

# BP in Azerbaijan Sustainability Report 2015

[bp.com/caspian/report](http://bp.com/caspian/report)



## Building a stronger, safer BP



# About our report

This report covers the calendar year ending 31 December 2015. In some instances significant events from 2016 have been included.

Unless otherwise specified, the text does not distinguish between the activities of BP p.l.c. and those of its subsidiaries and affiliates. References in this report to 'us', 'we' and 'our' relate to BP in Azerbaijan unless otherwise stated. When we cite 'BP in Azerbaijan' we refer to operations in Azerbaijan only. If we refer to 'BP AGT' we are including all our activities in Azerbaijan, Georgia and Turkey. Specific references to 'BP' and the 'BP group' mean BP p.l.c., its subsidiaries and affiliates.

All dollar amounts are in US dollars and if translated from other currencies reflect the exchange rate at the moment the funds were committed. All gas volumes are indicated in standard cubic metres or standard cubic feet.

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

## Cautionary statement

BP in Azerbaijan Sustainability Report 2015 may contain forward-looking statements relating, in particular, to recoverable volumes and resources, capital, operating and other expenditures, and future projects. Actual results may differ from such statements depending on a variety of factors including supply and demand developments, pricing and operational issues and political, legal, fiscal, commercial and social circumstances.

BP in Azerbaijan  
Sustainability Report 2015



Building a stronger, safer BP

### Front cover imagery

Rahman Rahmanov, Shah Deniz 2 topsides project manager talks to his colleague about the work at Amec-Tekfen-Azfen yard, where the two bridge linked platforms are being fabricated.

# What's inside?

BP in Azerbaijan Sustainability Report 2015 covers our business performance, environmental record and wider role in Azerbaijan during 2015. It is our 13<sup>th</sup> sustainability report and reflects feedback we received about previous reports.



We have reviewed BP in Azerbaijan Sustainability Report 2015 in order to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Azerbaijan are supported by evidence or explanation. Our scope of work and conclusions can be found on page 35.

Ernst & Young  
Introduction to the assurance process

## Overview

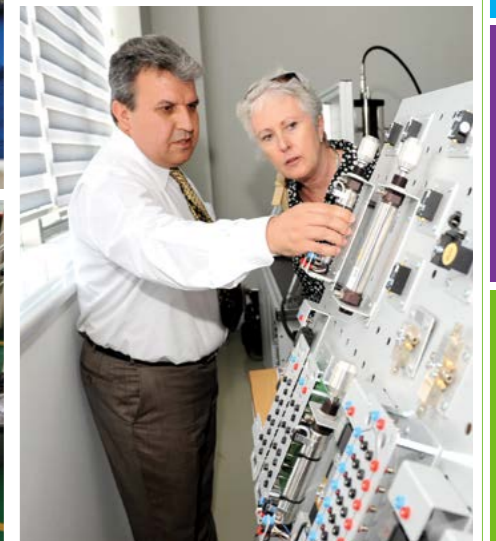
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# Introduction by our regional president



“ Our aim is to maintain a business that is resilient and sustainable in challenging times and continues to benefit all our stakeholders, including society at large. ”

Gordon Birrell

It is my great pleasure to introduce the annual BP in Azerbaijan Sustainability Report. This is the 13<sup>th</sup> year we have produced this publication as part of our long-standing commitment to inform wider society about our activities in the country.

BP continued to operate the huge oil and gas projects in Azerbaijan safely and reliably in 2015 and these projects have significantly contributed to the country and region's economic growth. Azeri-Chirag-Deepwater Gunashli (ACG) – the largest oilfield in the Azerbaijan sector of the Caspian – continued to produce efficiently, averaging a daily rate of about 634 thousand barrels.

Working closely with the government of Azerbaijan, the State Oil Company of Azerbaijan and other partners, we continued to focus on production performance towards maximizing production from ACG. With future continual major investments in new technologies and facilities, we believe this field can continue to produce as a world-class reservoir for many years.

Shah Deniz Stage 1 reliably delivered plateau production throughout 2015, with 9.9 billion standard cubic metres of gas and about 18.3 million barrels of condensate produced. Our technical expertise and ongoing maintenance of the facilities has helped Shah Deniz provide a consistently secure and reliable supply of gas to the region and in 2015 we achieved almost 100% plant reliability.

As a safe and reliable operator in the Caspian, we have the unique experience and expertise to deliver large-scale complex projects in this basin. In 2015 we made good progress on the Shah Deniz Stage 2 and South Caucasus Pipeline Expansion projects. By the end of the year, about 20,000 people were involved

in construction activities across all main contracts and more than 80% of them were Azerbaijani nationals. The project is over 66% complete and remains on target.

Safety remains our top priority in whatever we do and we continued our good safety track record in 2015. Our recordable injury frequency dropped during the year remaining low by industry standards. We also managed to decrease our total vehicle accident rate by 42%. At the same time we had several high potential events – an incident or near miss which could have resulted in a health, safety, security or environmental major incident – during the year. We learned lessons from these events and are committed to keeping our focus on safety.

We have been privileged to operate major oil and gas projects on behalf of Azerbaijan and being a good corporate citizen is an important part of this activity. We strive to bring tangible and sustainable benefits to the society and to communities where we work. Besides generating revenue, these benefits include creating jobs and building skills, providing opportunities for local enterprises and supporting local development initiatives.

Together with our co-venturers in Azerbaijan, we remain committed to supporting the development of the local market – through enterprise development and training programmes and by increasing the local content in our projects. In 2015, we signed new long-term contracts worth more than \$1 billion with 131 local companies.

We continued our co-operation with SOCAR in support of our commitment to develop national employees involved in BP-operated projects. By the end of 2015, 88% of mid-level managers working for BP in Azerbaijan were nationals.

The number of Azerbaijani senior level managers reached 275, which is almost 20% increase from the previous year.

As an official partner of 2015 Baku European Games, we shared the nation's excitement and passion for success. We sponsored six Azerbaijani athletes as BP ambassadors; sponsored the Games Academy to develop youth from Azerbaijan and Europe for the efficient delivery of major events; and supported an elite athlete development and coaching programme for Azerbaijani athletes.

Across all of our achievements, milestones and challenges, our aim is to maintain a business that is resilient and sustainable in challenging times and continues to benefit all our stakeholders, including society at large.

I hope you find this report interesting and useful. As always, it is shaped by what we hear from our stakeholders. So we welcome your comments and suggestions.

Gordon Birrell  
Regional president  
BP Azerbaijan-Georgia-Turkey region  
13 June 2016

# Achievements and challenges

In this section we summarize the main achievements and challenges for BP in Azerbaijan in 2015.

## 2015

### 13 February

Central Azeri platform marked the 10<sup>th</sup> anniversary of the start of production.

### 14 April

The Milli Majlis (Parliament) of Azerbaijan ratified the shallow water Absheron peninsula production sharing agreement.

### 25 May

Baku-Tbilisi-Ceyhan celebrated the 10<sup>th</sup> anniversary of the pipeline inauguration and line-fill commencement.

### 29 June

South Caucasus Pipeline expansion project started mainline construction in Azerbaijan.

### 3 September

3000<sup>th</sup> tanker loaded with BTC oil sailed away from the Ceyhan marine terminal in Turkey.



Tanker loading process at Ceyhan Marine terminal jetty.

## Achievements

### Operations and business development

The Shah Deniz Stage 2 project made a very good progress in 2015 with a number of milestones achieved ahead of schedule. See page 10.

We successfully delivered three turnaround programmes on West Azeri, Chirag and Shah Deniz. See page 12.

The 2D seismic survey in the SWAP contract area was safely completed in December 2015. See page 12.

### Employees

The number of senior level national employees of BP in Azerbaijan reached 275, having grown by 20% over the year. See page 14.

### Safety

Our recordable injury frequency has dropped by 11% and our total vehicle accident rate decreased by 42% compared to 2013. See page 20.

### Environment

We substantially reduced the amount of flaring at our facilities, bringing it down to 2%. See page 24.

We achieved a four-fold drop in the amount of hazardous waste generated from our operations. See page 25.

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

Read about our history in the Caspian at [bp.com/caspian/history](http://bp.com/caspian/history)

## Enterprise development

Together with our co-venturers in Azerbaijan, we signed new long-term contracts with 131 local companies in 2015, worth about \$1.09 billion. See page 29.

## Challenges

### Safety

Eight high potential incidents were recorded in 2015. See page 20.

# BP in Azerbaijan at a glance

## Our structure, organization, assets and history

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

### BP in Azerbaijan, Georgia and Turkey

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

### Legal structure

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

### Business structure

At the end of 2015, the regional leadership team led by the regional president consisted of 16 vice presidents, the chief procurement officer, the assistant general counsel, the head of planning and commercial operations, and the head of control and financial operations for Azerbaijan, Georgia and Turkey.

### Registered address

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

### Employees

At the end of 2015, the number of people permanently employed by BP in Azerbaijan was 3,150 of whom 2,735 were Azerbaijani citizens.

### South Caucasus Pipeline (SCP)

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

Throughput capacity:  
**19.8 million** cubic metres per day  
Average throughput in 2015:  
**18.6 million** cubic metres of gas per day

### Western Route Export Pipeline (WREP)

A 829km pipeline linking Sangachal terminal to Supsa on Georgia's Black Sea coast.

Throughput capacity:  
**106 thousand** barrels per day  
Crude oil transported in 2015:  
**31.4 million** barrels

### Baku-Tbilisi-Ceyhan (BTC)

A 1,768km oil pipeline linking Sangachal terminal to Ceyhan marine terminal in Turkey

Throughput capacity:  
**1.2 million** barrels per day  
Crude oil transported in 2015:  
**262.8 million** barrels

### Sangachal terminal

An integrated oil and gas processing terminal south of Baku

Processing capacity: **1.2 million** barrels of oil and **49.3 million** cubic metres of gas per day  
Working storage capacity: **3.2 million** barrels

### Shah Deniz

Gas production and development  
**1** production platform  
About **9.9 billion** cubic metres produced in 2015

### Azeri-Chirag-Deepwater Gunashli (ACG)

Oil production and development  
**6** production platforms  
Over **231 million** barrels produced in 2015

### Local spend in Azerbaijan

**\$1.54 billion** is our joint in-country operations-only expenditure with local suppliers in 2015

### Shallow water Absheron

Prospective structure

Production sharing agreement with SOCAR ratified by Parliament in 2015  
The **2D seismic** survey in the SWAP contract area was safely completed in December 2015

### Shafag-Asiman

Exploration area

**3D seismic** dataset interpretation completed in 2015

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

**\$58.4 billion**

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

**\$70.2 million**

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



**2.8 billion**

Barrels of oil were produced by ACG from first oil in 1997 to the end of 2015.



**67.7 billion**

Cubic metres of total gas were produced by Shah Deniz from first gas in 2006 to the end of 2015.



**10**

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





# Our operations

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



BP employees discuss the work on the bridge connecting the Deepwater Gunashli platforms.

## Operating safely and reliably

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

A platform technician is seen behind the equipment on the Deepwater Gunashli platform.



