

BP Azerbaijan

bp



# Sustainability Report 2016





The energy we produce serves to power economic growth and lift people out of poverty. In the future, the way heat, light and mobility are delivered will change. We aim to anchor our business in these changing patterns of demand, rather than in the quest for supply. We have a real contribution to make to the world's ambition of a low carbon future.

For a secure, affordable and sustainable energy future.

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

## Introduction from our regional president



Sustainability is a core part of BP's strategy. For more than two decades that we have been in Azerbaijan, BP has been committed to conducting a safe and sustainable business that benefits all our stakeholders, including society at large.

BP safely and reliably operates giant oil and gas fields in Azerbaijan, which have contributed to the development of the Caspian Sea as a modern hydrocarbon province. By continuing to focus on production performance, we delivered an average rate of 908,000 barrels of oil equivalent per day from the Azeri-Chirag-Deepwater Gunashli (ACG) – the largest oil field in the Azerbaijan sector of the Caspian – and the Shah Deniz gas field, which has been BP's biggest gas discovery since Prudhoe Bay Alaska in 1968. ACG and Shah Deniz facilities have also demonstrated remarkable plant reliability throughout the past year.

Our expertise in large-scale projects around the world and unique experience in the Caspian basin allows us to undertake massive integrated projects such as Shah Deniz Stage 2 and South Caucasus Pipeline Expansion. We have made significant progress in these projects and are set to deliver first gas from Shah Deniz 2 in 2018. During the peak of activities, over 24,000 people were involved in construction works across all main contracts in Azerbaijan and over 80% of them were Azerbaijani nationals.

Safety of our people is the top priority in all our operations and project activities. We reduced our recordable injury frequency for the third year in a row, keeping it low by

industry standards. We also had fewer high potential incidents which could have resulted in a health, safety, security or environmental major incident. We are committed to keeping our focus on safety and our stated aim is to have no accidents, no harm to people and no damage to the environment.

As the biggest foreign investor and the leading operator in the Caspian, we have the responsibility to be a good corporate citizen. This includes creating sustainable benefits for people and new opportunities for social development. Our activities here have covered support for communities, enterprises, public institutions, universities, schools, cultural and sport organizations. We are working in alignment with the government, people and other partners to assist Azerbaijan in strengthening its economy and improving the livelihood of its people.

Through the many achievements and challenges over the past years, we have created successful and prosperous partnerships with the regional governments and all our stakeholders. These long-term and trusted relationships give us the confidence and motivation to work even harder and to run a sustainable business that benefits all our stakeholders.

Gary Jones  
Regional President  
Azerbaijan-Georgia-Turkey region



# About our report

This report covers the calendar year ending 31 December 2016. In some instances, significant events from 2017 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.

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.

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

## Cautionary statement

BP in Azerbaijan Sustainability Report 2016 may contain forward-looking statements relating, in particular, to recoverable volumes and resources, capital, operating and other expenditures, and future projects. Actual results may differ from such statements depending on a variety of factors including supply and demand developments, pricing and operational issues and political, legal, fiscal, commercial and social circumstances.

## Front cover imagery

BP employees talk about the work on the bridge connecting Deepwater Gunashli platforms.



Sustainability Report 2016

Details of our sustainability performance with additional information online.

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

# What's inside?

BP Azerbaijan Sustainability Report 2016 covers our business performance, environmental record and wider role in Azerbaijan during 2016. It is our 14<sup>th</sup> sustainability report and reflects feedback we received about previous reports.

## Overview



## Introduction

Quick facts and overview of our operations in the Caspian sea and the region.

Page 2

We have reviewed *BP Azerbaijan Sustainability Report 2016* 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 33.

Ernst & Young  
Introduction to the assurance process

## Focus areas

### Our operations

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

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### Our people

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

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### Safety

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

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### Environment

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

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### 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.

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### Five-year performance data

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

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# Our operations in the Caspian sea and the region

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.

## Scale

**\$64.5 billion**

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

**\$72 million**

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

**3 billion**

Barrels of oil were produced by ACG from first oil in 1997 to the end of 2016

**80 billion**

Cubic metres of total gas were produced by Shah Deniz from first gas in 2006 to the end of 2016

**10**

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



**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, BP 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 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 2016, the regional leadership team led by the regional president consisted of 15 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.

**Employees**  
The number of people permanently employed by BP in Azerbaijan was 2,947, of whom 2,635 were Azerbaijani citizens, at the end of 2016.

**Registered address**  
The 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.

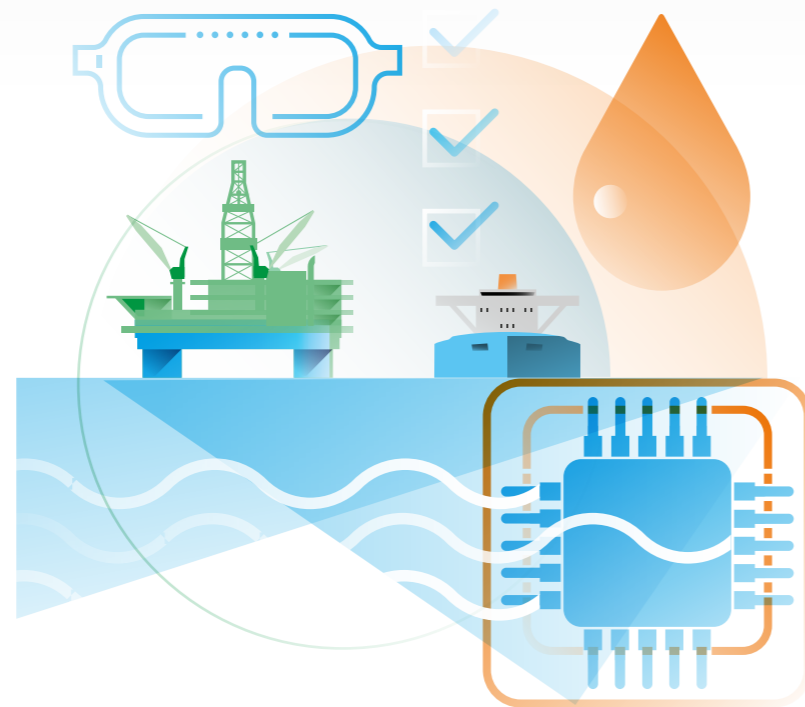




# Our operations

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

**What we are doing**  
Operating safely and reliably **7**



## 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.

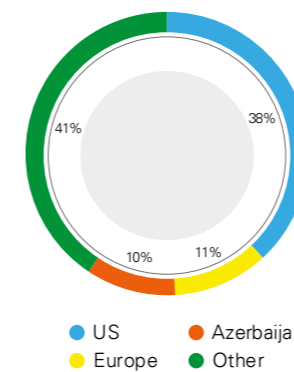
### Azeri-Chirag-Deepwater Gunashli

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.



Workers perform a routine safety audit on board the West Azeri platform, which has been in operation since December 2005, producing oil from the western portion of the ACG field.

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



In total, 943,000 barrels of crude oil and 82,000 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

| Platform           | Start of production | Unit of measurement | From the start of production till end of 2016 | 2015  | 2016         |
|--------------------|---------------------|---------------------|---|-------|--------------|
| Chirag             | November 1997       | mmbbl               | 685.8   | 17.3  | <b>19.7</b>  |
|                    |                     | mmte                | 92.7  | 2.3   | <b>2.7</b>   |
| Central Azeri      | February 2005       | mmbbl               | 781.9   | 56.2  | <b>52.7</b>  |
|                    |                     | mmte                | 105.7   | 7.6   | <b>7.1</b>   |
| West Azeri         | December 2005       | mmbbl               | 709.9   | 40.3  | <b>41.8</b>  |
|                    |                     | mmte                | 96.0  | 5.4   | <b>5.6</b>   |
| East Azeri         | November 2006       | mmbbl               | 404.9   | 26.0  | <b>26.3</b>  |
|                    |                     | mmte                | 54.7  | 3.5   | <b>3.6</b>   |
| Deepwater Gunashli | April 2008          | mmbbl               | 397.1   | 51.6  | <b>46.1</b>  |
|                    |                     | mmte                | 53.9  | 7.0   | <b>6.2</b>   |
| West Chirag        | January 2014        | mmbbl               | 102.1   | 39.9  | <b>43.9</b>  |
|                    |                     | mmte                | 13.8  | 5.4   | <b>5.9</b>   |
| <b>Total</b>       |                     | mmbbl               | 3081.6  | 231.3 | <b>230.5</b> |
|                    |                     | mmte                | 416.7   | 31.3  | <b>31.1</b>  |



Production began 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 2016, a total of 100 oil wells were producing, and 49 wells were used for gas or water injection. Five of these wells were among BP's top 10 producing wells around the world in 2016.

ACG production continued steadily at a similar level to 2015. In 2016 we produced an average of 630,000 barrels per day (more than 230 million barrels or 31.1 million tonnes in total) from the ACG complex.

We also delivered around 7.5 million cubic metres per day of ACG associated gas to the State Oil Company of the Republic of Azerbaijan (SOCAR) which equates to 2.75 billion cubic metres in total.

In 2016, we spent approximately \$503 million in operating expenditure and \$1.45 billion in capital expenditure on ACG activities.

### Shah Deniz

The Shah Deniz (SD) gas field was discovered in 1999. It lies 70km offshore 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.

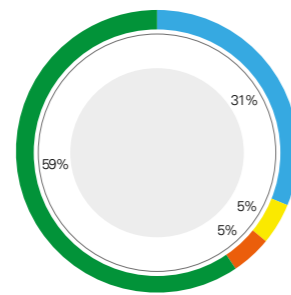
In 2016 the SD field continued to provide reliable deliveries of gas to markets in Azerbaijan, Georgia and Turkey. The field produced 10.7 billion cubic metres of gas and about 20 million barrels (2.5 million tonnes) of condensate in 2016. Shah Deniz's current production capacity is 30 million standard cubic metres of gas per day, or around 10.9 billion cubic metres per annum.

We completed one new production well and commenced one deep-hole drilling operations well in Shah Deniz in 2016. Three SD wells topped the list of BP-operated production wells worldwide by gross daily rate in barrels of oil equivalent.

