

BP RESPONSE TO THE

TANGGUH INDEPENDENT ADVISORY PANEL

SECOND REPORT ON OPERATION AND PROPOSED EXPANSION

ON

TANGGUH LNG

January 2016

Acronyms and Indonesian terms

AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> – Environmental and Social Impact Assessment
Bupati caretaker	The head of a Kabupaten or Regency
CAP	Community Action Plan – the support programme to facilitate community-driven development projects in Directly Affected Villages (DAVs)
DAV	Village identified as being directly affected by the Tangguh Project
DBH	Revenue Sharing
DBH SDA	Revenue Sharing of Natural Resources
Gol	Government of Indonesia
ICBS	Integrated Community Based Security
IEDP	Indigenous Enterprise Development Programme
IHT	In-house Human Rights Training
JUKLAP	Joint Field Guidelines for Security
Kabupaten	District or Regency
Kapolda	Papua Chief of Police
Elsham	Papuan Human Rights NGO
LP3BH	Law and Human Rights Advocacy NGO
LNG	Liquefied Natural Gas
Mmscfd	Million Metric Standard Cubic Feet per Day
Musrenbang	Participatory development planning run by the government
MoE	Ministry of Environment
MoU	Memorandum of Understanding
MRP	Papuan People Council
NGO	Non-governmental organization
Pangdam	Papua Military Commander
Perdasus	Special by-law
PLN	State Electricity Company
PoD	Plan Of Development
Polda	Indonesian regional police command
Polres	Indonesian Regency Police Station
Polsek	Indonesian District Police Station
PONED	Basic Obstetric and Neonatal Emergency Services
Proper	Audit on AMDAL (Environment and Social Management) compliance by the Ministry of Environment
PSC	Production Sharing Contract
PSCM	Procurement and Supply Change Management
PSKK UGM	Centre for Population and Policy Studies at Gadjah Mada University

S&OR	Safety and Operation Risks
SKK Migas	National Upstream Oil and Gas Implementing Agency, the Government of Indonesia partner in the Tangguh Project (which replaced BPMIGAS)
SMK	Vocational School
SOA	Supply Offtake Agreement
SPA	Sales Purchase Agreement
TEP	Tangguh Expansion Project
TIAP	Tangguh Independent Advisory Panel
TNI	Indonesian Armed Forces
TPC	Third Party Contract
UNIPA	Papua State University in Manokwari, Papua Barat
VPSHR	Voluntary Principles of Security and Human Rights
YSA	Yayasan Sosial Agustinus (implementing partner for Health)
YPTB	Bintuni Bay Development Foundation

Introduction

BP would like to thank the current Tangguh Independent Advisory Panel (TIAP) for its report and expert analysis, challenges and guidance. TIAP focuses primarily on security, human rights, governance and revenue management, but also addresses other non-commercial issues. Its content complements the external panel reviews carried out by the Tangguh Lenders Group.

Recommendations provided by the current and previous TIAP have been very helpful in supporting our efforts to make Tangguh LNG a benchmark for successful collaboration with local communities and other partners in order to manage complex social, economic and environmental issues. TIAP is helping us ensure that Tangguh LNG offers mutual benefit for BP, the local community, government, employees, customers and investors.

TIAP's previous visit took place from 9 to 18 March 2014. The report was issued in May 2014 and provided 33 recommendations. The topics were security and human rights, social programmes government and community affairs, employment and training of Papuans, governance and transparency, revenue management, and environment. BP has responded to and acted on these recommendations (see status update in Appendix A).

TIAP's most recent visit took place from 7 September to 18 September 2015 and the report was issued in December 2015. In the report, TIAP highlighted the changes happening for Tangguh at a national and local level and the resulting challenges for Tangguh, combined with the drastic downturn of oil price that has recently hit the industry. TIAP also looked more closely at the changes happening with the Tangguh Expansion Project and implementation of the new AMDAL since its approval in 2014.

We are very grateful for the insightful and sharp examination in this comprehensive report. We believe it will help us address the challenges we face to operate Tangguh in the long term and support sustainable development for the local community.

About the Tangguh LNG project

Tangguh LNG produces and exports liquefied natural gas (LNG) from the Vorwata field, which is located at Bintuni Bay in the province of Papua Barat, Indonesia, about 3000 kilometres east of Jakarta.

Gas was discovered at Bintuni Bay in 1994, with 14 trillion cubic feet of proved reserves. Gas is extracted through wells drilled by two unmanned and remotely controlled six-leg platforms – Vorwata-A and Vorwata-B – and then transported 22 kilometres through subsea pipelines to a liquefaction plant on the south side of the bay. This plant operates two 'trains' or sets of LNG processing equipment, with total capacity to produce around 7.6 million tons of liquefied gas per year for 25 years. The liquid gas is stored in two 170,000 cubic metre tanks and piped to the end of a jetty for loading into tankers.

The first LNG production took place in June 2009, with the first delivery by tanker to South Korea a month later. Production increased from 103 cargoes in 2012 to 115 in 2014, exceeding the original target of 107 cargoes. By the end of 2015, 646 cargoes had been delivered from Tangguh and the plant achieved an annual average operating efficiency of 92.8. A recent bench marking study shows that Tangguh LNG plant is one of the highest-performing LNG plants globally, and the highest-performing BP operations in terms of safety and production. This is being achieved within the boundary of meeting all our non-technical/external commitments.

Tangguh has seven Sales and Purchase Agreements (SPA). These are to supply LNG to POSCO and SK E&S Co., Ltd in Korea, Sempra LNG International LLC in Mexico, CNOOC Fujian LNG Co. Ltd in China, and Tohoku Electric Power Co., Inc., Chubu Electric Power Co. Inc., and Kansai Electric Power Co. Inc. in Japan. BP continues to find opportunities to maximize the value of Tangguh LNG cargoes. Since 2010, several cargoes from Sempra diversion have been sold to the Asian market in the form of mid-term contracts or spot sales. Since 2013, Tangguh has been sending cargoes to the domestic market including to PLN, PGN and Nusantara Regas from the diverted cargoes from Sempra. This significantly changes Tangguh's profile in Indonesia as a provider for domestic energy demand.

Looking ahead, Tangguh aims to continue safe, reliable production and increase operating efficiency to maintain trains 1 and 2 at full capacity, while an expansion to build train 3 is underway. The Tangguh Expansion Project (TEP) will expand the existing LNG facility. LNG train 3 and associated support facilities will be located adjacent to the existing trains 1 and 2. The project will develop 4.3 trillion cubic feet (Tcf) of gas, through the addition of a standardized 3.8 million tonnes per annum (mtpa) LNG train – for sale to markets in Indonesia and Asia. The Front End Engineering Design (FEED) was completed at year-end 2015 and we are progressing in the preparation for the Final Investment Decision (FID) in 2016.

Offshore, up to 2024 13 new production wells and 1 reinjection well will be drilled from two new, normally unattended platforms (Roabiba and Wiriagar). The platforms will be tied in to the onshore LNG plant by pipelines. Start-up is scheduled for 2020. When the project is complete, the Tangguh facility will have a total plant capacity of 11.4 mtpa.

There is a document – called The Plan of Development II (PoD II) – that describes the full project scope across subsurface and facilities development, operations, health, safety and environment (HSE), social impact management, procurement, finance, commercial and marketing. It was developed by BP and submitted to the Government of Indonesia (GoI) upstream regulator, SKK Migas, in August 2012. PoD II approval was secured in November 2012 and represented a key milestone of GoI approval of the project. Another key milestone was the approval of the AMDAL document in June 2014. AMDAL is the government-sanctioned environment and social impact analysis and mitigation plans. It contains the commitments to address the environmental and social impacts of the project through pre-construction until post-operations stages. The new AMDAL has a slightly different approach from the old AMDAL. Now, Tangguh focuses its impact mitigation to support indigenous people of Bintuni Bay and Fakfak, ensuring sustainability of social development while doing it jointly with the local government and other stakeholders.

The new AMDAL was designed to serve as a guideline for Tangguh in delivering its social commitments. The first 5-year operationalization of the AMDAL is stipulated in the Tangguh Sustainable Development Program (TSDP) book, which was published in mid-2015.