Production at ACG started in 1997 from the Chirag section. It now also includes the Central, West and East Azeri, Deepwater Gunashli and West Chirag sections. At the end of 2015, a total of 91 oil wells were producing, and 42 wells were used for gas or water injection.

ACG production continued at about the same level as in 2014. In 2015 we produced an average of 634 thousand barrels per day (more than 231 million barrels or 31.3 million tonnes in total) from the ACG complex.

We also delivered around 8.9 million cubic metres per day of ACG associated gas to the State Oil Company of the Republic of Azerbaijan (SOCAR) which equates to 3.2 billion cubic metres in total.

We continued to focus on production performance targets and plans, working closely with the government of Azerbaijan, SOCAR and other partners towards optimizing ACG production. With future continual major investments in new technologies and facilities, the field can continue to produce as a world-class reservoir for many years.

In 2015, we spent approximately \$760 million in operating expenditure and \$1.9 billion in capital expenditure on ACG activities.

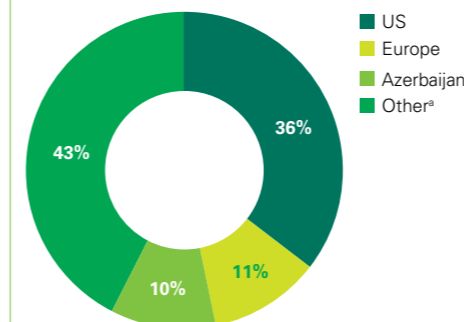
Production continued at the Azeri-Chirag-Deepwater Gunashli (ACG) oil and Shah Deniz gas fields throughout 2015.

### Azeri-Chirag-Deepwater Gunashli

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

### Net share of liquids production by BP subsidiaries around the world

2015	oil	gas
US	379	1528
Europe	121	266
Azerbaijan	111	219
Other	451	3483



In total, 971 thousand barrels of crude oil and 88 thousand barrels of natural gas liquid per day, excluding equity accounted entities.

\*Other includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia.

### Azeri-Chirag-Deepwater Gunashli oil production (mmbbl – million barrels; mmte – million tonnes)

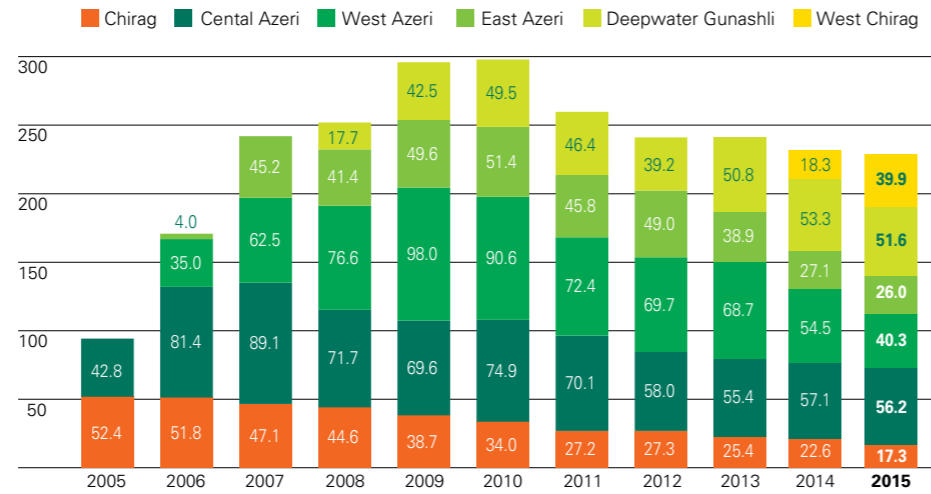
Platform	Start of production	Unit of measurement	From the start of production till the end of 2015	2014	2015
Chirag	November 1997	mmbbl	666.1	22.6	<b>173</b>
		mmte	90.0	3.1	<b>2.3</b>
Central Azeri	February 2005	mmbbl	729.2	57.1	<b>56.2</b>
		mmte	98.5	7.7	<b>7.6</b>
West Azeri	December 2005	mmbbl	668.1	54.5	<b>40.3</b>
		mmte	90.4	7.4	<b>5.4</b>
East Azeri	November 2006	mmbbl	378.5	27.1	<b>26.0</b>
		mmte	51.1	3.7	<b>3.5</b>
Deepwater Gunashli	April 2008	mmbbl	351.0	53.3	<b>51.6</b>
		mmte	47.6	7.2	<b>7.0</b>
West Chirag	January 2014	mmbbl	58.2	18.3	<b>39.9</b>
		mmte	7.9	2.5	<b>5.4</b>
Total		mmbbl	2851.1	232.8	<b>231.3</b>
		mmte	385.6	31.5	<b>31.3</b>





▲ A view of the West Chirag platform from the crew transfer vessel.

### Oil production from Azeri-Chirag-Deepwater Gunashli, 2005-2015 (million barrels)



### Shah Deniz

The Shah Deniz (SD) gas field was discovered in 1999. It is 70km offshore and lies beneath water depths ranging from 50-600 metres. The field has a reservoir depth of more than

1,000 metres and is 22km long. SD is geologically challenging and highly pressured with multiple reservoir horizons.

In 2015 the SD field continued to provide reliable deliveries of gas to markets in

### Five SD wells

topped the list of BP-operated production wells worldwide by gross daily rate



Azerbaijan, Georgia and Turkey. The field produced 9.9 billion cubic metres of gas and about 18.3 million barrels (2.3 million tonnes) of condensate in 2015. Shah Deniz's current production capacity is 29.5 million standard cubic metres of gas per day, or around 10.8 bcma.

We spent approximately \$482 million in operating expenditure and \$4.37 billion in capital expenditure on Shah Deniz in 2015, the majority of which was associated with the Shah Deniz Stage 2 project.

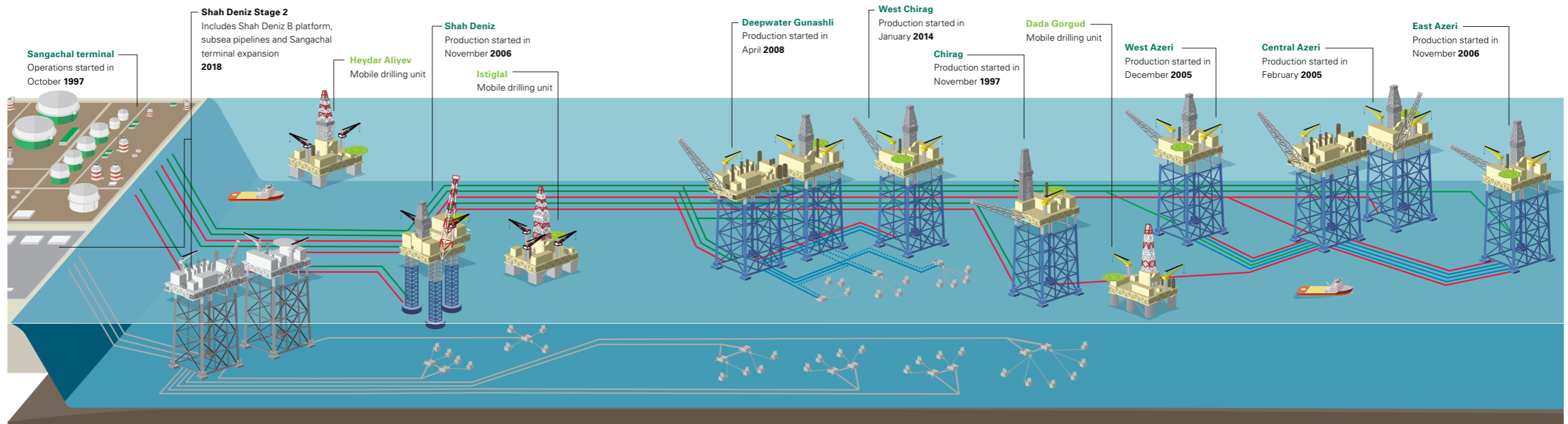
We completed two new production wells in Shah Deniz in 2015. And, five SD wells topped the list of BP-operated production wells worldwide by gross daily rate in barrels of oil equivalent.

### Shah Deniz gas and condensate production

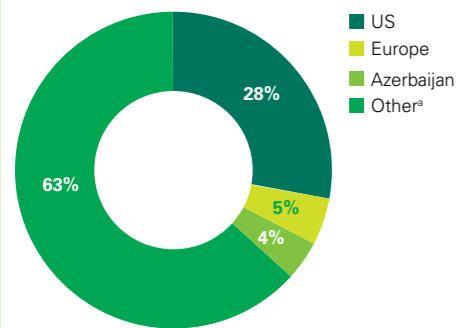
(bcm – billion cubic metres; bcf – billion cubic feet; mmmboe – million barrels of oil equivalent, mmbbl - million barrels, mmte - million tonnes)

	Start of production	Unit of measurement	From the start of production till the end of 2015	2014	2015
SD gas	November 2006	bscm	677	9.9	<b>9.9</b>
		Bscf	2,390.8	348.1	<b>348.8</b>
		mmmboe	412.1	60	<b>60.1</b>
SD condensate	November 2006	mmbbl	136.5	18.7	<b>18.3</b>
		mmte	17.1	2.3	<b>2.3</b>

### Major BP-operated and contracted facilities in the Caspian



### Net share of natural gas production by BP subsidiaries around the world (%)



In total, 5,495 million cubic feet per day, excluding equity accounted entities.  
\*Other includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia.



Left: Pipe lowering activity in Hajigabul district as part of the South Caucasus Pipeline expansion project. Right: Construction of Shah Deniz Stage 2 platform topsides is well underway.



### Shah Deniz Stage 2

Shah Deniz Stage 2 (SD2) is a giant project that will bring gas from Azerbaijan to Europe and Turkey. This will increase gas supply and improve energy security to European markets through the opening of the new Southern Gas Corridor. It is one of the largest gas development projects anywhere in the world.

The project will annually provide for export of 16 billion cubic metres of gas from the Shah Deniz field through some 3,500 kilometres of pipelines to Georgia, Turkey, Greece, Bulgaria and Italy. The project is over 66% complete in terms of engineering, procurement and construction, and remains on target for first gas from Shah Deniz Stage 2 in 2018. First deliveries to Europe are expected in 2020.

By the end of 2015, about 20,000 people were involved in construction activities across all main contracts and more than 80% of them were Azerbaijani nationals. The total cost of the SD2 project and expansion of the South Caucasus Pipeline (SCP) is estimated around \$28 billion.

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

Widespread activities were ongoing at all Azerbaijan's offshore and onshore sites/fabrication yards including the Sangachal terminal, ATA (AMEC/Tekfen/Azfen) yard near Baku, Baku Deepwater Jackets Factory and along the pipeline route. A major milestone was achieved with the shipment of the two hull sections of the Subsea Construction

Vessel Khankendi from Singapore through the Volga-Don canal, arriving safely in Baku to join the bow section, which has now been integrated at the Baku Shipyard. Once completed, this new vessel will be deployed to the Shah Deniz 2 area for the construction of the subsea structures.

