanced protection for the Sataplia State Reserve following detailed analysis and extensive discussions; refurbishing and re-opening the Samskhe-Javakheti History Museum at Akhaltsikhe, which exhibits archaeological finds made during pipeline construction in a building of international standard. In addition, the government's release of provisions on safety zones around pipelines, which applies to all pipelines nationally, marks a valuable clarification of a long-standing issue.

We have not only made good on these past commitments, but we have gone beyond requirements. We progressed our well-established community investment programmes, supporting school and university education, promoting awareness of energy efficiency, and working in partnership to stimulate local economic development. The successful launch of the Project Management College and our continuing contribution to road safety initiatives with schoolchildren are just two of the examples in this report that show how we are helping build for Georgia's long-term future prosperity. We are proud to be contributing to the fabric of Georgian society and equally proud that we are helping others create the institutions and the enthusiasm needed to develop civil society themselves.

Our commitment to Georgia is also evident in our progress with the nationalization of our workforce. Ninety five percent of those employed by BP in Georgia are now Georgian nationals.

We continue to face challenges. The changing geopolitical circumstances of the region mean that we sometimes work in an environment of political uncertainty and tension. We face the day-to-day challenge of operating our plant and equipment responsibly and safely. But our practices, procedures and staff are world-class, and we draw on a variety of auditors and experts to provide challenge and scrutiny of our operations and business practices.

We were delighted, as a member of UN Global Compact Georgia network, to present our sustainability reporting practices to the Global Reporting Initiative workshop in June 2009. This is our sixth consecutive annual sustainability report, and we are again proud to disclose our achievements and transparently set out the challenges we face. I hope you enjoy the report, and welcome your feedback.

Achievements and challenges

This section highlights the major achievements and challenges we faced in 2009.



Equipment maintenance
Baku-Tbilisi-Ceyhan
Pump Station 1

Achievements

Operating efficiently, safely and responsibly

We achieved 99.9% operating efficiency on the Georgia sections of the BTC, SCP and WREP pipelines in 2009, an outstanding level of performance that was achieved without a single recordable injury or day away from work case in our core operations over the year (page 5).

Nationalization

We took further steps to increase the proportion of Georgian nationals working in our business – now at 95% – and appointed more Georgians to management and supervisory positions (page 14).

Fulfilling our commitments

We completed a number of the 'special projects' linked to the construction phase of BTC and SCP including the emergency drain down facility, the EU-compliant non-hazardous waste disposal site, and the government security base. We also reached agreement in principle with the government on eco-compensation and clarified safety requirements around pipelines. These milestones marked the resolution of long-standing issues and the fulfillment of past commitments (page 6).

Capacity building

We continue to work in partnership with a range of non-governmental organizations, multilateral agencies, and local institutions to create benefit for our stakeholders. Our programmes in local communities continue to provide valuable assistance to education and local economic enterprise (page 16).

Challenges

WREP (Western Route Export Pipeline) maintenance

We continue to monitor the condition of WREP to ensure any anomalies are identified and that potential risks arising from landslide and river crossings are addressed (page 5).

Illegal taps

Two illegal taps on WREP resulted in oil spills in 2009, and other attempts were made to siphon oil from it. We are working with the government and our security providers to increase security on the pipeline (page 6).

Improving local contractor capability

A number of our contractors have faced difficulties sustaining their businesses and we need to further our efforts to build local management capability. The creation of the Project Management College is a step towards establishing long-term project management capability within the country (page 18).

BP in Georgia

BP Georgia context

BP provides customers with fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items. We operate globally, with business activities and customers in more than 80 countries and approximately 80,300 employees. We have exploration and production interests in 30 countries, including our midstream pipeline activities in Georgia.

In 2009, the BP group produced the equivalent of approximately 4 million barrels of oil and gas per day for customers across the world. BP replaced its annual production by 129% in 2009, the seventeenth consecutive year that our reported reserves replacement ratio has exceeded 100%.

Our operations in Georgia

BP is the operator of the Baku-Tbilisi-Ceyhan oil pipeline and South Caucasus gas pipeline in Georgia, which are now in their fourth 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 and a total of 21 block valves in the country. BP operates these facilities on behalf of two international consortia of energy companies and investors.

On behalf of an international consortium of energy companies, we also operate the Western Route Export Pipeline, 373 kilometres of which is within Georgia. It carries oil from the Caspian Sea via the Sangachal terminal in Azerbaijan to the Supsa oil terminal on the Georgia Black Sea coast.

Air BP, in a joint venture, provides service to international customers at Tbilisi airport.

BP interests in the Caspian Region



Our values

BP's operations in Georgia are undertaken in the context of the BP group values and strategy.

Our values, set out below, guide us in the conduct of our business. In all our business we expect our people to meet high ethical standards and act in accordance with our code of conduct.

Progressive

We believe in the principle of mutual advantage and build productive relationships with each other, our partners and our customers.

Responsible

We are committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment.

Innovative

We push boundaries today and create tomorrow's breakthroughs through our people and technology.

Performance driven

We deliver on our promises through continuous improvement and safe, reliable operations.



Operating facility
Baku-Tbilisi-Ceyhan
Pump Station 1

Our operations in Georgia

How did BP's operations develop in Georgia in 2009?

We ran our operations and projects efficiently, safely and responsibly in Georgia in 2009. In this section, we describe the key developments that took place in the course of the year.

Images

- 1 Marine operations on the Black Sea
- 2 Pipeline patrol with sniffer dog
- 3 View from fire water tank, Supsa Terminal
- 4 Mechanical technician during maintenance activity, Baku-Tbilisi-Ceyhan Pump Station 1 in Georgia

 **Key developments**
www.bpgeorgia.ge





The Baku-Tbilisi-Ceyhan (BTC) pipeline

The BTC operations team in Georgia achieved a significant milestone in 2009: achieving 99.9% operating efficiency for a full year – a measure of how efficient we were in transporting the oil delivered to the Georgian section of BTC through the pipeline over that period.

This achievement is especially significant when taking into account the quantity of hydrocarbons transported through BTC in 2009 – nearly 286 million barrels, or approximately 783,000 barrels per day – enough to fuel more than 10 million family cars, each driving some 20,000 kilometres per year.

In 2009, 366 tanker loadings were completed from the marine oil terminal at Ceyhan on the Turkish Mediterranean coast, where the BTC pipeline ends. Fifty one tanker loadings were also made from the Supsa terminal, the end point of WREP, in the course of the year.

BTC modifications

We undertook work in 2009 to expand the capacity of the BTC pipeline to 1.2 million barrels per day. Increased flowrates will be achieved by the injection of drag reducing agent, a chemical injection which eases the flow of oil. We completed the installation of injection apparatus, piping, pumps, storage tanks and tanker unloading stations at pump stations and other locations in 2009. This work was done without any safety incidents, and without interruption to normal pipeline activities.

We carried out a number of other modification projects on BTC in the course of the year. These included constructing an oil spill response base and equipment maintenance facility at PSG1, a generator shelter at Area 80 in the west of Georgia to protect equipment from harsh winter conditions, and installing and commissioning sewage treatment plants at Pump Station 2 and the Tsalka oil spill response base.

An important step forward was taken by the Georgian government in codifying provisions relating to safety zones around pipelines. The measures will provide greater clarity in an area where consistency was lacking by prescribing the activities that can and cannot be carried out in the vicinity of pipelines. They relate to the major pipelines in the country.