External development

Infrastructure development in Bintuni Bay for the last two years includes new roads and airstrips in Bintuni town, a road that connects Bintuni town and Manokwari town, as well as one that connects Bomberai in Fakfak regency and Tofoi village in Bintuni Bay regency. At the same time, the central government plans to build an industrial zone in Bintuni Bay regency.

These new developments, bring some benefits to the people of Bintuni Bay and Fakfak, but also present challenges for Tangguh operations in maintaining the remoteness of the site and minimizing physical interaction with the community.

On the political front, Bintuni Bay regency was going through an election while this report was being drafted. The incumbent Bupati was term limited, which means there will be a new Regency Head. It is Tangguh's priority to work together closely with the new government to align with the approach of the new AMDAL.

TIAP visit and recommendations

During its most recent visit, TIAP focused its attention primarily on security and human rights as well as governance and revenue management. It also considered other topics that have an indirect impact on security. These included Tangguh social programmes, Papuan employment and training, procurement, environment, government and public affairs.

BP would like to provide its formal response to the recommendations made by TIAP.

A. General recommendations

1. TIAP recommendations: BP should educate leaders and the community regarding the possibility that Tangguh expansion may not begin in 2016.

BP response: We are communicating regularly with our stakeholders regarding plans or activities that we will do around the bay, which impact the community. This has been regular practice for BP/Tangguh since we entered the area in early 2000.

We will continue to communicate with leaders and the community about Tangguh Operations and Tangguh expansion project milestones. This includes reminders that the Final Investment Decision for the expansion project is in 2016.

2. TIAP recommendations: Electrification of Babo and other villages should proceed promptly, whether or not Train 3 construction begins in 2016.

BP response: The electrification at Babo and other villages in Bintuni Bay is part of the state-owned electricity PLN program for Bintuni. As stipulated in the Supply Off-take Agreement (SOA) signed in 2012, Tangguh is planning to supply 4+4 MW to PLN with the first phase completed in 2014.

We are working closely with PLN and will continue to provide support to PLN as needed and in line with the SOA.

3. TIAP recommendations BP should be prepared to begin a housing restoration program for north shore villages whether or not Train 3 construction commences in 2016.

BP response The North Shore Housing restoration plan remains in progress. We are in alignment that this program may address the lingering North Shore jealousy issue.

Tangguh will support the project, which will be led by the Bintuni Regency government. We believe that working with the local government on this project is the best approach to ensure ownership from the community. We will continue the preparation and consider any changes of the plan in due course.

4. TIAP recommendations BP's commitment to establish flagship schools in Bintuni Bay for the most promising students should not be deferred further.

BP response: Agree. We have concluded the gap assessment for the Tanah Merah Baru School to understand the scope and scale required to meet the flagship school standard. We have also included activities related to the flagship school in our 2016 activity set to progress this program.

We believe that the flagship school should fit well within the Papuan and Bintuni culture. Therefore, the preparation and initial concept are important aspects to developing the flagship school. This will be done thoughtfully and in coordination with the local government.

5. TIAP recommendations BP should continue to educate local stakeholders that adat compensation must come from revenue sharing and that it is the job of local government at this point to make this happen.

BP response: Agree. We continue to advocate this issue through ongoing formal and informal engagement. We have been proactive in advocating this issue with the central government, including with the National Planning Agency (Bappenas), Ministry of Energy and Mineral Resources (ESDM), and Ministry of Finance. Discussions and advocacy with local government is also ongoing.

At the same time, we continue to hold at least twice a year formal workshops with central and local government to discuss adat and revenue management from extractive industry as part of Tangguh's Governance program.

6. TIAP recommendations BP should not make any changes in local worker transportation policy until consulting with local workers and government leaders to explore options.

BP response: Tangguh has put this plan on hold following consultation with workers and local community. We are conducting an assessment to understand the feasibility, impact of these changes on workers and community, and how to support the local government's plan to establish a water taxi system.

7. TIAP recommendations Recruitment of skilled Papuans, as well as retention and promotion of Papuans, must become a focus of senior management, who must be responsible for its success. That manager should conduct regular meetings with representative Papuan workers.

BP response: Agree. Papuan development is regularly discussed in the quarterly Tangguh Operation's Capability Forum and we are implementing a leadership pull through program for high potential staff with a focus on our Papuan workers. The VP of HR, Asia Pacific is the coordinator and works closely with the VP of Operations, Asia Pacific and our Regional President to advance this effort.

Understanding that almost 70% of Tangguh staff is from contractor companies, management is also in the process of changing the contracting strategy to include clearer contract language which obligates contractor companies to implement Papuan development and establish governance to track progress.

8. TIAP recommendations Communications with members of the regional DPRD and the MRP, of which play an important part in Papuan government, should be improved and regularized.

BP response: Agree. The Papua Barat provincial House of Representative (DPR) members were inaugurated in 2014 and since then have been in dispute over the leadership of the House.

In addition to enhanced engagement, we conducted a workshop with legislative members at the provincial and regency levels in September 2015. We will continue to engage, as well as host annual, formal workshops with legislators.

9. TIAP recommendations Maintenance of administration centres and dormitories at Tangguh has been either neglected or deferred. BP should review its maintenance efforts and enforce strict standards on its own personnel and its contractors.

BP response: Safety and maintenance of the Tangguh LNG plant is our top priority to ensure safe and reliable operations. The non-hydrocarbon facilities such as the dormitory and administration building meet health, safety and hygiene standards with regular cleaning inspections. Minor issues in non-hydrocarbon facilities are repaired when needed. We differentiate between maintenance and cosmetic defects and only a technical assessment can distinguish between the two. BP data suggest that the administration centres and dormitories are maintained in accordance to common industrial practices for these types of services.

10. TIAP recommendations The Tangguh logo should be used more extensively to educate the local population of the benefits being derived from programs that are supported by Tangguh.

BP response: Agree. We will increase efforts to include the Tangguh and SKKMigas logo in our activities.

11. TIAP recommendations BP should continue to commit the resources needed to achieve green and ultimately gold status in its environmental review. It should also continue efforts to reduce flaring of natural gas.

BP response: BP is evaluating the requirements to achieve Green and Golden status and assessing the pace and timing to fulfil them. BP is constantly looking at opportunities to reduce natural gas flaring as proven by the modification to re-route gas from the compressors dry gas seals from the flare system to the fuel system.

B. Security and Human Rights

12. TIAP recommendations BP should resist any changes to ICBS, or to changes in the JUKLAP/PAMBERS agreement with the police during its current term. If necessary, it should enlist the support of SKKMigas, the Kapolda in Papua province and others to maintain the JUKLAP/PAMBERS until 2019.

BP response: Agree, as ICBS is a key cornerstone of the Tangguh security philosophy in addition to sound physical protection measures.

Efforts are ongoing between SKKMigas and Polda Papua Barat to formalize the tenets and procedures related to ICBS in the JUKLAP PAM HULU MIGAS. Tangguh continues to gauge the dynamics of the security operating environment in around Tangguh, which may lead to enhancement of both the ICBS and physical protection measures

13. TIAP recommendations BP should provide reasonable access to and, if requested, schedule visits by the Kapolda and other police officials to Tangguh, but should resist any permanent police presence at the LNG site or in the nearby villages

BP response: Agree that sustaining constructive relationships with law enforcement authorities is an important objective as it relates to the security of Tangguh. This position extends to hosting visits by Polda leadership as requested.

As a signatory of the Voluntary Principles on Security and Human Rights, BP responsibly manages its relationship with host governments within the boundaries espoused and in compliance with local laws and regulations.

ICBS has been lauded by our internal and external stakeholders as the security strategy of choice given our operating environment and in consideration of local wisdom. Areas for improvement continue to be identified to ensure that ICBS is responsibly positioned to address the changing security dynamic

14. TIAP recommendations BP's focus with the new police command should be on familiarization and implementation of the ICBS principles of the JUKLAP/PAMBERS, including the three rings of security, human rights training for all private security and police that may be called and the annual training exercise with full police participation.

BP response: BP welcomes the formation of the new police command in Manokwari as it will allow for enhanced connectivity between Tangguh and the law enforcement authorities. Efforts are ongoing between SKKMigas and Polda Papua Barat to formalize the tenets and procedures related to ICBS in the JUKLAP PAM HULU MIGAS.