In July 2015, the Istiglal rig was transferred to the Caspian Shipyard Company for rig certification and upgrade. The Heydar Aliyev rig completed drilling operations on two wells and started drilling the lower section of a third well in support of the Shah Deniz Stage 2 pre-drill programme. These two rigs have already drilled nine production wells in preparation for the first gas from Shah Deniz Stage 2 and consequent production ramp up. Drilling operations will continue in order to deliver all wells required to reach the planned plateau level.

### Sangachal terminal

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

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

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

### Shah Deniz Stage 2 and the Southern Gas Corridor



In 2015, the Sangachal terminal exported over 296 million barrels of oil and condensate. This included about 261.6 million barrels through the Baku-Tbilisi-Ceyhan (BTC) pipeline, about 31.4 million barrels through the Western Route Export Pipeline (WREP), 2.2 million barrels by rail and about 0.9 million barrels via a condensate export line.

Works on the Sangachal terminal expansion continued in order to provide processing facilities for the SD2 project. A new access road was opened, allowing a safer and more efficient route for the vehicles bringing people, plant and equipment to site. All 16 expansion modules of the central control building were installed and equipment installation and structural steelwork fabrication continued ahead of schedule.

There are nine fabrication and painting shops at four different locations in the Baku area contributing to SD2 onshore facilities. More than 15,000 tonnes of steel and 150,000 metres of the piping required are being fabricated onsite at a custom-built piping fabrication shop and offsite at structural fabrication shops in the area.

All the steel and pipe required for the Sangachal expansion have been fabricated by local yards. And, the project has had a significant impact on local jobs with a 1,200 strong fabrication workforce directly employed by BP on the fabrication portion of the onshore project and a further 340 indirectly employed.

### Baku-Tbilisi-Ceyhan pipeline

The 1,768 km BTC pipeline became operational in June 2006. Since that time up

to the end of 2015, BTC has carried a total of about 2.36 billion barrels (315 million tonnes) of crude oil loaded on more than 3,112 tankers and sent to world markets.

BTC's throughput capacity is currently 1.2 million barrels per day. In 2015, it exported 262.8 million barrels (35 million tonnes) of crude oil loaded on 361 tankers at the Ceyhan terminal in Turkey. In September, BTC celebrated the loading of the 3000th tanker at Ceyhan.

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

80%

of the 20,000 people involved in construction activities were Azerbaijani nationals



### Made in Azerbaijan

all the steel and pipe required for the Sangachal terminal expansion have been fabricated locally





## Shah Deniz Stage 1

Shah Deniz – BP's biggest discovery since Prudhoe Bay in Alaska in 1968.

Developing Shah Deniz Stage 1 involved drilling some of BP's most difficult wells – at depths of around 6,000 metres below sea level and under high pressures. And in only seven years, we also drilled the deepest exploration well in the Caspian to date, built the platform and onshore terminal and laid the 700km South Caucasus pipeline through Azerbaijan and Georgia to the Turkish border.

Our technical expertise and ongoing maintenance of the facilities have helped Shah Deniz provide a consistently secure and reliable supply of gas to the region and in 2015 we achieved almost 100% plant reliability. This has helped to increase production from the existing facilities. Shah Deniz Stage 1 has reliably delivered plateau production throughout 2015, with 9.9 billion standard cubic metres of gas and about 18.3 million barrels of condensate produced.



## South Caucasus Pipeline

The 691km pipeline has been operational since late 2006, transporting Shah Deniz gas to Azerbaijan, Georgia and Turkey. During 2015, its daily average throughput was about 18.6 million cubic metres of gas per day.

We spent about \$475 million in operating expenditure and about \$1.1 billion in capital expenditure on SCP in 2015.

### SCP expansion project

In 2015, SCP expansion (SCPX) activities continued along the pipeline route across Azerbaijan and Georgia. We began the mainline construction in Azerbaijan in June, a major undertaking involving welding approximately 71km of pipe by the end of 2015. Trenching, lowering, laying and backfilling activities began at the end of November and are progressing. More than 60% of the pipe needed for the Azerbaijan section was already in storage at Mugan, Kurdamir, Yevlakh, and Qazanchi pipe yards by the end of the year. We have acquired nearly all of the land needed for the right of way in Azerbaijan.

## Western Route Export Pipeline

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

## Turnaround activity

Turnarounds are planned periods when operating assets are taken out of service to complete essential maintenance, inspections or project work that cannot be performed while the asset is online. As part of the annual work programme, we successfully completed turnarounds on the West Azeri platform in May, on the Shah Deniz platform and the Shah Deniz facility inside the Sangachal terminal in August, and on the Chirag platform in December. These planned breaks are essential for safe and reliable operations over the long term.

## Exploration

BP has an exploration contract in place with SOCAR to jointly explore for and develop potential prospects in the shallow water area around the Absheron Peninsula (SWAP). The contract area is located to the south of the peninsula in the water depths up to 40 metres. Its potential reservoir depth is 3,000-5,000 metres.

In 2015, the parliament of the Republic of Azerbaijan ratified the SWAP production sharing agreement enabling BP to bring its experience and advanced technology solutions from shallow water areas around the world to the Caspian. The 2D seismic survey in the SWAP contract area was safely completed in December 2015 and we have begun planning for a 3D seismic acquisition programme for the contract area.

In addition, BP completed the interpretation of the seismic dataset for the Shafag-Asiman block which lies some 125km (78 miles) south-east of Baku. This represents 18 months of work and will be followed by another year of planning for the first exploration well. The Shafag-Asiman is located in deepwater section of about 650-800 metres and has a reservoir depth of around 7,000 metres.

# Our people

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



▶ We invest in training young people who have little or no prior work experience, attract new talent and offer varied development and career opportunities to employees throughout their careers.



# Managing our workforce

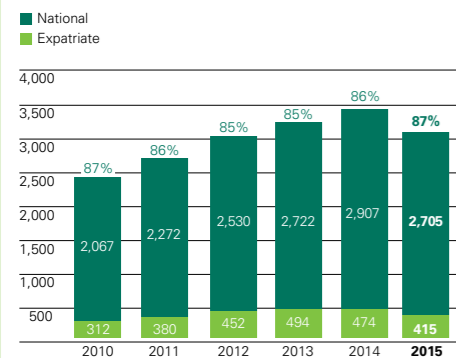
Our aim is to develop the capabilities of our workforce with a focus on the skills required to maintain safe and reliable operations.

Our employees discuss work in the Sangachal terminal process area.

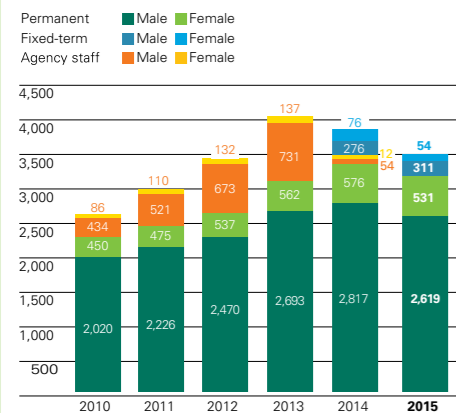


## Permanent professional staff of BP in Azerbaijan

This chart also shows the percentage of national citizens



## BP employees and agency staff based in Azerbaijan



BP's performance depends on having a highly-skilled, motivated and talented workforce. We are committed to respecting individual differences and giving all our employees equal access to opportunities.

In 2015, taking into account tough market conditions, we made efforts to improve our competitiveness and searched for opportunities to remove unnecessary organizational complexity. We reviewed our structure to align it with BP's goal of becoming a more focused company and as a result some national and expatriate employees were made redundant during the course of the year. BP's overall headcount in Azerbaijan decreased by 260 over the year to 3,485 employees by the end of the year. This includes 3,120 permanent employees, of which 2,705 were nationals. A further 30 nationals were on overseas assignments.

## Developing a national workforce

Building a strong national workforce in Azerbaijan remains one of our key priorities and we have a five-year nationalization plan to increase the proportion of national staff in our business with an ultimate target of reaching 90% by the end of 2018. We invest in training young people who have little or no prior work experience, attract new talent and offer varied development and career opportunities to employees throughout their careers.

In previous years we have focused our nationalization efforts on BP's permanent employees in Azerbaijan. However our agreements with SOCAR and nationalization commitments now include both permanent and fixed-term professional employees. For

legal reasons, the temporary agency workforce that we recruit as needed to meet operational requirements were mostly transferred to fixed-term BP contracts in 2014, and all BP employees – whether fixed-term or permanent – now come within scope.

By the end of 2015, the percentage of national citizens among professional staff of BP in Azerbaijan was 84%, compared to 82% a year ago. If we consider only permanent employees, this number would be 87%, also a slight increase on 2014.

The number of national senior level managers at BP in Azerbaijan reached 275 in 2015. This represents 48% of the total senior managers working in the local office – an almost 20% increase compared to the previous year. Of these, about 21% were female and mostly working in finance and human resources. During 2015, a further 30<sup>a</sup> Azerbaijani employees were on assignments in senior positions in other countries.

88% of mid-level managers (454 out of 516) working for BP in Azerbaijan were nationals. Additionally, 29 nationals were on mid-level assignments abroad during 2015.

<sup>a</sup>This number should not be confused with the 30 employees on overseas assignments cited in the 2<sup>nd</sup> paragraph. There was a total of 30 employees still on assignment as of 31 December, and almost 80 who were on assignment during the year, of which 30 were senior level.

## The pursuit of high standards – Aynur Alizade

A varied career has helped Aynur Alizade, regional performance manager for BP's global operations organization, to become one of the most senior women in BP Azerbaijan.

As a member of the regional operations leadership team, Aynur is the key person to monitor, illuminate and follow-through on performance of operations. "My objective is to systematically improve performance and the quality of work and to reduce risk in our operations. To do this we need to implement standardized performance management systems, processes and tools across all teams and departments," says Aynur.

Aynur is also expected to contribute to plant and export efficiency by overseeing performance management of BP's offshore and onshore assets in Azerbaijan, including platforms, rigs, onshore oil and gas terminal and export pipelines. "We need to work towards our production targets without compromising safety and reliability."



## Five-year nationalization plan

A five year nationalization plan was signed in November 2013 between BP in Azerbaijan and SOCAR. It outlines nationalization targets both on total and functional levels on a yearly basis from 2014 to 2018. It also includes the individual current and future expatriate roles nationalization timelines with the planned numbers of national successors.

In September 2014 BP in Azerbaijan signed a memorandum of understanding with SOCAR on cooperation in the area of recruitment. As part of the nationalization strategy, BP specialists delivered more than 20 out-of-curriculum sessions and provided other educational support to the Baku Higher Oil School students.

BP in Azerbaijan continues supporting its contractors in development and delivery of their nationalization plans. This includes sharing expertise, assistance in preparation of performance indicators and monitoring the implementation as part of their performance reviews.

