

Chapter 6 Policy, Legal and Administrative Framework



TABLE OF CONTENTS

6	POLICY, LEGAL AND ADMINISTRATIVE FRAMEWORK.....	6-1
6.1	Introduction	6-1
6.2	National Legislation.....	6-1
6.2.1	The Constitution	6-1
6.2.2	Legal Framework applicable to the SCPX Project.....	6-1
6.2.3	The IGA	6-2
6.2.4	The HGA	6-2
6.3	International Standards and Guidelines	6-5
6.4	International and Regional Conventions	6-7
6.5	National Legal and Administrative Framework.....	6-8
6.5.1	National Legislation and Permitting Requirements.....	6-9
6.6	BP Corporate Policy.....	6-10
6.6.1	BP Code of Conduct.....	6-10
6.6.2	HSSE Policy Commitment.....	6-11
6.6.3	BP's Approach to Environmental and Social Management.....	6-13

Tables

Table 6-1:	IFC Performance Standards.....	6-5
Table 6-2:	Relevant IFC EHS Guidelines	6-6
Table 6-3:	Relevant International and Regional Agreements	6-7

Figures

Figure 6-1:	BP Azerbaijan Developments HSSE Policy	6-12
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6 POLICY, LEGAL AND ADMINISTRATIVE FRAMEWORK

6.1 Introduction

This chapter provides a high-level description of the regulatory framework of the SCPX Project. The legal regime applying to the proposed SCPX Project is complicated, so this chapter seeks to highlight the high-level regulatory context for the proposed Project. It does not provide an exhaustive analysis of all requirements that may be applicable to the SCPX Project and is not a definitive analysis of those provisions that are considered below.

The chapter considers the following:

- National legislation (Constitution of the Republic of Azerbaijan, the Agreement between Georgia and the Azerbaijan Republic relating to the Transit, Transportation and Sale of Natural Gas in and beyond the Territories of Georgia and the Azerbaijan Republic through the South Caucasus Pipeline System (also referred to as the “Inter-governmental Agreement” or the “IGA”) and the Host Government Agreement between and among the Government of the Azerbaijan Republic and the SCP Participants (the “HGA”)
- Selected international and regional conventions
- Selected international standards, practice and guidance, including International Finance Corporation (IFC) policies
- BP corporate policies.

Please note that the descriptions of the HGA and other documents included below are high-level summaries only and are qualified by reference to the full text of the HGAs and such other documents.

The environmental standards which have been developed for use by the proposed SCPX Project, have taken into account the requirements of the regulatory framework discussed in this chapter, and are presented in Appendix B of the Environmental and Social Management and Monitoring Plan (ESMMP) which can be found in Appendix D.

6.2 National Legislation

6.2.1 *The Constitution*

The Constitution¹ is the governing law of the Republic of Azerbaijan and prevails over any other national legislation or international agreements. It stipulates basic rights of people to live in healthy environmental conditions [ART. 39.I.], have access to accurate information regarding environmental conditions and to receive compensation for damages suffered in relation to violations of environmental law by third parties [ART. 39.II.].

6.2.2 *Legal Framework applicable to the SCPX Project*

The SCPX Project is being implemented within the framework of the IGA and the HGA. The IGA constitutes the binding international law agreement, as between the contracting States, and the HGA constitutes the controlling domestic, or national, law of Azerbaijan governing the SCPX Project.

¹ Constitution of the Republic of Azerbaijan (1995, amended 2002) available at http://azerbaijan.az/_GeneralInfo/_Constitution/_constitution_e.html

6.2.3 The IGA

Article IV of the IGA states that:

Each State shall cooperate and coordinate with the others and the applicable Project Investors in the formulation and establishment of uniform technical, safety and environmental standards for the ... capacity expansion (including by way of addition pipeline loopings) ... in accordance with international standards and practices within the Natural Gas pipeline industry (which standards and practices shall be set forth in the applicable Host Government Agreement) and such other requirements as set forth in the relevant Project Agreements, which shall apply notwithstanding any standards and practices otherwise applicable under the domestic law of the respective State.

It has to be noted that the IGA does not create any direct rights or obligations for SCP Participants or SCPC.

6.2.4 The HGA

In 2001 the HGA was ratified by the parliament of the Republic of Azerbaijan and became effective as the prevailing legal regime for SCP (and the SCPX Project) in Azerbaijan. The provisions of the HGA override any inconsistent provisions in national legislation, with the exception of the provisions in the '*Constitution of Azerbaijan*' and constitute the binding obligation of the Republic of Azerbaijan under international law and, upon ratification of the HGA, have been made effective as the prevailing legal regime respecting the Project under Azerbaijan's domestic law.

