

BP in Georgia Sustainability Report 2014

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Building a stronger,
safer BP

Who we are

This report covers the activities of BP Georgia, focusing on performance in 2014 while providing information on developments in 2015. It has been prepared by our business in Georgia. Data is shown for activities where we are the operator, unless indicated otherwise.

In the report, references to 'BP' and the 'BP group' shall mean BP p.l.c., its subsidiaries and affiliates and, unless otherwise stated, the text does not distinguish between the operations and activities of BP p.l.c. and those of its subsidiaries and affiliates. Unless

specified otherwise, references in this report to 'us', 'we', and 'our' shall refer to companies in the BP group operating in Georgia.

Unless otherwise indicated all currency amounts are denominated in US dollars.

Cautionary statement

BP in Georgia Sustainability Report 2014 contains certain forward-looking statements concerning the businesses, operations and strategy of BP.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements depending

on a variety of factors including future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this

document and in BP Annual Report and Form 20-F 2014. Material is used within this document to describe issues for voluntary sustainability reporting that are considered to have the potential to significantly affect sustainability in the view of the company and/or are expected to be important in the eyes of internal or external stakeholders. Material for the purposes of this document should not, therefore be read as equating to any use of the word in other BP p.l.c. reporting or filings.



◀ **Front cover imagery**
At a length of 1,768km, the Baku-Tbilisi-Ceyhan (BTC) pipeline is one of the great engineering endeavours of the new millennium. Its facilities include eight pump stations (two in Azerbaijan, two in Georgia, four in Turkey). The one pictured is BTC pump station 1 located in Gardabani district of Georgia.

Contents

Overview

- | | | | |
|----------|---|----------|------------------------------------|
| 2 | Management introduction
BP Georgia's country manager reviews developments in 2014 and future prospects. | 3 | Achievements and challenges |
| | | 4 | Our progress in 2014 |

Focus areas

- | | | | |
|-----------|--|-----------|--|
| 6 | How we operate
BP Georgia in context governance and management systems security and human rights delivering local benefit. | 30 | Environment
Environmental management, managing our impact, wildlife protection. |
| 12 | Our people and values
Workforce composition, learning and development, our values, the BP code of conduct. | 34 | Society
Our approach to engaging with communities, social investment projects, supporting enterprise, a closer look at our sustainable development projects. |
| 24 | Safety
Our safety performance, safety management, risk management and emergency response. | | |

Our reporting and performance data

- | | | | |
|-----------|---------------------------------------|-----------|------------------------------|
| 42 | Our stakeholders and reporting | 44 | BP Georgia in figures |
|-----------|---------------------------------------|-----------|------------------------------|



Overview

How we operate

Our people

Safety

Environment

Society

Our reporting

BP Georgia in figures

A view from BP's Georgia country manager



“

There are many reasons to be proud of our achievements and just as many reasons to be confident we can and will successfully tackle the many challenges ahead.

”

Chris Schlueter

2014 was another strong year of performance and exciting progress for BP in Georgia. We performed safely, were environmentally and socially responsible and our pipeline operations ran reliably. Construction work on the South Caucasus Pipeline expansion (SCPX) project began – our component of the Southern Corridor's strategic suite of gas production and transmission projects.

We are all aware that good business performance is founded on operating safely. Our continuing good safety record does not happen by luck. We worked hard and kept relentless focus on people and process safety. However, we need to continue to remain vigilant and focused on delivering safe, reliable and compliant operations. Progress was made on near-miss reporting by company and contractors alike, an important tool to make sure we are openly looking for and reporting findings and concerns that could lead to incidents. Additionally, we maintained our emergency response readiness, with a dedicated and talented incident response team and a multitude of exercises, including two cross-border training exercises.

We made good progress in improving our process safety record. While any process safety event should be avoided and is a concern to be investigated, the type of events that occurred were minor and a testament to good recognition and open reporting. We had two illegal attempts to siphon oil from the Western Route Export Pipeline Western Route Pipeline (WREP) during the year; the first was found from inline inspection; the second by horse patrol surveillance. Both were repaired safely and efficiently.

We continue to operate in Georgia to high standards of reliability. Our three pipelines averaged more than 99% reliability, and each had individual months in which reliability reached 100%. This means that in Georgia we kept oil and gas flow to markets unrestricted through the entire year. We have operated in compliance with our requirements, internal and external. This is performance in which we take pride – and is testament to the quality of our operations, maintenance, projects, integrity management and support services.

The SCPX project is well under way now, with all major contracts finalized in 2014 and teams mobilized and deployed. Construction activities have begun at compressor station 1, near Gardabani and on a new access road to the compressor station 2 site near Tsalka. SCPX pipe is arriving in boat loads at Poti port, with a shipment every month, each delivering approximately 2,000 joints of pipe for transport by rail to pipeyards in Azerbaijan and Georgia. Additionally, the port at Batumi is active in receipt of Shah Deniz 2 pipework and materials for transport to Baku.

These high-profile activities reinforce how important it is for us to maintain strong relationships with government and the local communities where we operate and carry out new projects. Our numerous and varied initiatives that support community development and capacity building provide a sound foundation of support for our business and make a multi-faceted contribution to Georgia's continuing development.

We operate in a challenging and complex environment where the onus is on us all to seek continuous improvement through business-smart decisions, by managing risk, being safe and compliant, investing wisely and operating profitably. Management of costs is a critical part of this. This necessarily results in organizational and resource impacts, challenging our own employees and the many contractors and stakeholders that support us and benefit from our activities. I am confident in the strength and ingenuity of our staff and business partners to respond and continue to deliver business performance improvement.

2015 and the years ahead are particularly significant for BP in Georgia. Our goal is to continue safe, reliable, compliant and cost-efficient operations and project execution. We have a suite of projects being carried out across our operations this year as well as the massive SCPX project, which enters an even bigger phase with facility and pipeline construction progressing full-scale. Operations readiness for SCPX will become a more visible activity as we develop a skilled and entirely nationalized workforce to run the compressor stations, pressure reduction facility, additional new pipeline and offtake metering that the project is constructing. These are particularly exciting times and I am confident that our employees and contractors will perform and deliver.

Finally, I would like to take this opportunity to thank everyone who works for and supports BP Georgia for the contributions made to successes in 2014. There are many reasons to be proud of our achievements and just as many reasons to be confident we can and will successfully tackle the many challenges ahead.

A handwritten signature in blue ink, appearing to read 'C. Schlueter'.

Chris Schlueter
Country Manager, BP Georgia
May 2015

Achievements and challenges

We highlight below our most significant achievements in 2014 and the challenges we face in the future.

Achievements

Health and safety performance: We have had another year of safe operations, with only two minor recordable injuries within 3.9 million hours worked and more than 7.7 million kilometres driven, with no road traffic injuries. We had one high-potential incident, where the consequences could have been more serious in slightly different circumstances, from which we have learned and improved (page 23).

Pipeline reliability: Operating efficiency averaged more than 99% for each of the three pipelines we operate in Georgia. We consistently achieve this level of operational efficiency – truly world-class performance (page 7).

Progress on the SCPX project: The Georgian part of the southern corridor suite of projects has begun and major contracts for pipeline and facilities design, fabrication and construction have been agreed and activated. The SCPX project is the largest single foreign investment in Georgia (page 19).

Positive relationships: Relationships with the Georgian government, other officials and communities are positive. The land acquisition and permitting work which precede construction have been important successes – enabling us to start construction when planned, and to keep the project on schedule (page 40).

Challenges

SCPX project delivery: Carrying out a project of the magnitude of SCPX is a challenge. Expected to be a \$2 billion project in Georgia SCPX focuses investment on the engineering, procurement and construction of the pipeline loops and facilities required for increasing the capacity of the existing system. We need to address the various challenges raised by the project to ensure it is delivered on schedule while maintaining safe and reliable operation of our existing pipelines, Black Sea terminal, and many support facilities and activities (page 19).

Capability development: While a project the scale of SCPX requires the skills and resources of large international firms, we aim to use local contractor companies and local workers wherever we can, helping to develop local skills and experience. We are aiming to operate the new SCPX facilities with a high percentage of Georgian nationals from the first day of operations. Finding and training local people to carry out the work to the world-class standards we require is a significant challenge but one we are familiar with and are confident will be achieved (page 21).

WREP integrity: WREP creates particular challenges due to its age, design, construction standard and its route across the country. We maintain integrity to our high standards. With our partners, we are considering plans to upgrade sections of WREP. If the project is sanctioned, the scope of work will address replacing older Soviet-era pipe, re-routing sections of the pipeline to reduce the risk of geo-hazards such as landslides, erosion and flooding and taking the pipeline out of the territory of Akhlagori district (page 8).

Our values

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

Safety

Safety is good business. Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment. We are committed to safely delivering energy to the world.

Respect

We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us.

Excellence

We are in a hazardous business, and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our company. We commit to quality outcomes, have a thirst to learn, and to improve. If something is not right, we correct it.

Courage

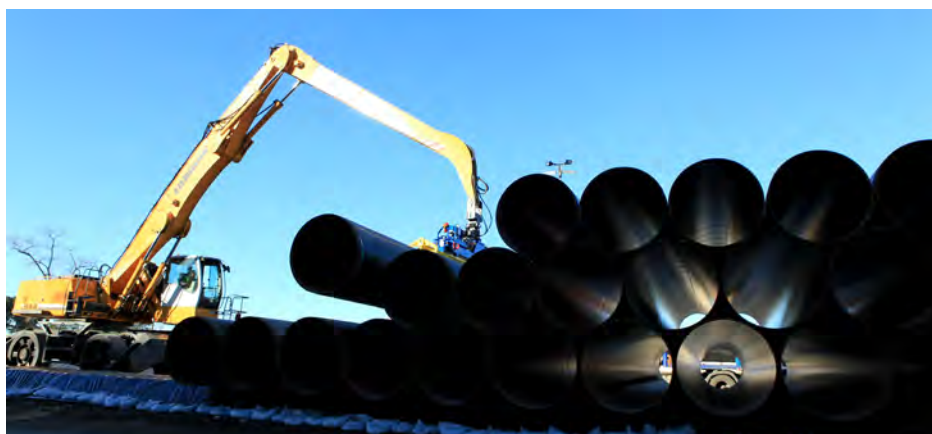
What we do is rarely easy. Achieving the best outcomes often requires the courage to face difficulty, to speak up and stand by what we believe. We always strive to do the right thing. We explore new ways of thinking and are unafraid to ask for help. We are honest with ourselves, and actively seek feedback from others. We aim for an enduring legacy, despite the short term priorities of our world.

One Team

Whatever the strength of the individual, we will accomplish more together. We put the team ahead of our personal success and commit to building its capability. We trust each other to deliver on our respective obligations.

 Find more online at bp.com/values

▼ A crane operator unloads the first sections of SCPX pipe at the Black Sea port of Poti.



Our progress in 2014

Here we report on where we are today and some of our plans for the future.

What we said we would do

Where we are today

What we plan to do next

For more information

How we operate



Our operations in Georgia are shaped by the BP group's approach to sustainability, our strategy and values and by our management systems and processes.

- Work to continue the safe and efficient operations of our existing assets, generating value for the Georgian economy and local people.
- Progress the SCP expansion project, investing in and supporting local companies.
- Continue to develop the skills and expertise of our local workforce.

333m

we delivered around 333 million barrels of hydrocarbons.

Payments to local companies totalled

\$72m

Our pipelines averaged operational efficiency of more than

99%



- Maintain the operational efficiency and safety of our existing facilities.
- Continue the planned ramp-up of SCPX project activities to meet key milestones and maintain the project on schedule, in a safe and reliable manner.
- Provide the training and assessments needed to maintain the competencies and skills of our operational and maintenance staff.



Read about BP's approach to risk management on page 9.



Find out more about our people on page 13.

Our people and values



We strive to provide our people with opportunities for development within a work environment shaped by distinctive values and a clearly articulated code of conduct.

- Continue the strong track record of Georgian nationals working in the business.
- Provide opportunities for team leaders to enhance their skills.
- Continue to highlight the importance of operating under the BP code of conduct.

272

people attended code of conduct awareness sessions across Georgia in 2014.



93%

of managers and supervisors are Georgian nationals.

97%

of BP Georgia staff are Georgian nationals.

- Continue to build a stronger BP Georgia, with the staff and skills that will enable us to thrive in the future.
- Embed new leadership expectations, and continue to develop the leadership skills of our people.
- Continue to adhere to our values and the code of conduct in the challenging business context ahead.



Read about staff skills development on page 14.



Find out more about our people on page 13.

Safety



We continue to work to embed safety and operational risk management into the heart of what we do.

- Continue to deliver excellent business performance, safely and reliably.
- Continue to strive for improvements in personal and process safety performance.
- Work, as in the past, with contractors to develop strong safety attitudes and culture.

3.9m

Worked 3.9 million man-hours and drove 7.7 million kilometers with no fatalities and no major accidents.

Increased the number of contractor-reported near misses reaching 31 % of the total reported incidents.



Continued systematic communication of HSE requirements, performance, lessons learned and hazards awareness. Developed competency of the field staff.

- Drive continuous improvement on our health and safety performance.
- Complement our efforts on more robust and systematic self-verification.
- Maintain focus on engaging contractors in systematically ensuring effectiveness of their HSE management system and organizational safety culture.

 Read about our approach to preventing incidents through process safety on page 23.

 See BP's approach to transportation safety on page 26.

Environment



We take a systematic approach to environmental management and strive to continuously improve our environmental performance.

- Maintain our systematic approach to environmental compliance and management.
- Minimize our environmental impacts to air, land and water.
- Develop processes and people to safeguard future environmental performance.

ISO 14001

We are managing our environmental performance in accordance with ISO 14001 and BP operating management system requirements.

We have minimized the environmental impact of projects and modifications.

We have improved processes for non-conformance reporting and have trained staff on these processes.



- Continue to take a systematic approach to managing operating risks which have potential environmental consequences.
- Continue to seek opportunities for minimizing our environmental footprint.
- Ensure we hold up to date environmental permits, including renewal of five-year licenses on emissions.

 Understand how we are developing our oil spill preparedness and response on page 30.

 Find out more about how we protect wildlife on page 31.

Society



We aim to make sure that we bring benefit to local communities by supporting programmes and initiatives that build capacity and promote enterprise.

- Reinforce the positive relationships we have with the communities near our operations.
- Continue to build local skills and capacity.
- Continue to support local economic development and enterprise.

We are supporting diverse programmes and projects that develop personal and institutional capability.

803

Maintained strong relationships, with 803 community meetings in 2014 and received positive feedback on our community investment programmes.

480

small businesses established through the community development initiative, including 91 in 2014.



- Continue our existing community investment programmes and take further steps to support communities newly affected by SCPX..
- Continue to implement a variety of capacity building programmes.
- Support local economic development through our projects and programmes.

 Read about how we are supporting societies on page 33.

 Learn more about our community development initiative on page 35.

How we operate

Our operations in Georgia are shaped by the BP group’s approach to sustainability, our strategy and values and by our management systems and processes.

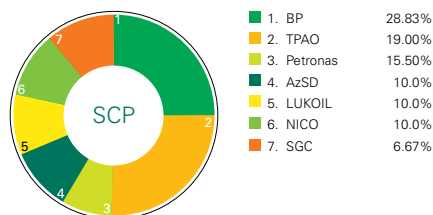
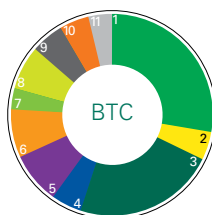
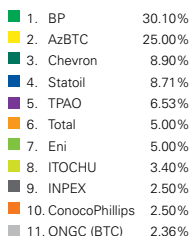
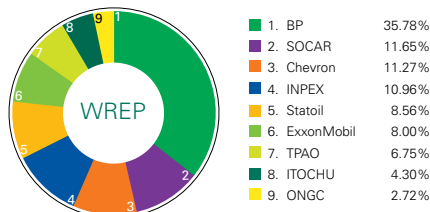


What we said we would do	Where we are today	What we plan to do next
Work to continue the safe and efficient operations of our existing assets, generating benefit for the Georgian economy and local people.	Our pipelines averaged operational efficiency of more than 99%.	Maintain the operational efficiency and safety of our existing facilities.
Progress the SCP expansion project (SCPX), investing in and supporting local companies.	We delivered around 333 million barrels of hydrocarbons.	Continue the planned ramp-up of SCPX project activities to meet key milestones and maintain the project on schedule, in a safe and reliable manner.
Continue to develop the skills and expertise of our local workforce.	Payments to local companies totalled \$72 million.	Provide the training and assessments needed to maintain the competencies and skills of our operational and maintenance staff.