Our commitment towards the Joint Security Exercise with Polda is clear. We have held the annual exercise every year since 2007 with the exception of 2009 and 2015, where they had to be deferred due to local election security-related priorities. Nevertheless, the VPHSR in-house training is an activity that continues to be performed, with the last iteration being held in Q3 2015 and involving police units in Manokwari, Bintuni (also with TNI), Babo, FakFak, Aranday and Kokas.

These Joint Security Exercises are not only attended by the Police and BP, but also involve local government officials, TNI, NGOs and media as independent observers.

As a signatory of the Voluntary Principles on Security and Human Rights (VPSHR), BP responsibly manages its relationship with host governments within the boundaries espoused and in compliance with local laws and regulations.

15. TIAP recommendations If and when a new TNI command is established in Papua Barat or Bintuni Bay, communication and education with its leaders about ICBS should be BP's priority.

BP response: We agree that sustaining constructive relationship with security apparatus is an important objective as it relates to the security of Tangguh.

If and when a new TNI command is established in a nearby location, BP will make it a priority to engage the institutions and their leadership on the merits and features of ICBS, including how it fits within the framework of protection of strategic national vital object.

As a signatory of the Voluntary Principles on Security and Human Rights, BP responsibly manages its relationship with host governments within the boundaries espoused and in compliance with local laws and regulations.

16. TIAP recommendations Regular communications should be established with BIN, which should be invited to observe the annual joint training exercise and to visit Tangguh. However, any requests to BP to support regular or permanent Intel activities at the LNG site or in the nearby villages should be resisted.

BP response: Agree that sustaining a regular and constructive relationship with BIN, at both the provincial and national level, is an important objective as it relates to the security of Tangguh.

Thus far, the relationship between BIN and BP has been positive. BIN has participated in the last two Joint Security Exercises at Tangguh as independent observers alongside the local government officials, TNI, Media and NGOs. Moreover, in several occasions, BP has participated in sharing sessions at BIN headquarter in Jakarta to discuss matters such as general security and ICBS.

As a signatory of the Voluntary Principles on Security and Human Rights, BP responsibly manages its relationship with host governments within the boundaries espoused and in compliance with local laws and regulations.

ICBS has been lauded by our internal and external stakeholders as the security strategy of choice given our operating environment and in consideration of local wisdom. Areas for improvement continue to be identified to ensure that ICBS is responsibly positioned to address the changing security dynamic. This includes but is not limited to information sharing with the authorities.

17. TIAP recommendations: BP should also emphasize in its communication with external stakeholders, especially with public security officials, that an important part of ICBS is maintaining good relations with the communities around the project based on mutual respect.

BP response: Agree. Our commitment towards ICBS is clear; thus, our communication with the authorities with regards to sustaining a positive relationship with nearby communities based on mutual respect shall reflect this commitment

18. TIAP recommendations: BP should engage directly with Genting on security arrangements, offer to share its experience with ICBS and invite Genting's security officials to observe the joint annual training exercise; it should also continue to urge SKKMigas and others to encourage Genting not to use TNI or police for site security.

BP response: BP has made material progress recently in sharing our ICBS experience and commitment to VPSHR with key external stakeholders including SKKMigas, Polda Papua Barat, and other oil and gas companies (including Genting) with business presence in the Papua Barat province.

BP is currently working in close conjunction with the said external stakeholders to establish a JUKLAP PAM HULU MIGAS, which will procedurally govern the nature, degree, and payment mechanism related to the provision of security services by the authorities. At the heart of this legal instrument is the commitment towards the principles of ICBS and VPSHR.

C. Electricity and Power

19. TIAP recommendations: In coordination with SKKMigas and working with PLN, BP should develop a phased schedule to expand electrification to every village where infrastructure is in place.

BP response: The state-owned electricity company of PLN as the sole power distributor in Indonesia has developed a plan to cover electricity in Bintuni Bay regency.

Tangguh supports PLN's effort as stipulated in the Supply Off-Take agreement and will continue to work closely with PLN in doing so.

20. TIAP recommendations In those areas where PLN must still build out the grid, BP should increase its support for diesel generation capacity so that, at the very least, public facilities such as schools and health clinics can count on continuous adequate power.

BP response: The principle of our new AMDAL is to work together with our stakeholders in our development programs. We are now in the stage of "working with" where the local government and the community should play a bigger role in fulfilling basic needs, including health, education and power.

Providing such temporary support may increase dependency and expectations that Tangguh should provide this long-term. We believe that the local government has the capacity to support most of these basic services and will continue to capacity build and focus to provide emergency support when needed.

21. TIAP recommendations BP should work with SKKMigas to make sure that the LNG can be provided for Papuan power as soon as it is technically and legally viable; it should provide or sponsor technical support to accelerate this development.

BP response: Agree. The Minister of ESDM has issued an LNG Allocation Letter to Papua Barat Province (including Teluk Bintuni Regency and Fakfak Regency) for electricity in Papua Region on June 18th 2014. Up to 0.16mtpa of LNG or equivalent to 20mmscfd gas will be made available for sale from Tangguh LNG to a BUMD. In the design of Tangguh Expansion Project, we also included a mini LNG jetty as part of the scope to accommodate the plan.

We are working closely with SKKMigas and ESDM to deliver this Gas to Power initiative especially to ensure that the local government will have the needed infrastructure around the same time of the Tangguh Expansion Project start-up.

D. North Shore Housing

22. TIAP recommendations BP should seek the support of SKKMigas and the new Bupati to commence the north shore housing restoration program in 2016, if necessary, even if final sanction of Tangguh expansion is postponed. It should also explore expanding the program, over time, to other north shore villages. The North Shore Housing restoration plan is still in progress and we are in alignment that this program may address the lingering North Shore jealousy issue.

BP response: Tangguh will support the project, which will be led by the Bintuni Regency government. We believe that working with the local government is the best approach to ensure ownership from the community and local government. We will continue the preparation and will further consider any change of the plan in due course.

E. Papuan Employment

23. TIAP recommendations: The recruitment of Papuans needs to be a core responsibility of a senior manager. Additionally, interim metrics should be established, on at least an annual basis, to measure the progress of each component and to adjust accordingly if targets are not met.

BP response: Agree. The Vice President (VP) of Human Resources is assigned to coordinate Papuan Development Program and monitor the progress, although decision rights on recruitment and deployment are with the respective VPs. The progress metrics will help quantify and focus the program.

It is also important to stress that we strive to achieve the target of 85% Papuan workforce by 2029. However, this is not exclusively achieved through hiring. As we optimise and make operations more efficient, reduction of non-Papuan personnel at site will also be a means to deliver the 85% target.

24. TIAP recommendations The retention and promotion of Papuan employees must also be the responsibility of a high level BP official, possibly the Vice President for Human Resources or the site manager for Tangguh. Specific metrics should be applied to gauge performance, and senior management should be held accountable. All senior managers should be required to become a mentor or a technical coach to a Papuan. All other managers should be encouraged to do so, and rewarded for doing so effectively.

BP response: Agree. The Vice President of Human Resources is assigned to coordinate Papuan Development Program and to monitor the progress. The progress metrics will help quantify and focus the program.

Structured development programs have been implemented since early 2015 to further improve nationalization and the Papuan development program in Tangguh LNG.

At the moment, the Operation's team is introducing the Tangguh Emerging Leadership Program which puts more structure into coaching and mentoring. Global Operations Organization (GOO) senior managers have openly offered mentoring opportunities for Papuan staff and will continue to support and encourage staff to take on the offer.

We are also establishing performance contract targets for managers on Papuan development and we are carrying out structured end of year appraisals and talent identification to help identify people ready for promotion based on merit. We will only promote people that are ready and have the technical and leadership capabilities to run a high hazard plant.

25. TIAP recommendations Management communication with Papuan employees should be increased and made regular. Papuan workers at Tangguh, or a representative designated group, should meet regularly with the BP senior manager responsible for Papuan retention and promotion

BP response: Agree. The operations leadership conducted quarterly town hall meetings and small team meetings to communicate updates, including about Papuan Development.

The Vice President of Operations has set up a Papuan steering committee to drive further Papuan development and assess frontline needs.