#### Liquids production by BP subsidiaries around the world in 2016 (thousand barrels)

| 2016       | Oil | Natural gas |
|------------|-----|-------------|
| US         | 391 | 1,656       |
| Europe     | 112 | 252         |
| Azerbaijan | 105 | 245         |
| Other      | 417 | 3,150       |

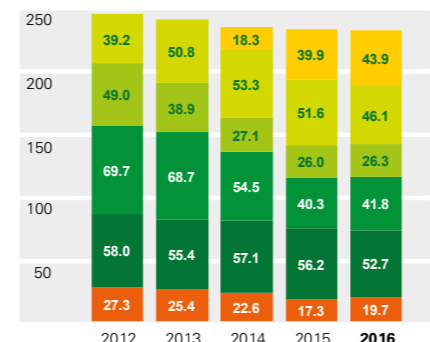
#### Net share of natural gas production by BP subsidiaries around the world (%)



● US ● Azerbaijan  
● Europe ● Other

In total, 5,302 million cubic feet per day, excluding equity accounted entities. Other includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia.

#### Oil production from Azeri-Chirag-Deepwater Gunashli, 2005-2016 (million barrels)



● Chirag ● Cental Azeri ● West Azeri  
● East Azeri ● Deepwater Gunashli ● West Chirag



We spent approximately \$469 million in operating expenditure and \$3.7 billion in capital expenditure on Shah Deniz in 2016, the majority of which was associated with the Shah Deniz Stage 2 project.

#### 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.

#### Shah Deniz gas and condensate production

|            | Start of production | Unit of measurement | From the start of production till end of 2016 | 2015  | 2016         |
|------------|---------------------|---------------------|---|-------|--------------|
| Gas        | November 2006       | bscm                | 78.4  | 9.9   | <b>10.7</b>  |
|            |                     | bscf                | 2 767.8                                       | 348.8 | <b>377.0</b> |
|            |                     | mmbobe              | 477.1   | 60.1  | <b>65.0</b>  |
| Condensate | November 2006       | mmbbl               | 156.6   | 18.3  | <b>20.1</b>  |
|            |                     | mmte                | 19.6  | 2.3   | <b>2.5</b>   |

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



Caption: Senior employees carry out a self-verification audit on cement tanks on board the Shah Deniz Alpha platform.





Caption: Workers discuss work plans at the Shah Deniz 2 platform quarters and utilities topsides unit which was installed offshore in July 2017.

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 89% complete in terms of engineering, procurement and construction, and remains on target for first gas in 2018. First deliveries to Europe are expected in 2020.

Over 119 million man-hours have been worked and 106 million kilometers driven on the projects since the final investment decision in late 2013. During 2016 at the peak of project activities over 24,000 people were involved in construction works across all main contracts in Azerbaijan and over 80% of them were Azerbaijani nationals. The total cost of the SD2 project and expansion of the South Caucasus pipeline (SCP) is estimated to be 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.

A wide range of activities were ongoing at all offshore and onshore sites and

fabrication yards of the country including the Sangachal Terminal, ATA (AMEC/ Tekfen/Azfen) yard near Baku, Baku Deepwater Jackets Factory and along the pipeline route. In September a significant milestone was achieved in the project with the sail away of the jacket for one of the Shah Deniz Stage 2 platforms from the BDJF yard for offshore installation. The transportation, launch, and positioning activities of the production and risers platform jacket structure were completed safely by the end of the third quarter, while pile installation was completed in November.

The Istiglal rig upgrade and commissioning was completed in mid-September. In the fourth quarter of 2016, the rig completed the SDC04 well, which is the first completion on the Shah Deniz Stage 2 project. The Heydar Aliyev rig drilled the reservoir sections of the SDG02 and SDG04 wells. It is now preparing to spud the SDF01 well to drill the top-hole section.

The above two rigs have already drilled 12 production wells in preparation for commencement of Shah Deniz Stage 2 and subsequent ramp up of production. Drilling

operations will continue to deliver all wells required to reach the planned plateau level.

Our subsea construction vessel, Khankendi, has improved progress attainment and started up the main engines in September. The vessel underwent sea trials in the Caspian Sea, in the first half of 2017 which is a significant milestone on SD2 project delivery.

### Sangachal terminal

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

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

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

In 2016, the Sangachal terminal exported more than 286.8 million barrels of oil. This included over 253.4 million barrels through Baku-Tbilisi-Ceyhan (BTC), over 30.3 million barrels through the Western Route Export Pipeline (WREP), and more than 3.1 million barrels via a separate condensate export line.

Works on the Sangachal terminal expansion continued in order to provide processing facilities for the SD2 project. Solid progress was made on piping erection and one million metres of cable was pulled. The site conditions have improved over the year particularly with finished road surfaces and improved rights of way. Some of the early buildings have been handed over to commissioning.

### Baku-Tbilisi-Ceyhan pipeline

The 1,768km BTC pipeline became operational in June 2006. Since then up to the end of 2016 BTC has carried a total of about 2.61 billion barrels (around 349 million tonnes) of crude oil loaded on 3,425 tankers and sent to world markets.

BTC's throughput capacity is currently 1.2 million barrels per day. In 2016, this pipeline exported around 251 million barrels (about 33.5 million tonnes) of crude oil loaded on 313 tankers at Ceyhan.

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

### South Caucasus pipeline

The 691km pipeline has been operational since late 2006, transporting Shah Deniz gas to Azerbaijan, Georgia and Turkey. During 2016 its daily average throughput was about 19.9 million cubic metres of gas per day.

We spent about \$27 million in operating expenditure and about \$974 million in capital expenditure on SCP in 2016.

### SCP expansion project

In 2016 SCPX activities continued successfully along the pipeline route across Azerbaijan and Georgia. In Azerbaijan, mainline construction continued with approximately 239km of pipe welded and 207km of pipe backfilled. Five horizontal directional drilling activities were successfully completed.

In Azerbaijan, at the Borsunlu Camp the shaft was piled in preparation for the Kura West tunnel boring.

### 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 30.3 million barrels of oil.

### 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.

The 3D seismic acquisition programme, which began in May 2016, was safely completed in December 2016 covering



Expansion of the South Caucasus pipeline: construction activities continued successfully along the pipeline route in Azerbaijan.

acquisition of 1,300 square kilometres of 3D data. The acquisition programme used BP's advanced, proprietary Independent Simultaneous Source with Nodes (ISSNTM) technology. The processing of the 3D data for the initially acquired area has already been completed while for other acquired areas it still continues. The full processing is expected to complete by the third quarter of 2017.

We have also commenced planning for the first exploration well on the Shafag-Asiman block.

### 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. These planned breaks are essential for safe and reliable operations over the long term. As part of the annual work programme, we successfully completed turnarounds on the DWG platform and the West Azeri platform in 2016.





# Our people

Our long-term success in Azerbaijan depends on having a talented and diverse workforce.

| What we are doing                     |    |
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## Managing our workforce

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

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

In 2016, as the market conditions remained tough, we continued to look for ways to raise our competitiveness by improving efficiency and better management of costs. This included reducing organizational complexity, which resulted in some positions occupied both by national and expatriate employees being made redundant. During 2016, BP's overall headcount in Azerbaijan decreased by 264 to 3,221 employees (3,485 in 2015). This number included 2,947 permanent employees, of which 2,635 were nationals. A further 22 nationals were on overseas assignments.

### Developing national workforce

Building a strong national workforce in Azerbaijan remains one of our key priorities. We invest in training young people who have little or no prior work experience, attracting new talent and offering varied development and career opportunities to all employees at any career level.

By the end of 2016, the percentage of national citizens among BP Azerbaijan's professional staff was 87% compared to 84% a year ago. If we consider only permanent employees, this number would be 89%, which is also an increase from 2015.

The number of national senior level managers at BP in Azerbaijan reached 314 in 2016. This represents almost 58% of the total senior managers working in the local office and is an increase of more than 14% on the previous year. Of these, about 20% were female, mostly working in offshore and onshore operations, human resources and finance. During the year another 22 Azerbaijani employees were on assignments in senior level positions in other countries.

More than 92% of mid-level managers working for BP in Azerbaijan were nationals. Additionally, 11 nationals were on mid-level assignments abroad during 2016.



Caption: Employees at work: two of the number of talented female employees across BP's offices in Azerbaijan.

### Five-year nationalization plan

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

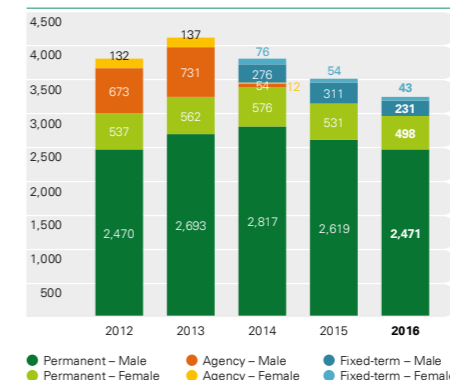
The plan, agreed in November 2013 between BP Azerbaijan and SOCAR, outlines annual nationalization targets both on an overall and functional level from 2014 to 2018. It also includes the nationalization timelines for current and future expatriate roles with the planned numbers of national successors. The plan is being tracked against progress, and

performance is managed and updated on an annual basis.

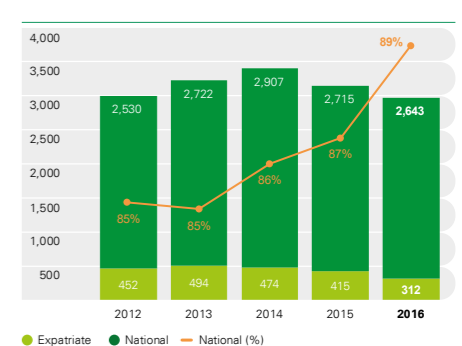
We also have a memorandum of understanding with SOCAR on co-operation in the area of recruitment. As part of the nationalization strategy, BP Azerbaijan specialists delivered a number of out-of-curriculum sessions and provided other educational support to the Baku Higher Oil School students.

BP Azerbaijan continues supporting its contractors in development and delivery of their nationalization plans. This includes sharing expertise, providing assistance in preparing performance indicators and monitoring implementation.