BP in Georgia

Our activities in Georgia are carried out in accordance with our values, systems and processes.

BP operated interests in Georgia



BP is one of the world's leading integrated oil and gas companies on the basis of market capitalization, proven reserves and production. Our objective is to create value for shareholders by helping to meet growing demand for energy in a responsible way. Globally, we employ around 85,000 people. We had exploration and production activities in 28 countries in 2014, including our midstream pipeline activities in Georgia.

In Georgia, we operate the Baku-Tbilisi-Ceyhan oil pipeline (BTC) and South Caucasus gas pipeline (SCP) on behalf of two international consortia of energy companies and investors. These facilities are now in their ninth full-year of operation. The BTC and SCP pipelines run side by side for 248 kilometres within Georgia, with two BTC pump stations, gas offtake pressure reduction and metering facilities on SCP. There are a total of 16 block valves and 11 check valves on BTC, and six block valves on SCP.

We also operate the Western Route Export Pipeline (WREP) and Supsa terminal on behalf of an international consortium of energy companies. Three hundred and seventy three kilometres of WREP lies within Georgia, with three pumping stations, two pressure reduction stations, 27 block valves, four check valves and one check/block valve. It carries oil from the Caspian Sea via the Sangachal terminal in Azerbaijan to the Supsa oil terminal on the Georgia Black Sea coast.



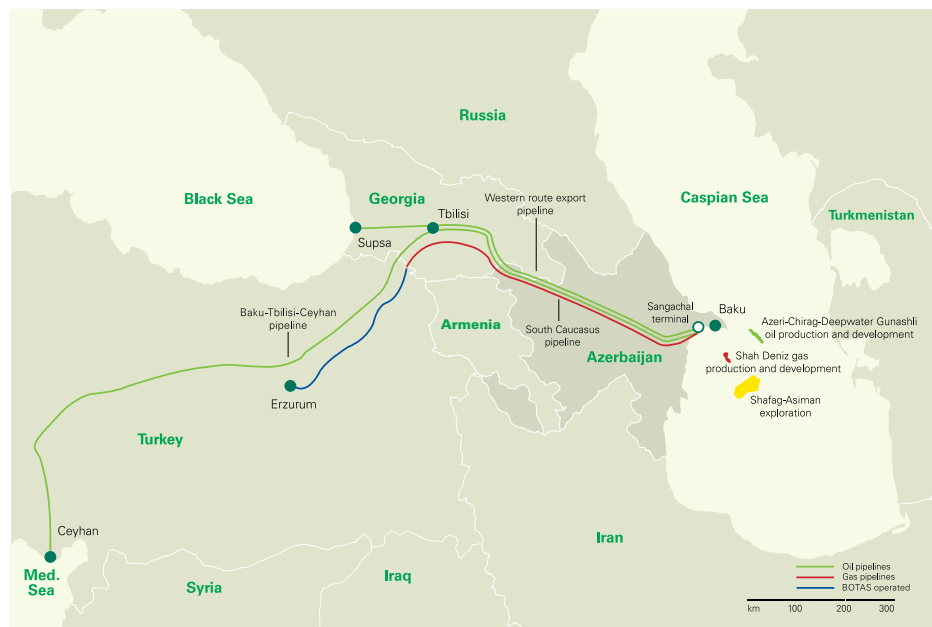
Aerial view of BTC pump station 2.

Summary operational performance

In 2014, we transported more than 260 million barrels of oil through BTC and over 31 million barrels of oil through WREP, with both pipelines operating at more than 99% efficiency. We safely delivered 235,600 mmscf of gas, equal to approximately 41 million barrels of oil equivalent (mmbobe).

In the course of the year, we completed 362 tanker loadings from the marine oil terminal at Ceyhan on the Turkish Mediterranean coast, where the BTC pipeline ends, and 52 tanker loadings from the Supsa terminal, the end point of WREP.

BP's interests in the Caspian region



BP Georgia country manager visit to Poti Port, where pipes for SCPX construction are received.

Safe and secure operations

In 2014, we safely carried out operations, maintenance and integrity management projects on pipelines and facilities.

Taming rivers to ensure pipeline integrity

Fast and powerful, the mountain rivers of Georgia can create hazards to the integrity of the Western Route Export Pipeline (WREP), requiring our operations team to protect the pipeline from river bed and bank washing.

Following detailed analysis of possible engineering solutions and environmental impacts, the WREP operations team undertook work on the Liakhvi river crossing in 2014. Tariel Margvelashvili, the onshore site manager for WREP, described the scale of the work and progress achieved: 'The project involved moving huge volumes of earth and placing about 40,000m³ of stones in the river bed, as well as protecting river banks from erosion during the spring and summer flooding seasons'.

We have previously implemented river reinforcement projects on the Ksani, Kvirila and Aragvi rivers. But the reinforcements on the Liakhvi are larger scale. The project involved reinforcing 329 meters of right bank, 419 meters of left bank and 360 meters of river bed. Forty-five people and 15 heavy vehicles were working on the site daily.



▲ Aerial view of the site in Supsa.

Maintaining security

Potential threats to our business come in many forms and are not always predictable, but we have processes in place to try to anticipate them and to be ready if a crisis or incident occurs. We need to prepare for events as wide-ranging as landslides, extreme weather, political conflicts and criminal acts, health alerts and accidents.

In addition to monitoring and guarding against events that could cause harm to our people or disrupt our operations, we have extensive emergency response capability, and carry out a number of crisis management training exercises. See the safety section for more information.

Maintenance projects

We completed a variety of maintenance projects across our facilities. Major projects included preparatory work for replacing the anchor chain of the single point mooring at the Supsa terminal, where the export line goes to the sea and where 250 metre long mooring chains are fixed to the sea bed. We also made preparations to replace the subsea and floating hoses.

We began construction of new accommodation at pumping station 2 (PSG2) and the extension of its sewage treatment facilities. We constructed a short access road at pumping station 1 (PSG1) to help with construction access for the new accommodation and for the new gas compressor station.

We continued to make the transition to local grid power, where possible, at our operational facilities, focusing on the Supsa terminal, PSG 1 and 2. It is only in recent years that national grid capacity has been sufficiently reliable for us to do this. The advantages are clear: using grid power is more cost effective and reduces air emissions from using diesel-powered generators.

Integrity management

We maintain a continuous maintenance programme for WREP. Every six months we run inspections (using sophisticated inspection gauges) through the old section of the line, covering about 154 kilometres. These analyses help our integrity management team and geo-hazard experts examine potential risks and possible impacts.

In 2014, there were two illegal taps on WREP – attempts to siphon oil illegally from the pipeline. One of these resulted in an oil spill in which 12,300 litres were spilled to land. We responded promptly by initiating a controlled shutdown of the pipeline. The affected soil was removed, remediated and replaced. See the environment section for information on how we remediated the affected area.

WREP sectional replacement

We are developing plans to upgrade sections of WREP to replace Soviet-era pipe. The proposed work will involve replacing older pipe and re-routing the pipeline, which will reduce the risk of geo-hazards such as landslides, erosion and flooding and will take the pipeline out of the territory of Akhgori district. This is intended to reduce the majority of safety and access risks to the pipeline operations and maintenance.

Technical and commercial negotiations with our partners have been extensive and are continuing. They have included discussions about the scale of investment required, and the manpower resources that would be needed to complete the work.

Governance and management systems

We carry out our operations in Georgia in the context of BP's approach to sustainability, our strategy, values, management systems and procedures.



▲ The first shipment of pipes offloaded at Black Sea port.

BP's strategy and sustainability

We believe that the best way for BP to achieve sustainable success as a company is to act in the long-term interests of our shareholders, our partners and society.

We aim to create long-term value for our investors and benefits for the communities and societies in which we operate. We are working to become a simpler business, focusing on where we can generate the most value, and not necessarily the most volume, through our production. We are strengthening our portfolio of high return and longer life upstream assets, while building high-quality downstream businesses. All this is underpinned by our expertise, technology and relationships. We strive to be a world-class operator, a responsible corporate citizen and a good employer.

Keeping a relentless focus on safety is naturally a top priority for us. Rigorous management of risk helps to protect the people at the frontline, the places in which we operate and the value we create. We continue to enhance our systems, processes and standards, including how we manage the risks that can be created by the actions of our contractors and the operators of joint ventures in which we participate. We understand that operating in politically complex regions and technically demanding geographies, such as deep water and oil sands, requires particular sensitivity to local environments.

We can only operate if we maintain the trust of people inside and outside the company. We must earn people's trust by being fair and responsible in everything we do. We monitor our performance closely and aim to report in a transparent way. We believe good communication and open dialogue are vital if we are to meet the expectations of our employees, customers, shareholders and the local communities in which we operate.

Strong financial performance is vital, because it enables us to make the investments necessary to produce the energy that society requires, while rewarding and maintaining the support of our shareholders.

By supplying energy, we support economic development and help to improve quality of life for millions of people. Our activities also generate jobs, investment, infrastructure and revenues for governments and local communities.



Find more online at bp.com/strategy

Governance and risk management

BP's risk management system is designed to help ensure that risks are identified, understood and managed so that we can deliver safe and strong operations.

As an operating business within BP, BP Georgia is accountable for delivering safe, reliable and compliant operations. We identify and manage day-to-day operating risks with reference to our operating management system. Actions to improve the management of risk are put in place where necessary. We review risks and risk management plans periodically, including major accident risk and other potentially high-consequence risks.

BP's risk management system

Day-to-day risk management

Management and staff at our facilities, assets and functions identify and manage risk, promoting safe, compliant and reliable operations. Our operating management system integrates BP requirements on health, safety, security, environment, social responsibility, operational reliability and related issues.

Business and strategic risk management

Our businesses and functions integrate risk into key business processes such as strategy, planning, performance management, resource and capital allocation, and project appraisal. We do this by using a standard process for collating risk data, assessing risk management activities, making further improvements and planning new activities.

Oversight and governance

Functional leadership, the executive team, the board and relevant committees provide oversight to identify, understand and endorse management of significant risks to BP. They also put in place systems of risk management, compliance and control to mitigate these risks. Executive committees set policy and oversee the management of significant risks, and dedicated board committees review and monitor certain risks throughout the year. These are composed entirely of non-executive directors. One of the six committees – the safety, ethics and environment assurance committee (SEEAC) monitors the management of non-financial risk.

The board

We identify certain risks as being a high priority for particular oversight by the board. For 2015, this includes risks associated with the Gulf of Mexico oil spill, geopolitical risk, security, ethical misconduct, legal and regulatory non-compliance, trading non-compliance, cybersecurity, major project delivery and incidents associated with the drilling of wells, operating facilities and the transportation of hydrocarbons. On 1 January 2015, the board was composed of the chairman, two executive directors and 11 non-executive directors.

Managing operations in a systematic way

BP's Operating Management System (OMS) helps us manage risks in our activities by setting out BP's principles for good operating practice.



▲ Pipe offloading equipment has been installed at the port.

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.

The OMS requirements set out what a BP operation needs to do across eight focus areas: leadership, organization, optimization, assets, risk, procedures, results and privilege to operate. This includes, for example, our principles for measuring our performance, as well as for managing facilities that are fit-for purpose throughout the life cycle of the operation.

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

Continuous improvement

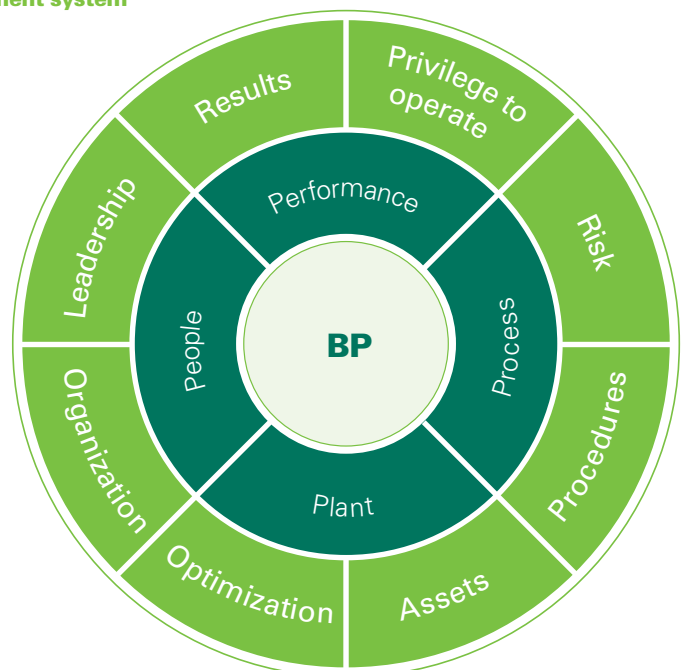
OMS also helps us improve the quality of our operating activities. All BP businesses covered by OMS undertake an annual performance improvement cycle, and assess alignment with the OMS framework. Recently acquired operations need to transition to OMS. We use the performance improvement cycle to identify and implement opportunities to work more effectively across the business.

Environmental and social practices

Our OMS includes requirements and guidance for how we identify and manage environmental and social impacts in our early planning stages. Practices cover topics as wide-ranging as our management of greenhouse gas emissions, water, workforce welfare and cultural heritage. They apply to our major projects, projects that involve new access, those that could affect an international protected area and some BP acquisition negotiations.

In the early planning stages, projects that are subject to our environmental and social practices complete a screening process to identify the most significant environmental and social impacts. Following screening, projects are required to carry out impact assessments, identify mitigation measures and implement these in project design, construction and operations. These processes have been followed in the development of the SCP expansion project in Georgia.

Our operating management system



► Employees participating in pipe offloading activities.

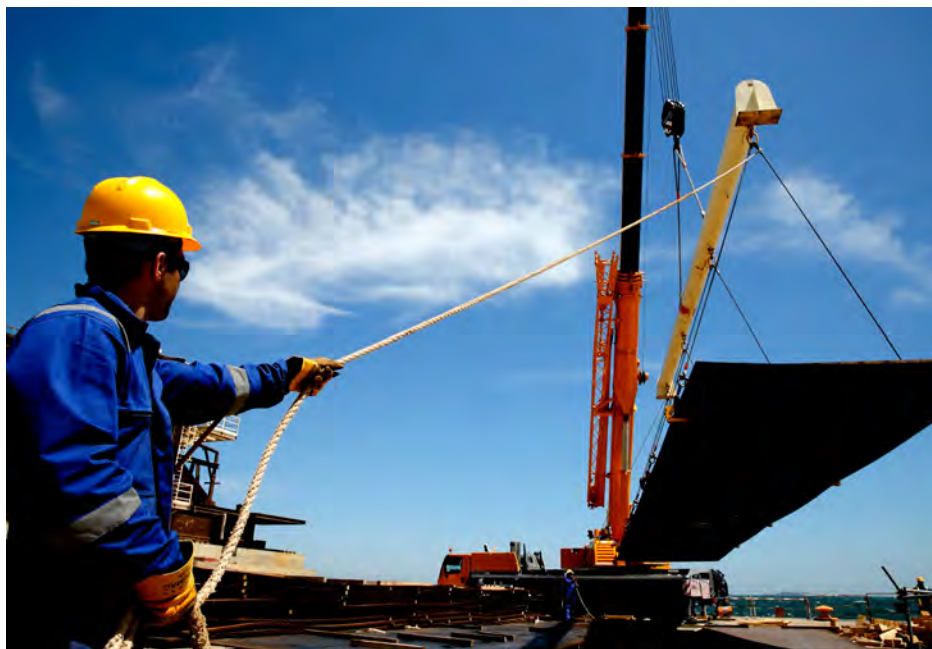


14

years of ISO 14001 certification.