The South Caucasus Gas Pipeline

We continued to deliver gas safely and reliably through SCP into Georgian and Turkish markets and to provide fuel gas for BTC machinery. The supply of this gas, from the Shah Deniz field in the Caspian Sea, remains an important element in Georgia's energy security.

BTC/SCP security and human rights

A focus of activity in 2009 has been support for training on the Voluntary Principles on Security and Human Rights for the private sector guards who provide security along the pipelines.

We provided refresher training for more than 200 guards in six workshops. The sessions were designed to develop 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 principles on human rights.

BTC/SCP cultural heritage protection

Responsible operations not only involves running our assets safely and efficiently. It also requires protecting the surrounding environment.

During pipeline construction, we and our partners took steps to preserve and protect important archaeological sites and finds uncovered on the pipeline route. In 2009, we completed refurbishment of the storage facility and exhibition area at the Samtskhe-Javakheti History Museum in Akhaltsikhe, and opened it to the public.

The Western Route Export Pipeline

We operated WREP at 99.9% efficiency throughout the year, safely transporting approximately 86,000 barrels of oil per day through the pipeline, which runs from Baku to the Supsa terminal.

We undertook extensive work in 2006-07 to refurbish Soviet-era sections of the pipeline. We continue to assess the condition of the pipeline on an ongoing basis. We carry out regular monitoring and maintenance and undertake intelligent piggings – using sophisticated electronic surveillance equipment that can analyze the pipeline's condition and detect anomalies such as corrosion. We carry out geotechnical analysis on sections of the pipeline that lie within areas affected by landslide, and specialist surveys of river crossings to monitor any possible effects of bank erosion or changes to river flow. We report regularly on the state of the pipeline to internal engineering technical authorities and to the BP group operations risk committee which is the main board-level body responsible for oversight of operational risk.

There were five instances of illegal taps on WREP in 2009, and a further six illegal tap attempts. In addition to using our own resources to prevent these occurrences, we continued discussions with the Georgian government about how best to eliminate theft of oil, and the associated environmental risk, from the pipeline.

**Emergency Drain
Down Facility**

The Kodiana section,
Baku-Tbilisi-Ceyhan
Pipeline



Two of the illegal taps resulted in oil spills, which were the only spills in our operations in Georgia in 2009. One resulted in a loss of 4,300 litres (equal to approximately 27 barrels) and the second resulted in a loss of 1,200 litres (approximately 7.5 barrels). Approximately 95% of the oil spilled was recovered, with the remainder remediated on site by our specialist team.

Kodiana special projects

We made good progress with the additional special project facilities requested by the Georgian government in the Kodiana section of the BTC pipeline.

We commissioned the Emergency Drain Down Facility (the EDDF) – an 8,500m³ steel tank constructed within a secondary underground concrete tank for the draining and storage of oil from the Kodiana section of the BTC pipeline in certain emergency situations. The facility has been formally

handed over from the project construction team and is now managed as part of our routine operations.

We also completed civil construction work on the BTC secondary containment sites (settlement basins and dams with sluice gates to contain oil safely in the unlikely event of a pipeline rupture). Final work to install control and power systems gear and validate the system is scheduled for 2010 when the locations become accessible after winter.



‘Silent running’: BTC Georgia’s operating efficiency

‘A full year of 99.9% efficiency is a clear demonstration of our ability to export oil reliably’ says Erekle Lezhava, BP Georgia Operations Superintendent. “In practical terms, this achievement requires all equipment to be fully operational at all times, and the need to have an emergency plan in place in case any equipment fails.”

This success was underpinned by adhering rigorously to well-established processes. These include daily conference calls, thorough work planning, vulnerability reviews and process upset analysis and reporting. “Continuous improvement is our team’s mantra” Erekle explains. “We closely monitor our deliverables, identify potential problems at an early stage, involve the teams and apply the lessons learned from every incident. Conference calls identify areas for action and provide vital communication with other teams along the route. We know one thing for sure: there is no room for complacency”.

About 80 people are behind this exceptional performance; 40 at each of the BTC pump stations in Georgia, with a core team working in rotational shifts and providing round-the-clock cover. The teams operate and maintain the two largest and most complex pump stations on the BTC pipeline. Their role is to ensure the maximum availability of equipment such as the ten main oil line pumps powered by Solar turbines, the six independent power generator sets and the two crude topping units which refine crude oil into a diesel cut to fuel turbines and generators.

Proper maintenance lies at the heart of any successful continuous operating machinery. Nugzar Maisuradze, Maintenance Team Leader in BTC Georgia, agrees that planned maintenance is vital: “The task of the maintenance team is to ensure that all equipment is available and efficiently used to maximize pipeline throughput. We continuously review schedules and procedures so that our maintenance and operation regimes are as effective as possible”.

Nugzar adds that a new optimization project is being implemented. “We plan to have one main power generator constantly online at PSG1 and PSG2 instead of the two currently in use. Besides saving costs, this will reduce the impact of our operations on the environment”.

Alistair Liddle, Georgia Exports Manager, concludes: “A full year with this level of efficiency is a staggering achievement and a great example of ‘silent running’ in Georgia. I like to compare our performance to a swan swimming across a lake. On the surface everything is serene and beautiful. But underwater the swan is working hard to get to where it wants to be. BP aims to be the best and this achievement is a case in point. But like the swan we have to keep paddling to reach our final destination”.





The Akhaltsikhe museum: ancient and modern

Located in south Georgia, Akhaltsikhe is one of the country's oldest cities. Narrative sources mention the city from the twelfth century. Among the antiquities of Akhaltsikhe, the most important is the old citadel. The collection of the Samtskhe-Javakheti History Museum, which lies within the city's old citadel, bears testimony to the region's rich cultural heritage and its ethnic and religious diversity. Old manuscripts, epigraphic, archaeological, numismatic, ethnographic materials, and photographic records make up a remarkable collection. At present, more than 25,000 objects, records, and archives are preserved here.

An agreement between BP and its partners and the Georgia National Museum in 2007 paved the way for the museum's archaeological materials, storage facilities and exhibition areas to be upgraded from their previous poor condition. The agreement also sought to raise awareness of the cultural heritage sites alongside the BTC and SCP pipelines, and promote awareness of museum reforms and functions among scientific groups and the general public.

Approximately five months of rehabilitation work were carried out, using a local construction company, renovating the exhibition halls and depositories of the museum and improving the building's basic infrastructure. Now, all archaeological materials discovered during BTC/SCP construction are housed in modern and well-equipped storage which meets the international standards the collection deserves. This includes micro-climate control and modern safety and security systems. The renewed exhibition displays some 800 artefacts dating from the Paleolithic to the Middle Ages discovered during the BTC/SCP project.

The museum is open to the public and is already an attractive site for education and tourism, not only providing insight into Georgia's past but generating economic benefit for this region's future.

Air BP

Air BP continued to provide international grade aviation jet fuel to its customers at Tbilisi international airport. As in 2007 and 2008, operations throughout the year were carried out without a DAFWC or reported recordable injury.

Financial and economic impact

Our economic contribution to Georgia remains significant.

Our operational expenditure in Georgia totalled \$104.9 million in 2009 compared with \$130.9 million in 2008. Capital expenditure amounted to approximately \$38 million in 2009, the majority of which was spent on pipeline modification and commissioning projects associated with BTC.

Profit tax payments from all the BTC business partners linked to the throughput on the BTC pipeline in 2009 totalled \$34.3 million. This compared with \$29.6 million in 2008. We made WREP tariff payments to the Georgian government of \$7.2 million for 2009.

