

bp



BP in Azerbaijan

Sustainability Report 2017



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](https://www.bp.com/sustainability)

Introduction from our regional president



Since the time BP first arrived in Azerbaijan 26 years ago, our aim has been to create and maintain a sustainable business, which prioritizes safety and environment, earns the trust and respect of society, and creates value for all stakeholders. BP has been entrusted by the government and people of Azerbaijan, and by our co-venturers, to develop and operate the country's vast hydrocarbon resources to the benefit of the nation and our partners. Throughout these years, using our global expertise and leading technologies we have been efficiently, safely and reliably producing and exporting oil and gas from the Caspian.

Keeping a relentless focus on safety remains a top priority for us. We continued our good safety track record in 2017. We also made good progress in minimizing our impact on the environment. As an example, in 2017 we emitted about 6% less greenhouse gases than in the previous year, reduced flaring at our operational facilities by 22%, and our produced water discharges reduced nearly six times from 2016. However, our aspiration is to have no accidents, no harm to people and no damage to the environment – and that means we always have more to do.

In 2017, we continued stable production from the Azeri-Chirag-Deepwater Gunashli (ACG) oil field. To continue to invest in and maximize recovery from this great field, in 2017, we signed the amended and restated ACG production sharing agreement (PSA) with the government of Azerbaijan and our co-venturers, which extended ACG development until 2050.

The Shah Deniz field also continued reliable deliveries of gas to markets in Azerbaijan, Georgia and Turkey in 2017. It was also a great year for the Shah Deniz 2 and South Caucasus Pipeline Expansion projects. As a result, the first gas scope of these projects is now almost complete and we are on target for first commercial delivery in 2018.

Being a leading and responsible operator also means being a good corporate citizen and a good neighbour of communities where we operate. We continued to invest in education through local universities, schools and kindergartens; we supported capacity building through programmes for communities along our pipelines and country-wide enterprise development; and we contributed to the promotion of Azerbaijan's rich cultural heritage and development of the country's sports potential.

Whatever we do, we stand by our values of safety, respect, excellence, courage and one team. By running a safe, environmentally friendly and economically robust business, we will continue to bring meaningful benefits to all our stakeholders for many decades to come. And I believe this is what sustainability is about.

Gary Jones
Regional President
Azerbaijan-Georgia-Turkey region

About our report

This report covers the calendar year ending 31 December 2017. In some instances, significant events from 2018 have been included.

Unless otherwise specified, the text does not distinguish between the activities of BP p.l.c. and those of its subsidiaries and affiliates. References in this report to 'us', 'we' and 'our' relate to BP in Azerbaijan unless otherwise stated.

When we cite 'BP in Azerbaijan' we refer to operations in Azerbaijan only. If we refer to 'BP AGT' we are including all our activities in Azerbaijan, Georgia and Turkey. Specific references to 'BP' and the 'BP group' mean BP p.l.c., its subsidiaries and affiliates. All dollar amounts are in US dollars and if translated from other currencies reflect the exchange rate at the moment the funds were

committed. All gas volumes are indicated in standard cubic metres or standard cubic feet.

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

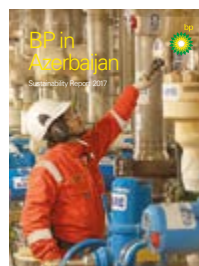
Cautionary statement

BP in Azerbaijan Sustainability Report 2017 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.

This is the updated edition of BP in Azerbaijan Sustainability Report 2017, which is released in October 2018. It supersedes any previously published versions of this report.

Front cover imagery

BP employee inspects equipment on West Azeri offshore platform.



Sustainability Report 2017

Details of our sustainability performance with additional information online.

bp.com/sustainability

What's inside?

BP in Azerbaijan Sustainability Report 2017 covers our business performance, environmental record and wider role in Azerbaijan during 2017.

It is our 15th 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.

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Focus areas

Our operations

We aim to deliver safe and efficient operations and projects contributing to sustainable development in the Caspian region.

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Our people

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

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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.

Page 17

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

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.

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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.

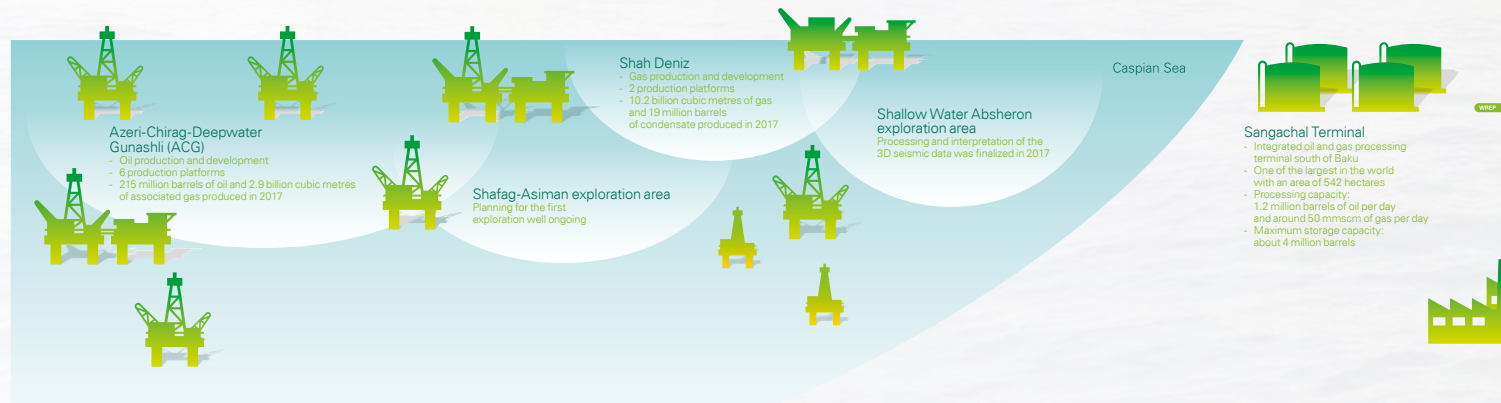
Scale

\$69 billion

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

\$78 million

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



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.

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.

3.3 billion

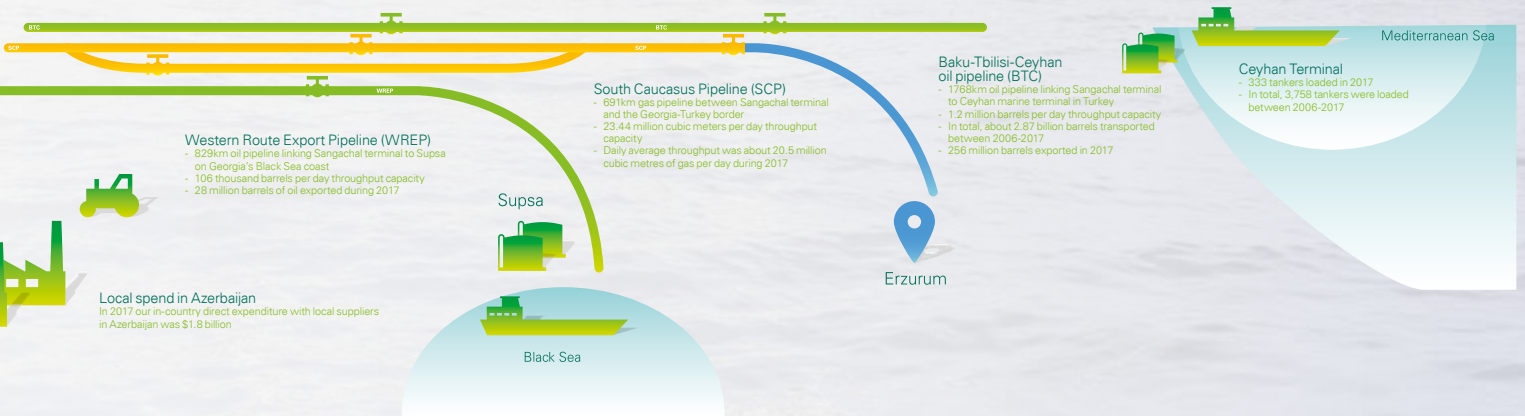
Barrels of oil were produced by ACG from first oil in 1997 to the end of 2017

89 billion

Cubic metres of total gas were produced by Shah Deniz from first gas in 2006 to the end of 2017

9

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



Employees

The number of people permanently employed by BP in Azerbaijan was 2,949, of whom 2,659 were Azerbaijani citizens, at the end of 2017.