16th

Audit of the independent environmental consultant was completed in Georgia in 2014.



Environmental management

We take a systematic approach to the management of environmental issues in Georgia. We carried out thorough Environmental and Social Impact Assessments (ESIA) when first developing the BTC and SCP pipelines, which resulted in commitments in an environmental and social action plan. Similarly, as described in the section of this report on SCPX, we have recently completed an ESIA for the SCPX project. These processes identify potential impacts and mitigations and necessitate a rigorous approach to action tracking and closure. Our environmental management system is based on the ISO 14001 'plan-do-check-act' cycle, which is fully incorporated into the OMS improvement cycle.

Our environmental management system (EMS) in Georgia has been certified against ISO 14001 for 14 years, with the scope of activities covered expanding steadily. As required under ISO, the system is regularly audited by an external assessor and we have disclosed our record of compliance in our previous sustainability reporting.

The effectiveness of our environmental management is also assessed during annual reviews by the independent environmental consultant appointed on behalf of the original project lenders. To date, 16 of these external audits have been carried out, including the most recent review in 2014. No non-compliances were raised in the 2014 audit.

Responsibility for implementing and maintaining the EMS rests with the leadership team. The Georgia compliance and environment team is responsible for EMS co-ordination and maintenance, while the regulatory compliance and environment director oversees the system across the BP regional business. Site managers are responsible for its maintenance in the field.



See the audit reports by the independent environmental consultant (IEC) at bp.com.

Our people and values

We strive to provide our people with opportunities for development within a work environment shaped by distinctive values and a clearly articulated code of conduct.



What we said we would do

Continue the strong track record of Georgian nationals working in the business.

Provide opportunities for team leaders to enhance their skills.

Continue to highlight the importance of operating under the BP code of conduct.

Where we are today

97% of BP Georgia staff are Georgian nationals.

93% of managers and supervisors are Georgian nationals.

272 people attended code of conduct awareness sessions across Georgia in 2014.

What we plan to do next

Continue to build a stronger BP Georgia, with the staff and skills that will enable us to thrive in the future.

Embed new leadership expectations, and continue to develop the leadership skills of our people.

Continue to adhere to our values and the code of conduct in the challenging business context ahead.

Our workforce composition

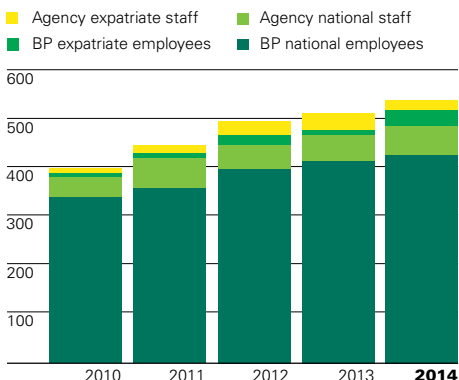
We aim to develop the skills and experience of our employees in a working culture characterised by integrity.

Georgia technician forums

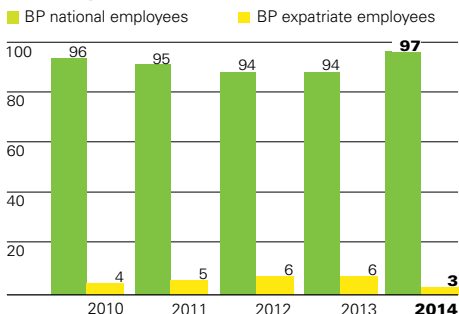
Technician forums were begun in the Azerbaijan-Georgia-Turkey (AGT) region in 2009 as means of developing effective communication between the company's leadership and national employees in front line operational roles. As technicians form a large part of our organization, it is important for them and our business leaders to talk regularly and openly, in order to understand what is working and what needs to be improved.

In 2013, we decided to hold separate technician forums in Georgia, primarily to ensure we could focus on the concerns of Georgian technicians and operations. Two forums were held in 2014, involving about 24 technicians overall, drawn from all sites. These events are chaired by the midstream vice president and the country manager. Most of the issues raised focused on the process and training requirements within the technician development programme. To ensure the quality of the forum, a follow up survey has been initiated.

BP Georgia operations headcount 2010-2014



BP Georgia nationalization 2010-2014 (%)



Bob Dudley – group chief executive Gordon Birrell – regional president Azerbaijan, Georgia and Turkey visit to PSG1 pumping station.

Our workforce composition

The size and composition of our workforce reflects the type of activities we are engaged in at any one time. We have consistently increased the number of Georgian nationals working in our business in recent years. Expatriate contractors take up positions in Georgia when specialist skills or experience are required, such as within a project environment like the SCP expansion (SCPX) project.

The total number of employees in BP Georgia operations has increased since 2010. In part, this reflects a move to a more sustainable staffing model, in which more provision has been made to cover for short-term absences, such as those resulting from training or sickness. Another reason for the increase is the South Caucasus Pipeline expansion project. Staffing for this started in 2011. By December 2014, staff engaged directly on the project, not including the hundreds of mobilized contractor personnel, totaled 75. We anticipate this number will increase in the next few years as the project is constructed and made ready for operations.

The proportion of Georgian nationals working in BP Georgia operations increased in 2014, to 97%. This is as high as this has been since pipeline operations began full-time.

Approximately 93% of managers and supervisors are Georgian nationals, a slight increase from last year. About 13% of managers and supervisors, covering both operations and projects, are female. In the Georgia leadership team, 22% are female.

We engage 72 Georgian contracting companies, that provide people who are embedded in our organization and support our daily operations.

The shortage of people with the skills we need means that recruiting new graduates in technical disciplines is challenging in Georgia. To attract the engineering candidates we need, we worked with universities and the Ministry of Education and participated in a job fair targeting students from academic institutions. This helped us increase our visibility among Georgian students and develop a candidate pool which resulted in our hiring six new engineering trainees during the year.



People at work at pipes receiving location.

Technician recruitment and development

In the past three years, the number of hired technicians has reached 74. Some of these employees are taken on for existing operations, but the majority are hired to gain the skills and experience for work on future SCP operations. While we have made good progress, the recruitment of technicians is continuing.

Hired technicians undergo a standardized training process to develop the required competencies. Training involves intensive English language courses for the first six months, followed by six months' of technical training led by experienced coaches. We have set up a technical training centre at PSG1 which gives trainees the opportunity to gain hands-on practical experience to complement their theoretical knowledge.

On successful completion of class-based training, staff are placed within operational sites to gain on the job experience alongside experienced and qualified technicians.

Our people

We aim to treat everyone fairly and with respect, and we know that good performance depends on having a highly-skilled, motivated and talented workforce.

On assignment: Anzor Doborjginidze

I joined BP in 1998 as a trainee production operator at the Supsa terminal, just ten minutes from my home. I moved through the ranks and was appointed terminal manager in 2004 – a post I held for three years. In my time there, I got to know the plant and people very well and we had good relationships with the local community and officials.

I moved to a site controller role at PSG1 – a job that involves leading operations and maintenance teams. It was a very different role for me, not least because of the need to understand operations concerned with gas, such as the SCP gas metering facilities and the Georgian offtake pipeline.

In 2010, I was fortunate enough to secure a position offshore, initially on the Central Azeri platform and later on West Azeri. I became used to my 40-minute helicopter or three-hour boat ride to and from these remote platforms. Time offshore, where I was an operations team leader with responsibility for about 50 people and accountable for delivering safe and efficient operations, just flew by, with so many activities happening.

Working as part of a multinational team – with Azeris and other expatriates – was fascinating. It's essential to get on well with people in this kind of working environment and for everyone to have a good understanding of safety and controls. One thing I did was to gain a qualification as a certified offshore installation manager for controlling emergencies following training and assessment in Aberdeen. Having the opportunity to travel and work in new environments is a great part of being in BP; but having clear standards and systems across the company makes it much easier to adapt and for operations to be carried out safely, wherever you are.

My current role is operations team leader on the SCP expansion project – another new experience. The project involves the construction of large new facilities, recruitment and working with new people. It's exciting to be involved in something from the very start.

When we describe our company's activities in this region, we often talk of the flow from the Caspian through Azerbaijan and the Supsa terminal in Georgia to markets around the world. In my case, it has been the other way round – from Supsa, via other locations in Georgia, to offshore Azerbaijan. For me, it's always been moving in the right direction.



▲ An employee performing maintenance work at site.

Building skills and experience

We continue to develop the skills of our supervisors through sessions that focus on the challenges facing team leaders such as how to handle difficult conversations with employees, conducting performance reviews, recruitment processes, diversity and inclusion, and employee allowances.

To support the development of supervisors' skills, we introduced a survey in 2014 asking individuals to give feedback on their supervisor's performance. Results will be shared with supervisors as part of their leadership development.

We arrange open days once a year which are designed to help employees improve their understanding of human resources (HR) policies and procedures. Our leaders visit our sites regularly to listen to and address employee concerns. We publish a twice-yearly communication 'For Your Benefit', in Georgian and English, which covers topical issues and HR related changes, and respond to employees' frequently asked questions.

We offer all our employees training and development opportunities. For example, we run courses for team leaders to help them develop their managerial skills. These include modules on improving personal performance, effective team working and managing agency personnel. Across our business in 2014, the average number of training hours per employee in Georgia was approximately 27.

We sponsor continuing professional education to help employees gain a formal degree or externally recognized certificate. We provide English language training. In 2014, 100 technicians attended English language classes.

We give opportunities for our people to move within the BP Azerbaijan-Georgia-Turkey business region to broaden their experience. During 2014, we had eight employees working outside Georgia on assignments, mostly in the region, and also in the UK. Two of them have now returned to Georgia and are continuing their careers with positions on the SCPX project.

Taking the pulse

The Pulse survey is an electronic, anonymous survey that BP sends out once a year worldwide. Approximately two-thirds of BP Georgia field and office-based staff participated in this voluntary survey. Responses enable an overall employee satisfaction score to be calculated: for office staff this was 78% (compared with 75% in 2013). For field-based staff, it was 91% compared with 84% in 2013.

Providing information on base pay, promotion and short-term performance bonuses remain focus area for management. The issues of base pay and promotion have tended over the years to receive lower scores than other areas, but there has been an improvement in employee perception of these topics.

Our values and code of conduct

BP has five values that express our shared understanding of what we believe, how we aim to behave and what we aspire to be as an organization.

Our values

Safety

Respect

Excellence

Courage

One Team

Safety: Safety is good business. Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment. We are committed to safely delivering energy to the world.

Respect: We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us.

Excellence: We are in a hazardous business, and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our company. We commit to quality outcomes, have a thirst to learn, and to improve. If something is not right, we correct it.

Courage: What we do is rarely easy. Achieving the best outcomes often requires the courage to face difficulty, to speak up and stand by what we believe. We always strive to do the right thing. We explore new ways of thinking and are unafraid to ask for help. We are honest with ourselves, and actively seek feedback from others. We aim for an enduring legacy, despite the short term priorities of our world.

One Team: Whatever the strength of the individual, we will accomplish more together. We put the team ahead of our personal success and commit to building its capability. We trust each other to deliver on our respective obligations.

Our code of conduct

Our code of conduct defines our commitment to high ethical standards throughout the company

The code is based on our values and clarifies the principles and expectations for everyone who works at BP. It applies to all employees, officers and members of the board.

We expect and encourage our contractors and their employees to act in a way that is consistent with our code. We will take appropriate measures where we believe they have not met our expectations or their contractual obligations.

Certifying to the code

We provide employee training and communications to explain how the code's principles apply to our work. In 2014, this included briefing sessions at operational sites across the country. New employees receive training when they join BP Georgia and each year we engage our employees in code of conduct certification. This reminds individuals of their duty to uphold BP's values, to do the right thing and to create an environment where people can confidently raise concerns. Overall, more than 270 employees and contractors attended code of conduct awareness sessions across Georgia in 2014.

Speaking up

BP Georgia is committed to providing an open environment where our employees, contractors and others with whom we come into contact are comfortable speaking up whenever they have a question about our code of conduct or see something they feel to be unsafe, unethical or potentially harmful. Employees are encouraged to discuss their questions or concerns with their line manager, other managers in their team, relevant supporting functions or BP's confidential helpline, OpenTalk. Cases were raised for violating the code of conduct in BP Georgia in 2014 which resulted in disciplinary action and dismissal.

BP has zero tolerance for retaliation against anyone who seeks advice, raises a concern, reports misconduct or participates in an investigation.



Human rights

We are committed to conducting our business in a manner that respects the rights and dignity of all people.

270+

employees and contractors attended code of conduct awareness sessions in 2014.



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. We set out our commitments in our human rights policy. BP's code of conduct references the policy, requiring employees to report any human rights abuse in our operations or in those of our business partners. Our operating management system includes guidance on human rights-related topics for our projects.

BP's human rights policy, published in 2013, elaborates on the requirement in our code of conduct to treat everyone at BP and everyone with whom we come into contact, with fairness, respect and dignity. The policy commits the company to conduct business in a manner that respects the rights and dignity of all people, as set out in international human rights agreements. This includes key populations such as employees and communities as well as supplier and contractor workforces.

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 arise as a result of security activities within local operations, and to allow appropriate precautionary steps to be taken.

In 2014, we held two workshops in Georgia to explore developments that are leading to increased stakeholder demands for companies to recognize and demonstrate their responsibility to respect human rights.

- The first workshop involved BP employees from a wide range of functions. It aimed to deepen awareness of the impact of human rights risks and their possible impact on the business. It emphasized the importance of early identification, mitigation and management of human rights issues.
- The second workshop was for BP staff and contractors involved in the SCPX project. Following discussion of the context and of lessons learned from the original BTC/SCP pipeline construction, workshop participants identified and prioritized potential challenges that might arise. Among these, for example, was the possibility of community grievances resulting from unrealistic expectations about job creation. The workshop identified potential actions to prevent or respond to the risks.

We trained the new security officers at our Tbilisi office and on the SCPX project. The aim was to raise their awareness of international laws and standards on security and human rights including the Voluntary Principles, relevant Georgian legislation and BP's own principles on human rights.

We also carried out awareness raising on these issues with members of the pipeline protection unit of the Special Task Force within the Ministry of Internal Affairs, which has responsibility for WREP pipeline protection.

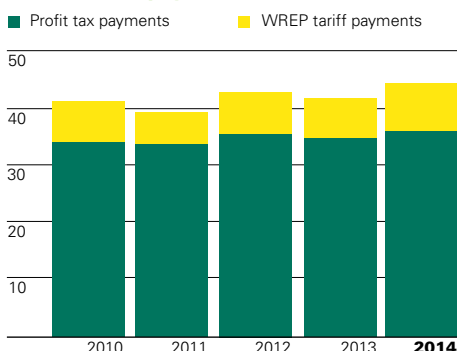
Potential human rights impact areas within the oil and gas industry



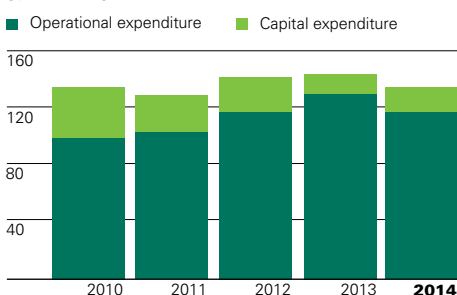
Delivering local benefit

Our investment and activities in Georgia generate positive economic and social impact by generating government revenue, creating jobs and providing opportunity in the supply chain.