With the completion of BTC and SCP pipeline construction, the amount of foreign direct investment by BP and its partners in Georgia has declined. Government statistics indicate that approximately 2.2% of foreign direct investment in Georgia came from BP and its partners in 2009, compared with 2.8% in 2008. With pipeline operations under way, however, we make an important contribution to the value of exports. Government statistics show that our pipeline operations contributed approximately 19% of the total value of service exports in 2009.

Working with local contractors

We continue to work with local contractors where possible. In 2009, our payments to local companies totalled \$50.7 million compared with \$74.3 million in 2008. The fall in spending reflects the lower totals of capital and operational expenditure, but the proportion of spend with local companies remained very similar in 2008 and 2009.

Where we work with international suppliers, we are incorporating provisions in our contracting processes that require them to describe their plans for increasing the number of Georgians in their own workforce. We hope this will be a useful mechanism for raising technical and trade skills within the local economy.

As part of our effort to build the capability of local contractors, we and our partners have supported the creation of a Project Management College, which provides training to individuals on all aspects of project management. The college's first year of work is described in more detail in the 'Local Energy' section of this report.

Safe and responsible energy

How does BP seek to ensure its operations in Georgia are safe and are conducted responsibly?

Our goal of 'no accidents, no harm to people and no damage to the environment' is fundamental to BP's activities, wherever we operate. We work to achieve this through consistent management processes, ongoing training programmes, rigorous risk management and a culture of continuous improvement.

Images

- 1 Equipment maintenance at Baku-Tbilisi-Ceyhan Pump Station 1
- 2 Safety inspection at Baku-Tbilisi-Ceyhan Pump Station 2
- 3 Safe Roads Project
- 4 View to office area at Supsa Terminal

 **Reliable operations**
www.bpgeorgia.ge



Safety performance

For the third consecutive year, our activities in Georgia were completed without a single day away from work case. The number of reported recordable injuries declined in comparison with 2008, from five to three. This resulted in an improved recordable injury frequency, which is one of our most important performance indicators. The number of vehicle accidents and the total vehicle accident rate also declined. While any incident is one too many, it was an excellent year's performance.

In our view, it is no coincidence that the excellence in operating efficiency recorded in 2009 was matched by an excellent safety record; safe and efficient operations are two sides of the same coin. The operating management system (OMS), currently being introduced at BP sites around the world, reinforces this point by incorporating detailed safety and environmental requirements and practices to create a consistent BP way of operating. Preliminary work to document procedures as part of OMS implementation was carried out in BP Georgia in 2009.

These achievements require consistent effort and attention on issues of personal and process safety. Where necessary, we upgrade our existing processes to ensure we align with group requirements and best practice. For example, a set of mandatory internal requirements on how to prioritise and manage risk was introduced in 2009. The risk review process helps identify and assess risks and define preventative measures.

Effective communication, which lies at the heart of good safety performance, was achieved by providing weekly safety circulars and carrying out refresher sessions to remind all members of the workforce of the paramount importance of safe operations. Topics covered included lessons learned from incidents, process and personal safety related to fire and explosion, driving safety, lifting operations, carbon monoxide hazard awareness, office safety and other related topics.

On WREP and at Supsa, we introduced 'ISSOW' (a web-based integrated safe systems of work system) following its successful use on BTC and SCP. The system is designed to reduce workplace risk by giving more structure to work planning and control measures.

As always, there is no room for complacency. Every safety incident generates learning. We carry out comprehensive investigations to ensure we learn the right lessons and take action to try to stop any incident from happening again. Actions arising from incident investigations, audits, inspections, risk assessments, management meetings and plans are logged and followed up. There were no overdue actions within Traction, our internal action tracking system, at the end of 2009.

Safety and operations audits

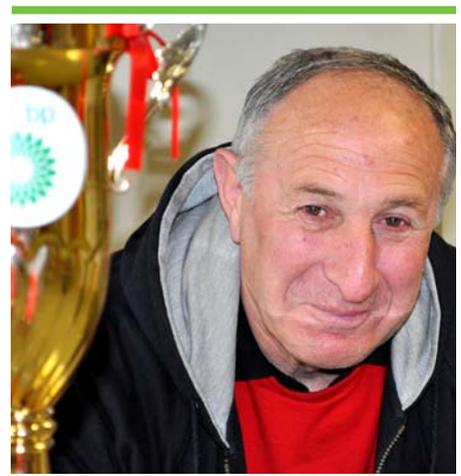
We subject our safety and operating systems and behaviour to rigorous internal scrutiny. A safety and operations audit, conducted by the BP group specialist audit team, was undertaken in January 2009. It resulted in a number of recommendations against group standards. The majority of these have been completed and verified by the auditors, with two long-term actions scheduled for completion in 2010 and 2011. The preparation process, the audit itself, and the learnings generated were invaluable.

Our colleagues in Azerbaijan carried out a review of our driving safety measures in 2009. An assessment of site medical emergency arrangements was undertaken by the business's central health and regional adviser.

Driving

Road travel represents one of the most significant risks our people face when carrying out work in Georgia. This is not only because of the extent of road travel – our workforce drove more than 8 million kilometres in 2009 – but because road standards and awareness of road safety across the country need to improve. There were two vehicle accidents in our activities in 2009, neither of which resulted in injuries. BP Georgia's vehicle control system, which allows online speed, location and driver performance tracking was recognised by the safety and operations audit team as a good practice.

We regularly conduct awareness raising efforts on driving safety. Topics include 'safe driving – vehicle deadly weapon', winter driving and pedestrian safety. Speed and alcohol checks are routinely carried out, with drivers regularly assessed.



Safely round the world

Alexi Chalaganidze, a BP Georgia driver, has driven approximately one million kilometres with no accidents – the equivalent of 25 times around the world!

Alexi started working for BP as a contractor with his private vehicle in 1996, initially during WREP construction. "He is to be congratulated on a remarkable record", says transportation team leader Salome Kobaladze. "During these 13 years, Alexi has had no road traffic accidents and has completed hundreds of individual trips. Many people have cause to be grateful for his safe and professional driving. And what's more, he has also taken great care of the vehicles assigned to him, which is one reason they last so long".

Working with contractors on safety

We held regular safety events with contractor management teams throughout 2009. 'Safety Leadership Team' meetings are held at which risks are discussed, incidents analysed and good practices shared. Safety site visits have been conducted with contractor companies at different locations, where the project safety team and contractor leadership seek to reinforce and improve HSE standards and requirements. This form of visible leadership helps site personnel appreciate the importance of making every work environment safe. We reward the contractor with the best safety performance with the annual BP Georgia Contractors HSE Award.

Protecting health

We use an internal assessment tool to identify risks to the health of our workforce. The potential health hazards facing those who work in our business are very varied and cover issues such as noise, food safety, and water quality. Our assessment gauges the level of risk and devises actions to mitigate the hazards.

We carry out regular awareness sessions to encourage employees to look after their own health, covering topics such as smoking and 'caring for your heart'. We also ensure we are prepared for challenges like swine flu, updating our pandemic response plan in 2009 and testing our potential response by carrying out a readiness exercise.

Responding to emergencies

Having the capability to respond to emergencies, whether related to health, safety, security or the environment, is an important aspect of risk management, in which training and preparedness are critical.

In 2009, we carried out an offshore oil spill response emergency exercise at the Supsa terminal and an exercise to respond to a spill of chemical drag reducing agent at BTC facilities. We also completed a cross-border emergency response exercise between Georgia and Turkey. Incident management plans and emergency response plans were reviewed and training provided for members of the incident management team (IMT). The IMT is now staffed entirely by Georgian nationals.