Article 12 and Appendix 4 of the HGA detail the applicable environmental, health, safety and social standards and practices, applicable to the Project. In summary, the key requirements are to:

- Act as a prudent operator in identifying, harmonising and complying with environmental, health, safety and social standards and practices
- Use best endeavours to minimise potential disturbances to the environment, surrounding communities and property
- Prepare an Environmental Strategy Product comprising a scoping study, risk assessment, baseline study, EIA and Emergency Response Plan (ERP)
- Prepare the Environmental Strategy Product and implement the environmental strategy contained therein in accordance with the standards and practices generally prevailing in the international natural gas pipeline industry
- Undertake public review and comment on the draft EIA
- Implement the mitigation and monitoring activities specified in the EIA and report on the results to the Republic of Azerbaijan government (hereinafter referred to as 'government'), making the reports available to the public
- With respect to promoting health and safety in respect of the Facilities and SCP Activities (as defined in the HGA), conform to; (i) the health and safety standards and practices generally observed by the international community with respect to natural gas pipeline projects comparable to the Project; or (ii) the UK health and safety standards, where these are more stringent
- Prepare a social scoping study and risk assessment, and a social impact assessment in general conformance with World Bank standards (excluding time periods for review and consultation)
- Notify the government promptly of any emergencies and other events, such as leaks and spills that result in or threaten loss of life or significant damage to the environment or property, and the actions taken to deal with them

- Take action to remedy any harm and restore land and other harmed matters to their prior condition to the maximum practical extent, in accordance with the terms of the HGA
- Follow the HGA procedures for the eventual abandonment of the pipeline.

The overall framework for the granting of land rights by the government to the SCPX Participants is set forth in Articles 4 and 7 and Appendix 2 of the HGA.

Article 18 of the Azerbaijan HGA details required employment and procurement practices.

The HGA gives more details of the above areas, as described below.

6.2.4.1 Baseline study

Clause 3.5 of Appendix 4 of the HGA requires that the contaminated land baseline study include:

- “(i) a desk study review of the relevant and available information
- (ii) an audit of relevant existing operations and practices and the collection of relevant environmental data from the areas surrounding the location of the Facilities, including information on:
 - (a) surface and subsurface geology
 - (b) geomorphology
 - (c) rock permeability and the presence of aquifers
 - (d) assessment of existing quality of surface waters
 - (e) the effect of any existing contamination on flora, fauna, landscapes and ecosystems
 - (f) a qualitative assessment of any pollution, environmental damage and contamination in respect of the Facilities.”

The HGA also notes that SCPX will not be liable for any pre-existing environmental pollution or contamination.

This Environmental and Social Baseline Report (ESBR) is an additional component to the ‘Environmental Strategy Product’ for the proposed SCPX Project.

The Environmental Strategy Product is required under Appendix 4, Section 3.8 of the HGA and, as noted above in Section 6.2.4, comprises a scoping study, risk assessment, contaminated land baseline study, EIA and ERP.

6.2.4.2 Environmental impact assessment

The HGA requires that the EIA include:

- “(i) a project description
- (ii) an environmental and socio-economic description of the relevant areas of possible impact
- (iii) an evaluation of impact to the environment of the proposed construction and operation of the Facilities, including an estimate of those emissions and discharges into the environment (e.g., associated air emissions, aqueous discharges and solid waste produced) that are reasonably foreseeable
- (iv) a plan for the identification and implementation of practicable mitigation measures for each identified impact
- (v) an assessment of the environmental risks associated with pipeline activities
- (vi) the formulation of a monitoring programme to verify that mitigation measures are effective, and in the event that additional impacts are identified to ensure that additional appropriate mitigation measures are effected.”

6.2.4.3 *Government consultation and approval*

The HGA requires that SCPX consult with the government during the preparation of the Baseline Study, EIA and ERP and submit these documents for government approval. The HGA specifies a 30-day period for government response.

6.2.4.4 *Public disclosure and consultation*

The HGA includes specific requirements for public review and comment on the EIA as follows:

“(a) Affected public and non-governmental organisations will be notified about the nature of the operation of the Facilities during the development of the draft EIA through dissemination of information to these organisations through meetings and exhibitions.

(b) Following the completion of the draft EIA, the public will be provided with information on the environmental aspects of the Project to enable it to comment with respect thereto. To facilitate this process the draft EIA and an executive summary (both of which shall be in both the English and Azerbaijan languages) will be made available in a public place for review and comments; additionally an information copy of the executive summary shall be submitted simultaneously to the Government SCP Representative.