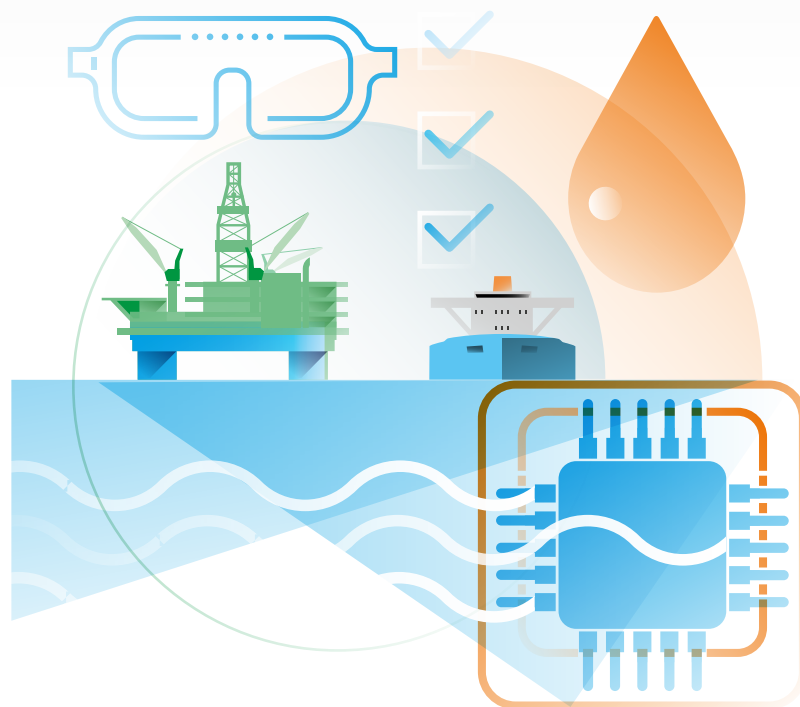


Our operations

We aim to deliver safe and efficient operations and projects contributing to sustainable development in the Caspian region.

What we are doing

Operating safely and reliably **7**



Operating safely and reliably

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

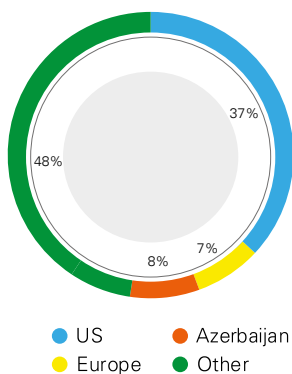
Azeri-Chirag-Deepwater Gunashli

The ACG field is operated by BP. 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.



Worker performs 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

(mmbbl – million barrels; mmte – million tonnes)

Platform	Start of production	Unit of measurement	From the start of production till end of 2016	2016	2017
Chirag	November 1997	mmbbl	685.8	19.7	18.5
		mmte	92.7	2.7	2.5
Central Azeri	February 2005	mmbbl	781.9	52.7	50.0
		mmte	105.7	7.1	6.8
West Azeri	December 2005	mmbbl	709.9	41.8	45.2
		mmte	96.0	5.6	6.1
East Azeri	November 2006	mmbbl	404.9	26.3	29.9
		mmte	54.7	3.6	4.0
Deepwater Gunashli	April 2008	mmbbl	397.1	46.1	42.8
		mmte	53.9	6.2	5.8
West Chirag	January 2014	mmbbl	102.1	43.9	28.3
		mmte	13.8	5.9	3.8
Total		mmbbl	3081.6	230.5	214.6
		mmte	416.7	31.1	29.0

Production began in 1997 from the Chirag section. ACG currently has eight offshore platforms – six production platforms on the Central, West and East Azeri, Deepwater Gunashli and West Chirag sections and two process, gas compression, water injection and utilities platforms.

At the end of 2017, a total of 115 oil wells were producing, and 54 wells were used for gas or water injection. Some 17 oil producer and 3 water injector wells were completed during the year.

In 2017, ACG continued to safely and reliably deliver stable production. Total ACG production for the year was on average 588,000 barrels per day (about 215 million tonnes in total).

We also delivered around 7.9 million cubic metres per day of ACG associated gas to the State Oil Company of the Republic of Azerbaijan (SOCAR) which equates to 2.9 billion cubic metres in total for the year.

In 2017, we spent more than \$456 million in operating expenditure and about \$1.176 billion in capital expenditure on ACG activities.

On 14 September 2017 the Azerbaijan Government and SOCAR, together with the international co-venturers signed the amended and restated ACG Production Sharing Agreement (PSA) which extends ACG development till the end of 2049. During the next 32 years, there is the potential for more than \$40bn capital to be invested in the ACG oil field.

The amended and re-stated ACG PSA was ratified by the Parliament (Milli Majlis) of the Republic of Azerbaijan on 31 October 2017.

BP remains the operator in accordance with the amended and restated ACG PSA.

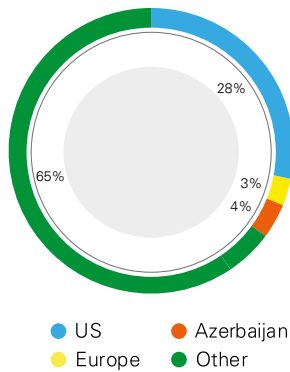
Shah Deniz

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.

Liquids production by BP subsidiaries around the world in 2017 (thousand barrels)

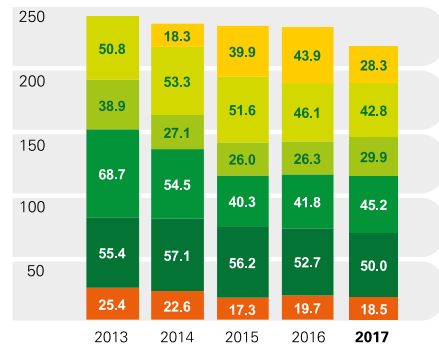
2017	Oil	Natural gas
US	426	1,659
Europe	86	182
Azerbaijan	90	232
Other	547	3,815

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

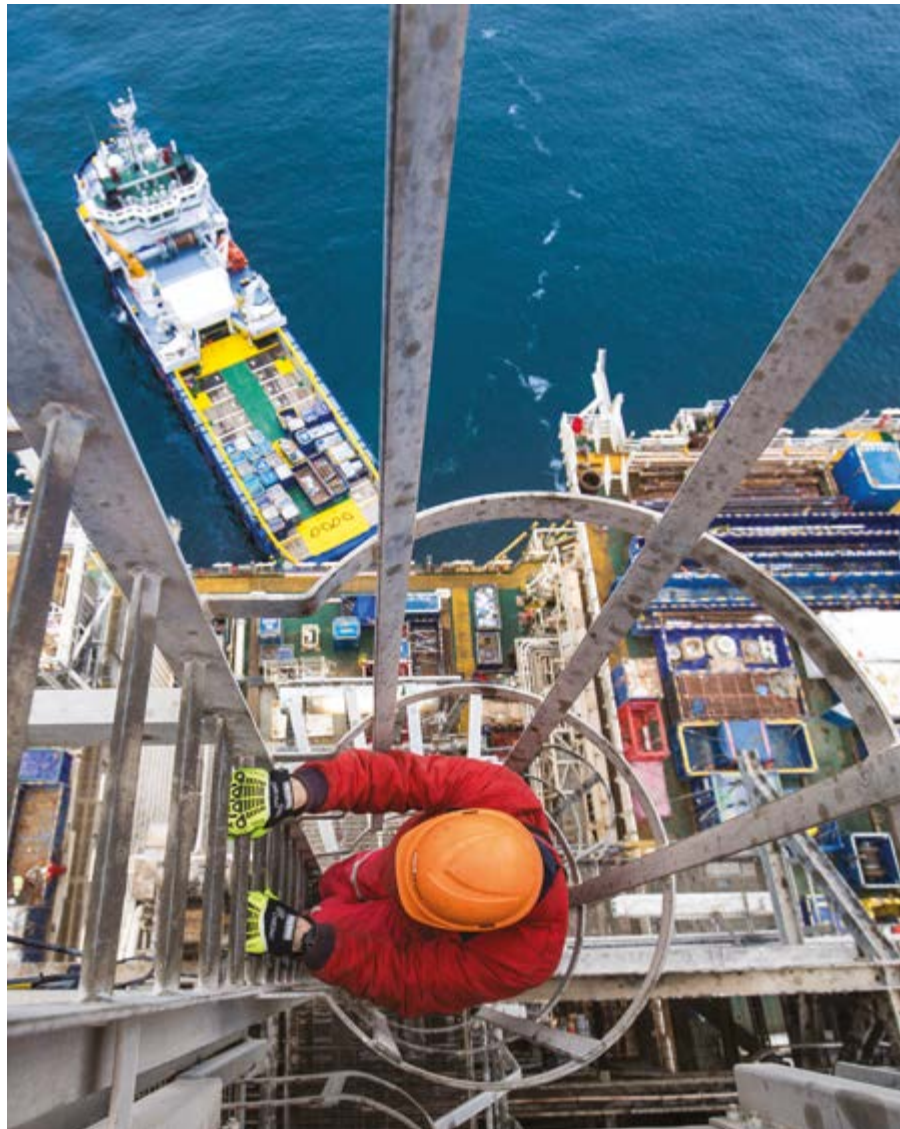


In total, 5,302 million cubic feet per day, excluding equity accounted entities. Other includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia.