### BP employees and agency staff based in Azerbaijan



### Permanent professional staff of BP in Azerbaijan





### Expatriate workforce

While we are committed to staff nationalization, we also believe that a reasonable ratio of international assignments to and from Azerbaijan is important for development. During 2016, 37 of our national employees worked at BP locations outside Azerbaijan. Almost 30% of them specialized in offshore and onshore operations.

At the end of 2016, we had 312 expatriates working for BP in Azerbaijan. Almost two thirds of them were from the UK and more than a quarter were from the US. The remainder were from Australia, Brazil, Canada, Colombia, Egypt, Georgia, India, Indonesia, Italy, Trinidad and Tobago and Turkey. By the end of December 2016, there were 54 new expatriates who arrived to work for BP in the country while 157 expatriates left, constituting a net decrease of 103.

### Recruitment

BP aims to create and sustain a positive work environment, where employees treat each other with respect and dignity, and are able to fulfil their potential. Selecting the right people for the right jobs is key in achieving this goal. We are committed to meritocratic recruitment and promotion processes.

In 2016 we received above 750 applications to our annual internship recruitment programme. Almost 40 interns were hired as a result.

All ad-hoc vacancies at BP in Azerbaijan are advertised on *bp.com/caspian*. In 2016, we received more than 5,000 applications for these roles and hired 13 national employees with special skills.



Two petroleum engineers discuss work at BP's Zaxar office.

## Employee communication and engagement

### Technicians' forum

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

Since 2008, 22 forums have taken place, hosting about 670 participants. These include

two forums in 2016, attended by almost 70 technicians.

### Listening lunches

Listening lunches bring together members of our regional leadership team with employees from a mix of disciplines for an informal lunch and open discussion of business-related subjects. Employees get an opportunity to share their concerns, ask questions and get answers first-hand, while the leadership hear opinions from various layers of the organization. Nine listening lunches were held during 2016, with more than 170 employees taking part.

### Loan support programme

All Azerbaijani national employees who have worked in the company for three years or more are eligible for our loan support programme. 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 the age of 18.

During the year, around 500 employees successfully applied for loans through the programme, bringing the total number of participants to more than 2,400 since we launched the programme in 2012. Altogether it has contributed towards loans totalling over \$44.5 million.

### Other activities

Employees who work for BP in Azerbaijan for a total of 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, about 1,860 employees have been recognized in this way.

In 2016, we held four town hall meetings in Baku to discuss topical issues. We published four issues of the staff magazine *Compass* in 2016, both in Azerbaijani and English and distributed them across the region.

## Learning and development

In 2016 we provided a range of safety, technical, managerial and behavioural training sessions in the region. A total of 951 of these were arranged by our local team, with more than 8,000 attendees. About 92% of the sessions were held in Azerbaijan.

### Continuing professional education

We continued providing financial assistance to help our national employees attain additional degrees or certificates in their areas of expertise. We supported a total of 36 employees through this programme in 2016. Some of these were new applicants and some continued education from past years.

### Challenge programme

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 who are selected through our annual graduate recruitment programme. During the three-year programme, Challengers typically complete two or three distinct roles.

In 2016 we hired four Challengers, and by the end of the year their total number in Azerbaijan was 119.

### Other programmes

We continued to offer language training courses to our staff and their eligible family members. By the end of 2016, 100 people were taking English lessons. Almost 60 chose to study Azerbaijani. In addition, expatriates are offered talks on Azerbaijani history, culture and traditions.



Caption: An engineer talks to colleagues about ideas that could contribute to BP's success.

### Azerbaijan recruitment statistics

The numbers in the table reflect people recently joining the company

|  | Ad hoc recruitment |      | Graduate recruitment |      |        |      | Total  |      |
|--|--------------------|------|----------------------|------|--------|------|--------|------|
|  | 2015               | 2016 | 2015                 | 2016 | 2015   | 2016 |        |      |
|  | Female             | Male | Female               | Male | Female | Male | Female | Male |
| Business support                         | 1                  |      |                      |      |        |      | 1      | 0    |
| Communications and external affairs      |                    |      |                      | 1    |        |      | 0      | 1    |
| Compliance and ethics                    |                    |      |                      | 2    |        |      | 0      | 2    |
| Engineering                              |                    | 2    |                      | 1    |        | 5    | 7      | 1    |
| Finance                                  |                    | 1    |                      |      |        |      | 1      | 0    |
| Health, safety, security and environment |                    |      |                      | 1    |        |      | 0      | 1    |
| Human resources                          |                    | 1    |                      |      |        |      | 1      | 0    |
| Information technologies and services    |                    |      |                      |      |        |      | 0      | 0    |
| Operations                               | 2                  | 17   |                      | 1    |        |      | 19     | 1    |
| Procurement and supply chain management  |                    |      |                      | 1    |        |      | 0      | 1    |
| Projects                                 |                    | 5    |                      |      | 2      | 1    | 3      | 7    |
| Subsurface                               | 1                  | 1    |                      | 1    | 1      | 2    | 5      | 1    |
| Tax                                      |                    | 1    |                      |      |        |      | 1      | 0    |
| Wells                                    |                    | 2    | 1                    | 4    |        | 1    | 3      | 5    |
| <b>Total graduates</b>                   |                    |      |                      |      | 1      | 10   | 1      | 3    |
| PREP graduates                           |                    |      |                      |      | 2      | 13   |        |      |
| <b>Total ad hoc</b>                      | 4                  | 30   | 1                    | 12   |        |      | 34     | 13   |
| Technicians recruitment                  |                    |      |                      |      |        |      | 54     | 0    |



Caption: BP employees trial a simulator that will help them learn about risky operations at a safe distance.



## Our code of conduct

Our code of conduct is our guide to doing the right thing in business. Nothing is more important to BP than making sure we do what is right – and nothing puts us at risk more than failure to do so. Our code sets out the most important principles and expectations to help us live our values in our everyday work. It encourages us to use our judgement to make the right decisions when we are faced with difficult choices.

### Our values and behaviours

Safety

Respect

Excellence

Courage

One Team

Through the values and behaviours, we're putting in place strong foundations to make BP a safer, more trusted and more valuable company in the future. 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. It is down to all of us to use the values and behaviours to guide our decisions.

### Ethics and compliance

We continue to conduct instructor – led ethics and compliance (E&C) workshops in the areas of code of conduct, anti-bribery and corruption, anti-money laundering, competition anti-trust and international trade regulations. We also provide e-learning modules in these areas. In total, 884 people in Azerbaijan, Georgia and Turkey, including BP staff, agency personnel and suppliers participated in 92 instructor led E&C training/awareness sessions in 2016 and a further 1,193 BP staff completed e-learning modules.

Our E&C team members are available to provide guidance and advice, and are one of a number of channels for reporting concerns about potential misconduct. Training also emphasized 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



Caption: A BP employee conducting data submission.

concerns about unethical, unsafe or potentially harmful behaviour.

We continue to work with to ensure that we address the root causes of misconduct. While we seek to ensure robust disciplinary actions for misconduct, we also support managers in role modelling ethical behaviours and we recognize employees who demonstrate ethical behaviours.

We also engage with our suppliers and business partners on E&C issues to support them to comply with the integrity culture we expect, and to report any ethical misconduct if it occurs in BP-related operations. Acting with integrity builds trust and is an important part of how we do business in the region. We seek to clearly communicate our expectations to our business partners, agree contractual obligations where appropriate and take measures where we believe they have not met our expectations or their contractual obligations.

We conducted E&C sessions for senior managers of more than 50 supplier companies in 2016. We have prepared an E&C brochure as guidance to doing business with BP, and have asked counterparties to cascade these messages into their organisation. We continue to issue quarterly newsletters that contain recent case studies illustrating real misconduct and positive behaviours as well as E&C statistics and news.

### Speak up culture

Encouraging speaking up among our employees and contractors continues to be critical to our strategy. It is important for all

of us to raise concerns about potential misconduct, but it is just as important to speak up about opportunities for improvement, to share a different perspective, or even a new idea. Speaking up is crucial for business success and allows us to improve our processes and operations.

We encourage employees, contractors and 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.

BP has zero tolerance for retaliation against anyone who seeks advice, voices a concern, repeats misconduct or participates in an investigation. The consequences for misconduct or retaliation range from coaching and performance management through to dismissal.

OpenTalk, BP's global helpline, is a confidential way in which both employees and thirds 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. In 2016, 55 cases were reported through the OpenTalk helpline regarding issues in Azerbaijan, Turkey and Georgia.

Investigations of misconduct resulted in 26 instances of disciplinary action during 2016, including the dismissal of a number of BP employees and agency personnel and the termination of a number of contracts of third party contractors.