(c) A maximum of sixty (60) days will be allowed for public comments, which will be provided to the Government SCP Representative by the SCP Participants within thirty (30) days after the expiration of said sixty (60)-day period. Demonstration that the SCP Participants have reasonably addressed public concerns (through issuance of the final EIA) which includes a final executive summary that will be submitted to the Government SCP Representative.”

6.2.4.5 *Land rights*

Articles 4 and 7 of the HGA grant the SCPX Project exclusive and unrestricted access to specified land in Azerbaijan to carry out the Project.

Article 7.2 of the HGA provides that the State Authorities (hereinafter reference to “State Authorities” shall mean a reference to the Government of the Republic of Azerbaijan, any Local Authorities and State Entities as such terms may be defined in the HGA) shall:

- Exercise its powers of taking, compulsory acquisition, eminent domain or other similar powers, to enable SCPX Project to receive and exercise the Rights to Land (as such term is defined in the HGA) and to fulfil the grant by the State Authorities to SCPX of the exclusive and unrestricted property right (other than ownership) to land, pay compensation to affected persons, as may be required by Azerbaijan legislation, in order to authorise the State Authorities to grant the SCPX Project the Rights to Land, provided that for any Non-state land (which includes any land except for State owned and municipal land and which must be acquired at the lowest possible cost in accordance with applicable legislation) the SCPX Project shall pay the State Authorities the amount of all actual, verifiable costs to be incurred by State Authorities in acquisition of such Non-state Land.

6.2.4.6 *Employment and procurement*

Article 18 of the HGA requires that employees have written employment contracts and that employment practices (e.g. hours of work, leave, remuneration, benefits and occupational health and safety standards) applicable to Azerbaijani citizens working on the Project in the Territory (as defined in the HGA) must be not less beneficial than the requirements provided for in Azerbaijan labour legislation, subject to the condition that these do not exceed those international labour standards or practices which are customary in international natural gas transportation projects or are contrary to the goal of promoting an efficient and motivated workforce.

6.3 International Standards and Guidelines

- I. SCPX must use its best endeavours to minimise potential disturbances to the environment, giving priority in the order of life, the environment and property; and
- II. Any environmental strategy set out in the EIA must be in accordance with the standards and practices generally prevailing in the international Natural Gas pipeline industry.

As any commitments made in this ESIA will be legally binding on the Project, SCPX activities undertaken in Azerbaijan which are covered by the ESIA commitments are effectively required to comply with international standards. Therefore, the SCPX Project has undertaken a review of a range of potentially useful international standards and practices relating to the international gas pipeline industry. In particular, the SCPX Project has considered the World Bank Group (WBG) standards and guidelines, which are widely recognised as relevant international standards on certain environmental and social issues. SCPX Project team has also considered the performance standards and Environmental, Health and Safety (EHS) Guidelines issued by the International Finance Corporation (IFC), the private lending arm of the WBG, when preparing the ESIA, to the extent that they provide useful guidance regarding potential project impacts and mitigation measures.

SCPX has also considered a range of other sources of guidelines, practices and standards, such as:

- World Health Organization (WHO) guidelines
- Guidance issued by oil and gas industry associations
- Practices and standards in the UK and other European Union jurisdictions
- General industry practice.

Selected IFC Performance Standards are listed in Table 6-1. Selected IFC General EHS and Sector Guidelines are listed in Table 6-2.

In addition, SCPX has considered what Project standards they should adopt, based on a review of the guidance listed above, for noise emissions, emissions to air, water and for water supplies (see Chapter 10 and the Environmental and Social Management Plans in Appendix D).

The WBG, WHO and EC/UK standards also specify various design and other mitigation measures for minimising impacts and these have been considered and adopted as relevant (see Chapter 10 and the Environmental and Social Management Plans in Appendix D).

Table 6-1: IFC Performance Standards

Performance Standard	Subject	Key Principle
1	Social and Environmental Assessment and Management Systems	Environmental and social impacts should be assessed. Negative impacts should be avoided, minimised or compensated. Communities should be engaged on issues that affect them. Management systems should be used to improve performance.
2	Labour and Working Conditions	Workers should have fair treatment, non-discrimination and equal opportunities. There should be no child labour or forced labour. Working conditions should be healthy and safe.

Performance Standard	Subject	Key Principle
3	Pollution Prevention and Abatement	Impacts on health and the environment should be avoided by minimising pollution. Greenhouse gas emissions should be reduced.
4	Community, Health, Safety and Security	Impacts on the health and safety of local communities should be minimised. Personnel and property should be safeguarded in a way that avoids risks to the community's security.
5	Land Acquisition and Involuntary Resettlement	Involuntary resettlement should be minimised. People affected by land acquisition should be properly informed and compensated The livelihoods and living standards of displaced people should be restored or improved.
6	Biodiversity Conservation and Sustainable Natural Resource Management	Biodiversity should be protected and conserved. Natural resources should be managed sustainably.
7	Indigenous Peoples	The human rights and cultures of indigenous people should be respected. Compensation should be culturally appropriate.
8	Cultural Heritage	Cultural heritage should be protected from negative impacts and preserved. The benefits from business in cultural heritage should be shared.