## Azerbaijan recruitment statistics

The numbers in the table reflect people recently joining the company

	Ad hoc recruitment		Graduate recruitment		Total	
	2014	2015	2014	2015	2014	2015
	Female	Male	Female	Male	Female	Male
Business support	4	1	1		5	1
Communications and external affairs		2			2	0
Compliance and ethics	1	1			2	0
Engineering	3		2	2 7	5	7
Finance			1		0	1
Health, safety, security and environment	7			1 1	9	0
Human resources	5	2	1	2	9	1
Information technologies and services					0	0
Operations	2	11	2	17	13	19
Procurement and supply chain management				1 3	4	0
Projects	2	8	5		10	7
Subsurface		3	1 1	2 3	1 2	8 5
Tax	1	1	1		2	1
Wells	1	4	2	2 5	1	12 3
Total graduates				10 19	1 10	29 11
Total PREP graduates				4 41	2 13	45 15
Total ad hoc	16	43	4	30	59	34
Technicians recruitment	1	112	54		113	54





▲ A student talks to a BP employee at our stand during the Oil and Gas show in 2015.

## Recruitment

BP aims to create and sustain a positive work environment, where employees treat each other with respect and dignity, and are able to unlock their full potential. We are committed to meritocratic recruitment and promotion processes.

We regularly monitor and review our recruitment processes to check they are transparent and efficient. In addition a UK-based independent agency regularly conducts a global survey testing the quality of our recruitment practices. BP in Azerbaijan has received higher than average scores in almost all areas covered compared to other BP businesses across the globe.

We received about 3,200 applications to our annual graduate and intern recruitment programme in 2015. In the end, we hired 28 summer interns and 38 new graduates. Of these, we recruited 23 graduates to our Challenge programme as permanent BP employees and the remaining 15 received places on our petro-technical learning programme (PREP). For more information about Challenge and PREP programmes see page 17.

We ran a technicians recruitment campaign and recruited 54 Azerbaijani technicians as a result. Before being deployed to offshore or onshore sites newly recruited technicians enroll on an intensive 12-month English language and technical training programme at the Caspian Technician Training Centre.

All ad-hoc vacancies at BP in Azerbaijan are advertised on *bp.com/caspian*. In 2015, we received more than 10,000 applications for these roles and hired 17 national employees with specific skills required for the roles.

## Employee communication and engagement

### Technicians' forum

The BP technicians' forum continues to be an important means of communication between senior management and our frontline staff – the technicians who work on production platforms, in terminals and along pipelines. We invest in the training and development of technicians, and we realize the importance of regular meetings between this group of employees and top management, where they can provide feedback, share experiences and raise any concerns.

First organized in 2008, we have held 20 fora to date involving around 600 participants in total. We held two in 2015, attended by around 60 BP technicians.

### Listening lunches

Listening lunches bring together members of our regional leadership team with employees from a mix of disciplines for a discussion of business-related subjects. Through the lunches, employees get an opportunity to share their concerns, ask questions and get answers first-hand, while the leadership hears opinions from various layers of the organization. Three listening lunches were held in 2015 with more than 60 employees taking part.

### Loan support programme

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

More than 300 employees successfully applied for loans through the programme in 2015, bringing the total number of recipients to more than 2,400 since the programme began in 2012. Since that time BP has contributed to loans totaling more than \$36.8 million.

### Other activities

Employees who work for BP in Azerbaijan for 10, 15 or 20 years receive long-service awards to mark these anniversaries. The awards are presented by senior management at town hall events. Since 2008, more than 1500 employees have been recognized in this way.

We held five town hall meetings in Baku in 2015, to discuss topical issues. We also use our regional intranet and internal magazine *Compass* to disseminate information. We published four issues of the magazine in 2015 in Azerbaijani and English and distributed them to employees across BP's Azerbaijan, Georgia and Turkey businesses.



Left: BP employee conducts training for new technicians at Caspian Technical Training Centre. Right: We look for opportunities to reinforce our culture of speaking up.



## Learning and development

We provide a range of safety, technical and managerial training programmes for our staff. More than 2,000 training sessions have been held in 2015, with more than 23,000 attendees, 82% of which were held in Azerbaijan.

### Continuing professional education

We provide financial assistance to help our national employees attain additional degrees or certificates in their areas of expertise. We supported a total of 58 employees through this programme in 2015. Of these, 15 undertook postgraduate degree programmes at British educational institutes and a further 43 were able to take advantage of other postgraduate learning opportunities.

### Challenge and petro-technical resource entry programmes

Our global 'challenge' programme has been running within BP in Azerbaijan since 2003. It is intended to develop talented graduates with little previous industry experience that are selected through our annual graduate recruitment programme. During the three-year programme 'challengers' typically fulfil two or three distinct roles.

We launched a petro-technical resource entry programme in 2012 to develop selected graduates who did not qualify for the challenge programme. The 11-month training programme is designed to help these graduates deepen their technical knowledge, business awareness, communication and English skills. The programme is delivered in collaboration with Heriot-Watt University and

TTE-Petrofac.

We recruited 11 graduates as challengers in 2015 and transitioned a further 12 across from the petro-technical resource entry programme, making a total of 23. By the end of the year, we had 155 challengers working in Azerbaijan.

### Caspian Technician Training Centre

The Caspian Technician Training Centre – set up by BP and its co-venturers in the Caspian – works to support the shared goal of promoting nationalization of the workforce in Azerbaijan, Georgia and Turkey. In addition, it acts as a regional centre of technical excellence for BP, with our operations in Oman and Iraq also using its services. Since 2004 about 1,150 technicians have graduated from its foundation programme. In 2015 55 technicians were deployed to BP assets after graduation.

### Other programmes

We continued to offer language training courses to our staff and their eligible family members. By the end of 2015, there were 235 learners taking English lessons and almost 80 studying Azerbaijani. In addition, expatriates are offered talks on Azerbaijani history, culture and traditions.

## Higher scores

In a global evaluation survey we have received higher scores in almost all recruitment practices compared to other BP businesses across the globe.





# Our code of conduct

We define our commitment to high ethical standards in our code of conduct.

Our code of conduct is based on our values and clarifies the principles and expectations for how we work at BP. It covers operating safely, responsibly and reliably; respecting and valuing our people; how we work with our partners and suppliers; protecting BP's assets; and working with governments and communities.

## Ethics and compliance training

We conduct ethics and compliance workshops for employees, contractors and suppliers. Around 2,400 people across Azerbaijan, Georgia and Turkey participated in some 136 face-to-face training sessions in 2015 and a further 3,700 BP employees completed e-learning modules.

Training sessions stressed the importance of speaking up and BP's policy of zero tolerance towards retaliation against those who have spoken up in good faith. Our goal is to create an environment where employees and contractors feel comfortable and safe raising concerns about unethical, unsafe or potentially harmful behaviour.

To maintain employee awareness of ethics and compliance issues, we launched a quarterly newsletter containing statistics and case studies illustrating both misconduct and positive behaviours.

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

In 2015 we continued to focus on raising our business partners' awareness about what we expect of them and the consequences of unethical behaviour. We conducted ethics and compliance training sessions for senior managers of more than 50 supplier companies.

## Speak up culture and disciplinary action

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

OpenTalk, BP's global helpline, is a confidential way in which both employees and third parties can raise concerns. It is administered by an independent company, is available every day of the week at any time, day or night, and can accommodate calls in more than 75 languages.

Issues raised via OpenTalk are reported for assessment and further action, as appropriate.

We look for opportunities to reinforce our culture of speaking up. For example, we identified that the number of concerns raised by our employees in Azerbaijan, Georgia and Turkey was lower than expected. Following a survey, we discovered that employees were not aware of the channels available to raise concerns or were reluctant to use them.

To address this we delivered more than 100 training sessions to employees, contractors and suppliers. The sessions reinforced the importance of ethical behaviour, explained how to raise concerns and outlined our policy of zero tolerance towards retaliation. Since the awareness programme began in 2013, the number of concerns raised in the region increased from 37 to 58 in 2015.

In Azerbaijan, Georgia and Turkey, investigations of misconduct resulted in 42 instances of disciplinary action during 2015, including written warnings and dismissals of BP employees. We plan to implement trainings for team leaders and continue raising awareness on our code of conduct expectations.

## Our values and behaviours

We have five values that express our shared understanding of what we believe, how we aim to behave and what we aspire to be as an organization:

- Safety
- Respect
- Excellence
- Courage
- One Team

Our values and behaviours are the foundation of our code. They define how each of us must act to ensure that BP sustains its reputation and continues to earn the trust that allows us to prosper as a company. At its heart is the message that BP trusts its employees to make the right decisions and speak up when they have questions or concerns. Our goal is to ensure that they translate into responsible behaviour in the work we do every day. The values define what we expect from our employees and are reinforced by our remuneration structure, which connects how individuals are rewarded with how we work at a group, team and individual level.

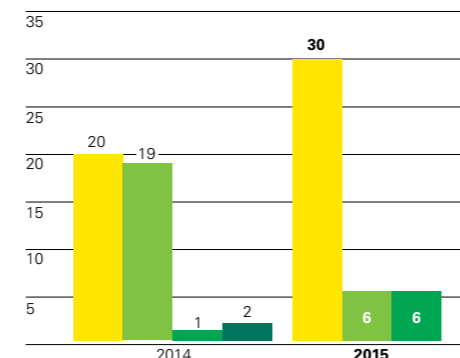
**50**

senior managers of supplier companies have received BP ethics and compliance training



## Disciplinary cases in Azerbaijan (By code of conduct chapter)

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



# Safety

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



Workers in special protective equipment perform drilling operation at the Shah Deniz platform.



# Managing safety

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

## Safety training for local companies

BP organized a safety training session for more than 20 local companies participating in the enterprise development and training programme sponsored by BP and its co-venturers.

The class outlined BP's health, safety and environment expectations and was well attended by top- and mid-level managers and health, safety and environment representatives from engineering, transportation, construction, drilling, fabrication, IT and other businesses. The participants gave very positive feedback and several said they aimed to incorporate the acquired knowledge within their company processes to improve their capability.

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

## Operating management system

Our operating management system (OMS) is a group-wide framework designed to help us manage risks in our operating activities and drive performance improvements.

OMS brings together BP requirements on health, safety, security, the environment, social responsibility and operational reliability, as well as related issues, such as maintenance, contractor relations and organizational learning, into a common management system. It sets out the rules and principles that govern key risk management activities such as inspection, testing, competency development and business continuity and crisis response planning.

We review and amend our group requirements within OMS from time to time to reflect BP's priorities and experience or changing external regulations. Any variations in the application of OMS – in order to meet local regulations or circumstances – are subject to a governance process.

OMS also helps us improve the quality of our operating activities. All businesses covered by OMS undertake an annual performance improvement cycle and assess alignment with the applicable requirements of the OMS framework.

## Safety performance

### Improving operational safety

In total, there were eight high potential incidents in 2015, meaning incidents or near misses which could have resulted in a health, safety, security or environmental major incident. Five of these took place in offshore locations. All incidents were investigated and lessons learned reported and shared.

There was a decrease in the number of losses of primary containment, with six incidents in 2015 (2014 8).