# Safety

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

### What we are doing

Managing safety

18





# Managing safety

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

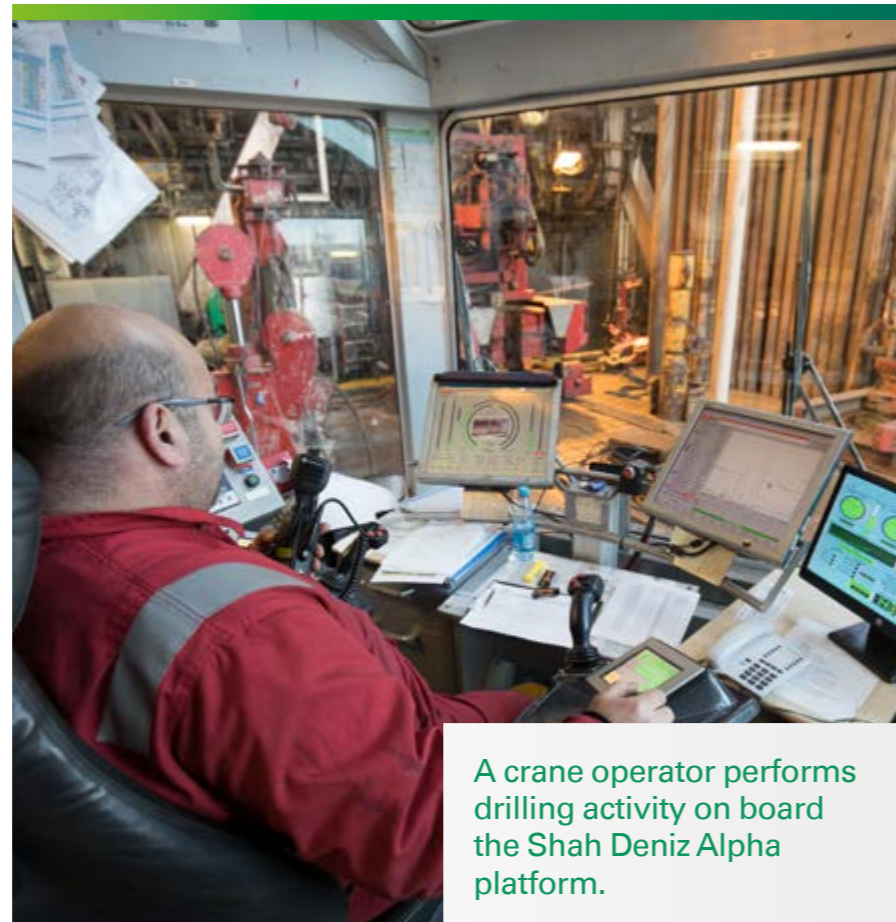
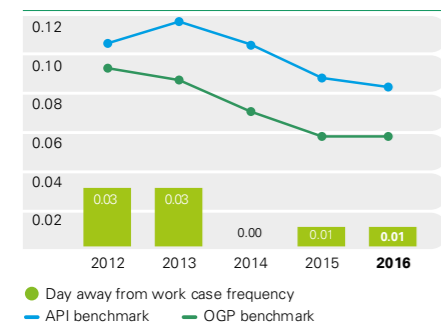
Creating a safe and healthy working environment is essential for our success. We are committed to keeping people safe, whether they are working at our sites or living in communities near to our operations.

## 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.

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



A crane operator performs drilling activity on board the Shah Deniz Alpha platform.

## Safety performance

### Improving operational safety

We have completed the year without serious process safety incidents. There were six high potential incidents in 2016, meaning incidents or near misses which could have resulted in a health, safety, security or major environmental incident. Two of these took place in offshore locations. All incidents were investigated and lessons learned, reported and shared.

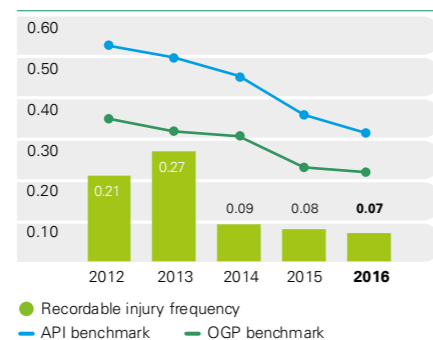
We continued to improve our HSE reporting culture within our offshore operations. Topics

included establishing transparent reporting to help determine early warning signals and develop proactive measures to prevent serious accidents at our facilities. In 2016 we continued to embed operating discipline in our day to day jobs, reinforcing our 'follow the rules, finish what you start and follow up' principles for every person at our facilities.

In 2016 BP established safety leadership principles for our upstream business globally, setting the expectations for BP leaders at all levels. They set out how leaders are expected to:

- relentlessly pursue the ultimate objective of an injury free workplace.
- not compromise our focus on safety in order to achieve any other business objective.
- believe that our safety actions are most effective when we genuinely care about each other.
- maintain an environment for open and transparent reporting and recognize behaviour which is consistent with our values.
- hold to account those who knowingly disregard the rules.

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



The principles clarify that safety is a number one priority regardless of the business environment. In Azerbaijan, our milestones in 2016 include the successful delivery of two major turnarounds and significant progress in improving our competitiveness through continuous improvement.

In 2016 we held an annual safety forum for contractors. The aim of the forum was to continue efforts to create an incident-free environment within our operations, which can be achieved through shared learning while connecting leaders in BP and our contractors to operate as one team. The event was designed to be an interactive discussion and included valuable input from senior leader. A total of 88 contractor companies participated in the event.

### Driving safety

In 2016 our driving activity increased by 28%, with more than 34.5 million kilometres driven (84.5 million including kilometres driven by contractors) during the year.

### Audit and verification

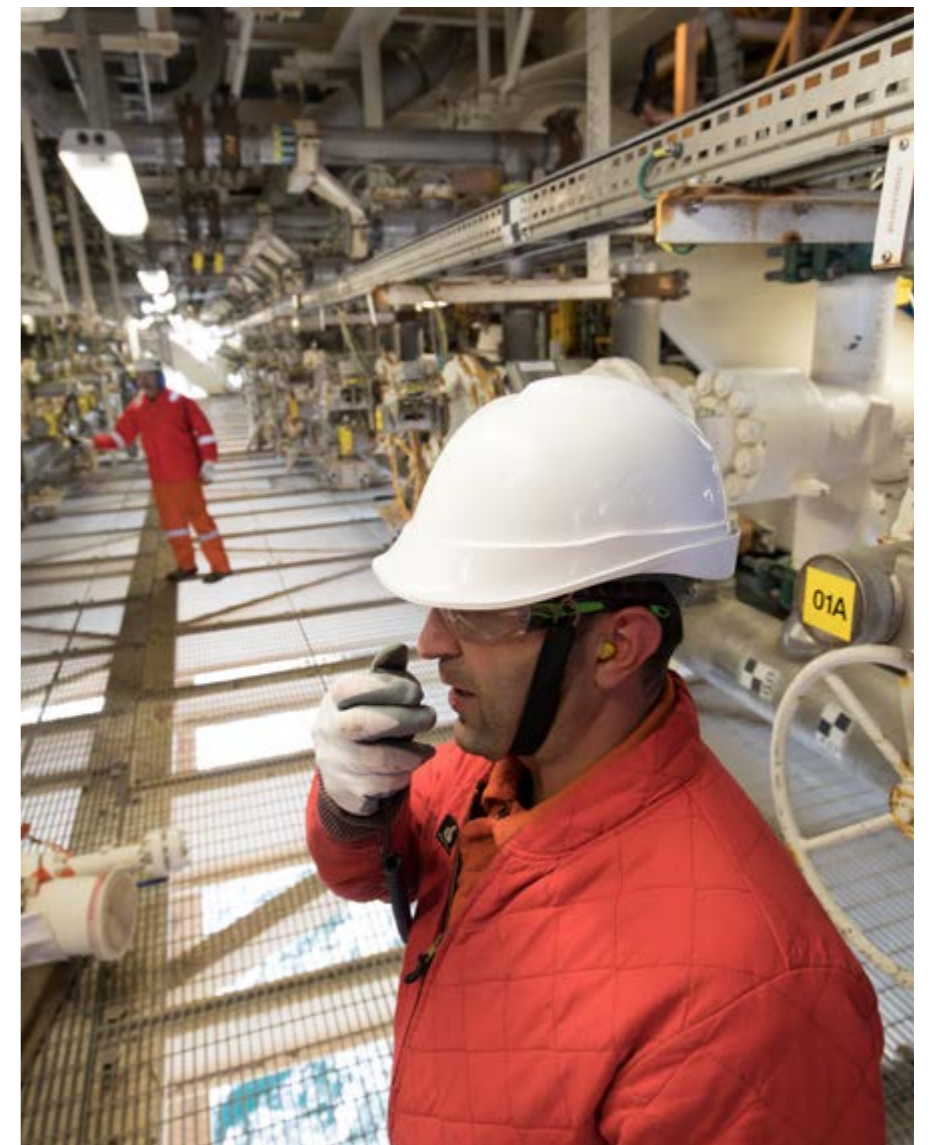
Group audit and verification helps us prioritize the safety and reliability of our operations to protect the welfare of our workforce, the environment and local communities. BP's operations in Azerbaijan were audited five times by BP group in 2016 as part of the group audit coverage plan. As an outcome 36 actions were raised during 2016.

BP group also conducted rig audits on Deepwater Gunashli, West Azeri, West Chirag platforms and Heydar Aliyev and Istiglal drilling rigs. There were 288 actions from these audits and 236 of them were closed during 2016.

At the end of 2016, we successfully completed 98% of the actions which resulted from the group audits from 2010.

### Integrity management

As part of integrity management, we conducted inspections of our onshore and offshore facilities in 2016. This included about 2,500 equipment and piping pressure system inspections for the Sangachal terminal and export operations, more than 390 inspections of structures,



Caption: A worker on board the West Azeri platform talks to colleagues via radio.

supports and concrete foundations, level monitoring survey of 485 structures, and inspections on Shah Deniz, East Azeri and

West Azeri platforms using a remotely operated underwater vehicle. In addition, we completed more than 1,420 pipeline inspections across Azerbaijan and Georgia.

| Safety performance of BP in Azerbaijan |       |       |
|--|-------|-------|
|  | 2015  | 2016  |
| Fatalities                             | 0     | 0     |
| Days away from work case frequency     | 0.01  | 0.01  |
| Recordable injury frequency            | 0.08  | 0.07  |
| Hours worked (millions)                | 43.7  | 59.4  |
| Total vehicle accidents rate           | 0.48  | 0.72  |
| Kilometres driven (millions)           | 27.32 | 34.55 |

We have spent over 140,000 hours on production chemistry to assure fluid flow, integrity of plant and infrastructure, and quality of export products, in addition over 4,600 tonnes of chemicals were transported to offshore and deployed without incident. By the end of 2016, we had performed 33 inspections of major process vessels on all seven platforms offshore. We also executed our corrosion management and fabric maintenance programmes on all seven platforms as planned.



## Crisis management and emergency response

Our crisis and continuity management planning helps respond effectively to emergencies and mitigate potentially severe disruptions in our operations. BP identifies potential risks on an annual basis and carries out regular exercises to test how prepared our teams are to respond.

In 2016 we carried out regular drills and exercises to test our assets' preparedness to respond to emergency events. In addition to regular exercises, we conducted a cross-border oil spill exercise to test emergency cross border protocols and the effectiveness of the process, in co-operation with State Emergency Department and Customs.