Oil production from Azeri-Chirag-Deepwater Gunashli, 2013-2017 (million barrels)



Legend: Chirag (orange), Central Azeri (dark green), West Azeri (medium green), East Azeri (light green), Deepwater Gunashli (yellow-green), West Chirag (yellow)



In 2017 the SD field continued to provide reliable deliveries of gas to markets in Azerbaijan, Georgia and Turkey and to BTC Company in multiple locations. The field produced about 10.2 billion standard cubic metres (bcm) of gas and 2.4 million tonnes (about 19 million barrels) of condensate in 2017.

The existing Shah Deniz facilities' production capacity is currently 30.0 million standard cubic metres of gas per day or around 10.9 billion cubic metres per annum.

In 2017, Shah Deniz spent approximately \$451 million in operating expenditure and about \$2.88 billion in capital expenditure, the majority of which was associated with the Shah Deniz 2 project.

In 2017, the existing Shah Deniz platform completed the SDA10 well and brought it on production. The drilling operations on the SDA11 well were also resumed and continued into 2018.

Three SD wells continued to top the list of BP-operated production wells worldwide by gross daily rate in barrels of oil equivalent.

Shah Deniz Stage 2

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

The project will annually provide for export 16 billion cubic metres of additional gas from the Shah Deniz field via some 3,500 kilometres of pipelines to Georgia, Turkey, Greece, Bulgaria and Italy. The Shah Deniz 2 first gas scope is now 99 per cent complete, in terms of engineering, procurement, construction and commissioning, and remains on target for first gas in 2018. First deliveries to Europe are expected in 2020.

2017 was a great year for the Shah Deniz 2 and South Caucasus Pipeline Expansion (SCPX) projects. Both projects achieved significant construction, commissioning and handover milestones across the gas value chain, safely executing over 45 million man-hours of work in the process. The projects have already entered the start-up phase in the run up to achieving first gas in 2018.

On 6 September, a new flagship vessel for the Caspian – Khankendi was launched. The state-of-the-art subsea construction vessel has been specifically designed and built to install the biggest subsea production system in the Caspian Sea as part of the Shah Deniz 2 project. The official inauguration of the new \$378 million vessel took place in Baku in an

Shah Deniz gas and condensate production

	Start of production	Unit of measurement	From the start of production till end of 2017	2016	2017
Gas	November 2006	bscm	88.5	10.7	10.2
		bscf	3,126.9	377.0	359.0
Condensate	November 2006	mmbbl	175.7	20.1	19.0
		mmte	22.0	2.5	2.4

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



Local worker tests equipment on board the Deepwater Gunashli platform.

event which was attended by H.E. President Ilham Aliyev. The Khankendi is now deployed to the Shah Deniz field performing subsea installation and construction work.

During 2017, the construction of both Shah Deniz 2 platform topside units was completed. They safely sailed away and were installed offshore with commissioning work continued into 2018.

Construction works at the Sangachal terminal expansion area were also completed in 2017. Upon completion of the commissioning of the Shah Deniz 2 facilities the new plant will be ready to start operations in 2018 and will be able to receive and process the additional gas volumes from Shah Deniz 2.

Upon completion of the installation of the North Flank production umbilicals by the Khankendi and of the subsea export lines to the Sangachal terminal, the wells, subsea infrastructure, the Shah Deniz 2 (Bravo) platform and the Sangachal terminal became interconnected for the first time.

By the end of 2017 over 119 million man-hours had been worked and 106 million kilometers driven on the projects since the final investment decision in late 2013.

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.

Offshore, the Istiglal drilling rig and the Maersk Explorer had drilled 14 wells and completed four wells on the North Flank and three wells on the West Flank by the end of 2017 in preparation for commencement of Shah Deniz 2 production and subsequent ramp up. Drilling operations will continue to deliver all wells required to ramp up to plateau level.



Shah Deniz Bravo platform successfully installed offshore.

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 around 30 million standard cubic metres of Shah Deniz gas. Overall processing and export capacity for gas, including ACG associated gas is around 50 million standard cubic metres per day.

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

In 2017, the Sangachal terminal exported more than 283 million barrels of oil, including third party volumes. Of this, more than 253 million barrels were exported through Baku-Tbilisi-Ceyhan (BTC), 28 million barrels through the Western Route Export Pipeline (WREP), and more than 2 million barrels via a separate condensate export line.

On average, about 27.5 million standard cubic metres (about 972 million standard cubic feet) of Shah Deniz gas was exported from the terminal daily during 2017.

Baku-Tbilisi-Ceyhan pipeline

The 1,768km BTC pipeline became operational in June 2006. Since then up to the end of 2017 BTC has carried a total of about 2.87 billion barrels (about 383 million tonnes) of crude oil loaded on 3,758 tankers and sent to world markets.

BTC's throughput capacity is currently 1.2 million barrels per day. In 2017, this pipeline exported around 256 million barrels (about 34 million tonnes) of crude oil loaded on 333 tankers at Ceyhan.

BTC currently carries mainly ACG oil and Shah Deniz condensate from Azerbaijan. In addition, other volumes of crude oil and condensate continue to be transported via BTC, including volumes from Turkmenistan and Kazakhstan.

South Caucasus Pipeline (SCP)

The 691km pipeline has been operational since late 2006, transporting Shah Deniz gas to Azerbaijan, Georgia and Turkey. SCP's daily average throughput was about



20.5 million cubic metres of gas per day during 2017.

The SCP has a dual operatorship with BP as the technical operator being responsible for construction and operation of the SCP facilities and SOCAR, as commercial operator, responsible for SCP commercial operations.

SCP expansion project

During 2017, SCPX activities continued successfully along the pipeline route across Azerbaijan and Georgia with overall 99 percent of the first gas scope completed by the end of the year. These mainly included mainline construction completion in Azerbaijan and Georgia.

On the Azerbaijan section of the pipeline, the focus was on back-end activities including tie-in sections and hydro-testing at the end of the year.

Within Georgia, hydrocarbons were safely introduced into the metering station (Area 81) on the Georgian-Turkish border, the Georgia pipeline loop and Compressor Station 1 (CSG1). Area 81 became fully operational and was the first asset within the Southern Gas Corridor to be declared ready to operate. Focus then was on completing safe start-up of CSG1 in preparation for operation and completion of the construction and commissioning activities on the second Compressor Station (CSG2) in Georgia.

Western Route Export pipeline

BP, as operator of the Azeri-Chirag-Gunashli field development project, 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.

In 2017, the pipeline transported 28 million barrels of oil.

Since 1997, the WREP has undergone extensive refurbishment by BP and its co-venturers.

In mid-2017 we started the WREP Sectional Replacement project which aims to replace about 13.6km of the pipeline in Georgia with new sections in order to avoid landslide areas. The project also includes the replacement of two river crossings. The construction activities are planned to be completed by the middle of 2019. About 500 people were involved in the project construction activities in 2017.

Overall progress for the construction of the three new re-route sections and two new river crossings is approximately 55% complete. Right-of-Way preparation is completed for all sections and the pipeline welding is approximately 85%. More than 750 people remain involved in the project.



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

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 acquisition of 1,300 square kilometres of

3D data. The acquisition programme used BP's advanced, proprietary Independent Simultaneous Source with Nodes (ISSNTM) technology. In the fourth quarter of 2017 the processing and interpretation of the 3D data was finalized. A Notice of Prospectivity was signed with SOCAR, signifying BP's commitment to drill exploration wells in three prospective areas in the shallow water Absheron contract area.

In 2017, we also continued to plan for the first exploration well on the Shafag-Asiman block.



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 skills and capabilities of our staff and attract the best talent to improve our workforce.