26. TIAP recommendations To the extent practical, Papuan employees of the major contractors serving Tangguh also should be included in these communications to give BP a better understanding of difficulties with its contractors' implementation of Papuan retention and promotion

BP response: Agree. We are implementing some improvements in our contracting strategy, within the boundaries and limitations of co-employment regulations, including:

- Strengthening wording in contract clauses to enforce implementations of development program and increase Papuan employment targets;

- Extending contract terms to 5 years which provides more time for contractors to deliver the program; and,
- Training the contract accountable management to performance manage contractors on Papuan Development.

F. Health Care

27. TIAP recommendations BP should continue to support the capacity of the kabupaten health office, and for the health clinics (Puskesmas) serving both north and south shore villages. BP should make clear to the new Bupati its willingness to continue supporting the improving health care capacity of the kabupaten.

BP response: Agree. It is part of our AMDAL commitment to continue the improvement of health services and increase local government capacity for them to manage and provide basic needs services. We believe that the sustainability of the best health services will be accomplished in this way with the local government leading the way and Tangguh continuing to support with capacity building.

G. Education

28. TIAP recommendations: The establishment of the first flagship school in Bintuni Bay should be BP's education priority with a target date of 2016.

BP response: Agree. We have concluded the gap assessment for the Tanah Merah Baru School to understand the scope and scale required to meet the flagship school standard. We have also included activities related to the flagship school in our 2016 activity set to progress this program.

We believe that the flagship school should fit well within the Papuan and Bintuni culture. Therefore, the preparation and initial concept are important aspects to developing the flagship school. This will be done thoughtfully and in coordination with the local government

H. Papuan Business Development

29. TIAP recommendations BP should take steps to increase local agricultural and fisheries purchases to 65% of Tangguh's operational needs, whether or not Train 3 construction begins in 2016.

BP response: Agree. We have committed in the AMDAL to increase local agricultural and fisheries purchases to 65% for Tangguh operational needs. This program is proven to be very effective in building a sense of ownership from the community and also in increasing local welfare.

Tangguh will continue to focus on local Papuan business development with a focus on the diversified growth strategy areas to create a bigger multiplier effect.

30. TIAP recommendations The Procurement and Supply Chain Management group at Tangguh should identify potential products or services that could qualify for non-competitive procurement and communicate the results broadly so that Papuan businesses can focus on serving these needs.

BP response: The Indigenous Enterprise Development Programme (IEDP) and Procurement and Supply Chain Management (PSCM) teams conducted an assessment in 2015 of potential products for non-hydrocarbon activities at Tangguh. However, as our social strategy changes to reduce community dependency on Tangguh, the IEDP team will not position Tangguh as the only market for the local economic program. We will continue to develop local Indigenous People's (IP) capacity and improve their competitiveness to ensure their products and services will be widely accepted in the local market, which includes Tangguh. This approach will support sustainability.

31. TIAP recommendations BP should continue to support the Business Development Service (BDS) in its efforts to create additional IP run businesses in Bintuni and other towns in the region but should emphasize training and coaching for the IP to avoid long term dependency on BP.

BP response: Agree. This is part of our AMDAL to focus on IP and also to minimize the possibility of marginalization. Supporting the BDS to create additional IP businesses, train, and coach the businesses will not only help improve the quality of life for the business owners and their families, but it is also important for the sustainability of the businesses.

Exhibit A. Status of TIAP recommendations

TIAP RECOMMENDATIONS FROM MARCH 2014 VISIT

Status December 2015

Topic	Issue and risk identified in TIAP visit	BP response April 2014	Action plan and status
Security and human rights	<p>1. As part of the renewal process of the <i>JUKLAP</i> (Joint Field Guidelines for Security), there should be increased socialization of Integrated Community Based Security (ICBS), particularly regarding necessary restrictions on fishing.</p>	<p>We agree with this recommendation. Socialization of ICBS is done in the necessary villages at least once a year. We will intensify this activity and include other villages as Tangguh Expansion Project activities in the bay increase.</p> <p>We are also strengthening the ICBS programme to be more systematic with processes-based approaches and clear key performance indicators. To improve ICBS performance, we need to involve internal and external stakeholders – such as the community and government apparatus. They will provide input and feedback on their expectations and contributions, which will become paramount to developing a roadmap for a more systematic and effective ICBS programme. To make an ICBS programme sustainable where we operate, it should be introduced and accepted by other similar industries in Papua in general, and Papua Barat in particular, with the support of related</p>	<p>This is an on-going activity.</p> <p>ICBS socialization including law awareness and exclusion zone (fishing ground restriction) was conducted regularly in several villages surrounding of the Tangguh project. The last law awareness sessions were conducted in Babo, TMB and Saengga villages during October – November 2015 in collaboration with Polda Papua Barat; More than 130 people participated including community leaders.</p> <p>In addition, an evaluation of ICBS implementation was completed in late Q3-2014 by LP3BH. It involved community representatives and key stakeholders in Bintuni and Fakfak. The assessment profiled the ICBS programme and measured stakeholder perception of its benefits. The assessment will help Tangguh to redesign and improve the future ICBS performance in the future, while still staying aligned with JUKLAP.</p>

Topic	Issue and risk identified in TIAP visit	BP response April 2014	Action plan and status
		government institutions.	<p>BP continues its effort to influence various parties to implement ICBS as a strategy to secure oil and gas industry projects, including through a sharing session with other operators such as Inpex Masela Ltd and Talisman, in 2014. During 2015, BP leveraged opportunities to share the best practice regarding ICBS implementation and the VPHSR concept with various audiences in several forums, including:</p> <ul style="list-style-type: none"> • Senior PSC Security Leadership Forum, facilitated by SKK Migas – June 2015 • Meeting at BIN (National Intelligence Agency) – June 2015 • Foreign Ministry Symposium on UNGP Business & Human Rights – September 2015
	2. There should be annual training for security guards' use of batons or other potentially harmful equipment.	<p>We agree. Our guards and the local police have received training on the appropriate use of batons on various security training occasions i.e. the Joint Exercise (JE), Voluntary Principles of Security and Human Rights (VPSHR) in-house training, and special security guards training.</p> <p>Recently, the Papuan police informed us that there is going to be a national police regulation stipulating that private security guards are no longer permitted to use baton sticks. We are immediately withdrawing all baton sticks from</p>	In line with the new police regulation, we do not use batons during security guard training.

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		our security guards and will adjust our training accordingly.	
	3. The Pangdam (Papua Military TNI Commander) should be encouraged to continue human rights training for TNI (Indonesian Military forces) troops that could be called to Tangguh in an emergency.	We agree. Together with the police, TNI troops in Bintuni are involved in human rights training on an annual basis. We will continue this practice going forward. To sustain this programme, we will continuously engage the Pangdam Papua as well as the Military Commander in Sorong.	Due to conflicting schedules, the implementation of the 2014 human rights training was postponed. We successfully conducted the human right trainings in October 2015 in Kokas and Fakfak township, involving 20 local polices.
	4. BP should work with the police to make the annual joint exercise a more realistic simulation. In addition, the joint exercise should continue to be held separately from human rights training or other activities.	The JE is intended to provide the local police (Polsek and Polres) with a dry run exercise of the JUKLAP and human rights guidelines, in which they have to handle a simulated demonstration. After the JE, we usually discuss the lessons learned with all participants and share what went well and what did not go well, in the spirit of continuous improvement. Before we undertake the JE this year, we will discuss the agenda and simulation scenario with the police and obtain feedback so we can produce a better, fit-for-	The annual joint security exercise (JE) was successfully conducted in Babo and the Tangguh site in late November 2014. It involved 86 people including local police, army and Tangguh security officers, two local NGOs (LP3BH and KOMNAS HAM), and six national and local journalists. To optimize the content of the training, the 2014 Joint Exercise has been separated from the in-house human rights training (IHT). However, the scope of human rights remained