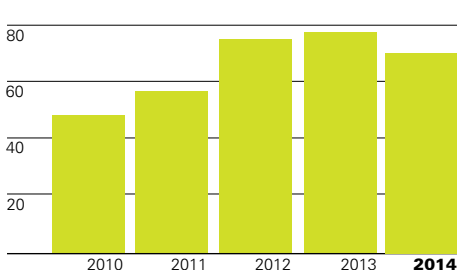
Tax and tariff payments (\$ million)



Operational and capital expenditure (\$ million)



Payments to local companies (\$ million)



Making a financial and economic contribution

Our tariff and profit tax payments, which are linked to pipeline throughput, make a consistent and significant contribution to national tax revenues:

- Profit tax payments from all the BTC business partners totalled \$36.4 million in 2014, \$35 million in 2013.
- We made WREP tariff payments to the Georgian government of \$7.7 million, \$7 million in 2013.

We also contribute to the value of Georgia's exports. Government statistics show that our pipeline operations contributed approximately 9% of the total value of service exports in 2014.

We invest to renew our own business in Georgia. Most significantly, the SCP expansion project represents a significant investment in the country and the region – described in more detail in the SCPX section of this report. In our existing operations, our operational expenditure in Georgia totalled \$119 million in 2014, \$133 million in 2013. Capital expenditure amounted to approximately \$20 million in 2014, \$17 million in 2013.

Working with local contractors

We continue to work with local contractors where possible. For contractors whose personnel work primarily at BP sites, we require that they develop a Georgia national workforce and subcontract with or obtain supplies from local businesses wherever possible.

Our contracts with suppliers now include requirements for them to describe how they plan to increase the number of local personnel in their workforce. We estimate that approximately 80% of our suppliers are local companies. Contractors are expected to build the skills and capacity of local inexperienced staff, and to provide them with training.

In 2014, our payments to local companies totalled approximately \$72 million \$77 million in 2013.

Raising standards among local companies

Contractors are obliged to meet our standards and to do so they often have to complete training prior to working on BP projects and again during operations. At work sites, contractors complete technical training on a regular basis and we assure their competency. Some contracts contain mandatory training in areas such as HSE and information systems.

As well as supporting technical capacity development, we also seek to raise standards of business conduct. Our contract conditions require contractors to comply with the BP code of conduct. Under it, contractor employees can contact BP if they believe a breach of the code has been committed in their work with us. If this happens, we might engage with contractor management to determine if the complaint is legitimate, and work with them to resolve the issue. In other cases, BP might engage with the employee direct. The code of conduct makes clear that we can run investigations if necessary.

Our contractual terms now require contractors to have a range of measures in place designed to ensure good employee relations. These cover areas such as fair and open recruitment processes, compliance with international laws on human and labour rights, appropriate grievance and dispute resolution procedures. Requirements also exist for regular reporting to BP.

We audit our contractors' employment practices to check their compliance with the social and local content requirements. The audits examine issues such as recruitment practices, working conditions, redundancy and termination procedures, and disciplinary and grievance procedures. In 2014, we audited a contractor that provides horse patrol services along the pipelines. They employ approximately 170 people. The BP Georgia social audit team reviewed procedures and conducted interviews with contractor management and their employees. Recommendations to management focused on improving recruitment processes, labour contracts, and developing a grievance procedure.



72

Georgian companies provide people who are embedded in our operations.

Economic value generated in Georgia: 2014

Employees	Operational and capital expenditure	Local companies	Government
We provide direct employment to more than 530 people. Employee salaries and benefits include BP local and agency staff	This includes operating expenditure and spending on new initiatives and projects	Payments to companies in our local supply chain	Tariff and profit tax payments
\$22 million	\$139 million	\$72 million	\$36.4 million

Working with local contractors

We work with our contractors to develop their awareness of our requirements, of the risks and challenges and mitigations.

David Betaneli Director, Engineer Service LTD

"One of our company's goals is to be open, fair and constructive when communicating with partners and employees. Our employees take personal responsibility for the quality of their work and our management team aim to support them.

We have a long relationship with BP Georgia, providing horse patrol and management services along the BTC/SCP pipeline. In 2014, a BP audit team reviewed our procedures and conducted interviews with our management and staff. The audit revealed findings that needed corrective measures. The most significant finding was the need to establish clear, transparent and equal employment opportunities during recruitment. The most significant recommendations were to improve labour contracts, elaborate and communicate written job descriptions for employees and to develop a grievance procedure.

As a result of the recommendations, we are making a number of valuable improvements. Labour contracts for all employees have been revised and renewed, and job descriptions developed. We have defined a grievance policy which is reflected in a new Staff Handbook. Our recruitment process is now more transparent and gives equal opportunities to people from project-affected communities. We are still implementing some recommendations and aim to complete them on schedule. We hope that future cooperation with the audit team will help us to meet BP's expectation and will support us in our future development."



▲ Workshop held for BP employees and contractors aimed to improve awareness of human rights risks and their possible impact on the business.

To help contractors manage environmental and social issues, we issued an environmental and social management template for contractors in 2014. Its goal is to ensure excellence in environmental and social management and compliance with the environmental and social commitments required of BP Georgia operations.

The template sets out a range of standards and organizational requirements. These cover environmental topics including soil preservation, pollution prevention and control, flora and fauna, ecology, waste management, water pollution prevention, soil erosion and sediment control, spoil

management and site reinstatement practices. Provisions also cover community liaison and safety, infrastructure and services, employment and training, transport management and social monitoring programmes required within project affected areas.

Our team supports contractors when carrying out social risk assessments. BP team members review pre-construction surveys to make sure contractors understand the social risks associated with planned works and are putting measures to eliminate or mitigate the risks.

The SCP expansion (SCPX) project

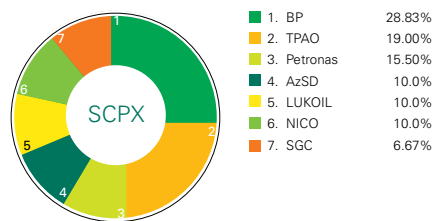
This huge undertaking is now becoming a reality on the ground, with compressor stations under construction and pipe sections arriving in country.

\$528m

contract for the construction and commissioning support of SCPX project facilities has been awarded in 2014 among other major contracts.



SCPX project: participating interests



BP and its partners are continuing the development of the Shah Deniz field in the Caspian Sea, the source of the gas transported through the South Caucasus Pipeline (SCP). The Shah Deniz stage 2 development includes drilling 26 subsea wells, the construction of two bridge-linked platforms, and new processing and compression facilities at the Sangachal terminal in Azerbaijan.

In order for gas to reach its customers, the existing SCP pipeline will be expanded – the SCPX project.

SCPX forms the first link in a chain of integrated pipelines creating a new Southern Gas Corridor. Once built, the Southern Corridor, approximately 3,500 km long and consisting of the SCPX, Trans Anatolian Natural Gas Pipeline (TANAP) and the Trans Adriatic Pipeline (TAP), is expected to provide 16 billion cubic meters per year (bcm) of gas for millions of consumers in Georgia, Turkey, Greece, Bulgaria and Italy.

First gas is targeted for 2018, with sales to Georgia and Turkey; first deliveries to Europe are expected to follow in 2020.

A number of major contracts were awarded in 2014, including a \$528 million contract for the construction and commissioning support of SCPX project facilities in Georgia. The scope of work under this contract, awarded to the Bechtel Enka Joint Venture (comprised of Bechtel International Inc. and ENKA İnşaat ve Sanayi A.Ş.) includes construction of a 16km access road, the two compressor stations and the pressure reduction and metering station.

Contracts for pipeline and facilities engineering and for micro-tunneling and line pipe installation under the Kura East river crossing were also awarded in 2014.

SCPX in Georgia: a snap shot

The proposed project in Georgia comprises:

- A new 48" pipeline running besides the BTC/SCP corridor for 63 kilometres from the Azerbaijan-Georgia border and then reconnecting into the existent SCP.
- A new block valve and pigging station.
- A new compressor station (CSG1) co-located with PSG1 in Gardabani.
- A second new compressor station (CSG2) to the west of Lake Tsalka.
- A new 16 kilometre access road that will connect CSG2 to the millennium road in the vicinity of the village of Nardevani.
- A pressure reduction metering station (PRMS) close to the Georgia/Turkey border co-located with Area 80.
- A 2.5 kilometre pipeline connection from PRMS to the Turkey border to connect into TANAP.
- Associated temporary construction camp, pipe storage areas and laydown yards.

Map of the southern corridor



Environmental and social impact assessment

We plan to continue engagement with the national and local government and communities as the project progresses.

Q: How do you make sure that the private land compensation process is carried out fairly?

A: Identifying private land owners, contacting them, determining title, agreeing sale, arranging for leasing and compensation and managing the administration of these processes is challenging. For example, sometimes land ownership is unclear or registration is incomplete. Or, the owner of the land may be deceased, has moved abroad, or cannot be traced. If this happens, we need to refer to a court to determine whether land access can be granted to us. To simplify the process for landowners, the compensation arrangements have been fully described in two documents which we made available to view in public locations. We also provided guidance to each individual land owner or user at the start of the process.

David Maisuradze
BP land team leader



Employees preparing for an emergency response exercise.

Environmental and Social Impact Assessment

Stakeholder consultation has been an integral part of developing the SCPX project. The focal point for this effort has been the Environmental and Social Impact Assessment (ESIA). The ESIA provides a baseline against which project impacts can be assessed, identifies potential negative and positive environmental and social impacts, sets out mitigation measures, informs project design, and provides opportunity for engagement with stakeholders. The ESIA was carried out in line with international standards and practices and was approved by the Georgian government in 2013.

Following approval of the main ESIA, amendments have been made to the initial project plan. These changes were captured in an ESIA addendum which was submitted to the government of Georgia in December 2014 and approved in February 2015.

In light of the changes, additional stakeholder consultation was carried out, with national and local government authorities and communities closest to the additional sections of pipeline. The majority of socio-economic issues raised were from members of project affected communities seeking information on employment opportunities and on the recruitment process. Responses were provided to each comment received.

We will continue to engage and consult with stakeholders as plans for the project progress. This engagement includes listening and responding to stakeholder concerns.



Read more detail about the Environmental and Social Impact Assessment in the ESIA Non-Technical Summary, available at bpgeorgia.ge

As well as the public consultation processes within the ESIA, engagement is required with local and national authorities to ensure that work is carried out in accordance with regulatory requirements.

Land easement and acquisition

The land easement and acquisition process for the project continued in 2014, involving consultation meetings with affected land owners and users. The compensation process and principles are in line with the Land Acquisition and Compensation Framework (LACF) and the Guide to Land Acquisition and Compensation (GLAC).



See the 'Land Acquisition and Compensation Framework (LACF)' and the 'Guide to Land Acquisition and Compensation (GLAC)' at: bpgeorgia.ge.

Gordon Birrell

BP regional president for Azerbaijan, Georgia and Turkey

"We have now awarded most of the contracts for SCPX and associated expansion facilities in Azerbaijan and Georgia. I am pleased to highlight that most of the construction work will be performed locally within Azerbaijan and Georgia benefiting the two countries.

We are pleased that both Shah Deniz phase 2 and SCPX projects are moving ahead across all areas. Work has commenced at the fabrication yards for jackets and decks, as well as at the onshore terminal construction sites. Offshore, drilling activities continue successfully using the Istiglal and Heydar Aliyev rigs with seven wells already drilled in preparation for first gas in late 2018."



Q: How are you trying to maximize job opportunities for local people on the SCPX project?

A: We are applying a set of principles and specific targets for the use of local labour.

These principles state that contractors should seek to maximize local content and see that this provision is included in any of their sub-contracts. They need to maximize benefits to local communities and municipalities in the vicinity of their work and to Georgia as a whole. They need to manage the risks associated with employing local people, such as any grievances that arise related to employment processes. Where possible, they should avoid moving local labour across national boundaries or work zones to reduce the risk of increasing social tensions.

In addition to these principles, an employment strategy will be implemented that is fair, transparent and ensures equal opportunities. Where applications for employment will only be considered if submitted via the official application procedure and where unskilled labour will be preferentially recruited from the communities adjacent to the worksites.

Jurgen von Borries

BP environment and social team lead



Taking the high road

Constructing a 16 kilometre road might not sound like much of a feat, at least not when compared with pipelines 100 times longer. But a remote location, mountainous terrain, altitudes of up to 1,700 metres, three villages along the route, and reaching agreement with the owners of several hundred parcels of land have presented the SCPX team in Georgia with a number of challenges.

Compressor station 2 (CSG2) will be a vital component in the new SCPX pipeline. Its planned location, west of Lake Tsalka and on a mountain, is dictated largely by hydraulics, but also by the need to minimize its impact on local communities. The site is only 16 kilometres from the nearest main road, but the thousands of tonnes of materials and equipment that the facilities team will need to transport up there mean dedicated access needs to be built.

The new access road has been re-routed to bypass these villages to enable safe and continual access to the compressor station site and minimize the impact on the local communities.

Community benefits

Not only will the new road mean the equipment and materials for the compressor station can avoid the villages, it is also likely to benefit

the local communities. Construction of the road and the adjacent camp is providing employment for local people and this will continue during the whole construction phase. But it has been a long process to reach a point where construction can begin. In addition, residents will be able to use the road when it is completed for agricultural vehicles or to gain easier and quicker access to their villages.

'Most of the privately-owned parcels of land lie between Nardevani, Kushchi and Berta, on first half of the route, while most of the land on the second part of the route belongs to the state,' explains Jurgen von Borries, BP Georgia's environmental and social team lead. 'We had a steady and open process of negotiation with landowners over several months which was carried out in line with BP's social and environmental commitments and the project's environmental and social impact assessment'.

The road's route has taken into account avoidance of possible cultural heritage sites and an area of wetland that is important for breeding corncrakes, a bird similar to the moorhen. The route avoids going through the middle of this area, but the environmental teams have nevertheless committed to undertake regular surveys to monitor impacts on the bird population.

Cultural heritage protection

As part of the SCPX development, phase I cultural heritage surveys, involving landscape walkover surveys and desktop reviews, were undertaken at all known and potential sites of cultural heritage based on available scientific literature and previous BTC/SCP experience.

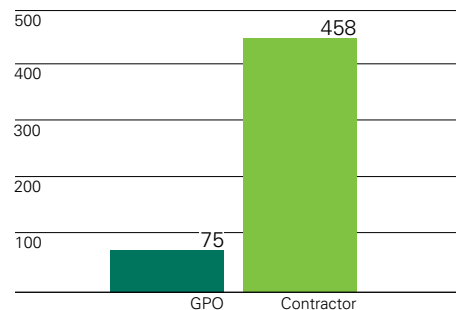
More extensive phase II and phase III archaeological excavations have been undertaken at areas that contained visible archaeological features or had some archaeological potential in the Tsalka, Tetrtskaro, Akhaltsikhe and Marneuli regions. For example, studies at the TANAP connection close to the Georgia-Turkey border identified a number of single and multi-layer archaeological sites covering the period from the early Bronze Age (4th-3rd millennium BC) to the late middle ages. More extensive archaeological works within the construction area are scheduled for completion in 2015.

Economic benefits of SCPX

SCPX represents a major investment for Georgia with capital planned to be spent on goods and services provided by local Georgian suppliers

With the projects now under way on the ground in Georgia, contractors have been mobilized and employment has increased. The total number of people employed on the project at the end of 2014 was 533.

SCPX Employment



Safety

We continue to work to embed safety and operational risk management into the heart of what we do.



What we said we would do

Continue to deliver excellent business performance, safety and reliably.

Continue to strive for improvements in personal and process safety performance.

Work, as in the past, with contractors to develop strong safety attitudes and culture.

Where we are today

Worked 3.9 million man-hours and drove 7.7 million kilometers with no fatalities and no major accidents.

Increased the number of contractor-reported near misses reaching 31% of the total reported incidents.

Continued systematic communication of HSE requirements, performance, lessons learned and hazards awareness. Developed competency of the field staff.

What we plan to do next

Drive continuous improvement on our health and safety performance.

Complement our efforts on more robust and systematic self-verification.

Maintain focus on engaging contractors in systematically ensuring effectiveness of their HSE management system and organizational safety culture.