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 2017, as the market conditions remained challenging, 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 2017, BP's overall headcount in Azerbaijan decreased by 118 to 3,103 employees (3,221 in 2016). This number included 2,949 permanent employees, of which 2,659 were nationals. A further 32 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 2017, the percentage of national citizens among BP Azerbaijan's professional staff was 86% compared to 87% a year ago. If we consider only permanent employees, this number would be 90%, which is an increase from 2016.

The number of national senior level managers at BP in Azerbaijan reached 343 in 2017. This represents more than 60% of the total senior managers working in the local office and is an increase of around 2% on the previous year. Of these, above 19% were female, mostly working in offshore and onshore operations, human resources and finance. During the year another 25 Azerbaijani employees were on assignments in senior level positions in other countries.

94% of mid-level managers working for BP in Azerbaijan were nationals. Additionally, 13 nationals were on mid-level assignments abroad during 2017.



Two petroleum engineers discuss work at BP's Zazar Centre office.

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.

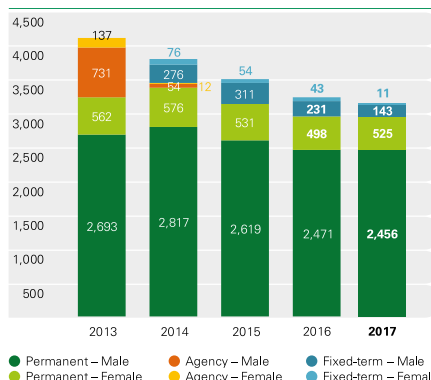
The plan, agreed in November 2013 between BP Azerbaijan and SOCAR, outlines annual nationalization targets both on an overall and functional level from 2014 to 2018. It also includes the nationalization timelines for current and future expatriate roles with the planned numbers of national successors.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

performance is managed and updated on an annual basis.

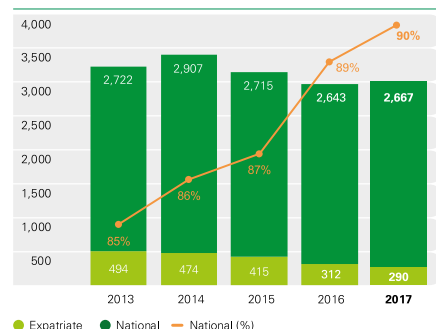
We also have a memorandum of understanding with SOCAR on co-operation in the area of recruitment. As part of the nationalization strategy, BP Azerbaijan specialists delivered more than 20 out-of-curriculum sessions and provided other educational support to the Baku Higher Oil School students.

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 2017, 43 of our national employees worked at BP locations outside Azerbaijan. About a third of them specialized in offshore and onshore operations.

At the end of 2017, we had 290 expatriates working for BP in Azerbaijan. Two thirds of them were from the UK and almost a quarter were from the US. The remainder were from Australia, Brazil, Canada, Egypt, Georgia, India, Indonesia, Mexico, Trinidad and Tobago and Turkey. By the end of December 2017, there were 46 new expatriates who arrived to work for BP in the country while 68 expatriates left, constituting a net decrease of 22.

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 2017, we received about 755 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 2017, we received more than 5,000 applications for these roles and hired 21 experienced national employees.



BP senior leadership regularly share their experience with employees.

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, 24 forums have taken place, hosting about 740 participants. This included two forums in 2017, attended by about 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. Eight listening lunches were held during 2017, with more than 150 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 18-years old.

During the year, more than 300 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 totaling over \$52 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.

Learning and development

In 2017, we provided a range of safety, technical, managerial and behavioural training sessions in the region. A total of 991 of these were arranged by our local team, with about 8,000 attendees. About 90% 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 52 employees through this programme in 2017. Some of these were new applicants and some continued education from past years.

Leadership development

We continued to offer leadership development programs to employees. These included Leadership Transition offers for front line and senior level leaders, as well as Front Line Leader Supervisory offer for front line leaders in operations, wells and projects organisations. Around 500 employees benefited from these opportunities in 2017.

Well control certification

We continued to deliver well control certification training internally on well control simulator installed in Xazar Center. About 120 AGT region employees and 70 contractors attained certification in 2017.



BP employees enhance their skills through training using the latest technology.



BP employee receives a master certificate from School of Project Management and SOCAR representatives.

Challenge programme

Our global Challenge programme has been running within BP in Azerbaijan since 2003. It aims 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 2017 we hired 27 Challengers, and by the end of the year their total number in Azerbaijan was 88.

Other programmes

We continued to offer language training courses to our staff and their eligible family members. By the end of 2017, about 70 people were taking English lessons. More than 80 chose to study Azerbaijani. In addition, expatriates are offered talks on Azerbaijani history, culture and traditions.

Our code of conduct

Our code of conduct is our guide to doing the right thing in business. It is a must-read and a must-follow for all of us. 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 good 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 behaviors, we're putting in place strong foundations to make BP a safer, more trusted and more valuable company in the future. Our values and behaviors 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 behaviors to guide our decisions.

Ethics and compliance training and communications

We continue to conduct instructor led ethics and compliance workshops in the areas of code of conduct, anti-bribery and corruption, anti-money laundering, competition antitrust and international trade regulations. We also provide e-learning modules in these areas. In total, 405 people in Azerbaijan, Georgia and Turkey, including BP staff, Agency personnel and suppliers participated in 55 instructor led E&C training/awareness sessions in 2017 and a further 1,146 BP staff completed e-learning modules. 3,742 individuals completed mandatory Code refresher e-learning.

Ethics and Compliance (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 stressed the importance of speaking up and BP's policy of zero tolerance towards retaliation against those who have spoken up in good faith. Our



BP Ethics and Compliance team discusses our Code of Conduct with an employee

goal is to create an environment where employees and contractors feel comfortable raising concerns about unethical, unsafe or potentially harmful behavior.

We continue to work with the organization 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 behaviors and we recognize employees who demonstrate ethical behaviors.

We also engage with our suppliers and business partners 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. We seek to clearly communicate our expectations to our business partners, and take measures where we believe they have not met our expectations or their contractual obligations.

We conducted sessions on ethics and compliance for senior managers of more than 50 supplier companies in 2017. We delivered sessions to counterparties and asked them to share these messages in their organizations. We continue to issue Azerbaijan Georgia and Turkey E&C quarterly newsletters that contain recent case studies illustrating real misconduct and positive behaviors as well as metrics and news about other important activities.

Speak up culture

Encouraging speaking up among our employees and contractors continues to be

critical to our strategy and we all have a role in this. It is important 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 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.

Upholding BP's zero tolerance on retaliation is also a critical element to managerial accountabilities under our code. When it comes to speaking up, often employees' biggest fear is the prospect of repercussions. We must be quick to spot retaliation and ensure that concerns are responded to and addressed.

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 2017, 55 cases were reported through the OpenTalk helpline regarding issues in Azerbaijan, Turkey and Georgia.

In Azerbaijan, Georgia and Turkey, investigations of misconduct resulted in 18 instances of disciplinary action during 2017.



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

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 – 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.



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

Safety performance

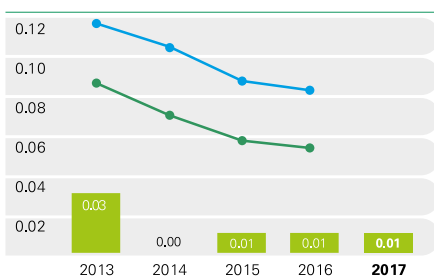
Improving operational safety

We have completed the year without serious process safety incidents. There were five high potential incidents in 2017, meaning incidents or near misses which could have resulted in a health, safety, security or major environmental incident. Three 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 operations.

Topics included establishing transparent reporting to help determine early warning signals and developing proactive measures to prevent serious accidents at our facilities. In 2017 we continued to embed operating discipline in our day to day jobs.

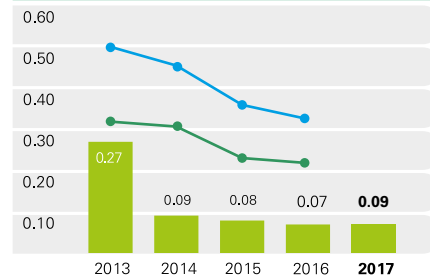
In 2017 we held an annual safety forum for contractors. The aim of the forum was to continue efforts to create an incident-free environment within our operations, which can be achieved through shared learning while connecting leaders in BP and our contractors to operate as one team. The event

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



● Day away from work case frequency
— API benchmark — IOGP benchmark

Recordable injury frequency (per 200,000 hours worked)



● Recordable injury frequency
— API benchmark — IOGP benchmark



Frog is a crew transfer device with cutting-edge safety features, used to transfer employees from the vessel to the platform

was designed to be an interactive discussion and included valuable input from senior leaders.