In December, our Sangachal terminal held a large-scale firefighting exercise. It was designed to validate existing firefighting equipment capabilities and enhance fire responders' knowledge, skills and experience in dealing with incidents. We also held a major emergency exercise – an incident scenario of helicopter ditching during offshore transit. The primary objective of the exercise - validation of the

relevant rescue and recovery standards for offshore installations - was successfully achieved.

As part of our enhancement of oil spill preparedness and response capability, oil spill equipment has been registered in BP's maintenance system and serviced in accordance with the preventative maintenance programme.

## Working with the government

We have further strengthened our co-operation with the Ministry of Emergency Situations in 2016. For example, in August the ministry participated in a joint exercise to practice the deployment of offshore containment and recovery systems with BP and our oil spill contractor.

We shared our oil spill contingency plans for the Azerbaijan export pipelines and Sangachal terminal with the Ministry of Environment and Natural Resources, SOCAR and Ministry of Emergency Situations in 2016. The plans were accepted by the Ministry of Emergency Situations in 2016.



Caption: BP's (left) and SOCAR's presidents at one of the events aimed at further strengthening our co-operation with the government.

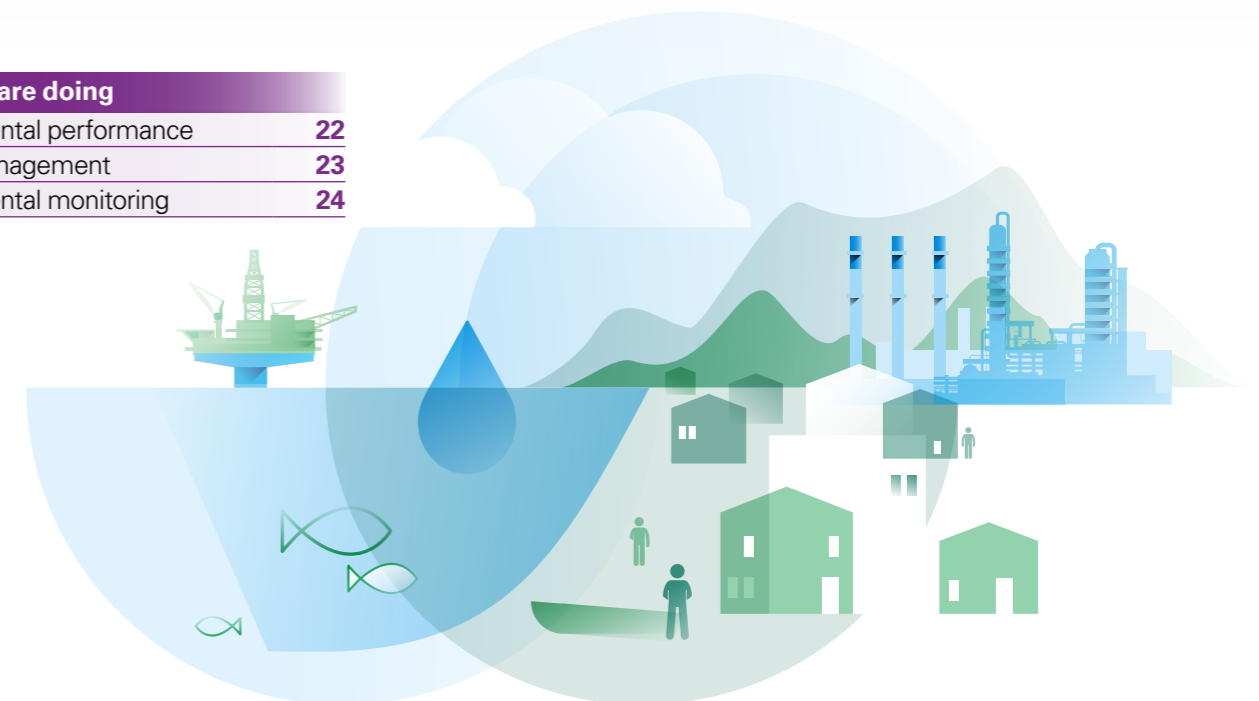


# Environment

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

## What we are doing

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| Environmental performance | 22 |
| Waste management          | 23 |
| Environmental monitoring  | 24 |



A lab test conducted as part of an audit and verification that helps us prioritize the safety and reliability of our operations to protect the welfare of our workforce, the environment and local communities.



# Environmental performance

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

Our environmental management system in Azerbaijan is independently audited against ISO 14001. In 2016, two rounds of external ISO 14001 audits were conducted at West Chirag and West Azeri platforms, Sangachal terminal, Azerbaijan export pipelines, Supply Base and SPS Central Waste Accumulation Area. The audits found zero non-conformances with the system, and for the first time raised the assessment of our internal environmental audit process to the top 'benchmark' level.

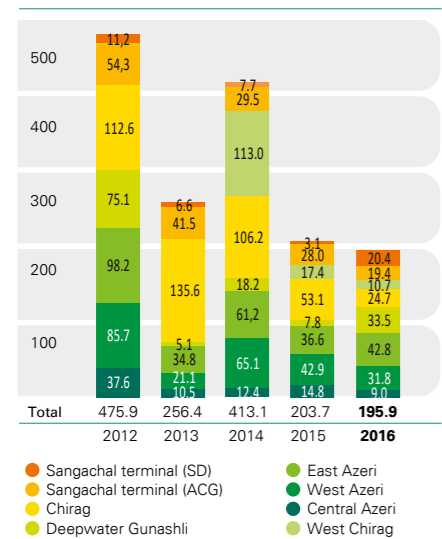
## Air emissions

Our emissions to air originate from internal combustion of fuels, gas flaring and venting. Also, there are indirect emissions resulting from use of electricity from municipal grids.

In 2016 we emitted about 815,2 thousand tonnes of net greenhouse gases (GHGs), which is 4% higher than in 2015. The largest contributors to our GHG emissions are Central Azeri platform (23%), Deepwater Gunashli platform (20%) and ACG part of Sangachal terminal (19%).

A focus on reducing flaring, in particular on fixing the flaring system at Chirag 1 platform, has led to a decrease in the amount of gas we flared at our operational facilities from 204 kilotonnes in 2015 to 192 kilotonnes in 2016.

## Gross flaring by asset (thousand tonnes)



A BP employee talks to external environmental auditors, as part of our work aimed at avoiding, minimize and mitigate potential environmental impacts wherever we do business.

In addition, there were 3.3 kilotonnes flared from Istiglal drilling rig as part of Shah Deniz 2 project during well clean-up.

BP is a member of the 'World Bank Zero Routine Flaring 2030' initiative, which seeks to eliminate routine flaring from oil assets by 2030. In 2016, we completed a detailed analysis of flaring to identify routine flaring.

The amount of sulphur oxides (SOx) and nitrogen oxide (NOx) emitted slightly increased in 2016 compared to 2015. As the largest contributor, the logistics operations have produced 29% of both SOx and NOx emissions across BP operations in Azerbaijan.

## Energy consumption

|                                     | 2014  | 2015   | 2016         |
|-------------------------------------|-------|--------|--------------|
| Fuel gas (thousand tonnes)          | 949.7 | 957    | <b>980.9</b> |
| Diesel (thousand tonnes)            | 83.0  | 83.3   | <b>86.3</b>  |
| Electricity import (megawatt hours) | 6,821 | 10,167 | <b>1,825</b> |

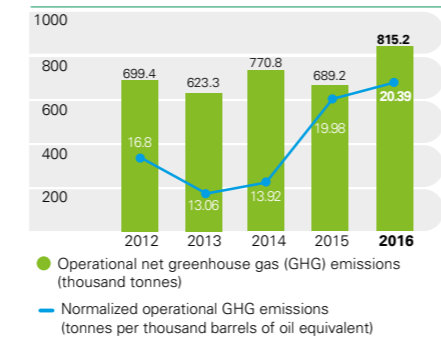
## Generated waste quantities (tonnes)

|   | 2014    | 2015   | 2016          |
|---|---------|--------|---------------|
| Hazardous waste (excluding produced water and sewage) | 314,462 | 81,314 | <b>97,326</b> |
| Non-hazardous waste                                   | 13,535  | 18,650 | <b>22,474</b> |

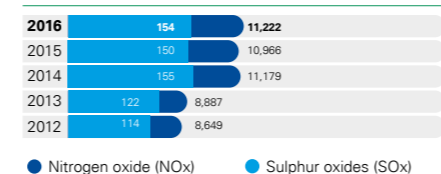
## Oil spills

There were 10 fully contained oil spills in 2016, where we avoided discharge of hydrocarbons to sea. There was one case at our Shah Deniz platform, when a small fraction of oil-based mud from a ruptured hose reached the sea –which resulted in 15 litres spilled. Our immediate response to oil spill incidents resulted in a 99.98% recovery rate of spilled volume. In November, we conducted an environmental response exercise to test our Azerbaijan capability to respond to large-scale oil spill incidents impacting the offshore and coastal areas.

## Net GHG emissions



## Gross non-GHG emissions (tonnes)



# 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.

In 2016 we achieved a 51% reuse and recycling rate for non-hazardous waste. The recycled non-hazardous waste streams included metals, plastics, paper, cardboard and others. The remaining portion of non-hazardous waste was sent to landfill with small amounts (waste tyres only) stored.

Also, 52% of hazardous waste was sent for reuse and recycling, the largest streams being oily water, cement and oils. This also includes base oil and water recovered as a result of treatment of drilling cuttings, muds, produced sand and tank bottom sludge treated at Serenja hazardous waste management facility. The recovered base oil was injected into the oil export pipeline, reused for mud preparation or used as fuel. Recovered water was used at Serenja for cooling and dust prevention purposes.

We continued to dispose the accumulated treated drill cuttings from Serenja with over 78,000 tonnes sent to landfill in 2016.

## Drill cuttings

Drilling activity in the Caspian Sea in 2016 resulted in a further growth of drill cuttings. In order to manage this, we increased re-injection to subsurface by 15% compared

to the previous year, totalling almost 24,000 tonnes. The volume of cuttings shipped from production platforms and drilling rigs to Serenja hazardous waste management facility was also 10% larger at 59,215 tonnes. The permitted discharges of cuttings to sea was 17,247 tonnes, comprised of drill cuttings with synthetic-based mud (SBM) from Chirag platform and water-based mud (WBM) from all other platforms and mobile drilling rigs. There were also four minor incidental drill cutting spills, which together accounted for less than 200 litres.