BP's investigation into the Deepwater Horizon accident, the Bly Report, made 26 recommendations aimed at further reducing risk across our global drilling activities. We have completed all 26 recommendations. In doing so, we have acted to enhance blowout-preventer reliability, well control, well integrity and cementing, verification and risk management, drilling capability and training.

The programme has involved significant work both within BP and with our service providers and contractors: developing new standards and enhancing existing standards, carrying out hundreds of audits, site visits to our drilling locations around the world, and training over 3,000 individuals during more than 130 workshop sessions.

## Safety performance of BP in Azerbaijan<sup>a</sup>

	2014	2015
Fatalities	0	0
Day away from work case frequency <sup>b</sup>	0.00	0.01
Recordable injury frequency <sup>c</sup>	0.09	0.08
Total vehicle accident rate <sup>d</sup>	0.83	0.48
Kilometres driven (millions)	24.24	27.32
Hours worked (millions)	32.18	43.64

<sup>a</sup>This table includes BP staff and contractors. BP's injury and illness definitions are the US Occupational Health and Safety Administration definitions and their subsequent interpretation. Data does not include project-only data. The frequency indicators are calculated per 200,000 labour hours worked.

<sup>b</sup>A day away from work case is a work-related injury that causes the injured person to be away from work for at least one normal shift after the shift on which the injury occurred.

<sup>c</sup>Recordable injury is the number of all reported work-related injuries above first aid.

<sup>d</sup>Total vehicle accident rate is the number of reported road accidents per million vehicle kilometres travelled.

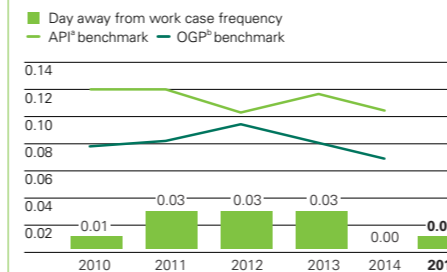


▲ A crane operator performs loading job at the West Azeri platform.

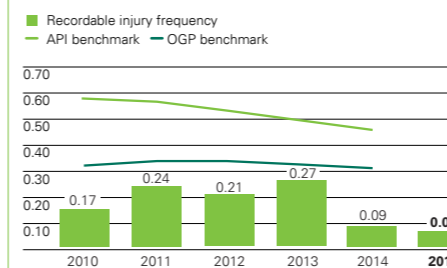


▲ We worked to strengthen our contractors' compliance with safety standards.

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



## Recordable injury frequency (per 200,000 hours worked)



<sup>a</sup> The American Petroleum Institute

<sup>b</sup> The International Association of Oil & Gas Producers

## Health and personal safety

In 2015, our recordable injury frequency dropped to 0.08 (2014 0.09).

We carry out various occupational health and first aid capability, welfare, vaccination and promotion activities in our operations onshore and offshore. We established an occupational health unit for BP personnel at Ganja MediClub Clinic in 2015. The clinic carries out fitness for task assessments and screenings for employees in the western regions of Azerbaijan meaning they no longer need to travel to Baku for these assessments.

## Driving safety

In 2015, our driving activity increased by 13%, with more than 27 million kilometres driven (58 million including kilometres driven by contractors) during the year. Our total vehicle accident rate decreased by 42%.

We worked to strengthen our audit of sites' and contractors' compliance with driving safety standards as well as day-to-day monitoring.

## Audit and verification

Group audit and verification helps us prioritize the safety and reliability of our operations to protect the welfare of our workforce, the environment and local communities.

BP's operations in Azerbaijan were audited twice by BP group in 2015. The scope of these audits included risk management activities for the onshore pipeline operations and marine operations in Azerbaijan and Georgia. Fourteen actions resulted from the marine operations audit and eighteen actions from pipeline validation audit. We are working to close these actions.

BP group also conducted rig audits on Central Azeri, East Azeri and Shah Deniz platforms and Heydar Aliyev and Dada Gorgud drilling rigs. There were 201 actions from these audits and 117 of them were closed during 2015.

By the end of 2015, we had also successfully completed 82% of actions which resulted from a group audit in 2014 of our operations organization. There are also three outstanding actions from 757 raised during previous safety and operational risk audits. These will be closed during 2016-2020.

At the end of 2015, we successfully completed 75% of actions, which resulted from the 2014 operating management system (OMS) group audit of our wells organization, with zero deferrals and overdues.

## Integrity management

We conducted a number of inspections of our facilities in 2015.

We conducted almost 1300 equipment and piping pressure system inspections for the Sangachal terminal and export operations. We finished more than 200 structural/civil inspections of structures, supports and concrete foundations. In addition, we completed more than 180 pipeline inspections across Azerbaijan and Georgia. During the year we finalized corrosion protection surveys and upgrades for midstream facilities. We have spent 70,000 man-hours yearly in the production chemistry area to assure fluid flow, integrity of plant and infrastructure, and quality of export products.

By the end of 2015, more than 20 internal inspections of major hydrocarbon vessels on Azeri and Chirag Platforms were performed on our offshore facilities. We executed our corrosion management and fabric maintenance programmes on all seven platforms as planned. In addition, we performed inspections on different Azeri and Chirag structures by using a remotely operated underwater vehicle.





▲ A group of workers receive emergency response training on board a vessel.

### Security and crisis management

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

BP monitors for, and aims to guard against, hostile actions that could cause harm to our people or disrupt our operations, including physical and digital threats and vulnerabilities. External perimeter protection of BP-operated areas in Azerbaijan, both onshore and offshore, is provided by the state security agencies.

In 2015 we maintained continuous cooperation with the state and private security contractors, which was the crucial part of the assurance over security and integrity of our operations and assets. We organized and hosted the Export Pipelines Security Commissions Annual Forum with the Export Pipelines Protection Department (EPPD), our state partner in protection of operations. The forum also involved representatives from government ministries and executive authorities from the regions crossed by export pipelines. The aim was to discuss current security and safety issues of the assets protection, community relations, and Shah Deniz 2 project expansion security considerations, as well as, share best experiences among security and community stakeholders.

BP supported EPPD with purchasing the second special "KAMAZ" mobile post-patrolling vehicle. It was re-designed and upgraded for challenging weather conditions and off-road areas. In total, these two vehicles have served for 37 days with 888 duty-hours at different points along the pipelines in 2015.

### Crisis management and emergency response

Our crisis and continuity management planning helps to keep our people safe, respond effectively to emergencies and avoid potentially severe disruptions in our operations. BP across Azerbaijan, Georgia and Turkey identifies potential risks on an annual basis and carries out regular exercises to test how prepared our teams are to respond. In 2015 we carried out more than 400 drills and exercises to test our assets' readiness to respond to an incident.

We shared our Offshore Oil Spill Contingency Plan with the Ministry of Environment and Natural Resources and it was accepted by the Ministry of Emergency Situations in 2015.

We have completed an 18 month programme to enhance BP's oil spill preparedness and response capability in Azerbaijan. As part of this programme, we have acquired a substantial amount of new equipment to increase Azerbaijan's in 'in-situ' supply of fire booms, dispersant spray systems, temporary on-water oil storage, boats and decontamination units and shelters, as well as ancillary equipment such as trucks and all-terrain vehicles which would assist in moving equipment safely and quickly. By our assessment, the purchased equipment represents the most effective currently available for offshore and onshore mechanical recovery and containment of oil.

The completion of this programme brings BP in Azerbaijan into conformance with BP group's updated oil spill preparedness and response procedures which requires BP businesses to have sufficient capability to respond to a worst-case oil spill scenario.

### Working with the government

We have further strengthened our cooperation with the Ministry of Emergency Situations during the course of 2015. Representatives from the ministry participated in BP oil spill drills – both desktop and in the field – and BP participated in major emergency response exercise organized by the ministry. In addition, BP participated in an oil spill preparedness and response conference hosted by the Ministry of Emergency Situations to commemorate the 10 year anniversary of its establishment.

# Environment

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



▼ We run a programme for ambient monitoring around the offshore and onshore facilities that are operated by BP in Azerbaijan. We have completed 191 monitoring studies since the programme began in 2004.



# Environmental performance

BP works to avoid, minimize and mitigate environmental impacts wherever we do business.

## Excellence Award in flaring reduction

BP Azerbaijan and SOCAR received a Global Gas Flaring Reduction Partnership (GGFR) Excellence Award in 2015 for the ACG gas flaring reduction project. In 2015 cooperation between BP Azerbaijan and SOCAR resulted in a reduction of the volume of gas flared from 4% to 2%. Activities contributing to this reduction included more efficient use of energy resources and improving consumers' access to energy.



The year was marked by the 15th anniversary of ISO 14001 certification of BP operations in Azerbaijan. The regular surveillance audits covered Central Azeri platform, WREP pipeline, SPS Central Waste Accumulation Area and Serenja Hazardous Waste Management Facility. In October, our operations were successfully re-certified to ISO 14001 standard as a result of the three-yearly re-certification audit, which covered Shah Deniz and Deepwater Gunashli platforms, Advanced Fluids Facility, Sangachal terminal Central Waste Accumulation Area and Seawater Treatment Plant, as well as BP management of drilling using semi-submersible rigs.

## Emissions to the air

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

We manage our emissions through energy efficiency, reductions in flaring and the design of new projects.

In 2015 we emitted about 3.4 million tonnes of gross GHG, which is 16% lower than in 2014. The main reason for this decrease was reduced flaring at Chirag-1 and West Chirag platforms. The largest contributors to our GHG emissions

are Central Azeri platform (22%), ACG part of Sangachal terminal (21%) and Deepwater Gunashli platform (19%).

In 2015 we achieved a substantial reduction in the amount of flaring at our facilities from 413 kt in 2014 to 204 kt in 2015. The main factor contributing to the decrease was the completion of the West Chirag platform commissioning.

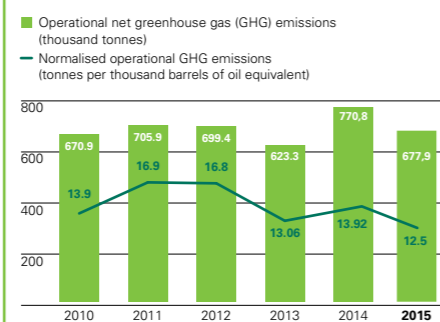
We observed year on year decrease in nitrogen oxides and sulphur oxides emissions – by 1.9% and 3.1% respectively.

## Oil spills

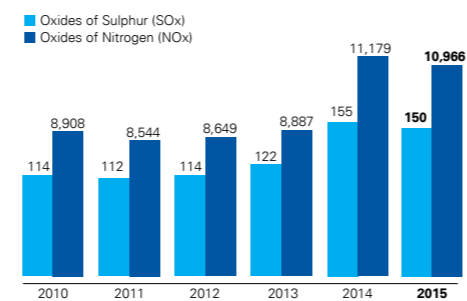
We are working to continuously improve how we control, contain and clean up oil spills should they occur. Though our priority is to prevent oil spills, they can still happen. We take steps to improve our ability to respond to spills, including through simulation exercises, using technology to enhance our response capability and updating our oil spill response plans.