Driving safety

In 2017 our driving activities decreased by 18.5% compared with last year, with more than 28 million kilometers driven during the year.

Integrity management

As part of integrity management, we conducted inspections of our onshore and offshore facilities in 2017. This included about 3,652 equipment and piping pressure system inspections for the Sangachal terminal and export operations, more than 286 inspections of structures, supports and concrete foundations onshore, 487 offshore structural inspections, and inspections of the CH1, DWG and WC platform jackets using remotely operated underwater vehicles. A first deployment of inspection technology in the region included the use of Magnetic Crawlers for Caisson external inspection. We also executed our corrosion management and fabric maintenance programmes on all seven platforms as planned including painting over 7,900m² of decks and over 600m² of pipework offshore.

In addition, we completed more 315 km of pipeline inspections across Azerbaijan and Georgia with 500km of cathodic protection surveys.

We have deployed over 11,000 tonnes of chemicals in the region to assure fluid flow, integrity of plant and infrastructure, and quality of export products, with over 5100 tonnes transported to offshore and deployed without incident.



BP employees carrying out safety checks at Sangachal Terminal Expansion area.

Safety performance of BP in Azerbaijan

	2017
Fatalities	0
Days away from work case frequency	0.01
Recordable injury frequency	0.09
Hours worked (millions)	43.74
Total vehicle accidents rate	1.1
Kilometres driven (millions)	28.15



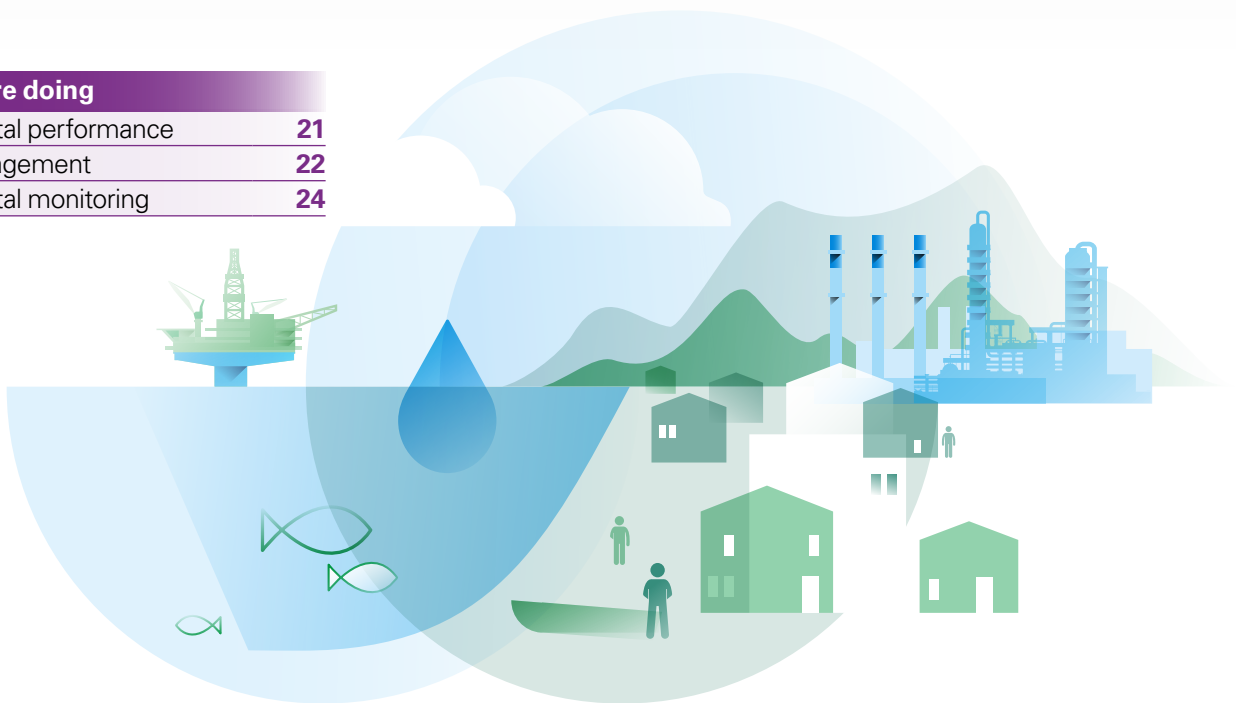
Worker grinds a pipe section for the South Caucasus Pipeline construction works.



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	
Environmental performance	21
Waste management	22
Environmental monitoring	24



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 standard. This standard specifies the requirements of an environmental management system (EMS), which is a systemic approach to handling environmental issues within an organization. In 2017, our new external certifier performed ISO 14001 audits at Chirag-1, Central Azeri and East Azeri offshore platforms, Azerbaijan export pipelines, Subsea operations and management of drilling using mobile offshore drilling rigs.

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 2017, we emitted about 3.33 million tonnes of gross greenhouse gases (GHGs), which is 6% lower than in 2016. The largest contributors to our GHG emissions remain the Central Azeri platform (24.47%), the Deepwater Gunashli platform (18.64%) and the ACG part of Sangachal terminal (20.43%).

The amount of gas we flared at our operational facilities reduced from 196 kilotonnes in 2016 to 153 kilotonnes in 2017, thanks to our focus on flaring reduction. The notable cases were related to reducing flaring associated with the Central Azeri platform gas export and injection compressors, as well as flash gas compressors across offshore platforms.

BP recognizes the urgency of the climate challenge and is working to be a part of the solution. BP has signed up to the World Bank Zero Routine Flaring by 2030 initiative, joined the Climate and Clean Air Coalition's Oil and Gas

Methane Partnership and Oil and Gas Climate initiative – currently chaired by our group chief executive Bob Dudley. In 2017, BP Azerbaijan conducted Climate Change Agenda workshops and established regional plans for 10-year GHG Real Sustainable Reductions and 5-year Routine Flaring Reduction/Elimination. We achieved 12.87 thousand tonnes of GHG Real Sustainable Reductions in 2017.

Oil spills

In 2017, there were 4 oil spills of over one barrel in volume, which is nearly three times less than last year. All oil spills were contained and fully recovered.

Energy consumption

	2015	2016	2017
Fuel gas (thousand tonnes)	957	980.9	938.8
Diesel (thousand tonnes)	83.3	86.3	81.4
Electricity import (megawatt hours)	10,167	10,827	11,655

Monitoring the impact of seismic surveys on the Caspian seal

Some of our most recent exploration activities in Azerbaijan took place near the country's Absheron National Park. This is an international protected area with around 75 species of fauna and flora, including the endangered Caspian seal which migrates through the area twice a year.

As part of our work, we conducted a seismic survey in the Caspian Sea to create a picture of the geological structure thousands of feet beneath the seabed. This was within three kilometres of the national park.

We met with scientists and regulators to agree the safest way forward. We avoided peak migration season and we had seal experts monitor the area before and during the seismic work. These experts collected

live data on seal activity and had the authority to stop seismic work if seals entered the area. Our vessel crew also monitored the area prior to the start of each seismic session. If seals were observed, the work was delayed to give them time to move on. We used a 'soft-start' technique to gradually increase the intensity of

the soundwaves, giving the seals time to move away.

We have since shared our approach with government officials, academics and scientists for further understanding of seal movements. The baseline data will also inform our planning for any exploration drilling.



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 2017, we achieved 53% reuse and recycling rate for non-hazardous waste, 2% than year. The recycled non-hazardous waste streams traditionally include metals, plastics, paper, and cardboard. Out of hazardous waste 41% was sent for reuse and recycling, the largest streams being oily water, cement and oils.

Drill cuttings

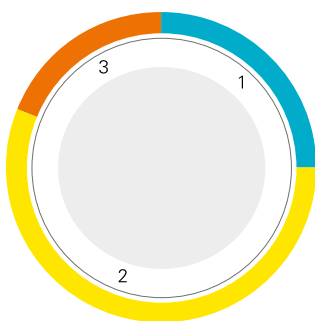
Intensive drilling activity in the Caspian Sea continued in 2017, producing about 100 thousand tonnes of drilled cuttings (same as in 2016). BP Azerbaijan continued to reinject drill cuttings to subsurface with amounts comparable to the previous year. Shipment of cuttings to Serenja hazardous waste management facility reduced by 22% from 2016.