## Sewage

We further reduced the number of sewage treatment plant outages offshore causing releases of untreated sewage. There were only three such outages in 2016 resulting in the discharge of 23 m<sup>3</sup> of untreated sewage.

We regularly monitor and analyse the performance of sewage treatment and the quality of discharged water. In the first half of year, we continued to observe results for faecal coliforms exceeding the standards at Shah Deniz and Azeri platforms. However, closer to the end of year, the situation at all three Azeri platforms improved as a result of process amendments. We plan to install an additional treatment unit at Shah Deniz.

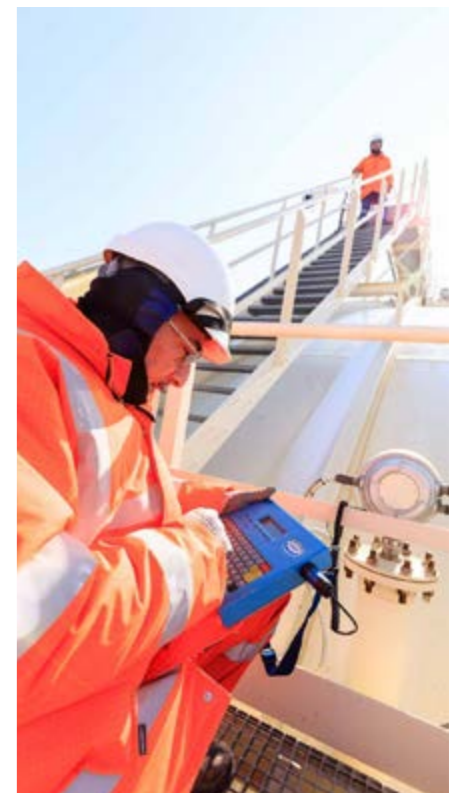
The sewage treatment plant at Sangachal terminal was operating in compliance with standards throughout the year. Along the export pipelines, an issue with elevated faecal coliforms parameters at the reed beds of PSA2 and IPA1 facilities continued in 2016. BP investigated the issue and fixed the performance issues with the wastewater treatment plants which was one of the main contributors to the reedbed discharge quality.

## 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.

As oil reservoirs gradually deplete every year, the share of water extracted with the oil increases. Produced water from the Azer-Chirag-Gunashli (ACG) field is separated both offshore and at the Sangachal terminal. In March, the West Azeri platform became the third installation at the ACG field to establish a process to separate produced water at the platform. The primary disposal route for separated produced water from the ACG field is through water reinjection wells to sustain pressure in the oil reservoir.

In 2016 the ACG field produced 6,741,128 tonnes of treated produced water, of which 2,681,325 tonnes were separated at offshore facilities (EA, WA and DWG) and 4,059,803 tonnes were treated at Sangachal terminal and sent to Central Azeri for reinjection at Azeri field.

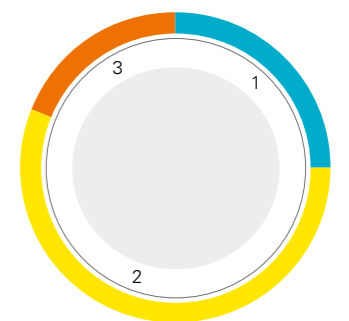


No produced water was disposed via other onshore waste management routes in 2016.

The discharges of produced water to sea significantly increased in 2016, primarily due to new sources of discharges. All discharged produced water was treated and directed to a specially designed pipe submerged under the sea level to minimize the environmental impact.

Small volumes of produced water from the Shah Deniz field, totalling 37,255 tonnes in 2016, were sent to storage ponds at the Sangachal terminal.

## Fate of drilled cuttings in 2016



1. Injected 23,824  
2. Shipped 59,215  
3. Discharged 17,247



## Environmental monitoring

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



Caption: An environmental specialist collects water from the ambient water source check the quality.

We run a programme for ambient environmental monitoring around our offshore and onshore facilities. We conducted 20 surveys in 2016.

Offshore, we conducted seabed monitoring surveys around Chirag-1, West Chirag, Central Azeri and East Azeri platforms, as well as a post-drilling survey at the SD-2 West Flank location. We

measured the distribution and abundance of macrobenthic populations in the area and the physical and chemistry elements of seabed sediments.

Near shore, we conducted an environmental survey in Sangachal Bay to understand water and sediment quality after completion of SD-2 project trenching activities. We also conducted fish

monitoring surveys to investigate the health of fish species in the bay area.

Onshore, 13 surveys were carried out around our facilities. These included monitoring air quality, soil and vegetation, groundwater and surface water, and species diversity at the Sangachal terminal, BTC and WREP pipelines and the Serenja Hazardous Waste Management Facility.

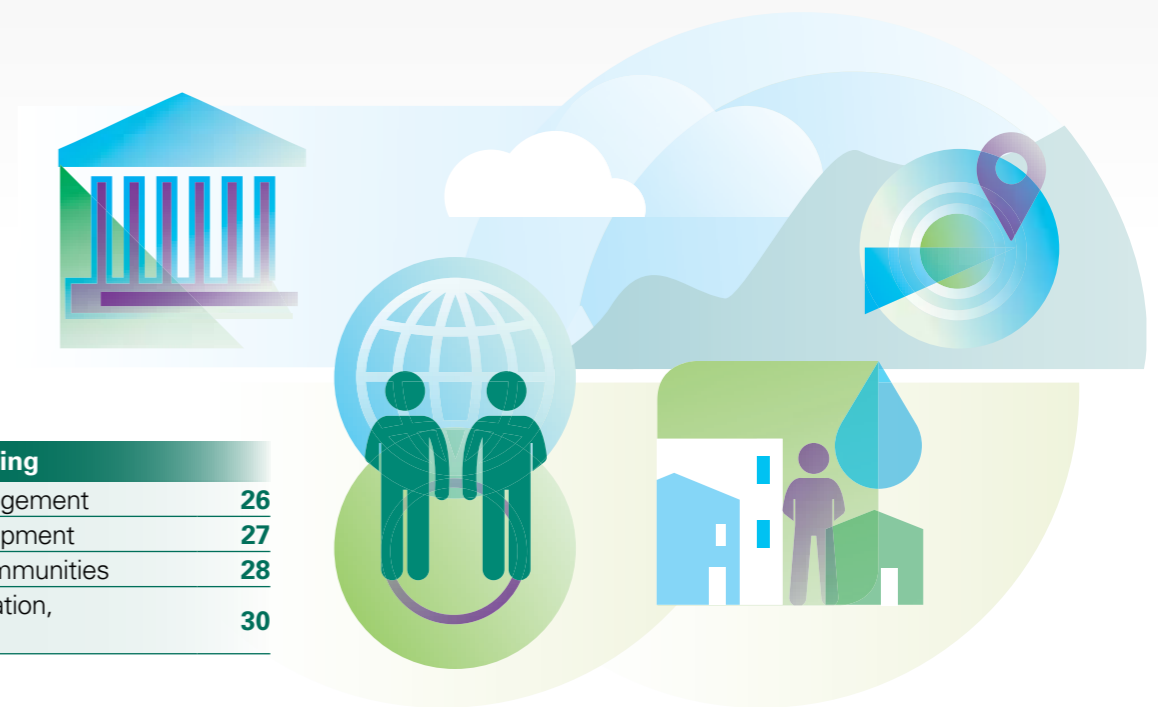


A worker examines valves on board the Shah Deniz Alpha platform to check the safety and compliance of our operations.



## Society

The energy we produce serves to power economic growth and improve the quality of life for millions of people. We aim to have a positive and enduring impact on the communities in which we operate.



### What we are doing

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| Stakeholder engagement                  | 26 |
| Enterprise development                  | 27 |
| Working with communities                | 28 |
| Supporting education, culture and sport | 30 |



# Stakeholder engagement

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

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.

BP's group chief executive, Bob Dudley met with the President of the Republic of Azerbaijan, Ilham Aliyev on a number of occasions throughout the year. He was received by President Aliyev during the World Economic Forum in Davos, Switzerland in January 2016, at the World Energy Congress in Istanbul, Turkey in November, and in Baku in December. The last visit was also marked by the signing of a letter of intent for the future development of the Azeri-Chirag-Gunashli (ACG) field in the Azerbaijan sector of the Caspian Sea.

*For 22 years, BP and SOCAR have been interacting as reliable partners. They work together in many projects – Azeri-Chirag-Gunashli, Shah Deniz, the Southern Gas Corridor, the construction of oil and gas pipelines are the most important projects for our country. And this co-operation has a great future, because, along with these projects, work is under way on other promising initiatives.*

**Ilham Aliyev**  
President of Azerbaijan Republic

In May, BP's board of directors and board committee led by the chairman, Carl-Henric Svanberg, and BP's chief executive, Bob Dudley, visited Baku. In the course of the visit, the board members were received by the President of the Republic of Azerbaijan Ilham Aliyev.

In June, BP's Upstream CEO, Bernard Looney, and his leadership team, hosted a two-day BP investor field trip in Baku, Azerbaijan. The event also included sessions with other key external stakeholders, such as government representatives. The key objective of the meeting was to provide the analysts in-depth review of BP's Upstream



Caption: A managing director of a contractor talks about the co-operation with BP.

portfolio as well as update on BP's strategy and performance.

As part of the co-operation with the government of Azerbaijan, BP AGT president, Gordon Birrell, regularly met with government officials to provide updates on the ongoing operations and projects, including Shah Deniz Stage 2 and Southern Gas Corridor. In February, Gordon Birrell and members of his leadership team attended the Southern Gas Corridor Advisory Council Second Ministerial Meeting with the participation of President Ilham Aliyev. In April, Gordon Birrell met with President Aliyev as part of a meeting arranged with the American Chamber of Commerce delegation. In June, he hosted President Aliyev on the BP stand at the 23rd Caspian Oil and Gas Exhibition in Baku. In September, BP's Vice-President for Shah Deniz 2 Projects Ewan Drummond and SOCAR President Rovnag Abdullayev hosted President Aliyev at the Heydar Aliyev Baku Deepwater Jackets Factory to witness jackets sail-away of one of the Shah Deniz 2 platforms.