Table 6-2: Relevant IFC EHS Guidelines

Guideline	Content
IFC Environmental, Health, and Safety Guidelines for Onshore Oil and Gas Development (2011)	Technical reference document that addresses onshore oil and gas exploration, drilling and production operations
IFC Environmental, Health, and Safety Guidelines for Thermal Power Plants	Technical reference document that addresses thermal power plants with a total rated heat input capacity above 50 megawatt thermal input (MWth)
IFC General EHS Guidelines 1.1 Air Emissions and Ambient Air Quality (2011)	This section provides an approach to the management of significant sources of emissions, including specific guidance for assessment and monitoring of impacts. It provides additional information on approaches to emissions management in projects located in areas of poor air quality.
IFC General EHS Guidelines 1.2 Energy Conservation (2011)	This section provides information about common techniques for energy conservation.
IFC General EHS Guidelines 1.3 Wastewater and Ambient Water Quality (2011)	This section provides information on common techniques for wastewater management, and water conservation and reuse.
IFC General EHS Guidelines 1.4 Water Conservation (2011)	Water conservation programmes and measures
IFC General EHS Guidelines 1.5 Hazardous Materials Management (2011)	Hazardous materials management to avoid or, when avoidance is not feasible, minimise uncontrolled releases of hazardous materials or accidents (including explosion and fire) during their production, handling, storage and use
IFC General EHS Guidelines 1.6 Waste Management (2011)	Principles for general waste management as well as specific guidance for dealing with hazardous waste
IFC General EHS Guidelines 1.8 Contaminated Land (2011)	Management approaches to land contamination related to anthropogenic releases of hazardous materials, wastes or oil, including naturally occurring substances

Guideline	Content
IFC General EHS Guidelines 3 Community Health and Safety (2011)	These address project activities taking place outside of the traditional project boundaries, but nonetheless related to the project operations, including water quality and availability, traffic safety, transport of hazardous materials, disease prevention, and emergency preparedness and response.
IFC General EHS Guidelines 4 Construction and Decommissioning (2011)	These provide additional, specific guidance on prevention and control of community health and safety impacts that may occur during new project development, at the end of the project or owing to expansion or modification of existing project facilities. The environment section (4.1) includes topics such as noise and vibration, soil erosion, air quality, solid waste, hazardous materials, wastewater discharges and contaminated land. The community health and safety section (4.3) includes topics such as general site hazardous, disease prevention and traffic safety.

6.4 International and Regional Conventions

SCPX has considered the provisions of selected conventions, not specific to the oil and gas sector, on major environmental issues during development of the Project and preparation of the ESIA, taking into account whether they may contain useful guidance, including regarding potential mitigation measures and international practice. Some of the key conventions on air quality and climate change, biodiversity and protection of ecology and habitats, cultural heritage, public consultation and waste management are listed in Table 6-3, together with a note, for information only, on whether the Azerbaijan government has signed, acceded or ratified² them.

Table 6-3: Relevant International and Regional Agreements

Title	Status
1952 International Plant Protection Convention (amended in 1997)	Ratified
1955 European Cultural Convention	Ratified/ membership
1957 Agreement on the International Carriage of Dangerous Goods by Road (amended in 1975 and 2009)	Acceded
1971 Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar), 1982 Protocol and 1987 Amendment to the Convention ³	Ratified
1972 European Convention on Protection of World Cultural and Natural Heritage	Ratified
1979 Convention on Long Range Transboundary Air Pollution (Geneva Convention)	Ratified
1979 Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention)	Not a signatory
1979 Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention)	Ratified
1979 Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	Entered into force
1985 Vienna Convention for the Protection of the Ozone Layer	Acceded

² Signing expresses an intention in principle to become a party to a convention; ratification or accession legally obliges the ratifying state to apply the convention.

³ While Azerbaijan has ratified the Ramsar Convention, no list of signatories or ratifications of the 1982 Protocol and the 1987 Amendment could be found.