We saw a further decrease in the number of oil spills in 2015. We had two cases, both at Central Azeri platform – a spill of 250 litres of oil and water to the platform deck, of which only 10 litres reached the open environment; and 795 litres of oil-based mud released to sea.

## Net GHG emissions



## Gross non-GHG emissions (tonnes)



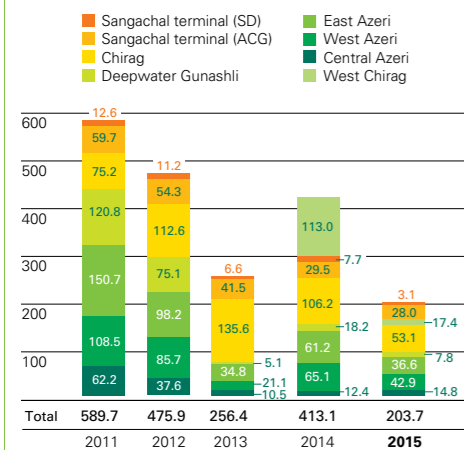
## Energy consumption

	2013	2014	2015
Fuel gas (thousand tonnes)	800.4	949.7	957
Diesel (thousand tonnes)	65.8	83.0	83.3
Electricity import (megawatt hours)	8,074	6,821	10,167

## Generated waste quantities (tonnes)

	2013	2014	2015
Hazardous waste (excluding produced water and sewage)	94,958	314,462	81,314
Non-hazardous waste	15,216	13,535	18,650

## Gross flaring by asset (thousand tonnes)



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

# Waste management

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

BP Azerbaijan generated nearly 100,000 tonnes of hazardous and non-hazardous waste in 2015. The four-fold drop in the volume of hazardous waste results from the suspension of onshore produced water disposal by one of our contractors and our significant reduction in drilling fluids waste.

Our waste recycling and reuse rate reached 54% for both hazardous (44,031 tonnes) and non-hazardous wastes (10,036 tonnes) in 2015. Paper, wood, plastics, metals and oily water are our main recycled waste streams. We processed 48,553 tonnes of drill cuttings at BP's Serenja hazardous waste management facility. As a result, 8,818 tonnes of base oil were recovered, of which 3,705 tonnes were re-used for mud preparation, 984 tonnes were re-used as fuel by the treatment units and 1,738 tonnes were injected into the oil export pipelines.

In addition, we continued our efforts to remove hazardous waste from the Serenja hazardous waste management facility that has accumulated over many years. During the year, we disposed of more than 100,000 tonnes offsite using newly approved disposal routes.

## Drill cuttings

Management of drilled cuttings saw big changes in 2015. We more than doubled the injection of cuttings into re-injection wells at the ACG field reaching over 20,000 tonnes.

Shipments of cuttings from sea to shore grew by 72% to 53,875 tonnes; these were brought to the Serenja hazardous waste management facility.

As a result, the permitted discharges to sea halved to 16,970 tonnes. Discharges to sea, meeting the regulated requirements, are allowed

for drill cuttings with synthetic-based mud (SBM) from the Chirag platform and with water-based mud (WBM) from all other platforms and mobile drilling rigs.

## Sewage

We achieved a significant reduction in the number of sewage treatment plant outages causing releases of untreated sewage offshore. We had four such outages in 2015 compared with 12 in 2014, resulting in a substantial decrease in the volume of untreated sewage to 16 m<sup>3</sup> (204 m<sup>3</sup> in 2014).

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

At the Sangachal terminal, our monitoring of treated sewage showed we did not achieve full compliance between January-May or in November. These issues have since been resolved. Along the export pipelines, an issue with elevated faecal coliforms parameters at the reed beds continued in 2015. We continue to assess water quality in these areas.

## Produced water

Our operations manage significant volumes of wastewater, created, for example, as a result of using water to test vessels or pipelines, or cooling water. We also manage produced water, which is brought to the surface during the



Employees monitor the work process in a control room of Advanced Fluids Facility in SPS area.

production of hydrocarbons. These waters are re-injected back into the oil reservoir or disposed of through other permitted means.

Produced water volumes at the ACG field continue to rise, with the majority of it exported to shore. Produced water discharges to the sea during the year decreased by 72% to 22,506 tonnes. This has been achieved due to fixing some leaking valves.

After treatment and separation at Sangachal terminal, about 4,800,800 tonnes of produced water was exported by pipeline back offshore for re-injection. In total, 5,539,006 tonnes or 99.6% of the ACG produced water was re-injected.

The remaining 3,500 tonnes were sent for trial treatment by two third-party onshore facilities.

In late 2015, the Deepwater Gunashli platform became the second platform to start separating produced water offshore, building on the experience of the East Azeri platform in 2014. Applying this new technology has enabled us to reduce the quantity of water within oil sent to shore. During 2015 666,089 tonnes of produced water were separated at the East Azeri and 94,810 tonnes at Deepwater Gunashli. Produced water volumes from the Shah Deniz field are much smaller compared to ACG. In 2015 28,512 tonnes were placed into the dedicated storage ponds at the Sangachal terminal, a decrease of about 8% from 2014.

## Operational discharges of drill cuttings to water (tonnes)

Asset / facility	With WBM	With SBM	Total
Chirag-1	0	2,752.8	2,752.8
Central Azeri	1114.9	0	1114.9
West Azeri	228.9	0	228.9
East Azeri	217.5	0	217.5
Deepwater Gunashli and West Chirag	0	0	0
Shah Deniz	284	0	284
Dada Gorgud drilling rig	0	0	0
Istigal drilling rig	12,371.4	0	12,371.4
Heydar Aliyev drilling rig	0	0	0
<b>Total</b>	<b>14,216.7</b>	<b>2,752.8</b>	<b>16,969.5</b>



# Environmental monitoring

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



▲ Left: A soil and vegetation survey conducted around the Sangachal terminal.  
Right: Environmentalists carry out a baseline nearshore environmental survey.



We run a programme for ambient monitoring around the offshore and onshore facilities that are operated by BP in Azerbaijan. We have completed 191 monitoring studies since the programme began in 2004. This includes 20 environmental surveys in 2015, of which 12 were onshore, five were offshore and three were nearshore.

### Offshore and nearshore surveys

In 2015, we conducted four seabed monitoring surveys in the vicinity of the Chirag, West Azeri, Deep Water Gunashli, and Shah Deniz Alpha platforms. We carried out the benthic, water and plankton survey in the Shah Deniz contract area.

In the new shallow water Absheron peninsula (SWAP) contract area, we carried out a baseline nearshore environmental survey prior to planned seismic surveys.

Two near-shore environmental surveys were conducted in the Sangachal bay:

- The status of the near-shore environment in the bay was assessed through water and sediment chemistry analyses and biology (macrofauna and plankton) taxonomy.
- The health status of residential fish populations was studied in the Shah Deniz 2 area of the Sangachal terminal. The aim was to understand if there was any impact on fish from the trenching activities.

### Onshore surveys

Of the 12 onshore surveys conducted in 2015, six covered the Sangachal terminal, four – the export pipelines and two – the Serenja hazardous waste management facility (HWMF).

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

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

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

# Society



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

▼ Qafqaz University rector Ahmet Sanic explains the equipment installed in the university laboratory as part of the Social Development Initiative.



# Stakeholder engagement

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



“BP is our key partner, the biggest and the leading foreign investor in Azerbaijan. It is our partner both in the Contract of the Century and Shah Deniz projects. The cooperation between SOCAR and BP continues as part of other projects as well. This cooperation has a history of over 20 years and will be continued for decades to come.”

**Ilham Aliyev**  
The President of the Republic of Azerbaijan

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

A delegation led by BP group chief executive, Bob Dudley, was received by the President of the Republic of Azerbaijan, Ilham Aliyev at the World Economic Forum in Davos, Switzerland in January 2015 and during the Trans Anatolian Pipeline (TANAP) ground-breaking ceremony in Kars, Turkey, in March.

In June, BP and SOCAR organized an event to celebrate the 2015 Baku Games. It was hosted by Bob Dudley, and Rovnag Abdullayev, SOCAR president and attended by representatives of Azerbaijan's National Olympics and Paralympic Committees, athletes, government and partner companies.

As a part of the cooperation with the government of Azerbaijan, our regional president, Gordon Birrell, regularly met with officials to provide updates on the ongoing operations and projects, including Shah Deniz Stage 2 and Southern Gas Corridor. In June, he hosted President Aliyev and his guests on the BP stand at the 22nd Caspian Oil and Gas Exhibition in Baku.

During the year, we hosted about 30 site visits to the Sangachal terminal with politicians, journalists and guests of our co-venturer companies as well as representatives of financial, educational and other organizations from more than 20 countries.

We saw substantial media interest in our activities during 2015 and engaged media in all aspects of our business in Azerbaijan, arranging briefings and providing interviews for local and international journalists. We invited representatives of key media outlets to all BP-hosted external events. We also held a media workshop to present BP's *Statistical Review of World Energy* and arranged trips to our sites for visiting international media representatives. Our 24-hour media response line was available to the media.

BP's head of economics for Russia/Commonwealth of Independent States visited Azerbaijan in October 2015 to present BP's annual *Statistical Review of World Energy* to representatives from government, business, academia and the media. During the meetings, he also presented the BP Energy Outlook 2035 report – our forecast of the long-term energy market trends.

The bilingual website [bp.com/caspian](http://bp.com/caspian) provides information on our activities in Azerbaijan and the region and remains an important means of interaction with the public. The website received an average of more than 820 visits every day during the year. We also received 1,483 enquiries through the site's online enquiry form.

## Revenue transparency

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

Azerbaijan became the first EITI compliant country in the world after completing the validation in 2009. We have played an active role in the local EITI process as a member of the multi-stakeholder steering group, and as a co-ordinator of the group of participating companies. In August, BP in Azerbaijan submitted its EITI report covering the period of January-December 2014.

► For our work with communities, see page 30.

# Enterprise development

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

## Enterprise development training programme wins CSR award

In October 2015 the American Chamber of Commerce in Azerbaijan awarded its Corporate Social Responsibility (CSR) Excellence Award in the economic empowerment category to the enterprise development training programme. The award celebrates businesses that contribute to social development through the implementation of innovative projects. The project was selected from among 55 submissions by 30 companies, and judged against four criteria: sustainability upon project completion; level of impact; project evaluation mechanisms and objectives achieved.



Together with our co-venturers in Azerbaijan, we signed new long-term contracts with 131 local companies in 2015, worth about \$1.09 billion.

Altogether, we worked with 238 local companies and individuals in Azerbaijan in 2015, of which 78% were small and medium-sized enterprises. Our joint operations and projects expenditure in Azerbaijan totalled nearly \$2.67 billion in 2015, which is the same as in 2014. As part of this, our in-country operations-only expenditure with local suppliers in Azerbaijan was about \$1.54 billion.