In 2016 BP group chief economist, Spencer Dale visited Baku to launch the *BP Energy Outlook report for 2016*. The report was presented to a wide range of audiences including key ministries, embassy and international organizations, civil society members and journalists.

During the year, we hosted about 22 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 a number of countries.

We saw substantial media interest in our activities during 2016 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 arranged trips to our sites for visiting international media representatives. Our 24-hour media response line was available to the media.

## Revenue transparency

The Extractive Industries' Transparency Initiative (EITI) supports disclosure of payments made to, and received by, government in relation to oil, gas and mining activity.

As a member of EITI, BP works with governments, non-governmental organizations and international agencies to improve the transparency of payments to governments.

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 2015.

# Enterprise development

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

Together with our co-venturers in Azerbaijan, we signed new long-term contracts with 167 local companies in 2016, worth about \$1.06 billion.

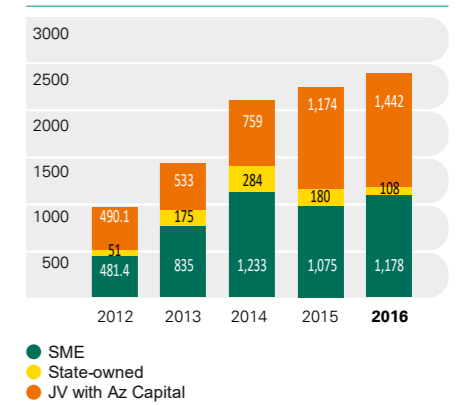
Altogether, we worked with 266 local companies and individuals in Azerbaijan in 2016, of which 58% were small and medium-sized enterprises and individuals. Our joint operations and projects expenditure in Azerbaijan totalled nearly \$2.06 billion in 2016. As part of this, our in-country, operations-only expenditure with local suppliers in Azerbaijan was \$0.90 billion.

As part of the workforce nationalization strategy, we are working to improve national representation in our contractors' workforce. Our strategy is designed to make sure BP contractors are accountable for the planning and delivery of the workforce nationalization agenda at the early sourcing stage. It is based on BP values and sets out the target for 90% of the professional workforce to be nationals, as set out in production sharing agreements that we operate on behalf of government of Azerbaijan and our co-venturers. This applies to any contractor registered to do business in Azerbaijan and employing expatriate personnel in Azerbaijan under a long-term contract with BP. We have also updated our standard contract terms and conditions to reflect new requirements on national workforce development.

## 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.

BP Spend with Az Owned Suppliers, 2012-2017



The programme has helped local companies secure international contracts with BP in Azerbaijan in excess of 61.5 million in 2016.

In 2016 three companies completed the programme, bringing the total number of companies that have completed it to 199.

Further 118 companies went through the initial appraisal in 2016. A total of 1,981 companies have been appraised since the programme started.



A contractor who completed the Enterprise Development Programme, receives a certificate from a senior BP official.



# 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.

## 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.

The number of registered third-party violations such as grass fire, damage to line markers and trespassing within the safety zones was 159 in 2016 (47 in 2015).

During 2016 we conducted more than 900 group and individual consultation meetings with a total of around 5,000 external stakeholders.

### 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 135 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 2016, we responded to 118 of these requests, while 17 are to be closed-out in 2017.

Our grievance resolution mechanism for communities along the pipelines' route has been in place since 2007. During 2016, we received 20 BTC/SCP pipeline related complaints, 17 of which were responded by the end of the year. We responded to one more this January and are working on the last two.

The South Caucasus Pipeline Expansion (SCPX) project continues to implement a community grievance mechanism in order to help us to understand and respond to all community concerns. In 2016, a team of 11 community



Caption: A tutor talks in a classroom, as part of our health awareness sessions in the communities.

liaison officers representing BP and our construction contractor continued to register, acknowledge and respond to all community grievances and requests.

We aim to register and acknowledge community grievances within seven days, and address them within 30 days. This year through investigating and responding to grievances we have followed a defined process to recognize and compensate 40 bona fide users of project land (actual land users).

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

In 2016, 39 community awareness meetings were held across communities in Kurdamir, Yevlakh, Ujar, Hajigabul, Agdash, Goranboy, and Agstafa regions. These sessions covered topics including community safety, the recruitment process and job opportunities and general updates on the project.

In addition to this, the SCPX project held 73 school safety sessions and a children's art competition as part of the school safety programme in which over 4,200 schoolchildren and 330 teachers attended. In addition, the project implemented a timber donation programme which provides SCPX project affected communities with a useful resource while enabling timber from the project to be re-used.

During 2015-2016 the timber donation programme covered 600 households across 52 communities within eastern, central and western parts of the pipeline route.

Contractors working for the SCPX project are required to prioritize recruitment of personnel from local communities in the vicinity of project activities. These may include skilled, semi-skilled and unskilled positions, depending on the type of construction activities to be undertaken. Job announcements where descriptions of procedures to be undertaken by the applicant are clearly explained are also placed at different locations in the communities adjacent to construction activities, in the local municipality and depending on the position can be announced at a national level. At the end of 2016 95% of the unskilled workforce was from project-affected communities and municipalities and 89% of the total workforce, over 2,300 people, were Azerbaijani nationals.

### Land acquisition - Azerbaijan

The land acquisition process for the SCPX project successfully continued in 2016. Following execution of land lease agreements across the SCPX right-of-way (ROW) in Azerbaijan, we completed compensation payments to 2,921 private land owners/users and 65 municipalities.

In addition, there were a number of factual user agreements executed and compensations made.

The compensation process and principles are in line with our guide to land acquisition and compensation framework. 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.

### Computers for pre-school children

We support a programme, run by the PCs4KIDS Foundation, to supply kindergartens with used computers in communities close to the BTC/SCP pipelines. 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 2016 we distributed 209 computers and notebooks to kindergartens located in the Samukh, Goranboy, Yevlakh, Agdash, Shamkir, Agstafa, and Tovuz districts. Since 2014 more than 300 computers and notebooks have been distributed to the kindergartens in 11 regions through which the pipelines pass.

### Health awareness sessions

In 2016 we organized 117 community awareness sessions on tuberculosis in the communities of Hajigabul, Agsu, Kurdemir, Ujar, Agdash, Yevlakh, Goranboy, Samukh, Shamkir, Tovuz and Agstafa districts along the pipeline. In addition, two sessions were delivered in Azimkand, Sangachal and Umid districts in Garadagh. From the inception of the project 130 sessions reached out to over 2,600 community members. The sessions were delivered by doctors from the German Industrial and Medical Consulting and State Lung Institute.

### IT Essentials course for Sangachal and Umid communities

Our IT Essentials course aims to increase opportunities for income generation and employment in the local community. In 2016 around 200 people from Sangachal and Umid districts, participated in the course, which is implemented through Qafqaz University. The course is offered in Azerbaijani and covers fundamental computer and career skills for entry-level IT jobs. Topics covered include laptops and portable devices, wireless connectivity, security and communication skills.

Additionally, 23 people successfully graduated from the first phase of the project in 2016 and went on to take the Cisco Certified Network Associates training course and intensive English language improvement course.

### Social infrastructure improvement in Yevlakh, Ujar and Samukh communities

We launched social infrastructure projects in various project affected communities in 2016. These included:

- Renovating two kindergarten buildings in Nematabad and Ashagi Garkhun villages of the Yevlakh region.
- Repairing a kindergarten building in Garaberk village in the Ujar region.
- Renovating the village medical centre in Nematabad in the Yevlakh region.
- Installing a heating system at the Irevanli secondary school in the Yevlakh region.

- Renovating water piping and facilities in Lak village in the Samukh region.

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

In 2016 the regional microfinance programme with the European Bank for Reconstruction and Development was finalized. From the inception of the project a total number of 127 loans (\$703,899) were issued in the Shamkir, Yevlakh, Goranboy and Yevlakh districts. A total of 61 loans will be used in agricultural, eight in service and 58 in trading activities.

### Building early intervention services

In June 2016 we launched a new community project to build early intervention services in 10 districts along the pipeline route – Hajigabul, Kurdamir, Agdash, Ujar, Yevlakh, Samukh, Goranboy, Shamkir, Tovuz and Agstafa. The project is designed to provide services to identify children's disabilities and developmental delays as early as possible so appropriate assistance can be given. The work includes establishing early intervention centres in 10 districts, training three early intervention specialists for each district centre, empowering parents to be active participants in their children's development and building public awareness of the importance of early intervention.

During 2016, 392 people including doctors, nurses, teachers, social workers and parents participated in the community meetings held in 10 regions.

### English for Communities

Launched in April 2016 the project is designed to enhance the quality of English language teaching in the communities. The scope includes two aspects – English language teaching trainings for teachers and English language sessions for community members.

It aims at supporting community members to develop skills and build capacities that would help them expand their employment opportunities.

The project is implemented by the British Council in collaboration with the Ministry of Education of Azerbaijan.

In 2016 75 teachers from around 50 schools in Goranboy, Samukh, Shamkir, Tovuz and Agstafa participated in face-to-face training sessions on the English language. The teachers will use their improved language and teaching skills to provide English language lessons to schools and community members.

Ten teachers out of 75 (two from each region) were identified and trained to offer quality English teaching for community members.

### Business and human rights

We respect internationally recognized human rights as set out in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. These include the

rights of our workforce and those living in communities affected by our activities.

We set out our commitments in our human rights policy and our code of conduct. Our operating management system (OMS) contains guidance on respecting the rights of workers and community members.

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 2016 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. Specific activities have included quarterly social risk review sessions, a revision of the human rights response plan; technician forums (two in Azerbaijan, one in Georgia); a people forum day in Ankara; over 650 BP employees have participated in training sessions on the Code of Conduct (which includes human rights policy), regular human resources visits to offshore and onshore sites; and the establishment of monthly labour management forums and quarterly labour management committees.

### Voluntary Principles on Security and Human Rights

We are a signatory to the Voluntary Principles on Security and Human Rights, which provide a framework for companies to assess whether human rights issues are likely to occur as a result of security activities within local operations, and to allow appropriate precautionary steps to be taken.