Title	Status
1985 Convention for the Protection of the Architectural Heritage of Europe	Ratified/ membership
1987 Montreal Protocol on Substances that Deplete the Ozone Layer and subsequent amendments (1990 London Amendment, 1992 Copenhagen Amendment, 1997 Montréal Amendment) ⁴	Ratified except for the Montreal Amendment which has been approved
1989 Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel)	Ratified
1991 Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention)	Ratified
1992 Convention on Biological Diversity (Rio Convention)	Ratified
1992 United Nations Framework Convention on Climate Change	Ratified
1992 Convention on the Transboundary Effects of Industrial Accidents	Accession
1992 European Convention on the Protection of the Archaeological Heritage (La Valetta)	Ratified
1992 UNECE Conventions on the Protection and Use of Transboundary Watercourses and International Lakes (amended 2003)	Ratified
1994 United Nations Convention to Combat Desertification	Ratified
1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change	Ratified
1997 International Plant Protection Convention	Entered into force in 2000
1998 Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (Aarhus Convention) and 2003 Protocol on Pollutant Release and Transfer Registers	Ratified 2003 Protocol Not a signatory to 1998 Convention
1998 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (amended 2008)	Not a signatory
2001 Stockholm Convention on Persistent Organic Pollutants (amended in 2009)	Acceded 2004
2003 Convention for the Safeguarding of the Intangible Cultural Heritage	Ratified
2003 Framework Convention for the Protection of the Marine Environment of the Caspian Sea (Tehran Convention)	Ratified
2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions	Acceded

6.5 National Legal and Administrative Framework

The Republic of Azerbaijan is divided into 70 administrative and territorial units (districts) and the Nakhchivan Autonomous Republic consisting of an additional eight districts. All central government bodies are located in Baku, the capital city. The principal administrative functions in each district are performed by local executive bodies.

The Ministry of Ecology and Natural Resources (MENR) has primary responsibility for environmental regulation. The MENR's statutes were adopted by presidential decree in 2001, making this body responsible for:

- Development of draft environmental legislation for submission to the Azerbaijan Parliament (*Milli Mejlis*)
- Implementation of environmental policy

⁴ Azerbaijan has not ratified the 1999 Beijing Amendment of the Montreal Protocol.

- Enforcement of standards and requirements for environmental protection
- Suspension or termination of activities not meeting set standards
- Advising on environmental issues
- Expert review and approval of environmental documentation, including ESIA's
- Implementation of the requirements set out in international conventions ratified by the Republic of Azerbaijan (within its competence).

Other ministries and committees have functions that relate to environmental regulation including:

- Ministry of Emergency Situations (MES): responsible for the management of natural disasters and industrial accidents and the implementation of safety rules in construction, mining and industry. MES (along with the State Oil Company of the Republic of Azerbaijan (SOCAR), MENR and other appropriate Ministries) require prompt notification in the event of an emergency, or accident
- Ministry of Health: state institution controlling the sanitary-epidemiological situation in the country and regulation of health protection in the work place
- Ministry of Fuel and Energy: responsible for oil and gas activities, the sale of oil and gas products, and the efficient utilisation of Azerbaijan's energy resources.

Various government bodies share responsibility for most social issues, with the following groups playing a more pertinent role:

- State Committee of Land and Cartography
- State Labour Inspection
- Ministry of Health
- Ministry of Ecology and Natural Resources
- State Committee for Architecture and Construction
- Municipalities and the local executive authorities.

6.5.1 National Legislation and Permitting Requirements

National laws are not strictly applicable to the SCPX Project as it is governed by the HGA, which supersedes national regulatory requirements. Pursuant to Article 12.1 of the HGA the applicable environmental, health, safety and social standards and practices for the Project shall be as set forth in Appendix 4 attached thereto and shall be applicable notwithstanding any conflicting standards and practices otherwise required or approved by national legislation.

Furthermore, according to Article 20.2 of the HGA, "...no Azerbaijan Law now or hereafter existing (including the interpretation and application procedures thereof) that is contrary to the terms of this Agreement or any other Project Agreement shall limit, abridge or affect adversely the rights granted to the SCP Participants or any other Project Participants in this or any other Project Agreement or otherwise amend, repeal or take precedence over the whole or any part of this or any other Project Agreement; provided that the Parties recognise that the Constitution takes precedence over this Agreement and any other Project Agreement."

The environmental standards and practices described in the HGA and its Appendix 4, however, do not include the regulatory administrative structure or procedures (including those for licensing, permitting and regulatory approvals) and for those the Project shall refer to national legislation.

There is notable National legislation relating to land lease and acquisition that the Project respects in Azerbaijan which is listed below:

- Law of the Azerbaijan Republic on Land Lease (Law No. No 587)
- Law of the Azerbaijan Republic on State Land Cadastre, Monitoring of Lands and Land Structuring (Law No. 593).