Managing safety

Our focus is on safe, reliable and compliant operations. Protecting our people and plant while delivering excellent performance is a key priority.

A day in the life of Akaki Adeishvili – a site health and safety lead, BTC PSG1 / SCP AREA 72

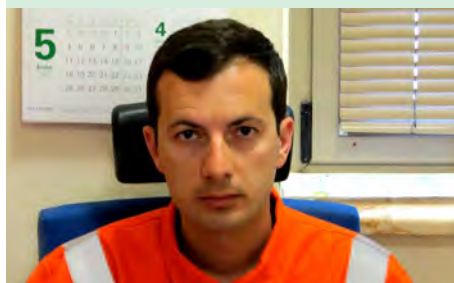
The day starts at 7am when I attend a morning handover meeting in the control room and discuss relevant incidents and lessons learned that occurred in BP Georgia or in the region during the previous day.

I participate in risk assessments and after permits are issued go out to the site and audit work parties to ensure their permits and isolation control certificates (ICC) are in order. Tool box talks are conducted and checks made on whether hazards and precautions are understood and followed. In this way, I am acting as an additional protective barrier to identify unsafe acts or conditions and, if necessary, can stop a job before an accident happens. I also look for, encourage and recognize good safety practice.

I am involved in site self-verification activities which include the review of overrides, isolations, operational risk assessments, lifting operations and operating procedures to identify weak signals and respond with improvements.

Daily activities also involve going out to the field together with site team leaders to carry out site health and safety inspection on PSG1, AREA72, PSG1 Camp, OSRB or Central Waste Accumulation Area to ensure high HSE standards are maintained on all these facilities.

At the end of the day, I participate in the permit to work meeting where daily progress and issues are discussed. Permits for activities planned for the following day are reviewed along with associated hazards and control measures.



Site safety lead observing the visitors' helicopter take-off.



BP incident management team participating in a regional scale emergency response exercise.

We continue to apply our operating management (OMS) system to govern our operations and drive safe and reliable performance.

As part of our ongoing work to achieve conformance with OMS requirements, we undertake self-verification activities to check our performance against each system requirement. We put plans in place to maintain conformance to standards, with the aim of reducing risk and deliver sustainably safe performance.

Our commitment to no accidents, no harm to people and no damage to the environment remains unchanged as a business priority.

Safety performance and learning from incidents

During 2014, BP Georgia and its contractors worked 3.9 million man-hours and drove 7.7 million kilometres with no fatalities and no major accidents. There were no day away from work cases and one recordable incident in which a catering contractor employee tripped and fell.

We had seven vehicle accidents, one more than last year. None of these accidents were classified as 'severe' and incident investigations showed that the majority were caused by third-party vehicles.

In January 2014 we had one incident, in which a contractor boat sank 2 kilometres off the coast of the Black Sea when travelling from the single point mooring facility. The three people on board were immediately rescued by the maintenance service vessel which was alongside, and no injuries were sustained. We classified this as a 'high potential incident', where the consequences could have been significantly more serious under slightly different circumstances.

We had five minor fires, none of which were hydrocarbon-related and none of which occurred in a process area. They were mostly caused by electrical faults in small-scale equipment. Each instance was thoroughly investigated and improvements made.

We investigate every incident to identify contributing factors and causes so that we can take the actions to stop it from happening again. We continue to encourage our employees and our contractors to report near misses. The number of reported near misses increased again reaching 179 in 2014, improved reporting and near miss recognition from 143 in 2013 and 76 in 2012.

In addition to learning from near miss reporting, we conduct monthly reviews of incidents and quarterly reviews of trends with operations, maintenance, project, engineering and HSE leaders. We analyze immediate and system causes, identify focus areas, agree and implement improvement actions.

We continued to carry out regular awareness campaigns for BP employees and contractors based on lessons learned and covering important safety topics, such as risks from: high potential consequence incidents, snakes, heat, cold, ice, icicles, fire, slips, trips and falls, finger injuries, barriers, lifting, normally occurring radioactive materials, safe driving, and carbon monoxide.



▲ Local government representatives participating in regional emergency exercise.

Assessing, prioritizing and managing risk

In accordance with BP group requirements, we systematically review major risks and update a risk register annually. Quarterly, we bring together our leadership team and specialists from operations, maintenance, projects, HSE, engineering and pipeline technical authorities to review risk scenarios, protective risk barriers, potential impact, and agree actions plan based on prioritization. The BP Georgia risk assessment feeds into wider risk assessments covering operations in Georgia and Azerbaijan. Our goal is to continuously improve prevention barriers and mitigation measures to maintain effective risk identification, prevention and management.

Maintaining a safe work environment

We carry out a range of self-verification activities to make sure that personal safety is not being compromised.

These include checks on day-to-day work covering tasks such as lifting, working at heights, electrical equipment testing, confined space entry, hot work, energy isolation, excavation, scaffolding and the use of personal protective equipment.

Our health and safety site leads have the role of advising operations on how to continuously improve performance, conducting self-verification activities and inspections and supporting OMS conformance. On a daily basis they focus and process safety related tasks and oversee contractors' activities. They participate in and review Control of work risk assessments to ensure that hazards are identified and adequately addressed. They also participate in incident investigations to determine root causes and develop corrective actions, co-ordinate emergency exercises, facilitate and lead safety meetings and HSE awareness campaigns. In 2014, all site health and safety leads undertook a baseline review under the 'Excellence programme'. It is designed to help HSE professionals further develop the skills and capabilities they need to meet their career goals.

Control of Work

Wherever BP operates, systematic implementation of the group's Control of Work practice is a must for BP employees and contractors. Control of Work requires that all work activities are planned well in advance and delivered by competent people. Task related risks must be assessed and managed, and the work controlled and executed under permit. Most importantly, control of work obliges everyone to stop unsafe work. Its processes provide a work environment that allows tasks to be completed safely and without unplanned loss of containment, which could damage the environment, plant or equipment.

Ensuring the safety of our processes

In addition to personal safety, we focus on maintaining the integrity of our operating systems and processes by applying good design principles, engineering and operating and maintenance practices – process safety.

We outline key process safety risks within site induction and encourage people to report process safety incidents. We have a range of monthly reviews of different aspects of process safety, such as operational risk assessments and reviews of conformance with standard operating procedures and safe systems of work. At monthly management meetings led by engineering and technical professionals, we review key process safety and integrity management performance indicators. Many of these are 'leading' indicators which give an indication of the strength of our controls.

In 2014, we suffered one loss of primary containment, which was the result of in an illegal tap on Western Route Export Pipeline (WREP). It led to the loss of 12,300 litres of oil to the surrounding soil, 5,000 litres of which was recovered. Although the pipeline was illegally damaged by a third party, BP has repaired it, removed contaminated soil, remediated and backfilled the area of the incident.

We report, record and monitor minor leaks or spills to help us improve performance and try to minimize the risk of more serious incidents. We use the American Petroleum Institute (API) standard for classification of process safety events. We did not have any serious process safety incidents in 2014.

Working with contractors

Our ability to be a safe and responsible operator depends to a large extent on the capability and performance of our contractors.

Rovshan Nabiyeu HSEQ manager, Socar Cape

"In 2014, our company was involved in industrial cleaning, blasting and painting of the oil storage tank at the Supsa Terminal, as well as scaffolding, paint coating, rigging and lifting activities at various BP locations. All these activities were performed without accidents and were delivered to a high quality.

Safety forums and safety leadership team meetings are good methods of communicating lessons learned, achievements, issues, best practices and innovations. These events encourage team work, help break the ice and build trust between the client and its service provider. They add value to our company by generating ideas for continuous improvement and strengthen our focus on how to address the health and safety agenda successfully."



▲ Hosting contractors at the annual contractors safety executive forum.

Historically, about 80% of our reported man-hours are logged by contractors. To promote consistency and alignment, we hold quarterly safety leadership meetings with our contractors, where we review HSE performance, incidents and lessons learned, highlight and deliver key messages, share experience and raise contractors' awareness of safety-critical topics. We also hold an annual contractors safety executive forum, where we interact with contractor management teams to broaden their knowledge and understanding of demonstrable safety leadership and what we expect from them as leaders. The forum in 2014 focused on procedures: developing the right ones, verifying that they are followed, having competent people to implement them and checking their effectiveness.

We continued to encourage incident reporting among our contractors in 2014. The number of contractor-reported near misses increased significantly, reaching 31% of the total reported incidents in 2014, reported incidents in 2014, 2013 – 24%, 2012 – 15%. In future, we intend to focus as well on the quality of near miss reports.

We have also sought to ensure that the individuals carrying out work on our behalf have the right skills, experience and competency. For contractors' performing authorities (those responsible for the safe delivery of tasks), this has involved specific training and interview assessment with BP site and area authorities. On successful completion of the training, contractor performing authorities gain competency authorization certificates.

Our annual contractors' safety award scheme rewarded contractor companies that had shown exemplary performance. The 2014 awards were presented to:

- Solar Turbines – for open incident reporting, safe delivery of the turbine replacement project, competent performing authorities for field activities, systematic procedure management and active participation in BP contractors' events.
- MQS – for the safe execution of hot work inside tank C confined space and the foam line repair project area at the Supsa terminal.
- Socar Cape – for the safe execution of cleaning, blasting, painting and scaffolding activities inside tank C confined space at the Supsa terminal.
- IDC – for the safe execution of the Liakhvi river-crossing rehabilitation project on the WREP.
- Oceaneering – for integrity management service support to the BP Georgia Exports Operation and for effective management and co-ordination of the Supsa terminal tank C and WREP integrity inspection and repair projects.

Personal and process safety

Everything we aim to do relies upon the safety of our operations, our workforce, and the communities around us.

Guram Zakareishvili HSSE&S and QA/QC Director, IDC

"In 2014, IDC completed a number of projects for BP including river crossing enhancement works, Liakhvi river rehabilitation, small project design and civil services. All these involved a wide spectrum of design and construction work.

We successfully completed the very first construction project within the SCPX project – building a camp pad for CSG2 in Tsalka. We also carried out perhaps the largest ever river crossing rehabilitation project on the WREP – installing massive rock structures across the crossing to protect the pipeline from washout and to safeguard its future integrity.

We regularly attend BP contractors' events such as safety leadership team quarterly meetings and the annual contractors safety executive forum. All contractors are welcome to share their experience, lessons learned and best practices. We can gain a lot by learning about opportunities to upgrade HSE management systems, enhancing organizational safety culture and improving performance.

The year ends with the annual contractors' award ceremony, where those with outstanding performance and commitments to HSE are recognized and rewarded. Recognition serves as a great motivation for others to work even harder in the years to come and work together to make Georgia a safer place."



Driving safely

Road safety continues to be one of the major risks in Georgia as a result of the large number of kilometres driven by the BP and contractor workforces and the region's hazardous driving environment.

BP Georgia workers and contractors drove 7.7 million kilometres in 2014 – the equivalent of about 195 times the times the around the world. We have 200 vehicles in total, and 140 contractor professional drivers.

As part of our operating management system (OMS), we have an annual driving safety improvement plan. It includes measures focused on drivers, such as safety awareness training, as well as items relating to the condition of vehicles and notification about road conditions. We assess our performance every month, reviewing any incidents and issues arising.

Each year, our Baku-based driving safety specialist audits a selection of BP operations and contractors against the requirements of our operating management system, including the elements of the BP Driving Safety Standard. The reviews address issues such as the condition of vehicles, driver and passenger behaviour, securing loads, driver assessment, licensing, training and fitness, journey management planning and seat belt use. The 2014 audit identified a number of good practices, as well as minor areas for improvement relating to particular vehicles and tightening of some assurance processes.

Our annual driving safety workshop with contractors covered certification and training, winter driving and pedestrian safety.

Crisis management

Crisis and continuity management planning is essential if we are to keep our people safe, respond effectively to emergencies and avoid potentially severe disruptions in our operations. In addition to routine monitoring, we identify potential crisis and continuity risks annually. We also carry out regular exercises to test the preparedness of our teams.

We continuously seek to improve our crisis and continuity management, oil spill response and fire-fighting capability. This requires clear organization and plans, good quality response resources, and well-trained personnel.

Our activities in 2014 reflected these priorities. For example, we completed an update of our oil spill response plans for BTC, WREP and the Supsa terminal. These three standalone plans have now been formatted in line with BP group requirements. They address issues raised in previous gap assessments, such as the need for better cross-referencing and standardization to make the documents simpler for end users.

We have two fire-fighting trucks in place and six individuals from our oil spill response contractor, NRC International Services, who have completed internationally-recognized National Fire Protection Association fire-fighting training. Eight further trainees are currently going through the same assessment process. We are in the process of integrating all fire response resources into the overall BP Georgia emergency response organization. The fire response team also supports operations by providing training; last year they trained 68 operations staff in basic fire-fighting.

We carried out more than 100 emergency response exercises in 2014, involving a range of scenarios and different response teams. We trained and assured the competency of 12 on-scene commanders and identified and trained 11 new members of the incident management team.

Following months of planning and discussion, we facilitated a full-day emergency response exercise in September during which the Georgia and Azerbaijan government deployed their own human and physical resources. It involved the entire BP regional crisis management system, with the participation of the BP Georgia incident management, site response, country support and business support teams. The scenario was an earthquake which affected the pipeline, causing an oil spill, as well as damage to other national infrastructure.

We also took part in a national-scale exercise offshore in the Black Sea in cooperation with the national Maritime Transport Agency (MTA) and other port operators.



We carried out
100+
emergency response
exercises.

Health and wellness

We have continued a skin surveillance programme for all employees at our pipeline sites, purpose of which is to ensure that the signs of occupational dermatitis are detected at early stage.

As in previous years, we carried out an annual health risk assessment using the health map tool to update our risk register. We have continued to carry out the well-established processes that support our operations, as well as the SCPX project – processes such as fitness for task health assessments, health screening, and health data management. In 2014, our regional health leadership team reviewed our activities to gain assurance that our processes are fit for purpose.

Risks to personal health can come from many areas. Occupational health and industrial hygiene programmes are implemented in accordance with our annual priorities. These cover topics such as substance abuse, in which we conduct random substance testing at operating sites and at our Tbilisi office. We implemented industrial hygiene programmes at our operational sites, which covered issues such as noise monitoring, chemical handling and exposure, risk assessment, noise, and fatigue for shift workers.

We have conducted a skin surveillance programme for all employees at our pipeline sites. We carried out audiometric surveillance for employees exposed to noise at operating locations and included all these people in a hearing conservation programme. We continued our ergonomics initiative, which included site and office assessments by a specialist ergonomist and organized training for site doctors. A number of site assessments and reports were provided.

Food safety and water quality are important aspects of a healthy working environment. We completed audits across operational sites which confirmed that our activities are in line with requirements. We completed epidemiological surveys for SCP/BTC and SCPX sites in 2014.

Health campaigns

We ran awareness and health promotion campaigns throughout 2014 that encouraged people to take responsibility for their own health and wellbeing.

A tobacco-free initiative across BP Georgia, for example, included awareness sessions, the provision of non-smoking aids, and personal consultations by health professionals.

We ran another healthy heart campaign, arming employees with information and simple steps to help them manage their heart better. By running this over a number of years, we are giving employees the opportunity to compare their year-on-year results. The health team collated individual results as well as a roll up of information which was shared with participants.

We conducted seasonal campaigns on topics such as flu, cold, heat stress, and travel health, and on topical issues such as viral meningitis and ebola. We made particular efforts in 2014 to promote employee well-being through internal and external sporting competitions.

Health and medical training

We provide a range of basic training to our staff on topics such as first aid, chemicals awareness, and food safety. In 2014, we conducted occupational health reviews and reviewed our medical provider clinic's first aid and emergency response capability. We completed refresher first aid and medical preparedness audits at PSG1, PSG2, Supsa, EDDF and Area 80.