Promoting road safety in schools

Building on the success of a pilot initiative in 2008, the Georgia Alliance for Safe Roads project seeks to improve youth road safety education in Georgia and increase the use of seat belts among Georgia's vehicle users. The project is run by the Partnership for Road Safety Foundation, a non-profit organization that promotes road safety through education and advocacy.

The effort is an alliance of many organizations both Georgian and international. These include the project's main financial supporters, who are USAID, BP and the FIA Foundation, a UK-based registered charity which manages and supports an international programme of activities promoting road safety, environmental protection and sustainable mobility, as well as funding specialist motor sport safety research.

The 2009 project aims to educate 20,000 children in 48 schools about dangers on the road – as pedestrians or vehicle users. Using booklets, posters, photography, videos and events, the campaign highlights risks and explains how to avoid them. Advocacy work has also been carried out to introduce road safety within the national educational curriculum by September 2010.

According to Eka Laliashvili, the project director, "The pilot project focused awareness-raising initiatives on 48 schools, targeting 8-9 year olds. We assessed levels of road safety awareness among the children and found that it had increased by 38% following our efforts. It's an encouraging start, but we are going to be working hard with our partners to make further progress. BP's commitment, not just through its financial backing but by the example it sets in taking road safety seriously, is extremely valuable"



Waste management

BP EU-standard
non-hazardous landfill
site in Georgia

Environmental management

2009 was a year in which we successfully closed out a number of environmental commitments from previous years.

The eleventh post-financial audit of the Independent Environmental Consultant, acting on behalf of BTC lenders, was completed in June 2009. The audit, which included visits to operations sites, found no new areas of non-compliance with the BTC project environmental and social commitments. A previous non-compliance relating to arrangements for non-hazardous waste disposal was closed with the startup of the non-hazardous waste landfill site in May 2009. A non-compliance relating to stack emissions monitoring remains open, although monitoring is conducted on a routine basis.

Our environmental track record is underpinned by taking a disciplined and systematic approach to operations. The BTC/SCP and WREP pipelines were successfully re-certified against the international environmental management system standard ISO 14001 following an independent audit in October 2009. The audit ended successfully with no system findings for the Georgia pipelines.

Waste management

How and where to dispose of waste in Georgia has been an issue since BP started working in Georgia in the mid 1990s. During and after BTC/SCP construction, waste volumes increased significantly, creating even more of a challenge.

The inauguration of the non-hazardous waste landfill site, which started receiving waste from BP operations in May 2009, marked the culmination of many years work to create the first EU-standard landfill site in Georgia. This included identifying and purchasing a suitable site, finding and appointing qualified contractors, carrying out an environmental and social impact assessment, holding public consultations, managing interim arrangements for the safe handling of waste, completing the licensing and permitting process with government, and constructing the facility. Its launch shows that our commitment to manage waste responsibly has been successfully fulfilled, however complex and occasionally difficult the process.

In addition to constructing this landfill site, we and our partners in BTC and SCP have committed to assist the Georgian government in funding the construction of an EU-standard municipal non-hazardous landfill site at Rustavi. In 2009, an agreement was signed with the EBRD on providing financial support for this initiative. On behalf of the BTC/SCP co-venturers, BP committed grant funding of \$1.1 million with EBRD and other funders contributing a total of approximately \$3.5 million.

WREP site visits undertaken by the ISO auditor showed that a high priority is put on good housekeeping and general upkeep of the facilities. The audit report commented that the waste management system requirement for waste segregation was being fully adhered to in all areas. All bins and skips were properly labeled and waste segregated as per container labels. Chemical storage was also to a high standard.

Eco-compensation

We reached agreement in principle with the government on eco-compensation for the forestry loss which occurred during pipeline construction.

Following detailed analysis of options and extensive discussions with government, it was agreed that BP should contribute \$3.5 million towards the protection of the Sataplia State Reserve. The funding will help protect the preserved area, which is of international paleontological significance.

Systematic environmental management

The significant steps forward on waste management and eco-compensation achieved in 2009 stand over and above the day-to-day achievement of operating responsibly and managing compliance with relevant standards and legal requirements.

Operating our assets in a way which is environmentally responsible is an integral part of our privilege to operate, particularly because our pipelines pass through a number of protected areas, including those with International Union for the Conservation of Nature (IUCN) designated status. Many of our project activities, such as the construction of the emergency drain down facility and secondary containment systems in Kodiana, are driven by the needs of environmental compliance. Additional leak detection processes at sections of BTC in Tsalka, one of the most sensitive environmental areas crossed by the pipeline, also reflect the need to ensure effective operations in compliance with requirements.



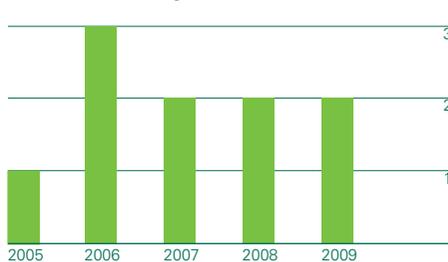
Biodiversity
the Baku-Tbilisi-Ceyhan/
South Caucasus Pipeline
off RoW faunal
component monitoring:
aquatic habitat survey
 Dragonfly: *Lindenia*
tetraphyla

While these projects help to safeguard the environment in themselves, additional steps have been taken within their scope to protect the environment. For example, the BP projects team relocated rare species to Bakuriani; we reinstated and bio-restored land parcels used by local contractors during construction activities as staging areas, lay down, and disposal sites; and we carried out site landscaping and seeding at the EDDF to minimize the facility's visual impact.

Oil spills

Performance against one of the key environmental indicators – oil spills – remained good in 2009. The two oil spills we suffered were both the result of illegal taps. While we take many measures to try to stop this illegal activity, these incidents lie beyond our direct control. In both cases, we mobilized our incident response team and managed the spills effectively, containing and recovering most of the lost oil, remediating the affected soil and thereby minimizing impact on the environment.

Number of oil spills 2005-09



Sewage treatment facilities

We are carrying out a project to install sewage treatment plants at BTC pump stations and associated facilities. New facilities have been installed and commissioned at PSG2 and the Tsalka oil spill response base. Work included installing rotating biological contactor systems and associated pumps, piping and ancillary treatment equipment. Reed beds were also constructed to receive the effluent from the sewage treatment plants.

Land reinstatement and biodiversity protection

We continue the programme of land reinstatement along the BTC/SCP pipeline right of way and temporary facilities, carrying out bio-restoration, seeding and erosion risk monitoring. For example, we undertook action to restore a three kilometre road used for EDDF construction – tackling the challenge of erosion by planting at the roadsides. This involved assessing the suitability of indigenous species to plant, determining how to maintain soil conditions and re-establishing the forest habitat. We planted approximately 7,000 saplings in autumn 2009, with more to follow in 2010.

We also continue to adhere to our commitments within the BTC environmental and social action plan on ecology. For example, we continued rare floral species diversity monitoring. Our assessment in 2009 indicates that conditions have improved since our baseline assessment in 2007. We transplanted 11 rare floral species of flowering grasses to their original habitats adjacent to the BTC/SCP right of way and continue to track their survivability rates.

Eco-awards

Grant awards under the new eco-awards scheme we have launched with our partners were made in 2009. Under this initiative, which we are backing with \$600,000 over two years, with the potential for an additional \$300,000 in the third year, organizations submit proposals to carry out projects that will have an economic and environmental benefit. The programme is administered by the Eurasia Partnership Foundation.

The themes in the programme are broad. Projects on biodiversity conservation, eco-tourism, and protected areas all received funding this year.