The following examples of National environmental legislation are listed below:

- Law on Environmental Protection. 1999
- Law of the Azerbaijan Republic on Specially Protected Natural Territories and Objects (Law No. 840)
- Decision No. 173 of Cabinet of Ministers of Azerbaijan Republic, Regulations of usage, security and protection of plants not included into the forest fund of Azerbaijan Republic
- Decision No. 636 of Cabinet of Ministers of Azerbaijan Republic, Regulations of bringing to responsibility for the harm inflicted upon forestry
- Law on the Protection of Historical and Cultural Monuments (LPHCM).

The anticipated permitting requirements for the proposed SCPX Project, have taken into account the requirements of the regulatory framework discussed in this chapter, and are presented in Appendix C of the Environmental and Social Management and Monitoring Plan (ESMMP) which can be found in Appendix D of the ESIA.

6.6 BP Corporate Policy

BP is a shareholder of the South Caucasus Pipeline Company Limited - SCPC (consisting of a number of partner organisations) and is the technical operator of the SCP (Statoil is the commercial operator). SCPX Project will be built and operated in conformance with applicable BP corporate policies relating to applicable health, safety, environmental and social matters.

BP's five values⁵ express the company's "shared understanding of what we believe, how we aim to behave and what we aspire to be as an organisation". The five values are:

- Safety
- Respect
- Excellence
- Courage
- One Team.

These values are fulfilled throughout BP's business through the application of various policies and requirements, relevant components of which are described in the subsections below.

6.6.1 BP Code of Conduct

BP corporate policy, specified in the BP Code of Conduct (2012)⁶, sets out the basic rules that BP people must follow and explains how BP values should guide all decisions.

Effective 1 January 2012, the new BP Code of Conduct sets the standards BP works to. It is aligned with the values (described above), group standards and legal requirements, and

⁵ Further information on BP's Values is available at <http://www.bp.com/extendedsectiongenericarticle.do?categoryId=9039352&contentId=7072114>

⁶ BP Code of Conduct (2012) available at <http://www.bp.com/sectiongenericarticle.do?categoryId=9038306&contentId=7006600>

clarifies the ethics and compliance expectations for everyone who works at BP. The Code reflects a values-based approach, where rules are not stated explicitly and everyday business decisions will be guided by our values.

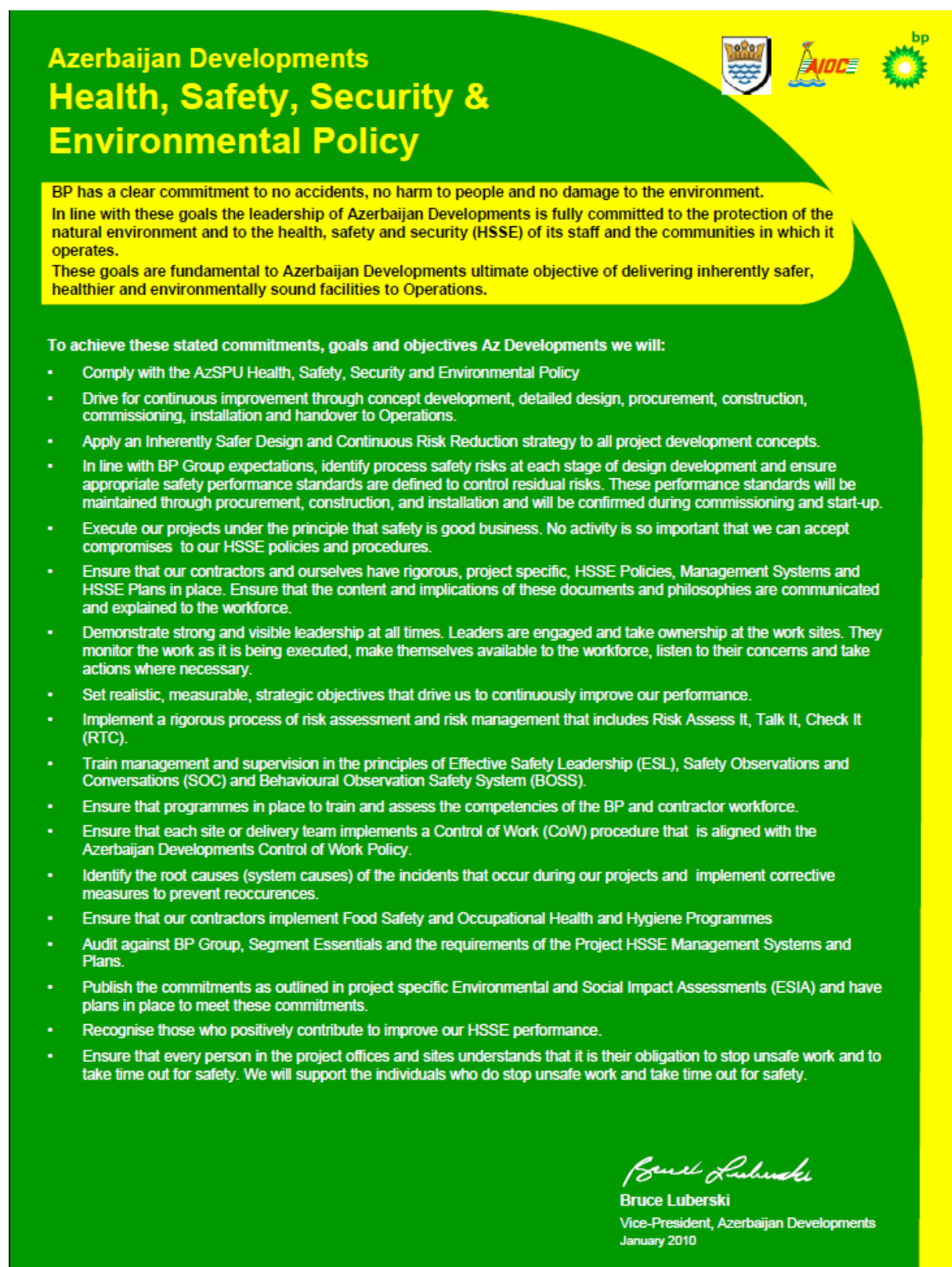
The main structure of the Code remains the similar to the previous version, with sections covering health, safety and the environment; our people, our partners and suppliers, governments and communities; and protecting BP's assets. A new section, 'Living our Code', is designed to help people make decisions when faced with dilemmas where there are no clear rules to follow.