Health and safety professionals and our medical staff receive specialist training in areas such as manual handling and industrial hygiene. In 2014, we held the first Georgia medics forum at which more than a dozen BP Georgia health professionals discussed challenges and objectives in medical emergency response, training, occupational hygiene and industrial health.

Environment

We take a systematic approach to environmental management and strive to continuously improve our environmental performance.

What we said we would do

Maintain our systematic approach to environmental compliance and management.

Minimize our environmental impacts to air, land and water.

Develop processes and people to safeguard future environmental performance.

Where we are today

We are managing our environmental performance in accordance with ISO 14001 and BP operating management system requirements.

We have minimized the environmental impact of projects and modifications.

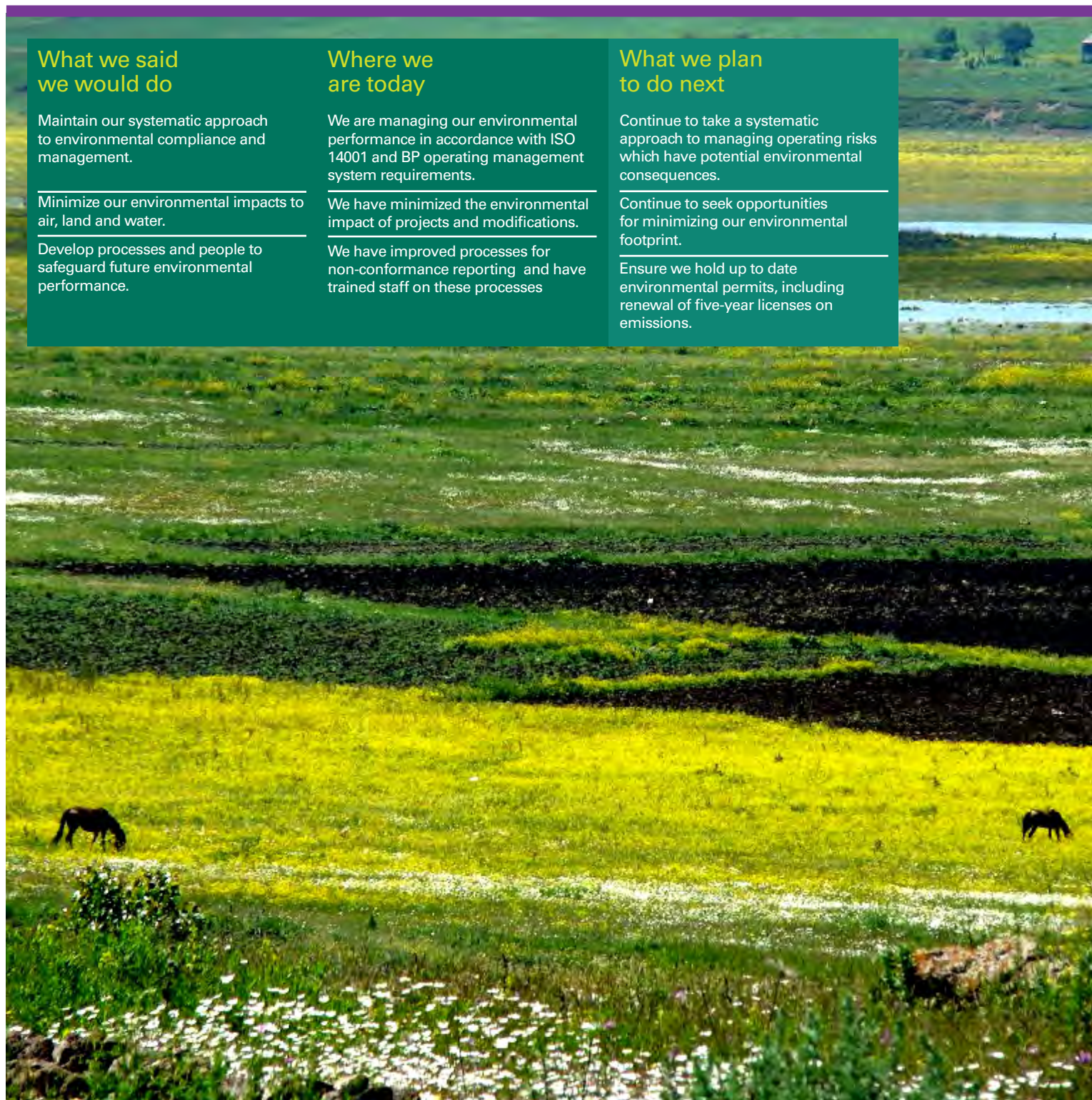
We have improved processes for non-conformance reporting and have trained staff on these processes

What we plan to do next

Continue to take a systematic approach to managing operating risks which have potential environmental consequences.

Continue to seek opportunities for minimizing our environmental footprint.

Ensure we hold up to date environmental permits, including renewal of five-year licenses on emissions.



ISO 14001 and compliance

We continue to manage our operations in accordance with our ISO 14001 certified environmental management system.



16th

Audit of the independent environmental consultant was completed in Georgia in 2014.



▲ Preparation for a wildlife response exercise.

In line with the three-year review cycle, the environmental management system was independently audited in 2014. The management system was found to be effective with no non-conformities issued. We maintain comprehensive systems to stay compliant with applicable HSE requirements. Because of significant change in local environmental legislation in recent years, we undertook an extensive review of local environmental regulatory requirements in 2014. As a result, we identified specific tasks which need to be carried out by operations and environment staff to make sure we remain compliant. These items are maintained in a compliance task manager database, which enables required actions to be tracked.

The development and early implementation of the SCPX project has been a multi-disciplinary effort that incorporates lessons learned from past projects and operations in Georgia. Productive cooperation continued with project staff through the review of the ESIA addendum and close coordination on waste management.



Technical information on each aspect of the ESIA process is available on bp.georgia.ge including the public consultation and disclosure plans which form an integral part of the process.

Complying with our commitments

The 16th annual post-financial audit of the independent environmental consultant acting on behalf of BTC lenders was completed in Georgia in 2014. These audits monitor compliance with BTC environmental and social commitments. No non-compliances were identified.

Strengthening environmental requirements in contracting

We work with contractors to try to make sure they meet our environmental standards. In 2014, we included detailed clauses within our contractual terms and conditions relating to environmental management. Provisions covered topics such as waste management, flora and fauna, air and water quality, and ecological management. We expect our contractors to abide by these requirements, and implement the necessary management systems and procedures.

Managing our impact

In everything we do we aim to avoid, minimize or mitigate environmental impacts.



50+

site inspections were carried out in 2014.



▲ An environmental officer performing a shore check during a wildlife response exercise.

We continue to work to raise contractors' awareness of environmental matters and to help align all projects with the requirements of our environmental management system. We use an environmental risk assessment tool for individual projects and modifications to give ourselves assurance that requirements are being met in the field. We carried out more than 50 site inspections in 2014 and reviewed contractor project documentation such as pre-construction surveys that include environmental site assessments. We obtain site completion reports that show how environmental requirements have been addressed.

Detecting leaks

We implement a range of measures to detect leaks on the BTC/SCP pipelines, which are set out within leak detection programmes agreed with the government of Georgia. For example, we undertake groundwater monitoring and use specially trained sniffer dogs capable of detecting hydrocarbon leaks regardless of soil conditions and even under snow.

Illegal taps and remediation

There were two illegal taps by third parties on WREP in 2014, one of which resulted in a release of oil to soil. Within hours of its discovery, recovery of the spilled oil had begun. Following analysis, we estimated the volume of the spill was 12,300 litres.

The remediation process involved topsoil stripping and excavation, with soil samples taken from different levels of the affected area. We assessed that there were no distinctive ecological or archaeological sensitivities associated with the area, which was used for agricultural purposes, and provided compensation to the landowner. Contaminated soil was stripped and sent for bacteriological cleaning. After several months of bioremediation at a BP facility, followed by laboratory analysis, we backfilled the site with the cleaned soil.

Protecting wildlife around our facilities

The wildlife rehabilitation centre is supplied with equipment in line with best international practice. To test our preparedness to respond to an incident involving oiled wildlife, we have undertaken three sets of training for volunteers, delivered by International Bird Rescue and the Oil Spill Training Company Ltd. Training has been provided to representatives from non-governmental and state institutions, local certified veterinarians and volunteers.

With the support of BP personnel, 36 volunteers participated in training at locations near the Jandari and Tsalka lake shorelines, chosen because of their ecological sensitivity. The initiatives tested our wildlife response preparedness and included identifying baselines, examining potential environmental impacts, and assessing different tiers of possible response. Spill behaviour was modelled, using geographic information systems, and communication plans were tested. A theoretical element was complemented by tests of the wildlife response equipment stocked at the centre to assess approaches to mobilization, deployment and operations.

The exercises were concluded with analysis of lessons learned. Findings and recommendations were shared among the participants.



▲ Glycol recycler facility located at a pump station.

Managing waste

We are continually working to find innovative and efficient ways to reduce and manage waste. We have sought to reduce hazardous waste by buying modern equipment for waste processing and have been putting waste products and substances to good use – such as using them as a source of energy.

The majority of hazardous waste from our activities, such as oily rags or sludge, has been collected, compacted and stored at a central waste accumulation area at PSG1 on the BTC pipeline.

Historically, hazardous waste was prepared for export to EU-compliant facilities outside Georgia because local recycling companies were not able to ensure its safe disposal. We have now evaluated Georgian operators who could operate an EU compliant hazardous waste incinerator, and are looking to work with a local company to do this. The establishment of a facility of this type would represent a significant step forward in the development of national waste management capability.

Plastic waste recycling

We have continued to recycle paper, plastic and metal, working with Georgian companies that now have the capability to recycle different types of waste products.

Wildlife protection

Our incident management system includes commitments related to responding to an incident where wildlife suffer from the effects of oil. We have built a wildlife response centre adjacent to the oil spill response base at PSG1 and ran an emergency response exercise on wildlife protection in 2014.

Society

We aim to make sure that we bring benefit to local communities by supporting programmes and initiatives that build capacity and promote enterprise.



What we said we would do	Where we are today	What we plan to do next
Reinforce the positive relationships we have with the communities near our operations.	Maintained strong relationships, with 803 community meetings in 2014 and received positive feedback on our community investment programmes.	Continue our existing community investment programmes and take further steps to support communities newly affected by SCPX.
Continue to build local skills and capacity.	We are supporting diverse programmes and projects that develop personal and institutional capability.	Continue to implement a variety of capacity building programmes.
Continue to support local economic development and enterprise.	480 small businesses established through the community development initiative, including 91 in 2014.	Support local economic development through our projects and programmes.

Engaging with communities

We engage regularly with the communities near our pipelines because we want to maintain constructive relationships with them.



▲ Small business started by locals with BP's and its co-venturers' support.

Liaising with local communities

BP seeks to maintain positive relationship with the communities along its pipelines. Our liaison objectives and communication tools are described in a community communication plan. Villages along the Baku-Tbilisi-Ceyhan/South Caucasus Pipeline (BTC/SCP) and Western Route Export Pipeline (WREP) are categorized according to their social and environmental sensitivities to enable us to have the appropriate type and level of interaction with them. Meetings with local community representatives take place regularly.

We continued local community engagement and conducted 803 consultation meetings with different target groups in the villages along the pipelines and near our facilities. This ensures that the BP social team is well-aware of local issues, listens to community concerns, and can reinforce messages about safety and restrictions along the pipelines. Our target groups are village heads/trustees, local residents, complainants and landowners. We also developed a community calendar for 2015 that provides information to local communities and landowners about pipeline protection safety zones, and on simple ways to protect the environment.

Engagement relating to SCPX

We continue to engage with communities about the SCPX project, informing communities and local government about plans and progress. Our team of community liaison officers plays an important role by listening to community concerns and responding to them, by sharing concerns with project staff and giving guidance on local sensitivities.

Responding to grievances

Our activities take place near a large number of villages and municipalities and involve access to and construction work on land. Occasionally, community grievances arise. As part of our approach to engagement, we have a clear process for managing third-party complaints.

During 2014, we received 22 new complaints relating to operations, compared to the 41 complaints received in 2013. Twenty-one of these complaints were investigated and closed in 2014, with a further seven complaints closed which related to issues raised in 2013. We hold regular meetings with target groups and tell them about the tools at their disposal to raise concerns.

Among the resolved grievances was a complaint which arose in 2013 related to damage to fruit trees along the WREP right of way. We appointed an external agricultural consultant as well as engineers to assess the problem. In the light of their assessment, we paid compensation to the affected party.

We monitor the time it takes for us to deal with complaints, while recognizing that the speed of resolution may not be fully under our control. In 2014, 68% of complaints were closed in less than two months, compared with 51% over the same time period in 2013.

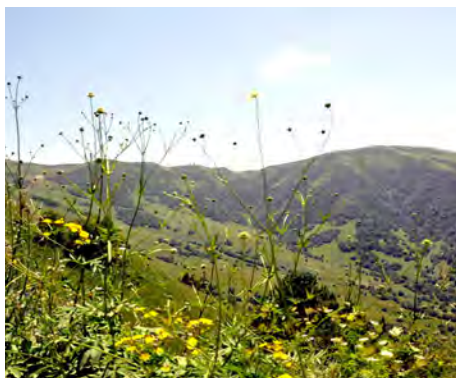
Complaints statistics

Complaint category	2013		2014	
	Complaints received	Complaints closed	Complaints received	Complaints closed
Additional land occupied	1	1	0	0
Bee-related	3	3	0	0
Damage to community infrastructure	1	1	2	2
Employment	1	0	3	3
Crop damage/compensation	0	0	11	10
Damage to household infrastructure	2	2	0	0
Inventory/compensation disagreement	7	7	1	1
Irrigation	2	1	0	0
Land handback/reinstatement	5	3	3	3
Lack of access			1	1
Nuisance	1	1	0	0
Other land issue	11	9	1	1
Other social issues	7	6	0	0
Total	41	34	22	21

◀ A resident of Martotubani has established a greenhouse with BP and its co-venturers' support.

Our programmes

We support programmes that respond to local needs and which are relevant to our business activities.



▲ Landscape view adjacent to Bakuriani settlement.

In 2003, we launched our first community development programme, linked to the start of construction work on the BTC/SCP pipelines. Since then, together with our co-venturers, we have contributed to a wide range of projects in Georgia which have helped local communities, promoted business development, supported education and protected Georgia's cultural and natural environment.

Initiatives have included:

- A project to improve the business environment for small and medium-sized companies by reducing regulatory burdens and improving corporate governance.
- Increasing awareness of energy efficiency through demonstration projects across Georgia.
- A Masters level scholarship programme to enable gifted Georgian students to continue their education at UK universities.

- Awarding grants to national environmental NGOs for capacity building.
- Promoting environmentally sound practices and biodiversity conservation.

Over the past five years alone, we and our co-venture partners have spent more than \$20 million on social investment projects. Many involve other participants, including our co-venture partners, with whom we have built up strong collaborative relationships, which further increases the amount invested.

Current initiatives

We continue to support a variety of projects, and spent approximately \$3.3 million on social investment in 2014.

Our current social investment projects

Focus area	Project title	Project objectives	Time-scales	Funding (\$USm)*
Pipeline communities	Community Development Initiative along the BTC/SCP and WREP pipelines in partnership with national and international NGOs.	Improve socio-economic aspects of community lives through civil society capacity building, supporting income-generation activities through support for agriculture and SME development.	2003-to date	20.5
Business development	Georgia Investment Climate Project – in partnership with the International Finance Corporation.	Promote sustainable private sector growth by increasing the competitiveness of local companies by building on successful reforms to date, to address greatest remaining compliance costs spent by businesses on VAT administration, as well as through increased trade and FDI flows.	2014-17	0.4
Energy efficiency	Project Management College (PMC) – in partnership with ESI International and the Free University of Tbilisi.	Develop a pool of world-class national project managers to aid the growth and profitability of local businesses, and to help attract international investment, contributing to Georgia's economic development.	2009-17	2.3
	Renewable energy and energy efficiency programme (RE&EE).	Three separate projects, as this theme has evolved: 1) The Energy Bus Project – focusing on public awareness-raising across Georgia; 2) RE&EE small-scale demonstration projects across Georgia; 3) RE&EE projects for Georgian municipalities that are signatory to the EU Covenant of Mayors.	2008-17	2.45
Education	Sponsoring the International School of Economics at Tbilisi State University.	Promote excellence in postgraduate economic study and research across the region.	2006 to date	2.4
	English language training for the media.	Build local media capacity, in partnership project with the British Council.	2005 to date	0.2
	Road safety: a partnership programme with the Partnership for Road Safety Foundation.	Raise public awareness and help to improve road safety in Georgia.	2008 to date	0.2
	Partnership with Georgian National Paralympic Committee (NPC).	Support, as an official partner of the Georgian NPC, the committee and groups of athletes to prepare and compete at the Paralympic games.	2012 to date	0.3



\$3.3m

was spent on social investment in 2014 in Georgia.