Fifty one proposals were submitted in 2009. Evaluation is undertaken by a panel including representatives from relevant government bodies, international organizations and independent experts. Shortlisted projects are submitted for final selection by BP and the Eurasia Foundation.

Five proposals won awards in 2009 for projects concerning wheat marketing, sustainable tourism, the conservation and commercial use of economically important flora species, the protection of species of Adjara wild flowers, and facilitating stakeholder participation in protected areas of Georgia.

People energy

How is BP building the skills and experience of its workforce in Georgia?

People and their capabilities are fundamental to our sustainability as a business. To build an enduring business in Georgia, we recognize the need to develop the operating skills and experience of local people, creating an environment which provides opportunity for all staff.

Images

- 1 Calibration of temperature transmitter at Baku-Tbilisi-Ceyhan Pump Station 2
- 2 Operations at Supsa Terminal
- 3 Main pump house at Baku-Tbilisi-Ceyhan Pump Station 1
- 4 Crude storage tank at Supsa Terminal

 **Our people**
www.bpgeorgia.ge





Georgians at Supsa: a pipeline of Georgian nationals

As the Supsa terminal manager, Zaza Ramishvili has responsibility for an operation that handles about 86,000 barrels of oil per day, and typically loads one tanker per week with some 630,000 barrels of oil delivered via WREP.

Zaza, a graduate chemist and process engineer, has worked at Supsa since 1998 when he began his career with BP. Beginning as a trainee operator, he became an operations supervisor before being appointed terminal manager in December 2007.

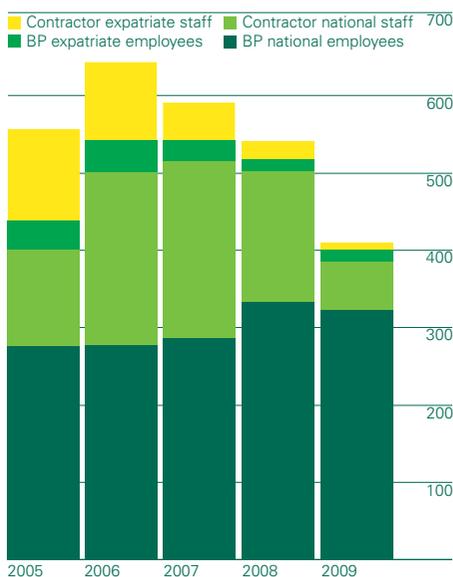
Zaza has seen many changes over this period. Two developments stand out particularly clearly. The first is the ever-sharpening focus on safety and environmental protection. "Over the past two decades, there has been much more focus across the industry on how we get our work done, not just on hitting performance targets. Discussing risks, assessing safety hazards and having rigorous controls over how we approach every task is built into the way we work at BP".

The second major change is the steady growth in Georgian nationals working at the terminal. "I am, of course, very proud to be the terminal manager. But I am equally proud that every single employee here at Supsa is now a Georgian national as well. We have all come a long way".

Nationalization

We increased the proportion of Georgian nationals working in the business in Georgia to 95% by the end of 2009. This continued the steady growth we have achieved in nationalization since 2004 when the percentage of Georgian nationals within the total headcount stood at 73%.

BP Georgia headcount 2009



As well as seeking to increase the number of Georgian nationals within the business, we aim to build their experience and skills so they can assume leadership positions. Georgian nationals now hold senior management positions in finance, human resources, government relations and regulatory affairs, legal, business services, health, safety and the environment, security, social responsibility, external affairs and operations. A number of Georgian nationals were appointed to supervisory positions in the course of the year.

Building an operations-focused organization

We have continued the transition of BP Georgia from a project-focused to an operations-focused organization. This change reflects the nature of our business, requiring a different composition to our workforce with different skills and experience.

The total size of our workforce declined in 2009. The fall in the number of BP employees was due principally to outsourcing the transportation and security departments, completed in 2009. The number of expatriate staff continued to decline as project activities are completed. The posts still filled by expatriates demand high levels of experience. Our aim is to develop Georgian nationals so they have the necessary experience to assume these roles in future.

Supporting our employees

In addition to supporting our people in their professional lives, we aim to help them outside work. We launched an Employee Assistance Programme in 2009, a confidential counselling service provided by an independent third party to support employees with personal issues. We improved the way employees can access information about their long-term savings plan, a benefit we introduced in 2007. We improved the recreation benefit provided to staff by offering greater flexibility in how it is used.

BP Georgia headcount

	2005	2006	2007	2008	2009
Georgian nationals	398	492	499	498	386
BP employees	271	274	280	323	316
Contractors	127	218	219	175	70
Expatriates	138	162	92	38	19
BP employees	38	26	26	12	9
Contractors	100	136	66	26	10
Total headcount number	536	654	591	536	405

Treating our staff with respect and dignity

We strive to maintain an open working environment in which everyone is treated with respect and dignity. We simplified and updated the staff handbook in 2009, which provides guidance on expectations and key information on topics of use to employees. We provided a separate Georgia staff handbook for the first time, which we made available in Georgian and English.

We continue to highlight the importance of the BP code of conduct, which underpins our aspiration for an open and fair environment. The code represents BP's commitment to personal integrity, defining what is expected of every BP employee in the areas of health, safety, security and the environment; interaction with employees; business partners; governments and communities; and the approach to company assets and financial integrity. We recognise that we cannot be complacent as issues continue to be raised through our annual ethics certification process.

Feedback from an employee opinion survey undertaken in 2009 showed that BP Georgia employees were confident that BP gives priority to the code of conduct and the law when pursuing its business goals. Responses, which are provided confidentially, also registered employees' confidence in their ability to speak out about doing the right thing without fear of reprisal. Employees also registered that managers emphasized the importance of doing the right thing.

Local energy

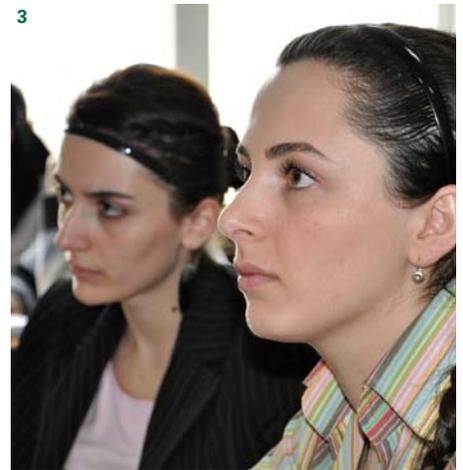
How is BP contributing to social and economic development in Georgia?

We aim to ensure that our presence in Georgia, and wherever we operate, creates mutual advantage for us and for those with whom we come into contact. We work to understand local needs and respond to them, building the capacity of individuals, communities and institutions by working in partnership.

Images

- 1 Project management college graduates
- 2 Tsnisi milk processing facility, Akhaltsikhe district
- 3 Lectures at the International School of Economics in Tbilisi
- 4 Agricultural demonstration farm in village Moliti, Borjomi district

 **Social projects**
www.bpgeorgia.ge



**Rehabilitated gym
in village Lesa**
Small Grants to Schools
investment programme



Strategy

We began this year to implement the stakeholder engagement strategy agreed with our partners in 2008. We plan to invest an average of \$3 million per year in Georgia on activities within the strategy in 2009-2011.

Our goal is to maintain good relationships with communities near our facilities, as well as support the creation of a favourable environment for small and medium sized businesses. The geography of our operations and the economic profile of neighbouring communities mean that sustainable projects in support of agriculture will remain our focus in rural areas.