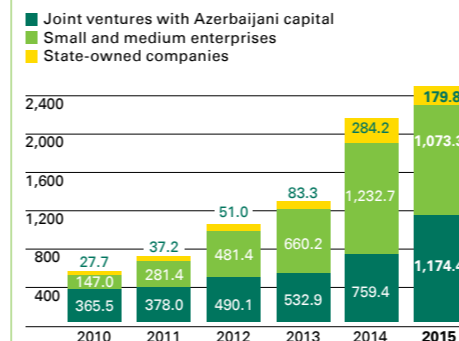
## Enterprise development and training programme

Through our enterprise development and training programme, launched in 2007, we work to identify local companies with strong business potential and support them in meeting international standards and enhancing their competitiveness. The long-term aim is to increase the number of local companies that can provide products and services to the industry in the region, thus contributing to the development of the local economy.

By the end of 2015, the programme sponsored by BP and its co-venturers had helped local companies to secure contracts worth about \$633 million, of which \$383 million are with BP in Azerbaijan.

During 2015, 19 companies completed the programme, bringing the total number of companies that have completed it to 196. During the period, a further 245 companies went through the initial appraisal. A total of 1,863 companies have been appraised since the programme started.

BP and co-venturers' direct spend with local entities (includes operations and projects) (\$ million)





# Working with communities

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



▲ The CISCO Certified Information Technology Essentials course for Umid and Sangachal community members.

## Maintaining community relations

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

Our community liaison officers hold public consultations and manage community-related grievances and requests in these communities. Since 2013, we have distributed awareness information packs that explain restrictions around the export pipelines. By the end of 2015 more than 4,300 packs had been provided to landowners, land users and other stakeholders. The number of registered third-party violations such as grass fire, damage to line markers and trespassing within the safety zones was 47 in 2015.

## Grievance management

We believe that open dialogue helps to build strong, mutually beneficial working relationships over the long term, and enables all sides to constructively resolve any disagreements.

We received 115 requests from communities and other stakeholders, mainly relating to getting permission for infrastructure works to be carried out on the pipeline corridor. By the end of 2015 we had responded to all these requests. Our grievance resolution mechanism for communities along the pipelines' route has been in place since 2007. During 2015, we received 12 BTC/SCP pipeline related complaints, nine of which we had responded to by the end of the year. We responded to one more in January this year and are working on the last two.

The South Caucasus Pipeline Expansion (SCPX) project has developed and implemented a community grievance mechanism in order to help us to understand and respond to all community concerns. In 2015 we continued to register, acknowledge and respond to all community grievances and requests.

The SCPX project continues to engage with communities along the 424 kilometre pipeline route in coordination with its pipeline contractor, Saipem-Azfen Joint Venture (SAJV).

Fifteen community awareness meetings were held across communities in Kurdamir, Yevlakh,

Ujar, Hajigabul, Agdash, Goranboy and Agstafa regions. These sessions covered topics such as community safety, recruitment process and job opportunities, and general updates on the project. In addition, the SCPX project held 32 school safety sessions involving more than 2,500 schoolchildren and 140 teachers.

## Land acquisition

The land acquisition process for the SCPX project continued in 2015. As part of land lease agreements, we completed compensation payments to more than 950 land owners/users in the first 200km. We also signed new agreements with more than 3,200 land owners/users in the final 224km of the pipeline right-of-way. The remaining land lease agreements and compensation payments will be completed in 2016 as per the project plan. No involuntary resettlement has taken place as part of the SCPX project.

The compensation process and principles are in line with BP's Guide to Land Acquisition and Compensation document, and compensation payments will be completed for affected parcels of land in 2016. The document can be found online at [bp.com/caspian](http://bp.com/caspian).

## Development initiatives

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

## Community needs assessment

We conducted a community needs assessment in 2015 to identify social investment projects for BP in Azerbaijan. This included reviewing environmental and social impact assessments undertaken by BP for its projects in Azerbaijan, interviews with key stakeholders and community group discussions in 44 project-affected communities. This work has fed into our community investment strategy and identified potential social investment projects to be implemented in the next few years.

In 2015 we implemented a number of community development initiatives to address the needs identified.

## Computer-based educational project for pre-school children

We signed a memorandum of understanding with the PCs4KIDS Foundation in November 2014 to supply kindergartens with used computers across the regions through which the pipelines pass. The purpose of the project is to create opportunities for pre-school aged children to develop their cognitive skills, such as active listening and creative thinking through the use of entertaining computer programmes. In 2015 we distributed 101 computers to 11 communities in Garadagh, Hajigabul, Kurdamir and Ujar.

## Health awareness sessions

We organized community awareness sessions on tuberculosis for almost 300 people from 11 project-affected communities in Hajigabul, Kurdamir and Ujar in November 2015. The sessions were delivered by two doctors from the Azerbaijan Research Institute of Tuberculosis and Lung Diseases. During the sessions, information was provided on tuberculosis, its symptoms, treatment options and preventive measures.

## IT Essentials course for Sangachal and Umid communities

In December 2015 we launched a project providing non-agricultural skills for Umid and Sangachal community members of Garadagh district in order to increase their opportunities for income generation and employment. The CISCO certified Information Technology (IT) Essentials course, implemented through Qafqaz University, is offered in Azerbaijani and covers fundamental computer and career skills for entry-level IT jobs. About 50 community members completed the three-month course in March 2016, gaining valuable skills and practical experience. Topics covered include laptops and portable devices, wireless connectivity, security and communication skills.

## Social infrastructure improvement in Goranboy communities

We launched three infrastructure improvement projects in the project-affected communities of Goranboy in 2015: the renovation of a water system in Gazanbulag village; the refurbishment of a primary school in Iravanli village and the renewal of its heating system.

## Regional microfinance programme with the European Bank for Reconstruction and Development

Under a framework agreement signed in 2006, BP and its co-venturers committed \$6 million

through the European Bank for Reconstruction and Development (EBRD) for use as loans and technical assistance to private sector development in Azerbaijan and Georgia.

Under the current microfinance project, which is managed by EBRD and implemented via its local partner Bank Respublika, BP and its co-venturers committed \$1 million. This project is aimed at providing affordable and transparent microfinancing opportunities to micro, small and medium-sized entrepreneurs, local farmers and enterprises located along BTC/SCP pipelines with the aim of increasing their competitiveness. Target areas include Tovuz, Shemkir, Goranboy and Yevlakh districts.

In 2015 40 loans together totaling about \$250,000 were issued in Shamkir, Goranboy and Yevlakh districts. Twenty loans will be used in agricultural, four in service and 16 in trading activities.

## Business and human rights

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

BP is progressing towards aligning with the Guiding Principles using a risk-based approach. We are delivering our human rights policy, which sets out BP's commitments in relation to human rights, by implementing the relevant sections of the Guiding Principles and incorporating them into the processes and policies that govern our business activities.

Human rights principles are already at the heart of many of BP's existing practices, particularly in our code of conduct and values, as well as in many operational requirements. In 2015 we continued to identify and address potential human rights impacts in the areas of recruitment, workforce welfare, land acquisition and livelihood, as well as other related issues in affected communities.

We are a signatory to the Voluntary Principles on Security and Human Rights, which define good practice for security operations in the extractive industry. In Azerbaijan we promote training in the Voluntary Principles for security personnel



▲ A project supported by BP aims at creating opportunities for pre-school aged children to develop their cognitive skills through the use of entertaining computer programmes.

involved in the protection of our operations to enable understanding of the possible human rights impact of their work.

BP Azerbaijan and contractors' security personnel participated in the Voluntary Principles refresher training session conducted by BP's global voluntary principles advisor in May 2015.

We also partner with a government body, the Export Pipelines Protection Department (EPPD), to protect our operations. The EPPD currently employs 76 certified training officers to provide Voluntary Principles training to their staff. A total of 39 newly recruited, 350 current state security officers, and 90 private security service contractor personnel working at BP sites completed the Voluntary Principles training in 2015.

An emergency hotline along the export pipelines enables affected communities and individuals to report any improper use of force or abuse of human rights directly to BP and the state security provider for joint investigation. No security or human rights incidents were reported via the hotline in 2015.



# Supporting education, culture and sport

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



▲ Students at BP sponsored summer field course that provides theoretical knowledge and hands-on experience in sedimentology and structural geology.

## Educational initiatives

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

### Azerbaijan oil and gas scholarship programme

Funded by BP and its co-venturers, Azerbaijan oil and gas scholarship programme enables Azerbaijani students to pursue undergraduate and graduate studies in engineering and geosciences at universities in Turkey and Azerbaijan. In 2015 we continued to provide scholarships to the existing students who have been selected in previous years. The value of these scholarships was about \$462,000.

In 2015 we hired four of these students into our graduate recruitment programmes and four others as summer interns.

### BP bursary programme

We have been awarding bursaries to university students that are studying oil and gas-related subjects in Azerbaijan since 2007. These give students an opportunity to improve their technical English language skills through a BP-funded 10-month training course. In 2015 we offered a year's extension for the course to the previous year's 12 bursary winners with high university admission scores. The total value of bursaries in 2015 was \$17,113.

### School of Project Management

Established by BP and its co-venturers in 2010, the School of Project Management continues to help the private and public sectors access globally recognized, comprehensive project management programme. By the end of 2015, about 325 specialists, representing 114 private and public sector organizations, had enrolled.

In December, we hosted the fourth School of Project Management graduation event. Of the total of 312 graduates who received the George Washington University Associates Certificates, 282 also qualified for Masters Certificates.

The project is delivered by ESI International, a global project management training organization, in collaboration with Khazar University. Altogether, BP and its co-venturers' financial investment in the SPM is more than \$2 million, of which \$558,248 was spent in 2015.

## Vocational training for communities

In September 2014 BP on behalf of its co-venturers signed an agreement with the State Oil Company of the Republic of Azerbaijan (SOCAR) to support vocational training for communities. Under the agreement, 79 young people selected from the settlements of the Garadagh district, close to the Sangachal terminal trained at SOCAR's Gobustan Regional Training Center to become qualified technicians. The project had a total budget of more than \$624,000.

### Qafqaz University project

We continued our project at Qafqaz University to support development of Azerbaijan's experts in engineering. BP has invested about \$2.5 million to help establish two new departments and 16 laboratories since the launch of the project in 2009. In January 2015 BP signed an amendment to extend the cooperation with the university to March 2018.

### BP summer students' geology field course

Since 2003 BP in Azerbaijan has sponsored a summer field course providing theoretical knowledge and hands-on experience in sedimentology and structural geology for undergraduate and graduate students. In total, 18 university students were selected from 182 applicants following a knowledge based assessment. The course was led by representatives of Azerbaijan's National Academy of Sciences and the University of Michigan in the US.

### Azerbaijan Business Case Competition

BP supports the Azerbaijan Business Case Competition for university students, in which teams compete to solve real-life business problems using their knowledge in business disciplines from finance and marketing, to accounting and management. They present their solutions to a panel of judges representing major businesses in Azerbaijan.