Our state partner in protection of operations, Export Pipelines Protection Department (EPPD), which employs 76 training officers, continued to provide training on the Voluntary Principles to their staff. In 2016, 63 officers completed training on the principles

BP's private security contractor provided training on the Voluntary Principles to 151 personnel working at BP sites in 2016.

We have a '114' telephone line for communities neighbouring Azerbaijan export pipelines. The line can be used to report any improper use of excessive force or abuse of human rights and is overseen by the state security provider.



# 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.

## 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

The Azerbaijan oil and gas scholarship programme, which is funded by BP and its co-venturers, enables students to pursue undergraduate and graduate studies in engineering and geosciences at universities in Turkey and Azerbaijan. In 2016 we provided scholarships to students, totalling \$ 243,456.

### Establishment of Big Data Sciences Research and Training Centre at ADA University

Launched by BP and its co-venturers in October 2016 the project aims to institute a first of its kind functional centre at the ADA

University with objective to enhance capacities and competencies of data science practices and commence a programme in big data analytics and data sciences in Azerbaijan.

The project is part of BP and its co-ventures' commitment to supporting education, training and capacity-building in the country. It is also designed to have a wider impact by providing opportunities for public and private sector representatives to use the centre's resources.

Processing and managing big data and information assets are at the forefront of modern science. This includes the capture, storage, searching, transferring and analysis of huge data sets. The insights they can provide have major implications and impacts in a diversity of sectors and businesses.

Through the ability to store and process huge volumes, the centre will allow immediate access to thousands of documents on specific topics which can be searched for and retrieved in seconds.

### Agricultural Vocational Education: Development of New Occupations

Launched in August, the project aims to enhance the agricultural vocational training system by developing new agricultural occupations and trades. It is implemented by the British Council in collaboration with the Ministry of Education.

The project will develop up-to-date teaching materials, textbooks and training methodology for agricultural occupations and trades which will be used for teaching in agricultural vocational schools all over Azerbaijan.

The newly-developed occupations and disciplines will cover such areas as horticulture; crop production; and agricultural machinery/agro-service.



**Caption:** A student of a BP sponsored training school demonstrates his skills on a model equipment.

The project scope also includes the training of 20 local trainers who will use the new teaching methodology and skills, specializing in the newly-created occupations and trades. If successful, the pilot phase experience will be applied to scale up the project to cover all agricultural vocational schools across the country.

### Vocational training for communities

In December 2015 BP on behalf of its co-venturers signed an agreement with the State Oil Company of the Republic of Azerbaijan (SOCAR) to extend the support of vocational training for communities. Under the agreement, in 2016, 47 young people, from a district close to the Sangachal terminal trained at SOCAR's Gobustan Regional Training Center to become qualified technicians.

### Build Your Future Project

Launched in September 2016 the project aims to help students from disadvantaged backgrounds prepare for university. The programme targets students who have a strong desire to study but who cannot afford tutorial services.

BP on behalf of its co-venturers provides support to students from the Garadagh region.

As part of the project, which is implemented by a local education centre and a consultancy, 28 people took preparation courses for university admission exams.

### 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, 19 university students were selected from 159 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 2016 competition was hosted by ADA University, with support from BP and other sponsoring industry organizations. 51 teams from Azerbaijan applied to take part in the competition, with three teams chosen as finalists. The students went through five weeks of training in business case analysis and strategy development and four weeks of preparation sessions. BP provided \$3,070 in sponsorship and our employees contributed to the project as trainers, coaches and a jury panel member.

## Sport initiatives

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.

## ADA Baku Summer Energy School

BP sponsored the 10th Annual Baku Summer Energy School of Caspian Center for Energy and Environment of ADA University.

The annual two-week certificate programme for energy professionals, which was arranged with SOCAR, BP and ExxonMobil, brought together 46 participants from 17 countries in 2016 to examine and gain a better understanding of global and Caspian energy and environment issues.



**Caption:** DVD cover for the documentary - Sarylar - a journey to Karabakh - funded by BP.

## Cultural initiatives

The documentary film "Sarylar", sponsored by BP, is the company's contribution to the wider recognition of a unique breed of horses whose home is the Karabakh region of Azerbaijan. It is a touching story of the beautiful creatures known as the Karabakh horses named Sarylar, defining the origin, history and characteristic features of these thoroughbred horses.

The documentary is a joint product created by AzerbaijanFilm and STUDIO TOR 1 Filmproduktion of Berlin.

BP in Azerbaijan presented a documentary film about the jazz virtuoso Vagif Mustafazade in 2016. BP's support for the production of the film "Vagif as I knew him" is part of its long-term commitment to Azerbaijan and to promoting its rich cultural heritage.

The documentary is in recognition of Azerbaijan's and one of the world's grandmasters of jazz, Vagif Mustafazade - founder of a new genre in the art of music - the jazz-mugham. The film features his life episodes as well as other well-known musicians' thoughts about this world-renowned jazz performer of Azerbaijan. The documentary is a joint product created by Buta Film and the Ministry of Culture and Tourism of Azerbaijan Republic.



**Participants of the BP-sponsored Annual Baku Summer Energy School, which examines global and Caspian energy and environmental issues.**



**Caption:** BP's athlete ambassadors who represented BP during the 4th Baku Islamic Solidarity Games.



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

| For the year ended 31 December 2016  |          |          |          |          |                 |
|--|----------|----------|----------|----------|-----------------|
| Operating  | 2012     | 2013     | 2014     | 2015     | 2016            |
| Total hydrocarbons produced (thousand barrels of oil equivalent per day) <sup>2</sup>            | 893      | 909      | 900      | 903      | <b>908</b>      |
| <b>Financial<sup>3</sup></b>   |          |          |          |          |                 |
| OPEX (operating expenditure) – total spend, gross (\$ million)                                   | 1,360    | 1,542    | 1,766    | 1,388    | <b>969</b>      |
| CAPEX (capital expenditure) – total spend, gross (\$ million)                                    | 3,669    | 4,862    | 7,170    | 7,674    | <b>6,470</b>    |
| <b>Safety</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        | 5        | 0        | 2        | <b>3</b>        |
| Days away from work case frequency – workforce   | 0.03     | 0.03     | 0        | 0.01     | <b>0.01</b>     |
| Recordable injuries – workforce  | 20       | 40       | 14       | 17       | <b>22</b>       |
| Recordable injury frequency – workforce  | 0.21     | 0.27     | 0.09     | 0.08     | <b>0.07</b>     |
| Hours worked – employees (million hours) <sup>4</sup>  | 5.55     | 13.47    | 13.41    | 8.5      | <b>9.2</b>      |
| Hours worked – contractors (million hours) <sup>5</sup>  | 13.5     | 16.5     | 18.8     | 35.2     | <b>50.2</b>     |
| <b>Environment</b>   |          |          |          |          |                 |
| Direct carbon dioxide (CO <sub>2</sub> ), gross <sup>6</sup> (thousand tonnes)                   | 3,543.70 | 3,021.80 | 3,846.50 | 3,275.21 | <b>3,394.17</b> |
| Indirect carbon dioxide (CO <sub>2</sub> ), <sup>7</sup> gross (thousand tonnes)                 | 0.6      | 0.6      | 0.7      | 1.2      | <b>1.6</b>      |
| Direct methane (CH <sub>4</sub> ), gross (thousand tonnes)                                       | 11.2     | 6.8      | 11.6     | 5.9      | <b>5.9</b>      |
| Direct greenhouse gas emissions, <sup>8</sup> gross (thousand tonnes CO <sub>2</sub> equivalent) | 3,776    | 3,164    | 4,067    | 3,400    | <b>3,543</b>    |
| Flaring (exploration and production), gross (tonnes)   | 475,910  | 256,423  | 413,120  | 203,651  | <b>195,893</b>  |
| Sulphur oxides (SO <sub>x</sub> ), gross (tonnes)  | 114      | 122      | 155      | 150      | <b>154</b>      |
| Nitrogen oxides (NO <sub>x</sub> ), gross (tonnes)   | 8,695.20 | 8,887    | 11,179   | 10,966   | <b>11,222</b>   |
| Non-methane hydrocarbon, gross (tonnes)  | 2,539.70 | 1,505    | 3,406    | 2,438    | <b>767</b>      |
| Number of oil spills <sup>9</sup>  | 12       | 11       | 6        | 2        | <b>11</b>       |
| Volume of oil spilled (litres)   | 175,716  | 15,232   | 14,311   | 1,045    | <b>67,372</b>   |
| Volume of oil unrecovered (litres)   | 156,794  | 643      | 40       | 805      | <b>15</b>       |
| Operational discharges to water – drill cuttings with synthetic-based mud (tonnes)               | 0        | 182      | 881      | 2,753    | <b>1,322</b>    |
| <b>Employees<sup>10</sup></b>  |          |          |          |          |                 |
| Number of employees of BP in Azerbaijan <sup>11</sup>  | 3,072    | 3,255    | 3,393    | 3,150    | <b>3 243</b>    |
| Number of professional staff of BP in Azerbaijan <sup>11</sup>                                   | 2,982    | 3,216    | 3,381    | 3,130    | <b>3 211</b>    |
| National <sup>11</sup>   | 2,530    | 2,722    | 2,907    | 2,735    | <b>2 785</b>    |
| National (%)   | 85%      | 85%      | 86%      | 87%      | <b>87%</b>      |
| Expatriate   | 452      | 494      | 474      | 415      | <b>426</b>      |
| Senior level Azerbaijani managers  | 168      | 197      | 230      | 275      | <b>314</b>      |
| <b>Social spend</b>  |          |          |          |          |                 |
| Total for BP and co-venturers in Azerbaijan (\$ million) <sup>12</sup>                           | 4.5      | 2.7      | 5.9      | 4.5      | <b>1.5</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 of more than, or equal to, one barrel (159 litres, equivalent to 42 US gallons).

<sup>10</sup>Starting from 2016 numbers include both permanent and fixed term employees

<sup>11</sup>Includes Azerbaijani employees working on overseas assignments for BP in Azerbaijan

<sup>12</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 2016 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 2016 (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 2016 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 2016.
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 2016. 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  
25 September 2017



<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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