In launching initial actions, we took account of the findings of an independent evaluation of the Community Investment Programme (in particular the CIP2 programme which ran for three years from 2006) and a mid-term evaluation of the 'Farmers to Markets' (FTM) initiative. FTM seeks to improve the livelihood of agricultural communities near the pipelines by providing support services and better access to markets.

The independent evaluation backed the idea of continuing to support agriculture and civil society development, including strengthening community-based organizations and providing help for business start-ups.

Engaging with stakeholders

We continue to work with the villages and communities in the vicinity of BTC/SCP and WREP.

Working to our community communication plan, our team of Community Liaison Officers (CLOs) maintains regular contact with village communities, engaging with village heads and trustees, local residents, complainants, landowners, regional Governors and gamebelis (district heads). CLOs raise awareness of BP and its activities, and discuss safety issues, concerns relating to land use, and community investment programmes. To reinforce messages about pipeline safety and increase awareness of how to respond to oil spills or gas leaks or raise a complaint or query, we developed and distributed a community calendar for 2010. The calendar also contains guidance on how to improve energy efficiency in everyday life, without making major modifications to home appliances.

We have worked for a number of years to fulfil the commitments made in the BTC/SCP construction phase environmental and social action plan. In September 2009, a 'completion audit' was conducted by the Social and Resettlement Action Plan expert panel. The panel was established to monitor and assess compliance with the Resettlement Action Plan and to verify that measures to restore or enhance the livelihood of people affected by the project were being implemented. They were also tasked with gauging the effectiveness of those measures and determining whether the quality of life and livelihoods of affected communities had been restored. The independent panel members spent several days in the field, meeting communities, landowners, district gamebelis, and complainants.

The panel highlighted the 'excellent progress' made in handing land that was required during construction back to its original owners, and in closing outstanding land acquisition cases in the second half of 2008 and in 2009. We now have agreements in place regarding future land use with 83% of private landowners and are continuing to make efforts to contact absentee landowners.

The audit found that livelihoods had been substantially restored or enhanced. It noted that in some pockets of intensively cropped agricultural land, further progress in restoring livelihoods can be made. In our view, this is likely to require further growing seasons. The panel found that consultation and information dissemination activities were widely praised, with the roles of CLO and land officers highly appreciated by communities. We are aware of the need to continue to work constructively with communities in future and to continue to build mutually beneficial relationships.



Tsnisi milk processing facility
Community Investment Programme

Civil society capacity building

We work in partnership with a large number of organizations to help build the fabric of Georgian civil society. This includes international funding bodies like USAID and the Canadian International Development Agency (CIDA), international financial institutions such as the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), and local bodies including government and non-governmental organizations (NGOs).

Many of the NGOs we partner with act as implementing organizations for our community investment programmes, described below. Others direct specific initiatives such as projects to heighten awareness of road safety in schools, or support cultural activities in the arts or archaeology. We collaborate with various educational bodies including district schools and universities.

We also work with community-based organisations to help them develop the organisations, skills and confidence they need to take action for themselves – whether that be to resolve conflict, promote enterprise, or undertake community projects. In all these partnerships, our aim is to help create vibrant and healthy communities.

We support the British Council in developing local media capacity. Over the years, we have adapted the content of this programme to respond to what recipients want. Originally focused on increasing understanding of the energy industry, and then on English language training, the initiative now concentrates on developing skills relevant to broadcast and web-based media. More emphasis is also being given to regional media development. The Open Society Georgia Foundation and HSBC became co-supporters of this programme in 2009.

Supporting education

Supporting education has been an important element of our community investment programmes in Georgia since their inception. We have financed projects designed to make quick impact, such as refurbishing school buildings, as well as longer-term initiatives that develop the skills and capabilities of students.

We continued to support school rehabilitation projects, such as small-scale building refurbishment in schools located within two kilometres of WREP. Since this effort began in 2007, 89 schools have benefitted from it. As well as upgrading the physical infrastructure of school buildings, the programme has supported capacity building in school administration. We have also led safety quizzes in schools to raise awareness of safety and environmental issues around our operations.

We continue to provide financial support for the International School of Economics at Tbilisi State University (ISET) established in 2006 with the backing of BP and the governments of Georgia, Sweden and Norway. The school exists to promote excellence in postgraduate economic study and research. Two classes – totaling 49 students – have now graduated since ISET opened, and the pool of applicants continues to increase. Graduates have gone on to jobs in public and private sector organizations and several of them have continued with PhD studies at world-renowned universities in North America and Europe.

Supporting local enterprise and business development

We are taking a range of steps to help develop local economic capacity. Some initiatives are linked directly to our operational activities, while others promote economic opportunity more widely.

Agriculture is important to many of the communities along the pipeline routes. We are therefore supporting business development in the agricultural sector in a three-year 'Farmers to Markets' project – a marketing component of the Community Investment Programme. The technical and advisory services we are providing under the programme aim to help farmers bring better quality products more efficiently to market. Work in 2009 focused on establishing consolidation centres to bring groups of farmers within a district closer to their buyers.



The Project Management College: managing for the future

An assessment commissioned in 2007 by BP with the aim of identifying gaps in energy-related education, revealed that one of the key skills gaps among Georgian companies is project management. This is also evident simply – but powerfully – in our experience of doing business with local contractors, where some companies have struggled to meet the high levels of expertise required in project management or have failed to manage their businesses sustainably.

As part of the Regional Development Initiative implemented by BP and its oil and gas co-venturers, the decision was made to establish a Project Management College (PMC). The college is governed by a steering committee formed of representatives from BP, the global project management training institution ESI International and the Free University of Tbilisi. BP is providing \$1.5 million over three years to support the creation and work of the college.

The PMC provides a series of training streams leading to accreditation and developing the hard and soft skills and knowledge of participating students. Course modules cover managing projects, scheduling and cost control, risk management, project leadership and communications, quality, project management applications, and preparation for PMP® (Project Management Professional) examinations, governed by the Project Management Institute®.

Training is delivered by ESI International's qualified instructors, leading to award of the 'Masters Certificate in Project Management' from The George Washington University.

More than half of the first year's 80 participants come from local businesses and other local organizations. Other participants are from foreign businesses operating in Georgia, public sector organizations and international bodies.

Course work is demanding. Each module lasts some three to four days and needs to be fitted in around participants' existing jobs. Study involves a mix of classroom work, lectures, presentations, review questions, practical exercises and tests. Participants are encouraged to apply what they have learned in their own work environment.

According to Tamilla Chantladze, one participant in the first group of students, from BP, "the course brings greater rigour and discipline to the experience you already have, as well as the opportunity to learn from others from different sectors and disciplines. It has been challenging – not least the weekend working! – but hugely worthwhile."

PMC programme manager, Ketik Aleksidze, is delighted with the first year's achievements. "The college has opened right in the middle of a very difficult economic period. But despite the hard economic conditions, we have a full complement of students, and companies have shown their readiness to put people forward and pay towards their learning. That shows the value of what we are trying to achieve."

Improving project management capability has huge potential benefit for many sectors of the Georgian economy; banking, IT, manufacturing, construction, communications and energy for example. While it is early days in the life of the college, the first steps towards delivering this benefit have been taken. These sentiments were echoed by Lasha Zhvania, former Minister for Economic Development: "We look forward to seeing the programme achieve its full potential, creating a larger network of certified project managers in Georgia, and making a substantial impact on business profitability and the country's economy, ensuring successful delivery of infrastructure projects and improving the overall investment climate in Georgia."