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		<p>purpose and more realistic JE outcome.</p> <p>Tanggung will continue to hold the in-house human rights training (IHT) separately from the JE, as we have been doing since we started conducting the IHT and JE in 2008. During a JE, there will be a refresher human rights class. This is a reminder only and is not aimed at being primary training. This refresher is necessary to prepare the participants for the simulation as part of the JE.</p>	<p>an agenda topic in the JE.</p> <p>Meanwhile, the IHT was conducted in October 2015 involving 20 key security stakeholders in Kokas and the Fakfak Region. The training content includes an update on the Tangguh project, human rights issues, laws and regulations on violence, communication and negotiation skills, clash management, first aid, the ICBS concept and Tangguh social programmes.</p>
	<p>5. The grievance system should be continually socialized, among both affected villages and employees, to ensure that all understand it and can use it easily.</p>	<p>We agree. We have conducted the grievance process socialization in the villages regularly, including in 2013, and plan to continue this in the coming years.</p>	<p>Grievance procedure socialization continued in several villages surrounding Tangguh, using formal and non-formal mechanisms. This is so the village communities have a channel where they can raise their aspirations and concerns related to Tangguh. The Community Relations team also ensures grievance forms are available in the villages.</p> <p>During January – November 2015, grievance socialization was conducted in several villages surrounding Tangguh including TMB, Saengga, Otoweri and Onar. In addition, informal socialization of the grievance procedure was</p>

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			<p>conducted during social events in the villages. As many as 99 concerns were forwarded using the grievance procedure from January until October 2015. All concerns have been responded to within the time limit.</p> <p>Meanwhile, workers' grievance socialization was conducted separately and involved contractors through pre-employment induction events. Between January and September 2015, 13 concerns were received through the worker grievance system.</p>
	<p>6. BP should limit its support for police and TNI personnel activities in the villages to communications and public forums that inform the community on security, human rights and ICBS.</p>	<p>We agree and will do so accordingly. Tangguh will support the police and TNI personnel in communications and public forums that are directly related to their formal functions in line with ICBS.</p>	<p>At the moment, BP support to the Police and TNI is limited. It only relates to ICBS implementation, e.g., Communication Forum Police and Community (FKPM) strengthening in Saengga and TMB, and law socialization activities. The involvement and presence of police personnel during these activities is needed to provide mentoring and capacity strengthening to community members, and so they can deliver information related to laws and regulations.</p>

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	<p>7. BP should have a plan to shut down the facility if there is a successful cyber-attack, and should resist providing any external parties' access to its operating systems.</p>	<p>We have a procedure to handle situations should our control system become inoperable (due to various reasons including cyber-attack). The power will be switched off and the plant shut down. There is no access from external parties to the facility operating system. The control to prevent attacks is already in place. For example, we have a firewall which is managed and controlled centrally. Additional information cannot be shared for security reasons.</p>	<p>The procedure is ongoing, and is implemented through the IT system.</p>
<p>Programmes for the Directly Affect Villages (DAVs) and Teluk Bintuni</p>	<p>1. The CAPs provided unique and important benefits for the DAVs. Although they will be discontinued in 2014, replacement discretionary benefits for the most affected coastal villages should continue.</p>	<p>We agree. As per the existing AMDAL, the CAP programme in the DAVs has been delivered for 10 years as promised and will be discontinued in 2014. The CAP has built skills in the community for participatory planning, delivering and evaluating the village development programme using the allocated funds from Tangguh. In the new AMDAL, we plan to use a different approach. This will focus on the indigenous people living in the surrounding Tangguh operating area being beneficiaries of the programme. Tangguh will allocate replacement discretionary funds for community-driven programmes that can be accessed by the community. In addition, Tangguh will continue to support the participatory planning in the Musrenbang (government process for budgetary planning) from village to regency level.</p>	<p>We have been working with the community to implement the remaining CAPs programme which will be finalized in early 2016. Programmes have been implemented in Tofoi, TMB, Saengga, Otoweri and Tomage.</p> <p>We are currently working with UNDP and the local government on the best approach for the community to access discretionary funds, beginning in 2016. It is important to do this in a manner which does not increase expectations for a new CAPs programme to avoid jealousy or misunderstanding.</p> <p>Support for the participatory planning in the Musrenbang will be included in the new governance contract in 2016.</p>

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	<p>2. New or renovated housing for north shore villages should be a long-term priority. BP should support this programme by producing lumber from felled trees at the LNG site.</p>	<p>We agree. Tangguh will support the house renovation project in co-operation with the Teluk Bintuni Regency Government. We are currently working with consultants from LAPI-ITB on the initial assessment and survey. We are also starting the formal process with the local and central government to release timber from TEP tree-cutting in a timely manner, so that the timber can be used.</p> <p>We have made progress on the North Shore House Restoration with a Memorandum of Understanding (MoU) signed on 5 December 2013 by the Teluk Bintuni Regent and BP in Bintuni; basic data and information for the pre-feasibility study being collected in the Weriagar community; and a kick off meeting held in Jakarta on 9 May 2014 to mark the commencement of the feasibility study for the North Shore House Restoration programme. The meeting was attended by the Regent, along with senior officers from Teluk Bintuni Regency, SKK Migas and BP.</p>	<p>The North Shore Housing project has progressed significantly, including:</p> <ul style="list-style-type: none"> • A completed pre-feasibility study to capture the actual house and public infrastructure condition. • BP and Head of Teluk Bintuni Regency signed a Heads of Agreement (HoA) for the House Restoration Funding Assistance Programme on 9 June. • PT LAPI-ITB also completed the Preliminary Design Report for Housing to mark the first stage of the Weriagar Housing FEED deliverables, including housing 3D model, layout and schematic sections, and the ideal size for the house project. • Gathering data for FED infrastructure is continued. <p>Several meetings with key stakeholders including SKK Migas, BPK and local government were conducted to develop the cooperation scheme mechanism.</p>
	<p>3. Electrifying all the DAVs and Babo should be the highest near term priority. Until PLN can install grid-based electricity, BP should</p>	<p>We agree. BP is coordinating closely with PLN, local government and UP4B to monitor the progress in distribution of the transmission cables to the DAVs in the south shore and north shore. We have also instigated efforts to assist</p>	<p>PLN is progressing with electricity installation in the remaining villages. Meanwhile, to support electricity supply in Babo area, Tangguh lent a generator that is operated and maintained by the local government. Tangguh also provides</p>

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	<p>support temporary diesel based power generation in Babo.</p>	<p>Teluk Bintuni Regency with improving electricity supply in the Babo area. The near-term plan is to lend a diesel-fuelled power generation unit (genset) which will be operated and maintained by the Teluk Bintuni Regency. We expect that the genset will start to generate electricity within a few months. The long-term plan is to encourage PLN to extend electricity supply coverage (under the Agreement to Supply and Offtake Electric Power between PT PLN (Persero) and Tangguh PSC Contractors, signed on 3 December 2013) to include the villages within Babo Districts. For the mid and long-term measures, we will co-ordinate closely with PLN and Pemda Teluk Bintuni to explore the best way to extend the PLN electricity network from the PLN substation near Tangguh to Babo.</p>	<p>technical assistance for generator maintenance and to ensure power supplies for Babo continue.</p> <p>Currently, the generator has been functioning well and producing 12 hours' power per day for the Babo community.</p>
	<p>4. As the health care programme is expanded, BP should first focus on improving capacity and facilities at Babo, including emergency care capabilities, long-term personnel capacity and emergency transportation to Bintuni or elsewhere.</p>	<p>We agree. We have identified several challenges related to health in Babo and Bintuni:</p> <ul style="list-style-type: none"> • The community has limited awareness and knowledge about high-risk pregnancies. In many instances, local people treated high-risk pregnancy patients at the health centre or even at home – although they should have been brought to the hospital. • Lack of reliable transportation to respond to emergency and referral cases due to unavailability of fuel supply and poor boat 	<p>BP is still supporting the development of emergency referral services for Bintuni region, in collaboration with the Teluk Bintuni Regency Health Office.</p> <p>During 2014, BP developed a PONED service in Babo Puskesmas. The programme aims to provide comprehensive services for high-risk pregnant women and childbirth. The support includes provision of infrastructure and medical facilities and capacity strengthening for the</p>