The permitted discharges of cuttings to sea was 20,409 tonnes. Notably, there was a three-fold decrease in discharge of drill cuttings with synthetic-based mud from Chirag platform, aligned with drilling activity. There were also three incidental drill fluids spills, which together accounted for 7.6 tonnes.



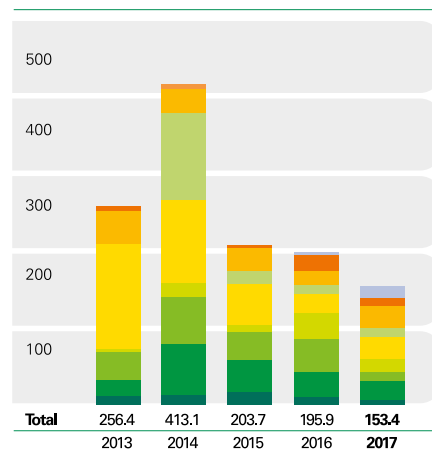
Containers with various waste are being transferred from our platforms to shore for further safe and environmentally friendly utilization.

Fate of drilled cuttings in 2017 (tonnes)



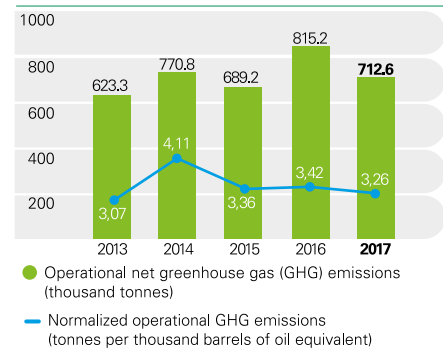
- 1. Injected 25,900
- 2. Shipped 46,168
- 3. Discharged 20,409

Gross flaring by asset (thousand tonnes)

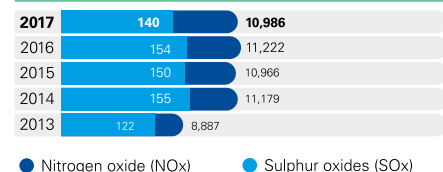


- Sangachal terminal (SD)
- Sangachal terminal (ACG)
- Chirag
- Deepwater Gunashli
- Istiglal MODU (SD2 clean up flaring)
- East Azeri
- West Azeri
- Central Azeri
- West Chirag

Net GHG emissions



Gross non-GHG emissions (tonnes)





Produced water received from offshore is being cleaned at the Sangachal Terminal for further re-injection back into reservoirs.

Sewage

We regularly monitor and analyze the performance of sewage treatment and the quality of discharged water. Thanks to maintenance and better analysis practices, we significantly reduced (three times less than 2016) the amount of off-spec sanitary waste water discharges. The sewage treatment plant at the Sangachal terminal was operating in compliance with standards throughout the year. Occasional off-spec results were encountered at both onshore and offshore facilities, which were addressed and resolved. We continue to observe results for faecal coliforms exceeding the standards at Shah Deniz platform, with a plan in place to install an additional treatment unit.

Produced water

As oil reservoirs naturally 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 November 2017, West Chirag became the fourth installation to separate produced water on the platform, joining West Azeri, East Azeri and Deep Water Gunashli.

Generated waste quantities (tonnes)

	2015	2016	2017
Hazardous waste (excluding produced water and sewage)	81,314	97,326	108,848
Non-hazardous waste	13,535	18,650	19,254

Operational discharges of drilled cuttings to sea (tonnes)

Facility	Cuttings
Chirag - 1	450.2 (SBM)
Deepwater Gunashli	0
Central Azeri	1,264.4
West Azeri	773.4
East Azeri	0
Maersk Explorer	17,921.3
Shah Deniz Alpha	0
Total	20,409.3

In 2017, the ACG field produced more than 8 million tonnes of treated produced water. Separated produced water from the ACG field is reinjected via dedicated wells to sustain pressure in the oil reservoir. Injection efficiency of produced water increased to 99% in 2017, compared with 94% in 2016.

The discharges of produced water to sea decreased nearly six times from 2016, primarily due to a targeted maintenance campaign to fix the sources of discharges.

Small volumes of produced water from the Shah Deniz field, totalling about 34.5 thousand tonnes in 2017, were sent to storage ponds at the Sangachal terminal.

Environmental monitoring

BP in the Azerbaijan-Georgia-Turkey Region has conducted environmental monitoring around its operational facilities since 1995.

The monitoring work has been undertaken to characterize and understand the potential impacts of our activities to the marine, shoreline and terrestrial environment in BP Azerbaijan contract areas.

We conducted 16 environmental monitoring studies in 2017.

Offshore, we conducted environmental monitoring surveys around Chirag, West



An environmental specialist collects groundwater from a source to check the quality.

Azeri, Deepwater Guneshli, and Shah Deniz Alpha platforms. In 2017, three baseline environmental surveys were implemented in the proposed exploration drilling locations at Shafag-Asiman, Shah Deniz, and Azeri Central East areas. The scope of these surveys was to study the distribution and abundance of macrobenthic and planktonic populations in the area and the physical and chemistry characteristics of local environment.

Onshore, 9 surveys were conducted around BP facilities – Sangachal terminal (ST), BTC and WREP pipelines and the Serenja Hazardous Waste Management Facility (HWMF). The monitoring surveys included ambient air quality, ambient noise, groundwater quality at all facilities, surface water quality at Sangachal, soil stability and vegetation cover monitoring around the Serenja facility and bio-restoration performance (plant species diversity and vegetation cover) along BTC pipeline corridor.

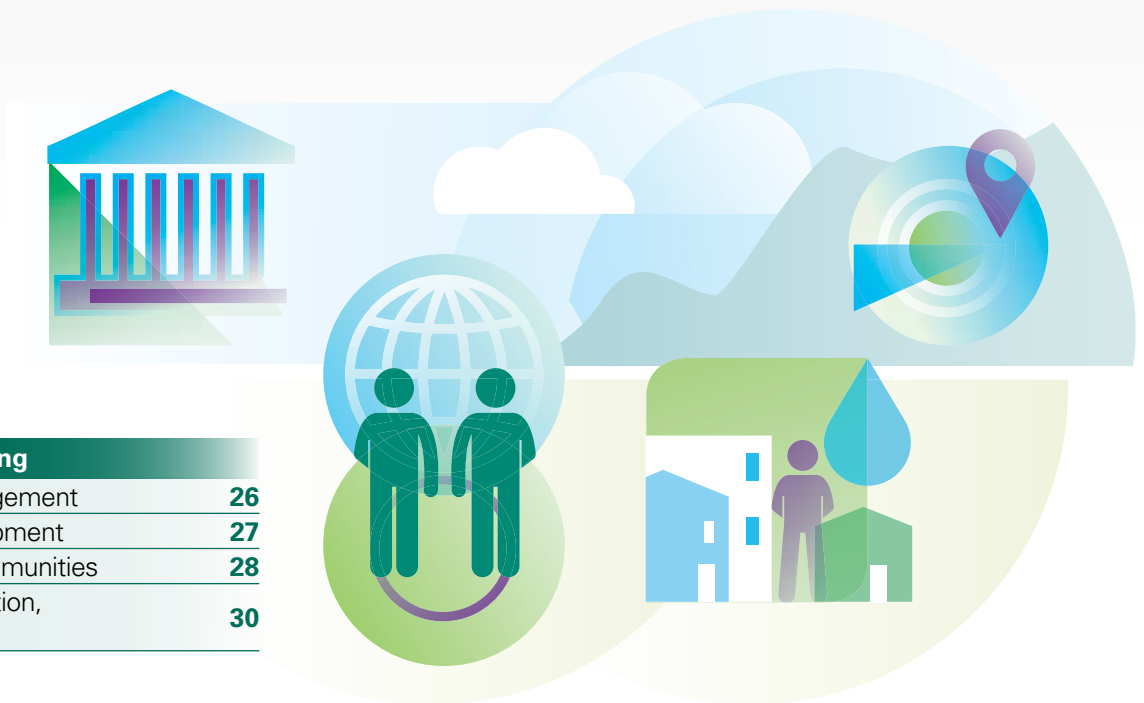


Specialists collect data and test examples at the Sangachal Terminal area.



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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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 2017. Bob Dudley also attended the signing ceremony of the amended and restated agreement on the joint development and production sharing of the Azeri-Chirag-

Gunashli (ACG) field in Baku on September 14. During his visit, Bob Dudley was received by President Ilham Aliyev and was awarded "Dostlug" (Friendship) order for his contributions to the development of oil industry in Azerbaijan.