* BP and co-venturers' spend (US\$ million) – to the end of 2014.

Supporting enterprise

Our Community Development Initiative (CDI) is helping to develop local economic capacity. The initiative, which has changed to address community needs as they have evolved over the years, entered its fourth phase in May 2012. The original CDI programme was begun in 2003.

A new generation of young leaders

Twenty-eight Community Based Organizations (CBOs) have been set up under the CDI, ten of which have been created since 2012. All the new CBOs involve young members. Interest in community work, and motivation to do something positive for the community, is exceptionally high.

The CBOs face similar challenges in doing their work, particularly at the start of projects when it proves difficult to mobilize community finance and labour. During training, CBOs noted the need to overcome a large amount of apathy among many communities.

“It was naive to think that if work was done, our villagers would be happy regardless of whether they participated or not. Unfortunately, we observed that residents who had not contributed to the project, failed to feel ownership of it and therefore had no sense of responsibility for it” said Zura Kapanadze, head of the CBO in Sakire. But reporting to communities before, during and after has been making dramatic changes in the perceptions of locals.

The newly-established CBOs of Ivrita, Agara and Tsinubani have managed to engage many more households from their communities using a different participatory model of development by creating social enterprises with CDI support.

“All but socially vulnerable families have spared material resources to support the project and purchase agri-machinery for timely access to agri-services. As a result, we have more responsibility to our members to keep up with their expectations every agricultural season”, says Giorgi Qimeridze head of Agara CBO.

Based on CDI phase 4 experience, the programme's implementing partner RDA has witnessed that new and young leaders, regardless of their experience, attract high levels of confidence from locals. According to one elderly resident of Tsinubani, Iuri Khmaladze, engaging youth in projects has a bigger impact on the village than rehabilitation projects or services. “We get to keep young people attached to the villages, preventing migration. That has far more impact for the village than clean water or a tractor,” he said.

Helping rural development

CDI phase 4 aims to deepen the positive relationship between BP and communities along the pipeline routes. It supports sustainable forms of social co-operation, improving agricultural production, and developing regional agro-businesses. The programme also supports small-scale business start-ups. This includes providing training on business planning, markets and the concept of the value chain; developing understanding of product definition and tools for pricing; and giving guidance on sales and marketing.

Implementation by local non-governmental organizations

The programme is implemented by two Georgian non-governmental organizations. In western Georgia, it is run by the Regional Development Association and in eastern Georgia by the Centre for Training and Consultancy. CARE, the international humanitarian agency, provides advice, having been involved in CDI from its inception. The engagement of national NGOs has been a deliberate policy, designed to increase local capability.

Selected CDI phase 4 achievements

- 28 new rural infrastructure rehabilitation projects were implemented in 2014, bringing the total number of projects to 66.
- 7,962 households have benefitted from rehabilitated infrastructure.
- A total of 184 small businesses have been established under the programme's small business development activities, with 91 small businesses established in 2014. A total of 79 new jobs were created in 2014.
- Approximately 90% of funded start-up projects have become profitable in the first 12 months of operation.
- In 2014, 186 participants, (making 483 in total for the programme) attended training on topics such as business management, accounting and fundraising.
- Seven agricultural cooperatives have now been created. Three of these are already generating profit.
- Social enterprises are also providing services to their communities, while also generating profits.

A model for business development

CDI has attracted considerable interest as a model for community development. We were invited in 2014 to provide advice and share our experience of CDI implementation with the Deputy Minister of Economics, in support of the Ministry's newly established 'Entrepreneur Development Agency' and support programme. The Ministry of Economy's new initiative, which is under development, has been modeled on the CDI small business support component.

CDI supports the establishment of social enterprises which help develop business ideas promoted by community-based organizations (CBOs). Their focus is to provide services needed in their community. The profits they generate are used to implement projects that will benefit the community further. Twelve social enterprises of this kind have now been created.

CDI has also been established for WREP communities, where the Georgian Organization of the Scouts Movement is the implementing partner. The programme here is aiming to support more than 100 affected villages, as well as internally-displaced persons, and young people.

Initiatives are supporting business start-ups. A total of 38 start-up business grants were issued in 2014 and there is now more professional supervision for the businesses being set up under this initiative, with additional training. A summer camp was organized targeting young people from IDP camps. The camps involve the creation of small-scale environmental improvement projects.

We are keen to ensure that the CDI programme continues to respond to the needs of participants and can adapt to changing circumstances. Its scope has expanded in 2013 with the inclusion of two new village communities (Tori in Borjomi and Iraga in Tetritsakro) which are close to BP operations along BTC/SCP. This brings the total number of communities covered by CDI on these pipelines to 79.

Since May 2013, CDI has been applied to villages affected by the SCPX project. The total number of villages currently covered is 18.

Our intention is to increase awareness of the project and build a spirit of co-operation before construction work begins. To date, nine rehabilitation projects have been launched, covering initiatives such as roofing, potable water and irrigation schemes. A total of 49 farmers in 12 groups have been involved in demonstrating new technologies. Ten business start-ups have been established.

Reaping benefits from small business development

The village of Akhalsofeli (in the Tetritskaro municipality) is settled with eco-migrants from Gudamakari (Mtsketa-Mtianeti region). The community's livelihood is mainly derived from livestock management and crop production.

The community is one of the target villages along the eastern section of the BTC/SPC pipeline. Over the years, it had shown itself to be one of the least active communities within CDI phase 4. For example, just one demonstration farm was established to learn about improved technology of potato production. The other social and economic components of the project seemed to remain beyond the community's interest.

In 2014, when the third round of competition for small start-up grants was announced, the project conducted extended meetings with the population, explaining the terms and conditions of new opportunities and their benefits.

Two young women applied for a grant, participated in business administration training and developed a sound business plan. Their project involved opening a market in a village that would benefit not only Akalsopeli but three neighboring communities – Gokhnari, Zirbiti and Safudzrebi – where there were neither shops nor groceries.

“Opening a market was a great relief to us, because before there was only a mobile market in the village twice a week. We often couldn't manage to buy products. Now the problem is solved for us” says Givi Kavtaradze, community member and devoted customer.



▲ A farmer from Rustavi started a small rabbit farm with the support of BP and its co-venturers.

Future steps

Independent evaluations of the programme along the BTC and SCP pipelines in 2014 made a number of recommendations which we are considering. These included suggestions such as establishing stronger private sector support for the start-up business component and obtaining funding from impact investors interested in supporting development.

Overall, the evaluations found much to commend in the BTC/SCP programme and suggested that a further initiative be developed that puts more emphasis on BP seeking a return on its investment, while continuing to pursue and monitor progress against social objectives.

We also commissioned an independent evaluation of the small business development project along WREP. The assessment examined the programme's relevance, efficiency, impact, effectiveness and sustainability. A number of recommendations were made, such as including local and regional business owners in the project selection process and using them as potential advisors and mentors for businesses. The evaluation found that BP was well-placed to promote good business practices, adapt quickly to changing market conditions, and co-invest in individual enterprises.

Supporting development in the society where we work

We want local communities to benefit from our presence and we support a wide range of projects that build local capacity.

The eggs came first

Lali Mamulashvili, who lives in the village of Vaka in the Khashuri district, is a beneficiary of the WREP Small Business Development Project (SBDP), which gives help to entrepreneurs setting up new businesses.

Lali started a poultry farm business with 60 chickens. At the outset, her average monthly profit was 100 GEL. But after studying the market, she changed her strategy and also started to sell chickens.

"During the training and consultancy provided under SBDP, we've learnt the importance of market study. I used this insight to analyze market needs and supply and to take my business to a new level. I realized the value not only of eggs, but also of pullets. It's hard to believe, but my monthly profit has jumped from 100 to 700 GEL – a direct result of observation, study, and a bit of courage. Although this business is seasonal and I have income mainly in summer and autumn, I'm still extremely happy."



252

professionals studied at Project Management College in its first five years.



Project Management College graduation ceremony 2014.

The Project Management College

Established in 2009 as a partnership between BP, its co-venturers, ESI International (specialists in project management training) and Free University of Tbilisi, the Project Management College provides a seven-course curriculum leading to a Master's Certificate from The George Washington University School of Business. It also provides the possibility of graduates becoming Project Management Professional (PMP®) certified by the Project Management Institute (PMI®).

The course involves 24 days of study, spread over a year. A total of 252 students in 13 intakes have studied in its first five years, with 215 of them graduating with Master's Certificates, and 14 becoming PMPs.

Students represent senior to mid-level managers from more than 100 different organizations, ranging from private companies, to NGOs, international organizations and the public sector.

BP and its co-venturers provide financial support to the college of approximately \$2 million over the duration of the agreement. In the longer term, our goal is to build local capacity so that the entire programme is run by Georgian nationals.

The project has been extended for two more years, with an additional \$250,000 funding. This will allow 50 more students to study in English, as well as translation of all seven courses into Georgian. It will also support the training of trainers, so that the curriculum can be offered in Georgian.

Supporting renewable energy and energy efficiency

This project, which builds on a series of pioneering initiatives we have run with the Georgia Energy Efficiency Centre, involved 23 small-scale initiatives in Eastern and Western Georgia.

Projects adopted clean energy measures such as replacing inefficient wood stoves with energy efficient ones; installing double-glazed PVC windows, doors and roof insulation; replacing light bulbs, and installing solar photovoltaic panels and thermal systems.

The results achieved for all 23 projects by the end of 2014 were:

- Electricity savings of approximately 285,000 kW/h – equal to the annual consumption of approximately 100 households.
- Natural gas savings of approximately 78,000m³ – equal to the annual consumption of around 95 households.
- Water savings of around 22,900m³.
- Fire wood savings of around 150m³.
- Diesel savings of around 3,625 litres.
- A reduction in carbon dioxide emissions of approximately 370,000kg CO₂ equivalent – equal to the annual emissions from about 55 typical households in Georgia.
- Financial savings of more than 215,000 GEL.
- More than 2,300 beneficiaries.

Building capacity

We work in partnership with a large number of organizations to help build the fabric of Georgian civil society.

SCPX farmers overcome the wheater

Agriculture practices in the villages near SCPX activities tend to be poorly developed. Locals avoid farming, frequently citing risks like the adverse wheather conditions. Amid many cases of lost harvest, especially when caused by unexpected natural disasters like draught, frost, flooding and hail, local farmers turned to leasing out their plots to neighbouring villagers.

As a result of agricultural support provided by RDA specialists, many locals gained new confidence and returned to their plots in the hope of gaining profits this autumn. But April and May turned out to be particularly rainy, threatening newly planted seedlings of new productive vegetable varieties bought with the help of RDA. In response to the adverse climate, RDA specialists intensified their advice and taught farmers what type and doses of treatment they could introduce to prevent rotting.

This has been the first time in 15 years that Levon Mikaelian of Abatkhevi has farmed his own plot instead of leasing it out. "This endless rain had me regretting this initiative" he said, adding that he was at risk of losing all his savings that had been spent on cultivating the plot, along with sacrificing any potential income from leasing.

'Seeing the seedlings bloom in June was unbelievable. If it happened before, I would praise God for the miracle, but now I know this happened because I successfully put my knowledge and efforts to good use to save my harvest. It's not only the information I received, but more importantly the confidence that you get with the knowledge', he added.

Promoting energy efficiency

A related project to promote energy efficiency has involved eight Georgian municipalities, headed by Tbilisi. The municipalities are signatories of the EU Covenant of Mayors (CoM). Under the covenant, cities have undertaken to reduce CO₂ emissions by 20% by 2020 – an ambitious target.

The project supports the CoM by implementing large-scale demonstration projects in each participating city. Initiatives are intended to serve as practical examples for other projects.

Each municipality is developing a sustainable energy action plan to achieve the CoM target. The plans include a list of publicly owned buildings where energy efficiency projects could be launched. They include schools, kindergartens, medical centres, art and sport schools, and orphanages. Projects for each city will be selected, with an approximate investment value of \$60,000 per municipality.

To date, four projects have been implemented in three municipalities: Gori, Telavi and Rustavi. Work has begun to identify projects in the other municipalities.

Georgia investment climate project

This project, being implemented by the International Finance Corporation, seeks to promote sustainable private sector growth by increasing the competitiveness of local companies.

The project has three focal areas:

- Simplifying tax administration (primarily VAT).
- Streamlining customs procedures and systems.
- Revising existing investment legislation to promote trade and foreign direct investment.

The direct initial beneficiaries will be the Ministry of Finance and State Revenue Service. In time, a simpler administrative environment should bring benefits to operating companies.



Residents of Burnasheti have started a market with the support of BP and its co-venturers.

Encouraging trade and investment

We support the EU-Georgia Business Council (EUGBC), which was established with a \$300,000 grant under the BP pledge agreement with the government of Georgia, signed in 2004. The EUGBC is a business driven organization whose main purpose is to:

- Encourage investment and trade between EU and Georgia.
- Promote Georgia in the EU as a place to invest and do business, and vice versa.
- Promote and protect the common business interests of its members.
- Foster ties in the EU and Georgia between businesses, governments and civil societies.

EUGBC members include the Georgian Chamber of Commerce and Industry, the American Chamber of Commerce, the Federation of Georgian Businessmen and the Association of Georgian Exporters.

In 2014, EUGBC activities included meetings with Georgian government and European Union and international finance officials, carrying out business delegations to Europe, and holding trade seminars for Georgian small and medium-sized businesses.

On the record

'Our training was in English – with no interpreter involved – and the standard amazed me throughout the week', says Dan Mason, British Council course leader. 'The journalists left our training with a ready-made suite of online tools, documents and guides and the knowledge that support is available online. It was a most successful week that I am confident delivered value for all those involved.'

Feedback from attendees, many of whom joined the programme at an elementary or intermediate English level, is that the students love the courses and find them fruitful and captivating.

'After every lesson I was happy, because I was returning home full of knowledge of new words and phrases, and new experience', says Sophio Todua. 'It was my chance to improve my knowledge not only of English but also to work in a team, which was very important for me.'

Tamila Chantladze, BP Georgia Communications Team Leader leads the programme from BP. 'Local media representatives believe that the English language training supported by BP is vital to succeed in their profession. It gives them ample opportunity to access multiple media channels, process and share information and connect with people worldwide'.

300+

media representatives attended the 'English for media' program since 2005.



▲ The journalists participating in 'English for Media' training programme were awarded with certificates.

International School of Economics, Tbilisi

Support for education has long been an important element of our development initiatives in Georgia. This includes support for schooling, tertiary education, and continuing professional development.

We continued to support the International School of Economics in Tbilisi, which aims to bring world-class teaching and research methods to the study of economics for the benefit of the region. The school has continued its work to develop a focal area in the economics of human resources within the MA programme. This will prepare students for analytical careers concerned with labour market regulation, healthcare and education reform in Georgia and the South Caucasus region.

Media capacity building

'English for Media' is a sought-after language training programme for Georgian journalists that has trained approximately 300 journalists in Tbilisi and regions since its launch in 2005. The programme is delivered by the British Council with financial support from BP.