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		<p>maintenance in Babo and Bintuni.</p> <ul style="list-style-type: none"> • The Babo Health Centre, where the personnel have been trained, is still unable to provide the expected level of services due to lack of team confidence, on-going facility construction and unavailability of medical equipment (some is being procured). • Bintuni Hospital management and services still has a gap in managing maternal and neonatal emergency cases. • Transit House/Rumah Singgah is provided and managed by the Regency Health Department in Bintuni. It temporarily hosts women with high-risk pregnancy cases from all villages who plan to deliver their babies in Bintuni hospital. The occupancy of this facility is considered low due to lack of management. <p>To address the above challenges, Tangguh is supporting the health centre in Babo. We are upgrading the capacity and facility of the Babo Health Centre to enable them to manage obstetric and neonatal emergency cases (PONED), due to be completed in Q4 2014. The Tangguh Community Health Department had discussed emergency transportation with the Regency Health Department. We were told that while Babo Health Centre has had a boat for a few years, the engine had been broken. However, the Regency Health Department has</p>	<p>health providers. We trained seven personnel from Babo Puskesmas in Jakarta and LKKB provided comprehensive mentoring after the training. Technical assistance is provided until now.</p> <p>Currently, the facility has been functioning and providing a 24 hour service for pregnant women with emergency cases, particularly in the south area villages.</p> <p>Recently, a similar programme has been developed for Aranday Puskesmas to cover emergency issues in north shore areas. We trained the community health providers in Aranday Puskesmas in early 2015. The support will be ongoing.</p> <p>In addition, the Tangguh community health team also provided technical assistance for RSUD Bintuni to be a central referral hospital for pregnant women with emergency cases.</p> <p>The local government has prioritized maternal and child health issues, demonstrated by the increasing budget allocation for this programme. They have also adopted the PONED programme for the Manimeri and Bintuni Puskesmas, fully supported by the local</p>

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		<p>recently bought a new boat engine for Babo Health Centre and also is providing stand-by fuel budget for emergency transportation to Bintuni Hospital.</p> <p>Our team at the Babo district, led by the MCH Programme Manager, is working closely with Babo Health Centre, the Regency Health Department and other stakeholders in Babo. Together they will ensure the health centre has the capability and facilities to handle obstetric and neonatal emergency cases (PONED), as well as making sure the transportation to Bintuni is well maintained.</p>	<p>government budget.</p> <p>It is clear that in the Community Health programme, the 'work with' strategy is being applied. This will help Tangguh's programmes with local government to be more sustainable.</p>
	<p>5. BP should continue to build capacity of the Regency education department, continue its support for primary education in the affected villages, support incentives to retain effective teachers for longer periods, and focus its new education partnership on development of flagship secondary schools.</p>	<p>We agree. Our education programme will continue to support the regency education department in providing quality primary and secondary education in Teluk Bintuni. This includes: Providing teachers and their houses, school infrastructure and facilities, scholarship and education aid, capacity building for education agency and local implementation partners, teacher training and support for flagship schools, boarding houses, and internet access in schools</p>	<p>During 2015, BP continued to support improving the quality of education in Bintuni including:</p> <ul style="list-style-type: none"> • Continuing to support the development of an education programme strategy for Teluk Bintuni and Fakfak • Providing scholarship and education aid • Improving capacity for three local education foundations. <p>BP facilitated an education workshop in December 2014 and January 2015, led by the Education Regency Office of Teluk Bintuni and Fakfak, and involving key education stakeholders. The workshop provided strategic</p>

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			<p>recommendations and input to improve education in Teluk Bintuni and Fakfak, as well as agreeing education programme strategies for Tangguh in the future.</p> <p>Scholarship and education aid for selected local students continues. In 2015, 89 local students received full scholarships from Tangguh at the university and high school levels. Meanwhile to strengthen the local university capacity, we partnered with UNCEN and UNIPA through several programmes including a teacher apprentice programme and research to meet Tangguh needs.</p> <p>BP also supported the allocation of additional teachers to fill the gap in teacher numbers in the villages. Currently, as many as 32 teachers have been recruited to support teaching and learning activities in several schools in the affected villages surrounding Tangguh.</p> <p>Moreover, flagship school development is in progress. We plan to develop the TMB model school as a basis of the flagship school programme. An assessment to define the gaps has just been completed. The full report is expected in 1Q-2016</p>

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	<p>6. BP should resolve stocking point pickup and payment issues with Indocater and co-operatives in the villages that purchase the products from the community before selling it to Indocater. If it cannot, it should include requirements addressing these complaints in any extension of these contracts.</p>	<p>We agree. We will provide financial mentoring to the co-operatives. We will also facilitate discussions between Indocater and co-operatives and also among co-operative members to resolve any disputes on financial management, supplies or payments. This includes facilitating a dialogue between Indocater and co-operatives on the payment terms of the contract, to come to a common understanding and agreement to ensure sustainable trade/business transaction through the livelihood programme. The requirements for the catering company to address complaints from the community can be included in the contract and Tangguh will support the discussion as needed.</p>	<p>The livelihood team continues to give co-operatives in the villages, technical assistance to participate in the Tangguh supply chain programme through the stocking point activities. They are also ensuring there are no issues related to outstanding payment between Indocater with the co-operatives. However, the pick-up process for community products is still challenging due to limited boat availability to support the programme.</p> <p>We facilitated contract renewals between several co-operatives in the villages with Indocater to maintain the supply process, including making an adjustment to the price of the commodities supplied.</p> <p>To increase co-operative capacity in managing the business, we trained the co-operatives members in business management and financial aspects in April 2015.</p>
	<p>7. Livelihood development and household economic management programmes should be continued for the long-term, looking to develop added value products. Their long-term vision should be toward creating a sustainable and self-reliant household economy. This will sustain the household economy from</p>	<p>We agree. Besides expanding the livelihood programmes to increase market and productivity for the local community, Tangguh also continues to provide training on household economy and managing funds. During training we promote using household income wisely and the practice of saving. This is especially important because we plan to increase local participation in providing support to Tangguh through the Indigenous Enterprise Development Programme (IEDP), which will further increase their incomes.</p>	<p>The economic development programme continues to provide opportunities for indigenous people in various livelihood programmes.</p> <p>In the primary sector, we are strengthening community capacity in fisheries and agriculture in order to maintain local product supply to Tangguh catering's demand, and for local market needs. The programme continued to</p>

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	adverse, cumulative impacts of the multiple development projects that will come in to this area.		provide technical assistance including expanding new markets for their products outside the village, and training in product harvest processing.
	8. BP should support motor or electrical repair shops in each DAV where needed.	<p>We agree. Tangguh has supported the training and establishment of the engine workshops in Taroy and Saengga so that villagers can fix their boat motors and electrical generators themselves. We will support local communities who are interested, and have the potential, to establish motor or electrical repair shops in other villages. This will be part of the overall IEDP that will provide opportunities for Papuans to develop skills and compete for business opportunities from the growing industry in Bintuni and Fakfak.</p> <p><i>*Action plan and status update for recommendation 8 is combined with that for number 7, as the activities are part of a comprehensive strategy related to developing indigenous peoples' livelihood skills, including through training, capital and preferential opportunities.</i></p>	<p>Total transactions with the stocking points for Tangguh catering from January to November 2015 reached more than US\$ 550,000. Overall supply since 2008 is around 1,797 tons with an approximated value of more than US\$ 3.9 million.</p> <p>The programmes provided benefits for local people to improve their household income and welfare.</p> <p>To take advantage of the economic and business development in Bintuni, as well as to fulfil Tangguh demands, the IEDP programme has initiated a larger scale business development programme for indigenous people.</p> <p>The IEDP programme trained 30 indigenous women from the Bintuni area in clothing manufacturing in Bandung, West Java. In addition, another 11 indigenous young people were trained in AC maintenance in Jakarta from June to July 2015 (40 days).</p> <p>After technical training, they will receive comprehensive mentoring in business</p>

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			<p>development in Bintuni. Learning from the bicycle workshop programme, however, the IP business development is a challenge and will need comprehensive assistance to ensure the businesses will be operational and sustainable.</p> <p>The programme continues to seek various potential business opportunities for indigenous people who are interested in being entrepreneurs. It will provide technical assistance in business through the Business Development Service Unit. This unit is replacing some BHBEP programme activities that were implemented from 2006.</p>
	<p>9. The biennial census/survey formerly conducted by UGM should be continued to monitor progress in the livelihood programme. To increase its usefulness, the census should also monitor the trend of spending (consumption and investment) and savings by the community.</p>	<p>We agree. The biennial census/survey will be continued to monitor the progress of social and economic development in Bintuni including the outcome of the livelihood programme. In the 2013 socio-economic census/survey we started to extend the scope to include Fakfak. We will also analyse and monitor the trend of spending and savings to understand if there is change in the way the community manages its income towards being more self-reliant</p>	<p>The next census/survey is planned in early 2016. It will include updated social data related to the household income and consumption trends.</p>
<p>Papuan employment, training and</p>	<p>1. BP should pursue its new Papuan Operations and Maintenance (O&M)</p>	<p>The new Papuan O&M technician development programme is in progress. The development programme will take three years and is currently</p>	<p>We have an agreement with PT. Petrotechnic to support the apprentice programme for operation. A kick-off meeting for contract</p>