As part of the co-operation with the government of Azerbaijan, BP AGT regional president 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 Third Ministerial Meeting with the participation of President Ilham Aliyev. In June, Gary Jones hosted President Ilham Aliyev on the BP stand at the 24th Caspian Oil and Gas Exhibition in Baku. In June, Gary Jones and SOCAR President Rovnag Abdullayev hosted President Aliyev at the ATA yard to witness the first Shah Deniz 2 platform topsides unit sail-away.

In October, BP Chief Economist for Russia and CIS visited Baku to launch BP's 2016 Statistical Review of World Energy and Energy Outlook-2035 reports. 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 28 site visits to the Sangachal terminal, which

included 413 people of diverse backgrounds, such as 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

We support transparency in the flow of revenue from oil and gas activities to governments. In 2017, BP joined the Azerbaijan Extractive Industries Transparency Commission (EITC), created by decree of the President of Azerbaijan. The EITC reports revenue transparency along the same principles as the international Extractive Industries Transparency Initiative (EITI), and involves representatives from government, extractive companies and civil society. BP submitted its 2016 EITC report to the commission in the summer of 2017.



The agreement on the joint development and production sharing for the Azeri Chirag Deepwater Gunashli field was extended till the end of 2049.

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.

Altogether, we worked with 279 local companies and individuals in Azerbaijan in 2017, of which 231 were small and medium sized enterprises and individuals. Our joint operations and projects expenditure in Azerbaijan totalled nearly \$5.4 billion in 2017. As part of this, our in-country, direct

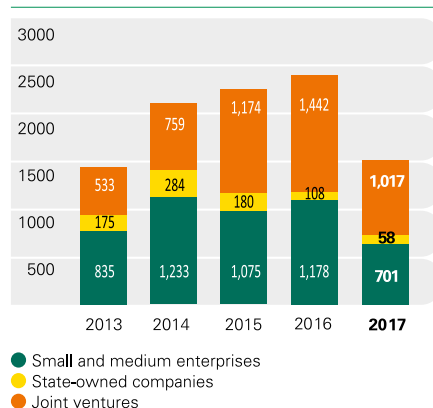
expenditure with local suppliers in Azerbaijan was \$1.8 billion.

Enterprise development programme

Through our enterprise development 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. The programme has helped local companies secure international contracts with BP in Azerbaijan worth \$93 million in 2017.

In 2017, 19 companies completed the programme, bringing the total number of companies that have completed it to 218. Further 51 companies went through the initial appraisal in 2017. Over 2,000 companies have been appraised since the programme started.

BP spend with national suppliers (\$ million), 2013-2017



We work closely with our vendors to deliver world class projects.

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.

During 2017 we conducted 1117 group and individual consultation meetings with a total of around 4,200 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 132 request letters from communities and other stakeholders along AGT pipelines. The requests mainly were related to getting permission for infrastructure works to be carried out on the pipeline corridor. By the end of 2017, we responded to 117 of these requests, while 15 have been closed-out in 2018.

Our grievance resolution mechanism for communities along the pipelines' route has been in place since 2007 and all serious complaints are dealt with through the formal grievance mechanism. During 2017, we received 7 BTC/SCP pipeline related written complaints and all of them were closed out by the end of the year. Some minor queries and requests from communities have been resolved informally at the regular meetings with community members.

The South Caucasus Pipeline Expansion (SCPX) project continued to progress in 2017 and, as such, the workforce began to demobilise and some areas along the Right-of-Way were reinstated with land handed back to the



We work closely with the local communities of the pipeline affected regions to help improve their livelihoods.

landowners and users.

SCPX continued to implement a community grievance mechanism in order to help us to understand and respond to all community concerns. We aim to register and acknowledge community grievances within seven days and address them within 30 days. In 2017, a team of community liaison officers representing BP and our construction contractor continued to register, acknowledge and respond to all community grievances and requests. In addition, this year through investigating and responding to grievances we have followed a defined process to recognize and compensate 30 bona fide users of project land (actual land users).

Throughout the year, the SCPX project also continued its regular engagement with communities along the 424-kilometre pipeline route in co-ordination with its pipeline contractor, Saipem-Azfen Joint Venture (SAJV).

In 2017, 27 community meetings and several door-to-door safety briefings were held across communities in Kurdamir, Yevlakh, Ujar, Hajigabul, Agdash, Goranboy, Samukh, Shamkir, Tovuz and Agstafa regions. These sessions covered topics including community safety, the recruitment and demobilisation processes and general updates on the project.

The SCPX project also held 33 school safety sessions and a children's art competition as part of the school safety programme in which over 1,450 schoolchildren and 100 teachers attended.

Land acquisition

In 2017, the land acquisition process for

additional land needed and handback of land parcels to land owners and users which have been reinstated continued successfully for the SCPX project.

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.

Development initiatives

Building early intervention services

In September 2017 we launched Building Early Intervention Services Phase 2 extending the project's target area from 10 districts - Hajigabul, Kurdamir, Agdash, Ujar, Yevlakh, Samukh, Goranboy, Shamkir, Tovuz, Agstafa - along the pipeline route to 4 more districts of Agsu, Absheron, Gobustan and Shirvan. 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 centers, training early intervention specialists, empowering parents to be active participants in their children's development and building public awareness of the importance of early intervention. In 2017, 529 community members participated in 18 community meetings held in 13 regions. The participants include doctors, nurses, teachers, social workers and parents.

English for communities

In 2017, we launched the second phase of the English for Communities project. As part of the second phase of the project 165 teachers from 11 communities – 90 new English teachers from 62 schools in Hajigabul, Garadag, Kurdemir, Ujar, Agdash, Yevlakh regions and 75

teachers from 47 schools in Goranboy, Samukh, Shamkir, Tovuz Agstafa regions from phase 1 – will improve language and teaching skills. The aim is to support community members in developing skills and building capacity that would help them to expand their employment opportunities. The project is implemented by British Council in collaboration with the Ministry of Education of Azerbaijan.

Build your future

We launched the second phase of Build Your Future Project in 2017. The second phase, in addition to Garadagh district from the first phase, covers four more regions - Kurdemir, Ujar, Agdash, Yevlakh. Direct beneficiaries of the project are young people from vulnerable families who live and study in selected project affected communities. The project aims to support the 11th grade students from disadvantaged families, who have high level of intellectual skills and potential, as well as strong desire to study but cannot afford the fee-based tutorial services for university preparation. In 2017, project included 108 young people, 6 of whom were with disabilities.

Sweet Gold

In December 2017, we started the second Phase of the Sweet Gold project, which aims to increase the income of the pipeline affected communities in Azerbaijan. The project will develop up to 600 beekeepers in six districts along the BTC and SCP pipelines – Yevlakh, Samukh, Goranboy, Shamkir, Tovuz, and Agstafa. The project is also expected to result in planting of up to 60,000 trees, which are to serve as the nectar source for bee production.

Agricultural Vocational Education

We launched the second phase of the “Agricultural Vocational Education: Development of New Occupations” project in 2017. The project aims to develop up-to-date teaching materials, textbooks and training methodology for agricultural occupations and trades. In addition to 12 modules (3 in horticulture, 5 in crop production, 4 in agricultural machinery/service) from the first phase, the project’s second phase will develop textbooks, teaching materials and training methodology for additional 7 modules in the areas of vegetable and fruit growing. It is implemented by British Council in collaboration with the Ministry of Education of Azerbaijan.

FIRAVAN Project

We launched the FIRAVAN project in 2017 to contribute to the socio-economic development of the three districts - Samukh, Yevlakh, Ujar. The project aims to increase income of up to 100 small and medium farmers in Samukh, Yevlakh and Ujar districts through provision of training and equipment support. Trainings on vegetable growing and bee production were conducted for 60 farmers during the reporting period.

Enhancing Employability Skills for People with Disabilities

We launched the project in 2017. The project, which is implemented by British Council, intends to create employment opportunities for people with disabilities as skilled or semi-skilled



We support the project of early intervention services to identify children’s disabilities and developmental delays at their early age.

workforce, so that they are provided with opportunity for income generation. The project will partner with the Ministry of Labour and Social Protection of Population and the State Employment Centres.

IT Essentials

The scaled-up second phase of the IT Essentials course, initially targeting Sangachal and Umid communities, was launched in August 2018. The project offered 200 community members from Garadagh, Yevlakh, Goranboy, Samukh, Shamkir, Tovuz and Agstafa regions computer and career skills for entry-level IT jobs. Additionally, selected 19 people – successfully graduated from the project’s 1st phase in 2016 participated in Cisco Certified Network Associates (CCNA) Examination.