A project under our Community Investment Programme is providing grants and training for women who want to start up in business. Since this initiative began in 2007, 50 business ventures have been supported, with financial assistance provided to a total of 88 women. The initiatives supported are diverse, including food production, clothing, animal husbandry, milk and dairy product processing, handicrafts, catering, computer services, and beautician services.

In partnership with the IFC and CIDA, we have provided financial support to a project to improve the operating environment for business in Georgia. The project seeks to reduce the regulatory burden on business by helping government reform inspection systems and streamline permitting and licensing processes. It also aims to improve small and medium sized companies' access to information. In 2009, initiatives concentrated on the food production sector, developing approaches to food safety. A Public Service Center, open at the Ministry of Economic Development since April 2009, seeks to cut red tape, save time for local entrepreneurs, and make application processes simpler and more transparent. Work was also carried out on tax simplification, drawing on international expertise.

With our partners, we are also supporting a three year project that aims to improve the corporate governance practices of Georgian companies and banks, helping them operate more effectively and allowing them easier access to capital. In 2009, seminars and workshops were run on risk management, corporate reporting, and the role of women on corporate boards. Training, consultation and conferences were also provided on issues of corporate governance involving government bodies, NGOs and banking sector representatives. The project also published surveys, guidance booklets and launched competitions to raise public awareness of corporate governance matters.



We continue to 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 2004. EUGBC activities in 2009 included discussions with Georgian and EU officials on trade and investment matters and support for Georgian exporters and businesses, particularly small and medium sized enterprises. Brochures, trade seminars, workshops and conferences were supported.

We also continue to work with the American Chamber of Commerce in Georgia, the British Georgia Chamber of Commerce in London and support the activities of the US-Georgia Business Council in Washington.

Energy efficiency awareness-raising

We launched the 'Energy Bus' initiative in March 2009, a three-year effort to raise awareness in Georgian communities of how to use energy efficiently and safely. The initiative also seeks to help people install renewable energy and energy-efficient products in their homes.

A key feature of this project is that advice is backed with access to an attractive loan scheme. With our oil and gas co-venturers, we have committed to providing up to \$1million of subsidy to ease the burden of regular interest rates and make eligible energy-efficient products – such as double glazed windows, insulation, solar panels for water heating and energy efficient stoves – more affordable to households. Visitors to the bus can not only learn about opportunities to use energy-efficient products and approaches, but can have detailed consultations about how to obtain concessional loans and install devices and appliances in their homes.

The Energy Bus: More talk and more action

The bus, a mobile information and demonstration unit, displays information, products and technology that promote energy efficiency. It has visited more than 100 communities in urban and rural areas across the country since the initiative's launch, attracting approximately 150 visitors per day. In the last three-quarters of 2009, more than 15,000 adults, children, householders, entrepreneurs and others have visited the bus. The examples below highlight examples of the type of interest shown: -

- In Dusheti, clergymen from various regions of Georgia toured the bus, expressing interest in solar photovoltaic installations for their churches. -
- The head of Dusheti district administration expressed interest in the installation of a 400W micro wind farm in the district. Energy bus representatives were able to put him in contact with relevant suppliers to start negotiations on purchasing and installing the system.
- In October, the Energy Bus and its team participated in the first 'climate change week' organized by the Green Movement of Georgia and Friends of the Earth Georgia with the support of the EC delegation to Georgia. Information on climate change and how to address the challenge was provided to schoolchildren and teachers.

Giorgi Abulashvili, the Director of the Energy Efficiency Centre, Georgia, who has responsibility for leading the Energy Bus project, has commented on the work carried out to date: "We have made an excellent start, meeting our targets for visiting communities and attracting visitors. This initiative is addressing the real need in Georgia to improve awareness of the importance of energy efficiency and also of the many actions people can take to use energy more wisely. But one of the most important aspects of the scheme is the link it provides to the subsidized loan programme for households. By providing financial support, we have the capacity to do much more than just talk and raise awareness; we can make a real and practical difference."

Our performance

Five-year performance data, trends and interpretation

For the year ended 31 December

	2005	2006	2007	2008	2009
Performance					
Total hydrocarbon throughput (mmboe)	–	106.7	221.4	281.4	349.7
Social investment (\$ million) ^a	12.4	20.1	8.7	8.0	8.5

Safety^b

BP employee fatalities	0	0	0	0	0
BP contractor fatalities	1	0	0	0	0
Days away from work cases (DAFWC) ^c – workforce ^d	4	3	0	0	0
Days away from work cases frequency (DAFWCF) ^e – workforce	0.06	0.07	0	0	0
Recordable injuries ^f – workforce	30	5	1	5	3
Recordable injury frequency (RIF) ^g – workforce	0.41	0.12	0.04	0.26	0.17
Total vehicle accidents	35	33	5	6	2
Total vehicle accident rate ^h	1.30	2.06	0.49	0.71	0.25
Number of spills (loss of primary containment) ⁱ	1	3	2	2	2
Volume of product spilled (litres)	70,914	10,416	75,290	4,715	5,520
Volume of product unrecovered (litres)	0	0	51,000	0	320
Hours worked – workforce	14,527,840	8,158,739	4,459,899	3,873,410	3,507,005
Kilometres driven	26,844,882	15,999,715	10,101,030	8,503,842	8,120,198

Environment^j

Direct carbon dioxide (CO ₂) (tonnes)	35,421	146,084	408,273	251,090	285,415
Direct methane (CH ₄) (tonnes)	220	396	271	147	311
Equity share direct greenhouse gas (GHG) (tonnes CO ₂ equivalent)	13,687	47,675	122,346	76,443	88,289
Sulphur dioxide (SO _x) (tonnes)	44	197	109	88	102
Nitrogen oxides (NO _x) (tonnes)	651	1,751	2,704	1,992	2,309
Non-methane hydrocarbons (NMHC) (tonnes)	1,990	1,823	91	72	1,206
Hazardous waste disposed (m ³)	388	243	383	352	864
Non-hazardous waste disposed (tonnes)	670	378	463	497	423

People

Total BP Georgia headcount	536	654	591	536	405
Georgian nationals as % of BP Georgia headcount	74	75	84	93	95

^a 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 BP Pledge and BTC Grant please see *BP in Georgia Sustainability Report 2005* and *BP in Georgia Sustainability Report 2006*, respectively.

^b Safety data shows performance for BP in Georgia as a whole, encompassing our in-country activities described in this report (projects, operations, administrative support, and Air BP).

^c DAFWC: An injury or illness is classified as a Day Away From Work Case (DAFWC) if as a consequence of it 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, or 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.

^d The BP workforce comprises all BP employees, all BP contractors and all BP Directors.

^e DAFWCF workforce: The number of injury DAFWCs to the BP workforce for every 200,000 hours worked in the same period.

Our performance

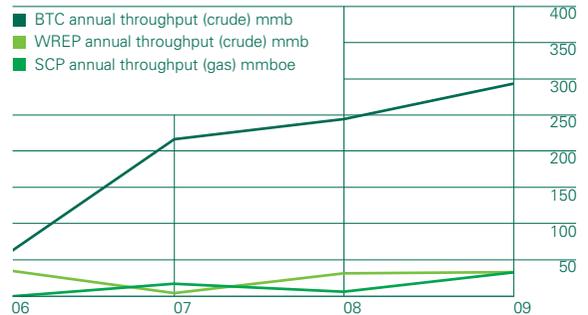
Performance

Total throughput of hydrocarbons through the BTC, SCP and WREP pipelines increased in 2009, reflecting higher throughput in each pipeline.