The 2015 competition was hosted by ADA University, with support from BP and other sponsoring industry organizations. 50 teams from Azerbaijan applied to take part in the competition, with three teams chosen as finalists. The students went through four weeks of training in business case analysis and strategy development in preparation for the finals. BP provided \$4,759 in sponsorship and our employees contributed to the project as trainers, coaches and a jury panel member.



▲ Graduates of School of Project Management established by BP and its co-venturers.



▲ Local athlete receives instructions from a Michael Johnson Performance specialist at Elite Athlete Development and Training Programme.

## Free admission to museums

From 2013 until the end of 2015, we sponsored five seasonal campaigns to provide free admission to Baku's leading museums including the National Museum of History of Azerbaijan, the National Art Museum of Azerbaijan, the Maiden Tower historical monument, the Azerbaijan Carpet Museum and the Shirvanshahs Palace complex.

About 90,000 people visited the museums during the campaigns.

In October 2015 the campaign was awarded with the Corporate Social Responsibility (CSR) Excellence Award in Culture category by the American Chamber of Commerce in Azerbaijan.



## Our support to sport development

We continued our official partnership with the National Olympic and Paralympic Committees. This includes sponsoring Azerbaijan's National Olympic and Paralympic teams and a group of athletes that have been selected as our ambassadors.

We carried out the elite athlete development and training programme in collaboration with the National Olympic Committee of the Republic of Azerbaijan, the Ministry of Youth and Sports of the Republic of Azerbaijan and Michael Johnson Performance (MJP).

The project aimed to create opportunities for a large group of national athletes and coaches to benefit from MJP's international experience as they work to achieve sporting excellence enhancing Azerbaijan's representation in international sporting events. The programme targeted four national sport federations - athletics, gymnastics, triathlon and fencing, to be represented by both coaches and athletes including BP's ambassador athletes. A total of 85 athletes have been assessed and selected for the programme.

### Supporting Baku 2015 Games

BP was an official partner of the Baku 2015 European Games, and the oil and gas partner for the games.

BP also became the exclusive official partner of the Baku 2015 Games Academy initiative. This learning programme aimed to develop

and prepare national staff members, including university graduates, to efficiently deliver a major multi-sport event, as well as to develop skills that will assist them in their future careers.

A total of 188 university graduates – including 162 from Azerbaijan and 26 from across Europe – were enrolled in the Graduate Excellence Programme. Graduates learned important skills and knowledge for contributing to the successful delivery of the Games and were provided with further opportunities to continue hands-on, practical experience in planning the games and with operational roles at test events.



# Five-year performance data<sup>1</sup>

For the year ended 31 December					
<b>Operating</b>	2011	2012	2013	2014	<b>2015</b>
Total hydrocarbons produced (thousand barrels of oil equivalent per day) <sup>2</sup>	922	893	909	900	<b>903</b>
<b>Financial<sup>3</sup></b>	2011	2012	2013	2014	<b>2015</b>
OPEX (operating expenditure) – total spend, gross (\$ million)	1,206	1,360	1,542	1,766	<b>1,388</b>
CAPEX (capital expenditure) – total spend, gross (\$ million)	2,636	3,669	4,862	7,170	<b>7,674</b>
<b>Safety</b>	2011	2012	2013	2014	<b>2015</b>
Fatalities – employees	0	0	0	0	<b>0</b>
Fatalities – contractors	0	0	0	0	<b>0</b>
Days away from work cases – workforce	3	3	5	0	<b>2</b>
Days away from work case frequency – workforce	0.03	0.03	0.03	0	<b>0.01</b>
Recordable injuries – workforce	21	20	40	14	<b>17</b>
Recordable injury frequency – workforce	0.24	0.21	0.27	0.09	<b>0.08</b>
Hours worked – employees (million hours) <sup>4</sup>	5.8	5.6	13.5	13.4	<b>8.5</b>
Hours worked – contractors (million hours) <sup>5</sup>	11.74	13.49	16.49	18.78	<b>35.15</b>
<b>Environment</b>	2011	2012	2013	2014	<b>2015</b>
Direct carbon dioxide (CO <sub>2</sub> ), gross <sup>6</sup> (thousand tonnes)	3,892.5	3,543.7	3,021.8	3,846.5	<b>3,275.2</b>
Indirect carbon dioxide (CO <sub>2</sub> ), <sup>7</sup> gross (thousand tonnes)	0.6	0.6	0.6	0.7	<b>1.2</b>
Direct methane (CH <sub>4</sub> ), gross (thousand tonnes)	13.5	11.2	6.8	11.6	<b>5.9</b>
Direct greenhouse gas emissions, <sup>8</sup> gross (thousand tonnes CO <sub>2</sub> equivalent)	4,177	3,776	3,164	4,067	<b>3,400</b>
Flaring (exploration and production), gross (tonnes)	589,717	475,910	256,423	413,120	<b>203,651</b>
Sulphur dioxide (SO <sub>x</sub> ), gross (tonnes)	112	114	122	155	<b>150</b>
Nitrogen oxides (NO <sub>x</sub> ), gross (tonnes)	8,544	8,695	8,887	11,179	<b>10,966</b>
Non-methane hydrocarbon, gross (tonnes)	2,787	2,540	1,505	3,406	<b>2,438</b>
Number of oil spills <sup>9</sup>	5	12	11	6	<b>2</b>
Volume of oil spilled (litres)	2,677	175,716	15,232	14,311	<b>1,045</b>
Volume of oil unrecovered (litres)	0	156,794	643	40	<b>805</b>
Operational discharges to water – drill cuttings with synthetic-based mud (tonnes)	0	0	182	881	<b>2753</b>
<b>Employees</b>	2011	2012	2013	2014	<b>2015</b>
Number of permanent employees of BP in Azerbaijan <sup>10</sup>	2,701	3,072	3,255	3,393	<b>3,150</b>
Number of professional staff of BP in Azerbaijan <sup>10</sup>	2,652	2,982	3,216	3,381	<b>3,130</b>
National <sup>10</sup>	2,272	2,530	2,722	2,907	<b>2,735</b>
National (%)	86%	85%	85%	86%	<b>87%</b>
Expatriate	380	452	494	474	<b>415</b>
Senior level Azerbaijani managers	149	168	197	230	<b>275</b>
<b>Social spend</b>	2011	2012	2013	2014	<b>2015</b>
Total for BP and co-venturers in Azerbaijan, (\$ million) <sup>11</sup>	3.1	4.5	2.7	5.9	<b>4.5</b>

<sup>1</sup> Unless otherwise stated, performance data relates to BP in Azerbaijan only.

<sup>2</sup> This includes Azeri-Chirag-Deepwater Gunashli oil, Shah Deniz gas and condensate, associated gas delivered to the State Oil Company of the Republic of Azerbaijan.

<sup>3</sup> The BP AGT and its co-venturers.

<sup>4</sup> Hours worked by employees – are identified as hours worked by individuals who have a contract of employment with BP; this definition is consistent with BP's group definition.

<sup>5</sup> Hours worked by contractors – are identified as hours worked by contractors under the sphere of our control; this definition is consistent with BP's group definition.

<sup>6</sup> Gross numbers represent total of all partners' participating interest in production sharing agreements (PSA). Net numbers represents BP's participating interest in PSA.

<sup>7</sup> Indirect GHG emissions are a consequence of the import by operations of steam, electricity and heat from third-party sources.

<sup>8</sup> Direct GHG emissions are the physical emissions from operations.

<sup>9</sup> Oil spills are defined as any liquid hydrocarbon release to secondary containment or to open environment of more than or equal to one barrel (159 litres, equivalent to 42 US gallons).

<sup>10</sup> Includes 30 Azerbaijani employees working on overseas assignments for BP in Azerbaijan

<sup>11</sup> This is the cash-out number spent under the BP-operated projects

# Independent assurance statement

We have reviewed the BP in Azerbaijan Sustainability Report 2015 in order to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Azerbaijan are supported by evidence or explanation. Our scope of work and conclusions can be found below.

## Independent assurance statement to BP management

We have performed a limited assurance engagement on selected performance data and statements presented in the BP in Azerbaijan Sustainability Report 2015 (the Report).

## Respective responsibilities

BP's management in Azerbaijan are responsible for the collection and presentation of the information within the Report. Management are also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with management's instructions, is to carry out a 'limited level' assurance engagement on selected data and performance claims in the Report ("the subject matter information"). We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

## What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000(Revised)<sup>1</sup>.

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Azerbaijan in 2015 which were raised in the media, BP Azerbaijan's own review of material sustainability issues, and selected internal documentation.
- Whether sustainability claims made in the Report are consistent with the explanation and evidence provided by relevant BP managers.
- Whether the sustainability data presented in the Report are consistent with the relevant business unit level data records.

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

1. Reviewed a selection of external media reports and internal documents relating to the sustainability performance of BP in Azerbaijan in 2015.
2. Reviewed the outcome of BP Azerbaijan'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.

## The limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) 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.

Completion of our testing activities has involved placing reliance on the BP's controls for managing and reporting sustainability information, with the degree of reliance informed by the results of our review of the effectiveness of these controls.

## Our conclusions

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

### 1. Does the Report cover the key issues?

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

### 2. Are the data and claims regarding BP in Azerbaijan's sustainability performance contained within the Report supported by evidence or explanation?

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

## Our independence

We have implemented measures to comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1<sup>2</sup>. Ernst & Young's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to BP whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2015. Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP, London  
13 June 2016



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

<sup>2</sup>Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1)



# Further information



## Find out more online

Our bilingual website, [bp.com/caspian](http://bp.com/caspian), is the main information source about our Caspian region energy projects.

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

## Your feedback is important to us

You can send it online through [bp.com/caspian/contactus](http://bp.com/caspian/contactus)

You can also telephone  
+994 (0)12 599 3000

or write to:  
Transparency and public reporting  
BP AGT region  
BP Xazar Centre,  
14 floor, 153 Neftchilar avenue,  
Baku, AZ1010, Azerbaijan.

## Apply for a job

Visit the Careers section of our website at [bp.com/caspian/careers](http://bp.com/caspian/careers)

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

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

## Raise issues or seek guidance

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

Online from: [opentalkweb.com](http://opentalkweb.com)

Azerbaijan: +994 (0)12 599 3888  
International: +1 704 540 2242  
Fax: +1 704 556 0732

Letter: BP OpenTalk, 13950 Ballantyne Corporate Place, PMB 3767, Charlotte, NC 28277, USA.

## Raise a concern or request information

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

Garadagh, Absheron, Hajigabul,  
Agsu, Kurdamir, Ujar  
+994 (0)55 225 0251/225 0245  
Agdash, Yevlakh, Goranboy, Samukh  
+994 (0)55 225 0257/225 0254  
Shamkir, Tovuz, Agstafa  
+994 (0)55 250 5831/225 0260

Public Information Centres' numbers:

Kurdamir +994 (0)20 255 0594  
Yevlakh +994 (0)22 336 5884  
Shamkir +994 (0)22 305 4658

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

## Apply for a community programme grant

Learn more about grants for community programmes at our website [bp.com/caspian](http://bp.com/caspian)  
You may also contact us at [cdi@bp.com](mailto:cdi@bp.com)

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