We have always sought to make sure that the course moves with the times. Last year, English for Media provided an opportunity to selected students to enhance their skills by attending a course delivered by Thomson Foundation lecturers – the world's oldest international media development organization, with a 50-year history of training journalists. The course covered blogs, social platforms, citizen-generated and social media content verification, and data journalism. It provided various digital tips and tools for creating timelines, maps, panoramas, annotated images and other multimedia content.

Our stakeholders and our reporting

We work to form enduring partnerships in Georgia, building strong relationships with governments, customers, partners, suppliers and communities to create mutual advantage.

Our stakeholders are the many individuals and organizations who are affected in some way by our activities, whether it is in our role as an energy provider, an employer, or as a company that contributes to the local economy.

Employees

We employ more than 530 people in Georgia, and the size of our workforce has grown over the past four years. In line with our goal of being a local energy company, we have steadily increased the proportion of Georgian nationals working in the business, reaching 97% in 2014. But localization is not just about numbers; we have trained and developed local people to fill management positions. We have extensive training and development opportunities for all our people and want their careers at BP to be exciting and fulfilling. We keep our employees informed about the context within which they work, through meetings where employees hear from the executive team, discussion forums, and other communications channels.

Government authorities

We engage with several tiers of government in Georgia, from local authorities on issues relevant to particular communities, through to national government on more strategic matters. We are in regular contact with officials to obtain permits and licences and through their monitoring of our performance. We also engage with specialist government agencies such as the Special Pipelines Protection Department (SPPD) who provide additional security for the BTC/SCP pipelines.

We work with government agencies where required to ensure our operations continue without incident and that we follow high standards. The 2014 Transparency International Corruption Perceptions Index ranks Georgia 50th of the 174 countries and territories around the world. In all our interactions with government bodies and regulators, our dealings are governed by BP's code of conduct, which requires integrity, honesty and transparency in our relationships.

Georgian industry

We work with several business and industry groups to share experience, develop collaborative programmes, and promote good practice. We are members of the EU Georgia Business Council, the American Chamber of Commerce, and collaborate with a number of companies on bilateral initiatives.

Our partners and contractors

As is typical in our industry, we rarely work in isolation. Safe and responsible operations rely on the capability and performance of suppliers, contractors and partners. We set operational standards through legally binding agreements and we help to improve standards through training and dialogue. We continue to take steps to build the capacity of local contractors in areas such as safety, environmental performance, employment practice, and social impact awareness. Our investment in Georgia has provided economic opportunity for many local companies and will continue to do so in future.

With our partners, we invest in initiatives that help to build the fabric of Georgian society, including a number of social programmes.

Local communities

We have built constructive relationships over many years with the communities near our pipelines and facilities. Our social programmes address local needs for infrastructure development, education, environmental protection, youth capacity building and enterprise development. BP community liaison officers aim to stay in regular contact with communities near the pipelines to understand their concerns.

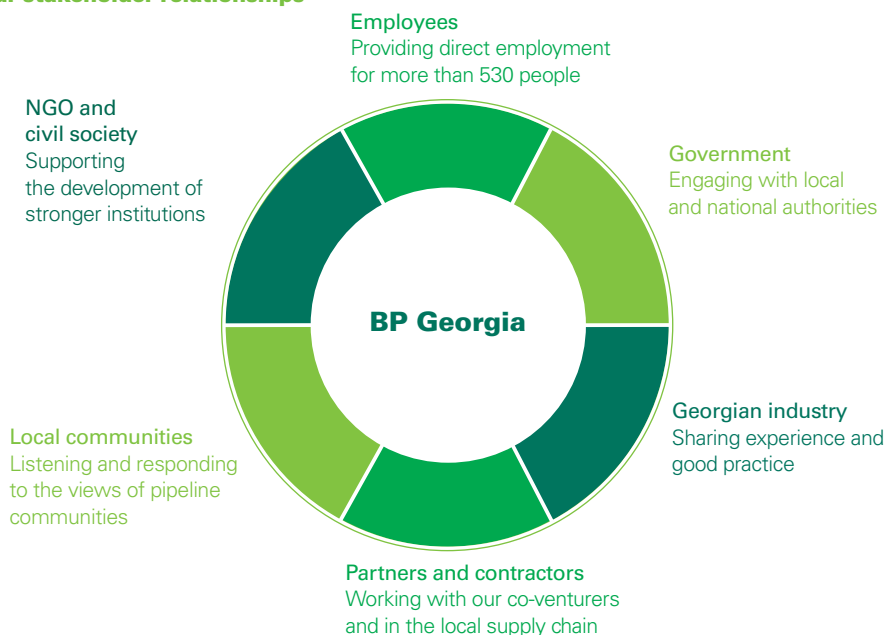
Talking with local people and other stakeholders helps our businesses define what a positive or negative impact on the local community means. This is important for all our activities, but particularly for new projects such as SCP expansion, where our presence may bring about changes in the local area, such as jobs, opportunities for local suppliers and support for community development. However, other unintended impacts can arise such as increased road traffic, changes to land use and landscapes, increased demand for fresh water and varying levels of in-migration. Our goal is to minimize any adverse impacts.

Non-governmental and civil society organizations

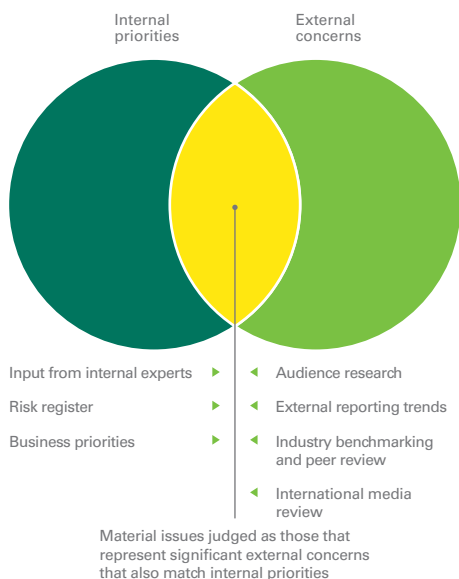
We regularly work with local non-governmental organisations (NGOs), and have helped several in Georgia develop their skills and experience. We have followed a strategy of enabling national NGOs to become the implementing partners of some of our flagship social programmes. Our programmes support NGOs in fields of country-wide importance such as road safety and energy efficiency. We provide guidance on the energy industry to journalists and English language training to media representatives through the British Council.

We have been founder members of educational institutions such as the International School of Economics at Tbilisi State University and the Project Management College. These bodies, which we continue to support financially, are helping to build a cadre of highly-skilled individuals, ready to take their place in the Georgian and international labour market.

Our stakeholder relationships



Our approach to materiality



Our reporting

We develop our reporting around the issues that we believe have the highest level of importance for our stakeholders and the greatest potential impact on our ability to deliver our strategy. The input we receive from stakeholders throughout the year helps inform our approach to reporting. Before our report is published, BP Georgia's senior leaders review the content to check there are no significant omissions.

In 2014, the issues assessed as being of high concern to stakeholders and of high significance for BP Georgia included:

SCPX project

- Land acquisition and permitting
- Government relationships
- Community relationships

Ongoing operations

- Maintaining operational efficiency
- Maintaining safety excellence
- Managing contractor risk

WREP

- Pipeline integrity
- Pipeline security (illegal taps)
- Sectional replacement project

We have attempted to cover these topics in this report.

BP Georgia in figures

Data on our safety, environment, people and performance from 2010 to 2014.

Georgia operations

For the year ended 31 December

Safety	2010	2011	2012	2013	2014
BP employee fatalities	0	0	0	0	0
BP contractor fatalities	0	0	0	0	0
Days away from work cases (DAFWC) ^a – workforce ^b	0	0	0	2	0
Days away from work cases frequency (DAFWCF) injury only ^c – workforce	0	0	0	0.11	0
Recordable occupational illness and injury ^d – workforce	0	1	1	2	1
Recordable injury frequency (RIF) ^e	0	0.07	0.06	0.11	0.05
Vehicle accidents ^f	5	9	6	6	7
Total vehicle accident rate ^g	0.71	1.12	0.66	0.63	0.90
Hours worked ^h – workforce	3,108,395	3,066,299	3,400,626	3,725,561	3,974,956
Kilometres driven ⁱ	7,077,498	8,055,182	9,152,233	9,482,753	7,751,396
Environment^j					
Number of hydrocarbon spills ^k	2	0	0	0	1
Volume of oil spilled (litres)	25,454	0	0	0	12,300
Volume of oil unrecovered (litres)	3,700	0	0	0	7,300
Direct carbon dioxide (CO ₂) (tonnes)	255,321	277,183	266,887	251,802	248,903
Direct methane (CH ₄) (tonnes)	325	339	315	320	311
Equity share direct greenhouse gas (GHG) (tonnes CO ₂ equivalent)	79,122	85,765	83,013*	78,471	78,129
Sulphur dioxide (SO _x) (tonnes)	90	78	79	80	49
Nitrogen oxides (NO _x) (tonnes)	2,116	2,017	1,963	1,955	1,518
Non-methane hydrocarbons (NMHC) (tonnes)	1,204	1,212	1,166	1,171	1,180
Hazardous waste disposed (m ³)	545	643.5	480.8	537.2	608.4
Non-hazardous waste disposed (tonnes) ⁿ	335	316	394.6	364.9	388.8
People					
Total BP Georgia headcount	398	438	490	504	537
Georgian nationals as % of BP Georgia headcount	96	95	94	94	97
Performance					
Total hydrocarbon throughput (mmboe)	346.5	313.8	300.7	308.8	333
Social investment (\$ million) ^m	8.2	3.4	2.2	3.7	3.3

* Correction: The 2013 reported figure of 93,013 has been restated to 83,103.

SCPX performance data

For the year ended 31 December

Safety	2013	2014
BP employee fatalities	0	0
BP contractor fatalities	–	0
Days away from work cases (DAFWC) – workforce	1	0
Days away from work cases frequency (DAFWCF) injury only – workforce	0.29	0
Recordable occupational illness and injury – workforce	2	1
Recordable injury frequency (RIF)	0.59	0.12
Vehicle accidents	1	2
Total vehicle accident rate	–	0.31
Hours worked – workforce	–	1,664,998
Kilometres driven	–	1,281,105
Environment		
Number of hydrocarbon spills	–	0
Volume of oil spilled (litres)	–	0
Volume of oil unrecovered (litres)	–	0
Hazardous waste disposed (m ³) ⁿ	–	0
Non-hazardous waste disposed (m ³)	–	132
People		
Total headcount (including contractor staff)	32	530

Notes to figures

- ^a Day Away From Work Case (DAFWC): A work-related injury or illness which has either of the following consequences:
- The member of the BP Workforce could not have worked on any day after the injury or illness, irrespective of whether there was scheduled work.
 - The member of the BP Workforce comes to work even when a physician or other licensed health care professional recommends that the individual stays at home.
- ^b The BP workforce comprises all BP Employees, all BP Contractors and all BP directors.
- ^c Day Away From Work Case frequency (DAFWCF):
- The number of injury DAFWCs to BP employees for every 200,000 hours worked by BP Employees in the same period.
 - The number of injury DAFWCs to BP Contractors for every 200,000 hours worked by BP Contractors in the same period.
- ^d Recordable Occupational Illness and Injury: Two sets of criteria determine recordability, based on OSHA. If a case meets any of the listed criteria in either the general or specific, it must be considered recordable.
- General: Death; Day(s) away from work; Restricted work or transfer to another job; Medical treatment beyond first aid; Loss of consciousness; A significant injury or illness diagnosed by a physician or other licensed health professional.
 - Specific: Needlestick and cuts from sharp objects that are contaminated with another person's blood or other potentially infectious material;

- Medical removal under Government standards; Occupational hearing loss (current hearing test must show 10dBA shift from current baseline and total cumulative hearing loss must be 25dBA or more above audiometric zero).
- ^e Recordable Injury Frequency (RIF):
- BP: the total number of Recordable Injuries to BP Employees for every 200,000 hours worked by BP Employees in the same period.
 - Contractor: the total number of Recordable Injuries to BP Contractors for every 200,000 hours worked by BP Contractors in the same period.
- ^f Vehicle accident: A work-related accident involving a motor vehicle that occurs on or off-road resulting in injury, or loss/damage, or harm to the environment, whether this impacts BP and/or its contractor directly, or impacts a third-party. This is irrespective of whether the accident was preventable or non-preventable. It excludes all accidents where:
- The BP workforce vehicle was legally parked.
 - The journey is to or from the driver's home and normal place of work.
 - Minor wear and tear is the case (e.g. stone damage to a windscreen, minor paintwork damage).
 - An incident is the result of vandalism or theft.
 - A company-provided vehicle is being driven on non-work related activities (e.g. private business, leisure).
- ^g Total Vehicle Accident Rate (TVAR): the sum of all light vehicle, all heavy vehicle and all mobile plant accidents per one million kilometers driven.

- ^h Hours worked: The total hours worked by a reporting unit by members of the BP workforce.
- ⁱ Kilometres driven: Total work-related kilometers travelled by BP operated or contractor vehicles. This includes all work-related kilometres driven in hire/ rental vehicles or private vehicles.
- ^j All environment data relates to total BP-operated emissions with the exception of 'equity share direct greenhouse gas (GHG)' emissions which shows the BP share of emissions from operations on an equity share basis.
- ^k Hydrocarbon spill: Any loss of primary containment of one barrel (1 barrel = 159 litres = 42 US gallons) or more of liquid hydrocarbon. A loss of primary containment is an unplanned or uncontrolled release of material from Primary Containment.
- ^l Non-hazardous waste includes general waste such as household garbage, food-contaminated waste and other materials which cannot be recycled.
- ^m Figures show BP and partner spending. They include 'cash out' spending and support provided under the BTC grant and the BP pledge. For more information on BP pledge and BTC Grant please see BP in Georgia Sustainability Report 2005 and BP in Georgia Sustainability Report 2006, respectively.
- ⁿ No hazardous waste has been disposed to date. All hazardous waste is currently stored at construction sites.

Glossary and further resources

BP communicates its non-financial commitments and performance at group, country and site levels online, as well as providing interactive tools for its website visitors.

BTC

Baku-Tbilisi-Ceyhan pipeline

CBO

Community Based Organization

CDI

Community Development Initiative

CO₂

Carbon dioxide

DAFWC (f)

Days away from work case (frequency)

EDDF

Emergency drain down facility

EMS

Environmental management system

EU

European Union

EUGBC

EU-Georgia Business Council

ESIA

Environmental and social impact assessment

GHG

Greenhouse gas

HSE

Health, safety and environment

IDP

Internally Displaced Persons

IEC

Independent environmental consultant

IFC

International Finance Corporation

ISSET

International School of Economics at Tbilisi State University

Mmboe

Million barrels of oil equivalent

Mmscf

Million standard cubic feet

NGO

Non-governmental organization

PMC

Project Management College

PSG

Pump station Georgia

SCP

South Caucasus Pipeline

SCPX

South Caucasus Pipeline Expansion

WREP

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

Group reporting

Our website, bp.com/sustainability, is an integral part of our group sustainability reporting, covering a wide set of issues and reporting on them in more depth. It includes detailed information and tools to analyse our health, safety and environmental performance. Data for the past decade can be viewed in a variety of chart formats. Case study examples of how we are managing issues locally around the world are also available.

Summaries of *BP Sustainability Review 2014* are available in Arabic, English, Mandarin Chinese, German, Spanish, Portuguese and Russian.

 bp.com/translations

Country and site reporting

We publish country reports on our operations in Angola and Azerbaijan. We also maintain a library of site reports for more than 30 of our major operations.

 bp.com/countrysustainabilityreports

Feedback

We welcome feedback on this report. You can write to us at the address below, marked for the attention of the communications and External Affairs team, or send an e-mail to us at: bpgeosust@bp.com

BP Georgia, 24 S. Tsintsadze str, 0160, Tbilisi, Georgia.

Previous BP in Georgia Sustainability Reports are available at bpgeorgia.ge

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