The Code of Conduct applies to all BP activities worldwide and focuses on five areas:




- **Operating safely, responsibly and reliably** – including provisions regarding protection of the natural environment, the safety of communities in which BP operates, and the health, safety and security of BP's people
- **Our people** – encompassing fair treatment and equal opportunities, providing guidance for dealing with cases of harassment or abuse and for protecting privacy and employee confidentiality
- **Our business partners** – containing detailed guidance on giving and receiving gifts and entertainment, conflicts of interest, competition, trade restrictions, money laundering and working with suppliers
- **The governments and communities we work with** – covering such areas as bribery, dealing with governments, community engagement, external communications and political activity
- **Our assets and financial integrity** – providing for accurate and complete records and reporting, protecting company property, intellectual property, insider trading and digital systems.

6.6.2 HSSE Policy Commitment

BP's commitment to health, safety, security and environmental performance in the Caspian region is outlined in Figure 6-1.



**Azerbaijan Developments
Health, Safety, Security &
Environmental Policy**

BP has a clear commitment to no accidents, no harm to people and no damage to the environment. In line with these goals the leadership of Azerbaijan Developments is fully committed to the protection of the natural environment and to the health, safety and security (HSSE) of its staff and the communities in which it operates. These goals are fundamental to Azerbaijan Developments ultimate objective of delivering inherently safer, healthier and environmentally sound facilities to Operations.

To achieve these stated commitments, goals and objectives Az Developments we will:

- Comply with the AzSPU Health, Safety, Security and Environmental Policy
- Drive for continuous improvement through concept development, detailed design, procurement, construction, commissioning, installation and handover to Operations.
- Apply an Inherently Safer Design and Continuous Risk Reduction strategy to all project development concepts.
- In line with BP Group expectations, identify process safety risks at each stage of design development and ensure appropriate safety performance standards are defined to control residual risks. These performance standards will be maintained through procurement, construction, and installation and will be confirmed during commissioning and start-up.
- Execute our projects under the principle that safety is good business. No activity is so important that we can accept compromises to our HSSE policies and procedures.
- Ensure that our contractors and ourselves have rigorous, project specific, HSSE Policies, Management Systems and HSSE Plans in place. Ensure that the content and implications of these documents and philosophies are communicated and explained to the workforce.
- Demonstrate strong and visible leadership at all times. Leaders are engaged and take ownership at the work sites. They monitor the work as it is being executed, make themselves available to the workforce, listen to their concerns and take actions where necessary.
- Set realistic, measurable, strategic objectives that drive us to continuously improve our performance.
- Implement a rigorous process of risk assessment and risk management that includes Risk Assess It, Talk It, Check It (RTC).
- Train management and supervision in the principles of Effective Safety Leadership (ESL), Safety Observations and Conversations (SOC) and Behavioural Observation Safety System (BOSS).
- Ensure that programmes in place to train and assess the competencies of the BP and contractor workforce.
- Ensure that each site or delivery team implements a Control of Work (CoW) procedure that is aligned with the Azerbaijan Developments Control of Work Policy.
- Identify the root causes (system causes) of the incidents that occur during our projects and implement corrective measures to prevent reoccurrences.
- Ensure that our contractors implement Food Safety and Occupational Health and Hygiene Programmes
- Audit against BP Group, Segment Essentials and the requirements of the Project HSSE Management Systems and Plans.
- Publish the commitments as outlined in project specific Environmental and Social Impact Assessments (ESIA) and have plans in place to meet these commitments.
- Recognise those who positively contribute to improve our HSSE performance.
- Ensure that every person in the project offices and sites understands that it is their obligation to stop unsafe work and to take time out for safety. We will support the individuals who do stop unsafe work and take time out for safety.