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procurement	<p>Technician Development Programme aggressively to meet hiring needs for current operations and future operations. It should also support the development of trade centres in Papua to deliver skilled Papuans for BP and its construction contractors' hiring needs.</p>	<p>being prepared. The market assessment to identify a qualified training service provider is in progress and the bid is being conducted. The target is to have the selected service in place by Q4 2014. The technicians will be selected soon, with priorities being the indigenous people in Bintuni and Fakfak.</p> <p>BP has done the market assessment for local training facilities within Papua and identified a few potential good vocational schools in Papua Barat that have good facilities and curricula for some trades. Further evaluation will be done to identify the trades required for project activities – and for routine maintenance activities.</p>	<p>implementation (technician apprentice induction programme) was conducted at the end of July. They will provide a six month induction on the oil and gas business to the 40 participants. At the end of August, 800 applications for the Tangguh Apprentice Technician programme were received.</p> <p>In addition, BP has developed a three year collaboration with Polinef Bandung to improve the quality of Fakfak polytechnic as a standard vocational school. The Fakfak polytechnic will develop qualified skilled people to fulfil workers demand for Tangguh construction as well as other industries.</p>
	<p>2. BP should continue to provide English language training to all participants who seek it. It should explore whether there is demand for this programme in Sorong, Fakfak or other locations.</p>	<p>We agree. We will continue the technician training programme and implement some improvements to ensure that the technicians have the right education and skills. We are going to partner with the local trades centre in Papua who will provide the training for the feeder pool of technicians.</p> <p>We will monitor the attendance and progress of the English language training in Manokwari and Jayapura. If the programme is successful, we will offer it in other locations (e.g. Sorong or Fakfak). In addition, BP has established the</p>	<p>Upstream Learning has just awarded a new contract to continue the English language training for Papuan workers on site.</p> <p>English courses off-site, for example in Jayapura or Jakarta, are also paid for by Tangguh for other workers, such as CRP team members, who take lessons during their off-duty schedules.</p>

Topic	Issue and risk identified in TIAP visit	BP response April 2014	Action plan and status
		upstream learning team, which will support the effective execution of English training.	
	3. BP must explain and enforce Papuan hiring targets on its contractors, including financial penalties for failure to meet agreed upon targets.	<p>As part of the tender process, Tangguh will explain the Papuan hiring targets to contractors. This is carried out as part of the onshore contract Invitation to Tender (ITT) evaluation process where the AMDAL commitments are prescribed. Contracts will include specific requirements to meet the Papua hiring targets and Tangguh will implement performance management measures to enforce delivery of these targets. This will incorporate lessons learned from the Tangguh trains 1 and 2 construction phase.</p> <p>We also monitor the commitment of our existing contractors in Operations to recruit and develop their Papuan workforce. In the past two years we have managed to intervene with our main contractors to provide greater support for Papuan development.</p>	<p>We are closely monitoring our progress on the policy to achieve 85% Papuan workers by 2029. We also maintain our Papuan development programme which includes training and development implemented by the contractors.</p> <p>According to workforce data, in November 2015 we achieved appx. 54% of Tangguh operation personnel being Papuan, and 22% being indigenous people. As many as 89 Papuans have reached supervisor or manager positions in Tangguh.</p> <p>Priority for all recruitment and training programmes continues to be given to ethnic Papuans, particularly those defined for Tangguh as indigenous people, and other Papuans from the Bintuni Bay region.</p>
	4. Priority for all Papuan recruitment and training programmes should be given to ethnic Papuans, particularly those from the Bintuni Bay region.	As defined in the TEP AMDAL, the targeted beneficiaries of Tangguh programmes will be the indigenous people (IP) in the four tribes from the villages surrounding Tangguh in Bintuni and Fakfak. This is a change in focus of the new AMDAL from DAVs to indigenous people. The definition of IP for Tangguh will not only include ethnic Papuans, but also those who are not ethnic Papuans but have been living for a long	

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		<p>time in the village and have been accepted as part of the community. We will prioritize and target the recruitment and training programme for the ethnic Papuans in the four tribes from the surrounding villages. However, we cannot exclude the non-Papuan ethnic if there are not enough or no qualified ethnic Papuans to be recruited.</p>	
	<p>5. BP should focus its business empowerment programme on those supplies and services that will be needed during construction, and encourage its EPC contractor and its subcontractors to use these firms, where possible. It should consider a preferential system for firms that meet BP standards.</p>	<p>The IEDP will focus its training and empowerment programme on local enterprises to supply goods and services needed for Tangguh operations and the expansion project as well as creating opportunities for local indigenous firms in other markets in Papua Barat. Working with PSCM (Procurement and Supply Chain Management), IEDP will develop certain criteria to assess whether an indigenous firm is competent and can be prioritized by Tangguh contractors to supply goods or services.</p>	<p>The IEDP programme facilitated the establishment of a Business Development Service (BDS) unit to support indigenous entrepreneurs as they develop their businesses. The BDS will also give them technical support to meet criteria and standards of supply chain business for oil and gas companies as well as other business opportunities in Bintuni and Fakfak regions. The BDS unit was launched at the end of August and the secretariat is located in Bintuni.</p>
<p>Government and public affairs</p>	<p>1. BP should continue its engagement with leaders throughout the construction period, including maintaining regular contact with the <i>Pangdam</i> and the <i>Kapolda</i>.</p>	<p>We agree. We will maintain our engagement with leaders in the government, including the <i>Pangdam</i> and <i>Kapolda</i>, throughout construction and post-construction.</p>	<p>The engagement with <i>Pangdam</i> and <i>Kapolda</i> is an ongoing process. In Q2 2015 several meetings were held with the incoming heads, to inform them about Tangguh and ICBS.</p>

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	<p>2. BP public affairs should engage regularly with key media, and employ social media tools to communicate more effectively.</p>	<p>We agree to engage regularly with key media at a national and local level through appropriate communication channels. These will be selected based on a thorough assessment of the risks and benefits involved.</p>	<p>Increased media engagement continues. BP developed social media as a channel to inform people on Tangguh updates and to actively involve them in providing input for Tangguh. We also maintain conventional communication channels such as stakeholder visits to Tangguh site and KADATE to provide clear information regarding the Tangguh project and its developments.</p> <p>During 2014, we hosted two local and four national media visits to Tangguh site. They were involved in our social events as observers. This also allowed BP to promote our social programmes and to give an update on Tangguh and the expansion project.</p>
	<p>3. BP should make Tangguh a more visible leader in community development.</p>	<p>We believe that the government and community should be the main leaders of community development in Bintuni. However, Tangguh remains committed to empowering and enabling the community and local government to lead the development. Tangguh will also facilitate more involvement and support for development from other PSCs operating in the Bintuni bay area.</p> <p>In addition, we are increasing our campaign through national and local media regarding Tangguh's contribution to social development in Bintuni, as well as our plan to further improve the welfare of the wider community in Bintuni,</p>	<p>The Tangguh Sustainable Development Programme (TSDP) updates and elaborates on the previous Integrated Social Programmes. It is a framework for meeting our AMDAL commitments for impact management, as well as for fulfilling the wider vision of Tangguh being a catalyst for sustainable local development. The 2015 MOU process on TSDP helped raise the local government's awareness of Tangguh's contributions to community development. Through ongoing media engagement, we continue to share programme activities and achievements.</p>