Performance
bp.com/performance

Total throughput of hydrocarbons through BTC/SCP/WREP



Safety

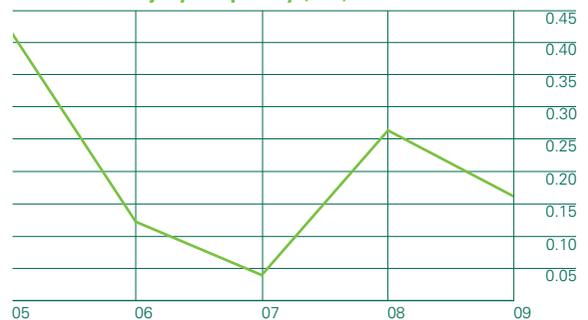
Following an increase in 2008, the number of recordable injuries and the recordable injury frequency both declined in 2009. These figures are far lower than those recorded during pipeline construction activity but our challenge is to drive continuous improvement in the safety of routine operations. We made progress, for example, in reducing the number of vehicle accidents and the total vehicle accident rate in 2009, and our goal is to continue this improvement further.

The number of oil spills, which is an indicator of process safety, has remained broadly steady since 2004. Both spill incidents in 2009 were the results of illegal taps on WREP.



Safety
bp.com/safety

Recordable injury frequency (RIF) 2005-09



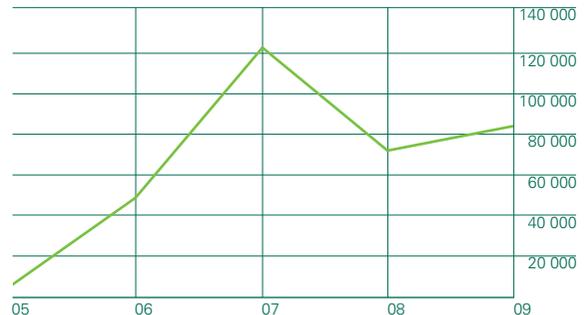
Environment

The increase in equity share greenhouse gas emissions and other air emissions in 2009 reflects the higher levels of hydrocarbon throughput through the pipelines, following the reported decline from 2007-08 which resulted principally from the use of more appropriate emissions factors. The increase in non-methane hydrocarbons compared with 2008 is principally the consequence of more tanker loadings at Supsa, following increased throughput on WREP after pipeline refurbishment. The increase in hazardous waste volumes in 2009 has resulted primarily from wax waste from WREP pigging operations, the generation of waste soil from spill sites and waste air filters arising from maintenance activities.



Environment
bp.com/environment

Equity share direct greenhouse gas emissions (tonnes CO₂ equivalent) 2005-09



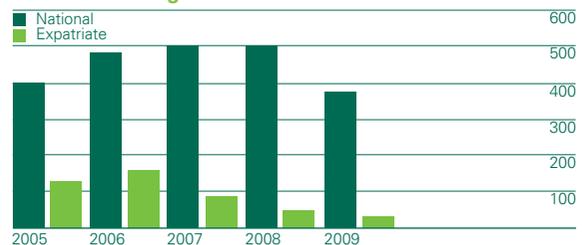
People

The total BP Georgia headcount continued to decline in 2009, as it has done progressively since the completion of major project activities. The proportion of Georgian nationals within the total BP Georgia headcount continued to increase, reaching 95% in 2009.



People
bp.com/people

Number of Georgian nationals and expatriate workers within BP Georgia headcount 2005-09



^f A recordable injury is a work-related injury and illness incident that results in a fatality, a day away from work case, restricted work or job transfer, or medical treatment beyond first aid.

^g RIF: The total number of recordable injuries to the BP workforce for every 200,000 hours worked in the same period. This is a commonly-used industry measure of personal safety performance.

^h TVAR: Total Vehicle Accident Rate: the sum of all light vehicle, all heavy vehicle and all mobile plant accidents per one million kilometres driven.

ⁱ In accordance with the BP group definition, hydrocarbon spills are those equal to or more than one barrel (equal to 159 litres, or 42 US gallons).

^j 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. Environment data for 2005 covers BP operated activities on WREP and the Supsa terminal. Data for 2006 and 2007 covers BP operated activities for all three pipelines (BTC, SCP and WREP) and associated facilities in Georgia.

Independent assurance statement

This report has been substantiated by Ernst & Young, the BP group auditors. The primary purpose of the report substantiation process is to test that the assertions, claims and data set out in the text regarding BP's sustainability performance can be supported by evidence. This process is intended to give assurance about the report contents from an independent third party. Ernst & Young's scope of work and their conclusions are provided below.

Independent assurance statement to BP management

BP in Georgia Sustainability Report 2009 (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 assurance engagement on the Report as outlined below, in order to provide conclusions on the claims, data and coverage of issues within it.

Our responsibility in performing our assurance activities is to the management of BP p.l.c. only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions

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

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Georgia in 2009 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 steps outlined below.

1. Reviewed a selection of external media reports and selected internal documents relating to the sustainability performance of BP in Georgia in 2009 including independent review reports and ethics certificate.
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 explanation about the Report's sustainability performance data and statements. Whilst we reviewed documentation to support the sustainability data contained within the Report, we did not test the data processes for gathering, collating and reporting data at country or site level.

Level of assurance

Our evidence gathering procedures have been designed to obtain a limited level of assurance 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

On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on the Report. Our conclusions should be read in conjunction with the above section on 'What we did to form our conclusions'.

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 independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW) Guide to Professional Ethics. Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, 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 2009.



Ernst & Young LLP
London
May 2010

^a International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000).

Glossary

Glossary

BPD

Barrels of oil per day

BTC

Baku-Tbilisi-Ceyhan pipeline

CIDA

Canadian International Development Agency

CIP

Community investment programme

CLO

Community liaison officer

CO₂

Carbon dioxide

DAFWC (f)

Day away from work case (frequency)

EBRD

European Bank for Reconstruction and Development

EDDF

Emergency drain down facility

EU

European Union

EUGBC

EU-Georgia Business Council

FTM

Farmers to market initiative

GHG

Greenhouse gas

HSE

Health, safety and environment

IFC

International Finance Corporation

IMT

Incident management team

ISET

International School of Economics at Tbilisi State University

ISSOW

Integrated safe systems of work

IUCN

International Union for the Conservation of Nature

Mmboe

Million barrels of oil equivalent

NGO

Non-governmental organization

OMS

Operating management system

PMC

Project management college

SCP

South Caucasus Pipeline

WREP

Western Route Export Pipeline (also known as the Baku-Supsa pipeline)

More information

BP's sustainability reporting

BP communicates non-financial commitments and performance at group, country and site levels in both print and online media.

Group reporting

BP Sustainability Review 2009 is available in pdf format in English, Mandarin Chinese and Russian. BP's HSE performance data is presented as interactive charts.

www.bp.com/sustainabilityreview2009

www.bp.com/hsechartingtool

www.bp.com/sustainabilitymappingtool

Country and site reporting

We publish country reports on our operations in Angola, Australia, Azerbaijan, Germany, New Zealand, Southern Africa, Trinidad & Tobago and Turkey. We also maintain a library of site reports for more than 30 of our major operations.

www.bp.com/countrysustainabilityreports

www.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

BP Georgia, 38 Saburtalo Street, 0194, Tbilisi, Georgia.

Previous BP in Georgia Sustainability reports are available at www.bpgeorgia.ge

Acknowledgements

Design: Besik Danelia, besodanelia@hotmail.com

Photographs: Gela Kavelashvili,
Internews Service Centre, office@internews.ge