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

The project was completed in 2017. The aim of the project was to commence a programme in Big Data Analytics and Data Sciences in Azerbaijan. In this regard, a library on data analytics was established and resources, including hardware, software and 30 workstations were installed. In December 2017, we launched the start-up of the Centre for Data Science Research and Training Centre at ADA University. The Centre will be open to public institutions and private sector representatives providing them access to its resources.

School of Project Management

In November 2010, BP on behalf of its

co-venturers signed an agreement with ESI International, a globally recognized company in project management training, to launch a School of Project Management (SPM) in Azerbaijan. Starting from January 2016 this program is implemented by Twenty Eighty Strategy Execution. The curriculum of the program consists of seven modules and leads to globally-recognized certification - Master’s Certificate in Project Management, awarded by George Washington University. Since its launch, SPM courses have been attended by 377 representatives of some 141 private and public-sector organizations, using a globally-recognized project management training curriculum. Of the total 357 graduates who received the George Washington University Associates certificates, 334 have qualified for Masters Certificate. In 2017, the program entered its sustainability phase and started to be run by local instructors.

Social infrastructure

We continued to implement social infrastructure projects in various project affected communities in 2017. The implemented projects include:

- Renovation and major repair of five kindergarten buildings in Agstafa, Shamkir and Tovuz districts;
- Purchase and installation of furniture for eight kindergartens in Yevlakh, Ujar, Agstafa, Shamkir, Tovuz.

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.

ADA Baku Summer Energy School

BP sponsored the 11th 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 47 participants from 16 countries in 2017 to examine and gain a better understanding of global and Caspian energy and environment issues.

The 3rd International Forum: 'Big Data' Day

The 3rd International Forum "Big Data Day Baku 2017" (BDDDB2017) is the data-centric event under the theme "Transforming Big



BP AGT regional president Gary Jones visits the Big Data Centre, established by BP and co-venturers at ADA university

Data into Big Value" was held on 30 May 2017 hosted and organized by the ADA University's BP funded Data Sciences Research & Training Center in collaboration with the Applied Research Center for Data Analytics and Web Insights.

The BDDDB2017 international forum will be held in partnership with local and global data-driven and Big Data companies and endorsed by IEEE Computer and Communication Societies in Azerbaijan. The event's main goal was to increase public awareness of new opportunities and challenges brought by Big Data and

Analytics, share experience with industry and government on the development of state-of-the-art Data Analysis technologies, attract youth to make career and do outstanding research in Data Science.

"Educating through Innovation" STEAM conference

"Education Week Conference" was organized by The-US Educated Azerbaijani Alumni Association and held in Baku in June 2017. The conference brought together Azerbaijani educational stakeholders and faculty and doctoral students from the George Washington University (GW) to discuss ways to improve the Azerbaijani education system. During their time in Azerbaijan, the GW participants also visited public and private schools in Baku and met with officials from the Ministry of Education, officials from the Baku City Education Department, and school-level staff to discuss the current state of education in Azerbaijan.

Conference on 'Ethics and Compliance in Azerbaijan'

The 1st conference on 'Ethics and Compliance in Azerbaijan' organized by the American Chamber of Commerce in Azerbaijan (AmCham Azerbaijan) took place on 6 December in Baku.

The conference goal was to ensure that business practices in Azerbaijan conform to relevant laws, regulations and ethical business principles, as well as to develop a culture of integrity within the business community of the country.



We support educational initiatives in the pipeline affected communities.

The conference featured two panel discussions – building and operating effective compliance function in organisations and another panel discussion was dedicated to the tips and tricks for conducting anti-bribery audits in organisations.

Azerbaijan Business Case Competition

BP supports the Azerbaijan Business Case Competition for university students, where 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.

55 teams from Azerbaijan applied to take part in the competition, with four 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 \$5,300 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.

BP was a proud partner of Baku IV Islamic Solidarity Games held in 12 – 22 May.

This partnership was part of BP's commitment to support the development of Azerbaijan's sporting potential and is in line with the long-term successful partnership with Azerbaijan's National Olympic and Paralympic Committees.

As part of this BP has also supported the delivery of the Baku 2017 Games-time Volunteer Programme. 6,000 young people were able to benefit from comprehensive training, designed to help them develop leadership, presentation, communication and public speaking skills.

BP also supported "Victory Days" project, which was a celebration and promotion of Azerbaijan Olympic Teams.



We are proud to support a group of Azerbaijani athletes selected as BP ambassadors.



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

Five-year performance data¹

For the year ended 31 December 2017					
Operating	2013	2014	2015	2016	2017
Total hydrocarbons produced (thousand barrels of oil equivalent per day) ²	909	900	903	908	858
Financial^{[3], [a]}					
OPEX (operating expenditure) – total spend, gross (\$ million)	1,542	1,872	1,445	1,117	1,069
CAPEX (capital expenditure) – total spend, gross (\$ million)	4,862	7,186	7,430	6,180	4,873
Safety					
Fatalities – employees	0	0	0	0	0
Fatalities – contractors	0	0	0	0	0
Days away from work cases – workforce	5	0	2	3	2
Days away from work case frequency – workforce	0.03	0	0.01	0.01	0.01
Recordable injuries – workforce	40	14	17	22	19
Recordable injury frequency – workforce	0.27	0.09	0.08	0.07	0.09
Hours worked – employees (million hours) ⁴	13.47	13.41	8.5	9.2	7.3
Hours worked – contractors (million hours) ⁵	16.5	18.8	35.2	50.2	36.44
Environment					
Direct carbon dioxide (CO ₂), gross ⁶ (thousand tonnes)	3,021.80	3,846.50	3,275.21	3,394.17	3,224.15
Indirect carbon dioxide (CO ₂), ⁷ gross (thousand tonnes)	0.6	0.7	1.2	1.6	2.1
Direct methane (CH ₄), gross (thousand tonnes)	6.8	11.6	5.9	5.9	4.3
Direct greenhouse gas emissions, ⁸ gross (thousand tonnes CO ₂ equivalent)	3,164	4,067	3,400	3,543	3,331
Flaring (exploration and production), gross (tonnes)	256,423	413,120	203,651	195,893	153,425
Sulphur oxides (SO _x), gross (tonnes)	122	155	150	154	140
Nitrogen oxides (NO _x), gross (tonnes)	8,887	11,179	10,966	11,222	10,986
Non-methane hydrocarbon, gross (tonnes)	1,505	3,406	2,438	767	882
Number of oil spills ⁹	11	6	6	11	4
Volume of oil spilled (litres)	15,232	14,311	4,463	67,372	4,116
Volume of oil unrecovered (litres)	643	40	835	15	0
Operational discharges to water – drill cuttings with synthetic-based mud (tonnes)	182	881	2,753	1,322	450
Employees¹⁰					
Number of employees of BP in Azerbaijan ¹¹	3,255	3,393	3,150	3,243	3,135
Number of professional staff of BP in Azerbaijan ¹¹	3,216	3,381	3,130	3,211	3,108
National ¹¹	2,722	2,907	2,735	2,785	2,686
National (%)	85%	86%	87%	87%	86%
Expatriate	494	474	415	426	422
Senior level Azerbaijani managers	197	230	275	314	343
Social spend					
Total for BP and co-venturers in Azerbaijan (\$ million) ¹²	2.7	5.9	4.5	1.5	5.7

¹Unless otherwise stated, performance data relates to BP in Azerbaijan only.

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

³The BP AGT and its co-venturers.

⁴Hours 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.

⁵Hours 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.

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

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

⁸Direct GHG emissions are the physical emissions from operations.

⁹Oil spills are defined as any liquid hydrocarbon release of more than, or equal to, one barrel (159 litres, equivalent to 42 US gallons).

¹⁰Starting from 2016 numbers include both permanent and fixed term employees

¹¹Includes Azerbaijani employees working on overseas assignments for BP in Azerbaijan

¹²This is the cash-out number spent under the BP-operated projects.

¹³Numbers from 2014 to 2016 updated to mirror year-end results.

Acknowledgements

Design Folga Plus LLC
Printing ZAMA printing house

Photography Shahin Abasaliyev,
Stuart Conway,
Ramin Azizli,
Chingiz Samedzade

Paper

This report is printed on recycled paper. The paper has been certified independently according to the rules of the Forest Stewardship Council (FSC).

Further information



Find out more online

Our bilingual website,

[i 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

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Visit the Careers section of our website at

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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.

Raise a concern or request information

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

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Raise issues or seek guidance

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