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		Fakfak and Papua Barat (as stated in the new AMDAL)	
	4. Stakeholder forums should be resumed every year in Bintuni Bay, seeking input from government, civil society, and other interested parties. BP should also maintain a programme of visits to the LNG site by village leaders during construction.	From 2012 to early 2014, Tangguh conducted intensive stakeholder engagements with the community, local government and NGOs as part of the TEP AMDAL process including holding public consultations for 62 villages in Bintuni and Fakfak. Tangguh also supported the AMDAL public hearings in Bintuni in December 2013 and February 2014, led by the Ministry of Environment (MoE), which involved more than 200 participants from the villages, NGOs and local government. In the future, as committed in the AMDAL, Tangguh will conduct regular consultations with government, civil society, community, media and other interested parties. The stakeholder engagement will also include visits to the LNG site by village leaders and local government.	<p>A consultation meeting with key stakeholders was held in early 2015 in Bintuni. The meetings were to engage the local government so they could input into Tangguh social projects for the next five years.</p> <p>The Head of Regency of Bintuni facilitated this event. It involved all districts in Bintuni and key sectors related to the TSDP programme.</p> <p>Community leader visits are conducted annually. In 2015 they are planned for the end of August.</p> <p>The Oil and Gas Communication Forum (FKM) for Pernalu (eastern) region under SKK Migas is currently led by a Tangguh representative. In Q2 2015 a planning meeting was held, and oil and gas socialization for other sector stakeholders is planned.</p>
Governance and transparency	1. Long-term support for more effective governance and transparency at the <i>kabupaten</i> level is essential for Tangguh's social programmes to succeed and for Tangguh revenues to be used soundly. For effective implementation, BP should	We agree. Governance programmes are critical to successfully creating sustainable development in the region. We are making a few smaller bridging contracts to avoid gaps in implementation while the main governance contract is being tendered.	<p>A long term contract for the governance programme is being developed to align with local needs and the new TSDP strategies.</p> <p>A series of meetings with Bappeda were conducted in early 2015 to define and gather input on the future of governance programme.</p> <p>In addition, the Partnership for Governance Reform (Kemitraan) carried out a gap</p>

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	avoid hiatuses and disruptions in the programme.		<p>assessment of the governance programme in June 2015. The final report and recommendations were completed in September 2015.</p> <p>We are also looking for opportunities to collaborate on the governance programme for the future with key stakeholders such as UNDP. Several discussions were conducted between Pemda, Tangguh and UNDP to share ideas and formulate new strategies to strengthen the governance programme in Bintuni for the long term.</p>
	2. BP should focus its support for the <i>Papua Barat</i> provincial government on greater transparency and accountability.	We have provided several workshops for the Papua Barat provincial government on the oil and gas industry and revenue sharing. We also supported EITI to hold a transparency seminar for the provincial government in 2012. For future programmes we will consult the Papua Barat provincial government and offer capacity building for the officials to support transparency and accountability.	In April 2015 we successfully facilitated a workshop on the oil and gas industry and revenue sharing for parliament members of Teluk Bintuni regency. Transparency and accountability were included on the agenda. The event involved the Ministry of Finance, SKK Migas and the EITI secretariat. Feedback from the participants was positive. A similar event was conducted in September 2015, targeting key stakeholders at the provincial level in Manokwari. SKK Migas Pamaru provided full support in facilitating the event.
	3. BP should consult with the World Bank or other capable organization, the Governor and the <i>Regent</i> to determine	We will consult with the Regent and Governor to determine if they would be willing to perform an expenditure analysis by the World Bank or another appropriate organization. We plan to do	As part of the Kemitraan contract scope, they are conducting an expenditure analysis for Bintuni and Papua Barat budgets. Preliminary work has been conducted to get an overview of

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	<p>whether an expenditure analysis of their respective budgets could be conducted.</p>	<p>this during our consultation with them on the governance programme for the Regency and Province.</p>	<p>the concepts and to gather secondary information from local and national sources. The study required the regency and provincial governments to be fully involved to define the budget structure in detail. The study was completed in September 2015. We are awaiting the report which will include an analysis of the budgets, transparency and accountability.</p>
Revenue management	<p>1. BP should support the local government's use of a portion of the fund established by the Perdasus on natural resource revenue sharing for recognition of any legitimate adat claims relating to tribal ownership of natural resources.</p>	<p>We agree that the adat community's rights need to be respected. When the Perdasus DBH is in place, there will be subsequent special regional by-laws that need to be issued by the provincial and regency government. These will implement the Perdasus as well as deliver their intention to recognize legitimate adat rights of natural resources, using the revenue sharing established by the Perdasus. Tangguh will offer support to sponsor the local university to provide the academic paper for the aforementioned special regional by-laws</p>	<p>The implementation of Perdasus is on hold until the Governor and the House of Representatives of Papua Barat legalize it. We continue to raise the issue with government representatives at every opportunity, advocating for this to progress. In the context of agreeing a response to the Rp 54 billion claim, the Perdasus ratification is an ongoing discussion item.</p>
	<p>2. BP should assist the formation and capacity building of the management of the entity that will administer the trustfund for the 10 % allocation of the oil and gas revenue split by the perdasus.</p>	<p>We agree that the trust fund needs to be managed properly. The local government and community should lead the formation of the entity and Tangguh can provide support. Furthermore, the management of the adat trust fund will be up to the adat trust fund institutions. Tangguh can provide capacity building for the institutions.</p>	<p>Since the Perdasus has not yet been ratified, no adat entity has been appointed to manage the 10% trust fund. Once ratified, Tangguh LNG will provide support as agreed or as appropriate.</p>

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	<p>3. BP should encourage the Governor and the <i>Regent</i> to implement the transparency and accountability provision of the <i>Perdasus DBH</i> by supporting an expenditure analysis of all natural resource revenues transferred to the province.</p>	<p>As mentioned above, we will consult the Regent and Governor to determine if they would be willing to perform an expenditure analysis as part of implementing transparency and accountability. However, the transfer of DBH (revenue sharing) to the province is pooled as natural resource revenue sharing (DBH SDA), i.e. not specific to Tangguh or other projects, which means that detailed tracking of Tangguh DBH at the province and kabupaten level is difficult. The expenditure analysis can be done on the whole provincial or kabupaten budget or on the revenue sharing of all natural resources (DBH SDA) as well as on the portion for adat recognition.</p>	<p>The budget expenditure analysis is expected to capture all funds received at the provincial and regency levels, including funds transferred from the central level as natural resource revenue.</p>
Environment	<p>1. BP should commit the resources needed to eliminate any occurrence of non-compliance so that it can achieve green and ultimately gold status in its environmental review by MoE.</p>	<p>Tangguh will give its best effort to aim for Green status in 2015 and then hopefully Gold by 2018. Tangguh is committed to fully complying with the AMDAL requirements and applicable Gol regulations on the environment. We have achieved the Blue Proper rating twice in a row – in the first Proper audit (government audit on a company’s social and environment compliance in AMDAL) for Tangguh in 2012, and in the second audit in 2013. According to the MoE Proper guidelines, a company should achieve Blue rating three times in a row. It should also provide evidence to show improvements, to demonstrate that the company has an environment and social programme beyond the minimum compliance requirement before it can be eligible for a Green rating. Then to reach Gold</p>	<p>There will be an AMDAL review by MoE (Proper) in 2015. Because Tangguh has received Blue rating three times in a row, the format of the review will be self-verification only without a visit to the LNG site. MoE will inform us if Tangguh is a candidate for the Green rating.</p>

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		<p>rating, the company needs to maintain the Green rating three times in a row. Gold rating is the highest achievement in environmental compliance, which requires 100% compliance in all parameters – without exceptions. So far two hydrocarbon companies with more than 15 years of operating experience have received the gold rating.</p>	
	<p>2. The regular survey of fish, shrimp and crab resources in Bintuni Bay as well as environmental monitoring should continue, so that any impacts from construction and future operations may be measured.</p>	<p>We agree. We have been conducting regular environmental monitoring and surveys of fish, shrimp and crab resources in Bintuni Bay. With regards to the baseline study on contaminants prior to TEP construction, we have included this as part of the environmental baseline survey in 2012 and 2013.</p>	<p>The next fisheries survey is planned in 2016.</p>
	<p>3. BP should explore with SKK Migas options or new technology for reducing CO₂ emissions.</p>	<p>Tanggung feed gas from current wells (in VR-A and VR-B platforms) contains about 12% of CO₂, while for the Tangguh Expansion Project, the estimate is up to 15% of CO₂. This means that increased production will generate increased CO₂ emissions. We agree with the recommendation to work with SKK Migas to monitor new technology, which can be considered as an option for GHG emissions in future.</p>	<p>We are working together with SKK Migas to see if there is any new technology for CO₂ management. However, currently there is no update that can be reported.</p>