Bruce Luberski
Vice-President, Azerbaijan Developments
January 2010

Figure 6-1: BP Azerbaijan Developments HSSE Policy

6.6.3 BP's Approach to Environmental and Social Management

BP is publicly committed to managing the impacts its operations may have on the environment through the project life cycle approach. This approach aims to assess the sensitivities of the environments in which it operates, and BP's management of potential impacts on those sensitivities, from the beginning to the end of a project.

By being a responsible operator and investing in communities in ways that seek to promote mutual benefits, BP aims to make the socio-economic impact of its activities positive. Economically, the SCPX Project is expected to benefit local communities through creating jobs, tax revenue and opportunities for local suppliers. SCPX will respect human rights, engage with communities affected by the Project and seek to preserve cultural heritage.

6.6.3.1 BP's operating management system (OMS)

BP Group's operating management system (OMS) provides a systematic framework for safe, compliant and reliable activities and continuous performance improvement. It lays out the steps and safeguards BP believes are necessary to maintain responsible operations, including regarding the assessment and management of potential project impacts, whether to land, air, water, flora and wildlife.

Some of the requirements of the OMS are set out in the supporting Group-defined and Group-recommended practices.

All of BP's major operational sites are certified to ISO 14001, the international environmental management system standard, including the South Caucasus Pipeline (SCP).

6.6.3.2 Group defined practice and Group recommended practice

BP has a number of Group defined practices (GDP) that establish requirements and standards within BP and a set of Group recommended practices (GRP) that provide further guidance and recommendations.

The following GDP and GRP are of particular relevance to the Project and will be implemented:

- GDP 3.6-0001 Environmental and Social Requirements for New Access Projects, Major Projects, International Protected Area Projects and Acquisition Negotiations GDP ("Environmental and Social GDP"). This practice aims:
 - To help projects identify potential environmental and social impacts, and to use this information in reducing risks
 - Be the primary and most efficient mechanism to help projects deliver external environmental and social commitments
 - Codify experience and learning, from BP and industry experiences, of managing environmental and social issues. This helps projects to benefit from more efficient and consistent impact identification and management.
- GRP 3.6-0001 Environmental and Social Recommendations for Projects ("Environmental and Social GRP"). This supports the GDP 3.6-0001 described above and provides recommendations on the management of environmental and social impacts from projects
- GRP 7.1-0001 Legal and Regulatory HSSE Compliance. This GRP sets out recommendations regarding how to develop, implement and maintain effective and fit for purpose (risk-based) HSSE legal and regulatory compliance management processes.

The Environmental and Social GDP and GRP have been developed with regard to international standards and guidelines that represent good practice in the energy industry,

including pipelines. Therefore, SCPX has considered them during preparation of the ESIA and when defining mitigation measures and practices.

BP contributed to the establishment of industry standards for the provision of security with respect for human rights, called the Voluntary Principles on Security and Human Rights (the VPs). The VPs were created in 2000 by the UK and US Governments, Amnesty International and Human Rights Watch among other NGOs, and several extractive industry companies. BP has committed to implement the VPs and has published internal and external guidance (the 'BP Voluntary Principles on Security and Human Rights' (2008)⁷ and BP Voluntary Principles on Security and Human Rights (2005)⁸) on conducting risk assessments, working with public security, and working with private security.

In addition, BP's own policies support the principles of the International Labour Organization (ILO) conventions, such as the ILO conventions on basic labour rights (i.e. the right to freedom of association and collective bargaining, and the elimination of forced labour, child labour and discrimination), and the United Nations Universal Declaration of Human Rights.

⁷ BP (2008) Voluntary Principles on Human Security and Human Rights. Implementation Guideline

⁸ BP (2005) Voluntary Principles on Human Security and Human Rights. A Guidance Note available at: http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/BP_Human_Rights_2005.pdf